

Performance Audit and the New Public Management (NPM) Reforms: Addressing the Public Sector Inefficiency in Nigeria

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Abstract

With the advent of NPM in the public sector, the auditing profession has been elaborately transformed to include many other classes of audit. NPM has been a guiding public sector reform template for over 25 years. Performance audit is one of the audit exercises promoted by the NPM regime. Over the years, the emphasis on 3Es (efficiency, effectiveness and economy) has necessitated the government agencies in many countries around the globe to bring government activities under meticulous scrutiny. Thus, performance audit is a formal tool for evaluating 3Es in the public sector by ensuring that, conformity and compliance with the principles and procedures of the public governance are adequately guaranteed. Specifically, the performance audit practice is at the infant stage in Nigeria. Hence, public agencies that adopted the performance audit are poised to face unanticipated challenges. Therefore, driving from that emphasis, this study presents a multi-level experience of OECD countries on the performance audit. Explicitly, this study is a conceptual review of views and experiences of the OECD countries on the impact of the performance audit with regards to NPM reforms. Equally, the study also reflects on the consensus that, 3Es determines the public sector organizational performance.

Keywords: Performance Audit, NPM, 3Es, Public Sector.

1. Introduction

New Public Management (NPM) has been one of the paradigm shift and reform ideas that bring about audit explosion in the global space of management and governance especially in the public sector (Verbeeten & Spekle, 2015; Verbeeten, 2008). NPM or “reinventing the government” is an approach of running the public sector organizations in a business-like fashion and in line with the principles of managerialism (Bryson, Crosby & Bloomberg, 2014; Verger & Curran, 2014). NPM is aimed at reorganizing and reforming the public sector agencies to be more competitive and efficient in the resources allocation and utilization, unlike the traditional public administration system where strict adherence to rules and fidelity to the bureaucratic norms were order of the day (Verbeeten, 2008). Audit explosion on the other hand, is the unprecedented increase in the emphasis on audit outputs by a broad range of stakeholders in both public and private sector (Alwardat, Benamraoui & Rieple, 2015). According to Power (2000), audit explosion refers to the sharp growth of the usage of auditing and other related monitoring mechanisms in the public management reform processes. Consequently, audit explosion has given birth to a number of classes of auditing practices, thereby expanding the auditing profession itself beyond the familiar terrain of financial audit and compliance audit (Power, 2000). In addition to compliance audit and financial or statutory audit, there is also a performance audit. With performance audit the management of the public sector entities have now become an interesting subject of extensive audit regime (Pollitt, 2003; Power, 2000).

Specifically, the NPM which give birth to performance management system and the performance audit began taking shape initially in the UK and US in 1980s, and later spread to many OECD countries (Bryson et al, 2014). Incidentally, governments across OECD nations embraced the NPM owing to the sustained pressure for improved performance from the critical stakeholders in the affected countries (Verger & Curran, 2014). Thus, the belief in the concept that promotes the market-based doctrine would prove significantly appropriate in the countries with profound issues regarding the efficiency, effectiveness and

economy (Pollitt, 2003). Specifically, it is quite ironoc and interesting to realize that, proponents of NPM claims rather strongly that, one of the key advantages of NPM is that it promoted the techniques of achieving better performance like performance audit exercise (Alonso, Clifton & Diaz-Fuentes, 2015). Incidentally, having seen the impact of the NPM and performance audit in the public agencies of OECD countries, then, various developing countries adopted the idea so as to derive efficiency benefits from the system (Simonet, 2015). For instance, globalization has promoted several cross-border pressure on the public sector organizations of developing countries to improve efficiency, effectiveness and economy (Verbeeten & Spekle, 2015). Thus, the outrageous public expenditure growth of the public agencies could be controlled.

The objective of this study is to examine the OECD countries model of performance audit development, and to recommend how this model could be domesticated in the Nigerian public sector. The paper is a conceptual review of the experiences and perspective of OECD member states on NPM reform and performance audit, especially in UK, Netherlands, Australia and USA. The whole paper is divided into four sections comprising of firstly, NPM-OECD countries experience, then the next section is on the practice of the performance audit in different countries. Thirdly, the antidote of the Nigerian public sector inefficiency is highlighted. Finally, the last section delves on the conclusion and recommendation of the study.

2. Literature Review

2.1 New Public Management: OECD Countries experience

Specifically, NPM is a wide-ranging concept that is associated with distinct and often multiple and contradictory public reform policies (Dunleavy, Margetts, Bastow & Tinkler, 2006). According to Verger and Curran (2014), "NPM is philosophical corpus of managerial ideas that aims at driving public sector reforms in a range of policy areas (p. 253)." For example, many researchers have agreed that, NPM principles began as a phenomenon in Anglo-Saxon countries and thereafter spread prominently, picked up and promoted by countries in almost every continent of the globe (Clifton & Diaz-Fuentes, 2011). Although, this paradigm shift in public sector management started in mostly OECD countries, but African countries including Nigeria keyed into it in a quite interesting number (Brinkerhoff & Brinkerhoff, 2015). For instance, in OECD countries, NPM is considered a two-level phenomenon consisting of two broad layers namely, top layer and second tier layer (Pollitt, 2007). Top layer involves general motivation to promote and improve public sector, whereas the second tier layer contains a set of specific policies, concepts and practices aimed at reforming the public sector generally (Dunleavy et al, 2006; Pollitt, 2007). Both of the layers are quite instrumental to the extensive operations of NPM as a policy doctrine in OECD countries and beyond (Pollitt, 2007; Dunleavy et al, 2006).

Moreover, it is arguably believed that, in OECD countries, the NPM doctrine has resulted in disaggregation and fragmentation of sub-optimal government departments and agencies as well as the practice of strict performance audit exercise (Verhoest, Bouckart & Peters, 2007). Therefore, the coordination capacity of these agencies would be significantly strengthened and renewed in line with the market-type mechanisms (Modell, 2010; Verhoest et al, 2007). Specifically, it is worthy of note that, although, the trajectories followed by these countries may be different, but the evidence of discernible progress in the public sector operations of these countries is clearly demonstrated (OECD, 2002; Simonet, 2015). This implies that, even in the OECD countries, the implementation of the NPM variant reforms differs substantially from one country to another (Alonso et al, 2014). Incidentally, the entirety of the OECD member countries recognized that, these reforms are fundamental shift from the bureaucratic style of management with every bit of its complexity to a simpler and a more streamlined and accountable management model where the organization's target are negotiated and the public agencies are judged on their ability to meet these targets (Verger & Curran, 2014; Kloot & Martin, 2000). In summary, driving from the prominence of NPM in these countries, Alwardat et al (2015) maintain that, performance audit is one of the basic pillars of NPM, thus, improving 3Es from the point of view of public sector audit must

take into cognizance the performance audit exercise.

2.2 Performance Audit Practice

Building a good public sector practice in accordance with the principle of 3Es has been one of the recommended practice of OECD countries' NPM doctrine (Alwardat et al, 2015; Barzelay, 1999). Specifically, countries like UK and Netherland have fundamentally established the standard practice of conducting performance audit in the public sector as a norm in order to ensure that, the 3Es are guaranteed in the core public sector (Alwardat et al, 2015). Initially, the public sector of most OECD countries, if not all has been significantly influenced by increasing emphasis on the results as well as exceedingly growing demand for greater accountability in public governance by the significant stakeholders (Sterck & Scheers, 2006). Therefore, with this principle, the public sector auditors faces a challenge of not only giving assurance that, the financial statements dutifully comply with the various financial and legislative requirements, but rather a new mandate of extending their operations to the management of governments programmes and activities to ensure that, performance is promoted and safeguarded through the lenses of 3Es (Shand & Anand, 1996). Incidentally, that fact is what performance audit is out to achieve (Alwardat et al, 2015).

Generally, researchers are of the view that, there are number of factors that necessitated this paradigm shift in many OECD countries. For instance, the sustained pressure by the public sector stakeholders to curtail the expenditure due to some technological advancement as well as demographic changes has reinforces a genuine search for an alternative audit view that looks generally at the performance of management actions with regards to progmmes and activities (Barzelay, 1996). Equally, a changing social attitude and economic liberalization as well as changing command of control within the public agencies has been replaced by a new management concept where the efficiency gains are the focal consideration (Verbeeten & Spekle, 2015). Moreover, the public sector administrators are forcibly demanded to display high degree of accountability in managing and utilizing public resources (Shand & Anand, 1996). These significant issues gave birth to NPM as a whole and performance audit in particular. Historically, OECD countries have an established tradition of conducting traditional auditing dated back to the 19th century (Shand & Anand, 1996). But in many of these countries, the efficiency audit as a legitimate audit concern appears to have taken a center stage only in 1970s and 1980s. Explicitly, the Government Accountability Office (GAO) in USA is one of the foremost public institutions in OECD countries that typically highlighted the need for performance audit so as to ease the legislative oversight functions of the US parliament (Alwardat et al, 2015). Moreover, the UK National Audit Office is mandated in 1983 by the British parliament to provide the performance audit reports of the public agencies for the conduct of the required legislative oversight process (Sterck & Scheers, 2006; Shand & Anand, 1996). Equally, the Netherlands' experience with performance audit also originated from the citizens pressure through their representatives in parliament which precipitated the public agencies to turn up the performance audit reports at regular interval (Shand & Anand, 1996). Likewise, the Australian National Audit Office insisted on the conduct of the performance audit with regards to government activities in 1980s up till this moment owing to the country's legislative requirement for oversight functions (Sterck & Scheers, 2006; Shand & Anand, 1996). Thus, the performance audit could pave way for increased efficiency and curtails the possible incidence of corruption in the Australian public sector (Pollitt, 2003). Therefore, it is worthy to note that, performance audit exercise were exhaustively used in the OECD countries to build strong efficiency in the public sector and to give an added impetus to the stakeholders about the public accountability (Pollitt, 2003).

Despite the fact that, each of the OECD countries has its own unique audit history and peculiar institutional and legal framework, the practice of the performance audit in their public sector is well-rooted in different style, dimension and fashion which is fundamentally aimed at bringing efficiency, effectiveness and economy of government activities and programmes (Arnaboldi, Lapsley & Steccolini, 2015). Therefore, developing countries that have a problem of 3Es in their public institutions are poised to turn to OECD countries for more tested variant of performance audit (Loke, Ismail & Hamid, 2016).

Therefore, Nigeria is one of the countries that have known challenges with regards to the audit of 3Es, thus, the OECD variant performance audit practice would likely offer a good solution to Nigerian public sector policy makers.

2.3 Nigeria's Public Sector Inefficiency: Antidote

It is widely acknowledged that, Nigeria's public sector is replete with inefficiency and unimpressive performance (Abubakar et al, 2016; Esu & Inyang, 2009). Despite its unique challenges, Nigeria is not the only country in the developing world that is affected with issues of efficiency and effectiveness in its public sector (Brinkerhoff & Brinkerhoff, 2015). In fact, it is quite strongly argued by the researchers that, public sector organizations in the developing countries are generally having fundamental issues with 3Es (Brinkerhoff & Brinkerhoff, 2015; Esu & Inyang, 2009). For example, studies have recommended that, public sector inefficiency within the modern public management framework can be successfully mitigated by the adoption of the performance audit exercise to take care of the judicious management and utilization of the public resources (Loke et al, 2016). Specifically, making recourse to the principles of performance audit has presented a multifaceted challenges to some public sector organizations in Nigeria, principally because of the twin problems of accountability and corruption (Iyoha & Oyerinde, 2010). Equally, the management support and the legal framework are quite lacking in Nigeria to strongly compel the public institutions to adopt the performance audit (Abubakar et al, 2016; Esu & Inyang, 2009).

Specifically, governments at different levels in Nigeria usually budgeted and allocated huge amount of money to Ministries, Departments and Agencies (MDAs) on annual basis. But, at the end of the budgetary period, the impact of the budgeted funds in concrete terms has always been a mirage (Adeosun, 2016; Iyoha & Oyerinde, 2010). Thus, in the accounting parlance, this issue of not judiciously utilizing the budgeted funds for the purpose for which it was meant for is the question of 3Es (Tanko, Samuel & Dabo, 2010). Despite this problem, many public sector organizations in Nigeria fails to completely embrace the performance audit. It is argued that, Nigerian public sector could be significantly improved if the country's public policy experts decide to adopt the OECD countries model of performance audit (Shand & Anand, 1996; Tanko et al, 2010). Extant literature on government performance has extensively highlighted this fact severally. Therefore, the efficacy of this model has never been in doubt either.

3. Conclusion

In conclusion, Schick (1998) maintain that, OECD countries have introduced far-reaching reforms in their public sector spanning over two decades which rekindle the operational efficiency of their government department and agencies. One of the models introduced and strongly strengthened is the performance audit exercise. Given the interest these reforms attracted worldwide, it is believed that, developing countries have prospects of making significant gains in operational efficiency in their public institutions if they domesticated similar approach (Schick, 1998). Therefore, some developing countries like Nigeria that have the burning desire for accelerated reforms in their public sector could likely hit the development trajectory. However, few public sector organizations in Nigeria that adopted the performance audit exercise are at the infant stage and facing multitude of challenges (Tanko et al, 2010; Esu & Inyang, 2009). This is because, the integrated concept of how governments work in the country does not perfectly and easily support the performance audit models (Esu & Inyang, 2009).

Therefore, this study recommended that, the management support, legal framework and sincerity of purpose with regards to the government accountability issues need to be aggressively promoted in line with many OECD countries requirement. Again, the study also recommended that, the impact of management support and other likely factors on the performance audit acceptance should be empirically investigated in some of the public departments and agencies that embraced the performance audit exercise in Nigeria.

4. References

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