



A synopsis of major reforms at the OAuGF and the expected role of Auditees

Presentation by:

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INTERACTIVE WORKSHOP WITH PERMANENT SECRETARIES AND ACCOUNTING OFFICERS

12 October 2020

TOPICS

- Background to the need for reforms
- Highlights of the audit reforms
- Key audit outputs and impacts
- The purpose and mission of the OAuGF
- Audit work and outputs
- Audit approach and process
- Our audit of the Office of the Accountant-General of the Federation
- Matters we are to consider in planning the audits
- Overview of the portfolio of wider engagements
- Q&A

BACKGROUND TO THE NEED FOR REFORMS

- The OAuGF had suffered decades of neglect
- No specific audit methodology or standards were in use
- No audit manuals were in use
- Majority of audit staff had no equipment (laptops in particular)
- Training was ad-hoc (man know man approach)
- Minimal collaboration with stakeholders in anti-corruption
- No enabling Audit law for the institution
- The previous Development plan up for five years up to 2017 was not implemented
- Audit reports lacked rigour and credibility (*always clean/clear audit opinions*)
- No IT Audit practice, no Performance Audit practice, no Quality Assurance Unit or team

.....and many more issues.....

HIGHLIGHTS OF THE AUDIT REFORMS (1/3)

- A five-year Strategic Development Plan was prepared in 2017 and launched by Mr. President.
- It covered all five domains of Capacity Building in line with the AFROSAIE Framework for building the capacity of Supreme Audit Institutions, as follows:
 1. **Independence and Legal Framework**
 2. **Organisation and Management**
 3. **Human Resources**
 4. **Audit Standards and Methodology**
 5. **Communication and Stakeholder Management**
- The Office received special intervention funds as a direct result of the 5-year Plan which was launched by Mr President.
- The funds allowed the Office to implement many areas of activity that would otherwise have been impossible, in particular;
 - Training of the entire staff on international standards of audit and accounting
 - Laptop availability has gone from less than 10% of staff to 100%
 - Data Analytics software purchased and training completed
 - **Audit fieldwork is increasingly being funded directly by the Office.**

HIGHLIGHTS OF THE AUDIT REFORMS (2/3)

- Audit Bill was submitted for Presidential assent in January 2019 (*advocacy efforts are still ongoing*)
- Whole of Office training conducted in IPSAS, ISAs and ISSAIs (*over 1,500 staff – twice, and now on a rolling basis*)
- Design and introduction of audit manuals and guides (*Financial, Compliance, Performance, Information Technology, Quality Assurance manuals*)
- Set-up, training and implementation of a Quality Assurance Unit
- Laptop availability has gone from less than 100 units to *over 1200 units*
- Data Analytics software purchased, and initial training completed (*15 licenses, 5 by GLZ*)
- Training to Extractives team in Oil & Gas Audit (*some funded by Donors*)
- Formation of IT Audit Practice and training to IT Audit Team (*with Donor support*)

HIGHLIGHTS OF THE AUDIT REFORMS (3/3)

- Training in Revenue Assurance to FGIP team *(delivered by PWC under donor support)*
- Design and implementation of an Audit Tracking tool *(to record all audits and annual workplan)*
- Refurbishment of OAuGF Library and equipment with training facilities for IT skills
- Set-up of Train the Trainer Programme with support from AFROSAI-E *(AFROSAI-E is implementing a three year Accelerated Support Programme for OAuGF)*
- Introduction of independent staff assessments on audit methodology *(two rounds so far)*
- Stakeholder engagement and closer working with CSOs and other agencies on anti-corruption
- Roll out of code of conduct and ethics and sensitization *(including a two-day retreat for the Directorate in Jan 2019)*

KEY AUDIT OUTPUTS AND IMPACTS

Reports

- Annual Report of the AuGF and audited Financial Statement of the FGN 2016 (*Qualified opinion*)
published 2018 - on www.oaugf.ng
- Annual Report of the AuGF and audited Financial Statement of the FGN 2017 (*Qualified opinion*) –
submitted to NASS in August 2019
- Performance Audit Report – Small and Medium Enterprises Development Agency of Nigeria – SMEDAN – *published 2019 - on www.oaugf.ng*
- Performance Audit Report – National Emergency Management Agency – NEMA – *finalized for publication*
- Special Periodic Checks on the activities of the Niger Delta Development Commission – NDDC – *published May 2020*
- Reviewed Inspection Report on the Nigerian Bulk Electricity Trading Plc – NBET – *published September 2020*

THE PURPOSE AND MISSION OF THE OAUGF

- Service improvement driven from the perspective of public audit
- Emphasis on rigour, analysis, evidence, objectivity
- Supporting results-based management and informed decision making
- Embedding effective corporate governance, and financial and risk management
- Supporting operational transformation across Government
- Improved efficiency through better project management and smarter commercial management (procurement, contracting)
- And specifically – the proper implementation of IPSAS

OUR WORK

- Regularity Financial Audit – leading to Audit Opinions on Financial Statements and the reporting of misstatements and losses
- Reporting on Management Issues, especially, Cross-cutting governance issues and weaknesses in internal controls
- Providing advice and support to Public Accounts Committees and the Auditees

OUR FINANCIAL AUDIT OUTPUTS

- We provide an independent opinion on the following;
- Whether the Financial Statements are ‘fairly presented’
- Whether the Financial Statements are ‘properly prepared’ - in accordance with the prescribed accounting framework (in this case - IPSAS)
- Whether all transactions are ‘Regular’. i.e whether income and expenditures are in line with the appropriation Act and FGN regulations

OUR FINANCIAL AUDIT APPROACH AND PROCESS

- Our work is in compliance with international standards on auditing
 - Risk-based audit approach
 - Focused on material matters
- Understand how each Auditee operates, and understand transaction streams for income, expenditure, assets and liabilities
- Assess the design and implementation of internal controls in place at each client and determine the extent to which controls are effective.
- Identify significant issues and risks
- Conduct a review of IT systems
- Assess the Internal Audit function and identify areas where we can rely on their work
- Formulate the audit strategy and audit plan (*Controls based Assurance versus Detailed Substantive testing*)

OUR AUDIT OF THE OFFICE OF THE ACCOUNTANT-GENERAL OF THE FEDERATION

We aim to do the following;

- Understand the work/function of each of the systems/operations, how they are connected, and how they have performed in the period. E.g...;
 - GIFMIS
 - TSA & Funds
 - IPPIS
 - Consolidated Accounts Department
- Understand and examine the OAGF's role both as a shared service provider, and a key part of the governance arrangements.
- Understand where the boundaries of responsibility are drawn between the OAGF and the Accounting Officers at MDA level
- Clarify where the responsibility for producing audit evidence lies, especially regarding our audit of IPSAS compliant stand-alone Financial Statements

MATTERS WE ARE TO CONSIDER IN PLANNING THE AUDITS

- Issuance of visit notifications and any requirements and the use of audit focal persons
- Audit visit arrangements (Client/Auditee Liaison Schedules and Itineraries)
- Fixing of entry and exit conferences
- Issuance of Draft Management Letters / Audit Reports
- Conducting the key stages of the audit
 - The planning visit – early in each financial year
 - Interim audit visits – to HQ and Out-posted Offices (usually in Q3, Q4 and then Q1 of the following year)
 - Final Audit visit – usually after the year end and when the draft FS are ready
 - Completion and reporting stage –
 - to align with the early stage of the audit of the Consolidated Financial Statements
 - Ideally to start in Q2 and complete by Q3 of the following year

PORTFOLIO OVERVIEW - DONOR FUNDED ENGAGEMENTS

- Independent Verification Agent Role on the World Bank assisted States' Fiscal Transparency Accountability and Sustainability (SFTAS) Programme (\$750m programme covering all 36 States)
- Implementing partner and beneficiary on the World Bank assisted Fiscal Governance and Institutions Programme (FGIP)
- Audit of nine World Bank programmes
- Audit of both Nigeria Programmes of the International Fund for Agricultural Development.
- Audit of the African Union Pan-African Parliament
- Audit of three African Development Bank programmes starting from 2020.

Thanks For Listening!

AUDIT PROCESS AND ACCOUNTABILITY CYCLE

Key Responsibilities of the auditor and management of MDAs

African Organisation of English-speaking Supreme Audit Institutions



Our Vision

To make a difference in the performance of SAls

Our Mission

We commit to support and cooperate with our member SAls to enhance their institutional capacity to successfully fulfil their audit mandates, thereby making a difference in the lives of citizens

Our Values

Professional
Innovative
Collaborative



THE ROLE OF SAIs

- SAIs play a vital role in facilitating accountability of governments to legislatures and the public for their stewardship of public funds.
- Their primary role is to help ensure the transparency of government operations.
- SAIs are uniquely positioned to provide independent assurance on:
 - The use of public resources and how effectively such resources are utilised to essentially make a difference in the lives of citizens.
 - The extent to which the executive branch of government is operating within the law.
 - The effectiveness of its public financial management systems.
 - This underpins accountability mechanisms, which in turn leads to improved decision-making and good financial governance.

THE ACCOUNTABILITY CYCLE (PLAN + DO + CHECK + ACT)



Status of Internal Control

Leadership	<ul style="list-style-type: none">• Effective Leadership
Financial and Performance management	<ul style="list-style-type: none">• Proper record keeping• Daily and monthly controls• Review and monitor compliance
Governance	<ul style="list-style-type: none">• Risk management

Combined assurance model

Third Level (External assurance providers)

- External audit
- Parliament

First Level (Management)

- Senior management
- Accounting officers/authority
- Executive authority

Second Level (internal assurance providers)

- Internal audit
- Audit committee

Combined Assurance

Risk areas affecting the MDAs

THE ROLE OF ACCOUNTING OFFICERS

KEY RESPONSIBILITIES OF MANAGEMENT OF MDAs	EXPECTED EFFECT ON AUDIT PROCESS
Development of strategic and operational plans aligned to National Development goals	SAI can conduct audit of implementation of plans and in particular audits of SDGs
Systems and processes for reporting including timely financial statements and service delivery reports	Ability of SAI to perform audit of finance statements in accordance to standards
Effective internal controls including internal audit and committees	SAI can find reliable criteria to use during Performance and Compliance audits and also perform effective audits of internal controls

Strategic goals 2020-2024

1. Professionalise public sector accountancy
2. Empower SAls for greater audit impact and quality
3. Transform SAls' organisational capabilities for greater impact
4. Lead by example and deliver on our mandate

Our Theory of Change

IF - SAls are supported with capacity building opportunities through: - learning - on-site visits - technical advice and assistance - provided with generic and customised audit manuals and tools

THEN (Outcomes) - public sector auditing will become increasingly professionalised - SAls will be empowered for greater audit impact - become a model institution and be able to lead by example - Public sector auditing increasingly professionalised with SAls that are empowered for greater audit impact

Our Theory of Change – cont..

EVENTUALLY (Leading to impact):

- ☐ better governance in the public sector
- ☐ increased transparency and accountability
- ☐ a reduction in corruption and misuse of funds
- ☐ increased access to services
- ☐ an eventual reduction in poverty

Our Theory of Change – cont..

FOR THIS TO WORK AT COUNTRY LEVEL

- ☐ The independence of the SAI should be safeguarded
- ☐ The government and public sector entities government and public sector entities should be accountable for their stewardship over, and use of, public resources
- ☐ SAI's operating environment must be strengthened
- ☐ Parliamentary Oversight must be effective

STRENGTHENING SAI's OPERATING ENVIRONMENT

AFROSAI-E ENTERED INTO AN AGREEMENT TO ASSIST THE SAI IN THE FOLLOWING AREAS;

- ❑ FINANCIAL AND COMPLIANCE AUDIT
- ❑ PERFORMANCE AUDIT
- ❑ INFORMATION SYSTEMS AUDIT
- ❑ EXTRACTIVE INDUSTRIES AUDIT
- ❑ INSTITUTIONAL CAPACITY BUILDING
 - Culture and Organisational Development
 - Integrity Policy and Code of conduct
 - Senior Leadership Development Programme

SUCCESS FACTORS AND NEXT PHASES

SUCCESS FACTORS

- ❑ Leadership commitment and support
- ❑ Comprehensive needs assessment
- ❑ Buy-in from different levels of management and staff
- ❑ Close monitoring and management of implementation

NEXT PHASES

- ❑ SAI should sustain and build on improvements
- ❑ Apply other available tools to increase SAI impact;
 - Public Finance Management – Reporting Tool - whole of Government approach, SDGs progress, disaster preparedness
 - A-SEAT – Audit Management application

THANK YOU



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INTERACTIVE WORKSHOP WITH PERMANENT SECRETARIES AND ACCOUNTING OFFICERS

12 October 2020

Interactive Session

Questions and comments.



Revenue Generation And Accounting, An Imperative For All MDA's

Presentation By:

Isiuku-Julius, Michael

Director Of Audit

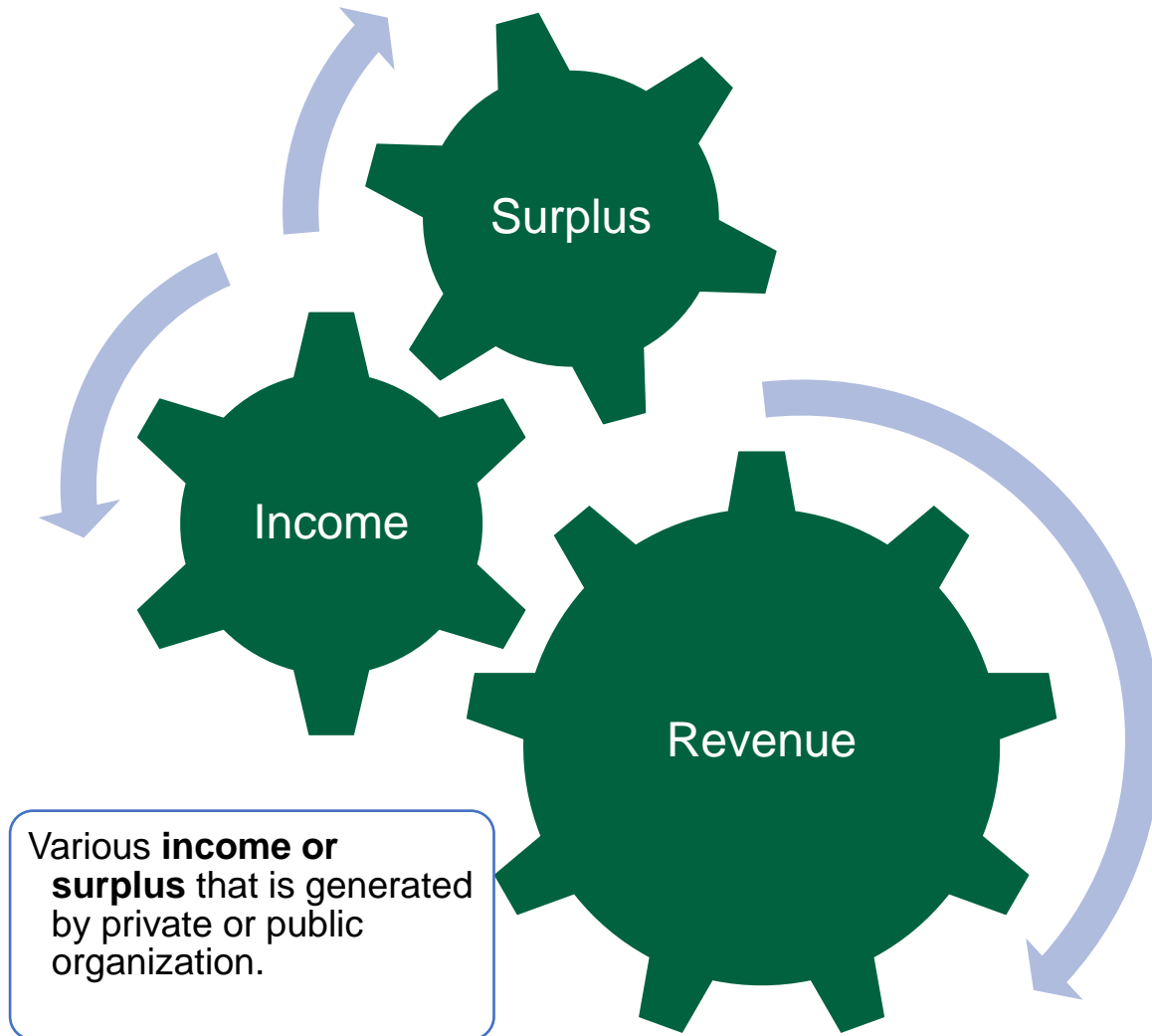
REVENUE AND ECONOMIC SECTOR AUDIT DEPARTMENT (RESAD)

OFFICE OF THE AUDITOR-GENERAL FOR THE FEDERATION(OAuGF)

TOPICS

- Introduction.
- Revenue Generation.
- The Revenue Generation Process.
- Sources of Revenue.
- Federal Government Independent Revenue Agencies.
- Challenges in Revenue Generation & Remittance.
- Government Recent Efforts at Increasing Revenue Generation.
- Accounting for Taxes by Ministries, Departments and Agencies (MDAs).
- Way Forward in Revenue Generation.
- Conclusion.

INTRODUCTION



➤ **Revenue Generation** is the whole spectrum of identification of the various types of income, sources and ownership of income which is accruable to a nation, state, local government, community or organization.

The budget is to be funded, based on the revenue generated by the federal government of Nigeria through the use of fiscal and monetary policies put in place by the Government.

THE REVENUE GENERATION PROCESS

- Establishing revenue goals and targets for the financial year, e.g. monthly or annual revenue targets.
- MDAs to put strategy in place for Revenue Generation and Remittance
- Aligning collection strategy to match the revenue targets.
- Review all Laws/Regulations that are archaic
- Creating an organizational structure that ensures the revenue generation strategy that can be implemented successfully.
- Reviewing all procedures and making sure that best practices are applied in all areas of Revenue Generation.
- Providing training and education for staff, so that they will be able to maximize revenue generation.

SOURCE OF REVENUES

NIGERIAN NATIONAL PETROLEUM CORPORATION (NNPC)	DEPARTMENT OF PETROLEUM RESOURCES (DPR)	NIGERIA CUSTOMS SERVICES (NCS)	FEDERAL INLAND REVENUE SERVICE (FIRS)	MINISTRY OF MINES AND STEEL DEVELOPMENT
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Crude oil export	<input type="checkbox"/> Royalties	<input type="checkbox"/> Import Duty	<input type="checkbox"/> Petroleum Profit Tax (PPT)	<input type="checkbox"/> Royalties
<input type="checkbox"/> Domestic crude	<input type="checkbox"/> Rent	<input type="checkbox"/> Export Duty	<input type="checkbox"/> Value Added Tax (VAT)	<input type="checkbox"/> Fees
<input type="checkbox"/> Upstream gas sales	<input type="checkbox"/> Gas Flare Penalties	<input type="checkbox"/> Excise Duty	<input type="checkbox"/> Company Income Tax (CIT)	<input type="checkbox"/> Miscellaneous Revenue
<input type="checkbox"/> Domestic gas and others	<input type="checkbox"/> Miscellaneous oil Revenue (Pipeline fees).	<input type="checkbox"/> Fees	<input type="checkbox"/> Stamp Duties (SD)	

Federation Account: is the pool of accounts in which all the revenue collected by the government are paid into except the proceed of Personal Income Tax of personnel of Armed forces, the Nigerian Police, staff of Foreign Missions and the residents of the Federal Capital Territory (FCT). The proceeds of the Federation Account are shared monthly by the three-tiers of government based on the prevailing revenue sharing formula.

FEDERAL GOVERNMENT INDEPENDENT REVENUE AGENCIES

➤ In addition to revenue accruing from the Federation Account, the Federal Government have other Independent Revenue collected by various MDAs because each MDA have one peculiar or various Revenue stream to the Federal Government which is paid to the Consolidated Revenue Fund (CRF).

Nigerian Port Authority (NPA)

Nigerian Maritime Administration and Safety Agency (NIMASA)

Federal Airport Authority of Nigeria (FAAN)

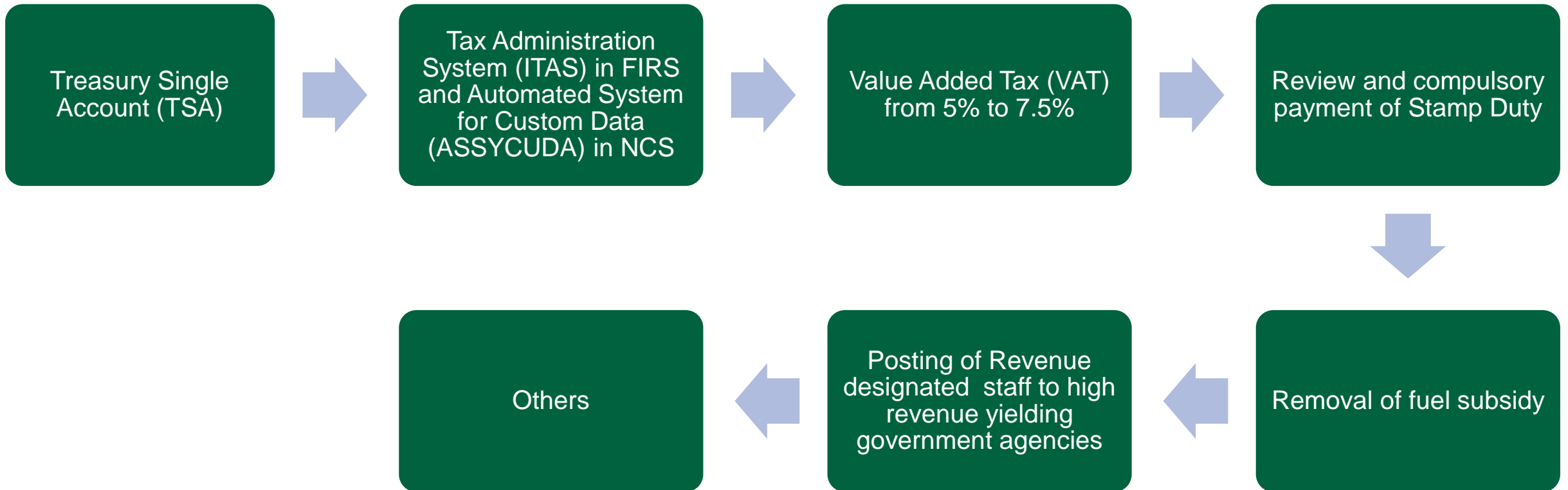
CHALLENGES IN REVENUE GENERATION & REMITTANCE

1. Over – reliance on Oil Revenue

Challenges inherent in our tax system:

- Tax evasion in which the rich and average Nigerians don't pay taxes that are commensurate with their resources except the salary earners on Pay-As-You-Earn (PAYE).
- Improper assessment of tax in the country whereby the rich pay less than the poor.
- Lack of transparency in assessment procedures in most revenue generating agencies resulting in collusion and leakages of revenue.
- Multiple taxation
- None accountability for the funds collected as revenue.
- Collecting banks not completely remitting the revenue generated timely to the appropriate Revenue Account.
- Lately the negative impact of COVID-19 ravaging the whole world etc.

GOVERNMENT RECENT EFFORTS AT INCREASING REVENUE GENERATION



ACCOUNTING FOR TAXES BY MINISTRIES, DEPARTMENTS AND AGENCIES (MDAs) OF NIGERIA

- **REVENUE ACCOUNTING:-** Revenue Accounting comprises the recognized and acceptable methods of collecting capturing , recording, analyzing, summarizing, reporting and communicating the total income generated and collected in a manner that is acceptable to all stakeholders for the purpose of ensuring transparency and accountability for a given period.

ROLES OF OAUGF

Annual reports emphasize the importance of proper collection and accounting for Revenue generated

Carry out revenue auditing by comparing the expected revenue with outcome and examine the variance properly to identify gaps and make appropriate recommendations at correcting this.

Memorandum of Understanding (MOU) with the Independent Corrupt Practices Commission (ICPC) on revenue assurance matters with the aim of ensuring proper accountability for revenue generated.

The audit manual of the office was reviewed to recognize the importance of Revenue audit and upgrade the methods of accounting for the revenues of the MDAs generated. (Ref. page 78 of reviewed Audit Manual).

THE ROLE OF MDAs

- All **MDAs** are revenue generating and/or collection point for the federal government. It is therefore imperative that MDAs ensure timely assessments, collections and remittances of all Federal revenues for which they are responsible.
- In the view of the analysis above, it is imperative for the MDAs that are collecting this revenue/funds on behalf of government to activate more strategies that would lead to more revenue to the government and at the same time put in place good mechanisms for collection and account for every kobo collected from the public to instill confidence in the minds of Tax Payers.
- Each Accounting officer must recognize their roles as the first point of call in government's drive to increase and improve revenue generation in order to reduce the burden of the government to meet its obligations to the people

ROLE OF EXECUTIVE AND LEGISLATURE

ROLE OF THE EXECUTIVE

The Executive set the expenditure framework and the revenue profile of the Federal government for the period and give directives to MDAs on their revenue expectations.

ROLE OF NATIONAL ASSEMBLY

The NASS is responsible for examining the revenue projections of government and affirm that it is in line with prevailing realities. It also have oversight functions on all MDAs on revenue generating activities while the PAC of NASS review the Auditor General's report on revenue generation to enforce agencies to perform based on AuGF recommendations.

WAY FORWARD IN REVENUE GENERATION (1/2)

- Total compliance with the provision of the 1999 Nigerian Constitution, Section 162 (1-5) on the administration of the Federation's revenue which spelt out that "all revenue should be paid to the Federation Account".
- Review of the Joint Venture Contract agreements to conform to actual production and sharing formula
- Review upward of some outdated Charges and Penalties like: Gas flaring penalty to meets current economic dictates, etc.
- Quick passage by NASS and assent to the Petroleum Industry Reform Bill or Similar Act.
- The government should stop giving any form of subvention to Agencies that collects costs of collections of revenue.
- Unnecessary waivers should be reviewed downward

WAY FORWARD IN REVENUE GENERATION (2/2)

- Unnecessary waivers should be reviewed downward
- Empower Revenue Mobilization Allocation and Fiscal Commission to monitor the crude oil production lifting and sales and prosecute offenders
- New Agencies should be established to monitor the oil and Gas Sector to stop bunkering, theft and other vices associated with the minerals administration in the country
- Unbundling / Restructuring of NNPC into Strategic Companies.
- The solid mineral sector has great potential and attention should be paid to the sector in view of government's resolve to diversify the economy away from oil and gas.
- Tax holiday to non-oil Sector to encourage diversification especially Agricultural Products, Automotive Industries and IT Developments

CONCLUSION

- Conclusively, recent measures taken by Government to Control Accounting Process In MDAs including the Treasury portal and those around Treasury Single Account (TSA) policy, were institutionalized to prevent mismanagement of government's revenue, block financial loopholes, and promote transparency in the generation and accounting for public resources by those agencies that generate revenue.
- There is urgent need to use electronic platforms (like the ITAS in FIRS and ASSYCUDA in NCS), in all revenue collection agencies, and to design appropriate templates for the collection and accounting for the revenue generated. This will reduce human interaction/intervention and ensure that revenue are collected timely and properly accounted and thereby ensuring transparency for accountability in the revenue generation for contribution to the national economy.
- As reiterated by the President in his budget presentation to NASS everyone need to be involved in the 'cake baking' so that there will be more than enough to share, instead of focusing on 'sharing' and government can reduce the budget deficit

Thank you



Expenditure Control – Necessity For Prudent Management For Available Resources

Presentation By:

Adewale Owolo,
JP, PhD., FCA, FCTI, FCFIP

INTRODUCTION (1/2)

Human beings are faced with insatiable wants during limited resources.

With limited revenue accruing to all the three-tiers of Government worsened by the COVID–19 pandemic, the Governments will not be able to fund many of their expenditures.

Generally available resources be it: - money, materials, men and machines are generally scarce, hence expenditure in the public sector must be subjected to certain controls.

The essence of **Expenditure Control** is to ensure accountability, probity, transparency and sustainability in managing these scarce resources.

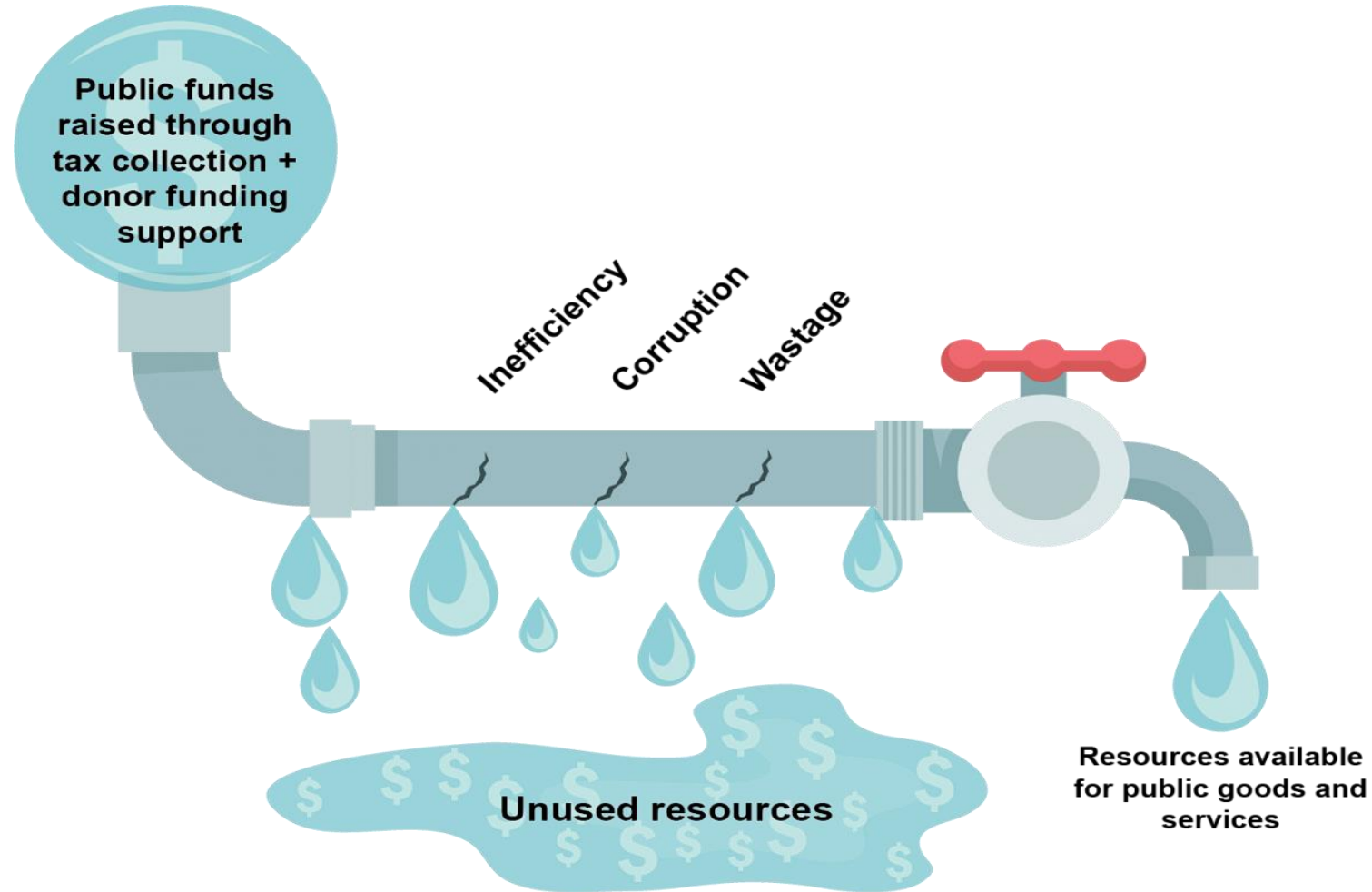
INTRODUCTION (2/2)

According to IMF (2009) there are three major objectives of a public financial management system (PFM), namely:

- ❑ fiscal discipline (expenditure control)
- ❑ strategic allocation of resources consistent with policy priorities
- ❑ Prudent management of the government's financial resources (economy, efficiency, and effectiveness).

These three objectives—together with the need for transparency and accountability in fiscal relations—are complementary and interdependent. In many developing countries, expenditure control, in many ways, is of paramount importance, and any efforts at addressing the other two objectives come next.

LEAKING PIPE ANALOGY: THE NEED FOR EXPENDITURE CONTROL



OBJECTIVES OF EXPENDITURE CONTROL

Thus, the objective of expenditure control is to ensure that public resources are spent as intended, within authorized limits, and following sound financial management principles.

Therefore, expenditure control is a system put in place to ensure:

- ☐ That all payments are appropriately authorized;
- ☐ That supporting documents confirm the validity of the claims;
- ☐ That they are utilized for the purpose for which the expenditure were intended.
- ☐ That government obtains value for money for its expenditure

EXPENDITURE CONTROL ORGANS & ARCHITECTURE IN NIGERIA

The expenditure control organ and architectures can be discussed under the following headings:

- A. The legislative control
- B. The executive control
- C. The Audit Control (OAuGF).
- D. Ministry of Finance
- E. Treasury control
- F. Departmental Control
- G. Legal Framework for Public Financial Management in Nigeria
- H. Addressing the loopholes in expenditure control architecture in Nigeria

A. LEGISLATIVE CONTROL

This is the control put in place through the activities of the legislative arm of the Government.

This includes:

- i. Annual Budget Appropriation Bill to set expenditure limits
- ii. Ratification of the appointment of the Auditor-General for the Federation. He cannot be removed without the two-third (2/3) of the members of the Senate. (S. 85(1) & 85(2) of the Constitution of the FRN,1999). He has responsibility for the external audit function of the public financial management.
- iii. Appointment of Public Accounts Committee (PAC)
- iv. Oversight functions of the members of the National Assembly;
- v. Scrutinizing of the annual and supplementary budget estimates;
- vi. Approving virements where necessary
- vii. Approval of Medium-Term Expenditure Framework of the government
- viii. Approval of federal government borrowing expenditure

B. EXECUTIVE CONTROL

The Executive Controls public expenditure through:

- i. Preparation of annual budget.
- ii. Giving assent to the annual budget and publishes timely periodic reports about its performance
- iii. Preparation of Annual Budget Fund releases to various arms of Government;
- iv. Establishment of fiscal and monetary policies of Government;
- v. Introduction of the Cash Backing System
- vi. Issuance of budgetary guidelines
- vii. Introduction of E-payment, GIFMIS, TSA, IPPIS, adoption of new Chart of Accounts, whistle –blowing policy etc.
- viii. Preparation of Medium-Term Expenditure Framework to give directions of expenditure for the relevant period

C. AUDIT CONTROL THROUGH OAuGF

Office of the Auditor-General for the Federation (OAuGF) exerts expenditure control through the following means:

- i. Audit and reports on the accounts of all MDAs to the legislature;
- ii. Ensures that all public monies have been properly accounted for in accordance with the extant rules and regulations;
- iii. Certification of the Annual Accounts of the MDAs prepared by the Accountant-General of the Federation.
- iv. Conduct periodic checks and certification of the MDAs financial statements. S85(4) of the Constitution of FRN, 1999;
- v. Giving evidence at the Public Accounts Committee (PAC) sitting;
- vi. Appraisal of the effectiveness of the Internal Control System (ICS) in MDAs;
- vii. Conduct of Compliance audit to ensure that all government expenditures and activities are in compliance with relevant laws, guidelines and rules and regulations
- viii. Carrying out Performance audit in MDAs to confirm that all Government activities and expenditures are conducted with due economy, effectiveness and efficiency in order to have the desired impact for the benefit of government and its people.

D. MINISTRY OF FINANCE

This control occurs through:

- i. Preview and setting of Annual Budget and Estimates;
- ii. Issuance and approval of Warrant and Authority to Incur Expenditure (AIE);
- iii. Drafting of Financial Circular;
- iv. Reviewing and updating of Financial Regulations.
- v. Budget monitoring and evaluation

E. TREASURY CONTROL (by Treasury Department in the OAGF)

The Treasury Department in the OAGF exercises expenditure control through the following activities:

- i. It ensures that proper accounting system is in place in all MDAs;
- ii. It publishes annual reports and accounts of the Federal Government;
- iii. It renders monthly expenditure patterns of all Units of Government; and
- iv. It establishes Internal Audit Unit in all MDAs.

F. DEPARTMENTAL CONTROL

This is set up in each MDA for:

- i. Issuance of financial Departmental Control;
- ii. Establishment of an effective Internal control Unit;
- iii. Institution of an effective internal check;
- iv. Use of vote book to ensure no over-expenditure in any subhead
- v. Ensuring money voted for a Department is solely used for the purpose.

G. LEGAL FRAMEWORK FOR PUBLIC FINANCIAL MANAGEMENT IN NIGERIA

The following are some of the legal instruments designed to control government resources, and enshrined probity and transparency in Nigeria

- i. The Nigeria Constitution 1999
- ii. The Finance (Control & Management) Act 1958
- iii. The Audit Ordinance of 1956
- iv. Annual Appropriation Act
- v. The Financial Regulation 2009
- vi. The Federal Treasury Accounting Manual
- vii. Treasury circulars
- viii. Public Procurement Act and Procurement Procedure Manuals 2007
- ix. The Freedom of Information Act 2011
- x. Money Laundry Act 1995

H. ADDRESSING THE LOOPHOLES IN EXPENDITURE CONTROL ARCHITECTURES IN NIGERIA

i. **Timely submission of Appropriation Bill by the President**

The current practice allows the President to submit Proposed Budget any time within the financial year. This does not give the Legislature sufficient time for quality analysis, interrogation and amendment. There is need to specify a time frame or deadline for the President to submit the Appropriation Bill

ii. **Composition of National Council on Public Procurement.**

Section 1 (2) of PPA 2007 provides for the constitution of the National Council on Public Procurement to mitigate political interference and checkmates the excesses of BPP operations. 13 years after the establishment, BPP has continued to operate without National Council. There is need for the government to inaugurate the National Council of BPP for effective oversight of government procurement.

iii. **Sanctions to back Fiscal Responsibility Act 2007.**

The power to enforce the provisions of Fiscal Responsibility Act is in the hands of any concerned citizen who so wish to approach Federal High Court for legal action (S.51). However, no single sanction was prescribed for violators. Thus, there is need for prescriptions of sanctions or penalty for various offences and stipulated in the Act.

ADDRESSING THE LOOPHOLES IN EXPENDITURE CONTROL ARCHITECTURE IN NIGERIA cont...

iv. Disbandment of government special accounts

The exclusion of plethora of special accounts (such as Natural Resources Development Fund, Ecological Fund, Stabilization Fund, Port Development Levy, Rice Development Levy, Signature Bonus Accounts etc) from the mainstream National Budget and Treasury Single Account opened a wide door for abuse. These accounts are not within the purview of Accountant General. There is urgent need to offload these accounts into National budget and TSA for probity and transparency.

v. Passage of Audit Bill

The Office of Auditor General for the Federation as it stands is a “toothless bulldog”. The nation cannot continue to rely on pre-colonial Audit Act of 1956 for the foremost public probity institution. There is urgent need to address the long-standing Audit Bill saga. We need to learn or copy from other nations, even within many African countries to speedily redress this issue.

CONCLUSION

Money must not be expended just because it is available. The three (3) guiding principles, namely; economy, efficiency, and effectiveness must be considered to ensure value-for-money before embarking on any expenditure by the Government.

If all the levels of control enumerated above are properly executed and all organs of Government live up to their expected responsibilities, the Government expenditures will be highly controlled resulting in proper accountability and utilisation of resources thereby making rooms available for desirable and impactful projects of necessity to be embarked upon.

Thank you for listening.

INTERACTIVE WORKSHOP WITH PERMANENT SECRETARIES AND ACCOUNTING OFFICERS

12 October 2020

Interactive Session

Questions and comments.



Appearance At Public Account Committee Hearing: Important Guidance Notes

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ANNUAL REPORT and PAC (OAuGF)

PRESENTATION OUTLINE

- Introduction
- The Audit Process
- Relevance of Reminders
- What is Annual Report Paragraph
- Role of PAC of OAuGF and National Assembly
- PAC Sub-Committees
- National Assembly Plenary
- Guidance Notes and Attending PAC Hearings
- What we need to know
- Preliminaries before Appearances
- Content of Report
- Seeking for Permission
- Approaching the Bench

INTRODUCTION

The Public Account Committee is a committee of the National Assembly responsible for Public Account in accordance with the constitution. It was created to promote accountability and transparency in public governance.

The PAC hearing therefore is at the apex of financial scrutiny and accountability. The PAC members are selected from all the political parties in the upper and the lower chambers. The Chairman is usually appointed from the opposition party. The sitting presently comprises of the Chairman PAC, and the Deputy at the head, with (21) twenty-one members at the Senate and 65 members at the House of Representatives.

The Auditor-General, Accountant- General, Representative of the Ministry of Finance and a Budget officer are usually in attendance during the deliberation of the PAC.

THE AUDIT PROCESS

The input of the hearing is supplied through a most rigorous audit process of the Auditor General's pre-engagement activities, strategic planning, detailed planning and field work, audit summary, and the putting up of conclusive reports sent to the MDA's and those charged with governance by way of management letters for the purpose of paying attention not only to infractions, but for matters that may be relevant for the expression of opinions on audited financial statement.

Here, recommendations goes along with every observation and appropriate sanction stated side-by-side with the infractions. The MDA's managements are required to respond to each of the findings and audit conclusions are clear on the duration of time allowed to reply to the queries that are raised in the report.

RELEVANCE OF REMINDERS

Reminders are usually sent to the MDAs where the Accounting officers fail to respond to audit queries. Usually, queries that are not replied to shall be written as paragraphs for the Auditor-General's annual report if reports of any material implication is queried. Where or if the replies from the Accounting officers are not satisfactory, the issues raised are also incorporated into the Annual Report Paragraph of the Auditor-General.

However, audit finding/issues that are promptly tackled and replied to timely, with good explanation/responses with relevant supporting documents attached are expunged or cleared from inclusion in the Auditor-General's report.

WHAT IS ANNUAL REPORT PARAGRAPH ?

The Annual Report Paragraph/Issues is referred to each set of financial statement presented in an annual report by the Auditor-General. The paragraphs are generated from the report emanating from heads of department, state branches, divisions and units of the Office of the Auditor-General, after auditing government departments, corporations, agencies and funds.

ROLE OF PAC OF THE OAuGF AND NATIONAL ASSEMBLY

- Collated audit reports are presented to the PAC of the legislatures after they have been converted to the ARP of the Auditor- General for the Federation.
- The annual report paragraph is packaged and forwarded to the Senate and the House of Representative with copies submitted to the PAC (Public Account Committee) of both chambers whose function is to discuss the Auditor- General's report on the account of the Federal Government for a given year.

ROLE OF THE PAC OF THE NATIONAL ASSEMBLY

- The PAC (Public Account Committee) upon the receipt of the Auditor- General's report draws up a timetable for its proceeding/hearing session.
- Letters of invitation are sent to all Accounting Officers of the MDA's reported on by the Auditor- General, asking them to submit in advance their responses to the PACs. This presentation by the MDA is their response to the Annual Report of the Auditor- General.

- The Public Account Committee may request the affected MDAs to submit their responses in about 45 copies(Depending on the numbers of PAC member's available) to the National Assembly to study before their appearance(s).
- In most cases, the PAC(Public Account Committee) of the National Assembly will send copies of the responses, as required in advance, to the Auditor-General, the Accountant- General office, and the Budget office of the Ministry of Finance.
- The Accounting Officers with their support staff ,which should include the Director of Finance, shall appear before the PAC(Public Account Committee) to make their presentation in defence of the Audit issues relating to their establishment and to complete the accountability cycle.

PAC SUB-COMMITTEE

The Public Account Committee takes decision and makes recommendations to appoint a PAC sub-committee to look closely at the issues raised by the Auditor-General. The sub-committee appointed by the Public accounts Committee is to carry out the recommendations which include recoveries, probes, status inquiries, prosecutions (in case of breaking an oath, forgery, or refusal to attend subpoenas). The term of reference of the sub-committees may also include termination of appointments and suspensions in accordance with Public Service Rules where applicable.

NATIONAL ASSEMBLY PLENARY

- Unresolved issues/findings after discussion at the Public Account Committee sittings shall be referred to the National Assembly plenary for final discussions. The chambers will afterwards direct the Minister of Finance to take necessary action on the point raised by the committee.
- The findings of the committee which are submitted to the whole chambers are embedded in the reports of the public proceedings of the committee which are distributed to relevant stake holders.
- The Auditor-General who is the originator of the reports in the first place is informed of the action taken in all these cases to finally complete the accountability cycle.

GUIDANCE NOTES ON ATTENDING PAC HEARING

- This brings us to the nexus of our discussion- ***Appearance at PAC hearings:*** The import of this discussion is to assist the CEOs/Accounting Officers to be at home at the PAC(Public Account Committee) hearing or sittings.
- The Public Account Committee hearing is also not to witch-hunt, intimidate, threaten or put fear into any CEO/Accounting Officers
- The useful tips or relevant information I shall be putting forward will help to answer queries, arrange and produce relevant supporting documents needed for the defence of the issues raised in the Auditor-General's Annual Report Paragraphs.

WHAT WE NEED TO KNOW

- ❑ Being in the public glare is an integral elements of Public Account Committees. They have high visibility and attracts media attention because the hearings are conducted openly. Since full verbatim transcripts and minutes are taken, those who go for defence, must of necessity, make adequate preparation to have detailed knowledge of issues. PAC(Public Account Committee) sitting can stimulate current topics that the media will report on and bring public officers into public glare.
- ❑ It should be noted that the Accounting Officers are accountable to National Assembly (through the Public Account Committee) for the stewardship of the Department/Ministry's resources or businesses. The Accounting Officer is called to account for issues raised in the Auditor-General's Annual Report Paragraph. The PAC(Public Account Committee) as a result of this, may seek assurance on matters relating to the propriety, regularity, value-for-money or even feasibility of the use of public funds appropriated by the National Assembly.
- ❑ Evidences are given under oath to be able to extract true information from witnesses, the Accounting officers should be prepared for that.

PRELIMINARIES BEFORE APPEARANCE

- Create a file for Audit queries to enable you see briefly the present position of queries and the responses.
- Answer queries appropriately within the required time limits set. Where answers to queries are delayed, relevant information is lost and officers having knowledge of the queries may have either been transferred or retired from service.
- Set up a query answering committee that will comprise the Director of Finance, Store Officer, Directors of relevant/affected department, Procurement officers and other relevant officers, and give terms of reference and timing for the submission of the reports to the Public Account Committee of the National Assembly.
- A prescribed response format is provided by the Public Account Committee to answer the queries. The responses should be set within the ambits of the PAC's template.

CONTENT OF REPORT

- Adequate supporting documents relevant to the issue at hand should be attached to the responses. The original of such documents should be brought along for sighting and confirmation.
- The responses should be paginated and numbered in accordance with the Auditor- Generals numbering.(It could be issues or paragraphs).For your information, the report of the Auditor- General is published and put out in the public domain through the official website www.oaugf.ng.org. as soon as the report is submitted to the National Assembly.
- Accounting Officers cannot make oral presentation that is not produced in the written responses. The two must align.
- The Accounting Officers should be abreast of the facts of the issues being defended even if did not occur during their tenure. They should have sufficient briefing before going for the Public Accounts Committee hearing. It is believed they have inherited both the liabilities and assets of the office.

SEEKING FOR PERMISSION

- The onus is on the accounting officers to appear at the hearing. However, request can be made to produce the transferred or retired officers that carried out the transaction(s) in question during committee sitting.
- The accounting officer may not appear for PAC hearing in very exceptional circumstances like urgent national business, illness or for other special reasons. The accounting officer should write a letter officially for representation signed and submitted to the Clerk of the PAC before the date of sitting to avoid embarrassment and outright rejection of the representative or even cancelation of hearing. The officer representing must be able to attend adequately to the question asked otherwise the committee may choose not to hold hearings until the accounting officer is available to give evidence by himself or herself.
- Request for hearing to be conducted in closed door session and confidentiality can be requested for where the matter in question can be inimical to the security/defense of the nation. However financial matters relating to security are often discussed openly like other issues.
- The PAC owes witnesses a duty of care in matters which may be sub Judice. Such matters may be discussed in a closed session. The Accounting officer may be required to inform the clerk before the matter is brought up in the committee sitting and the chairman of the PAC has the overriding discretion to determine what should come up for hearing or discussion
- The Accounting officer may ask the PAC for more time to prepare their response if the notice is considered insufficient rather than come for defense unprepared!

APPROACHING THE BENCH

- Accounting officers should be open, non evasive and they should treat PAC Members with respect and courtesy. Senators are regarded as Distinguished while House of Representatives members are referred to as Honourable members. Parliamentary privileges should be recognised in the submission of documents.
- Supporting staff accompanying the accounting officer should be seated immediately by the side or behind them to pass relevant and key information for their defence.
- It is valuable and worth talking to someone who had attended the PAC hearing(s) if an Accounting officer is coming to PAC sitting for the first time.

- The accounting officer should be able to clearly outline their area of responsibility and accountability succinctly to the committee. Sometimes the committee digresses to areas of core responsibilities.
- Accounting officers should seek for clarification on unclear questions asked by committee members rather than answer questions wrongly. Permission to explain in detail should be sought where necessary.
- Accounting Officers must avoid arguments but reasonably challenge conclusions that are considered drawn wrongly or mis- represent evidences produced.
- Where there are clear and obvious failings, do not defend the indefensible but show the committee efforts presently been carried out to put things right.
- Where documentary evidences could not be provided at the hearing, but such documents are available, the Accounting officers should offer to produce the documents within one week of the hearing.
- The points available are not exhaustive but relevant for our use.

CONCLUSION

In conclusion, Chief Executive Officers or Accounting Officers should not treat PAC members as irritants to be tolerated but partners for the improvement of the quality of governance. We need to recognise that there is a reasonable degree of tension or even suspicion between the PAC and the Accounting Officers being scrutinised.

It is not only an inevitable but a healthy part of our system of government in the accountability cycle. The accountability process will enable the lessons of past mistakes to be learnt while assisting in preventing future failings. Where there is effective accountability, those responsible for carrying out certain task will be able to do so in a reasonable and responsible manner to engender progress.

Thanks For Listening!

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12 October 2020

General Interactive Session

Questions and comments.