

ROLE OF INTERNAL AUDITING IN CURBING CORRUPT PRACTICES IN NIGERIAN PUBLIC SECTORS

By

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ABSTRACT

The Present situation in Nigeria is undoubtedly characterised by gross dilapidation of the nation's infrastructure, poor health facilities, death – trapped roads, insecurity and overbearing hardship of the common man. Most research attributed this calamity to endemic corruption in Nigeria's system. This study thus evaluates the role of internal auditing in combating corrupt practices in Nigerian Public Sectors. The paper identified causes of corruption in public sectors to include: greed; lack of positive values; porous system; weak enforcement of law and oversight mechanism; excessive materialism; societal pressure; insecurity of employment tenure; indiscipline and inordinate ambition. The paper reviewed the work of earlier writers to arrive at most effective way to employ internal auditing to resolve corrupt practices in Nigeria's Public Sectors. At the end, the paper recommended the removal of obstacles like; staff collusion; staff incompetence; management overriding established internal control and lack of supervision. The paper concluded that internal auditing be employed to provide the most effective means of addressing corrupt practices because the cost of investigation and prosecution of corrupt offenders is very high, and avoidable.

Keywords: Public sector, bureaucratic, accountability, fraudulent activity, systematic corruption.

Introduction:

Investigations done by the economic and financial crimes commission revealed that since 1999, about 8 trillion naira of government funds were embezzled or alleged to have been embezzled and diverted into private accounts of public officials (Okekeocha, 2013). Nigeria, for some years back has been appearing conspicuously on the lists of corrupt countries in the world. Many Nigerians that hoped for breakaway from this ugly trend were, however, disappointed as the country was ranked as the most corrupt in 2002, the second most corrupt in 2003 and the third most corrupt in 2004 according to Omotola(2006). Omotola (2006) supported the level of attention being devoted in reversing the situation because of its rapid and unprecedented expansion to all human endeavour and its menacing consequences. Agbonifo (1985) viewed corruption as cockroaches that had co-existed with human society for longtime and remains as one of

the problems in many of the world's developing economies with devastating consequences. While contributing to the topic,,Achebe (1988) described anybody denying that corruption has not reached an alarming situation as a fool, a crook or not living in Africa. Niki (2014) a judge of Supreme Court stated that:

“A corrupt society definitely will trouble the peace, stability, order and good government of the nation. In a country where public officers in government freely deep their hands in the treasury and steal government money at will, the masses will complain an such complains could threaten the stability and social equilibrium of the nation”.

Corruption occurs in public sectors because of compelling needs of the principals to delegate the performance of some government task to the agents. This corruption takes place when an agent betrays the principal's interest in the pursuit of his own self – interest. This type of corruption is commonly referred to as bureaucratic corruption.

Nigeria is responding positively to reducing the menace of corruption in the country. Various measures, mechanisms, strategies and initiative are being employed. Most of the measures are products of parliamentary legislations. They include: Corrupt Practices Investigation Bureau (CPIB), Ethical Revolution/Re-orientation Campaign, Code of Conduct Bureau (CCB), War Against Indiscipline (WAI), National Committee on Corruption and other Economic Crimes (NCCEC), Audit Alarm System (AAS), War Against Indiscipline and Corruption (WAI-C), Independent Corrupt Practices and other Related Offences Commission (ICPC), Budget Monitoring and Price Intelligence Unit (BMPIU), Economic and Financial Crimes Commission (EFCC), the Nigerian Extractive Industries Transparency Initiative (NEITI), and Financial Intelligence Unit.

Unfortunately, these agencies that were set up to curb corruption have not performed maximally. Amaefule & Umeaka (2016) observed that those agencies equally depend on budgetary allocation and that they have impacted positively but not significantly on the economy and gross domestic product. The paper focuses on the need to strengthen the internal auditing departments of public sector to assist the government in an effort to curb the menace of corruption in the Nigeria.

Concept of Internal Auditing

Internal auditing is defined by Osita (2008) as “the independent appraisal of the functions and quality of performance of an organization by a specially assigned staff as part of the internal control system”. The unit is headed by an officer referred to as auditor. Such officer is expected to work on full-time with the organization and the officer is expected to be independent to an extent in order to guarantee efficiency in organizations' operations.

For internal auditing units in any organization to perform efficiency, Osita (2008) suggested that internal auditor should possess the following attributes:-

1. He should be competent academically and professionally, adequately supported

- by staff of the right number, grade and experience.
2. The team should be appropriately trained in their assigned duties.
 3. There should be constructive working relationship between the internal auditor, the rest of the management team and external auditor.
 4. He should be able to approach his work with the same level of care and skill as that expected from an external auditor.
 5. He should be able to plan his work such that, systematically, all aspects of the organization should be covered.

However, the functions of internal auditor is not clearly spelt out in the letter of engagement. This is no small measures has reduced the efficiency of audit departments. In recent times, expectations of stakeholder s have changed in many organizations. The new expectations enable an internal auditor to expand his/her role to cover risk management in addition to regulatory compliance issues.

Concept of Fraud

Institute of internal auditor (2019) defined fraud as any illegal act characterized by deceit, concealment or violation of trust. It is perpetrated by parties and organizations to obtain money, property, or services to avoid payment or loss of services or to secure personal or business advantage. New role of an internal auditor expect the officer to be suitably qualified to reduce the risk of compromising evidence, accusing wrongly or undermining prospective legal actions.

Fraud, according to Apaa (1993) is “all offences against ethical practices, it includes embezzlement, theft or attempt to steal or acts of unlawfully obtaining, missing or harming the assets or reducing abilities of bank”. Mani (1993) also defined fraud as involving the use of deception to obtain an unjust or illegal financial advantage, intentional misstatement, in, or omissions of amounts or disclosure from an entity's accounting records or financial statements; or theft whether or not accompanied by misstatements, in accounting records or financial statements”.

Concept of Corruption:

Wolfe and Gurgin in Okekeocha (2013) view corruption as temptation indulged in not only by public officials but also by those in positions of trust or authority in private enterprises or non-profit organizations. Brown (2014) noted that corruption has different meanings in different fields of endeavour. He declared “In philosophical, theological; or moral discussions, corruption is spiritual or moral impurity or deviation from ideal. In economy, corruption is payment for service or material which the recipient is not due for under law. This may be called bribery, kickback, or in the middle test, baksheesh. In government, it is when an elected representative makes decisions that are influenced by vested interested rather than their own personal or party ideological beliefs.

The World Bank (1997) defined corruption from the system perspective thus:
“Corruption is systemic (or endemic) where, bribery on large or small scale, is routine in dealings between the public sector and firms of individuals. Where systemic corruption exists, formal and informal rules are not odds with one another; bribery may be illegal but understood by everyone to be routine in transaction with government. Another kind of equilibrium prevails, a systemic corruption “trap” in which the incentives are strong for forms, individuals, and officials to comply with and not fight the system”.

Okoduwa (2007) defined corruption as the perversion of integrity or state of integrity or state of affair through bribery, favour or moral depravity. He explained that corruption transcends bribery but includes treasury looting and the deliberate bending of rules of the system to favour friends or hurt foes. He concluded that corruption is an absence of accountability, law and order.

Some high profile unresolved cases include; the Maina Pension scam, kerosene subsidy scam. Police pension fraud; Stella Odua (Aviation scam), missing 20 billion naira oil money; Abba Moro Immigration Scandal; Malabu Oil Scandal; Ekiti-gate and \$15 million private jet/arms scandal. In light of these and other cases, academics from various fields have intensified efforts on researches, towards finding solutions to the problem of corruption in Nigeria.

Concept of Public Sector

Public sector is referred to as an entity owned and controlled by governments. Okoduwa in Okekeocha (2013) notes that the sector is the means by which the government relates and delivers basic amenities to the public. Such amenities include: welfare, infrastructure; security; social justice; education and healthcare. Those that work in different agencies and department are known as public servants. Eke(2016) held the opinion that public sector should be a vehicle by which government formulates and implement policies .

Causes of Corruption

Okekeocha (2013) opined that corruption arises due to various reasons such as: lack of accountability; inequality in distribution of resources; promotion of ethnicity and lack of nationalism; lack of strong governmental enforcement agencies; lack of proper tensing system and ineffective policies that enhance corruption; Nwaize (2012) lists the roots of corruption in Nigeria as: weak institutional framework; poor reward system and traditional family setting; while emphasizing on impact of traditional family setting, he believed that average Nigerian breadwinner is torn between responsibilities in relation to both nuclear and extended families Olurankise (2014) in Amaefule 8 Emeaka (2016) believed that corruption is caused by greed, lack of positive values, porous system, weak enforcement ad oversight mechanism, excessive materialism, societal pressure;

lack of virile welfare structures, insecurity of employment tenure, indiscipline and inordinate ambition. Mani (1993) observed that the nature and extent of fraud and other irregularities are influenced by societal values, norms and practices. Mani (1993) ascribes the present alarming rate of corruption to the fault of society that celebrates criminals, fraudsters and other renown fraudulent well-to-do persons in the society. He lamented that fraudulent people are conferred with chieftaincy titles and merit award. Hall(2012) in Obi et al (2019) stated that corruption is likely to occur where salaries are owed or unduly delayed. Lack of welfare package may equally promote corruption in the country as Eme and Ogbochie (2013) noted that when these allowances are paid religiously by government, it will minimize the level of corruption in Nigeria civil service. Obi et al (2019) believed that fear of prolonged retirement benefits can lead to corruption in Nigeria. Muhammed,Aluaigba and Kabir ((2012) opined that institutional weaknesses play an important role in corruption level in Nigeria; they believed that a reform can help in salvaging the situation.

Effects of Corruption

Corruption has a devastating effect on the society. According to Okekeocha (2013), corruption is tragic to nations and its pervasiveness can lead to low economic performance of developing countries like sub-sahara nations. Ivoghama (2011) in Okekeocha (2013) postits that corruption in Nigeria has been a hindrance to its economic developments .It reduces the level of investment in the country, discourages foreign and domestic businesses and to crown it up, corruption is responsible for poverty and income inequality in the country. Ojaide (2000) submitted that a nation that condones corruption is often besieged with a lot of economic and social vices. Economic and social infrastructural facilities are vandalized to create room for unnecessary replacements and purchases or conversion to personal use. He emphasized that trade and commerce cannot thrive and all these lead to increase in rate of inflation, unemployment and decline in outputand foreign reserves and deterioration in the standard of living of the people. Nageri and Abdul (2013) opined that corruption has ravaged the country and destroyed most of what is held as cherished national values.

Brown (2014) blamed high cost of governance in Nigeria on corruption. He asserted that Nigeria has the most expensive cost of governance in the world. He believes this ugly trend is as a result of dubious deplication of functions, financial recklessness, nepotism and cronyism in recruitments are largely influenced by the establishment of unnecessary agencies, which also promote corrupt practices.

From the above review, it is clear that causes of corruption as well as its devastating effects are known to government and people of the country. It is therefore up to various stakeholders to devise a means of stamping it out of society so that the country can regain its track back to sustainable development.

Some identified Corrupt practices in Public Sector

This study concentrates on bureaucratic corruption where individual seek to take advantage of government grant and services for their personal gains Some of these corrupt related to bureaucratic corruption where individual seek to take advantage of government grant and services for their personal gains and include the following:

1. Payroll Scam:- This occurs when agencies report ghost employees and collect salaries on their behalf. Ribadu in Okekeocha (2013) reported a federal research institute where government lost about N80 million in one year to this ugly practice. The agency was reporting a large number of employees (turned out to be ghost) and in some cases, existing staff members ere listed in multiple times. Something related to this happened in Zamfara State where a newly born child was placed under the government payroll. Records on the state's payroll showed that the baby had a diploma certificate (Ibukum 2011).
2. Tour Allowance Scheme: Some government officials indulge in ugly practice where money is collected for official trip that was never made. Where trips are made, the amount claimed is far more than the sum spent. Above all, some claims on foreign trip raises moral questions as we saw in recent probe into the finances at Niger Delta Development Commission (NDDC) where large amount of money was claimed for foreign trip despite ban on foreign trip during the period mentioned.
3. Diversion of Government Properties for Personal Use: This type of practice involves using employees' properties like motor vehicles, photocopy machines and computer facilities for personal gains or benefits. Some government agencies where government bought machinery like tractors or harvesters meant to assist farmers collected token that was never declared as government revenues. Okoye and Gbeji in Okekeocha (2013) tagged this fraud as condonable and argued that such fraud can only be minimized but difficult to eradicate. They argued that such malpractice thrive only because it is possible to circumvent internal control arrangement or by breaching internal control regulations.
4. Bribery- This occurs when an employee of government uses his position to get extra income at the expense of citizens or the service itself. Adongo and Victory (2016) opined that bribery occurs when payments are made to power distribution agents to record false meter readings or allow illegal electrical connections; health workers for providing treatment at an earlier date; or customs officials to allow goods to be smuggled without paying duties. Nmah in Obi et al (2019) however argued that motive must be considered to determine what constitute bribe. This is to avoid mistakes to classify mere gifts as fraud or corrupt practices.

5. Recruitment Fees Scam:- There is unemployment crisis in the country. So due process has to be followed in order to avoid all vices that confirm presence of corruption in Nigeria public sector. A celebrated case of recruitment scandal is Abba Moro Immigration scandal. It was alleged that each applicant was made to pay N1,000 for application forms. It was discovered that a private firm known as Drexel Nigeria Ltd was deeply involved in the scam.
6. Over invoicing /inflation of Contract Sum Scam:- Some greedy employees of government ministries, departments and parastatals do approve contracts that exceed inspection cost assessment. Osawe in Obi et al (2019) noted that this could not have been possible but due to unholy alliance between civil servants and contract bidders and the soul aim is to loot public funds. Okoye and Gbegi (2013) opines that the such fraud can only be perpetrated by management or people at leadership positions in the organizations. They went ahead to citing examples of such fraud as: fictitious transaction; wrong project evaluation; wrong project award and terrorism reporting of level of project executed.
7. Embezzlement- This is outright theft of public resources by the entrusted public officials. This is made possible if the internal control is weak. It can be perpetrated by: fraudulent transfer and unauthorized withdrawal illegal conversion of pension funds in various agencies and ministries and misappropriating unclaimed wages. Brown (2014) was of the opinion embezzlement of public fund is one of the common ways of accumulating wealth in Nigeria.

Conclusion

The review of literature in this paper was able to establish that corruption in Nigeria public sector has reached an epidemic dimension. It was revealed that corruption in the system is caused by many factors including: lack of accountability due to inefficient auditing units; inequality in the distribution of resource,. Promotion of ethnicity and lack of nationalism, ineffective law enforcement agencies, weak institutional framework, poor reward system, and nature of traditional family settings that impose higher responsibilities on individuals. The paper noted the immense efforts of regulatory enforcement agencies at exposing the rate at which funds have been stolen, and the overpowering height of corruption in the system, evidence of which range from fleets of vehicles and plum real estate to huge sums of money traced to public officials and their surrogates, unmasking ghost workers through the biometric exercise and purging them have not yielded the expected results. It is the aim of this work to canvas for efficient and effective internal auditing so that most of these corrupt practices can be prevented from taken place. It is well known that prevention is better than cure, cost of investigation, prosecution and recovery of stolen assets may be higher and in some situations assets may never be recovered. It is hoped that if the recommendations suggested are fully implement, the corruption in public sector and its attendant effects will be reduced to the barest minimum.

Recommendations

From the above discussions, it can be deduced that effects of corruption can be devastating if not checked. The following suggestions are, therefore made:

1. There is urgent need to develop internal audit's new skill through training, hiring new staff members, or sourcing talent from service providers.
2. Forensic audit department should be created in government ministries to complement work of internal auditors in order to enhance the effectiveness of internal control system.
3. The offices of the auditors-general federal, state and local government should be made more functional by ensuring that only professional and academically competent staffs members are recruited.
4. Factors such as absence of checks and balance, staff collusion and lack of supervision that work against internal auditing should be addressed with all seriousness.

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