

Improving the Audit Function SUPPORT TO THE OFFICE OF THE AUDITOR GENERAL OF THE FEDERATION (OAuGF)

During the Prime Minister's Anti-Corruption Summit on 12 May 2015, David Cameron pledged his support to the Buhari Administration in its fight against corruption. Following this, in October 2015, the UK Government through its UK Aid funded PDF II Programme in Nigeria began a two-pronged approach to supporting the OAuGF. The first was targeted embedded technical assistance and the second, aimed at skilling-up staff of the Supreme Audit Institution through the UK National Audit Office (NAO). In February 2017, two Embedded Advisers were provided to build on the ongoing support from 2015, and they began to work with pilot Financial audit and IT audit teams to provide the necessary technical assistance required.



ABOUT US

Policy Development Facility Phase II (PDF II) is a flexible, rapid-response programme funded by the UK Aid Department for International Development (DFID). The primary objective of PDF II is to provide targeted assistance to support Nigeria's 'champions of change' across the Federal Government to implement economic and social reforms that lead to poverty reduction. This is done through the provision of high quality organisational support and high quality policy research to build the evidence base for this support.





ROAD TO CHANGE

The OAuGF is the Supreme Audit Institution and the foremost statutory accountability office of Nigeria solely responsible for the audit of public accounts of the Federation. One of the key priorities of the administration of President Muhammadu Buhari is an effective fight against corruption on all fronts and the establishment of transparency and accountability in public financial management. The OAuGF as the accountability office of the Nation therefore has a key role to play in this regard and should be in the forefront of this agenda. However, the many challenges it has had to grapple with have made it operate well below its mandate. Some of these challenges include, resource constraints (management problems, lack of capacity, staff demotivation, limited financial resources) and a lack of financial and operational independence from the Federal Executive, which has eroded the quality of the audit function for decades. The audit law for the OAuGF, which should guarantee its independence, is still not in place. The previously ineffective relationship with the Public Accounts Committees (PACs) of the National Assembly and other external stakeholders further compounded the challenge.



KEY CHANGES



Engagement with PACs: Following a PDF II funded retreat between the OAuGF and the PACs in 2015, areas for improvement in the working arrangements and relationship were identified and an agreement was reached amongst both sides to work better. With more recent support through the engagement of the new Embedded Advisers in 2017, the OAuGF now has a PAC engagement Strategy and better relations with the PACs. A follow-on retreat took place in July 2017. The aim of this second retreat was to assess progress and seek firmer commitments from all sides to work better together. The retreat was a huge success, with the turn out of the PAC members and their enthusiasm throughout the event, which helped to build up momentum for a better working relationship with OAuGF. There was sufficient demonstration of political will during the retreat to get the audit bill passed. In November 2017, PDF II funded a study tour of some members (Chairmen, Deputy Chair of Senate PAC and Clerks of both committees) of the Nigerian PACs, to the UK to see how the UK PAC functions and works closely with the NAO to achieve accountability for UK tax payers. The visit contributed significantly towards fostering the relationship between the OAuGF and the PACs. As of May 2018, the Audit Bill has been passed by both houses of the National Assembly and is currently undergoing necessary process before transmission to the Executive for assent by the President.

Publication and Operationalisation of a Regularity Audit Guide:

Under the on-going UK Aid supported reforms, a Regularity Audit Guide tailored for the OAuGF has been produced. Six Pilot Financial Audits have been completed. These have helped to train selected auditors in the application of the new audit methodology, and a second set of pilot audits are underway. The audits are under the supervision of the UK NAO, which is providing support as delivery partners under UK Aid sponsorship. The OAuGF staff trained through the pilot audits are currently trainers to the remainder of the OAuGF audit staff.

Improvements in other areas of audit (Performance and IT Audit)



Three Performance audits and four IT Audits have been initiated. The outputs from these audits, along with the reports from the six pilot regularity audits will mean that for the first time in its existence, the OAuGF will issue a significant number of audit reports cutting across regularity, performance in budget execution, and IT systems in one audit year. These audits and their reports will boost the profile of the Office, improve the variety of submissions to the National Assembly, and provide an opportunity for staff to learn and practice new skill sets. More specifically, they will demonstrate the OAuGF's improvement in capacity and help move the OAuGF up in the AFROSAI-E ICBF assessment[1].

Publication and Operationalisation of the Quality Control & Assurance Manual



A Quality Control and Assurance Manual has been prepared and is ready for publication. A selection process has been undertaken to identify 10 staff for the OAuGF's first Quality Assurance Unit, and a workshop for all auditors was conducted to launch and circulate the Quality Control & Assurance Manual. The PDF II funded Embedded Technical Adviser is also providing training for members of the unit.

Training in Accruals based International Public Sector Accounting Standards (IPSAS) and the Risk Based Audit (Regularity audit)



Delivery of Office wide training in both areas is one of the activities under the on-going UK Aid support. The Office has set up an IPSAS implementation Committee with the support of the Embedded Advisers, and is also working closely with the Accountant-General for the Federation to map out its approach to the audit of IPSAS based Financial Statements[2]. The Committee prepared an IPSAS implementation road map, training plan and budget, and through the selected trainers and the Technical Adviser, delivered training on IPSAS and the RAM to all 1,700 staff of the OAuGF nationwide in the period December 2017 to March 2018. The committee is looking for further support to roll out more training and on a continuous basis.

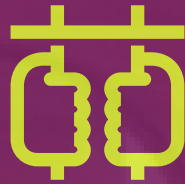
[1] African Organisation of English Speaking Supreme Audit Institutions (AFROSAI-E) Institutional Capacity Building Framework (ICBF)

[2] IPSAS based financial reporting has been introduced across the MDAs as from the 2016 Financial year, and the OAuGF is to conduct audits of IPSAS Accounts (2016 Accounts) for the first time as from the second half of 2017.



Launch of the Five-Year Strategic Development Plan 2017 - 2022

A management retreat supported by PDF II, was held in December 2016 to understand why the previous plan was not implemented. Senior management felt the plan was prepared without their input and they were not carried along. Under the on-going PDF II support, the Technical Adviser supported the OAuGF in preparing a home-grown development plan, which was launched September 2017.



Engagement with other Anti-Corruption Institutions

The Office has now engaged with all relevant anti-corruption agencies, appointed focal persons to interface with these offices. The office is working to ensure synergies between the audit function and the work of agencies like Economic and Financial Crimes Commission, Independent Corrupt Practices Commission and Code of Conduct Bureau are identified and realised.



Next Steps

The support received so far from UK Aid has been invaluable and has made a lot of difference. However, a lot more work still has to be done to keep up the momentum. A major issue, which will need to be addressed in the near future, is that of financial resources, which has contributed to the OAuGF operating well below standard. Lack of financial resources has put a lot of pressure on the OAuGF, but once eased, it will make it a lot easier to continue to work on the reforms and get the necessary backing needed. Perceptions of some key stakeholders who work more closely with the OAuGF such as the PAC and the Office of the Accountant general is beginning to change for the better. There is growing confidence that the OAuGF is becoming capable of carrying out its mandate. Once planned audits using the new procedures and guideline are carried out, perception amongst wider stakeholders should be improved.