
PUBLIC FINANCIAL ACCOUNTABILITY IN NIGERIA

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Abstract

This study assessed the public financial accountability in Nigeria for a period of seven (7) years, from 2015 – 2021. The study adopts expo facto research design. Thirty six (36) states sampling technique was adopted to select six (6) states that submitted their annual budget before 31st December of each year of study as sample size. The method of data analysis employed were Rating method, graph and a pie chart. Data analysed reveals that public financial accountability institution in Nigeria lag behind good practices and states of the federation lack reforms. It concluded that, states in Nigeria need reforms for better performance and greater accountability in public financial management.

Keywords: *Accountability, public, finance, budget, corruption.*

1.0 INTRODUCTION

There has been a dramatic increase in corruption among the public office holders in Nigeria. Prints and media have repeated it severally as news but to no avail. It is a common understanding that the public sector does not meet expectation of the citizen and government at all levels in Nigeria compared with private sector (Malmir Schirvani Rashipoor and Soltani, 2004). Public financial accountability is worried with the planning, organizing, procurement and utilization of government financial resources as well as the creating of appropriate policies in order to accomplish the aspirations of members of the society (Onyinyechi and Okafor, 2016).

The 2015 election marked for the first time in Nigeria history a peaceful democratic transfer of power but the administration faced a fast deteriorating macro-economic environment. In fact, fiscal revenues at all levels of government were severely heated by the decline in oil revenue. No wonder, the then president, Alhaji Mohammadu Buhari in his acceptance speech promise ending corruption, unfortunately, this corruption was on an increase and is still at the increase.

It is pertinent to know that, peaceful political transition of power from 1999 to date suggest that Nigeria will by today, politically, economically matured. This combine growing political debates and questioning of traditional governance practices, in one hand, with a gradual emergence and consolidation and democratic institution, norms and values on the other hand. In this regard, governance and institutional reforms are increasingly important for economic and social advancement in the country.

Greater political stability in general and indeed, public financial accountability figure prominently among the demands for better governance in Nigeria. Notably, opposition to public corruption was a major force animating civil society engagement and protest in most times.

Generally, Polindo (2000) argue that, corruption is related to the action by the state and particularly win the state discretionally and monopoly power. This view was supported by Ey (2014) when he demonstrated that corruption is a kind of being out of common value of the society which is to achieve a personal gain that steam from values deviation and translated with deviate behaviour from the natural order and end with goals other than the real goals of the state apparatus.

It is emphatically to state that more accountable fiscal stewardship and management of public expenditure, revenue and debts are critical to curb corruption, reduce waste and improve the volume and quality of services yielded by public resources investors, business and citizens in general. Public financial accountability contributes to wider political accountability and transparency, political legitimacy and even stability. Public financial accountability and financial management are made more important new than ever, failure to realized this in our present Nigeria will sharply raised public debt to PGD level, increase interest burden and reduce the share of discretion of any expenditure into total public expenditure as it were in 2014 when the GDP fall 6.3% to 2.7% in 2015 and to negative 1.6% in 2016 thereby brining Nigeria's first full year of recession. The main objective of this study is to assess the public financial accountability in Nigeria. Other sub objectives are to ascertain, the alarming rate of corruption (non financial accountability) in Nigeria and to evaluate reform processes needed by the state to perform.

2.0 LITERATURE REVIEW:

2.1 Conceptual Framework:

Financial Accountability: Is the acceptance of responsibility for one own's actions. It implies a willingness to be transparent allowing others to observe and value one's preference. Financial accountability can also be describe as the holding of an individual accountable for effective performing of a financial activities, lack of accountability has corroded public respect for business and political leaders. The central ideas of the identification of accountability are that one person or institution required to report on its activities to another person or institution. Noven, (2009) sees accountabilities as a social relation in which the actor feels the obligation to explain and justify his behaviour to some significant others.

Corruption: Corruption is defined as a means in which people willingly use their power to do dishonest or illegal things in return for money or to get advantage. It is a non financial accountability element.

Public Finance: Public finance is the study of the role of government in the economy. It is the branch of economics that assess the government revenue and government expenditure of the public authority and adjustment of one or the other to achieve desirable effects and avoid undesirable ones.

Good system of public governance result in the more effective and efficient use of public finance for attaining policy objectives which flawed opens-up opportunities for error, abuses, and waste of public monies. Public finance is a tool for assessing the status of a country's public financing management system.

Budget: According to Olowe (2009), budget is a future plan of event. Cash budget in order words is a device used to plan for and control the receipt and payment of cash.

Many scholars nowadays have recognized that the organization activities had an input on the external environment and suggested that such organization should be accounted to a wider audience. Financial accountability is a matter of concern to many countries due to widespread public demand for transparency in governance and global protest against corruption. According to Lawton and Rose (2014) accountability is a process where a person or group of persons is recruited to report on their activities and the way in which it performed.

Sinclair, A (1995) examined how effective public financial accountability is in Nigeria and came out with eight elements on a sound public financial accountability system as a way forward to check financial accountability.

Lawton, A. and Rose (1994) investigate appropriateness of internal financial and performance management in Indonesia. It was discover that many states of the federation are characterized by a number of these eight elements as their problem. Noven (2009) note that the concept of public sector accountability become "rhetorical" device that serve as a synonym for many freely determine causes such as transparency, justice, democracy, efficiency and integrity. In agreeing with Noven, the researcher is of the opinion that the control through rationing of each should be through audit and the micro management of input should be through performance information such output – outcome indication. This will help to curb these problems.

It may be interested to know that, Nigeria case of internal audit function are required by law in each agency but few state of this country practice it, even those who practice it, the

department is under resource and staffed with few qualified accountant and so there is always a confusion on the role of internal and external auditor.

The comparison of the performance of public sector agencies with private organization reveals that there is lack of fitting performance and inefficient administrative system (Malmir et al 2014). According to (Fryer, Antony, and Ogden, 2009), the expected enhancements in performance, accountability, transparency, quality of service and value for money have not yet been materialized in the public sector.

Many public agencies do not have suitable procedure for assessing their own governance arrangement (Howard, 2005). Public sector, consequently set the economic agenda and this implies that a vigorous system of internal checks need to be put in place to offer assurance that governments are used for purposes they are meant for.

Edwards M. (2002) opined that non compliance with internal control system will have severe impact on service delivery through latent waste of resources. The World Bank has also encouraged the use of decentralized decision making and private sector participation to accomplish superior efficiency, transparency and accountability in the delivery of social infrastructure services.

Kulshrestha, (2008) in a study Zinyama (2013) noted that incident of corruption; financial waste and mismanagement are unbridled in the public sector. Andreeva, Ansell and Harrison (2014) posit that public risk governance is complicated by the assortment of different stakeholders and the network of interactions, it effect any part of the society and the government is expected to act in response, implying a need for good governance and accountability.

The suggestion from international agencies to advance governance in the public sector is that recent governance reform is not well developed. Yapa, (2014) state that citizens are demanding that government be made more accountable for what they achieve with tax payers money. Curristine, Lonti and Joumard, (2003), also state that accountability is been answerable to those who have endowed their reliance, faith and resources and it means doing things transparently in line with appropriate process and provision of feedback. Hence, the financial accountability mean compulsion of anyone dealing with public fund to report on the anticipated and authentic use of resources and to be made responsible for it. Therefore accountability auxiliary required a autonomous control system and an independent legal system for the public while ensuring that germane rulings are applied and observed and that non-compliance is endorsed, Eckard (2016) found that the level of accountability is very poor in Nigeria and the funding also reveals that there is significant relationship between efficiency of public sector expenditure, recurrent expenditure and capital expenditure.

The accuracy of the public procurement is a very serious concern in Nigeria as it is one of the major causes or managerial resources. Weakness in this regard is always blamed on inadequate legislation. Procurements are very much common and these will make public financial accountability unrealistic. When the principal is weak, how can there be effective accountability. It is on this note that Sinclair (1995) allows that accountability is similar to Chameleon and that research in different sphere focus on different types of accountability.

Yapa P. (2014) opined that, the adequacy of corporate accounting, auditing and governance is relevant to public financial accountability because state owned enterprises form significant part of the public sector in Nigeria. Following vivid observation most state

owned enterprises are not accountable for service standard or financial performance because an average thinking Nigeria will say “what belong to government belong to no one.”

Lawton and Rose (1994) states that accountability is a process where a person or group of persons is requested to report on their activities and the way in which they performed or failed in their duties, state owned enterprise board of directors are often weak because they comprises of political appointee who are subject to political appointee who are subject to political interference Kulshrestha, P. (2008) further posit that, accounts are not frequently prepared, accounting and audit standard and practice are generally poor. These and many other nonchalant attitudes do make public financial accountability ineffective in Nigeria. However, be it known that state own enterprise must be accountable for.

According to World Bank report, Nigeria government embark on reform, example the government reform of 2015 which includes new anti-corruption institutional and legal reform, transparency and social accountability initiative in July, 2016. There is also a public financial management reform to strengthen fiscal discipline and accountability, reform to strengthen statistical data collection, validation and use of information to inform policy making and civil service reform. She explains that all these reform are in theory, there are not in practice.

Ed Mountfield et al, (2018) steps to strengthen public financial accountability include:

- Reform the budget process
- Better coordination of planning and budget
- Better coordination of current and capital expenditure
- More rigorous medium term fiscal and expenditure planning
- Greater ownership of budget by line departments and frontline service providers.
- The integration of performance information into the budget formulation process.
- Streamlining both internal and external management control system.

It is quite clear from the review that Nigeria lag behind international good practice in public financial accountability. In the absence of established international metrics for measuring public financial accountability, it is difficult to say with certainty whether Nigeria lag behind other countries of the world or they are at same levels of development. However, this seems quite plausible.

3.0 **METHOD/MATERIAL:**

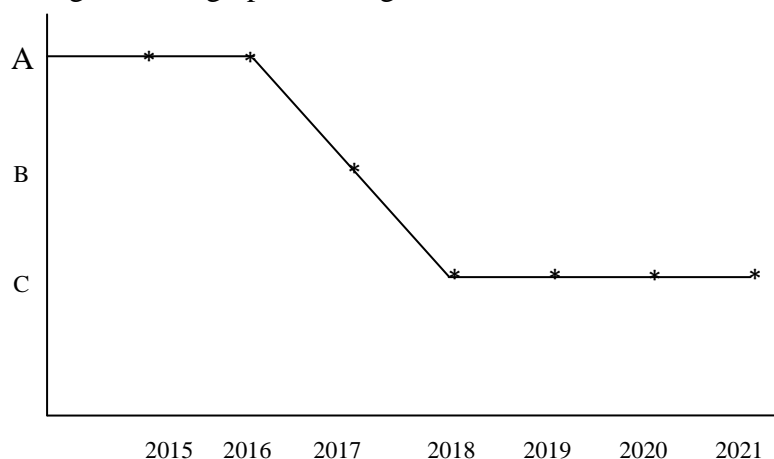
3.1 **Figure 1:** Rating of public financial accountability for six states of six geopolitical zones of Nigeria in seven (7) years.

Year	Basis of Assessment	North West Kano State	North East Borno State	North Central Benue State	South-South Cross River	South East Anambra State	South West Lagos State
2015	Annual budget approve and published on line before December 31 st	A	A	A	A	A	A
2016	Annual audited financial statement submitted and published	A	A	A	A	A	A
2017	Quarterly budget report published on line	B	B	B	B	B	B
2018	Deviation from total budget expenditure (25% - 30%)	C	C	C	C	C	C
2019	Existence of procurement legal frame work	C	C	C	C	C	C
2020	Public contract award information published on line	C	C	C	C	C	C
2021	Compliance with international public sector account standard	C	C	C	C	C	C

Source: SFTAS – P for R (2018).

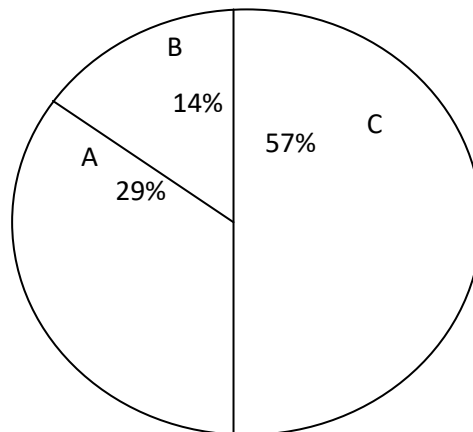
Key: A: All the states satisfied
 B: All the states not satisfied
 C: None of the state satisfied.

3.2 **Figure 2:** A graph showing result of all the states rated.



Sources: SFTAS – P for R (2018).

3.3 Figure 3: A pie chart showing result of all the states rated.



Source: SFTAS – P for R (2018)

4.0 DISCUSSION OF FINDINGS:

From the rating in figure 1, the following were discovered:

1. **Annual budget approved and published on line:** Letter ‘A’ in this item symbolized that all the states of the federation in 2015 received budget approval from their legislature and has them published on line. This is an evidence of good public financial accountability in the country.
2. **Annual audited financial statement submitted and published:** This item is also rated ‘A’ meaning all the states in 2016 has their financial statement audited and published. This is quite encouraged as it is an evidence of good public financial accountability and transparency in Nigeria.
3. **Quarterly budget reports published on line:** This item is rated ‘B’ signifying that not all the states of the federation in 2017 has their quarterly budget reports published on line. This is not a good quality of public financial accountability in Nigeria and should be discouraged.
4. **Deviation from total budget between 25% to 30%:** This item is rated ‘C’ symbolizing that all the states of the federation deviate from budget expenditure ranging from 25% to 30% in 2018. This not quite good as there is no evidence of transparency.
5. **Existence of procurement legal frame works:** The 5th items is rated ‘C’ showing that existence of procurement legal frame work in all the States is not feasible in 2019 fiscal year. This is an evidence of poor public financial accountability.
6. **Publishing contract award on line:** This item is also rated ‘C’ meaning that none of the states in the federation publish their contract award information on line in 2020. This does not prove a good public financial accountability.
7. **Compliance with international public sector accounting standard:** Finally, the seventh and the last item indicate ‘C’ meaning all the States budget in 2021 is not in compliance with international public sector accounting standard. This of course is a serious matter as far as public financial accountability is concern and must be attended to as a matter of urgency. Adegite (2010) opine that, to attract foreign direct investment in Nigeria, financial reporting process must be aligned with international standard.

From figure 2, a graph showing the assessment of States from 2015 to 2021.

1. The graph shows that in the year 2015 and 2016 financial accountability is fully satisfied.

2. In the year 2017, financial accountability is not fully satisfied as the graph drop a little from the upper level.
3. The graph fully drop from top to bottom, showing that from 2018 to 2021 none of the States of the federation satisfied financial accountability standard in Nigeria. This effect the country as it is characterized with corruption at the highest level. From figure 3, a pie chart showing the result of all States rated from 2015 – 2021.
1. The pie chart reveals that between 2015 to 2021 public financial accountability achieved only 29% which is in 2015 and 2016 only.
2. The pie chart also reveals that there was a decline from 29% to 14% in 2017 which was too bad as a country.
3. The result of the pie chart between 2018 to 2021 was so disheartening as it record 57% dissatisfaction of public financial accountability in Nigeria meaning, Nigeria financial accountability is a total mess and urgently needed reform, if we must come out of this mess, public fund that is being looted on daily basis by public office holders which is detrimental to the welfare of the citizenry must stop and the people brought to book.

5.0 CONCLUSION:

The study assessed the public financial accountability in Nigeria for a period of seven years spanning from 2015 – 2021. Secondary data were sourced from reports of World Bank. Data were analysed using Rating analysis, graph and pie chart. The data analysis reveals that public financial accountability institution in Nigeria lag behind good practice and States in Nigeria need reform for better performance and greater accountability in public financial management.

Conclusively, Nigeria public financial accountability lag behind and as such corruption has taken over the day and so there is need for reform to crack down corruption and increase the likelihood of detection and detention of culprits to serve as deterrent to others.

5.1 RECOMMENDATION:

Reform is recommended to overcome corruption and this will require development of change management strategies which will address those opposing change because, they are benefitting from them.

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