

# “Nigerian Factor”, the International Standards on Auditing (ISA) and the Quest for Public Accounting Transparency<sup>1</sup>

## Introduction

The issue of enforcing international standards in the conduct of public and private sector affairs in Nigeria has two dimensions. The first is to ensure that standards are the same all over. It is about globalization of processes and procedures. The second is about whether these standards will improve governance of the different sectors. Thus the issue at stake on the International Standards on Auditing (ISA) is conforming to reporting and practicing style and not the integrity and credibility of what is being reported. The ISA is about processes and procedures.

However, in the anti-corruption climate that prevailed in Nigeria in the last over three decades, the ISA should be about more. It should be about processes and procedures and about the integrity and credibility of all the local councils, ministries, departments and agencies reports on.

The question staring us in the face in the context of the theme of this workshop is whether it is possible to enforce accountability and transparency in budget planning, implementation and evaluation in order to lessen corrupt tendency. Are there the enabling environment to facilitate this – enabling environment of welfare for the workers in the local councils, ministries, departments and agencies saddled with the task of accounting and auditing?

This entire talk is a chip off the eternal search for a corrupt free Nigeria. My central focus on the “Nigerian Factor” is to draw attention to the constant struggle to circumvent, colonize, and/or defeat this search for accountability and transparency. The prime target of concern is not so much the entire sector – public and private – but the public sector that governs the entire sector whether private or public.

As I once argued, in spite of the in-road of the private sector following the end of the Cold War, in Nigeria and most developing countries, the private sector is just not there yet. The public sector leads the way in economic development for now. As such the focus is the public sector. And what is the concern? The concern is to prevent and/or minimize the leakage/hemorrhage of public funds through transparency and accountability in public finance reporting of local councils, ministries, departments and agencies.

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<sup>1</sup> A text prepared for Local Governments, Ministries, Departments and Agencies under the House Committee on Intergovernmental Affairs and Absolute Security and Consultancy Limited, 18-19 December, 2018, Manpower Development Institute, Dutse, Jigawa State

We all or most of us will agree that in Nigeria leakage/hemorrhage of funds is not because of lack of institutions and/or compliance with standards and benchmarks whether local, regional or global. We have all these institutions/conventions/protocols and more. It is about why in spite of all these we have penchant for finding ways/means of circumventing, crippling and defeating all these. There are two explanations for this. The first is about the persistence of poverty for most Nigerians in the face of abundance. Nigeria's rating as the poverty capital of the world is a testament to this. The second explanation is about greed because for the type of circumvention that prevails on the landscape of public accounting and auditing, only people who are privileged can engage in this type of public pilfering.

Collectively, these two factors constitute parts of the tool kits of the Nigerian Factor. This is the fulcrum of this paper. The paper is not about the technicality of the ISA. I am of the view that this august gathering know this technicality and have adhere to this in their reporting. It is about the integrity and credibility of what is being reported and the reasons for the paucity of integrity and credibility in the reporting.

The paper briefly examine the ISA and leave the technicality to the professionals; I will touch on accountability and transparency within the anti-corruption environment and finally, I will touch on the human factor called the Nigerian Factor as it is set to torpedo any and all standards in public accounting reporting unless the issue of poverty and greed is addressed. Addressing this is not only among the staff of local councils, ministries, departments and agencies. It is about most Nigerians.

## **The International Standards on Auditing (ISA) and the Nigerian Standards on Auditing (NSA)**

As the world globalise ideas and standards are pushed across different part of the global north for adoption and use by the global south. These ideas and standards are impervious of the different levels of developments across the world. Indeed for the global south, the refusal or inability to comply is not an option. They rarely have the chance to put their views across in form of cross fertilization of ideas and standards. The ideas and standards cover most areas of human endeavours. In the financial world there are many including the International Standards on Auditing (ISA) and the International Public Sector Accounting Standards (IPSAS).

The International Standards on Auditing are sets of professional standards for the performance of financial audit of financial information. These standards are issued by International Federation of Accountants (IFAC) through the International Auditing and

Assurance Standards Boards (IAASB). The essence of the ISA is to “guide the auditor to add value to the assignment hence building confidence...”<sup>2</sup>

The list of the standards include respective responsibilities, audit planning, internal control, audit evidence, using work of other experts, audit conclusions and audit report and specialized areas. These comprised detail rules and regulations such objectives of independent auditor, auditor’s responsibilities relating to fraud, communication with those charged with governance, responsibility of joint auditors etc.<sup>3</sup>

There has been attempt to domesticate these standards by agencies governing the professions in Nigeria. They include the Institute of Chartered Accountants of Nigeria and Association of National Accountants of Nigeria. The ICAN for instance issued the Nigerian Standards on Auditing (NSA) which replicated the standards contained in the ISA for the Nigerian environment and those within the ICAN family.

### **Is Transparency and Accountability in Public Sector Governance Rhetoric?**

The place to gauge transparency and accountability – the oft repeated but highly untraveled roads of public finance – is budget planning, implementation and evaluation. Budget is the annual plan for services captured within expected income and expenditure. Implementation is about the delivery of the services contained in the annual budget. Evaluation on the other hand captures the impact of the plan and implementation on the ground to determine the percent achieved. In all these, auditors are crucial from the planning to the evaluation stages. In particular, they determine through evaluation if the plan and implementation are captured accordingly in the services provided.

This is where officials with vast technical knowledge – those I referred to as “sedentary workers” or bureaucrats in the local councils, ministries, departments and agencies – guide the politicians or “seasonal workers” in aiding and/or subverting transparency and accountability in public finance. The success or failure of any budget from planning to evaluation requires the seal of the auditors. For instance, in one north central state where I participated in analysing budgets for five years from 1999 to 2005, I noticed that one budget was the model that was repeated under different names with different income and expenditure for the period in question. While this apply to the states in Nigeria, I shudder to think of what obtains in most local councils in terms of budget planning, implementation and evaluation. This is because local councils are at the mercies of the states and federal governments particularly since 1999.

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<sup>2</sup> See the article “International Standards of Auditing (ISA)” on [www.readyratios.com/reference/audit/international\\_standards\\_of\\_auditing\\_isa.html](http://www.readyratios.com/reference/audit/international_standards_of_auditing_isa.html) accessed 14:12:18

<sup>3</sup> See Ibid

The questions of transparency and accountability formed part of the globalised ideas and standards. They are pushed mostly into the developing world where the lack of transparency and accountability is endemic. International organisation such as the International Monetary Fund (IMF), the World Bank (WB), the United Nations system and civil society and non-governmental organizations have been at the fore front of challenging these ills and promoting these norms. They are conditionality for engagement with governments of most developing countries.

Nigeria has battled with the issue of transparency and accountability in public governance for years but in particular with the enthronement of representative rule in 1999. There have been institutions in place. More institutions to monitor and sanction violators of standards have come into existence in this period. Older ones have been reinvigorated. Among the institutions are the Economic and Financial Crimes Commission, Independent Corrupt Practices Commission, Nigerian Extractive Industries Transparency Initiatives, Office of Due Process, Code of Conduct Bureau etc.

The present administration took the fight to enthrone transparency and accountability a notch higher. One of the administration's three agendas is to fight a relentless war against corruption. This followed what was arguably a feast-for-all in the looting of the public treasury and the lack of transparency and accountability by previous administrations. If military rule was credited with institutionalizing corruption in public governance, the former ruling Party especially under President Jonathan achieved for the civil rule until 2015 what General Babangida achieved for military rule.

The present fight against corruption has one impediment. The impediment is that only Mr. President is interested in the fight against corruption. The president does not enjoy the support of most if not all the members of his cabinet, most if not all the 36 states governors and most if not all the 774 local government chairpersons and most if not all the ministries, departments and agencies of governments including the frontline agencies fighting against corruption. Opposition<sup>4</sup> to anti- corruption is not a preserved of the executive.

The legislature and judiciary at all levels manifest their opposition in subtle but not mistaken ways. There is no enthusiasm on the part of the legislature and judiciary in legislation/oversight and in prosecution/interpretation of the laws. This is the attitude of the leadership on corruption. The attitude of most Nigerians derives from those of the

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<sup>4</sup> On the 30<sup>th</sup> anniversary of the coup that overthrew Major General Muhammadu Buhari on 27<sup>th</sup> August 2015, I presented a paper to auditors in Nigeria where I drew attention to this fact and the fact that vested interest were at work to counter his campaign against corruption. I argued that the president will not find this easy this time as an elected leader. The focus of the paper was on auditors and the peril of their jobs. See "Security Challenges in Auditing Practice: the Way Forward", paper presented at the 2 day national auditing summit and professional ethics in the financial sector on the theme "auditing as panacea for due process, poverty reduction and alleviation and revenue generation: an agenda for best global practice in auditing and financial institutions", Office of the Auditor General of the Federation and the Family Affairs Consultancy Services Limited, 26<sup>th</sup> – 27<sup>th</sup> August 2015, Shehu Musa Yar'adua Centre, Abuja

leadership. The attitude of most of the populace is spurred by the rate of governance delivery at the federal, states and councils levels. There is no incentive to dissuade petty corruption<sup>5</sup> among most Nigerians as the leadership consolidates on perpetuating grand and political corruption.<sup>6</sup>

From the point of view of the executive, Mr. President is a lone wolf.<sup>7</sup> While the president may enjoy large support for his personal integrity, this does not translate into the public fight against corruption he has set himself to wage relentlessly during the course of his rule. We are unable to tell the extent of the corruption being perpetrated by those who can in this administration. However, what is clear from the few instances that have come to light including the Lawal-Oke-Maina-Daura-Kyari-Daura cases and the administration silence over this is a clear indication that all is not well in the fight against corruption at the federal level. What happened and is happening at the states and councils levels is another world entirely. The states and local councils did not enlist to fighting any corruption – whether the Buhari type or the Transparency International type.

These developments did not escape the attentions of accountants/auditors in the local councils and in the ministries, departments and agencies. As I argued in one particular presentation, the political bosses who are the poster boys/girls of corruption are the seasonal workers and the bureaucrats/professionals in the councils and MDAs are the sedentary workers. The latter are privy to all the details of their organisations. They provide technical assistance to the seasonal workers in their effort to pilfer public resources.

Where are we in the fight against corruption and in the attempt to enthrone and promote transparency and accountability in public sector governance particularly in the councils and MDAs? Is this mere rhetoric and political correctness? And if it is, why is it?

### **“Nigerian Factor” in the International Standards on Auditing**

I used the “Nigerian Factor” as derivative of the diverse ills described as the “Nigerian Factor”. I define the “Nigerian Factor” as the human factor that makes things that works elsewhere not to work in Nigeria. The “Nigerian Factor” is traceable to the economic crisis that engulfed the country when the leadership refused and/or lack the awareness of the need to plan for yesterday, today and tomorrow. This gave birth to the fire brigade approach to doing public business.

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<sup>5</sup> See Transparency International defines corruption as the abuse of entrusted power for private gain. TI categorize corruption into petty, grand and political.

<sup>6</sup> See Ibid

<sup>7</sup> See “MuhammaduBuhari: Change’s Lone Wolf?” in the sub link “AOVIEWS” on <http://adoyionoja.org>

The economic crisis became rife in the mid-1980 when Nigeria was forced to embrace the Structural Adjustment Programme in order to manage its public finance governance. The "Nigerian Factor" has since developed a life of its own. In effect, the "Nigerian Factor" is a bid to survive the self-inflicted hardship occasioned by the failure of public governance at all levels.

How will the "Nigerian Factor" impact on the International Standards on Auditing? I had argued that Nigerians do not have problem keying to international norms and standards. The ISA is about a pattern of audit reporting and sets of processes and procedures that guide this. I recalled in the opening remark where I noted that this will not be problem. Where there will be problem is in the integrity and credibility of the reported content. My opinion over this issue derived from the theme of the workshop which was "enforcing transparency and accountability as credible option for nation building". I had asked if it was possible to enforce transparency and accountability when there was no incentives and social safety valve for the professionals involved in the business.

The "Nigerian Factor" in the work in this case is the manipulation of data and figure in the audit reporting. This is done in return for a cut of the pie. This does not prevent complying with the processes and procedures of audit reporting. For the international community who may be invited as consultant and/or external auditors, it is about processes and procedures and keeping the books neat and orderly. It is not about transparency, accountability, integrity and credibility. Nigerians engage in distorting reality because of their quality of welfare and service and for some because they are greedy.

### **Missing Enabling Environment for Transparency and Accountability in Public Sector Governance**

There are two perspectives to the issue of enabling environment to promoting transparency and accountability in governance at the local councils, ministries, departments and agencies. The first affects those working in the sectors and in particular saddle with accounting and auditing. The second affects the generality of Nigerians from whose ranks these few professionals are recruited and whom they also cater for as the work in these fields. Fighting corruption and promoting transparency and accountability in public governance is a give and take issue. What are the governments giving in return for demanding transparency and accountability?

For both dimensions, there is need to create social safety valve for the workers and for most Nigerians. For the workers it is important to focus on their welfare package. Welfare package should not be reduced to salary increase only. Welfare is all encompassing to include housing, health, transportation that will insure the workers against acting in manners to compromise his/her work/professional/organisation ethics. When the welfare of workers is

canvassed by the governments the focus is on the salary component only. Even in this limited area not all governments have been able to meet up with this commitment. The dust is still gathering on the recent 'agreement' on another minimum wage among all tiers of governments.

The government is not bothered about the health component of welfare where less than five percent of Nigerians are covered by the limited insurance scheme in operation. In the housing sector, public housing scheme has not been able to deliver affordable housing to public sector workers. Public transportation is limited to road and even this is not delivering because of the state of investment on infrastructure. This is the enabling environment where the average Nigerian worker is faced with lots of expectation – health, transportation, housing, fee, water, electricity, extended family obligation– all these with poor and epileptic salary.

The "Nigerian Factor" thrives in this condition. The worker has to make ends meet so he contrive ways of making money in order to meet his obligation for housing, transport, health, school fee, private water and electricity and extended family commitment. The worker build his own house, pay his medical bill, send his wards to school often private school because of the state of public schools, buys his/her car, provide his/her electricity and water, collect refuse and supports extended family. All these on the poor and epileptic salary!

With the growing inability of the governments to diversify the economy and create opportunity for Nigerians, the rank of the unemployed continues to grow. As the economy shrink due to international and domestic measures since 2015, millions of Nigerian workers in the public and private sectors lost their jobs. As unemployment grows, the burden of the few Nigerians able to find and keep work increases. It is not uncommon to find most Nigerian workers supporting not less three persons in various ways from the income he/she get from his/her place of work.

The desire to be creative – the "Nigerian Factor" – is heightened in the bid to survive in this dire condition. Transparency and accountability become slogans on the lips of most Nigerians. They join the race for playing political correctness and hypocrisy and accede to the dictate of their needs as they engage in the needful to be able to meet their obligations.

## Conclusion

I argued that there is a give and take in the quest by government to instill transparency and accountability in the governance of public sector. The government must play its part in creating the enabling environment that will insulate the workers and most Nigerians as it seeks to rid or minimize corruption in the country. With the enabling environment in place, workers and most Nigerians will join the governments in ensuring that they live up to

expectation in the discharge of their task. For now, this give and take does not exist. A casual assessment of the landscape did not indicate it is in the horizon.

If at all there is compliance to the International Standards on Auditing (ISA) – another addition to anti-corruption institutions – by workers in the councils and MDAs, it is in fulfilling their civil service obligation. As to the critical issue of the integrity and credibility of what is being reported, the seeming alliance between the seasonal and sedentary workers or the NIGERIAN FACTOR, in the absence of the enabling environment for the workers, will ensure that there is little or no transparency and accountability in the governance of public finance among those of the councils and the MDAs.