FINANCIAL CONTROL AND ACCOUNTABILITY IN THE PUBLIC SECTOR IN NIGERIA

Akinwunmi, Adeboye *Ph.D*
Department of Banking and Finance, Achievers University, Owo, Nigeria

Akinola, Akinwumi O.
Department of Accounting, Achievers University, Nigeria

ABSTRACT: *The research work examined the usefulness of financial control and accountability in the public sector institutions in Nigeria. The objectives of the study were to investigate if the control of public funds is appropriate and to find out whether necessary accounts are kept and to examine the proper administration of government funds. The research was carried out, using the Federal Medical Centre, Owo, Ondo State as the case study. Primary Data was collected through convenience sampling method and using self-administered questionnaires for 40 respondents. They included Staff in the Audit and Account department. Also, Secondary data was retrieved from the Central Bank of Nigeria Statistical Bulletin on federally generated revenue and expenditure incurred (Capital and Revenue). Chi- Square was used to test the hypotheses. Simple Linear Regression was used to analyze the secondary data to test for the relationship between the revenue generated by federal government and expenditure incurred. From the findings, it was found that financial controls and accountability exist in the public sector. The researcher also found that a positive relationship exist between revenue generated by federal government and expenditures incurred. This study concluded that financial control and accountability is effective and efficient. Therefore, the study recommends that existing financial controls should be strengthened to improve accountability in the public sector in Nigeria.*

KEYWORDS: public sector, financial control, accountability, revenue, recurrent expenditure, capital expenditure.

INTRODUCTION

Public sector is a part of the economy set up, operated and financed by government and its agencies distinguishable from the private sector and is organized on behalf of the whole people. Public organizations in Nigeria signify the most leading economic force, as a result efficient and effective systems of government financial management which are also in form of internal and financial control are vital for budgeting the nation's resources. It also smoothens the progress of the emergence of economic maturation processes through accountability. There is a broad opinion that most of the public institutions have failed to deliver on the basis for which they were established. Management incompetence and inadequacy have been advanced by practitioners and researchers of public enterprises as the bane of the Nigerian public sector.

Premchand, (1999) sees public financial management as the link between the community’s aspirations with resources, and the present with future. It lies at the very heart of operations and financial policy of government. The knowledge of accountability is seen to be as old as organised government. In a narrow sense, it is usually associated with financial dealings in which those

Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

concerned are deemed to be under a duty bound to give a formal statement of monetary involvement. In other words, it is a system in which individuals and organizations are delighted to be accountable for their conducts and responsibilities.

The exact problems emphasized in this study were factors combating against effective internal control system in the Nigerian public sector institutions. These problems include; poor accountability and lack of sound financial control system. The level of accountability is very poor in Nigeria because the attributes of convenience, completeness, significance, quality, dependability and timely disclosure of financial, social and political information about government activities are completely not available or partially available for the citizens to assess the performance of public officers mostly the political office holders and also the management of public funds in terms of how public office holders give accountability report of their stewardship.Other problems include poor administration of government funds. Also, accounts of public sector organisations are characterised by inadequacies such as, improper book keeping of accounts and other necessary records, embezzlement of public funds most especially among top officials.

REVIEW OF RELATED LITERATURE

Conceptual Review

Concept of Accountability

Adegite, (2010) defined accountability as the commitment to express that work has been conducted in accordance with agreed rules and standards and the officer reports fairly and accurately on performance results in relation to mandated roles and plans. It means doing things transparently in line with due process and the provision of feedback. Public accountability is an important factor for the functioning of our political system, as accountability means that those who are charged with drafting or carrying out policies should be obliged to give an explanation of their actions to their electorate.

Premchand, (1999) observed that the capability to attain full responsibility has been and continues to be inadequate, partially as a result of the aim of accountability itself and the widening range of objectives and associated expectations attached to accountability. He further argued that if accountability is to be achieved in full, including its beneficial aspects, then it must be designed with care.

Concept of Financial Control

The term ‘control’ has been known as one of the principles of management. Control exists in most human endeavours. Most authorities agree on what makes up control. Lucey, (1996) states that, control is concerned with the efficient use of resources to achieve a previously determined aim and objective, or set of objectives, contained within a plan. Similarly, Koontz, Donnel and Wiehrick, (1980) defined control as the coordination of activities of subordinates to make sure that events conform to plans. Ekwonu, (1996) states that control is the capacity of the performance of the activities of subordinates in order to make sure the objectives and plans devised to achieve them are being accomplished. All these definitions point to the fact that control exists to ensure that organizational objectives are met through measurement of performance. The control process according to Koontz et al, (1980) involves three steps which include: Setting and Establishment of standards, measuring performance against these standards and correcting

Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

deviations from standards and plans. Finance occupies a particular and special place in the conduct of government business.

THEORETICAL REVIEW

Stewardship Theory

The Stewardship theory can also be said to be a product of the seminar work done by (Donaldson & Davis 1989). This work emphasized that the senior executives should act as steward of the organisation and that everything is done in the best interest of the principal. This explanation of stewardship theory put forward by them established that most managers tend to act in the best interest of their firm, by emphasising the collective goal of the organisation instead of their self-serving option. Their finding further suggests that most stewards are motivated only by making the right decision which is usually in the best interest of the organisation, because of the strong assumption that stewards will also benefit from the right decision taken in the long run. According to Davis, Schoorman and Donaldson (1997), the theory is defined as the process where public office holders protect and maximize shareholders wealth. By doing so, the stewards recognised that his service functions are maximized.

Stakeholder's Theory

According to Freeman (1994), stakeholder theory emphasizes that some individuals or groups are very significant for the continued existence of the organization. This justification is seen as organisation oriented explanation. The stakeholder in most organisations usually includes shareholders, employees, customers, lenders, suppliers, local charities, various interest group and government. Stakeholder theory attempts to explain, recommend, and obtain alternatives for governance that included and balanced a huge number of interests. The theory has drawn substantial concentration and support since its early formulation. Stakeholder theory incorporates the executive power model, which claimed that the idea of a business is the maximisation of business wealth (Kay & Silberston, 1995).

Empirical Review

There are several empirical studies on Usefulness of Financial Control and Accountability in the Public Sector Institutions in Nigeria. The following studies show the methodology, sample and main findings of these studies. According to Ssenyondo, (2007) in his research work of Financial Controls and Accountability in the Public Sector, the research was carried out using correlation and descriptive research design to easily and clearly establish the relationship between the variables. Data was collected through stratified random sampling and purposive sampling methods using self- administered questionnaires and interviews to 40 respondents. The data was then analysed using pearson's correlation coefficient constructed. From the findings, it was found out that there exist a strong relationship between financial controls and accountability with correlation coefficient of 0.9466. The researcher also found out that financial controls are being used arbitrarily. Thus, accountability is still poor. He then concluded with recommendations towards strengthening the existing financial controls in order to improve the accountability level.

Ibhahulu, (2012), in his research work about the impact of public sector accounting in Nigeria financial control system said, the study applied simple random sampling technique in selecting and interacting with the respondents in order to minimize sampling error. The researcher used questionnaires for the purpose of obtaining the desired results. In treating and analysing of data collected, extensive use of tables and percentages were used. The hypothesis were analysed by

Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

the use of Chi-Square Formula. Kenneth,(2012) also examined fiscal accountability in the Nigerian Public Sector. The data for this research was collected through the administration of structure questionnaire. Population of this study is made up of all employees in the public sectors in Nigeria and sample frame was drawn from Ministry of Finance(Accountant and Auditor General Offices), Ministry of works and National Assembly. The sample however, consisted of 100 management staff selected at random. Out of 100 questionnaire administered, 95 valid responses were returned and analysed. The validation of the questionnaire was done through the use of experts in public finance administration and a pre-test reliability determination yielded stability co-efficient of 82% which was considered well enough for the study. Data was analysed through the use of statistical package for social sciences (SPSS). Pearson Product Moment Correlation method was used to confirm the hypothesis of the study using a 5% level of significance. In his work, he found out that there is accountability of public fund in the Nigerian Public Sector but at a weak level.

Sylvester (2013), in his work while assessing the accountability in the Public Sector in Nigeria, he adopted the design survey method. The study made use of both primary and secondary data. The research instrument used to collect data was the questionnaire. The questionnaire was designed to obtain relevant information from the respondents. The population was the staff of Ministry of Finance, Ministry of Justice and Chartered Accountants in public practice. One hundred and thirty (130) copies of the questionnaire were administered. One hundred and twenty-six (126) copies were returned and six (6) were wrongly completed and rejected.

The information gathered was analysed using percentages and chi-square method to get the hypothesis. Osho and Afolabi (2014), while dealing with the effectiveness of financial control and accountability in the public sector used a descriptive research with the aid of four(4) selected number of sectors(Educational, Health, Agricultural and Financed) and the data generated from both primary and secondary source. The population consisted of eighty(80) of the Nigerian government sectors gotten through stratified random sampling having twenty(20) employees each from educational sector, health sector, agricultural sector and finance sector. In all the eighty(80) copies administered, only seventy-seven(77) respondents returned their copies for further analysis. The data collected from the respondents were analysed in simple percentages and the use of mean with regard to the hypothesis testing. Simple proportion and chi-square method of analysis were used. The findings revealed that the effective and efficient application of financial control methods and management strategies to accountability in government sectors will compel each employee to be more serious, focused and loyal in the discharge of his / her responsibilities since the personal data of each employee will be taken by the government and he/she will be solely held liable for every actions in the sectors.

METHODOLOGY

Population of the Study

The population comprised of entire staff of the Federal Medical Centre, Owo, Ondo State. For the secondary data, the population of the study constituted the Nigeria's budget consisting of revenue, recurrent expenditure and capital expenditure for 28years (1989-2017).

Sampling Method and Sample Size

A sample is precisely a part of the population. 40 copies of the questionnaire were distributed to the staff of account and audit department of the Federal Medical Centre, Owo using convenience

Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

sampling technique. For the secondary data, the entire population was used since the population is small. Data was collected through stratified random sampling by distributing questionnaires to the accounting and auditing departments. For the secondary source of data, no sampling method will be used since the population is small; therefore, the entire population is used. The entire population is used to enhance quality result.

Data Collection Techniques

Questionnaires were administered to gather relevant information from respondents. For the secondary data collection, pool of data on Nigeria's budget(revenue, recurrent expenditure and capital expenditure) was extracted from the National bureau of statistics.

Method of Data Analysis

For treating and analysing the primary data collected, Chi-square was adopted to test for the formulated hypothesis. For the secondary data analysis, simple linear regression was used to analyse the data collected. This is because relationship between federally generated revenue and government expenditures is considered. Thus, Linear regression is defined as a statistical tool to test the relationship between two variables by fitting a linear equation to observed data. One variable is considered to be an explanatory variable, and the other is considered to be a dependent variable.

RESULTS AND DISCUSSION OF FINDINGS

Documentary data was utilized from the National bureau of statistics for the period 1989-2017 for government revenue, recurrent, expenditure and capital expenditure. The data generated for the study from the Bulletin were analyzed using linear regression. Excel software helped us to transform the variables into a format suitable for analysis, after which the Statistical Packages for Social Sciences (SPSS) was utilized for data analysis. The analysis was guided by the following linear models:

$$REE = \alpha + \beta t\ REVt \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

$$CAE = \alpha + \beta t\ REVt \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Where, REV is revenue, REEt is the recurrent expenditure and CAEt is the capital expenditure, α is the intercept of the regression and βt is the coefficients of the regression

Table 1 Descriptive Analysis

		Revenue	Recurrent expenditure	Capital expenditure	Total expenditure	Valid N (listwise)
N	Statistic	29	29	29	29	29
Minimum	Statistic	53870	25994	15034	41028	
Maximum	Statistic	7866590	3971000	2060000	5040000	
Mean	Statistic	2510550.76	1236168.31	641881.33	1878049.64	
Std. Deviation	Statistic	2151796.839	1193271.828	595326.111	1719582.907	
Skewness	Statistic	.637	.770	.852	.574	
	Std. Error	.434	.434	.434	.434	
Kurtosis	Statistic	-.315	-.461	-.429	-1.182	
	Std. Error	.845	.845	.845	.845	

Source: Researcher's SPSS Output, 2019.

The table shows the descriptive statistics for revenue, recurrent expenditure and capital expenditure for the period 1989-2014. The revenue, recurrent and capital expenditure showed a

Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

mean of (2,510,550.76, 1,236,168.31 and 641,881.33), standard deviation of (2,151,796.839, 1,236,168.31, 641,881.33), Skewness of (0.637, 0.770, 0.852), Kurtosis of (-0.315, -0.461, -1.182). The descriptive statistics showed that the minimum revenue made by the federal government amounted to ₦53,870.40 million i.e ₦538,870,400,000 but this does not have a positive reflection on the life of an average man on the street. The life of an average Nigerian on the street of major cities in the country is that of abject poverty, unemployment, lack of basic infrastructures etc. This is because of the complete absence of accountability, financial controls and transparency in the effective and efficient management of public funds by public office holders in the country.

Regression Results

REE= α + βt REVt.................................(1)

Table 2

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.683[a]	.467	.447	1600416.020
a. Predictors: (Constant), Recurrent expenditure				

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	987891.514	431848.346		2.288	.030
	Recurrent expenditure	1.232	.253	.683	4.860	.000
a. Dependent Variable: Revenue						

Source: Researcher's SPSS Output, (2018).

The tables above show that there is a positive relationship between recurrent expenditure and government revenue because the Coefficient of Correlation shows 68.3% variation. The coefficient of determination (R^2) shows that 46.7% variations in revenue is explained by recurrent expenditure. Although, 46.7% variation also implies that, there is a significant positive relationship between accountability and financial control in the public sector but indicates a weak level of accountability and financial control system. This result has shown that about 50% of revenue derived by government is spent on the payment of salaries and emoluments of officers in general administration, internal security, national assembly, etc.

Regression Model 2:

CAE= α + βt REVt.................................(2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.619[a]	.383	.360	1721020.922
a. Predictors: (Constant), Capital expenditure				

Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1074437.257	474456.635		2.265	.032
	Capital expenditure	2.237	.546	.619	4.095	.000
a. Dependent Variable: Revenue						

Source: Researcher's SPSS Output, (2018).

The tables above show that there is a significant positive relationship between capital expenditure and revenue of the government in Nigeria because the Coefficient of Correlation shows a variation of 61.9%. The R-square showed that 38.3% variation in revenue is explained by capital expenditure. This also showed that the budget in Nigeria is less concerned with the provision of infrastructure for the long run growth of Nigeria. This is why there is substantial lack of good major roads, hospitals, water supply, electricity etc in the country because the Nigerian budget is recurrent expenditure driven.

Testing Of Hypotheses

The researcher at this point tested the hypothesis in order to accept or reject them and as well as determining the extent of their reliability. In other to achieve this, the researcher used chi – square (X^2) method.

Hypothesis 1

H_0: There is no appropriate control of public funds.
H_1: There is appropriate control of public funds.

	Observed N	Expected N	Residual
Agree	23	13.3	9.7
Strongly Agree	4	13.3	-9.3
Disagree	13	13.3	-.3
Total	40		

Test Statistics	
	Variable
Chi-Square	13.550[a]
Df	2
Asymp. Sig.	.001
a). 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 13.3. b). The level of significance is 0.05	

Source: Researcher's SPSS Output, (2018).

Decision rule: Accept H_0, if the $F_{computed} < F_{statistics(0.05)} = 5.991$ and reject alternate hypothesis.

Decision: Since the $F_{computed} = 13.550 > F_{statistics(0.05)} = 5.991$, then null hypothesis is rejected and alternate hypothesis is accepted. Therefore, we conclude that the control of public funds is appropriate.

Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

Hypothesis 2

H_0: Accounts of public agencies are not properly kept and maintained.
H_1: Accounts of public agencies are properly kept and maintained.

	Observed N	Expected N	Residual
Agree	18	8.0	10.0
Strongly Agree	12	8.0	4.0
Disagree	6	8.0	-2.0
Strongly Disagree	2	8.0	-6.0
Undecided	2	8.0	-6.0
Total	40		

Test Statistics	
	Variable
Chi-Square	24.000[a]
Df	4
Asymp. Sig.	.000
a). 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.0. b). The level of significance is 0.05	

Source: Researcher's SPSS Output, (2018).

Decision rule: Accept H_0, if the $F_{computed} < F_{statistics(0.05)}$, = 9.488 and reject alternate hypothesis.
Decision: Since the $F_{computed} = 24.000 > F_{statistics(0.05)} = 9.488$, then we reject null hypothesis and accept alternate hypothesis. Therefore, we conclude that accounts of public agencies are properly kept and maintained.

Hypothesis 3

H_0: Financial controls and accountability in the public sector are not ineffective and inefficient.
H_1: Financial controls and accountability in the public sector are effective and efficient.

	Observed N	Expected N	Residual
Agree	13	8.0	5.0
Strongly Agree	7	8.0	-1.0
Disagree	15	8.0	7.0
Strongly Disagree	3	8.0	-5.0
Undecided	2	8.0	-6.0
Total	40		

Test statistics	
	Variable
Chi-Square	17.000[a]
Df	4
Asymp. Sig.	.002
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.0. b. The level of significance is 0.05	

Source: Researcher's SPSS Output, (2018).

Decision rule: Accept H_0, if the $F_{computed} < F_{statistics(0.05)}$, = 9.488 and reject alternate hypothesis.

Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

Decision: Since the $F_{computed} = 17.000 > F_{statistics(0.05)} = 9.488$, then we reject null hypothesis and accept alternate hypothesis. Therefore, we conclude that Financial controls and accountability in the Public sector in Nigeria are effective and efficient.

SUMMARY OF FINDINGS

This study was channelled towards the discovery of the various problems combating against effective internal control system in the Nigerian public sector institutions. These problems include poor accountability and lack of sound financial control system. The study therefore, centred on the financial controls and accountability in the Public Sector in Nigeria. The objectives stated were achieved through the research questions formulated from the statement of the problem as this enabled the researcher to utilize primary and secondary data retrieved from administered questionnaire to the respondents and the National Bureau of Statistics (2017) about Federal Government Budget consisting of revenue generated, capital and revenue expenditure for the years 1989-2017 respectively. For the primary data, the chi-square analysis results obtained brought about the following findings which are listed below:

1. The existence of financial controls and accountability in the Nigerian Public sector is efficient and effective.
2. Control of public funds is appropriate.
3. Accounts of public agencies are properly kept and maintained.

For the secondary data, the regression analysis result obtained for the two linear regression models ($REE = \alpha + \beta tREVt$ and $CAE = \alpha + \beta tREVt$) were 0.467 and 0.383 respectively showed that positive relationship exist between the revenue generated by federal government and expenditures incurred.

CONCLUSION AND RECOMMENDATION

Accountability is a central concept for governance. Based on the findings summarized above, the following conclusions were drawn by the researcher: The present financial control and accountability are effective and efficient. The administration of public funds is proper. Accounts of government are properly maintained and control of Government funds is appropriate.

In the light of this study, the researcher makes the following recommendations: The existing financial controls should be strengthened in order to improve the accountability level. These among others include employing more qualified staff, putting in place the planning committee and emphasizing external auditors frequently. A pro-active legislature and regulatory framework should not only exist on paper but must be operational. The provision of 1999 constitution giving time for submission of financial statement auditing and report, and review by Public Account Committee (PAC) should be strictly adhered to with punishment spelt out for non-compliance. The constitution should be amended to provide for the qualification of members of PAC.

Reference

Adegite, E. O. (2010), *Accounting, Accountability and National Development*, Nigerian Accountant, *43*(1), 56-64.

Davis, J.H., Schoorman, F.D & Donaldson, L., (1997). *Toward a Stewardship*. Theory of Management Review, *22*(1), 20-47.

Donaldson, L. and Davis, J.H., (1989). *CEO Governance and Shareholder Returns*: Agency Theory or Stewardship Theory. Paper Presented at the Annual Meeting of the Academy of Management.

Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)

Ekwonu, E.C. (1996), "Control of Public Expenditure", The National Accountant. *Journal of the Association of National Accountants of Nigeria, 6*(2),33-39.

Freeman, R.E. (1994), "The Politics of Stakeholder Theory: Some Future Directions," *Business Ethics Quarterly, 4*(4),409-422.

Ibahahulu, M. (2012), "The Impact of Public Sector Accounting In Nigeria Financial Control System". 45-50.

Kay, J. and Silberston, A. (1995), "Corporate Governance", National Institute Economic Review, *84,* 84-97.

Kenneth, E.O(2012), "Fiscal Accountability Dilemma in Nigeria Public Sector: A warning Model for Economic Retrogression", *Research Journal Of Finance and Accounting, 3,* (*6*), 123-124.

Koontz, H.O, Donnel, C. and Weihrick, H. (1980)," Management" 7th ed. Auckland: McGraw-Hill Inc, 832.

Lucey, T. (1996) "Management Accounting", 4th ed., London: Letts Educational, 598.

Osho, A.E, & Afolabi, M.B (2014), "The effectiveness of Financial Controls and Accountability in the Public Sector in Nigeria", *Journal of Business and Management, 16,*46-54.

Premchand, A. (1999), "Public Financial Accountability Governance and Public Financial Management" retrieved from http// www.adb.org.

Ssenyondo, K.J. (2007), *Financial Controls and Accountability in the Public Sector* , Uganda.

Sylvester, F.A.(2013), "An Assessment of Accountability In the Public Sector in Nigeria", *Arabian Journal Of Business and Management Review(Nigerian Chapter), 1*(3),*6.*

Print ISSN: 2053-4086(Print), Online ISSN: 2053-4094(Online)