BUDGETING, AUDITING AND GOVERNANCE: IMPLEMENTING THE ACCOUNTABILITY FRAMEWORK

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Abstract
Good public governance involves the management of public resources in a manner that guarantees sustainable development in an atmosphere of due process and rule of law, free from wastage and corruption. The goal is to guarantee a people’s right to health, adequate housing, sufficient food and fibre provision, quality education, fair justice and personal security. Good governance is rooted in quality institutions, informed and adequately motivated citizenry, and structures and processes that endure. The budget and audit tools are critical to the process, and within the requirements of accountability framework can bring the so-called dividends of democracy to citizens. In the final analysis, governance is enhanced by creative oversight and accountability, continuous improvement of organisational performance, the management of risk, management of conflict of interest situations, policy and strategy implementation, and promotion of integrity.

Keywords: Budgeting, Accountability, Governance, Auditing, Public Sector.

I. INTRODUCTION
Governance is a social contract between the ruler and the ruled, where the citizens in exchange for surrendering their rights of sovereignty, demand from the rulers some basic essentials: Peace and Security in society, Provision of Social Amenities, Transparency and Accountability in affairs of State, Rule of Law as opposed to Rule of Man, and Freedom of Association. It is concerned with structures and processes for decision-making, accountability, control and behaviour atop the organisational ladder. Thus, effective public governance strives to encourage the efficient use of resources, strengthen accountability for the stewardship of those resources, improve management and service delivery, and thereby contribute to improving the lives of the citizenry.

In a private sector setting, the focus of governance is on the board of directors. The unitary board model which is prevalent in Nigeria, combines both a governing function (monitoring and supervision) and a management function responsible for day-to-day administration of company operations. Governance therefore, becomes the combination of processes and structures implemented by the board of directors in order to inform, direct, manage and monitor activities of the corporate body towards the achievement of set objectives. Private sector governance rests on four interrelated pillars:
- Board of directors;
- Corporate management;
• Internal audit;
• External audit.

The governance process revolves around three distinct phases: the people who originate transactions, those who monitor performance and ensure effective controls, and the internal auditor who exercises an ex poste examination of activities carried out. By their very nature, private sector governance is driven by six key elements which become measures of competence: Business Policies, Business Processes, People and their Organisation, Management Reports, Methodologies, and Systems and Data.

This paper however, shall concentrate in the main, on public sector governance. The public sector is a complex of various entities which may not operate within a common legislative framework or have a standard organisational shape or size. In consequence thereof, the models of governance may differ from sector to sector, and from country to country. Public sector entities often have to satisfy a complex array of political, economic and social objectives which subject them to different constraints. They are also subject to forms of accountability to various stakeholders which are different to those encountered in corporate firms. Finally, public sector bodies are often subject to two-tier board structures where the non-executive body sets policy, monitors and superintends over activities of the executive management board. Occasionally, the top-tier body fulfils an essentially political advocacy and representational function, while the second-tier body ensures efficiency, economy and effectiveness in day-to-day operation.

The Cadbury Report (1994) in the UK identified three fundamental principles of corporate governance: Openness, Integrity and Accountability. The public sector counterpart of the report is the Nolan Report (1995) which listed seven principles of public governance:

• Selflessness;
• Integrity;
• Objectivity;
• Accountability;
• Openness;
• Honesty;
• Leadership.

Good public governance relates to political and institutional processes and outcomes.
that support the exercise of legitimate authority by public institutions in the conduct of public affairs and management of public resources, so as to guarantee the realization of sustainable human development. It is the process by which public institutions conduct public affairs, manage public resources, and guarantee sustainable human development in an atmosphere of due process and rule of law, free from abuse and corruption. The true test of “good governance” is the degree to which it delivers on the promise of human rights: civil, cultural, economic, political and social rights. The key question is: are the institutions of governance effectively guaranteeing the right to health, adequate housing, sufficient food, quality education, fair justice and personal security? (Human Rights, 2007).

Different international bodies and organizations have formulated different yardsticks for determining good governance. The United Nations has specified eight characteristics: Consensus Orientation, Effective Participation and Political Pluralism, Application of Rule of Law, Effective and Efficient Systems, Transparent and Accountable Processes and Institutions, Responsiveness to all Stakeholders, and Equitable and Inclusive social system.

The IMF (International Monetary Fund) views good governance from the perspective of those aspects of governance that are critical to effective macroeconomic performance. These include: transparency of government accounts, the effectiveness of public resource management, and the stability and transparency of the economic and regulatory environment for private sector activity (IMF, 1997). From this perspective, good governance [in economic terms] would aid countries to correct macro-economic imbalances, reduce inflation, and undertake key trade, exchange, and other market reforms needed to improve efficiency and support sustained economic growth. Furthermore, the Fund favours a proactive approach in advocating policies and the development of institutions and administrative systems that aim to eliminate the opportunity for rent seeking, corruption and fraudulent activity.

The Commission on Human Rights identified five key attributes: Transparency, Responsibility, Accountability, Participation and Responsiveness to the needs of the people. By linking good governance to sustainable human development, emphasizing principles such as accountability, participation and the enjoyment of human rights, and rejecting prescriptive approaches to development assistance, the Commission endorses the rights-based approach to development. Other attributes would include: Legitimacy, Access to Knowledge, Information and
Development is the product of good governance. The ability of a government to provide needed services, including the rule of law, is a measure of good governance and that translates into development when such services are relatively adequate, policies are predictable, and law and regulations are enforced and sustained over time (Shehu, 2006). Other measurable indicators of good governance include the level of security in society. Security in this sense, includes ability of government to protect lives and property, food security, and reduction in the level of poverty, unemployment and risks of all kinds. The strong correlation between good governance and development, often translates into increased per capita income, reduced infant mortality, increased literacy rate, and increased accountability and freedom of speech (Shehu, 2006).

Ezekwesili (2006) identifies three factors at work in societies where good governance reigns supreme:

- Strong societal subscription to the core values of honesty, truthfulness and such other good values that make for good leadership and followers;
- Effective control structures that include institutions, systems and procedures that govern and regulate the conduct of activities in all spheres of society, guaranteeing standards and predictability of outcomes, and minimizing opportunities for corrupt or anti-social behaviour;
- Law and its enforcement which aims at ensuring that criminals who wish to violate social norms would be confronted by agencies that exist to deny them the opportunity to benefit from their misconduct.

Finally, the Canadian Institute on Governance set out five principles of good governance:

- Legitimacy and Voice Participation - This covers freedom of association and speech, and consensus orientation that mediates differing interests to reach a broad consensus on what is in the best interest of the group;
- Direction/Strategic Vision - This covers a broad and long-term perspective on good governance and human development;
- Performance Responsiveness - Incorporates processes and institutions that make optimal use of resources in producing results that will serve all stakeholders;
- Accountability - Involves being accountable to the public as well as
institutional stakeholders; and transparency built on a free flow of information;

- **Fairness and Equity** - Where all men and women have opportunities to improve or maintain their well-being, and legal frameworks are fair and enforced impartially (Graham, 2003).

The challenge is now to take a hard look at where and how Nigeria fits into this picture of good governance. Furthermore, we shall seek to establish a link between budgeting, auditing and accountability as part of good governance.

II BUDGETING AND GOVERNANCE

Governance is essentially the management of the budget process; and where budgets are not well prepared, monitored and executed the goals of governance may not be attained. Good budgeting demands sound institutions governing the allocation of funds, budget execution systems that operate within the rule of law, accounting systems that have integrity, and audit systems that provide assurance on the quality of financial information and systems. Above all, it requires that public funds and financial assets and liabilities are managed transparently, accountably and with integrity in the wider interest of national goals (CABRI, 2010).

Good public governance is rooted in:

- A comprehensive, clear and implemented *legal framework* for public financial management, which ensures that all expenditure has a basis in law;

- *Budget preparation* that encompasses:
  - Setting credible forecasts and realistic targets;
  - Using transparent, integrated and specific budget structures that facilitate *ex post* reporting and accountability;
  - Allocating funds on the basis of credible sector expenditure plans;
  - Deciding budget limits on the basis of predictable, legitimate and contestable budget process;
  - Providing comprehensive, clear, useful and timely information in budget documentation to National Assembly.

- *Budget execution* functions including:
  - Predictable, transparent and accountable systems for cash management;
  - Functioning internal controls on all expenditure to guarantee budget discipline and the rule of law;
• Functioning procurement systems that are cost effective, transparent, competitive and legally based;
• Internal audit systems that superintend over the governance process and aid identification of weak areas in the budget control systems;
  ▪ Accounting and Reporting systems that follow GAAP (IPSAS will soon become operational) to produce reliable and timely financial information;
  ▪ Post-budget Oversight that maintains the accountability cycle and ensures that the Executive is accountable to the Legislature, and the Legislature to the citizenry.
  ▪ Integrating aid in budget processes and reflecting it in budget documents and reports.

In Nigeria, the executive has the constitutional role of preparing and presenting the annual budget of the Federation to the legislature for appropriation. Thus the tasks of preparing the budget, are vested by law on the executive. These include setting targets and making credible forecasts upon which the budget is based. It is also the function of the executive to decide on budget limits and ensure that the Legislature is provided with timely information for its task.

The law also vests the Legislature with the authority to approve, amend, or alter the budget as presented. The need for transparency is enhanced as the Legislature takes the budget document apart, and goes into Committee stage on different aspects of the bill. The different Committees focus on different aspects of the proposal, and where their deliberations incorporate public hearing, they contribute to the public having a say in the appropriation law. Until the budget is approved by the Legislature, it is no more than a statement of intent, a mere proposal. In legal parlance, it is a Bill; but once approved by the National Assembly and signed into law by the President, it becomes an appropriation of public funds - an authority to spend, and a limitation to that expenditure.

The budget impasse in Nigeria stems in the main from a misconception of roles. While the Legislature has the authority to amend, alter and appropriate, it is not very clear where the boundaries lie. For example, when the Legislature changes the fundamental objectives of the budget, and the basic assumptions on which it is based, can it still be regarded as an amendment? Would it not be more appropriate to regard the Legislature as assuming the role of preparers of the budget? Is the Legislature not assuming the rights of the Executive in now formulating the annual budget? If, as the Legislature insists, it is within their
rights to change fundamentally the budget presented by the Executive, can it turn around and blame the Executive for non-performance of the budget? In any case, whose budget is it - the Executive’s or the Legislature’s? Can the legislature unilaterally initiate projects for which they provide the funds without any input from the executive, which ordinarily should design, cost, execute and supervise such projects? Should we not locate responsibility for the budget with the Executive while oversight remains with the Legislature?

In 2008, the Yar’Adua Administration actually began the process of seeking judicial interpretation at the Supreme Court, of these issues, but unfortunately, did not drive the process to its logical conclusion. The issues were clear whether the legislature could:

► Unilaterally increase the revenue benchmark beyond what was provided in the budget estimates presented to it by the president?
► Unilaterally write into the budget heads of expenditure and appropriate money on those heads of expenditure that were not provided for by the budget estimates submitted by the president?
► Unilaterally insert into the budget projects not included by the executive and proceed to appropriate money beyond the estimates submitted by the president?
► Under the presidential system of government, whittle down the powers of the executive president by compelling officers of the executive branch to report directly to them on matters such as provided under the appropriation bill? (Adeniyi, 2011).

Veering away from this fundamental challenge, budgeting in Nigeria, particularly in this transitional stage, needs to address some core issues:

▸ What budgetary measures exist to steer the economy away from a rentier status to a productive one?
▸ How do we monitor Federal Government projects to ensure that the twin challenges of poverty and employment generation receive adequate treatment?
▸ What level of monitoring and evaluation can be effected to ensure that budgeted sums are expended in line with the contemplation of the law? How do we mitigate the incidence of corruption that undermines the best made plans?

These are the core and fundamental issues that face national budgeting in the
enhancement of good governance. Good public financial management is achieved when core budget procedures result in responsive public services through public spending that is affordable, transparent and accountable, and which funds government priorities without wastage or corruption. In Nigeria as in much of Africa, the evidence of poor public financial management has manifested in crippling debt burdens, low credibility of the enacted budgets, poor links between policy priorities and the inputs that are funded by public resources, and the high costs of wastage and corruption. Only recently, it was revealed that between 1999 and 2010, the Nigerian Legislature had appropriated some ₦1.4 trillion for the rehabilitation and reconstruction of Nigerian roads. Yet, the roads remain largely impassable. This indicates some disconnect between policy and implementation, and between release of funds and actual application of funds for desired goals.

An assessment of the budget-efficiency of the Nigerian government can be effected by means of a number of indicators (Obasi, 2012):

a) **Revenue Margin** - What is the relationship between total Internally Generated Revenue and Total Revenue of government (IGR ÷ TR)?

b) **Fund Efficiency** - What is the relationship between excess Revenue and Total Capital Expenditure (TR - TE ÷ CE)?

c) **Recurrent Utilization Ratio** - What is the relationship between Recurrent Expenditure and Total Revenue -(RE ÷ TR)?

d) **Capital Utilization Ratio** - What is the relationship between Total Capital Expenditure and Total Revenue (CE ÷ TR)?

e) **Current Ratio** - What is the relationship between Current Internally Generated Revenue and Internal Loan for the budget period (IGR ÷ IL)?

f) **Leverage** - How does Total Debt relate to Total Revenue (TD ÷ TR)?

These indices will highlight the level of efficiency in the budgeting and executing profile of the nation. The cost of administration (recurrent) is quite high in comparison with the capital outlay; and Government and political appointments generally account for a major portion of public expenditure. This is not only unproductive, it is also a major source of fuelling the corruption index of the country.

It is equally instructive that the nation’s Misery Index continues to escalate. The index is a composite of several factors that impinge on the economic well-being of the ordinary Nigerian:
• the unemployment rate in the economy;
• the inverse of the level of capacity utilisation in industries;
• the cost of living index;
• the direct measure of poverty level in the country (inverse of the per capita GDP or per capita average national income);

Nigeria must post a GDP growth rate where the industrial capacity of the economy, goes beyond the present 3% to attain a figure of 40-60% as in the developed countries. Furthermore, the absorptive capacity of the economy must be enhanced to enable it withstand shocks in every direction. The current monocultural complexion of the economy does not lend itself to stability and meaningful development. A skewed and unproductive economic system, is a sure recipe for instability and disaster. Beyond that, the nation’s currency, needs to be strengthened to ensure equilibrium in the external account. And the capital market must be encouraged to grow in Breadth, Depth and Resilience.

The UNDP Human Development Report for Nigeria puts it most graphically: Nigeria surely has a scorecard; but it is an unimpressive one relative to its contemporaries in the 1960s and 1970s. What is different about Nigeria is that its poverty and human development performance are largely avoidable. Forty-nine years of managing its own affairs has shown that the country has immense potential, is blessed with human and natural resources, yet exhibiting significant deprivation in the midst of plenty. ... In many respects, the economy has shown traits of a complex colouration that defies conventional classification. It is a country of extremes - extreme wealth on the one hand and extreme want on the other - which makes it possible for some 20 per cent of the population to own 65 per cent of its national wealth (2009: 27).

For 16 years (1980 to 1996), the total poverty head count for Nigeria rose from 27.2% of the population to 65.6%. This gives an annual average growth rate of 8.83%. However, between 1996 and 2004, the figure declined to 54.4% of the population. Meanwhile, the core poor rose from 6.2% in 1980 to 29.3% in 1996, and declined to 22.0% in 2004. (HDR, 2009: 63). Nigeria’s human development index, at 0.499 lags behind those of Cameroun 0.514, Sudan 0.526, India 0.609, Botswana 0.646, South Africa 0.670, Equatorial Guinea 0.717, Malaysia 0.823, and Korea 0.928 (HDR, 2008).
The American Secretary of State, Hillary Clinton clearly profiled the nation’s dilemma when she said:

...What Africa needs is not more strong men, it needs more strong democratic institutions that will stand the test of time. Without good governance, no amount of oil, no amount of aid, no amount of effort can guarantee Nigeria’s success. But with good governance, nothing can stop Nigeria. ... We believe that delivering on roads and on electricity and on education and all the other points of that agenda will demonstrate the kind of concrete progress that the people of Nigeria are waiting for (2009).

Budgeting in Nigeria thus needs to stand up to the test of good governance. Nigeria must secure optimal use of the state’s financial resources to ensure improved quality of life for all its citizens. The national need is for institutions that enable linkages between social need, policy making, budgeting, spending and monitoring and evaluation of the effects of spending.

III TRANSPARENCY AND ACCOUNTABILITY IN GOVERNANCE
The twin concept of transparency and accountability is rooted in the basic ethical foundation for good governance in a democratic polity. Good governance refers to the quality of relationship between the government and the people in the context of how government policies and their implementation have touched and transformed the lives of the people. Government programmes must be fully explained to the people who must also be involved in their implementation. Thus, accountability is the heart and soul of good governance, and transparency is the reinforcer; together they represent the Siamese twins of public administration. In the words of Akpa (1997):

Accountability is a precept requiring that the government’s action be reported, explained and justified to the people from time to time on a consistent basis... In this setting, the ruler as a matter of fact is the servant of the people... An accountable government is one that carries the people along and therefore can effectively see its policies and programmes implemented. Transparency is a term that connotes the state of being open to the people both at the official and private levels. ... It refers to a condition of complete and free flow of information. A transparent person is one with clean hands with a track record of honesty and probity. ... In a society populated by transparent people, need supersedes greed, while openness is the watchword for all government transactions. People are treated fairly and justly, because their rulers are upright and not easily swayed by ethnic, religious and nepotic sentiments.
In fiscal terms, transparency requires that:

i) There should be openness in government structure and functions, fiscal policy intentions, public sector accounts, and those indicators and forecasts generally regarded as fundamental to sound economic policy;

ii) The dividing line between public and private domains should be clearly evident, so that conflict-of-interest rules for public officials will be properly defined;

iii) Freedom-of-information legislation, and open legislative debates on government budget proposals, should be features of government;

iv) Issue of periodic statements of policy goals and quantitative targets, clear public accounts and forecasts relying on accrual-based recording but supplemented by cash flow data, and maintaining publicly some consistency between the budget statement and government balance sheet (Kopits and Craig, 1998).

Asugha (1997), a former Auditor-General of the Federation opines that public and open reporting is a moral and legal duty government owes its citizens. He defines accountability as being answerable and responsible to a party as a means of ensuring that the purpose and objectives of certain programmes and activities are achieved. It requires that accurate records are kept, proper explanations are given for resources received and the uses to which they are put, and actions in discharge of statutory duties are properly accounted for. He identifies two different kinds of accountability: Financial accountability and Results accountability. Financial accountability is concerned with accounting systems, internal controls and audited financial statements, while results accountability has to do with the degree to which agreed proposals, purposes and objectives are in fact achieved. He further analysed public accountability into agency and individual levels.

The Agency, Ministry, Para-statal or Extra-Ministerial Department is answerable for resources and duties entrusted to it. For accountability to properly be in place, at least three conditions must be met:

i) There must be an Agency to which resources and duties have been allocated or assigned;

ii) There must be individuals within the Agency who must be held responsible and answerable for proper use of the resources or discharge of duties of government;

iii) There must be adequate control environment within the organization which should guarantee honest and accurate use of resources entrusted to the
Official and that the resources are used for public good (Asugha, 1997).

Administrative accountability arises where public agencies are hierarchically organized. This ensures regular and daily accountability by a subordinate to his superior, and operative to his supervisor. Also, the government department/ministry accounts as a body to the authority from which it derived its existence. The civil service must regularly account to the political heads. As part of the bureaucracy and executive, it must be held accountable to the legislature, the public and in constitutional matters to the Judiciary. In some countries, administrative courts, ombudsman or Public Complaints Commissions are devices to check administrative abuses and injustices by public servants against individuals and the public.

The issue of political accountability is less susceptible to quantitative measurement. Political accountability hinges on four main considerations. First, are the representatives of the people, truly representing the interests of those who elected them? In the modern polity, representative system of government has become the means whereby the powers of state are exercised on behalf of the people. But the mere fact of representative government is no insurance of genuine democracy. For as Bevan (1978) said:

A representative person is one who will act in a given situation in much the same way as those he represents would act in that same situation. In short, he must be of their kind. ... Election is only one part of representation. It becomes full representation only if the elected person speaks with the authentic accents of those who elected him. ... He should share their values; that is, be in touch with their realities.

Second, does the democratic practice truly give effect to the wishes of the majority? It is trite saying that in a democracy, the majority may have their way, but the minority must have their say. However, the Arrow Paradox postulated by Kenneth Arrow about the collective rationality of the political process, states that under certain plausible conditions, majority voting can fail to reflect the will of the majority. In other words, a small but powerful minority could in effect dictate the outcome of the electoral process to the majority. Political accountability requires that a powerful minority does not neutralize the common wishes of the voiceless majority.

Third, does the political process emphasize due process and faithfulness to statutes and necessary laws of the land? A country’s laws represent the clearest index of group consensus in a polity, and the legal process is the method by which a people formally establishes norms or standards of acceptability. Faithfulness to the laws is
therefore, a major criterion in the quest for genuine accountability. Of course, the number one law for each nation is the Constitution that guarantees the rights and duties of all the component parts of the country. The entire political process and practice must guarantee faithfulness to the Constitution, as it is the common thread that holds any society together.

Finally, are the actions of the legislature, the judiciary and the executive such as to maintain the trust and confidence on which public office is anchored? The democratic ethic requires the public official to perform his duty in a manner that shows responsiveness to the society from which the authority derives. The general idea in a democratic system is that the effective political leadership will apportion power, prestige, authority and funds among public organizations according to their relative standing with the public or significant segments of that public. Men in governance are there to represent people. They must stand out as examples in conduct, character, and virtue. They must also seek to provide good leadership to the rest of the society in matters of public and private life.

In sum, an accountability audit must resolve some basic issues:

- How well has the organisation performed in meeting accountability standards? Has the organisation demonstrated that it is especially effective in meeting certain kinds of accountability standards and perhaps, less effective in meeting other standards?
- Does the organisation have appropriate accountability controls and are they working properly? What components of the organisation’s accountability infrastructure are especially strong? Are any components vulnerable to criticism?
- Is the organisation devoting sufficient resources to maintaining and enhancing its accountability? If there is need for additional investment of resources, where would these be spent?
- Is the organisation positioned to respond effectively to new or emerging performance standards or reporting requirements arising from shifts in the accountability environment?
- What is the organisation’s current image among key stakeholders? How is the organisation currently perceived by key audiences?
- Are there gaps between what the organisation wants its constituents to believe and what they actually believe? If so, what are the probable causes of those gaps? (Kearns, 1996).
IV AUDITING AND ACCOUNTABILITY FRAMEWORK

The IFAC Public Sector Study set out an accountability framework for the public sector. The Framework describes the interrelationship between the Legislature, the Auditor and the Executive in fostering a thoroughly accountable environment:

i) The Legislature confers responsibility on the Executive by way of budget appropriation, to make expenditures, invest, borrow and administer programmes in accordance with the law. In exchange, the Legislature has the right and responsibility to hold the Executive accountable by way of reports and responses to oversight inquiry, for the management of the financial affairs, the use of resources entrusted to them and the result achieved. The core requirement is transparency;

ii) The Executive allots and allocates funds within approved budgets, authorizes the acquisition and use of financial resources, and oversees and monitors the implementation of the approved budget. It is also the responsibility of the Executive to direct operations with due regard to economy and efficiency, maintaining an adequate system of internal control, ensuring compliance with applicable laws, selecting and applying appropriate accounting policies, safeguarding assets, measuring the effectiveness of programmes and reporting on overall organisational performance;

iii) The Legislature exercises control over the expenditure of public monies, reviews the annual reports of public sector entities, evaluates the standard of their work, and makes recommendations based on the facts contained in the various audit reports. It confers responsibility on the Auditor, investing him with the authority to examine books and records, and exercise oversight over projects for which the Legislature has made appropriations. It also demands a response by way of audit reporting. The core requirement here is independent objective information;

iv) The inner accountability cycle involves audit and reporting by the Auditor, hearing by the Legislature, recommendations of the Legislature to the Executive, and the response by the Executive. What is required of the Executive is to acknowledge responsibility to the Auditor, whose duty is to audit the activities of the Executive.

Generally, there are three audit types:

- The Court Model involves a collegiate court of auditors or tribunals of accountants with quasi-judicial powers in administrative matters.
Examples are found in France, Italy, Spain, Portugal, Brazil or El Salvador;

- The Board Model involves a collegiate decision making agency but without jurisdictional authority as it is in Germany, Netherlands, Sweden, Argentina, or Nicaragua;
- The Mono-cratic Model - An uninominal audit agency headed by a single auditor-general and often acting as an auxiliary institution to the legislature, as in US, UK, Canada, Chile, Colombia, Mexico, Peru and Nigeria (Santiso, 2006).

In Nigeria, the Auditor-General exercises the audit function in conjunction with the Public Accounts Committee of Parliament. Together with the internal audit function, the auditor is a strong contributory factor to the enhancement of governance in nation states.

Internal auditing is recognised as one of the pillars of governance. The Institute of Internal Auditors (2002) defines internal auditing as:

... an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Part of the role of the internal auditor include monitoring, assessing, and analysing organisational risk and controls; examining, evaluating and confirming the integrity of information; compliance with policies, plans, procedures and laws; safeguarding of assets; and the economical and efficient use of resources. The menu of services include:

- Evaluation of internal controls;
- Benchmarks of performance and best practices;
- Investigations of alleged fraud, waste and abuse situations;
- Support for the external auditor

Governance is the domain of internal audit. The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

a) Promoting appropriate ethics and values within the organisation;
b) Ensuring effective organisational performance management and accountability;
c) Communicating risk and control information to appropriate areas of the organisation; and,

d) Coordinating the activities of and communicating information among the board, external and internal auditors, and management (that is among the four pillars of the governance framework) (Rossiter, 2011).

The scope of internal auditing includes:

- Evaluating the adequacy of the institution’s system of internal control, by ensuring that appropriate procedures are in place to achieve the organisation’s overall objectives, and that effective tools are applied in the assessment of these controls;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Reviewing and appraising the economy and efficiency with which resources are employed;
- Reviewing operations or programmes to ascertain whether results are consistent with established goals and objectives.

Furthermore, the internal auditor must remain on the cutting edge of his discipline and profession by taking some basic steps:

1. **Provide transparency and act as an advisory body to senior management** by providing quality and relevant information to help monitor and optimize the institution. Internal audit can meet expectations and reinforce their role within operational governance by leveraging metrics with easy-to-understand evaluation reports.

2. **Identify underperforming areas, opportunities for improvement and potential synergies.** By providing an analysis of how the organization’s operations perform, internal audit gives executives the means to track the status of risks, compliance, processes and the level of performance. Audit findings and recommendations can lead to process and performance improvements, as well as help prevent losses.

3. **Consolidate information in a consistent way to maintain an audit trail and facilitate reporting.** Sharing data across the organization enhances coordination,
collaboration and communication. A single, real-time, repository allows for intelligent consolidation of audit information and facilitates the storage of all internal audit information - whether academic, operational, financial or O & M - that aid the creation of reports and recommendations.

4. Include a risk perspective throughout the audit function so that executives can rest assured that proper governance and risk management measures are in place. This calls for a switch to a risk-based approach that will leverage an audit methodology as well as auditor skills for risk management purposes, not only to control risks, but also prove the value of the internal audit function.

5. Turn Internal Audit into an Operational Governance Tool. Facing the increased business sensitivity of audit missions and regulations, internal auditors have to provide executives with the assurance that the organization performs as it should - true to its vision, mission and strategic plan.

The internal auditor must have a prioritized list of risks to address as part of his audit mission to support the organisation’s governance. A risk-based, integrated framework will allow an organization to identify, assess, address, and monitor the risks that could prevent it from achieving its objectives, with improved cost-efficiency and maximized business value. It will enhance governance by providing management with consolidated, comprehensive, and detailed – but risk-centric – reporting and recommendations. The internal auditor must take a leadership role in assessing and managing risk, applying continuous quality initiatives, benchmarking and migrating best practices, and identifying opportunities. He must maximise value and aid the organisation’s competitive advantage by managing business and operational risks and identifying growth drivers. In the words of Chapman (2001 cited by Dibia, 2010), good business is all about risk; growth cannot occur without introducing new risks; objectives cannot be achieved without placing assets at risk; and rivalries cannot be won without ‘out-risk-taking’ the competition. The challenge for the internal auditor of the future is how to mitigate the risks that the organisation needs to undertake to endure.

V CONCLUSION
Good governance - responsive, prudent and effective management - is the key to ensuring that the citizenry have access to health, education and sanitation services, working and living in safe and secure environment, and conducting business protected by rule of law. Good financial governance has its roots in the quality of the institutions that regulate tax, public financial management systems,
audit processes, oversight functions of government and legislature, and the budget system. It is only as priority is assigned to various governance elements, and the appropriate framework put in place, will the vast resources of our nation be applied judiciously to the needs of the citizenry.

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