THE ROLE OF FINANCIAL CONTROL INSTITUTIONS IN PROMOTING FINANCIAL ACCOUNTABILITY IN THE PUBLIC SECTOR: A STUDY OF PLATEAU STATE UNDER DEMOCRATIC REGIMES

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DECLARATION

I hereby declare that this work is the product of my own research efforts; undertaken under the supervision of Dr. A.A. Okwoli and has not been presented elsewhere for the award of a degree or certificate. All sources have been duly distinguished and appropriately acknowledged.

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CERTIFICATION

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To my parents:

Miskoom Maimako Allahdamu

and

Late Mama Gwodi Maimako

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ABSTRACT

Financial matters are so important that they receive constitutional recognition. To avoid abuse, the 1999 Constitution of the Federal Republic of Nigeria, provides a series of checks and balances over public finance by sharing financial responsibilities among the Executive, the legislature and the Office of the Auditor-General. The research sought to evaluate the effectiveness of the checks and balances on public finance in Plateau State. The research also set out to recommend measures that will enhance the discharge of financial accountability. In this research, four hypotheses were formulated and tested. The primary data was obtained through the administration of questionnaires, interviews and actual observation. This was supplemented with secondary data. The technique of simple random sampling was used in the questionnaire administration. The population of the study was 386 out of which a sample of 160 was studied. The chi-square (χ^2) test statistics was used to test the four hypotheses. Percentage analysis was used to investigate issues considered relevant to this research but were not covered by the hypotheses. The findings of this research indicate that the public budget is not a significant instrument of legislative control over public finance in Plateau State; the reliance of Auditor-General on the financial statements prepared by the Executive arm of government does not significantly influence his performance; the quality of legislative financial oversight has a significant effect on the State Auditor-General and qualification of State Treasury staff is independent of the number of financial records kept by them. The research shows that budgetary non-compliance is quite common. Infringements on financial rules and regulations are also common. The Public Accounts

Committee of the State Legislature never met to consider the report of the Auditor-General between 1999 and 2003. The implications of these findings are that the legislature is unable to discharge its Constitutional responsibility using the public budget; the weakness of the legislature adversely affects the Auditor-General and poor financial record keeping is not solely attributed to the qualification of those who maintain them. The study recommends a balanced redistribution of financial powers among the Executive, the Legislature and the Auditor-General to promote the discharge of financial accountability in Plateau State.

CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Nigeria, a federation of thirty-six States and Seven Hundred and seventy-four local governments, was a colony of Britain but became an independent State in 1960. It has a population of nearly one hundred and twenty million people and the dominant source of income is oil (Oladosu and Oyelakin 2003:1).

Nigeria has been divided into six geo-political zones - South-South, South-West, South- East, North- East, North -West and North- Central. Plateau State falls within the geo-political zone of North-Central. The State was first created as Benue-Plateau in 1967. It later became Plateau State with the creation of Benue State in 1976. Nassarawa State was also created out of Plateau State in 1996.

The Nigerian public sector consists of the governments at the Federal, States, Federal Capital Territory, Local Governments and all government parastatals. The public sector plays an important role in economic development. It provides services which the private sector may not be willing or able to provide. Chan (1988:15) argues that

> *the public sector provides many essential services to society. It plays an essentially compensatory function; that is, it performs those functions that the market economy does not do efficiently or lacks the incentive to do at all.*

Musgrave and Musgrave (1976) classify these functions as

a) Resource Allocation - the provision of public goods and services.

b) Income Distribution - the adjustment of the distribution of wealth or income in the society to conform to some principle of fairness.

c) Stabilization - the use of fiscal policies to achieve high employment, price stability and economic growth.

In a Federal system like Nigeria, the different tiers of government perform these functions in varying degrees. Governments at all levels desire to deliver good governance to all their citizens. This is because "good governance is central to creating and sustaining an enabling environment for development" (Asselin, 1995:3). A strong link exists between economic development and good governance, and between good governance and fiscal transparency.

The importance of good financial management in achieving the objectives of government has not lost its relevance. Because of this, the financial accountability of most countries is enshrined in the Constitution to facilitate the discharge of financial accountability. Oshisami and Dean (1984:36) remark that

> *in recognition of the importance of finance as a basis for political power, and the opportunities which absolute control offers for its abuse, power over finance is divided, the division being formally recognized Constitutionally in virtually all countries*
>
> .

Global practice shows that power over finance is shared between the Executive and the legislature and in some cases with an independent body - the Supreme Audit Institution. Has this Constitutional sharing of power over finance achieved the desired result?

In view of the enormous responsibilities placed on government for the welfare of its citizens, the public sector needs a lot of resources. In pursuit of this, the government needs to put up a framework for the management and control of the public purse. The formalities established in relation to accounting and financial control support the process of governance

1.1.1 Financial Control

The term 'control' has long been recognised as one of the principles of management. Control exists in most human endeavours. Most authorities agree on what constitutes control. Lucey (1996:137) states that control is concerned 'with the efficient use of resources to achieve a previously determined objective, or set of objectives, contained within a plan'. Similarly, Koontz, Donnel and Wiehrick (1980:81) define control as the measurement and correcting of activities of subordinates to assure that events conform to plans. Ekwonu (1996:35) states that control 'is the measurement of the performance of the activities of subordinates in order to make sure that objectives and plans devised to attain 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 1980:722) involves three steps:

a) Establishing standards

b) Measuring performance against these standards and

c) Correcting deviations from standards and plans

Finance occupies a special place in the conduct of government business. Public finance has been defined by Buhari (1993:66) as 'a branch of economics concerned with the finance and economic activities of the public sector'.

From these definitions, we can state that public finance not just deal with the ways government raises money, but also the manner such money is expended with the aim of achieving economic growth.

In Nigeria, the Federal government raises money through the following major sources: Petroleum profit tax, Mining, Company income tax, Import duties, Export duties, Excise duties, Interest and repayment of loans granted by the government (Buhari, 1993:169).

Others include; Education tax, Value added tax, Pay-as-you-earn, Fees and charges, Royalties, Rent of government property, Grants, aids and loans

The money raised through the above sources is expended on the following items: Administration, Infrastructural services, Productive services, Defense, Interest on internal and external loans, and Diplomatic missions (Buhari, 1993:168)

In connection with government finance, we can identify two basic groups of control- administrative and financial control; the former referring to those techniques which have indirect bearing upon expenditure operation while the latter denote techniques of control relating to fiscal control. The emphasis of this study is on financial control.

Financial control is a very important type of control in the management of government finance. Oshisami (1992:29) defines it

> *as the process which ensures that financial resources are obtained at cost considered to be economical and utilized efficiently and effectively for the attainment of established objectives.*

A comprehensive definition of financial or fiscal control is given by Ekwonu (1996:33) as

> *the sum total of the work, which guides, directs and interprets the budget cycle. It covers the activities of the Executive branch, involving finance and the ministries… the audit department and the legislature…*

In a democratic era, financial control may operate internally and externally.

Within the Executive arm of government control by the finance ministry is internal while audit by the Auditor-General and legislative oversight constitute external control.

1.1.2 <u>Institutions of Financial Control in the Public Sector</u>

There are formal and informal institutions of financial control over public revenue and expenditure. The formal institutions of financial control include the Executive arm of government, Legislature and Office of the Auditor-General or Supreme Audit Institution. The informal institutions of financial control include; the media, the organised civil society and donor agencies.

With respect to the formal institutions of financial control, the Constitution of the Federal Republic of Nigeria, 1999, establishes a cycle of financial accountability for public funds. The cycle provides that:

(a) Legislature authorizes expenditure

(b) The Executive controls the collection and issue of funds. In addition, it prepares the accounts.

(c) The prepared accounts are audited by the Auditor-General and

(d) The Auditor-General submits the results of his audit to the Legislature through its Public Accounts Committee (PAC). PAC acts on the report by inviting accounting officers to appear before it where need be.

The wisdom in sharing these responsibilities is that absolute conferment of this power on one arm of government can create abuses in financial administration. In other words, financial administration requires a series of checks and balances so that public funds are not wasted or misapplied. But, is this what we find in practice? Are these checks and balances observed?

The financial accountability cycle provides that the Executive arm of government collects, disburses and prepares the accounts of government. The other formal institutions of financial control are excluded from this very vital stages. Their involvement in public sector financial control is only visible when funds have been expended. Is this not the same as calling a medical doctor to give an autopsy report? What guarantee do we have that this sharing of financial responsibilities promote sound financial management in the public sector? Haven been excluded from the critical stages of collection and disbursement of public funds, can the Legislature and State Audit significantly influence public finance?

In the cycle of financial accountability established by the Constitution, the budget is a legislative instrument of financial control over the Executive. Funds should be expended according to legislative intent as expressed in the budget. Has the Legislature been able to control public expenditure using the budget?

The Office of the Auditor-General is a creation of the Constitution. Therefore his status and duties are constitutionally determined. His basic duty is to report on the accounts prepared by the Executive. In his report to the Legislature he states whether the Executive has complied with legislative approval in its execution of the budget. For the Auditor-General to be able to play this important role he has to rely on the financial data supplied by the Executive. He also needs a strong Legislature to help implement his findings. In practice, does the Auditor-General derive the required support from the Executive and Legislature to perform his Constitutional duty? Has he been able to discharge the functions of his office as stipulated by the Constitution?

Informal institutions of financial control may promote financial accountability over public finance and these include; the mass media, the organised civil society, the World Bank and other international donors.

A vibrant media may promote financial accountability by reporting the findings of the Auditor-General. By exposing wrong doings the media may influence the behaviour of public officials who may not want to be publicly exposed. The organised civil society too, may play a significant role in promoting financial accountability in the public sector. This can be achieved by an active inter-reaction between them and the legislature. Krafchick and Wehner (2002:1) argue that

> *inter-reaction between legislatures and civil society organisations is increasing in many countries… From the legislature's perspective, the input of civil society can help to make the legislature's engagement with the budget more effective.*

The donor community today is an important institution that promotes financial accountability in recipient countries. They encourage borrowers to strengthen domestic institutions of financial control. Sahgal (2001:1) states that "most donors are now looking for ways to improve their performance in terms of promoting good governance and accountability."

While these informal institutions may also promote financial accountability, however, it is the formal institutions that are the focus of this research.

Researches targeted at strengthening the institutions of financial control over public funds have ignored the influence of the link between the institutions of control, especially the influence of the Legislature on State Audit performance. For example the researches of Ball et al (1999); Bartel (1996); Asselin (1995); Premchand (1989); Hogy (2004); Dye and Stapenhurst (1998); Martinez-Soliman (2003); Krafchik (2002); Sahgal (2001) and Ahsan (1994) emphasize strengthening the institutions of financial control over public funds in isolation, without establishing the interaction between them.

These researches address the problem of public sector financial accountability arrangements on institutional basis only. They fail to identify the shortcomings of the present cycle of financial accountability over public funds in Nigeria. This research intends to address these shortcomings in the context of Plateau State of Nigeria.

1.2 STATEMENT OF THE PROBLEM

Control of public finance is very important to public governance. That is why power over public finance is enshrined in the Nigerian Constitution. To promote financial accountability in Plateau State, power over finance is shared between the Executive, Legislature and the Supreme Audit Institution or the Office of the Auditor General. Have these institutions been able to play the roles assigned to them?

It is observed that there is the problem of non or partial implementation of the budget by the Executive arm of government in Plateau State. The budget is the legislative instrument of control over public finance.

Related to the issue just raised above, is the problem of spending without legislative authority. The checks and balances on public finance requires that the

Executive cannot spend without legislative approval. Even where voted funds fall short of requirements, the spending agency must apply for supplementary appropriations provisions and obtain legislative approval for such additional expenditure before incurring them. It has been alleged that this requirement of the law is not usually followed.

The Executive arm of government which implements budgets is required to ensure that expenditures are properly covered in the relevant Appropriation Acts. Funds are supposed to be apportioned to spending departments in line with the approved budget. It has been noted that public expenditure are frequently made on items not budgeted for, which of course means that such expenditure have no legislative approval. Once the budget has been approved, it is alleged that funds are shifted to purposes other than those for which they were meant.

Limits of expenditure are imposed by the budget. However, spending agencies do not observe these limits when incurring expenditure. In the course of budget implementation, a vote book is maintained to ensure that approved budgetary limits are not exceeded. This aspect of expenditure control is often abused. We may ask, why should spending agencies not respect limits when incurring expenditure? With all these abuses, what has happened to the legislative oversight function?

The performance of the Auditor General in Plateau State has been called to question. It is alleged that the Auditor General is incapable of discharging the functions of his office which is constitutionally prescribed. If this is true, why?

The Plateau State Legislature is seen to be weak and unable to discharge its constitutional responsibility of exercising its power of financial oversight on the

Executive arm of government. This problem is alleged to have adverse effects on the performance of the State Auditor General.

Public financial control in Plateau State also suffers from poor financial record keeping. Where financial records are poorly maintained, can the reliance of the Auditor General on these records adversely affect his performance? In addition, if it is true that financial records are poorly maintained in Plateau State, is this a function of the qualification of those who keep these records? How do these problems listed above impact on financial accountability in Plateau State?

1.2.1 Research Questions

The questions of this research are as follows:

a) Is the Budget a significant instrument of Legislative control over public finance in Plateau State?

b) Are the rules and regulations governing the use of public funds being observed in Plateau State?

c) Does the quality of legislative financial oversight enhance the performance of State Auditors?

d) Does the reliance of the Auditor-General on financial statements prepared by the Executive enhance his performance?

e) Is there any relationship between educational/professional qualification and the number of financial records kept in Plateau State?

f) Do the formal institutions of financial control play their roles as spelt out by the Constitution?

1.3 OBJECTIVES OF THE STUDY

This research sets out to evaluate the role of the formal institutions of financial control over public finance in Plateau State. Specifically the research has the following objectives:

a) To evaluate the significance of the public budget as an instrument of legislative control over public finance in Plateau State.

b) To determine whether the reliance of the Auditor-General on the financial data supplied by the Executive enhances his audit work.

c) To examine the quality of legislative oversight function on State Audit performance.

d) To investigate the significance of the qualification of Treasury staff on the number of financial records kept.

e) To recommend measures on how to improve financial accountability in Plateau State.

1.4 HYPOTHESES OF STUDY

Hypothesis One

H_o The public budget is not a significant instrument of Legislative control over public finance in Plateau State.

H_1 The public budget is a significant instrument of Legislative control over public finance in Plateau State.

RATIONALE/JUSTIFICATION

The budget is an expression of legislative approval on how public funds should be disbursed. Budget implementation is used to judge the Executive's conformance to this legislative approval.

This hypothesis is formulated to find out whether or not the Executive complies significantly with Legislative approval during budget implementation.

Hypothesis Two

H_o The performance of the Auditor-General is not significantly dependent on the financial statements prepared by the Executive arm of government.

H_1 The performance of the Auditor-General is significantly dependent on the financial statements prepared by the Executive arm of government.

RATIONALE/JUSTIFICATION

The Auditor-General is an agent of the Legislature. The Auditor-General has the duty of overseeing the management of public funds and the quality and credibility of governments' reported financial data. The Auditor-General ensures that the budget is implemented according to legislative approval. This hypothesis will reveal whether or not the Auditor-General is able to exercise his duties inspite of his reliance on the financial statements prepared by the Executive.

Hypothesis Three

H_o State Audit performance is not significantly dependent on the quality of legislative financial oversight.

H_1 State Audit performance is significantly dependent on the quality of legislative financial oversight.

RATIONALE/JUSTIFICATION

This hypothesis seeks to establish whether the quality of legislative oversight (through its public accounts committee) has any influence on State Audit work. Does the quality of legislative financial oversight influence the work of State Auditors?

Hypothesis Four

H_o: There is no significant difference between the qualification of treasury operating staff and the number of financial records kept.

H_1: There is significant difference between the qualification of treasury staff and the number of financial records kept.

RATIONALE/JUSTIFICATION

Where there is a culture of poor financial record keeping, no meaningful control can be exercised. Good financial record keeping is a necessary condition for the production of auditable financial statement. The aim of this hypothesis is to evaluate whether qualification has a significant effect on financial record keeping in Plateau State.

1.5 SIGNIFICANCE OF THE RESEARCH

A research on the public sector, especially on financial control is very important. This research is significant in a number of ways.

The research will assist financial policy makers in Plateau State and indeed other States in Nigeria formulate policies that will promote financial accountability. The academic community will benefit tremendously from this research. Other researchers may use this research to investigate further issues on public finance control.

The three formal institutions of financial control in Plateau State, that is, the Executive, the Legislature and the Auditor General will discharge their financial responsibilities effectively if the recommendations of this research are implemented.

1.6 RESEARCH SCOPE

This research evaluates the role of the formal institutions of financial control over public finance under a democratic setting. This is because the institutions of financial control are fully operational only during democratic dispensations. The Legislature does not exist during military rule.

The role of the informal institutions of financial control such as the media, the organised civil society and international donor agencies though important are not the immediate focus of this research.

Plateau State which is chosen as the case study is an old State - first created as Benue-Plateau State in 1967. The State has witnessed flashes of democratic rule from 1979 to date.

The research period covers years under democratic regimes. These are 1979-1983; 1991-1992; and 1999-2003. The research period covers ten years of democratic rule. The broken periods are periods of military rule.

The research covers only ministries. Parastatals are excluded because the 1999 Constitution S. 85 (3) does not authorize the Auditor-General to audit or appoint external auditors for government parastatals. Local governments are also excluded since they are guided by a different financial rule called the financial memoranda.

1.7 RESEARCH LIMITATIONS

A number of limitations were encountered in this research. The major ones included:

a) **Literature Review** - Getting materials for literature review was difficult - An extensive search for literature took over one year. The cost incurred in obtaining the relevant materials was also enormous.

b) **Questionnaire Administration** - During the main research, we had to deal with an enlarged number of participants in the research. Since the questions were randomly administered, many of the participants were seeing the questions for the first time. Many of them felt that participating in this research would amount to "leaking of government secret". They were visibly uncomfortable - that was even in spite of assurances given by research assistants that the information required was strictly for research purposes. Some of them asked for time to make up their minds as to whether to complete the questionnaires. For this category of respondents, research assistants had to plead and make repeated visits before the questionnaires were completed and returned.

c) **Secondary Data Collection** - Getting information on public sector activity is difficult. But it is even more difficult getting information on financial activities. Information that is supposed to be publicly available is treated as confidential. Enquiries for financial information are viewed with suspicion. A very high official must authorize the release of such financial information. But getting such an official to authorize the release of the information is pretty difficult. The research assistants were suspected to be agents of opposing political parties. They were thus to be kept at arms' length. It took a long time to convince the custodians of the required information to release the information.

d) **State of Emergency** - The state of emergency declared in Plateau State on the 18th of May 2004 adversely affected this research. The Plateau State House of Assembly, it will be recalled was also suspended during the period. Reaching out to the suspended members to participate in the research was difficult. Even where contacts were established eventually, completing the questionnaire was not seen to be of any immediate importance. Some of the lawmakers told me that their immediate concern was whether they would be reinstated. They eventually participated. Democratic structures were restored at the end of the state of emergency in November 2004. To God be the glory.

CHAPTER TWO
LITERATURE REVIEW

2.1 INTRODUCTION

The government plays a leading role in the development of any nation. Given the explicit importance of government in shaping an economy, it is necessary to provide a suitable framework for the achievement of this noble role. The role can be accomplished through the apparatus of governance and public administration. The field of public administration refers to

> *the manner in which central or Federal, provincial or state, and local institutions with their procedural, legal, regulatory, financial, human resources and asset aspects are organised, institutionalized and managed with respect to regulatory, revenue extraction, spending and procurement functions, and the provision of such services as defence, social services, and economic infrastructure (Mhome, 2003:1)*

One key component of public administration is financial management. McKinney and Howard (1979:311) argue that

> *financial management is as old as government. It is a critical management function that fuels the engine of the public administration, and it is the only function that touches every employee in an organization.*

They state further that financial administration can be considered in three areas;

(a) determining fiscal policies - this is a process where political leaders or community leaders identify programmes of priority and try to get funded through appropriations.

(b) providing accountability by ensuring that public funds are spent for the purposes intended and

(c) instituting the required organizational structures and controls to effectively carry out the fiscal duties and responsibilities.

A sound financial management system which will assist in the accomplishment of government objectives will entail that

(a) there should be economy in the collection of government revenue.

(b) money appropriated should be spent according to the demands of competing claimants which should satisfy public interest.

(c) project should be executed efficiently and economically and

(d) safeguards should be instituted to ensure that public resources are lawfully used to accomplish public ends (McKinney and Howard, 1979).

To be able to play a leading role in promoting economic growth and sustainable human development, the government should be accountable to the people and that such accountability should be complemented by appropriate institutional mechanisms and procedures of checks and balances both within government and societal interests.

2.2 GOVERNANCE AND FISCAL TRANSPARENCY AND ACCOUNTABILITY

Governance according to the United Nations Development Programme (UNDP) in Dye and Staphenhurst (1997:12) is the

> *exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences… Governance encompasses the State, but transcends the state by including the private sector and civil society organizations*

According to the World Bank, its concern for good governance is by its mandate to promote sustainable economic and social development. The Bank argues that

> *good governance is central to creating and sustaining an enabling environment for development. Where the Bank provides substantial resources to governments, it encourages them to create the legal and institutional framework for transparency and competence in the conduct of public affairs and the management of economic development, (World Bank, 1992:47).*

It is believed that there is a link between good governance and fiscal transparency. Sutcliffe (2002:15) suggests that

> *the relationship between good governance, fiscal transparency and better economic outcomes is increasingly acknowledged. Holding governments and their agencies accountable is a key element to good governance in the public sector, and fiscal transparency is one (though by no means the only) necessary condition for the discharge of accountability.*

He maintains that the Public Sector Committee (PSC) of the International Federation of Accountants (IFAC) believes that the key components of any governance system are:

(a) the preparation of financial reports in accordance with well understood and generally accepted accounting standards developed in the interests of the users of financial statements of public sector entities; and

(b) an audit that provides assurance that those standards have been complied with.

Idasa (1998:1) supports the proposition that good governance and fiscal transparency are related when it states that

> *it has become increasingly evident that fiscal transparency is of considerable importance, meaningful participation by citizens and macro economic stability. Public sector transparency enhances accountability…*

The discharge of fiscal transparency can be accomplished when certain conditions are met. Various reasons have also been identified as hindrances to the effective discharge of fiscal transparency.

Having identified fiscal transparency as a tall pillar in the achievement of good governance, Asselin 91995:3) writes that

> *financial accountability demands a properly functioning government accounting system for effective budgetary control and cash management; an external audit system which reinforces expenditure control by exposure and sanctions against misspending and corruption, and mechanisms to review and act on the results of audits and to ensure that follow-up action is taken to remedy problems identified.*

He argues further that

> *without a well-functioning system of financial accountability, governmental efficiency is poor, the probability of corruption increases greatly and the prospects of economic growth and development is impaired*
> .

Good governance is accountable, participatory and transparent. Dye and Staphenhurst (1997) identify corruption to be one of the principal causes of “bad governance” while accountability is one of the core foundations for good governance.

The Public Sector Committee (PSC) holds the view that

> *a major impediment to the achievement of enhanced accountability and financial transparency of governments and their agencies in many jurisdictions is the absence of generally accepted financial reporting standards for these entities, (Sutcliffe 2002:15).*

Other factors still hinder the effective discharge of fiscal transparency.

According to Idasa (1998:1)

> *many countries are plagued by poor transparency and weak accountability as can be seen by their closed-door budget processes, unforeseen expenditures, weak accounting and reporting systems and ineffective audits. Many countries also exclude the Parliament and/or civil society from dialogue on budget issues.*

Oshisami (1992:205) provides support for the argument that certain conditions have to be met for the discharge of fiscal transparency when he states that

> *financial accountability demands three prerequisite conditions to operate smoothly; good financial reporting, sound management system and effective organisational arrangements.*

From available literature, we can state that the principal factors which influence the discharge of fiscal transparency include:

(a) a proper functioning accounting system

(b) an effective budgetary and sound cash management system

(c) the existence of an effective audit

(d) absence of corrupt practices

(e) presence of generally accepted reporting standards and

(f) an open budgetary system

Observance of these principles will improve the quality of governance - hence the effective discharge of fiscal transparency.

Fiscal transparency is one of the major means by which accountability can be discharged. Accountability, according to McKinney and Howard (1979:30) is

> *any situation in which individuals who exercise power are expected to be constrained and in fact are reasonably constrained by external means.*

A similar definition is also given by Dye and Staphenhurst (1997:12) who state that "accountability is a process that subjects a form of control over departments and agencies, causing them to give a general accounting for their actions."

Etzioni (1975:279) argues that there are three meanings associated with the term accountability:

(a) greater responsibility to elected members

(b) greater responsiveness to community groups

(c) greater commitment to "values and higher standards of morality"

We could therefore argue that accountability is a process whereby people entrusted with resources are required to give account of their stewardship to the relevant stakeholders and this may or may not be required by legislation.

Administrators, McKinney and Howard (1979) argue, have several accountabilities to discharge, which include

(a) fiscal accountability - responsibility for public funds;

(b) legal accountability - responsibility for obeying laws;

(c) programme accountability - responsibility for carrying out a problem;

(d) process accountability - responsibility to carry out procedures and

(e) outcome accountability - responsibility for results.

Of these, fiscal accountability is very vital because most policy decisions have financial implications.

Public sector bodies operate in an environment of 'multiple accountability' - to users, employees, customers, general public as well as Parliament.

The basic tenets of accountability include

(a) **Openness** - public bodies should have a commitment to openness in all of the activities of the body, subject only to the need to preserve confidentiality in specific circumstances where it is proper to do so.

(b) **Reporting to stakeholders -** public bodies should have clear channels of communication with their stakeholders on the body's roles, objectives and performance.

(c) **External review -** public bodies should be subjected to both internal and external audits which ensure that funds are properly safeguarded and accounted for and are used economically, efficiently and effectively, in accordance with the statutory or other authorities that govern their use.

(d) **Safeguards of conduct -** public bodies should comply with the highest standards of corporate governance. Public bodies should have effective arrangements to ensure compliance with all applicable statutes and regulations.

(e) **Redress -** public bodies should have appropriate mechanisms to receive and to respond to complaints from customers and users which should be publicised widely to all stakeholders.

The motivators or incentives which will strengthen the culture of responsible governance include a functional legislative mechanism and transparency in the budget process (Sahgal 2001).

The process of financial control in the public sector begins in the Executive arm of government. The Executive arm of government plays a dominant role in financial control. We now turn our attention to this arm.

2.3 FINANCIAL CONTROL FRAMEWORK IN THE EXECUTIVE ARM OF GOVERNMENT OVER PUBLIC FUNDS

The British colonial administration installed a financial control framework that is still being practiced today in the Nigerian public sector. The legal framework for the control of public funds is still based on the laws that were bequeathed to Nigeria by the colonial masters at independence. Most of these laws have been scantily amended. In addition, the literature on the legal framework of financial control review the provisions of these legal documents without addressing the adequacy of these laws in terms of their ability to cope with the ever increasing complexities in the Nigerian environment. The two most important legal documents that predate independence and which are still used today are the Finance (Control and Management) Act No. 33, 1958 and the Audit Act No. 38, 1956 (Anyafo, 2002:1). Other legal documents that influence financial practice include the Constitution of the Federal Republic of Nigeria; the Appropriation Acts; Financial Regulations and Finance and Treasury Circulars (Daniel 2002:20).

Although these financial laws were meant for the central government, they were reproduced by the four regional governments. With States creation in 1967 the governors of the States were empowered to replicate the regional laws in their States with modifications where necessary.

The laws regulating financial administration in Northern Nigeria, one of the four regions, to which Plateau State belonged include:

(i) Public Finances (Control and Management) law No.7 1958 reproduced as chapter 108 of the laws of Northern Nigeria 1963 which is a law to provide for the control and management of the public finance of Northern Nigeria with effect from 1st August 1958;

(ii) Northern Nigeria Audit law No.26, 1958 reproduced as chapter 11 of the laws of Northern Nigeria 1963, the laws provides for the salary and functions of the Auditor-General and for the audit of public accounts and came into force on 15th March, 1959;

(iii) Northern States Financial Instructions (Revised to 1st April 1968) which apply to the Control and use of public monies are issued in accordance with section 3(2) of the Public Finances (Control and Management) Law (cap 108);

(iv) Northern Nigeria Native Authority Law No. 23, 1954, this law which gives the foundation of public accounting and auditing at the local government level empowers the governor to issue written instructions (to be called Financial Memoranda) for the conduct of local government business, (Anyafo, 2002:27-29).

Financial rules and regulations in force at the States are very similar to the ones at the Federal level. The financial control framework at the States have been modeled after the Federal financial control framework.

The principal legal documents that govern financial practice in the public sector in Nigeria include:

(1) **Constitution of the Federal Republic of Nigeria, 1999**

This legal document regulates the financial administration of government funds. The supremacy of the Constitution on financial matters has been pointed by Oshisami (1992:2) when he states that

> *this is the primary and supreme legal instrument which sets the general framework for the total financial management as well as accounting and financial reporting in government.*

He further reports that the decision to include financial matters in the Nigerian Constitution was first taken at the Constitutional Conference held in May and June 1957. That conference decided that certain basic financial principles be included in the Constitution rather than left to the discretion of the Parliament. As a result, the principle of the operation of the Consolidated Revenue Fund, the authorisation of expenditure (legislative approval); the treatment of the public debt and the audit of the accounts of the federation were included by the Constitutional Amendment Order 1957. These same principles have been included in all subsequent Constitutions with slight changes.

The 1999 Constitution confers powers and control over public funds by the provisions of sections 80(1)(2)(3) and (4); 81(1)(2); 82; 83(1)(2) and 84 which apply to the Federal Government. The replica of these rules which apply to the States are stated below:

(a) Payment and Withdrawal of Money from the Consolidated Revenue Fund

Section 120(1) of the 1999 Constitution provides that all revenues or other moneys raised or received by a state (not being revenues or other moneys payable under this

Constitution or any law of a House of Assembly into any other public fund of the state established for a specific purpose) shall be paid into and form one Consolidated Revenue Fund of the State.

Subsection (2) of section 120 of the 1999 Constitution provides that no moneys shall be withdrawn from the Consolidated Revenue Fund of the State except to meet expenditure that is charged upon the Fund by the Constitution or where the issue of those moneys has been authorised by an Appropriation Law, Supplementary Appropriation Law or Law passed in pursuance of section 121 of the Constitution.

(b) Preparation of Budget and its presentation to Parliament

Under section 121(1) of the 1999 Constitution the governor shall cause to be prepared and laid before the House of Assembly at any time before the commencement of each financial year estimates of the revenues and expenditures of the State for the next following financial year.

Subsection (2) provides that the heads of expenditure contained in the estimates, other than expenditure charged upon the Consolidated Revenue Fund of the State by the Constitution, shall be included in a bill, to be known as an Appropriation Bill, providing for the issue from the Consolidated Revenue Fund of the State of the sums necessary to meet that expenditure and the appropriation of those sums for the purposes specified therein.

Subsection (4) provides that if in respect, of any financial year, it is found that

(a) the amount appropriated by the Appropriation Law for any purpose is insufficient; or

(b) a need has arisen for expenditure for a purpose for which no amount has been appropriated by law, a supplementary estimate showing the sums required shall be laid before the House of Assembly and the heads of any such expenditure shall be included in a supplementary Appropriation Bill.

(c) Withdrawal of Money from the Consolidated Revenue Fund in Default of Appropriation. Section 122 of the 1999 Constitution provides that if the Appropriation Bill in respect of any financial year has not been passed into law by the beginning of the financial year, the Governor may authorise the withdrawal of moneys from the Consolidated Revenue Fund of the State for the purpose of meeting expenditure necessary to carry on the services of the government for a period not exceeding six months or until the coming into operation of the law whichever is the earlier:

Provided that the withdrawal in respect of any such period shall not exceed the amount authorised to be withdrawn from the Consolidated Revenue Fund of the State under the provisions of the appropriation law passed by the House of Assembly for the corresponding period in the immediately preceding financial year, being an amount proportionate to the total amount so authorised for the immediately preceding financial year. This section of the 1999 Constitution limits the power granted to Parliament under section 120 of the same Constitution as discussed above.

(d) Establishment of a Contingencies Fund

Section 123(1) provides that a House of Assembly may by law make provisions for the establishment of a Contingencies Fund for the State and for authorising the Governor, if satisfied that there has arisen an urgent and unforeseen need for expenditure for which no other provision exists, to make advances from the Fund to meet that need.

Furthermore, Subsection (2) of section 123 provides that where any advance is made in accordance with the provisions of S.123(1) of the Constitution, a Supplementary Estimate shall be presented and a Supplementary Appropriation Bill shall be introduced as soon as possible for the purpose of replacing the amount so advanced.

(e) Payment of Salaries and Allowances Directly from the Consolidated Revenue Fund

The 1999 Constitution by the provision of section 124 authorises the payment of the salaries and allowances of Governor, Deputy Governor, Auditor-General for the State and the chairman and members of the following bodies, the State Civil Service Commission, the State Independent Electoral Commission and the State Judicial Service Commission directly upon the Consolidated Revenue Fund of the State.

The Constitution does not spell out the duties and responsibilities of officers in the Executive arm of government over financial matters. Other legal documents do. We examine below the provisions of some of these legal financial documents:

(2) **Finance (Control and Management) Act No. 33 1958 (As Amended) -** According to Anyafo (2002) this law which became operative on July 31, 1958 provides for the control and management of public funds. This Act regulates the accounting format for the preparation of government accounts.

The Act spells out how government funds and assets should be managed. It also prescribes that the cash basis of accounting shall be used for the preparation of government accounts. In other words, it regulates the accounting system as well as the books of accounts to be maintained.

(3) **The Audit Act 1956** - This Act which began as an ordinance has been amended at various times. Apart from empowering the Auditor-General to audit the accounts of the federation, the Act also requires the Accountant-General to sign and present, within a period of seven months after the close of each financial year, to the Auditor-General for the federation the accounts showing the financial position of the federation of Nigeria on the last day of such financial year. This law is applicable to the States.

(4) **Appropriation Acts** - The annual appropriation Acts regulate financial matters to the extent that an expenditure made which is not contained in the Act becomes an impeachable offence. They guide the withdrawal of money from the Consolidated Revenue Fund.

(5) **Financial Regulation/Instruction** - The Constitution and other legal documents that govern the practice of financial administration listed above do not give details as to how the specific rules are to be applied. A code is therefore needed for the sake of uniformity. The regulation is the accounting manual dealing with financial matters at the Federal level is known as financial regulation while that of the state is called financial instructions. As mentioned earlier, the provisions of both manuals are very similar. However, both manuals derive their powers from the Finance (Control and

Management) Act 1958. It is instructive to note that the Financial Instructions which apply to the Northern region was last revised by 1st April 1968. The Financial regulations on the other hand have been revised to 1st January, 2000 coming after the revision in 1976.

(6) **Treasury and Finance Circulars** - Where the need arises, treasury and finance circulars may be issued to amend an existing provision in the Financial Regulation/Instruction or to introduce a new policy.

2.3.1 Powers and Responsibilities of Government Financial and Accounting Officers

Chapter 1 - part II of the Financial Regulations (2000) and chapter 2 of the Financial instructions (1968) spell out the powers and responsibilities of government officers having monetary responsibilities. The powers and duties are as stated below:

(a) Ensure that the proper system of accounts as prescribed by or under the authority of the Ministry of Finance is established and maintained.

(b) See that all books are correctly posted and kept up to date.

(c) Exercise supervision over the receipt of public revenue, ensure its punctual collection, and report any apparent defect or difficulty in the procedure for the collection of revenue which comes to his notice.

(d) Promptly bring to account, under the proper Heads and subheads of the Estimates or other approved classification all money, whether revenue or other receipts, accounted for to him.

(e) Promptly bring to account as a receipt any unexplained surplus of cash or stamps by placing it on deposit.

(f) Take care that no payment is made which is not covered by proper authority and report any waste or extravagance which comes to his notice.

(g) Promptly charge in his accounts under the proper Heads and Sub-Heads of the Estimates or other approved classifications all disbursements of the Government.

(h) Ensure that proper provision is made for the safe keeping of public money, securities, stamps, counter foil receipts, licenses, etc.

(i) Ensure that the authorized maximum cash balance that may be held at any time is not exceeded without the approval of the Accountant-General.

(j) Regularly, and not less frequently than weekly, check all cash and stamps in his charge and verify the amounts with the balances shown in the Cash Book or Stamp Register.

(k) Exercise strict supervision over all officers under his authority entrusted with financial and accounting duties and bring to notice any incompetence or repeated carelessness on their part, take precautions by surprise inspections and the maintenance of efficient checks, against the occurrence of fraud, embezzlement or carelessness.

(l) Produce when required by the Accountant-General or his staff or by the Auditor-General or his staff, all cash, stamps securities and account books, records or vouchers in his charge.

(m) Promptly reply to any queries or other observations addressed to him by the

Accountant-General or Auditor-General, giving fully the particulars or information required.

(n) Promptly prepare such financial returns and statements as are required by any Act or Law or Directions or subsidiary legislation thereunder or the Financial Regulations/Instructions.

(o) Study the convenience of the public and make arrangements, compatible with carrying out of these Financial Instructions, to facilitate the transaction of business with the public.

(p) Bring to notice any apparent deficiency in accounting instructions or any means by which it appears that the financial and accounting procedures might be improved.

2.3.2 Duties and Powers of Permanent Secretaries as Accounting Officers

Federal Financial Regulation 104 states that the term Accounting Officer means the Officer of a Ministry or Department who upon receiving an appointment or acting appointment as *a Permanent Secretary or Head of an Extra-Ministerial Department* is consequently designated and appointed Accounting Officer for his Ministry or Extra-Ministerial Department. Any reference to an Accounting Officer in the Financial Regulations means the Permanent Secretary of a Ministry or the Head of Extra-Ministerial Department. The Accounting Officer is responsible for stewardship, that is, safeguarding of public funds and the regularity and propriety of the expenditure under his control.

The functions of the Accounting Officer include:

(a) To ensure that proper budgetary and accounting systems are established in his Ministry/Extra-Ministerial Department to enhance internal control, accountability and transparency;

(b) To ensure that the essential management control tools are put in place to minimize waste and fraud;

(c) To ensure that all Government revenues are collected and paid into the Consolidated Revenue Fund promptly;

(d) To render monthly and other periodical accounting returns and transcripts to the Accountant-General or the Federation as required by the Financial Regulations;

(e) To ensure the safety and proper maintenance of all Government assets under his care;

(f) To ensure that all audit queries pertaining to his Ministry/Extra-Ministerial Department or Agency are answered including appearance before the public Accounts Committee;

(g) To ensure accurate collection and accounting for all public moneys received and expended;

(h) To ensure prudence in the expenditure of public funds.

The Accounting Officer is held personally and peculiarly responsible for all wrong doings in his Ministry/Extra-Ministerial Department. Delegation of his duties or functions shall not absolve him from these responsibilities and liabilities.

From the powers and responsibilities listed above, it may be acknowledged that these responsibilities are indeed enormous. These powers are designed to guarantee an efficient management of public funds if they are exercised as prescribed. This is because these rules are designed to enhance transparency and public accountability. This position has been made clear by the preface to the financial regulations (2000) when it states that

> *henceforth rules and regulations designed to promote honesty and transparency in dealings with government would be restored, strengthened and vigorously enforced… it is mandatory for all public officials to ensure strict compliance with the rules and regulations.*

Statements like the above reflect the thinking of many that compliance with the rules and regulations will ensure the achievement of objectives. This may not be necessary so. What assurance do we have that public money has been spent according to legislative intent? The major instruments of control are the budget and Accounting. The financial responsibilities of government officers highlighted above can be discharged through the instruments of budget and Accounting. We now turn our attention to these two.

2.3.3 <u>Governmental Budgeting</u>

Budgeting in Nigeria is a Constitutional requirement as it is in most countries - developed and developing. In the case of Nigeria, the 1999 Constitution by the provision of sections 81(1) and 121(1) authorizes the President and the Governors to prepare and lay before Parliament at any time in each financial year estimates of the revenues and expenditures of the government for the next following financial year.

Budgeting in the public sector has not lost any steam from practitioners and researchers because, according to Premchand (1990:30),

> *it is generally recognized that the government is the largest organization, employer, and spender in industrial and developing countries. The magnitude of its receipts and expenditures has no parallel in the private sector.*

The importance of government in shaping the economy has also been pointed by Hogye (2004:5) who suggests that

> *a significant development in the intellectual history of the 20th century has been the explicit recognition by economists, politicians and the public at large of the importance of government in the operation of the economy. The public budget generally reflects the policy of the government toward the economy.*

The budget occupies a central place in public sector financial management. The budget plays a significant role in planning and controlling governmental operations than they do in the private sector, (McKenzie 1998).

Stedry (1979:125) supports this view when he states that

> *almost every governmental decision has budgetary implications since the process of decision-making almost invariably involves the allocation of scarce resources among alternative uses.*

In view of the significance of the budget in public financial management, what then is a budget?

Available literature suggest that a budget is a series of goals with price tags attached (Wildavsky 1964). Other definitions are: “a valuation of receipts and expenditures or a public balance sheet, and as a legislative act establishing and authorizing certain kinds and amounts of expenditure and taxation” (Schiesl, 1977:89); “a financial plan describing proposed expenditures and the means of financing them” (McKenzie 1988:11.1) and “a map or blueprint for what political scientists refer to as the authoritative allocation of resources” (Pollack, 1999:332).

Other definitions of budget include "a process by which costs are assigned to specific tasks that are planned within a definite time period, (Akinola and Asein, 1998:37) and "a plan or target in quantities/and or money value prepared for a future period of time. It usually shows planned or target income and planned or target expenditure" (Pogue 1989:33).

These definitions suggest that a budget deals with anticipated revenue and expenditure ahead of the period to which they relate.

Public sector budgeting grow out of the need for sharing political power between the Executive and the Legislature (McKinney and Howard, 1979, Premchand, 1989 and Wapmuk 1999). In a democratic setting, the budget serves as a bridge between the legislative and the Executive branches (Lawton 1979). Similarly, Staats (1989:133) argues that

> *the budget is the single most important expression of the policies, program, and plans to execute programs by a governmental entity. It is both a means of control by the Parliament and the Executive as well as their accountability to the taxpayer.*

2.3.4 <u>Purposes of Budget</u>

The public budget has a variety of purposes:

(a) a tool of accountability - the budget is an instrument through which accountability is discharged. There should be budgetary provision for all government spending and such spending should be within the limits imposed by the budget.

(b) a tool of management - the budget serves as an operational document specifying directly or implicitly the cost, time and nature of the expected results.

(c) an instrument of economic policy. Premchand (1989:36 - 37) argues that the public budget serves a variety of economic policy. First, it indicates the direction of the economy and expresses intentions regarding the utilization of the available resources. Second the public budget promotes macroeconomic balance in the economy. Third, the budget is a vehicle for reducing inequalities by the distribution of resources in an egalitarian fashion, and fourth, the public budget enables a determination of government's share in national income and the extent to which growth and associated objectives of government are fulfilled by the budget.

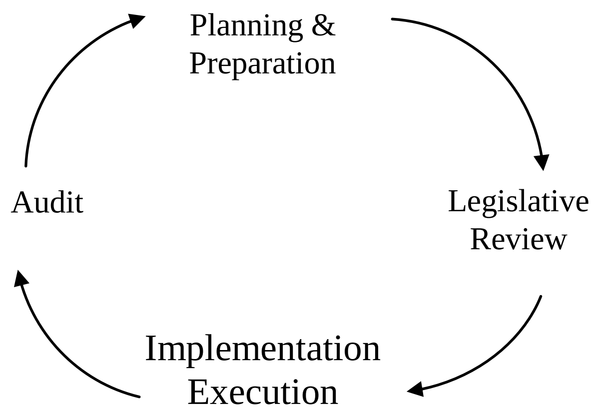
2.3.4.1 Budgetary Process

Budgeting is a dynamic ongoing process. It is a cycle. It has four phases: planning and preparation, legislative review, execution and audit (McKinney and Howard, 1979: Teriba and Oji 1973 and McCaffery 1999). The budgetary cycle is depicted in figure 1.

The Budgetary cycle shows that the budget is a continuous process. Parliament for instance may be considering the audit report on a previous budget while at the same time debating a future budget and as well monitoring the implementation of a current budget.

Budget preparation in Nigeria is still a closed process. The involvement of civil society and the mass media is negligible, which negates the concept of budgetary fiscal transparency.

Figure 1 **Budgetary Cycle**



Although a budget is intended to look at the future, it cannot meaningfully do this without appraising the past.

The budgetary process is briefly discussed below:

(i) **Planning and Preparation -** This is an Executive-dominated process in most countries. Budget preparation at the state level starts with the issuance of the budget call circular from the state's budget and planning division to all ministries and state government departments. The budget call circular provides the format for budget presentation. Completed budget call circulars - are collated by the budget and planning division (ministry) and presented to the state-Executive council for approval. The budget is then presented to the Legislature.

(ii) **Legislative Review -** the Constitutions of most countries confer on their Legislatures the power of budget oversight. The power of the Legislature over budgetary matters varies considerably from country to country and on the type of political system practiced. Premchand (1999:85 - 86) states that a global look at the power of the Parliament over budgetary matters reveal five (5) types of institutional arrangements. The first group comprises the United States, Italy and to a certain extent, the Russian Federation after 1991. The institutional arrangements in these countries reveal the dominant influence of the Parliament, which has power to reject the proposals of the Executive and is empowered to craft its own legislation, which is then subjected to presidential veto or approval.

The second group comprises the United Kingdom and the member countries of the British Commonwealth (including Australia, New Zealand and several developing Asian, African and Caribbean countries). In these countries, the primary responsibility for the preparation and implementation of the budget is located in the Executive and the role of the Parliament is to approve the proposals of government. The Legislature has the power to reject the budget or modify any part of it (without increasing expenditures, but such non-approval is viewed as a vote against the government, obliging it to resign).

The third group of countries comprising France and Japan envisages a different role for the Legislature in that it is expected to concentrate on new proposals and expenditures while continuing expenditures are approved in a routine way. In France, the Legislature cannot increase expenditures or reduce revenues.

The fourth group comprises countries where the medium-term financial plan has a significant role to play in overall budgetary decision-making, although legislative approval is limited to one year. Examples include Germany and Sweden. The fifth group of countries consists of those where either there is no Legislature, or if there is one, it has little power except to debate. Examples include several countries in the Middle East and China.

Budgetary matters usually bring about conflict between the Executive and the Legislature. Rubin (1999:30) argues that "conflict is endemic to budgeting". She further argues that one way of handling the stress between legislative bodies and Executives is for the Executives to set aside some amount of money for the Parliaments to allocate so as to bring some projects to their constituencies.

Once the President or Governor has presented his budget proposal to the Legislature, the various legislative committees usually write principal officers of each ministry or extra ministerial departments to come and defend their budget proposal. Parliament debates and approves the budget.

The Nigerian Constitution of 1999 does not clearly specify the powers of Legislature over budget amendment. This has therefore been a good source of conflict between the Executive and the Legislature especially at the Federal level.

(iii) Execution or Implementation - Once the Legislature has voted funds, the control of expenditure shifts back to the Executive branch. Budget execution or implementation is a management process (Premchand 1999). Burkhead (1959: 340 - 356) believes that budget execution is an Executive responsibility. He divides budget execution techniques into two classes: those concerned with financial controls and those concerned with administrative controls. Financial controls are directed at the various accounts used to record government transactions for both receipts and expenditures. Administrative controls are concerned with executing and adjusting the budget plan that was developed and refined in the Executive branch and reviewed and approved in the legislative branch. Burkhead suggests that the goals of budget execution involve preserving legislative intent, observing financial limitations and maintaining flexibility at all levels of administration.

Forrester (1999) asserts that budget execution is the vehicle by which financial control and accountability can be achieved. He concludes that

> *accountability and financial control are checked then, by using the budget and implementation procedures to assess, guide, monitor and control the fiscal side of government, (Forrester 1999:569).*

Although the budget provides the means of financial control and accountability, this aspect has proved to be difficult to accomplish in Nigeria. Approved expenditures can only be incurred on the strength of a warrant issued for that purpose. Where voted funds fall short of requirements, the spending agency must apply for supplementary appropriations provisions and obtain Parliamentary approval for such additional expenditure before incurring them. However (Teriba and Oji 1973: 324) lament that

> *supplementary provisions were made ex post; expenditures were first incurred over and above Parliamentary authorization and supplementary appropriations were subsequently introduced to cover them.*

They conclude that

> *this state of affairs certainly makes nonsense of the concept of Parliamentary control of expenditure, and the impression one has is that once unapproved over-expenditure are incurred, both ministerial and Parliamentary authority would be given ex post as a matter of course.*

It is now suggested that adherence to budget targets can bring sub optimal behaviour on the part of vote controllers. For instance, Johnson (1992) suggests that sometimes expenditure may be incurred because it is included in the budget and not necessarily because it is needed. Vote controllers may do this because they fear the existence of end of year surpluses in their accounts. Wildavsky (1979) therefore suggests that year-end surpluses will be perceived by legislators and chief Executives as unneeded money and the next year's budget will be reduced to eliminate the unnecessary funds.

(iv) **Audit** - The final phase in the budget process, is however an important part of the budget cycle. The budget requires public disclosure, evaluation and auditing. The report of the auditor shows how the budget has been implemented and managed. Auditing (Dye and Stapenhurst 1998) argue, is a function that serves accountability as it adds credibility to the assertions of the person or entity rendering account and it provides valuable insights and information to the person or entity conferring the responsibility. The agency responsible for the audit of government accounts is the Auditor-General or what is commonly referred to as Supreme Audit Institution (SAI). They have the duty of overseeing the management of public funds and the quality and credibility of governments' reported financial data. Dye and Stapenhurst (1998) further argue that Supreme Audit Institutions play a critical role, as they help promote sound financial management and thus accountable and transparent government.

Stapenhurst and Titsworth (2001:1) illustrate three types of Supreme Audit Institutions: Napoleonic, Westminster and board. In the Napoleonic system the Supreme Audit Institution - also known as the cour des compies (court of accounts) wields both judicial and administrative authority and is independent of the legislative and Executive branches. The institution which is an integral part of the judiciary, sits in judgement on government compliance with laws and regulations as well as ensuring that public funds are judiciously spent. The cour des compies audit jurisdiction covers government ministries, departments, and agencies; commercial and industrial entities under the purview of ministries and social security bodies. Examples of countries in this group include France, Italy, Spain, Portugal, Turkey and most Latin American and Francophone African countries.

Under the Westminster system, the Office of the Auditor-General is an independent body that reports to Parliament. The office submits periodic reports on the financial statements and operations of government entities although the emphasis on legal compliance is less than the Napoleonic system. The office does not perform judicial function but when warranted, its findings may be passed to legal authorities for further action. Examples of countries in this group include many Commonwealth countries (Australia, Canada, India, the United Kingdom) and many Caribbean, Pacific and sub-Saharan African countries. Nigeria falls within this group.

The board system, which is similar to the Westminster model, is independent of the Executive and assists Parliament perform its oversight function.

The audit board is composed of an audit commission (the decision-making body) and a general Executive bureau (the Executive organ). The president of the board is the defacto Auditor-General. He analyzes government spending and revenue and report its findings to the Legislature. Countries in this group include Indonesia, Japan and Republic of Korea.

Stapenhurst and Titsworth (2001) also list three basic audit types: financial (or attest), compliance and performance (or value-for-money).

In financial auditing the auditor assesses the accuracy and fairness of an organization’s financial statements. Knighton (1979) states that in conducting financial auditing, procedures are developed to ensure that expenditures are authorized, properly documented, and that funds are properly receipted, accounted for and safeguarded. He further reports that as the volume of government financial transactions increased, the demands made of the auditor for additional information also increased. As a result the traditional financial audit could not cope, so the audit scope began to expand into other areas. Various names were given to the new phase of audit efforts including compliance audits and performance audits.

In compliance auditing, the auditor assesses whether expenditures have been authorized and used according to legislative mandate. Transactions are reviewed to determine if government departments and agencies have conformed to all pertinent laws and regulations. The emphasis is on compliance with all relevant laws.

In value-for-money audit, the emphasis is on whether taxpayers have received value for their money. Value-for-money audit place emphasis on economy, efficiency and effectiveness of transactions. Performance or value-for-money audit sometimes takes the form of reviewing operational efficiency or reviewing the effectiveness of government programmes in achieving their objectives. Value-for-money is necessary because

> *public sector accountability previously placed emphasis on restriction of expenditures and ensuring that expenditures conform with budgeted estimates without examination of the intrinsic value of the resources utilization (Ene 2001:30).*

2.3.4.2 **Critical Success factors for Supreme Audit Institutions and Limitations**

Whether Supreme Audit Institutions will succeed in their assigned role of being the watchdog over financial integrity and the credibility of government reported information will depend on the following factors (Dye and Stapenhurst 1998:20 and Stapenhurst and Titsworth 2001:3):

(a) Supportive environment - Supreme Audit Institutions require a strong Legislature, properly maintained accounts; timely submission of financial statements, an Executive branch of government that does not pay lip service to accountability among other factors to function effectively. Wrongdoing identified by the institution must be addressed seriously. Audit queries should be responded to promptly.

(b) Clear mandate - The auditor's independence, and reporting responsibilities, the scope of audits and the entities to be audited must be clearly stated.

(c) Independence - The Auditor-General needs the freedom to do his work and to report his findings directly to the Legislature without interference from other arms of government. Additionally, those being audited should have no influence on the choice of who or what gets audited. The Auditor-General also needs the freedom to determine what shall be reported.

(d) Adequate funding, facilities and staff - The Office of the Auditor-General needs to be adequately funded, equipped and provided with facilities. The Auditor-General should have the mandate to recruit his own staff and they should be adequately remunerated. Opportunities for further improvement in skills and expertise should be provided.

(e) Sharing of knowledge and experience - International cross fertilization of ideas, knowledge and experience improves audits, harmonizes standards, promotes best practices and generally helps Supreme Audit Institutions fulfil their mandate.

(f) Adherence to international and local standards - Audits assume the character of effectiveness when audit institutions stick to professional auditing standards such as those published by the International Organizations of Supreme Audit Institutions (INTOSAI) and local audit standards published jointly by the Office of the Auditor-General of the federation in conjunction with state' Auditors'-General.

Mention however must also be made of the limitations faced by the State Audit institutions although such limitations vary from country to country. The limitations include limits on independence, lack of qualified staff; lack of equipment; non-follow-up of audit queries and recommendations; restricted audit scope and a non-supportive environment.

The important role played by audit in the administration of funds has been captured by Speck (2003: 3 - 4) who argues that

> *allocation of financial resources plays a major role for the exercise of political power. Therefore control of compliance with norms is essential not only to guarantee an efficient use of public funds but also to keep power holders within a near bandwidth of norms and make them responsible for their acts.*

2.3.4.3 <u>Types and Methods of Budgeting</u>

Governmental budgets may be classified on a time-period basis as annual, biennial and long-term. An annual or current budget is the financial plan for a single fiscal year and is the most common. The biennial budget covers two consecutive years, which is treated as a single fiscal year. Long-term budgets which cover four-to-six year period are planning documents. Development plans fall into this category. Current portions of long-term budgets are usually incorporated into the annual budget.

McKenzie (1988) identifies three basic methods of budgeting in the public sector: the line item (traditional) budget, the programme budget and the performance budget. He argues that the new budgeting effort, planning-programming-budgeting system (PPBS) and the zero base budgeting (ZBB) basically represent extensions of the performance approach.

(a) **Line-Item Budgeting** - This is the traditional budgeting method used by governmental units. Expenditure is classified by department according to the object of expenditures, for example, salaries, materials, supplies and equipment. These objects of expenditure could be collapsed into broad categories such as personnel, operating and capital expenses. Statutory or administrative controls could be imposed on the transfer of funds from one line-item to another, or between broad categories of expenditure.

Prior to line-item budgeting, most budgets were lump sum (Tyer and Willand 2004).

> *line-item budgeting became necessary to provide a better understanding of the intentions and purposes of government for which funds were sought … what influenced the budget structure was the manner in which accountability could be ensured… the budget structure was devised as to indicate the full responsibility of the spending agency (Premchand 1989:289).*

Schick (1971: 14 - 43) argues that

> *line-item budgets were relatively easy to use and understand. Thus, they were attractive to legislative officials. They allowed central control over inputs, or money, before they are used. They are uniform, comprehensive and exact. They allow routines to be established. Line-items provide multiple opportunities for control to occur, such as in purchasing and hiring staff.*

Line-item budgeting has been criticized for its emphasis on short-term inputs at the detriment of long-term objectives and policies. It tends to maintain the present pattern of expenditure levels. Line-item budgeting occupies the attention of the Legislature to such an extent that data relating to programmes, activities, and outputs are ignored (McKenzie 1988).

(b) **Programme Budgeting -** This budgeting method emphasizes activities and programmes. The cost of a function is allocated by the programme regardless of the departments involved in the programme. Gambino and Reardon (1981:63) list the key features of this budgeting system to include:

i. A structuring of activities in terms of output-producing programmes.

ii. The arrangement of these programmes according to explicitly stated objectives of the government unit.

iii. A focus on the benefits, as well as the costs of the programme.

iv. An emphasis on the total variable costs associated with each programme.

v. A projection of both the costs and inputs of the programme into future periods.

Miller (1996:95) however notes that programme budgeting suffers for a "severe identification crisis in the budgetary literature". This is because it is used synonymously with performance budgeting and the planning, programming budgeting system reform. Burkhead (1956) asserts that a programme could be higher in an organisation than performance units, and indeed could encompass several organizational units. Programme budgeting tends to be forward-looking while performance budgeting focuses on what has been accomplished already. The key elements of programme budgeting include "long-range planning, goal setting, programme identification, quantitative analysis such as cost-benefit analysis and performance analysis (Burkhead, 1961:139).

Critics of programme budgeting feel that it is expensive to implement, requires more planning and a skillful staff and cost breakdown may not be detailed enough to indicate operational efficiency (McKenzie, 1988).

(c) **Performance Budgeting -** There has been difficulty in defining performance-based budgeting because the measurement of performance in government is difficult. Joyce (1999:598) states

that "performance-based budgeting assumes that outcomes are considered in the process of allocating and managing government resources". It connects resources to results. Performance budgeting is said to extend the programme approach by including quantitative data on services or work performed. Legislative bodies and elected chief Executives may want to use performance information to make decisions on how to allocate scarce resources among competing priorities. Performance measures are most useful to these people if the measures help determine how much money should be spent on the various purposes of government. While line-item budgeting focuses on how much money is being spent, performance-based budgeting concentrates on varying levels of programme results that might accompany varying levels of performance. It has been argued that it is difficult to develop measures of input; it is even harder developing appropriate measures of results and even much harder using these measures to allocate resources at a government-wide level. If performance measures are to be used to influence the allocation of resources, the change is not likely to happen immediately (Joyce 1999).

(d) **Planning-Programming-Budget System (PPBS) -** The PPBS which was fashionable in the US was pioneered in the Defence Department by Secretary Robert McNamara in the 1960s (Joyce 1999). By 1971, PPBS ceased to exist except in the Defence Department. It has been reported that the PPBS was much less successful in civilian agencies because the agencies lacked administrative commitment to integrating the system fully into their management systems.

Hatry and Cotton (1967:15) state that the major characteristics of PPBS are:

i. It focuses on identifying the fundamental objectives of the government and then relating all activities to these (regardless of departmental or unit placement).
ii. Future year implications are explicitly identified.
iii. All pertinent costs are considered.
iv. Systematic analysis of alternatives is performed, e.g. cost-benefit analysis.

McKenzie (1988:11.12) argues that

> *PPBS emphasizes long-range planning by projecting the benefits and costs of each programme over a number of years. Various alternatives are identified and analyzed to meet the stated programme objectives. All programmes are to be evaluated annually to determine if they are to be continued or if new programmes are to be added.*

He reports that advocates of PPBS state the following advantages for its use:

(a) It provides a framework for accountability.

(b) It provides opportunity for long-range planning.

(c) It promotes an optimization of resources.

(d) It assists in acquiring government funds.

(e) It compels organizational self-study and analysis and

(f) It promotes rational decisions.

However, in spite of these appealing features, PPBS is regarded as an unsuccessful experiment as (Schick, 1971:103) remarks

> *there are few success stories to emulate, few examples of what works and no solid evidence of the benefits. The traditions established in earlier years continue to dominate the budget process…*

It should be noted that PPBS was recommended for Nigeria by NISER. Its degree of success has been difficult to determine.

(e) **Zero-Based Budgeting (ZBB) -** This represents the newest approach in the budgetary literature. McKenzie (1988:11.13) explains that ZZB requires

> *every manager or supervisor to examine all programmes or activities from the ground up before funds are allocated. The cost of each programme or activity must be justified in its entirety each year.*

Tyer and Willand (2004:7) also explain that "ZZB requires that programmes be justified over and over again so that the traditional based budget which receive little or no scrutiny in traditional budget processes is no longer sacrosanct".

Tyer and Willand (2004) further explain that the concept calls for identification of decision units, decision packages, ranking of units within packages and evaluation of alternative spending levels for units in the packages. Managers are to provide estimates of different levels of funding, such as below current levels of support, maintenance of the current level, or a higher level of support with explanation of the impact of such alternative funding levels upon their programme. The uniqueness of ZBB is in the formatting of information and the redefinition of budget base to include decrements and not just increase in funding.

If PPBS was implemented as advocated by its proponents, the concept included a zero-base budget idea since programme analysis would be applied to all programmes, old and new.

ZBB was discarded in the US in 1981 when Reagan replaced Carter because

> *complaints were wide spread about the amount of time required to prepare requests and the tremendous increase in paper work. Contrary to promises, ZBB did not require agencies to justify every dollar they received. Administrators resented determining minimum levels below current operation when they were legally required to provide minimum benefits… (McKenzie 1988: 11.14).*

Have the budgetary reforms succeeded? To this question we have different answers. Wildavsky (1975:366) asserts that "most reforms fail… the governmental landscape is lettered with their debris". Tyre and Willand (2004:15) insist that

> *most reforms are oversold. Consequently, because the expectations are unrealistic, assessments conclude that they have failed. Conclusions of general failure may not be entirely accurate.*

Whatever belief we may hold, budget reform is a never ending process, it is continuous, as the light of experience and careful research point the way to greater improvements in the management of public affairs.

Budgeting, as we have noted earlier, is one of the instrument by which fiscal transparency is discharged, but as (McKinney and Howard, 1979:30) assert,

> *accounting is the most pervasive activity of the control function, it provides a link between the money that is appropriated and where and how it is used.*

For this reason (Premchand 1989:129) states that "budgeting and accounting have been closely linked".

The link between budgeting accounting and auditing has been demonstrated by (Ndubuisi 1996:70) who remarks that

> *where budgeting ends, accounting begins and where accounting ends, auditing begins and these are tailored towards guarding against abuse and misuse of government resources.*

Asechemie (1994:115) also states that

> *the structure and routines of government financial accounting closely follow the budgeting system. The overriding role of financial accounting is to ensure adherence to the budget by heads and subheads.*

This practice is referred to in accounting and budgetary literature as budgetary accounting. Budgetary accounting according to Johnson (1992:5)

> *refer to the practice of many public sector organization in keeping and presenting their operating accounts in the same format and alongside their budget.*

Premchand (1989) agrees and states that "the policy and Programme requirements of budget management necessitate that accounts also follow the same structure as in the budget".

We now turn our attention to government accounting.

2.4 GOVERNMENT ACCOUNTING AS A BASIS FOR FINANCIAL CONTROL

Government accounting has a long history and is said to be oldest form of accounting (Premchand 1989 and Oshisanmi 1992).

The present financial management system in Nigeria is modeled after the British financial management system. Most of the financial regulations governing financial practice today in Nigeria, as we have earlier noted, were bequeathed to Nigeria on attainment of independence in 1960. Since then they have been scantily reviewed.

Premchand (1989:344) notes that

> *as developing countries attained independence… it became clear that inherited systems of financial management were not best suited to the changed role of governments in the context of development. The budget structures and financial management systems were found to be archaic and functionally weak. There was little or no systematic viewing of proposals or planning of expenditures. Central controls were illusory and accounting and reporting received scant attention despite their importance.*

Government accounting according to (Oshisanmi and Dean 1984:101) is

> *the process of recording, analyzing, classifying, summarizing, communicating and interpreting financial information about government in aggregate and in detail, reflecting all transactions involving the receipt, transfer and disposition of government funds and property.*

Similarly (Ahonsi 2002:3) defines government accounting as

> *the recording and presentation of government financial transactions to comply with statutory requirements as well as to assist management in efficiently utilizing government funds.*

There is general agreement as to what constitutes government accounting. The definition usually emphasizes the activities of: analysing, recording, summarizing, reporting and interpreting. The definitions adequately describe government accounting.

Government accounting is intended to serve a number of purposes which include:

(a) "to provide useful financial information for making economic, political and social decisions and to demonstrate accountability and stewardship;

(b) "to provide useful information for evaluating managerial and organizational performance;

(c) “to determine and predict the flows, balances and requirements of short-term financial resources of the governmental units;

(d) “to determine and predict the economic condition of the government unit and changes therein;

(e) “to monitor performance under term of legal, contractual and financial requirements;

(f) to provide financial information useful for “planning, budgeting and to predict the impact of the acquisition and allocation of resources on the achievement of operational objectives;

(g) “to evaluate managerial and organizational performance (Daniel 1999:6)

We may say that government accounts serve legislative interest by enthroning the concept of accountability; it provides a framework for purposes of a variety of decision-making and it can be used for evaluating performance.

2.4.1 The Basis of Government Accounts

The basis of accounting refers to the method used in recording government financial transactions vis-à-vis the compilation of the financial statements (Oshisami 1992; Ahonsi 2002 and Daniel 2002).

A number of accounting bases are available for recording and compilation of government amounts. These include:

(a) the cash basis

(b) the accrual basis and

(c) the commitment, obligation or encumbrance basis.

(a) The cash Basis of Government Accounting

The cash basis of accounting recognises only cash receipts and disbursements. It is to be noted that government accounting in Nigeria is on the cash basis. The following advantages have been claimed for the use of the cash basis of accounting:

(a) that it is simple

(b) that it promotes accountability because it permits the easy identification of those who authorize payments and those who receive them.

(c) It promotes control; it allows a simple and unambiguous comparison between amounts authorized in the budget and those actually spent.

(d) That it is factual

(e) That it concentrates on the crucially important disbursement of money.

(f) It enables final accounts to be compiled in a timely manner and

(g) It is consistent with the importance attached to movements of cash in the public sector" (Oshisami and Dean 1984:105-106).

The proponents of the cash basis of accounting further argue that since government transactions are financed by annual appropriations, cash budgets and cash amounts are the simplest and most effective way of controlling appropriations. Despite these appealing arguments, the cash basis of accounting has attracted a lot of criticisms. Ball et al (1999:8) cite the following disadvantages against the cash basis of accounting:

(a) Failure to accurately represent the amount of resources usage. For instance, a large capital acquisition will distort expenditure upward in the first year but the usage of that asset will not be recognized in following years.

(b) Failure to take account of future commitments, guarantees or other contingent liabilities. A liability will not be recognized until cash is paid to settle the debt.

(c) Concentrate on cash payments alone, sometimes resulting in an unnoticed deterioration in fixed assets.

(d) Control of the inputs purchased rather than the output produced.

(e) Distortion of incentives by encouraging managers to underestimate the cost of programmes and to spend their full annual appropriations.

Wildavsky (1979) also argues that cash accounts may encourage dysfunctional behaviour because vote controllers may incur last minute obligations to delete anticipated year-end surpluses so that future budgetary allocations will not be reduced.

Cash accounting, Reviglio (2001:17) suggests

> *allows countries to maneuver the size of unspent commitments (budget carry-overs) that do not have to be financed by governments in the same year in which they were recorded, avoiding fiscal constraints that are related only to cash accounting.*

Perhaps for the aforementioned disadvantages, the National council on Government Accounting (1979) in (Johnson 1992:6) states that

> *the accrual basis is the superior method of accounting for the economic resources of an organization. It results in accounting measurements based in the substance of transactions and events, rather than merely when cash is received and disbursed and thus enhances their relevance, neutrality, timeliness, completeness and comparability. Accordingly, the council recommends use of accrual basis to the fullest extent practicable in the government environment. The cash basis of accounting is not appropriate.*

(b) The Accrual Basis of Accounting

Ball, Dale, Eggers and Sacco (1999:7-8) state that

> *accrual accounting recognized events and transactions when they occur, regardless of when cash changes hands. By recording accounts payable and receivable, and thus the change in value of the assets and liabilities, it keeps a running tally of what an organization owns and owes in economic terms.*

Accrual accounting requires that a transaction must be recorded when it produces its economic effects. Recording may seldom coincide with the timing of cash transactions (Riviglio 2001:18).

Ball, Dale, Eggers and Sacco (1999:10-11) report that the use of accrual accounting has been criticized on the following grounds:

(i) That the implementation and operation of an accrual accounting systems is expensive.

(ii) That accrual accounting is less objective than cash accounting.

(iii) That there is loss of comparability of fiscal settings across governments and through time because only very few governments have produced fully consolidated accrual amounts.

(iv) It is also suggested that users of government accounts, such as debt-rating agencies are unfamiliar with the format and content of accrual accounts. It is also being argued that the accrual basis of accounting is only appropriate in profit making organizations (Oshisami and Dean, 1984).

However, the proponents of accrual accounting cite the following advantages for its use:

(i) accrual accounting would help assessing budgetary performance, such as government deficit and debt, and enhance the effectiveness of fiscal constraints (Reviglio 2001)

(ii) accrual accounting is designed to provide critical information to owners and lenders. If major pieces of equipment are becoming obsolete, or long-term liabilities are accumulating, owners and lenders want to know how, not when the equipment is sold or scrapped or when the liabilities become due (Ball et al 1999).

(iii) it results in accounting measurements based in the substance of transactions and events, rather than merely when cash is received and disbursed, and thus enhances their relevance, neutrality, timeliness, completeness and comparability. (NCGA, 1979).

(iv) intergenerational fairness is important in fiscal policy. It reflects the degree to which the government today is paying the cost of services today, as opposed to shifting costs to other periods. Accrual accounting provides a long-term perspective for judging the impact of policies. For example, without accrual accounting, decisions on pensions that create pension liabilities may not fully consider the impact of the liabilities on future budgets (Ball et al 1999:10).

(c) The Commitment Basis or Encumbrance Basis or Obligation Basis of Accounting

Daniel (2002;2003) states that

> *this is the type of accounting system concerned with the recording of local purchases order, contract or job order issued in the memorandum book (Vote Book) as liability pending when payment will be effected.*

Premchand (1989) explains that in the sequence of administrative steps, the first step of spending agencies toward the utilization of appropriated funds is to place orders for goods and services needed during the year. Such orders, which result in incurring obligations, can be placed at any time during the fiscal year. Accounts when maintained with reference to this point in time are known as obligation basis and refers to a system where recorded transactions represent commitments to acquire materials or services or make payments under specific conditions and include orders placed, contracts awarded and related transactions requiring money disbursement, usually at a later date. Obligation basis is usually restricted to outlays.

The appropriate basis of accounting to use in government has always been a source of controversy in accounting literature. Even proponents of the cash basis of accounting have admitted the need for reform. Partial reforms have resulted in hybrid systems like modified accrual basis or modified cash basis. Some of the arguments made in favour of cash based accounts is that it results in timely preparation of financial statements. In the case of Nigeria this is not true as we have acknowledged the lateness in preparing financial statements as one of the problems of government accounting.

2.4.2 Treasury Control of Public Funds

Treasury is an office headed by the Accountant-General and is usually part of the ministry of finance. Teriba and Oji (1973) explain that treasury control takes the form of overall supervision of the spending of ministries and departments. The objective is to ensure that they conform to the approved estimates and that adequate attention is paid to efficiency in the spending of funds allocated by Parliament. Where spending departments wish to deviate from the policies and programmes approved by Parliament or wish to exceed their votes, they need to secure the approval of finance for the new policies or changes.

Treasury control is exercised by the office of the Accountant-General. The Accountant-General is vested with the duties of:

(i) receiving, keeping and disbursement of government funds;

(ii) recording and reporting of government financial transactions

(iii) exercising supervisory powers over other ministries in terms of financial matters.

(iv) managing government investments.

(v) organising the training of accounting and auditing personnel

(vi) investigating cases of fraud, loss of funds, assets and store items, and

(vii) formulating the accounting policy of government

Other duties of the Accountant-General include posting of account staff; preparation of final accounts for submission to the Auditor-General, designing the accounting system and performing all other duties conferred on him by law.

The accounting system installed acts as a control mechanism for the receipt and disbursement of public funds.

Oshisami (1992:39) states that

> *accounting controls are the checks, balances and supervisory controls within and around the accounting system to ensure that all financial transactions and events are accurately recorded in the system completely and promptly; that there are safeguards over the custody and use of assets held by the organisation; and the possibility of the occurrence of errors and improper or illegal financial transactions are reduced to the barest minimum.*

A series of checks and balances exist within the accounting system to ensure effective financial control. Teriba and Oji (1973: 326) explain that

> *there are checks and balances in the accounting system of ministries/departments aimed at ensuring effective financial control. The essence of this financial control system is that book-keeping functions are so allocated that one book-keepers function provides a check on the function of some other book-keepers.*

The design of the accounting system has in-built checks and balances- these include the requirement that all transactions must be duly authorised; transactions must be recorded in the appropriate books promptly; key duties and responsibility should be assigned to different individuals and adequate supervision must be maintained over the work performed by subordinates. Other prescribed financial controls require that all payments must be supported by a voucher while it is also required to pass through the process of pre payment auditing. Ministries/departments are also required to operate within the limits approved by the appropriation act. A vote book is required to ensure that expenditures do not exceed their approved limits. Practitioners hardly comply with this requirement as

(Oshisami and Dean 1984:47) observe "overspending has become common place and has not attracted any notable penalties."

The ministry of finance also exercises another control through treasury-control by warrant. The Accountant-General may not allow an issue from the Consolidated Revenue Fund or Development Fund unless it is supported by a relevant warrant for expenditure issued by the Minister or Commissioner of finance. Warrants fall into two classes - warrants for recurrent expenditure and warrants for capital expenditure. Financial Regulations 2000, chapter 4. Recurrent expenditure is paid from the Consolidated Revenue Fund. For recurrent expenditure, the authority of the Minister or Commissioner of finance shall be conveyed in one of the following forms of warrants:

a) The Annual General Warrant of Recurrent Expenditure.
b) A Provisional General Warrant.
c) A Supplementary General Warrant of Recurrent Expenditure.
d) A Supplementary (Contingencies) Warrant
e) A Viement Warrant
f) A supplementary (Statutory Expenditure) Warrant

(Financial Regulations 2000:402)

These warrants are briefly discussed below:

Annual General Warrant - authorises the Accountant-General to issue funds to pay for the Personal Emoluments and other services provided in the annual estimates.

Provisional General Warrant - is issued if the appropriation act has not come into operation at the beginning of the financial year (for a period of three months, or until the Appropriation Act comes into operation, whichever is the shorter) for the continuance of the Government at a level not exceeding the level of those services prevailing in the previous financial year.

Supplementary General Warrant - authorises the Accountant-General to issue funds to pay for the additional personal emoluments and other services which may have been approved in supplementary estimates, and for which additional funds have been approved by the Parliament.

Supplementary (contingencies) Warrant - is issued where virement is not possible and where an application for additional provision reveals such a degree of urgency that the issue of funds cannot without serious injury to the public interest be postponed until a supplementary appropriation act can be passed.

A Virement Warrant - may be issued when, as a result of circumstances which could not have been foreseen when the annual estimates were framed, additional provision is required under a particular sub-head (or a new sub-head is required) while at the same time, equivalent savings can be made under another sub-head of the same head.

Supplementary (statutory) Expenditure Warrant - this authorizes additional expenditure over and above that included in the general warrant from votes which are chargeable against the consolidated revenue fund.

Financial Regulations (2003:513) provides that the authority for recurrent expenditure conveyed by any of the warrants above lapses at the end of the financial year to which it relates and any unspent balance required for the completion of a service must be provided for in the estimates of the year in which the sum will actually be expended.

Capital expenditure on the other hand is paid from the Development Fund and may be conveyed in one of the following forms of warrant (Financial Regulations 2000:416):

(a) The Development Fund General Warrant

(b) A Provisional Development Fund General Warrant

(c) A Development Fund Supplementary General Warrant

(d) A Development Fund Supplementary Warrant

(e) A Development Fund (Special) Warrant

(f) A Development Fund Virement Warrant -

The Development Fund General Warrant authorizes the Accountant-General to issue funds for expenditure on capital projects as contained in the annual estimates.

A Provisional Development Fund General Warrant is issued if the draft capital estimates have not been approved by the Parliament at the beginning of the financial year to carry on projects which had been approved in any previous financial year for a period of 3 months or until approval has been obtained by the Parliament, which ever is shorter.

A Development Fund Supplementary General Warrant authorizes the Accountant-General to issue funds for projects as sanctioned by the Parliament in resolutions, approving supplementary capital estimates.

A Development Fund Supplementary Warrant authorizes the Accountant-General to issue funds on capital projects beyond the amounts provided for the year concerned. The purpose is to accelerate the provision of funds formally allocated but not yet voted for a project.

A Development Fund (special) Warrant may be authorised by the council of ministers or state Executive council when an application for supplementary provision reveals a degree of urgency which makes it essential that funds be immediately made available to meet expenditure which cannot be provided for by virement.

The Development Fund Virement Warrant permits the issue of additional funds necessary for the completion of a capital project, for which funds have been appropriated, where the project cannot be completed within the amount shown as its estimated total cost in the approved annual or supplementary estimates, but where sufficient offsetting savings can be found within the amounts appropriated for other capital projects in the same economic programme section or where a sufficient amount is available within an appropriation made under the section providing a margin for increased costs.

Financial Regulations [2000:513(b)] provides that Capital Expenditure Warrants shall not lapse until the end of the rolling plan period.

The warrant system of financial control in government effectively places a second control before funds can be disbursed - the first being the need for expenditure to be backed by an appropriation law.

For accounting to be meaningful, it's end product has to be reported to the users.

2.4.3 Financial Reporting in Government

Financial reporting is one of the most important products of the accounting system.

Bartel (1996:39) argues that

> *unless financial information compiled by accounting is organized into meaningful reports and distributed to the appropriate people, accounting will have little effect on the overall management of the public sector.*

Financial reporting deals with the ways in which the accounting techniques are reported. Henley et al (1993:9) states that *"financial reporting in the public sector is a key element in the accountability of public sector bodies"*.

Reporting could take two forms - internal and external reporting.

The Accountant-General is responsible for preparing governments' financial statements. The main financial statements in Nigeria include the following statements:

(a) Public Debt

(b) Assets and Liabilities

(c) Consolidated Revenue Fund

(d) Development Fund

(e) Treasury Fund

(f) Special and Trust Funds

(g) Other Loans and Investments

(h) Losses of government money and stores written-off during the year

(i) Revenue abandoned for the year

(j) Guarantees given by the government on loans and statutory corporations and government-sponsored bodies

(k) Arrears of revenue returns (Oshisami and Dean 1984:117).

In addition, these statements have many other supporting sub-statements.

Oshisami and Dean (1984) lament that the Accountant-General's report run into hundreds of printed foolscap pages and that the level of details and the number of statements required militate against their timely production.

2.4.4 Objectives of Financial Reporting in Government

Chan (1988:1. 17-18) identifies the following as the objectives of financial reporting in government.

(a) Financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users to assess that accountability.

(b) Financial reporting should assist users in evaluating the operating results of the governmental entity for the year.

(c) Financial reporting should assist users in assessing the level of services that can be provided by the governmental entity and its ability to meet obligations as they become due.

(d) To provide information useful for planning and budgeting and for forecasting the impact of the acquisition and allocation of resources on the achievement of operational objectives.

2.4.5 Users and Uses of Governmental Financial Reports

Four broad categories of users have been identified (Chan 1988) - citizen group, legislative and oversight officials, investors and creditors and employees.

The interests of these groups may not be identical, they may conflict.

Ebhomielen (2003:17) remarks that

> *to be useful for decision making, financial information must be relevant to the types of decisions which accountants anticipate at the time of preparing their accounts. Those decisions to which users might potentially apply the information must be anticipated and articulated.*

A particular user group may use government financial report for various reasons including:

(a) Determination of the level of compliance with appropriations

(b) Comparison of results with those of previous years

(c) Advocacy for certain programmes and actions

(d) Evaluation of financial operations and financial condition.

While the prime interest of legislative officials is to ensure that the executed budget was in line with the appropriation law (Chan 1988).

Government financial reporting in Nigeria suffers from the absence of a sound conceptual framework.

The major crisis facing government and accounting and financial reporting is the lack of generally accepted accounting principles and standards.

The Nigerian Accounting Standards Board (NASB) publishes accounting standards for the private sector. There are no specific standards targeted at the public sector as we have in other countries. The Nigerian public sector is over due for its accounting and reporting standards.

Another serious set back for government financial reporting is the volume and size of issues to be reported. Good reports should contain details, but where reports contain unnecessary details, they tend to bury the essentials.

The style and format of presentation of public sector financial reports in Nigeria are too technical to be understood by even some accountants. They are not user friendly. Modern financial statements for public sector bodies should be designed to cover critical areas like statement of operations, assets and liabilities and cash flow. This should be done in such a way that the diverse interest of user groups are taken into consideration and the style and format of presentation should be simple enough for even non-accountants to comprehend. In other words, financial reports should be brief, concise and factual.

To ensure that there is proper financial accountability, the 1999 Federal Constitution requires the Auditor-General to audit the accounts prepared by the Executive. The Auditor-General is therefore an important link in the chain of the accountability process in the public sector. We now examine this important institution of financial control.

2.5 AUDIT OF GOVERNMENT FUNDS

2.5.1 Definitions and Evolution of Audit

Modern audits have been defined in various forms. For instance Arens and Loebbecke (1988:1) define an audit as

> *the process by which a competent independent person accumulates and evaluates evidence about quantifiable information relating to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between quantifiable information and established criteria.*

Similarly Oremade, (1986:2) defines an audit as

> *the independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size, or legal form, when such an examination is conducted with a view to expressing an opinion thereon.*

In an effort to improve on the definition of an audit which (Okolo 1987) claims are defective on account of their emphasis on financial statements, he puts forward this definition

> *a conscientious and objective examination of and enquiry into any statement of account relating to money or money's worth, the underlying documents, and the physical assets where possible, as will enable the audit to form an opinion as to whether or not the statement of Account presents a true and fair view of whatever it purports to represent, and to report accordingly (Okolo,1987;5).*

Most standard definitions, including the ones cited above define audit in terms of external auditing. These definitions are adequate in the context of external auditing activities. However, these definitions do not capture the work of internal auditors. A definition which could accommodate the work of both internal and external audit is the independent examination of financial information of an entity with a view to expressing an opinion thereon or an independent appraisal activity within an establishment for the review of operations as a service to management.

The evolution of auditing has been documented in the literature as part of stewardship accounting. For instance Woolf (1986:1) states that the word Audit is a Latin word which has an English translation of 'he hears'. The roots of auditing, he explains, has existed for long as men have been required to account for their transactions. That in those days, the accounts of wealthy landowners or merchants were checked by having them read out to the hearing of the owners. Modern audit as we know it today

> *has its roots two to three hundred years ago, in the first division of interests between those engaged in a business undertaking (the entrepreneurs) and those who made the finance available without necessarily becoming directly involved in day-to-day management* (Woolf 1986:1).

We could say that Woolf (1986) uses the agency or stewardship theory to explain the evolution of auditing.

Audits were not statutorily required in Britain until 1844 neither were auditors required to possess any recognized qualification until 1948.

2.5.2 Types of Audit

In terms of statutory prescription, audits fall into two groups - those required by statute and those that are not.

The audit of government accounts and companies incorporated in Nigeria fall under the ambit of statutory audits while the audit of clubs and incorporated businesses are voluntary, that is, not required by statute.

Audits can also be classified by their nature, that is, as to whether they are financial statement audit, compliance audit or operational audit, (Kell and Boynton, 1992:11). They further explain the three types of audits as

> *a financial statement audit involves obtaining and evaluating evidence about an entity's statement for the purpose of expressing an opinion on whether they are presented fairly in conformity with established criteria- usually GAAP,*

While

> *a compliance audit involves obtaining and evaluating evidence to determine whether certain financial or operating activities of an entity conform to specific conditions, rules or regulations and 'an operational audit involves obtaining and evaluating evidence about an organization's operating activities in relation to specified objectives'.*

2.5.3 Types of Auditors

Kell and Boynton (1992:13) classify auditors into three groups

(a) independent auditors

(b) internal auditors and

(c) government auditors

This classification is defective because government auditors are by law supposed to be independent just as they also have internal auditors. An adequate classification could be whether the auditor is external or internal.

2.5.4 The Need for an Audit

Initially, an audit was necessary where resources were made available to one party and the resource provider was not involved in the day-to-day management of the venture. Modern audits, according to Millichamp (1986:3) have the following objectives:

Primary: to produce a report by the auditor of his opinion of the truth and fairness of financial statements so that any person reading and using them can believe in them.

Subsidiary:

i. To detect errors and fraud

ii. To prevent errors and fraud by the deterrent and moral effect of the audit

iii. To prevent spin-off effects. The auditor will be able to assist his clients with accounting system, taxation, financial and other problems.

An audit is needed for various reasons: An audit is necessary

a) During business takeover or mergers as this adds credibility to the financial statements produced.

b) In lending situations.

c) When appraising the performance of management.

d) To determine the efficiency, effectiveness and economy of transactions.

e) To evaluate the degree of compliance with laid down rules and regulation and

f) For taxation purposes and personnel administration.

2.5.5 Qualities Generally Required of Auditors

Auditors whether external or internal should possess some special qualities. Woolf (1986:1) reports that

> *in the early days of auditing the prime qualification for the position of the auditors was reputation. A man known for his integrity and independence of mind would be sought for his honoured opinion, the matter of technical ability being entirely secondary…*

It is generally accepted (Millichamp 1987; Woolf, 1986; and Oremade, 1986) that auditors should possess the following qualities- integrity, objectivity, independence and competence. Professional accountancy and audit institutions prescribe the same qualities for their members. For instance the Institute of Internal Auditors code of Ethics prescribe the following principles for members:

a) Integrity- the integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement. Integrity, according to the ICAN's members' code of conduct (1998:7) 'implies not merely honesty but fair dealing and truthfulness'.

b) Objective- internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their non-interests or by others in forming judgements. 'Objectivity is the state of mind which has regard to all considerations relevant to the task in hand but no other. It is sometimes described as 'independence of the mind' (ICAN, members' code of conduct,1998:7).

c) Confidentiality- internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal professional obligation to do so.

d) Competence- internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

e) Independence- the state of being impartial and free from bias and conflict of interest is an important one in auditing, as Woolf (1986:16) argues

> *the concept of audit and the concept of independence are the twin sides of the same coin. The auditor who has lost his independence has lost his raison detre; he has become 'dependent' and a 'dependent' auditor is a contradiction in terms.*

Similarly, Millichamp (1987:5) argues that "not only must the auditor be independent in fact and in attitude of mind, but he must also be seen to be independent."

Stressing the importance of independence to audit work the Supreme Audit Institutions (2003;2) state that

> *the independence of the auditing organization and its auditors is essential to assure that the work will not be biased by any relationship it might have to the entity being audited… Although state institutions cannot be absolutely independent because they are part of the state as a whole, the Supreme Audit Institutions shall have the functional and organizational independence required to fulfill their tasks.*

In fact independence can be viewed from two perspectives: independence in fact (or real independence) and independence in appearance (or perceived independence). Independence in fact refers to the achievement of actual freedom from bias, personal interest or susceptibility to undue influence or pressure. Independence in appearance refers to the absence of circumstances that might otherwise suggest a compromised independence. In other words, independence in fact is of little value if those who read an auditor's report don't perceive that independence exists.

The code of ethics designed for external and internal auditors expect all practicing auditors to observe the following rules of conduct:

a) Integrity

i. auditors shall perform their work with honesty, diligence, and responsibility.

ii. auditors shall observe the law and make disclosures expected by the law and the profession.

iii. auditors shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession or the organization.

iv. auditors shall respect and contribute to the legitimate and ethical objectives of the organization.

b) Objectivity

i. auditors should not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationship that may be in conflict with interest of the organization.

ii. shall not accept anything that may impair their professional judgment.

iii. shall disclose any material facts known to them that, if not disclosed, may distort the reporting of activities under review.

c) Confidentiality

i. auditors should be prudent in the use and protection of information acquired in the course of their duties.

ii. auditors shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

d) Competency

i. auditors shall engage only in those services for which they have the necessary knowledge, skills, and experience.

ii. auditors shall perform their work in line with generally accepted accounting and auditing standards and

iii. auditors shall continually improve their proficiency and the effectiveness and quality of their services.

2.5.6 Threats to Objectivity and Independence of Auditors

In practice, auditors may not be able to perform their work in line with professional code of ethics. Certain inhibitions may affect the ability of auditors to do their work impartially.

The public sector Auditing standards (1997;10) identifies three classes of impairment: namely; personal, external and organizational.

Personal impairments include but are not limited to the following:

a) Official, professional, personal or financial relationships that might cause an auditor to limit the extent of the enquiry; to limit disclosure or weaken or slant audit findings and conclusions in any way;

b) Possible bias arising from preconceived ideas towards individual groups, organizations or objectives of a particular programme. Biases induced by political or social convictions that result from employment in , or loyalty to, a particular group, organization or level of governance;

c) Previous responsibility for decision-making or managing an entity that would affect current operation of the entity or programme being audited.

d) Subsequent performance of audit by the same individual who either previously approved invoices; payrolls, claims and

e) Financial interest that is direct or substantial; it may even be indirect to the audited entity or programme. External impairment arise from factors external to the entity which interfere with the auditor's ability to draw reasonable conclusions which would enable him to form an unbiased opinion on the audit conducted. External impairments include but are not limited to the following:

f) external inference or influence which unduly or impudently limit or modify the scope of an audit;

g) external interference with the selection or application of audit procedure in the selection of the transactions to be tested.

h) Unreasonable restrictions on the time allowed to complete an audit;

i) Restrictions on funds or other resources (e.g. space, staff, equipment and materials) provided to the organization that would adversely affect the audit organization's ability to carry out its responsibilities;

j) Authority to over rule or to influence the auditor's judgment as to appropriate content of an audit report;

k) Influences that jeopardize the auditor's continued employment for reasons other than competence.

Organizational impairment arises from factors internal to the organization. They are factors relating to hiring of staff, remuneration, training, job tenure, promotion and dismissal.

Political and Executive pressures can impair the auditor's ability to draw reasonable conclusion from audit exercises. Fear of political and Executive persecution can influence the quality of audit work.

From the foregoing, it is clear that the factors which have the capacity to undermine the auditors objectivity and independence are many and varied. However, most of these factors have one common feature, as Woolf (1986;18) argues

> *they are situations in which there exists an implicit temptation on the part of the auditor to avoid incurring the displeasure of those in a position to sack him.*

What can the auditor do when faced with one or more of these inhibitions mentioned above? The public sector Auditing standards (1997:10) state that

> *if one or more of these inhibitions affects the ability of the auditor to perform the work and report findings impartially, the auditor should either decline to perform the work or where the auditor cannot decline, the impairments should be reported on the scope section of his qualified audit report.*

The literature on auditor's independence and objectivity captures the crucial aspects of the auditors standing in the context of financial and performance auditing. However one issue that has not been properly addressed by the literature is the threats faced by internal auditors. Internal auditors who may fear incurring the displeasure of those in a position to determine the status of their employment, may not be in a position to turndown an audit assignment nor be in a position to qualify audit report. The internal auditor as it is now, is not adequately protected from Executive pressures.

2.5.7 Appointment and Removal of Government Auditors (Auditors- General) in Nigeria

The Federal Constitution of Nigeria, 1999 sections 85 and 125 provide for the appointment of an Auditor- General for the Federation and each state of the federation.

Section 86 states that the Auditor-General for the federation shall be appointed by the president on the recommendation of the Federal civil service commission subject to confirmation by the senate.

The state equivalent of this section is found in section 126 which vests the power of appointment of the Auditor-General on the state governor on the recommendation of the state civil service commission.

The power to appoint persons to act in the Office of the Auditor-General shall rest in the President and the Governor, sections 86(2) and 126(2) of the 1999 Constitution.

Except with the sanction of a resolution of the Senate or the House of Assembly of a State, no person shall act in the office of the Auditor- General for a period exceeding six months, sections 86(3) and 125(3).

The removal of the Auditor- General is also spelt out by the 1999 Constitution. The Auditor-General shall not be removed from office before such retiring age as may be prescribed by law save in accordance with the provisions of the Constitution, sections 87(2) and 127(2). Sections 87(1) and 127(1) provide that a person holding the office of the Auditor-General for the Federation or the State shall be removed from office by the president or governor acting on an address supported by two-thirds majority of the senate or the House of Assembly of a state praying that he be so removed for his inability to discharge the functions of his office (whether arising from infirmity of mind or body or any other cause) or for misconduct.

The Constitutional provisions on the appointment and removal of the Government Auditor-General is defective for two reasons:

a) an important feature of democratic societies is a well-defined distribution of power among the three arms of government - Parliament, Executive, and judiciary. The Parliament is the arm given the Constitutional power [S.180 (1) and S.120 (1) of the 1999 Constitution] of oversight over the Executive in the way public funds are utilized. To assist the Parliament to perform this important function, the government provides Parliament with information about the use of the public funds entrusted to it. The Parliament needs assurance that these information are appropriate, credible and complete, and that it accurately reflects the result of the activities of government. The way in which it obtains such assurance is through an independent audit function set up to assist it in fulfilling its oversight role. The audit function is therefore a critical link in the chain of public accountability and a vital part in the democratic process of responsible government.

The importance of government audit in bringing about good governance has been captured by Ahsan (1994;1) who states that

> *State Audit in this situation should be viewed as an institution which, acting on behalf of the Parliament, unveils the mystery of Executive decisions and probes into the implementation of public policy to verify if it was carried out in accordance with legislative intent. In this manner, State Audit makes the process of government transparent and brings out instances of misuse of authority*
>
> .

The Auditor-General cannot perform this vital role effectively if he takes his appointment at the pleasure of the Executive. Support for this view is given by the Auditor-General of Alberta (1998:8) who argues that

> *giving the job of appointing an auditor to the persons who are subject to audit is prejudicial to audit independence… the appointment of a legislative auditor should not be in the hands of government.*

b) When auditors take their appointment from the Executive the impression being created is that they are accountable to the government rather than the Legislature. Worldwide practice shows that in Parliamentary democracies, the Auditor-General is accountable to the people through their elected representatives - members of Parliament.

2.5.8 Duties and Rights of the Auditor-General

The third formal institution of financial control over public finance is the Office of the Auditor-General. In some countries the Auditor-General is an agent of Parliament, while in others he is independent of both Parliament and the Executive. The Constitutions of most countries give great recognition to the Office of the Auditor-General in their accountability arrangements. The basic duty of the Supreme Audit Institution is to oversee the way public funds are managed to ensure that there is financial accountability. They promote accountability by their work as (Dye and Stapenhurst, 1998:1) observe

> *Supreme Audit Institutions play a critical role as they help promote sound financial management and thus accountable and transparent government*

The 1999 Constitution sections 85 and 125 spell out the duties and rights of the Auditor-General. The 1999 Constitution confers the same right and duties on the Auditors-General whether at the Federal or state level.

The Auditor-General shall

a) audit the public accounts of a state and of all offices and courts of the state
b) recommend a list of qualified auditors to be appointed as external auditors for government statutory corporations, commissions, authorities, agencies and all persons or bodies established by law.
c) provide a guideline on the level of fees to be paid to external auditors.
d) comment on the annual accounts of the bodies mentioned in (b) above and the external auditor's report.
e) submit his report within ninety days of receipt of the Accountant- General's

financial statement and annual accounts of the state to the house of assembly of the state.

f) shall have access to all books, records, returns and other documents relating to all bodies he is empowered to audit and

g) have power to conduct periodic checks of all government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by law Section 125 (6) guarantees the independence of the State Auditor-General when it provides that, in the exercise of his functions under the Constitution, the Auditor-General shall not be subject to the direction or control of any other authority or person. Financial regulations (2000) S.102 provides that the Auditor-General in the performance of his duties shall ascertain whether in his opinion.

h) The accounts have been properly kept.

i) All public monies have been fully accounted for, and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of revenue;

j) Monies have been expended for the purpose for which they were appropriated and the expenditures have been made as authorized and

k) Essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public property and funds.

2.5.9 Value for Money Audit

One of the ways by which fiscal transparency can be achieved is through an effective audit. Okwoli (2004:143) argues that

> *the concept of public accountability imposes responsibilities on public officers, that funds which are often raised by compulsory levy are not wastefully applied by the Executive. One of the avenues through which an assurance of the judicious use of such funds can be provided is the Value For Money (VFM)*

Oshisami and Dean (1984:140) define value for Money Audit as

> *an examination of economy and efficiency, to bring to light examples of wasteful, extravagant or unrewarding expenditure, failure to maximise receipts or financial arrangements detrimental to the Treasury and weaknesses leading to them.*

Value for Money audit seeks to justify the use of resources. It compares inputs with outputs. Financial transactions may be duly authorised and documented, but it may fail to show whether value has been achieved. This is one of the limitations of the traditional financial audit.

Value for Money Audit focuses on three elements - economy, efficiency and effectiveness - the three E*s*.

Okwoli (2004) states that a poorly conceived system, illequipped or poorly motivated staff and bad management styles may work against the achievement of value for money.

He further states that an organisation that seeks to achieve value for money should have a clear vision, a strategy by which the vision is to be achieved; an appropriate management structure, properly trained and motivated staff. On the application of value audit in Nigeria, he states that the concept has not gained the desired level of acceptance despite the fact that it has been a subject of discourse among academics in Nigeria for over a decade.

2.5.10 Audit Organisation in the Public Sector

The Auditor-General carries out a comprehensive audit of all government financial transactions. The Auditor-General is required by the Constitution to pass his Audit report to Parliament. The duties of the Accountant-General are Constitutionally determined and have been listed earlier. However, the Auditor-General carries out other important activities which include:

(a) touring areas outside the headquarters for the purpose of his audit.

(b) facilitating the write-off of lost funds.

(b) auditing the payment of pensions and gratuities

(d) addressing queries to accounting officers

(e) verifying government stores and

(f) producing an annual report (Okwoli 2004)

In Plateau State, the Auditor-General being the external auditor to government ministries, carries out his audit on an annual basis with exception of salaries which are audited monthly. The staff of the Auditor-General do not carry out internal audit functions. In Plateau State, internal auditors are drawn from treasury.

2.5.11 The Provision of the Civil Service (Reorganization) Decree 1988 as they affect Government Auditors

The decree established the Audit Alarm committee to prevent the making of irregular payment in government. The membership of the committee consisted of;

a) the Auditor-General for the federation or state

b) the Accountant-General of the federation or state and

c) a representative of the president or the governor

The major functions of the committee include

i. examining all cases of alarm raised that were brought before it and

ii. issuing audit certificate on any payment voucher that may have been queried before any payment could be made.

The internal auditors were supposed to be the major facilitators of the committee by informing the Auditor-General of any irregular payment.

The auditor general is by the provisions of the decree empowered to;

a) sanction and surcharge any officer as stipulated in the guidelines governing offences and sanctions;

b) have direct access to the president or governor through the representative on the committee;

c) notify the president or governor of audit alarms of significant importance and serious prepayments audit queries for which the accounting officer of the ministry or extra-ministerial department is liable or responsible and

d) visit contract sites for the purpose of auditing and monitoring contract performance.

2.5.12 Hindrances to Performance of Government Auditors in Nigeria

Government auditors or the Supreme Audit Institutions or legislative auditors as they are called in other countries, no doubt face a number of obstacles in the performance of their duties. These problems include:

(a) Appointment and removal: We have pointed out earlier that placing the appointment and removal of government auditors in the hands of the Executive is prejudicial to audit independence. Auditors cannot discharge the functions assigned to them if they hold office at the pleasure of those they are supposed to audit. The case of Azie, the else-whilst Auditor-General of Nigeria is a test case. Azie had released an audit report that indicted the Government over the management of public funds. The government refused to confirm his appointment since he was in acting capacity.

This position is also supported by Vakabua (1999:15) when he states that:

> *the Auditor-General is not independent if he enjoys his appointment or those of his staff on the generosity of the Executives. Likewise, he is not independent of the Executives if the Executives determine and allocate the resources with which the Auditor-General carries out his functions.*

(b) Resource Constraints: Government auditors in Nigeria both at the Federal and state levels rely on the Executive for financial support. Ahsan (1994:2) argues that

> *auditors all over the world are technically free to report their findings to the Parliament, the control of Executive government on their resource allocation and management does affect their capability and will for an independent and objective assessment. It is therefore imperative that if State Audit is to work as an efficient and competent tool of Parliament, it should not be dependent on the Executive for support.*

The Executive determines how much is appropriated to State Audit. In most cases such allocations fall far short of what is required to run their offices. Daniel (1999:217) uses a hypothetical case to explain the effect of the inadequate funding of State Audit on the audit work. The illustration is as follows:

'In the Lagos headquarters of a Ministry, there was a voucher of N2.5m for the construction of six (6) bedroom flat at Sokoto.

It is the duty of the internal Auditor to verify all claims before payments are effected. Therefore a Duty Tour allowance is required to enable him travel down to Sokoto to carry out the verification before passing the voucher for payment.

'The duty Tour allowance is to be approved by the chief Executive who awarded the fake contract.

'The Duty Tour Application was in the chief Executive's office for two weeks without approval. On the third week, the chief Executive phoned the accountant to inquire from him the progress of the voucher and the accountant told him that the voucher was still with the internal auditor.

'He then phoned the internal auditor saying that he should pass the voucher as the contractor was sitting in his office to collect his cheque.

As the boss who determines his transfer and promotion, he had no choice than to pass it for payment.

'In the light of the above, it will be very difficult for the auditor to express any opinion on the contract sum of ₦2.5m as he was not at the site.

He concludes that 'lack of funds has always hampered the efficient functioning of the Auditor-General's office'.

(c) Staff capacity constraints: the office of the government auditors are often not adequately staffed and poorly equipped. This will of course slow down on the pace of work being carried out.

(d) Apart from inadequate staffing, the offices of Auditor-Generals also lack highly skilled and trained staff. Daniel (1999:217) argues that government-auditors with limited training may not be able to detect sophisticated fraud.

(e) Appointment of external auditors: We have earlier mentioned that the

Constitution forbids the Auditor-General from appointing external auditors for government extra-ministerial departments and agencies.

Government parastatals and agencies that are funded with public money should be audited by the Auditor-General who is an agent of Parliament. If he cannot do it, the law should allow him to appoint his agent to do it. Vakabua (1994:17) argues strongly that

> *the Auditor-General has the right to appoint his own agents or audit service providers to undertake auditing duties on his behalf. These audit service providers are effectively sub-agents of Parliaments agents.*

(f) Non regular communication with Parliament:

If the Auditor-General is to be an effective agent of Parliament, then there is the need for regular flow of information between the two. It has however been observed by (Ahsan 1994:10), that in a number of countries, including Nigeria, that communication between the Parliament and the Office of the Auditor-General is not regular. In strong Parliaments, like the United States Congress, continuous dialogue goes on between the two.

(g) Delays in submission of Annual statement of Accounts by the Accountant-General. The Accountant-General is expected to present to the Auditor-General signed accounts for the year for audit within seven months of the end of the financial year (Oshisami 1992:217). However, it has been noted that the Accountant-General’s statement of accounts are always many years in arrears (Ekwonu, 1996:38; Watoseninyi, 1996:24 and Oshisami 1992:217). Consequently, audit reports fall into many years of arrears which of course affects Parliamentary performance. The delayed audit reports may be of little value to them for the purpose of decision making. Parliamentary oversight suffers when the audit report is not provided to Parliamentarians on a timely basis (Sahgal. 2001:6).

(h) Exclusion of some classes of expenditure from the purview of state-audit. Certain categories of expenditure are excluded from proper audit, an example is security vote. A security vote is an appropriation which by tradition, is scantily vouched, because full and proper vouching may contain information that is of national interest. An independent analysis of such expenditure by auditors is not acceptable. Even where vouching is permitted auditors cannot question the validity of decisions made.

(i) Indifference to audit queries and non-enforcement of sanctions:

It has been alleged that many Ministries and departments of government do not bother to respond to audit queries. Although the civil service rules provide a number of sanctions for offences, how often are these sanctions enforced? It has also been pointed that domestic reports by auditors to management are often not implemented.

Leading democracies clearly have established principles of accountability and transparency. In such cases the quality of Parliamentary oversight is high. If the offices of the Auditor-General are to become effective weapon of accountability and transparency, then efforts must be intensified to remove the identified obstacles. This position has been captured by (Ahsan 1994:13) who remarks that

> *if the Parliaments are serious in providing an efficient government to their people, they will learn how to use audit to their advantage. In the continuing tussle of power between Executive and Parliament, the Legislature can only keep its authority intact if it ensures transparency in the implementation of public policy and makes the government accountable for what it does and how it does it. State Audit is the only institution available to the Legislature to establish its writ.*

In many democracies, the Auditor-General is an agent of Parliament. The result of his audit is passed to Parliament for consideration because Parliament is granted the Constitutional duty of oversight on the Executive. How is Parliament able to do this?

2.6 PARLIAMENTARY CONTROL OF PUBLIC FUNDS

2.6.1 Origins of Parliament

Parliament, or other terms by which it is known - Congress, Diet, Legislature, Assembly, dates back to many centuries in recorded history. The original idea of Parliament according to Borthwick (2002) was a place where talking took place. The name Parliament is said to derive from the French verb 'parler' which means to talk. Therefore, for the purpose of literature review, the terms parliament and legislature are used interchangeably.

The roots of Parliaments are many and diverse. The oldest surviving Parliament is generally regarded as being the Althing in Iceland, but with a break in its functions in the 19th century implies that the longest continuous Parliament is the Tynwald of the lsle of Man. Among the oldest is the British Parliament, which has been acclaimed to be the most influential in developing the traditions of Parliamentary government (Borthwick, 2002).

Early in the development of Parliamentary government in England, the Monarch or Crown assembled landowners for advice. This group of advisers evolved into Parliament.

Parliament was summoned if the Crown needed money for a war. If Parliament authorized this money immediately, the Crown would dismiss the advisers and their opinions would not be heard. The advisers would therefore refuse to supply money until they were heard. The present-day item-by-item consideration of the Estimates by the Parliament through the Committee of Finance is based on the historic principle of 'grievance before supply'. By the early 17^{th} century the English Parliament had embarked on a struggle for supremacy with the Crown. Originally, the Crown authorised taxes and expenditures; however, eventually Parliament gained power over the crown to determine taxes. Power gradually passed from Monarch to Ministers responsible to Parliament.

In the course of the 18^{th} and 19^{th} centuries the power of the Monarch waned and Parliament became accepted as the sovereign body.

Parliaments in the modern world fall into a variety of categories. Some are involved in policy-making, as with the Congress of the United States; others are policy-influencing bodies, as with Parliaments in the United Kingdom, Germany and France. In others, the Parliament may be essentially decorative.

One of the legacies of British rule was a belief in the value of Parliamentary government. At independence in 1960, Britain bequeathed to Nigeria a central government with its Parliament and three regional governments - North, West and East each with its regional assemblies.

With the advent of the second republic in 1979, Nigeria adopted the American Presidential System of Government with a bicameral or two-house Parliament at the Federal level and a unicameral or single-house Parliament in each state of the Federation.

2.6.2. Functions of Parliament

Modern Parliaments perform a variety of roles. Parliaments are involved in

> *law-making, in controlling the raising and spending of money, in representing in some sense the population of the country concerned and possibly in influencing the composition of the government (Borthwick, 2002;4).*

Parliamentary duties of law-making, controlling the raising and spending of money, of representing the electorates or acting a check and balance to the Executive arm of government have been widely acknowledged (Jibo, 2002:2; Best 1998: 1; Alli 1998,:10, and Martinez-Soliman 2003;2). The frontiers of legislative functions have been expanded by Abayomi (2000:2) who states that

> *Parliament is expected to be one of the numerous complex social institutions instrumental in the establishment and maintenance of the legal order, receive and settle conflicts, set priorities, make and legitimize policies, adopt existing rules of society to none conditions by constantly receiving and revising societal norms, (ethos) and the culture of the people.*

2.6.3. Functions of the Parliament under the Nigerian Constitution

The Constitution of the Federal Republic of Nigeria 1999 is the organic law of the country and it is supreme and all other laws must conform to its prescription. It prescribes the role, duties and functions of both Federal and State Legislature. The 1999 Constitution assigns three or four basic functions to the Legislature, namely, the power to legislate, power and control over public funds, power to generally supervise and ensure that the Executive is accountable to the Legislature in respect of duties given to it.

(a) Legislative Power:

Sections 4(1)(2)(3)&(4) of the 1999 Constitution provides that the legislative powers of the Federal Republic of Nigeria shall be vested in a National Assembly of the Federal which shall consist of a Senate and a House of Representatives. The National Assembly is empowered to make laws for the peace, order and good government of the Federation with respect to matters included in the exclusive legislative list.

S. 4(6)(7). The legislative powers of a State is vested in the House of Assembly of the State and it shall have power to make laws for the peace, order and good government of the State with respect to any matter not included in the exclusive legislative list and any matter included in the concurrent legislative list.

(b) Power and control over public funds:

S.80 (1) and S.120 (1) - Both the National and the State Houses of Assemblies are the only organs empowered to authorise withdrawal of money from the consolidated revenue fund except money meant to meet expenditure that is a charge upon the fund by the Constitution.

Similarly, S. 83 (1) & (2) and S. 123 (1) & (2) empower the legislative arm of government to make laws for the establishment of a contingency fund to meet urgent and unforeseen expenditure which shall be replaced by a supplementary appropriation.

(c) Power to conduct investigations:

S. 88(1) and S. 128 grant the legislative arm of government the power to conduct investigation into any matter or thing with respect to which it has power to make laws and the conduct of any person, authority, ministry or government department relating to both financial and non-financial matters. In the exercise of this power, the legislative arm of government shall have power to procure all evidence, written or oral, direct or circumstantial, as it may think necessary or desirable, and examine all persons as witnesses whose evidence may be material or relevant to the subject matter, S. 89 (1) and S. 129 (1).

(d) Power over budgets:

S. 81(1) and S. 121. This power has been explained earlier.

(e) Power to rectify appointments and to remove certain officers:

S. 188 of the 1999 Constitution grants powers to the house of assembly of a state the power to remove the governor and his deputy.

The Constitutional powers granted to the Legislature is commonly referred to as oversight functions. Legislative oversight enables the legislators to assess whether the Executive branch is carrying out the business of governance according to legislative mandates. Arguing in support of legislative oversight, Tyoden (1998:85) states that

> *the oversight function is necessary and desirable because the Executive arm of government might not carry out legislative decisions according to the intentions of lawmakers.*

Legislative oversight is not without its problems. Tyoden (1998) further states that "ordinarily, the legislative oversight function is supposed to be a veritable weapon in the hands of legislators".

How effectively does the Legislature use its oversight responsibility? Legislators may not use the oversight function effectively because "they may have little time for over-sighting, or may pursue it as a guerilla attack or as a mere routine or ritual" (Tyoden 1998:87).

2.6.4 Governance and Legislative Performance: A Critical Analysis

Governance may be regarded as an act or manner in which public policy is formulated and delivered. According to Vakabua (1994:15) governance refers to "the authority, control and management functions of government. The purpose of governance is sustainable human development."

It has been argued that good governance especially in democratic societies cannot be achieved without legislative involvement, as Ahsan (1994:9) remarks

> *history has taught us that good governance should have two basic characteristics; firstly, transparency of decision making and execution, and secondly, reasonable controls on unbridled authority of the Executive.*

Support for this view is given by Martinez-Soliman (2003:1) when he asserts that

> *good governance and development are entwined. Parliamentary democracy is the representational dimension of good governance… Democracy has extra ordinary positive effects on development.*

He went further to quote Koffi Annan, the UN Secretary-General as saying

> *without good governance, without the rule of law, without a predictable administration, without a legitimate power and a responsible legislative body; no amount of financial aid or support will put us on the path to prosperity.*

Democratic governance without Parliamentary involvement is not conceivable. This is because as Sahgal (2001:3) puts it, the "buck starts and stops at the door of Parliament". He further states that

> *the ultimate responsibility for good governance and promoting a culture of accountability lies with Parliamentarians and elected officials at sub-national levels in democratic settings. This is why Parliamentary oversight of the public purse becomes so crucial (Sahgal; 2001:10).*

The importance of Parliamentary democracy has been elegantly captured by (Best 1998:8) who argues that

> *in a democratic setting, especially of the west minister model, sovereignty rests with Parliament, which essentially is the Parliament… In other words, democracy gives Parliament power above all else, even through such powers are checked by other arms of the government.*

Democracy through the Constitution bestows on Parliament a lot of powers. One of such powers is the power over public funds. Krafchik and Wehner (2002:1) states that

> *the Parliament's 'power of the purse' is a fundamental feature of democracy. The vast majority of Constitutions require appropriations and taxation measures to be approved by the Parliament in order to become effective.*

Of interest to this research is Parliamentary control of public funds. Parliament is able to exercise this control through a number of instruments, organs and institutions and these include:

(a) Budget - The importance of budget as an instrument of planning is well recognised. In determining whether public funds have been wisely spent, the process starts with the budget. Sahgal (2003:2) opines that budgeting has been the first point of entry. The importance of budget control as a tool of development is now well recognised.

(b) Another instrument of Parliamentary control of public funds is through the operation of the Consolidated Revenue Fund. With legislative approval of the budget and once it has been signed into law, spending can commence from the consolidated revenue fund. Budget approval carries with it Parliamentary consent to withdraw from the consolidated revenue fund.

(c) Auditor-General: this is an institution of control. This office serves as an agent of Parliament. The Auditor-General is expected to lay his report on the accounts examined by him before the Parliament.

(d) Public Accounts/Petitions Committee: The committee shall consider the subject matter of all petitions referred to it and report their opinions to the house from time to time.

(e) Finance Committee: A standing committee of the house whose jurisdiction covers budget proposals, conducting continuing studies of the effect on budget outlays of relevant existing and proposed legislation and requesting and evaluating continuing studies of tax expenditures, to devise methods of co-ordinating tax expenditures, policies and programmes with direct budget outlay and to report the results of such studies to the House on a recurring basis.

The above listed instruments of Parliamentary control of public expenditure may have a slight variation between countries with respect to the assigned roles given to committees. However, the basic role of Parliamentary oversight over the public purse is the same.

Despite the traditional Constitutional role of Parliaments in budget oversight, the performance of Parliaments in this area in some democracies has been called to question. Ahsan (1994:11) argues that

> *the Legislature have traditionally been charged with one basic authority, the power of the purse. This power implies that Parliaments not only appropriate money for various services, they also have to ensure that the monies appropriated by them were spent according to legislative intent, in an economic and efficient manner and had produced intended results. The allocation of money by Parliaments in many countries, who follow an incremental budgeting process, has gradually become a routine and unproductive exercise. This means that the budget has ceased to be an instrument of legislative control*

Krafchik and Wehner (2002:5) also state that

> *The execution of the budget is in the hands of the Executive. Funds are supposed to be apportioned to spending departments in line with the approved budget. However, it is not uncommon that funds are shifted to purposes other than those for which they were approved*

Other factors include the Executive's neglect, failure and refusal to implement appropriation Acts duly passed and assented to and the late submission of financial statements. Commenting on the late submission of Accounts to the Parliament, James - Enang (2002:27) laments that

> *this calls to question, whether a report submitted after such a long time can be of any use for the purpose for which accounts were meant.*

He further states that

> *in most cases, key officials such as accounting officers, stores officers, schedule officers, etc. who participated in the financial transaction which led to the queries have either been transferred, left the service or died, thereby making it difficult for the committee to get to the root of certain cases.*

Even in countries where the public Accounts committee is influential, it is felt that its valued contribution comes rather late, as Diamond (1975:113) points out

> *the work of the PAC alone, valuable as it in bringing errors to light and thereby pointing the way to the avoidance of their repetition, is not enough. In the nature of things the discovery may be too late - that is to say the stable door may be seen to be open only after all the horses have fled, whereas the escape of the first one should have set the alarm bells ringing.*

What should be the role of the Legislature during the budget process? The drafting stage normally takes place within the Executive. Parliamentary involvement is minimal at this stage. Parliamentary involvement is visible during approval. At implementation stage their involvement is again minimal. During audit, Parliamentary participation is glaring.

Parliaments differ substantially in their degree of influence on budget policy. The most powerful Parliaments are those that have the ability to write the budget. The most visible in this category is the United States Congress as (Krafchik and Wehner 2002:5) puts it

> *the United States Congress's power to shape budgets is probably unique, and only a few other Parliaments make significant changes to draft budgets on a regular basis. At the opposite and of the spectrum are Parliaments that have ceased to exercise any significant influence on budget policy, and merely rubber stamp Executive draft budgets without any changes. This group is primarily comprised of Westminister type Parliaments, where any successful amendment to the budget is considered a vote of no confidence in the government. Most Parliaments fall into a middle category: they approve the budget proposed by the Executive with minor changes only.*

These variations in the budgetary influence of the legislature are to a large extent a function of the system of government. In the Westminster types of Parliaments, Legislative-Executive relations are cordial because the electoral fortunes of Parliament and the Executive are intertwined. Rewriting the Executive budget would amount to a vote of no confidence in the government. In a presidential system on the other hand, the separation of powers can lead to great antagonism in Executive-Legislative relations as the Legislature is much more likely to be critical of budgets and policies proposed by the Executive.

Another important variation in the legislative influence in the budget process is its powers to amend budgets. The power of the Legislature to amend budgets varies from country to country. In some, Parliament can increase or reduce while in others Parliament can only reduce but not increase. This means that Parliament may reduce or eliminate existing spending items but may not add new items or increase existing ones.

In a survey of 81 countries, the Inter-Parliamentary Union captures these differences as tabulated below:

A look at the classification will place Nigeria in the group - 'not specified'. This is because sections 81(1), 89(1), 121(1) and 129(1) do not specifically mention the power of the National and States assemblies to amend the budget. This has often led to confrontation between the Legislature and the Executive.

Table 1: ***Budget Amendment Powers of National Parliaments***

Powers	**Countries**
May reduce and increase expenditure and revenue	32
May reduce but may not increase expenditure	17
Not specified	15
May reduce and increase expenditure if alternative provisions are made elsewhere	13
May reduce expenditure but only increase it with the permission of the government	4
Total	**81**

Source: *Krafchik and Wehner (1996) "Parliaments and Budget Oversight" <http://www.internationalbudget.org.*

2.6.5 Hindrances to Legislative Performance

The obstacles to effective legislative performance apart from Constitutional constraints also include the wrong perception of the role of the Legislature by the Executive. In many democratic set ups, the Legislature is seen as an intruder into the affairs of the Executive. Therefore the Executive is not usually interested in a strong or influential Legislature, as Garret (1980: 162) argues

> *it suites the government and the civil service that Parliamentary interest and scrutiny is on ad hoc rather than a systematic basis and therefore governments have usually strongly resisted the creation of effective structures and systems for Parliamentary surveillance.*

Martinez - Soliman (2003:5) agrees no less when he states that

> *Parliaments find themselves in an inferior position when it comes to overseeing the Executive. The government, in fact all governments in the world are trying to "work" and often consider the oversight function as a delaying factor, a disturbing intrusion into their internal affairs, or an invasion of their prerogatives… it could be insinuated that the Parliaments' means are restricted in order to make them almost blind and deaf.*

The Executive arm of government has always preferred rubber stamp Legislature, as Nigro and Nigro (1982:392) point out

> *the tendency of some chief Executives to assign a secondary role to the Legislature is revealed in the quoted words of one ex-governor who said the Legislature should confine itself to "revising what the governor submits, exercising in effect a veto power over his program, studying in some depth specific matters and upon occasion initiating ideas but not too frequently.*

Further, they maintain that

> *governors may not openly oppose legislative improvements but it is a rare governor who has contributed any energy or initiative to matters of strengthening the Legislature.*

The performance of Parliaments in Nigeria has attracted some comments which suggest that their performance has been below average. In recognition of the fact that the legislative arm of government is supposed to provide the roadmap towards good governance, this expectation has not been achieved in the case of Nigeria, as Alli (1998:18) painfully points out

> *it has been observed that Parliaments both at the Federal and State levels have over the years been unable to deliver on these promises. The main reason we may hasten to point out is the great material inadequacies of most legislators; a situation that has grown worse with the worsening economic condition of the nation.*

Other problems identified by Alli include low educational background and the high level of partisanship of most legislators that have become obstacles to good governance.

Tyoden (1998:87) also argues that legislators may not exercise the oversight function because

> *legislators are preoccupied with many tasks as to have little time for oversighting. At times, they are simply indifferent… Oversight is too often pursued as a guerilla attack… rather than a continuous review or monitoring of government programmes. The watch-dog and corrective effect is therefore missed*
>
> .

He contends that the legislators may not be able to exercise the oversight function because of alliances that develop between committees and agencies.

Regrettably, legislators who should be vanguards in the effective promotion of democratic governance have failed to take the lead because

> *it is well documented that in the past republics, many legislators were preoccupied with personal emoluments and other perquisite of office to the detriment of their role as watchdogs and lawmakers for the nation. Others were busy chasing contracts. Others were only too happy to trade in their opinions and votes for favours from the Executive…*
>
> *It was generally believed that for a fee, legislators would approve any proposal from the Executive (Alli 1998:19 - 20).*

It has also been alleged that Nigerian legislators demand gratification to confirm appointments made by the Executive and to even pass budget proposals. Nigerian legislators may not agree with their critics. Nigerian legislators often attribute their weakness in the performance of their oversight function over the Executive due to their financial dependence on the Executive.

Another factor that can alter the budgetary balance of power between the Legislature and the Executive is the high level of debt incurred by some transition countries. When international financial institutions attach stringent conditions to loans, Parliaments' role might be limited severely, to rubber stamping budgets that reflect prior agreements between lenders and the Executive (Krafchik and Wehner) To what extent do these observed obstacles affect legislative deployment of its oversight function?

2.6.6 <u>Strengthening Legislative Instruments of Control over Public Funds</u>

The indisputable role of Parliament in enhancing good democratic governance has been stressed, (Ahsan, 1994; Martinez-Soliman 2003; Sahgal 2001; Best 1998:8 and Alli 1998). However, only strong Parliaments can perform this role.

The battle for supremacy between the Executive and Parliament especially in presidential systems of government has tended to frustrate efforts aimed at improving Parliamentary oversight functions in developing countries. The Executive arm of government, which prefers weak Parliament cannot be partners in efforts to strengthen Parliaments. The Executives have therefore demonstrated that they cannot be champions of Parliamentary reform since the aim of Parliamentary reform is to

> *continue reinforcing democratic institutions to enable them control governments' action more effectively, to better enact laws applicable to all and to better represent the electorate* (Martinez-Soliman, 2003:9).

The good news is that the United Nations Development Programme (UNDP), the World Bank, the International Monetary Fund (IMF) and the International Donor Community in corroboration with the academia, the media, civil society and audit institutions among others are working in partnership to assist weak Parliaments to improve on their oversight functions.

The quality of Parliamentary oversight functions might be improved when consideration is given to the following factors.

(a) Access to Relevant information. Legislative decision making is enhanced by the provision of comprehensive, accurate and timely information supplied by the Executive and the audit institution. Commenting on the relevance of access to information, Robinson (1982:9) states that no legislative assembly, whether it has the direct authority of the US Congress or relies on influence like the British House of Commons, can possibly play an effective role in the control of public expenditure if it does not have access to information about what the Government does and how well it does it.

Comprehensiveness of budget information is a crucial issue. Also worthy of mention is availability of information at the time required.

(b) Legislative Budget Research Capacity. This calls for the strengthening of budget analysis units. Parliaments need access to research capacity to make sound budgetary decisions, some of the more active Parliaments, for instance, the United States Congress, has substantial budget research capacity with about 245 highly trained staff.

(c) The timing of the budget process. Parliaments require time if they are to participate effectively in decision making. Depending on legislative budget research capacity, a minimum of three to four months is required for meaningful legislative scrutiny of draft budgets. The budget should be tabled sufficiently in advance of the fiscal year to which it relates. This will curtail Executive withdrawal from the consolidated revenue fund.

(d) Legislative Committees. The strength of the Legislature lies in its committees. However for committees to be strong and influential they need resources, adequate support staff and stable membership. The power of the committees to summon individual and obtain all information that might be relevant for an inquiry can reveal the influence of the Legislature.

(e) Cooperation between civil society and Parliaments in budget oversight.

Some Parliaments now involve the civil society organisations in the budget oversight function. Krafchik and Wehner (2002:2) reports that

> *many Parliaments now open their proceedings to the media and the public, and it is becoming more frequent for them to call for submissions and outside experts to testify from the Parliaments perspective, the input of civil society can help to make the Parliament's engagement with the budget more effective.*

He further states that

> *some civil society organisations have provided budget training to legislative staff and members and have provided accessible guides to the budget process. In addition, civil society's expertise can boost the capacity of legislative committees to conduct independent analysis of the budget. This is particularly important when adequate legislative research capacity is not available.*

The involvement of civil society organisations in the budget process in transition countries especially Nigeria is not noticeable. Committees usually summon representatives of the relevant Ministries or parastatals to defend their estimates in camera.

Their failure to engage the civil society will rob them the opportunity of having a balanced view of the budget.

Other factors that may reinforce the autonomy of the Legislature and its legislative oversight and representational functions include.

(f) Creation and strengthening of budget analysis units.

(g) Creation and strengthening of legislative drafting units.

(h) Development of Parliamentary libraries and research institutes.

(i) Training in Parliamentary journalism for the media and media techniques for the Parliamentarians.

(j) Designing and implementing orientation models for new MPS and

(k) Developing and promoting inter-Parliamentary co-operation.

A strong Parliament is conceivable when the obstacles to performance have been removed, that is when the issue of corruption has been properly stamped out. Parliament can not perform its oversight function well when it shows little interest in financial accountability, as (Samuel, 2002:15) argues

> *and the house, which is yet to open its books to the nation so that its fund management style can be judged continues to weaken its moral stand.*

Perhaps it is Legislature's lack of interest in accountability that undermines its influence more than the supposed financial dependence on the Executive.

The 1999 Constitution of the Federal Republic of Nigeria that assigns a lot of financial powers to the Parliaments have failed to anticipate the receptiveness of accountability by Parliamentarians.

Perhaps we can claim that the development of good legislative practice in Nigeria has been delayed by the long occupation of the political terrain by the military who usually combine both law making and Executive functions. What perhaps is needed is Parliamentary re-engineering.

2.6.7 Other Legislations aimed at Promoting Financial Accountability in Nigeria

Apart from the Constitution and other financial laws which prescribe how public funds should be managed, other legislations have also been enacted to help promote transparency and accountability in Nigeria. These legislations include

(a) The Anti-Corruption Act, 2000

(b) The Code of Conduct Tribunal

(c) The Economic and Financial Crimes Commission (EFCC) and

(d) Due Process

All these legislations are designed to enthrone financial accountability in Nigeria. The success or otherwise of these legislations are outside the scope of this research.

2.7 SUMMARY OF THE CHAPTER

This chapter has reviewed relevant literature in the area of public sector financial control. The roles of the Executive arm of Government, the Auditor

General and the Legislature in discharging financial accountability in the public sector were extensively reviewed.

On the basis of the literature reviewed it was observed that there is need to reinforce the institutions of financial control in the public sector, of which Plateau in Nigeria is no exception.

It is observed that there is a failure to link the three institutions of financial control namely; the Executive, the legislature and the Auditor General. The absence of these interrelationships in financial control is one of the fundamental areas to be addressed by this research.

CHAPTER THREE
METHODOLOGY

3.1 INTRODUCTION

One way by which knowledge can be acquired is through the scientific method. What differentiates the scientific method from other methods are the assumptions and the methodology. According to Frankfort - Nachmias and Nachmias (1996:13) a scientific methodology "is a system of explicit rules and procedures upon which research is based and against which claims for knowledge are evaluated."

The rules and procedures on which research is based are not constant - they are ever changing. Methodology provides the criteria for empirical objectivity, the methods and techniques for validation and the rules for communication. The methodology prescribes the methods and procedures used in this research. The rules of validation are also explained. This provides the basis upon which the results of this research can be relied upon.

This chapter discusses the sources of data, the methods and techniques used in collecting such data, the target group for study, the population and sample sizes and the methods used in analysing the data.

3.2 SOURCES OF DATA

The data for this study was obtained from two main sources - primary and secondary sources.

3.2.1 The Primary Data Source

The administration of questionnaires, personal observation and oral interviews constituted the principal sources for obtaining primary data. The questionnaire for this research is divided into three (3) sets. Set "A" of the questionnaire was designed for employees of the Ministry of Finance who are directly involved in accounting duties.

This set of questions evaluated the role of treasury staff in financial record keeping and reporting.

Set "B" of the questionnaire was designed for staff of the Auditor-General. The questions attempted to determine the role of State Audit in promoting financial accountability in the public sector. The questions also evaluated the relationship between State Audit and the Executive on one hand and State Audit and the legislature on the other hand.

Set "C" of the questionnaire was designed for elected legislators. The questions in this section attempted to examine the role of the Legislature in promoting financial accountability in the State. The questions also sought to find out whether the Legislature has been able to discharge its Constitutional responsibility of overseeing the Executive on financial matters.

Personal interviews were conducted into areas that were not satisfactorily explained in the questionnaires.

3.2.2 The Secondary Data Source

The secondary data for this study was obtained from textbooks, journals, newspapers, government publications, internet browsing, CR-ROM search, the offices of the Accountant-General and the Auditor-General and the Ministry of Budget and Planning, Plateau State.

Specifically, the secondary data collected included budgeted and Actual spending during democratic periods and audit queries raised and responded to.

3.3 POPULATION OF STUDY

The Ministry of Finance was contacted for the list of accounting operating staff. Similarly the Office of the Auditor-General was also consulted for the list of audit operating staff. The house of assembly was also consulted for the list of house members. From the preliminary survey, the population for the study consists of:

Treasury operating staff (as at 31.12.2003)	286
Audit operating staff (as at 31.12.2003)	76
House of assembly members (as at 31.12.2003)	24
Total - - -	**386**

Being active participants in the managing of public funds, this population, we believe know about the accountability arrangements in the public sector and as such hold important opinion from which this research can benefit tremendously.

3.3.1 Sampling Procedure

In this research, the simple random sampling was used for the purposes of obtaining response to the questionnaires administered.

Frankfort - Nachmias and Nachmias (1996:186) argue that

> *random selection procedures ensure that every sampling unit of the population has an equal and known probability of being included in the sample; this probability is n/N, where n stands for the size of the sample and N for the size of the population.*

3.3.2 Sample Size Determination

Mason and Lind (1993:319) state that

> *there are three factors that determine the size of the sample… the degree of confidence selected; the maximum allowable error and the variation of the population.*

The formula for determining the sample size (n) under the simple random sampling method is given by Mendenhall (1993:303) as

$$n = \frac{NS^2}{(N - 1)(b/z)^2 + S^2} \quad - (1)$$

where

N = the population of study

S^2 = the sample variance obtained from pilot survey

b = the bound on the error of estimation

z = normal random variable corresponding to a confidence coefficient of $(1 - \alpha)$

The formula requires the use of a sample variance (S^2). Since this was not known a pilot survey was conducted. This was followed by a second pilot survey in September 2003 which was designed to test the validity of the instrument of measurement.

During the first pilot study, twenty copies of the questionnaires were distributed to treasury operating staff, ten to staff of the Auditor-General, and five to members of the Plateau State House of Assembly. Tables 2 and 3 show the distribution.

Table 2: ***Questionnaire Administered and Returned (Administered in August 2003).***

Institution of Financial Control	Number Administered	Number Returned	Valid %
Executive	20	20	100
State Audit	10	10	100
Parliament	5	5	100

Source: (Field Survey, 2003)

The first pilot survey which was conducted in August 2003 had a response rate of 100%. The technique used for the administration of the questionnaire was the simple random sampling method.

The high return rate suggested that not only were the questions understood by the respondents but it also indicated their enthusiastic willingness to participate in the research.

The sample variance was calculated based on table 3.

The Sample Variance (S^2) can be calculated using the formula below:

$$S^2 = \frac{\Sigma(fX)^2 - \frac{(\Sigma fX)^2}{n}}{n - 1} \qquad (2)$$

Substituting in the formula (2) above, we have

$$S^2 = \frac{2197 - \frac{(97)^2}{35}}{35 - 1}$$

$$S^2 = \frac{2197 - 268.83}{34}$$

$$S^2 = 56.71$$

To calculate the sample size (n) we substitute in equation (1)

$$n = \frac{386\,(56.71)}{(386 - 1)\left(\frac{0.9}{1.96}\right)^2 + 56.71}$$

Here,

S^2 = 56.71 (from pilot survey)

Z = 1.96 (from statistical table)

b = 0.9 (chosen)

N = 386 - population of study

Table 3: ***Computation of Sample Variance Based on Pilot Study***

X	f	fX	$(fX)^2$
1	0	0	0
2	3	6	36
3	18	24	576
4	7	28	784
5	3	15	225
6	4	24	576
$\Sigma X = 21$	**$\Sigma f = 35$**	**$\Sigma(fX) = 97$**	**$\Sigma(fX)^2 = 2197$**

Solving we have

$$n = \frac{21890.06}{137.56}$$

$n = 159.13$

n rounded up to 160

n shall now be allocated proportionally using the formula below:

$$\frac{n\ N_i}{N} \qquad - \qquad (3)$$

Where n = sample size

N_i = Population of study in each financial control institution

N = Total population of study in each financial control institution

$$n_i = \frac{n\ N_i}{N}$$

$$= \frac{160 \text{ X } 286}{386} = 119$$

$$n_2 = \frac{160 \text{ X } 76}{386} = 32$$

$$n_3 = \frac{160 \text{ X } 24}{386} = 9$$

Table 4: ***Sample Size Distribution Based on Pilot Survey***

Financial Control Institution	**Population of Study**	**Sample Size (n_i)**
Executive	286	119
State Audit	76	32
Legislature	24	9
Total	**386**	**160**

3.4 METHOD OF DATA ANALYSIS

The four hypothesis were tested using the chi-square test as generated from secondary data. The chi-square test is a test of independence between variables. We used simple percentages in areas where we expected significant findings but hypotheses were not formulated.

The formula for computing the χ^2 test given by Anderson, et al (1997: 403) is;

$$\chi^2 = \sum_i \sum_j \frac{(f_{ij} - e_{ij})^2}{e_{ij}}$$

Where ;

f_{ij} = observed frequency for contingency table category in row ί and column j .

e_{ij} = expected frequency for contingency table category in row ί and column j based on the assumption of independence, with n rows and m columns in the contingency table. The test statistic has a chi-square distribution with (n - 1) (m - 1) degrees of freedom provided that the expected frequencies are 5 or more for all categories.

$\sum\sum$ = double summation sign

3.4.1 Test of Validity

Our analysis of data involves measurement. One instrument of measurement is the questionnaire. Measurement procedures in a research like this is seldom perfect. Measurement errors can occur due to real differences or artifact differences in the properties being measured. Measurement errors can introduce an element of invalidity to the research findings. As a result techniques have been introduced to reduce such measurement errors.

Validity as a technique for reducing measurement errors refers to "the degree to which a measuring instrument measures what is supposed to measure" (Frankfort - Nachmias and Nachmias 1996:599).

Three kinds of validity can be identified and these include content validity, empirical validity and construct validity.

(j) Content Validity. Two forms of content variety exist: face validity and sampling validity. Face validity refers to the extent to which the researcher believes that the instrument is appropriate. While sampling validity is concerned with whether a given population is adequately sampled by the measuring instrument. Do the statements and questions adequately represent the property being measured?

(ii) Empirical Validity. This addresses the relationship between a measuring instrument and the measurement outcomes. Investigators hold the opinion that if a measuring instrument is valid, there should be a strong correlation between the results and the real relationships existing among the properties measured.

Predictive validity is the most widely used test to evaluate empirical validity. With predictive validity researchers predict the results they expect to obtain in relation to an external measure called, a criterion. Predictive validity is a measure of correlation between the results of a given measurement and an external criterion.

For this research predictive validity the instrument was tested using the results of the pilot surveys conducted. The correlation formula given by Frankfort - Nachmias and Nachmias (1996:420) is

$$r = \frac{N\Sigma XY - (\Sigma X)(\Sigma Y)}{[N\Sigma X^2 - (\Sigma X)^2]\,[N\Sigma Y^2 - (\Sigma Y^2)]} \quad - \quad (4)$$

where

r = correlation coefficient

X = deviation from the mean of one variable

Y = deviation from the mean of the corresponding variable

Results of the two tests conducted in August and September 2003 are used to predict the validity of the research.

Substituting in formula (4) above we have

$$r = \frac{10\,(448) - (35)\,(35)}{\sqrt{\left[10(407)-(35)^2\right]\left[10(507)-(35)^2\right]}}$$

$$r = \frac{3255}{\sqrt{(10939025)}}$$

$$r = \frac{3255}{3307.42}$$

$$r = 0.98$$

Table 5: ***Correlation coefficient Between First and Second Tests***

First Test X	**Second Test Y**	**X^2**	**Y^2**	**XY**
0	0	0	0	0
3	1	9	1	9
8	21	324	441	378
7	5	49	25	35
3	6	9	36	18
4	2	16	4	8
$\Sigma X = 35$	**$\Sigma Y = 35$**	**$\Sigma X^2 = 407$**	**$\Sigma Y^2 = 507$**	**$\Sigma XY = 448$**

The high correlation between the two tests suggests that the validity of the instrument of measurement is obvious.

(ii) Construct Validity. Frankfort-Nachmias and Nachmias (1996) suggest that researchers establish construct validity by relating a measuring instrument to a general theoretical framework to be able to evaluate whether the instrument is related to the assumptions and concepts being used.

3.4.2 Test of Reliability

Where evidence of validity is questionable, the researcher has to evaluate the measuring instrument with respect to other characteristics and assume its validity. Researchers frequently evaluate an instrument by its degree of reliability.

According to Frankfort-Nachmias and Nachmias (1996:170) reliability refers to

> *the extent to which a measuring instrument contains variable errors, that is, errors that appear inconsistently from observation to observation during any one measurement attempt or that vary each time a given unit is measured by the same instrument.*

There are three ways of estimating reliability: the test-retest method, the parallel-forms technique and the split-half method.

(i) Test-Retest Method. With this method the researcher administers the measuring instrument to the same group of people but at two different times and calculates the correlation co-efficient. The correlation coefficient is the reliability estimate.

(ii) Parallel-Forms Technique. The researcher develops two parallel versions of a measuring instrument. The two sets are administered to the same group of persons and the correlation between the two sets is computed.

(iii) Split-Half Method. Under this method, reliability is estimated by treating each of two or more parts of a measuring instrument as a separate item. The two sets are then correlated.

Test of reliability is necessary when the validity of the measuring instrument is lacking. For this research, the validity of the measuring instrument has already been tested and it was found to be very valid. Therefore, it is not necessary to carry out any reliability test.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

In this chapter, we present our data obtained from the field. We also analyse the data and discuss our findings. Two types of data were generated for this research - secondary and primary. The primary data were collated and coded before being analysed. The use of analysis enables interpretations to be made and conclusions drawn from generated data.

4.2 DATA PRESENTATION

One statistical method was used to test the four hypotheses formulated in this research - the chi-square (χ^2) test statistic. The χ^2 test was used because the data obtained are based on frequencies. For other analysis, simple percentage was employed.

4.2.1 The Chi-square Test

The four hypotheses of this research were tested using the χ^2 test. The application of the χ^2 test is to test for the independence of two variables. The formula for computing the χ^2 test given by

Anderson, et al (1997 : 403) is;

$$\chi^2 = \sum_i \sum_j \frac{(f_{ij} - e_{ij})^2}{e_{ij}}$$

Where ;

f_{ij} = observed frequency for contingency table category in row í and column j .

e_{ij} = expected frequency for contingency table category in row í and column j based on the assumption of independence, with n rows and m columns in the contingency table. The test statistic has a chi-square distribution with (n - 1) (m - 1) degrees of freedom provided that the expected frequencies are 5 or more for all categories.

$\sum\sum$ = double summation sign

4.2.2 Test of Hypothesis One

Hypothesis one is:

H_0: The public budget is not a significant instrument of Legislative control over public finance in Plateau State.

H_1: The public budget is a significant instrument of Legislative control over public finance in Plateau State.

We used questions 9 & 10 in set 'A' to generate data for hypothesis one. These questions have the distribution shown in table 6 and 7 and the contingency table (table 8).

Table 6: ***Level of Budget Implementation***

Level of Implementation of Public Budget	**Frequency**
1% - 25%	6
26% - 50%	65
51% - 75%	45
76% - 100%	3
Total	**119**

Source (Field Survey, 2004)

Table 7: ***Significance of the Legislature in Controlling Public Finance***

Significance of the Legislature in using the budget to control public finance	**Frequency**
Highly Significant	4
Significant	42
Insignificant	61
Highly Insificant	12
Total	**119**

Source: (Field Survey, 2004)

Table 8: ***Public Budget Implementation by the Executive Arm of Government***

Significance of the Legislature using the Budget to control Public Finance	Level of Public Budget Implementation by the Executive arm of Government				**Total**
	1% - 25%	**26% - 50%**	**51% - 75%**	**76% - 100%**	
Highly Significant	1 (0.20)	2 (2.18)	1 (1.51)	0 (0.10)	4
Significant	1 (2.12)	22 (22.94)	18 (15.88)	1 (1.06)	42
Insignificant	2 (3.08)	36 (33.32)	22 (23.07)	1 (1.54)	61
Highly Insignificant	2 (0.61)	5 (6.55)	4 (4.54)	1 (0.30)	12
Total	**6**	**65**	**45**	**3**	**119**

Source: ***Field Survey, (2004)***

The expected frequencies for each cell are obtained by multiplying the two totals common to the cell and dividing by N - total number of observations.

Thus,

$$\frac{4 \text{ X } 6}{119} = 0.20$$

Other expected frequencies are obtained in a similar manner.

However, to calculate the chi-square test statistics, the expected frequency for each category must be 5 or more for each category (Anderson et al 1997).

After reviewing the expected frequencies we found that some cells have expected frequencies of less than 5. We therefore proceed with the process of merging to improve on the deficient cells until we meet the requirements for the χ^2 test statistic.

For a detailed analysis, refer to appendix B.

The process of merging gave rise to a two-by-two contingency table as shown in table 9.

Lere et al (2002:112) gives the formula for the two-by-two table as;

$$\chi^2 = \frac{N\,(AD - BC)^2}{(A+B)\,(C+D)\,(A+C)\,(B+D)}$$

with 1 degree of freedom.

where: N = total number of respondents

A = 1st cell B = 2nd cell

C = 3rd cell D = 4th cell

Substituting in the formula we obtain below

$$\chi^2 = \frac{119\,[(26)\,(28) - (20)\,(45)]^2}{(46)\,(73)\,(71)\,(48)}$$

$$\chi^2 = 0.31$$

χ^2 calculated = 0.31 < $\chi^2_{(1,0.05)}$ = 3.841

Table 9: ***Public Budget Implementation by the Executive Arm of Government.***

Significance of the Legislature in using the budget to control public finance	**Level of budget implementation by the Executive arm of government**		**Total**
	1% - 50%	51% - 100%	
Highly Significant / Significant	26 (27.45)	20 (18.55)	46
Highly Insignificant/ Insignificant	45 (43.55)	28 (29.45)	73
Total	**71**	**48**	**119**

Source: ***Field Survey, (2004)***

Since the value of our χ^2 calculated is less than the value of χ^2 tabulated as shown above, we accept H_0 which states that the public budget is not a significant instrument of legislative control of public finance in Plateau State.

4.2.3 Test of Hypothesis Two

Hypothesis two is:

H_0: The performance of the Auditor-General is not significantly dependent on the financial statements prepared by the Executive arm of government.

H_1: The performance of the Auditor-General is significantly dependent on the financial statements prepared by the Executive arm of government.

Questions 5 and 6 in set "B" of the questionnaires were used to generate data for this hypothesis. The questions have the distribution shown in tables 10, 11 and 12.

Table 10: ***Reliance of the Auditor-General on Financial Statements prepared by the Executive***

Level of Reliance	Frequency
1% - 25%	2
26% - 50%	17
51% - 75%	7
76% - 100%	6
Total	**32**

Source: (Field Survey, 2004)

Table 11: ***Performance of State Auditors***

Effect on Performance of State Auditors	**Frequency**
Highly Significant	0
Significant	14
Insignificant	17
Highly Insignificant	1
Total	**32**

Source: (Field Survey, 2004)

Table 12: ***Effect of Reliance on Financial Statements Prepared by the Executive on Performance of State Auditors.***

Effect on Performance of State Auditors	Level of Reliance on Financial Statements Prepared by the Executive				Total
	1 - 25%	26 - 50%	51 - 75%	76 - 100%	
Highly Significant	0	0	0	0	
Significant	0 (0.875)	7 (7.44)	4 (3.06)	3 (2.63)	14
Insignificant	2 (1.06)	9 (9.03)	3 (3.75)	3 (3.187)	17
Highly Insignificant	0 (0.063)	1 (0.531)	0 (0.219)	0 (0.188)	1
Total	**2**	**17**	**7**	**6**	**32**

Source: ***Field Survey, (2004)***

A review of the expected frequency cells indicates that some of the cells are deficient. To satisfy the requirement for the calculation of the χ^2 test statistic, we merge to improve on the deficient cells. **For a detailed analysis refer to appendix B.** The requirement for the calculation of the χ^2 test statistic was found in two-by-two contingency table as shown in table 13.

The formula for the two-by-two contingency table is as given in hypothesis one.

Substituting in the formula we have

$$\chi^2 = \frac{32[(7)(6) - (7)(12)]^2}{(14)(18)(19)(13)}$$

$$\chi^2 = 0.91$$

$$\chi^2 \text{ calculated} = 0.91 < \chi^2_{(1,0.05)} = 3.841$$

Since χ^2 calculated is less than χ^2 tabulated as demonstrated above, we accept H_0 which states that the reliance of the Auditor-General on the financial statements prepared by the Executive arm of government does not significantly enhance his job performance. This means that the performance of the Auditor-General as government auditor is independent of his reliance on the financial statements prepared by the Executive for his audit.

Table 13: ***Effect of Reliance on Financial Statements Prepared by the Executive on Performance of State Auditors***

Effect on Performance of State Auditors	**Level of Reliance on Financial Statements Prepared by the Executive**		**Total**
	1% - 50%	**51% - 100%**	
Highly Significant/ Significant	7 (8.31)	7 (5.69)	14
Highly Insignificant/ Insignificant	12 (10.69)	6 (7.31)	18
Total	**19**	**13**	**32**

Source: ***Field Survey, (2004)***

4.2.4 Test of Hypothesis Three

Hypothesis three is;

H_0: State Audit performance is not significantly dependent of the quality of legislative financial oversight.

H_1: State Audit performance is significantly dependent on the quality of legislative financial oversight.

The data for this hypothesis were generated using questions 7 and 8 in set "B" of the questionnaires. These questions have the frequency distribution shown in tables 14 and 15. The contingency table (table 16) is derived from tables 14 and 15.

After reviewing the expected frequency cells we found that some cells have expected frequencies of less than 5. We therefore merge such cells to improve on the deficient cells. **Refer to Appendix B for a detailed analysis.**

Having improved on the deficient cells, we compute the chi-square statistics as:

$$\chi^2 = \sum_i \sum_j \frac{(f_{ij} - e_{ij})^2}{e_{ij}}$$

Thus;

$$\chi^2 = \frac{(5 - 5.5)^2}{5.5} + \frac{(8 - 5)^2}{5} + \frac{(3 - 5.5)^2}{5.5} +$$

$$\frac{(6 - 5.5)^2}{5.5} + \frac{(2 - 5)^2}{5} + \frac{(8 - 5.5)^2}{5.5} +$$

$$\chi^2 = 6.375$$

The degree of freedom is (3-1) (2-1)

$$(2)\quad(1)$$

$$= \quad 2$$

χ^2 is critical at 5% confidence level with a degree of freedom of 1 = 5.99.

Since χ^2 calculated = 6 > $\chi_{(0.05)}$ = 5.99, we reject H_0.

Table 14: ***Performance of the Public Accounts Committee (PAC)***

Quality of PAC Performance	**Frequency**
Very Good	4
Good	7
Average	10
Poor	11
Total	**32**

Source: (Field Survey, 2004)

Table 15: ***Influence of PAC on State Auditors***

Influence on job performance of State Auditors	Frequency
Positive influence	16
Negative influence	12
No influence	4
Total	**32**

Source: (Field Survey, 2004)

Table 16 - ***Quality of PAC Performance and its Influence on State Auditors.***

Influence on job Performance of State Auditors	**Quality of PAC Performance**				**Total**
	Very Good	**Good**	**Average**	**Poor**	
Positive influence	1 (2.0)	24 (3.5)	8 (5)	3 (5.5)	16
Negative influence	2 (1.5)	2 (2.63)	2 (3.75)	6 (4.13)	12
No influence	1 (0.5)	1 (0.88)	0 (1.25)	2 (0.5)	4
Total	**4**	**7**	**10**	**11**	**32**

Source: ***Field Survey, (2004)***

Rejecting H_0 means that the State Audit performance is significantly dependent on the quality of Legislative financial oversight. In other words, the quality of Legislative financial oversight has a significant effect on State Audit performance.

4.2.5 <u>Test of Hypothesis Four</u>

Hypothesis four is;

H_0: There is no significant difference between the qualification of treasury operating staff and the number of financial records kept.

H_1: There is significant difference between the qualification of treasury operating staff and the number of financial records kept.

To generate data for this hypothesis we used questions 2 and 3 in set "A" of our questionnaires.

These questions have the following frequency distribution shown in tables 17 and 18 and the contingency table (table 19).

A review of the cells shows that some cells are deficient. We therefore merge such cells to improve on the deficient cells until we satisfy the requirement for the calculation of the χ^2 test.

See Appendix B for a detailed analysis.

The resultant table after merging is a two-by-two contingency table, shown in table 20.

Table 17: ***Qualification of Treasury Staff***

Highest Educational/ Professional qualification	**Frequency**
ACCA/ACA/CNA	6
M.Sc/MBA	6
B.Sc/HND	32
DIP/NCE	68
GCE/SSCE	7
Total	**119**

Source: (Field Survey, 2004)

Table 18: ***Financial Records Kept***

Number of Financial Records kept	**Frequency**
1 - 5	71
6 - 10	41
11 and above	7
Total	**119**

Source: (Field Survey, 2004)

Table 19: ***Treasury Operating Staff Qualification and Number of Financial Records Kept***

Number of Financial Records kept by Treasury Operating Staff	Qualification of Treasury Operating Staff					TOTAL
	ACCA/ ACA/ CNA	M.Sc/ MBA	B.Sc/ HND	DIP/ NCE	GCE/ SSCE	
1-5	2 (3.58)	3 (3.58)	18 (19.09)	43 (40.57)	5 (4.18)	71
6-10	3 (2.07)	1 (2.07)	13 (11.03)	23 (23.43)	1 (2.41)	41
11 and above	1 (0.35)	2 (0.35)	1 (1.88)	2 (4)	1 (0.41)	7
Total	**6**	**6**	**32**	**68**	**7**	**119**

Source: ***Field Survey (2004)***

Table 20: ***Treasury Operating Staff Qualification and Number of Financial Records Kept.***

Number of Financial Records Kept by Treasury Operating Staff	**Qualification of Treasury Staff**		**Total**
	ACCA/ACA/CA/ MSc/MBA/BSC/ HND	**DIP/NCE/GC E/SSCE**	
1 – 10	23 (25.69)	48 (15.31)	71
11 and above	21 (68.31)	27 (40.69)	48
Total	**44**	**75**	**119**

Source: ***Field Survey, (2004)***

We therefore compute the χ^2 test as:

$$\chi^2 = \frac{N\,(AD - BC)^2}{(A+B)\,(C+D)\,(A+C)\,(B+D)}$$

$$= \frac{119[(23)\,(27) - (48)\,(21)]^2}{(71)\,(48)\,(44)\,(75)}$$

$\chi^2 = 1.58$

χ^2 critical at 5% confidence level = 3.841

Since χ^2 calculated = 1.58 < $\chi^2_{(1,0.05)}$ = 3.841 we accept H_0.

Accepting H_0 implies that there is no significant difference between the qualification of treasury operating staff and the number of financial records kept. In other words, the number of financial records kept is not solely dependent on the qualification of those who keep them.

4.3 OTHER ANALYSES

Here, we carry out other analysis that were not covered by our hypotheses, but from which major findings are expected.

4.3.1 Legislative Reliance on the Executive for Funding

What is the influence of the Executive's funding on the financial oversight function of the Legislature? This is a critical question. Question 14 addresses this problem. The views of respondents are tabulated in table 21.

Table 21 reveals that Executive funding of legislature has an adverse effect on legislative performance. A single majority of 6 or 60% stated that they are ineffective as a result of funding from the Executive. Only 1 respondent stated that he is effective.

Table 21: ***Effect of Financial Support from the Executive on Legislative Performance***

Level of Effectiveness	**Frequency**	**%**
Highly effective	0	0
Effective	1	11.11
Ineffective	6	66.67
Highly ineffective	2	22.22
Total	**9**	**100**

Source: Field Survey, (2004)

4.3.2 Infringement on Financial Regulations/Instructions

The research sought to establish infringement on financial regulations/instructions. The pattern of responses is tabulated **in appendix B.**

The results of our survey indicate that cases of payment not supported by payment vouchers; absence of prepayment audit and payment without supporting documents occur frequently at 48.74%, 49.58% and 38.66% respectively, (tables 22, 23, 24 and 25).

4.3.3 Budgetary Infringement

These refer to non-compliance. These are tabulated **in appendix B**.

Tables 26, 27, 28 and 29 in appendix B reveal that budgetary non-compliance are quite frequent. Offences of expenditure without budgetary provision, cases of exceeded votes, under funding of approved estimates and none funding of approved estimates receive the highest scores of 47.06%, 57.98%, 51.26% and 39.50% respectively. While 9 representing 7.56%, 11 or 9.24% and 16 or 13.44% maintain that these offences never occur.

4.3.4 Performance of the Formal Institutions of Financial Control on Public Funds

The researcher further sought the views of respondents on the performance of the three formal institutions of financial control and whether the checks and balances on public funds are effective.

Their responses are tabulated in tables 30, 31 and 32.

Table 30: ***Operation of Financial Control by the Executive***

Level of Performance	Frequency	%
Very good	0	0
Good	17	14.29
Average	55	46.22
Poor	47	39.49
Total	**119**	**100**

Source: ***Field Survey, (2004)***

Table 30 indicates that the operation of financial control by the Executive has been adjudged to be average at 46.22%, poor at 39.49% and good at 14.29%. No respondent assessed the control mechanism to be very good.

Survey result from table 31 reveals that 61 respondents representing 51.26% stated that the quality of State Audit work is average; 35 respondents or 29.41% stated that State Audit work is poor; 21 respondents or 17.65% stated that it is good, while only 2 respondents representing 1.68% stated that the Quality of State Audit work is very good.

Table 32 shows that 71 respondents representing 59.66% of the respondents indicated that the checks and balances on public funds are ineffective; 35 respondents or 29.41% indicated that the checks and balances are highly ineffective, while 13 respondents or 10.93% maintained that the checks and balances are effective.

4.3.5 Financial Record Keeping in Plateau State

Why are proper financial records not kept in Plateau State? The views of respondents have been presented in table 33.

Table 33 suggests that the major reason for lack of proper record keeping in Plateau State is carelessness on the part of operating treasury staff at 39.5%. 20.17% attributed it to lack of qualified staff; 15.95% stated that it is due to the inadequate number of accounting staff, while 10.92% stated that all the listed factors are responsible.

Table 31: ***Quality of State Audit Work***

Quality of Audit	**Frequency**	**%**
Very Good	2	1.68
Good	21	17.65
Average	61	51.26
Poor	35	29.41
Total	**119**	**100**

Source: ***Field Survey, (2004)***

Table 32: ***Effectiveness of the Checks and Balances on Public Funds***

Level of Effectiveness	**Frequency**	**%**
Highly Effective	0	0
Effective	13	10.93
Ineffective	71	59.66
Highly Ineffective	35	29.41
Total	**119**	**100**

Source: ***Field Survey, (2004)***

Table 33: ***Financial Record Keeping***

Reasons for Poor Financial Record Keeping	**Frequency**	**%**
a) Inadequate Number of Qualified staff	24	20.17
b) Inadequate Number of Accounting staff	19	15.97
c) Carelessness on the part of Accounting Staff	47	39.50
d) Lack of Interest from Accounting Officers	8	6.72
e) All of the above	13	10.92
f) None of the above	4	3.36
g) Others – specify	4	3.36
Total	**119**	**100**

Source: ***Field Survey, (2004)***

4.3.6 Requirement for the preparation of Accounts

Financial instructions, rules and circulars stipulate that the under listed accounts be maintained to facilitate the preparation of financial accounts. They are listed in table 34 **in appendix B.**

4.3.7 Audit Queries and Other Financial Offences

Audit queries are issued when auditors are not satisfied with evidence presented or explanations made. The number of audit queries issued and the amount involved from 1998 to 2003 is presented below:

Table 35 reveals that audit queries are issued each fiscal year. Between 1999 and 2003, a total number of 112 audit queries involving a total amount of N7,625,400 was issued. Table 35 also indicates that out of the 43 audit queries issued in 1999 33 or 76.74% were answered and of the 19 audit queries issued in 2000, only 8 or 42.11% were answered. However, between 2001 and 2003, a total number of 50 audit queries were issued, none of which was replied.

Table 36 captures the nature of financial offences that gave rise to audit queries between 1999 and 2003.

TABLE 35: ***Audit Queries and Amount Involved***

	1999	2000	2001	2002	2003	Total
Number of Audit Queries Issued	43	19	21	16	13	112
Amount Involved	₦2,750,400.00	₦370,000.00	₦1,670,000.00	₦1,875,000.00	₦960,000.00	₦7,625,400.00
Number of Audit Queries Answered	33	8	Nil	Nil	Nil	41
Amount Involved	₦2,160,500.00	₦120,000.00	-	-	-	₦2,280,500.00

Source: ***Office of the Auditor-General, Plateau State, (2004)***

Table 36: ***Nature of Financial Offence that gave rise to Audit Queries***

	1999	**2000**	**2001**	**2002**	**2003**	**Total**
Cash Shortages No.	15	6	7	4	2	34
Amount	₦482,000.00	₦95,500.00	₦335,000.00	₦543,000.00	₦170,000.00	₦1,625,500.00
Payments without supporting documents	19	9	9	8	6	51
Amount	₦1,650,000.00	₦167,300.00	₦1,020,000.00	₦955,300.00	₦580,000.00	₦2,793,500.00
Unretired Advances	4	3	4	2	3	16
Amount	₦520,000.00	₦89,500.00	₦300,000.00	₦285,000.00	₦196,500.00	₦1,391,000.00
Stock Shortages	5	1	1	2	2	11
Amount	₦98,000.00	₦17,700.00	₦15,000.00	₦91,704.00	₦13,500.00	₦235,904.00

Source: *Office of the Auditor-General Plateau State, (2004)*

Table 36 indicates that reported cases of cash shortages were 34 between 1999 to 2003. The total amount of cash shortages in these reported cases is N1,625,500.

The table also reveals that between 1999 and 2003 a total number of 51 payments were made without supporting documents. This data tallies with the responses in table 25 (in the appendix) where 46 or 33.66% of respondents stated that payment without supporting documents are frequent, while 31 representing 26.05% maintain that its occurrence is infrequent. Total payments made without supporting documents during the period under reference amounted to N2,793,500.

Similarly, unretired advances reported were 16 cases involving N1,391,000 during the period under review.

Stock shortages also occurred during this period involving a total amount of N235,904 in 11 reported cases.

The research further sought the views of State Auditors on the prompt and proper disposal of audit queries by the Executive. Their responses are presented in table 37.

From table 37, 8 respondents representing 25.81% stated that they are highly dissatisfied. 19 or 58.38% maintained that they are dissatisfied. Only 4 respondents representing 12.5% stated that they are satisfied. No respondent was highly satisfied. Only 1 respondent was not sure.

Table 37: ***Disposal of Audit Queries by the Executive Arm of Government.***

Rating of Satisfaction	**Frequency**	**%**
a) Highly dissatisfied	8	25
b) Dissatisfied	19	59.38
c) Satisfied	4	12.5
d) Highly satisfied	0	0
e) Not sure	1	3.12
Total	**32**	**100**

Source: ***Field Survey, (2004)***

58.06% of the respondents by table 37 stated that they are dissatisfied with the performance of the Executive arm of government with respect to the prompt and proper disposal of audit queries. This is consistent with the secondary data in table 35.

Audit queries are not the only issues raised by State Auditors. Issues relating to internal control and compliance to rules and regulations may also be raised in audit reports or letters to management. How are these issues treated by the Executive? The views of respondents are presented in table 38.

From Table 38, it is observed that 20 respondents representing 62.5% maintained that they are dissatisfied with the response of the Executive arm of government on issues raised by State Audit. Only 4 or 12.5% are satisfied. 1 or 3.12% was not sure.

4.3.8 Effect of Financial and Material Support on State Auditor's Independence

The issue of independence is very crucial to the concept of auditing. The support - both material and financial received by State Auditors is equally important. What are the views of State Auditors on these issues? These views are presented in tables 39, 40 and 41.

Table 38 **- Satisfaction with the Follow-up by the Executive Arm Of Government On Issues Raised by State Audit.**

Satisfaction Level	Frequency	%
a) Highly dissatisfied	7	21.88
b) Dissatisfied	20	62.5
c) Satisfied	4	12.5
d) Highly satisfied	0	0
e) Not sure	1	3.12
Total	**32**	**100**

Source: ***Field Survey, (2004)***

***Table 39:* Level of State Auditors' Independence in the Performance of its Audit Work**

Level of Independence	**Frequency**	**%**
76% - 100%	1	3.12
51% - 75%	15	46.88
26% - 50%	16	50
1% - 25%	0	0
Total	**32**	**100**

Source: ***Field Survey, (2004)***

The survey result shows that State Auditors have average independence, the degree of independence ranging between 26% - 75%. Only 1 respondent representing 3.12% stated that his level of independence ranges between 76% - 100%.

Table 40 tabulates the views of State-Auditors on their satisfaction with the material and financial support they receive from the Executive arm of government.

Table 40 shows that State Auditors are dissatisfied with the financial and material support they get from the Executive arm of government 8 or 25% are highly dissatisfied, 19 or 59.38% are dissatisfied. 4 respondents are satisfied, while 1 was not sure.

In table 41 no respondent is highly effective as a result of financial and material support from the Executive. 13 respondents representing 40.63% stated that they perform effectively under the influence of financial and material support with 17 or 53.12% of respondents stating that they perform ineffectively. Only 2 respondents or 6.25% stated that they are highly ineffective as a result of the support. We now explore other measures that may promote financial accountability in the State.

4.3.9 Measures to Promote Financial Accountability

We sought the views of respondents on ways to promote financial accountability. Respondents were free to suggest any number of measures that will promote financial accountability. No list of measures was provided to guild the participants in this research. These views are presented in table 42.

Table 40: **Financial and Material Support**

Satisfaction Level	**Frequency**	**%**
a) Highly dissatisfied	8	25
b) Dissatisfied	19	59.38
c) Satisfied	4	12.5
d) Highly satisfied	0	0
e) Not sure	1	3.12
Total	**32**	**100**

Source: ***Field Survey, (2004)***

Table 41: **Effect of Financial and Material Support on State Auditor's Performance**

Level of Effect	**Frequency**	**%**
a) Highly effective	0	0
b) Effective	13	40.63
c) Ineffective	17	53.12
d) Highly ineffective	2	6.25
e) Others - specify	0	0
Total	**32**	**100**

Source: ***Field Survey, (2004)***

Table 42: ***Measures to Promote Financial Accountability***

Measures	Frequency	%
Establishment of Due Process	108	14.01
Compliance to financial rules and regulations	102	13.23
Compliance to Budget approval	101	13.10
Reduction in corruption	98	12.71
Training for new employees	72	9.34
Supervision of treasury staff	63	8.17
Implementation of audit advise	61	7.91
Computerisation of Government accounts	58	7.52
Punishment of financial offenders	55	7.13
Adequate funding of the Office of the Auditor-General	32	4.15
Financial autonomy of the legislature	9	1.17
Others	12	1.56
Total	771	100

Source: ***Field Survey (2004)***

All respondents suggested more than one measure to help promote financial accountability.

From table 42 eleven (11) measures were identified as factors that can promote financial accountability by the respondents. One hundred and eight (108) respondents suggested that the establishment of Due Process will enhance the discharge of financial accountability. One hundred and two (102) suggested compliance to rules and regulations. One hundred and one (101) listed compliance to budget approval, while ninety-eight (98) opined that when corruption is reduced or eradicated, financial accountability would improve. Other factors that would promote financial accountability include: training for new employees (72); close supervision of treasury operating staff (63); implementation of audit advice (61); computerization of government accounts (58); punishing financial offenders (55); adequate funding of the office by the Auditor-General (32) and the granting of financial autonomy to the legislature (9).

Some respondents listed other factors to include: motivation of staff; employment of the right caliber of staff; eradication of god-fatherism in public service; full disclosure of information by the Executive to the legislature and leadership by example.

4.4 DISCUSSION ON HYPOTHESES

We now discuss the results of our analysis. We will also seek to compare our findings with existing theoretical bases where these are available. We begin with our hypotheses.

4.4.1 Discussion of Findings in the Hypotheses

Four hypotheses were tested in this research. Our findings are discussed below:

4.4.1.1 Hypothesis One

Hypothesis one sought to establish whether the legislature has been able to use the public budget to control public finance. Our finding in this hypothesis indicates that the legislature has not been able to use the public budget to control public funds. This finding is consistent with the findings of Ahsan (1994:3) who states that

> *the allocation of money by legislatures in many countries who follow an incremental budgeting process, has gradually become a routine and unproductive exercise. This means that the budget has ceased to be an instrument of legislative control.*

The finding also accords with the finding of Krafchick (2002) who in an earlier research revealed that once the budget has been approved, funds are shifted to items not budgeted for. The budget is used to acquire funds, and once the approval has been obtained, funds are expended on items not included in the budget. In other words, the budget does not determine the pattern of expenditure.

The House of Representatives Committee on Public Accounts lends support to this finding when its chairman was quoted as saying that "about 65% of the nation's budgeted funds are wasted. We are not budgeting, but we are just throwing away money" (Nigerian Newsday, 2005:6). This assertion led the newspaper to draw the conclusion that

> *yearly budgets hardly improve the lives of the majority of the people because most of the money allocated in the budget end in the pocket of few individuals to the detriment of the majority of the people.*

All these assertions support the position that the budgeted funds are spent on some items other than those approved by the legislature.

The research sought to establish from legislators whether the Executive arm of government implements budgets as approved by them. Public budgets are supposed to be implemented according to legislative approval. In other words, budgets are expected to be implemented as passed by the legislature. Their responses are presented in table 43.

All the sampled legislators responded to this question. All of them maintained that the Executive does not implement the budget according to legislative approval. We wanted to know further the type of influence the non-implementation of budgets according to legislative approval have on their financial oversight function. In other words, how does budget implementation affect legislative performance? Their views are presented in table 44.

From table 44 a dominant 88.89% of the respondents asserted that the manner the Executive implements the budget influence them negatively, while one (1) respondent stated that the way the Executive implements the budget has no influence on him. However, it has been observed that budget implementation is usually a source of conflict between the legislature and the Executive especially at the Federal level.

Table 43: **Budget implementation as approved by Legislature.**

Whether budget is implemented as approved by Legislature	**Frequency**	**%**
YES	0	0
NO	9	100
Total	**9**	**100**

Source: ***Field Survey, (2004)***

Table 44: Influence of budget implementation on Legislative oversight function

Type of Influence	Frequency	%
Positive Influence	0	0
Negative Influence	8	88.89
No Influence	1	11.11
Total	**9**	**100**

Source: ***Field Survey, (2004)***

Public budgets are instruments of legislative control on the Executive. All expenditure must be contained in the budget. Legislative approval is sought every year before spending commences. Legislators who participated in this research indicated that the Executive does not comply with legislative approval on budgets implementation (table 43). This implies that the Executive implement budgets in manner not contained in the appropriation acts. The legislators appear to be helpless over this issue. They also indicated that this affects them negatively (table 44). This might be an admittance of failure to discharge the duty of financial oversight.

The non-implementation of the budget as approved by the legislature is not the only non-budgetary compliance. The other non-budgetary compliance include:

(a) Expenditure without Legislative Approval

Two types of offences are documented here - expenditure on items not included in the approved budgets and exceeding approved budgetary limits.

Offences of expenditure without budgetary provision and cases of exceeded votes received high degree of occurrence by respondents (tables 26 and 27). Respondents stated these offences occur quite frequently in their establishments, 47.06% and 57.98% of respondents rated these offences as occurring frequently. **(See other analyses for details).** This accords with the findings of Teriba and Oji (1973) who stated that the Executive does not usually follow the due process of obtaining legislative approval before incurring additional expenditure. The research finding also tallies with the finding of Oshisami (1992) who alluded to the fact that cases of exceeded votes were quite high in the Nigerian public sector.

(b) Non-funding and under-funding of approved budgets

Another budgetary offence revealed by this research is the non-funding and under-funding of approved budgets. These budgetary offences where also rated by respondents as occurring frequently at 51.26 and 39.5% respectively. **(See tables 28 and 29 for details in appendix B)**. This implies that items which were budgeted for may end up not being implemented. The funds meant for such projects being diverted to other areas. These are cases of budgetary indiscipline or fiscal indiscipline. Earlier researchers were not targeted at these abuses.

The legislature has often accused the Executive of neglect, failure and refusal to implement Appropriation Acts duly passed and assented to. However, the Executive at the Federal level has often advanced two reasons for under-funding the budget. The first is that the budget is usually marked-up beyond implementation by the legislature. Second, low revenue profile has often been given as another reason for the inability of the Executive to implement the budget as duly passed. These reasons are usually not considered good enough by the legislature.

What is the scenario in the States? Budgets are also under-implemented at the States level. Charges of budget mark-up beyond implementation have not been reported at the States level (see table 45 below). If charges of mark-up is a good reason for not implementing the budget, then the states should be implementing the budget as approved. But this is not what we find.

Has the Executive been implementing the budget without recourse to what was not approved? The answer is partially Yes. This is because there are limits to non-observance to what was approved. The budget has two major components, recurrent and capital. In Nigeria, the recurrent portion of the budget is usually high-often more than 50% of the total budget. Within the recurrent portion of the budget, personnel cost is a significant cost item. In short salaries and allowances must be paid. This suggests compliance to budgetary approvals. Recurrent administrative costs are usually also high. They must be implemented.

Discrepancies usually exist between budgeted and actual expenditure. However, reported actual expenditure may comprise both budgeted and un-budgeted expenditure. In the end, there may be no significant difference statistically between budgeted and actual expenditure, as shown in table 45.

Table 45 indicates that there is strong statistical correlation between budgeted amount and actual expenditure. This suggests that actual expenditure moves closely with budgeted expenditure, although some expenditure items reported as actual expenditure may not have been included in the approved estimates.

The finding in this hypothesis suggests that the Executive arm of government possesses over bearing dominance on public sector financial control. The involvement of other institutions of public sector financial control - notably, the legislature and the Supreme Audit Institution are excluded from the critical stages of financial management - raising of revenue and spending. Budgets are prepared and approved every year, but their level of implementation is determined by the Executive arm of government. This is because the Executive has over-bearing dominance on public finance.

Table 45: **Budget Size and Actual Expenditure**

Year	Budget Size N	Actual Expenditure N
2004	20,490,956,373.00	4,905,423,713.40
2003	16,761,207,261.00	3,375,783,892.00
2002	15,429,302,164.00	6,788,806,453.00
2001	17,985,462,789.00	6,651,942,392.15
2000	7,856,580,661.00	9,853,956,316.00
1999	3,647,553,703.00	1,553,026,813.00
1991	961,240,000.00	861,341,828.00
1990	519,326,426.00	720,578,089.36
1983	560,210,600.00	248,961,120.00
1982	576,908,812.00	246,196,460.00
1981	426,989,000.00	243,431,800.00
1980	198,168,617.00	161,536,690.00

Source: ***Plateau State Ministry of Budget and Planning, (2004)***

4.4.1.2 Hypothesis Two

Hypothesis two sought to find out if the reliance of the Auditor General on the financial statements prepared by the Executive arm of government significantly influences his performance as government auditor. Our finding showed that the performance of the Auditor - General is independent of his reliance on the financial statements prepared by the Executive. This finding is consistent with the philosophy of auditing as a profession. Auditors in both the public and private sectors rely on data supplied by the custodians of such information. The Auditor - General is able to exercise the duties of his office although the data for the performance of this duty is supplied by the Executive. Although our finding is in harmony with the philosophy of auditing, it should be noted that audits have an inherent limitation - that is - audits are conducted based on information presented for audit. It is clear from our finding in this hypothesis that reliance on financial statement prepared by the Executive does not influence his performance, but other factors may, which of course are not examined in this hypothesis.

The Auditor-General relies on professional standards developed for the efficient and effective discharge of his work. In Nigeria, two standards have been developed by the Office of the Auditor-General for the federation in conjunction with the States' Auditors-General. Although he relies on data supplied by the Executive, he develops his own work programme to guide his audit. His reliance on the Executive for audit information may impair his audit work where access to information is denied or restricted. But the Constitution of the Federal Republic of Nigeria, 1999 grants him the power to seek and obtain any information he requires for the purpose of his audit. With adequate operational independence, the Auditor-General determines what to report on and the reporting format. Since auditing adds credibility to reported information, public officials should extend the necessary co-operation to the Auditor-General to work and report according to professional standards. The implication arising from this is that the Executive should maintain a zero level resistance to audit.

4.4.1.3 Hypothesis Three

Hypothesis three investigated the influence of the quality of legislative financial oversight on State Audit performance. Our finding indicates that State Audit performance is significantly dependent on the quality of legislative financial oversight. This accords with the findings of Stapenhurst and Titsworth (2001) who found out that a weak legislature undermines the performance of the Auditor-General. Where the legislature is strong and influential, the performance of the auditor General or State Audit is enhanced. This is so because the Auditor General is an agent of the legislature. And being an agent of the legislature, they find protection in the Legislature against either harassment or intimidation in the performance of their work when the Legislature is strong.

Dominant Chief Executives would want to override established financial controls. State Auditors rate the quality of legislative financial oversight as average which influence them negatively (see table 15). State Auditors need protection and the protection should come from the legislature. When the protection is not forth coming, the risk to State Auditors increases. Where such is the case, the zeal, motivation and commitment to do what is proper may be lacking. Both the accounting and audit work may then be sabotaged. Audit reports may be ignored. There may be no penalty for non-preparation and submission of final accounts for audit. In Plateau State the last audited account was in 1994. When accounts are not presented for audit, the Auditor-General has no report to present to the legislature. Little wonder, the Public Accounts Committee (PAC) of the Plateau State House of Assembly has not met even once between 1999 to 2004.

Our finding in hypothesis one reveals that the legislature is unable to discharge its financial oversight function by using the approved budget. The implication of this finding for hypothesis three is that the legislature cannot shape a model of financial accountability in Plateau State. Recent corruption revelations at the National Assembly in Nigeria suggest that the legislature is not interested in financial accountability. This is a major obstacle towards the discharge of financial accountability in Nigeria. One glaring implication of this is that State Auditors cannot draw inspiration from the legislature in discharging their work. Currently, the legislative arm is an obstacle to the discharge of effective financial accountability in Plateau State. Therefore persons interested in good governance will have to look elsewhere in their search for a body that will enthrone the discharge of financial accountability.

4.4.1.4 Hypothesis Four

The link between qualification of treasury staff and the number of financial records kept by them was examined by hypothesis four. The result showed that the number of financial records kept is independent of the qualification of those who maintain them. While there is a consensus on the fact that financial records are not properly maintained in the Nigerian public sector, there has been no agreement as to the reason for this. Oshisanmi (1992) and Adejinokeun (2004) found out that qualification is the major reason for poor record keeping in the Nigerian public sector. When this assertion was empirically examined, it was discovered that qualification is not the major reason for the poor nature of financial record keeping in the Nigerian public sector. We would expect those who hold higher educational/professional qualification to keep more financial records than those who hold lower qualification if qualification and record keeping are positively related. However this is not the case. This research found out that an average of between 2 - 4 financial records only are maintained in all ministries and departments studied irrespective of the qualification of those who keep them as against the required 54 (**see table 34 in appendix B**). This obviously reveals that most of the financial records are not kept. Those that are kept have to do with payments of salaries and other payments. Even returns from ministries to the office to the Accountant - General which is supposed to be made monthly are hardly made. We may be tempted to ask whether the financial records are up - dated.

If qualification is not the major reason for poor financial record keeping, what could be the reason(s)? In a supportive analysis, the research sought to find out from treasury operating staff (see table 33). The likely reasons were given as inadequate number of qualified staff, inadequate number of accounting staff, carelessness on the part of accounting staff and lack of interest from accounting officers.

From table 33 respondents representing 39.50% attributed the poor nature of financial record keeping to carelessness on the part of accounting staff. But if it were so, what happens to the machinery for supervision. Every accounting officer is expected to ensure that proper financial records are maintained in his ministry/department. All the items listed-lack of qualified staff, inadequate of accounting staff, lack of interest from accounting officers (table 46) were all chosen, implying that the reasons for the poor nature of financial record keeping are many. Other respondents, who chose other reasons other than those listed, stated that accounting staff were not being properly motivated.

The accounting system is designed by the Executive. The system is also manned by the Executive. The failure to maintain those records is by the Executive. This brings to light the over bearing dominance of the Executive on financial control in the Nigerian public sector. The journey for financial accountability starts with financial record keeping. Where these records are scarcely kept, then the discharge of financial accountability will be very difficult to achieve.

4.5 OTHER DISCUSSIONS

4.5.1 Discussion of Findings in Other Analyses

We discuss our findings in other analyses below:

4.5.2 Performance of the Formal Institutions of Financial Control

Our survey result indicated that the operation of financial control by the Executive arm of government is just average, 46.22% or poor as claimed by 39.49% (table 30). This finding suggests that the Executive has not performed well with respect to its role of utilizing public funds. The implication of this finding is that other organs of control are needed to check the activities of the Executive.

Acting as an agent of the legislature, State Audit is supposed to provide the immediate check on the management of public funds by the Executive. However, from our survey, the quality of audit work is acclaimed to be average at 51.26% or rated as outrightly poor at 29.41% (table 31). If the quality of State Audit work is poor or just average, State Audit cannot provide the needed checks as required by the Constitution. If the agent cannot perform the duties expected of it, perhaps the principal, in this case, the Legislature may be able to exercise the needed checks. However, as shown below (see section 4.5.3), the legislature is also unable to perform this important duty. Therefore, both the agent (State Audit) and the principal (the legislature) have not provided the needed checks on the Executive. This is corroborated in table 32 where 71 respondents representing 59.66% stated that the needed checks and balances are ineffective.

4.5.3 Legislative Funding and Performance

In Plateau State, the legislature is funded by the Executive. In other words, the Executive allocates funds to the legislature for the discharge of its work. How does this affect legislative performance in the discharge of its financial oversight duty? A single majority of 6 or 60% of legislators, who responded to this question, stated that they perform ineffectively under the influence of financial support from the Executive. This finding is consistent with that of Martinez - Seliman (2003) and Krafchik and Wehner (2003). This may be in line with the adage that says, “he who pays the piper, dictates the tune". If it suites the Executive that the legislature is weak, as a result of funding, then the Executive will continue to ensure it funds the legislature.

The deployment of legislative financial oversight function can also be frustrated by the Executive's control of legislative leadership. The control of legislative leadership by the Executive has become a rule rather than an exception in Plateau State. Where the Executive is not financially accountable, it takes every step to ensure that the legislature is under its firm control. With Executive control, the legislature is deaf and blind to every breach committed by the Executive.

4.5.4 Executive Influence on State Audit Performance

Facts emerging form this research indicates that:

(a) The Auditor-General is usually a career civil servant employed and paid by the Executive.

(b) State Audit staff enjoy their employment, promotion and training from the Executive. They like other civil servants are loyal to the government of the day.

(c) State Audit is funded like any other unit of government and

(d) The appointment and removal of the Auditor-General is controlled substantially by the Executive.

On the light of the facts listed above, this research found out that State Audits lack the operational independence to discharge their Constitutional responsibilities. Both State Audit and the legislature are Constitutionally required to provide the needed checks on the Executive. They cannot perform this vital role when they are handicapped by the factors listed above.

Our research finding indicates that there is no prompt and proper disposal of audit queries and there is no follow-up on issue raised by State Audit - State Auditors who participated in the research indicated their dissatisfaction with the Executive on these issues.

Although the Executive funds State Audit, what however matters most is not the source of support, but that the funds are inadequate to support State Audit functions. As a result, State Audit performs ineffectively. This finding agrees with the finding of Daniel (1999) and Staphenhurst and Titsworth (2001)

One basic limitation of the audit exercise discovered by this research is the fact that the audit is based on only the expenditure profile presented by the Executive. There is no attempt to march revenue with expenditure. Documents do not exist to suggest that those transactions ever took place. Since there is usually no reconciliation of the revenue with expenditure, such unauthorized and unbudgeted expenditure always go unnoticed. Table 47 tabulates the revenue profile of the Plateau State Government between 1999 and 2003.

Table 46: **Statement of Statutory Allocation and Vat 1999 – 2003**

Year	N
1999	2,138,025,976.25
2000	6,669,340,002.69
2001	8,546,594,407.82
2002	7,748,162,017.23
2003	4,614,995,331.34

Source: ***Office of the Accountant-General for the Federation, Abuja, (2005)*** A review of table 46 excludes internally generated revenue. An examination of the table of actual expenditure (table 45) indicates that actual expenditure is less than receipts from statutory allocation in 1999, 2001 and 2002. When internally generated revenue is added to statutory allocation, the difference between receipts and reported expenditure will be higher as shown in table 47.

The total revenue for the year 2003 is ₦5,432,923,247.82, while the reported actual total expenditure for that year is ₦3,375,783,892.00. This means that reported actual expenditure is less than total revenue for that year. A total sum of ₦2,051,139,355.82 has not been reported.

It is important to note that in those years where actual spending is less than receipts from statutory allocation, budget surplus have never been reported. This confirms our finding in this research that some expenditure are not usually reported. The formal Institutions of financial control are therefore unable to provide the needed checks and balances expected of them.

Table 47: ***Total Internal Revenue Collection***

Year	**N**
2003	817,927,916.48
2004	1,263,202,226.66

Source: ***Plateau State Board of Internal Revenue, Jos, (2005)***

4.5.5 Financial Offences

Financial offences are offences against financial rules and regulations. These offences include: Payment without authorization - table 22 in appendix B;

Payment without vouchers - table 23 in appendix B; Absence of prepayment audit - table 24 in appendix B; Payment without supporting documents - table 25 in appendix B, and Cash and stock shortages - table 36; Unretired advances - table 36.

Payment is a critical event in the financial control cycle. It is observed that payments are sometimes made without authorization. They may also be made without the receiver signing payment vouchers and also prepayment audit may be lacking. Oral interview conducted in the course of this research reveals that established financial controls are usually being overridden by those that should protect them. Established procedures are often not followed because they will bring about "delays".

Cash and stock shortages have also been reported (table 36). Advances may also remain unretired (table 36). However, these offences can be reduced with proper supervision. Cashiers and stock keepers can be checked more frequently.

The will to commit these financial offences will also exist when it is established that the needed checks and balances are not being exercised. Offenders may not be punished because even audit queries may remain unanswered (table 35). The failure of the legislature to exercise its financial oversight function has a negative influence on State Auditors (table 15). This clearly brings the importance of the legislature's financial oversight function.

4.5.6 The Dominance of the Executive Arm of Government on Financial Control

A review of the cycle of financial accountability indicates the dominance of the Executive arm of government on public sector financial control. The Executive raises revenue, prepares and implements the budget. The Executive is also vested with the power of follow-up on issues raised by State Audit. The Executive allocates funds to the legislature and the Office of the Auditor-General. The Executive controls so much of the powers over finance that the other two formal institutions of financial control has limited involvement.

Financial matters are very important. There is an imbalance in the distribution of financial powers between the formal institutions of public sector financial control. Power corrupts. Financial powers also corrupts. To ensure equitable balance in the distribution of financial powers to the formal institutions of financial control, should the Executive shed some of its powers?

4.5.7 Measures to Promote Financial Accountability

One of the ways to promote the discharge of financial accountability, according to our respondents, is to establish the Budget Monitoring and Price Intelligence Unit otherwise known as Due Process. This unit has been established at the Federal level under the office of the President. Due Process became necessary because rules and regulations governing government contracts are usually not followed. If rules and regulations are followed and government contracts are not over-valued, there may be no need to establish Due Process. The establishment of Due Process ensures that financial rules and regulations are followed. Budgets are implemented as approved and financial corruption, taken care of. But Due Process can only work at the pleasure of chief Executives.

Our respondents also suggested that financial offenders be punished according to existing laws. Punishment would deter potential offenders. The punishment should be graduated according to the gravity of the offence. It should be able to reform and deter.

Training of new employees was suggested by our respondents as one way by which to promote financial accountability. However, training should not just be mounted for new employees alone, but it should be conducted to include all serving staff. The training should be relevant to the needs of the staff to enhance their productivity.

Treasury operations are very sensitive. Supervision is an essential component of internal control. The mechanism for supervision of treasury staff, from our research observations, appear to be non-functional. We agree with our respondents on the need for close supervision of treasury operating staff.

Our respondents also suggested that audit advise is usually ignored. The mechanism of control of public funds provide for both internal and external audit. Internal audit is a service to management. It is a tool of control. Both internal and external audit exist to provide control against misuse of resources. To achieve this aim they usually provide reports to management. To promote financial accountability, we support the views of our respondents that the reports should be carefully studied and recommendations that will achieve organizational objectives be implemented.

Financial autonomy of parliament and the need to adequately fund the Office of the Auditor-General have been addressed in the appropriate sections in this research.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

This research empirically examined the role of the formal institutions of financial control in Plateau State. The summary of the major findings of this research are as follows:

(a) The public budget is not a significant instrument of legislative control over public finance in Plateau State.

(b) The reliance of the Auditor-General on the financial statements prepared by the Executive does not significantly enhance his performance.

(c) State Audit performance is significantly dependent on the quality of Legislative financial oversight.

(d) Financial record keeping is independent of the qualification of those who maintain them.

(e) Budgetary non-compliance such as expenditure without budgetary approval, exceeding of approved budgetary limits, under funding and non-funding of approved estimates are quite common.

(f) Breaches of financial rules and regulations include expenditure without supporting documents, absence of prepayment audit, stock and cash shortages and refusal to answer audit queries. These offences occur quite frequently.

(g) The Executive arm of government dominates the financial control process in Plateau State.

(h) State Audit lacks the operational independence to carry out its functions.

(i) The legislature lacks financial autonomy to effectively deploy its weapon of financial oversight over the Executive.

(j) Because of (g), (h) and (i) above, the other formal institutions of financial control are unable to provide the needed checks and balances on financial control in Plateau State.

5.2 CONCLUSION

This research set out to empirically investigate the role of the formal Institutions of financial control on public funds in Plateau State of Nigeria. Based on the findings of this research, the following conclusions are drawn in the context of Plateau State of Nigeria. The public budget has not been a significant instrument of legislative control on public funds. The quality of financial oversight is adjudged to be poor. Financial records are hardly maintained. Accounts are not prepared for submission for audit. The Auditor-General as a result has no report to present to the Public Accounts Committee (PAC). The legislature cannot call the Executive to order because it lacks financial autonomy and may have little or no financial interest in financial accountability. The distribution of financial responsibility is skewed in favour of the Executive. The other formal institutions of financial control - the legislature and audit - do not exercise as much influence on financial matters as the Executive. The needed checks and balances on public funds are not exercised as expected. Financial accountability can only be discharged when the established checks and balances are exercised; when the excess financial powers of the Executive are reduced and when the legislature demonstrates a serious commitment to financial accountability. The Executive which is the custodian of public funds has little regard for the rules governing the efficient and effective use of such funds. The legislature that should provide the needed checks on the Executive may not be interested in discharging their Constitutional duty of financial oversight.

5.3 RECOMMENDATIONS

5.3.1 Recommendations Based on Findings in the Research

Based on our findings in the research, we wish to make the following recommendations to improve financial accountability in Plateau State:

5.3.1.1 Budget Implementation

It has been revealed in this research that the public budget is not an effective instrument of legislative control on public funds in Plateau State. However, since the Executive has not been implementing the budget as approved by the legislature we therefore recommend that the legislature should establish a standing committee specifically on budget implementation. This committee should report to the whole house the progress of budget implementation quarterly. Where it is observed that the level of implementation is not satisfactory, the Chief Executive of the State should be summoned by the legislature to provide explanation on the level of budget implementation. This recommendation has been made on the assumption that the legislature is strong and influential in line with recommendation 5.3.1.4 below.

We also recommend that the issue of budget implementation is very important to warrant Constitutional prescription. The Constitution should clearly provide that an approved budget must be implemented to at least 80% in the absence of serious decline in budgeted revenue.

It has been revealed in this research that the Executive's implementation of the budget with respect to capital projects has been called to question. Since the Executive may even introduce capital projects that may have no budgetary provision. Supplementary appropriations may be sought after the project would have been executed. We recommend that all capital projects must be included in yearly appropriation acts before they are executed. In addition, clearance should be obtained from the legislature and the Office of the Auditor-General before such capital projects should be executed. The contract for the construction of these projects should receive endorsement from these two other formal institutions of financial control. The execution of capital projects not included in budgets should constitute impeachable offence.

5.3.1.2 Compliance with Financial Rules and Regulations

Financial rules and regulations are often violated according to our research findings. We therefore recommend that the mechanism provided in the financial rules for supervision should be enforced by the internal audit department to be constituted by the recommendation of this research. Sanctions must be applied on all defaulters.

5.3.1.3 Audit Queries

It has been revealed in this research that audit queries are often ignored or improperly disposed of. We recommend that all audit queries issued should be copied to the Public Accounts Committee (PAC) and that PAC should summon the Accounting Officer of the affected ministry or department to appear before it when there is failure to respond to the audit query within the time allowed.

5.3.1.4 Financial Autonomy/Audit of the Legislature

We strongly recommend that the legislature should be funded directly from the Consolidated Revenue Fund (CRF). The quality of legislative oversight may improve when the legislature is not funded by the Executive arm of government. Since the legislature by our recommendation will control the appointment of the Auditor-General, the audit of the Legislature should be conducted by external auditors appointed by the Executive.

5.3.1.5 Strengthening the Office of the Auditor-General

The Office of the Auditor-General should be strengthened in the following ways:

(i) The Auditor-General should not be appointed by the Executive arm of government. The Constitution should be amended to invest in the Legislature the power to appoint the Auditor-General and sworn in by the Chief Justice for a single term of ten to fifteen years. The appointee must not necessarily be chosen from the Civil Service. The person to be so appointed should be a person of high integrity with the requisite qualification and experience.

(ii) Funding: The Office of the Auditor-General should be funded directly from the Consolidated Revenue Fund of the federation and the states. The Executive arm of government should cease to fund the Office of the Auditor-General.

(iii) The Auditor-General should be granted powers to recruit, promote and discipline his staff.

To provide a check on the Auditor-General, his accounts should be subjected to Audit by a firm of external auditors. The external auditor shall be appointed by the Executive.

5.3.1.6 <u>Financial Record Keeping and Financial Reporting</u>

The requirement for the preparation of financial statements specifies fifty-four financial records to be kept. This number is too large. As a result many of these records are not kept. The statements required are too many, and very difficult to understand. The financial statement is too voluminous. This adds to the delay in production. We recommend that the number of financial records be reduced drastically to only what is important. The resulting financial statement should be a document of not more than 50-70 pages. It should be concise, easy to understand and user friendly and be relevant to users.

5.3.1.7 <u>Submission of Financial Statements for Audit</u>

Section 125(5) of the Constitution of the Federal Republic of Nigeria 1999 requires the Auditor-General of a State to submit his report to the legislature within

90 days of the receipt of the Accountant-General's financial statement. However, the Constitution is silent on when the Accountant-General should submit his financial statement to the Auditor-General for Audit. We therefore recommend that the Constitution should provide that the Accountant-General should prepare and submit the State's consolidated financial statements for audit not more than six (6) months into a new fiscal year.

5.3.1.8 Audit Scope

The present scope of audit by the Auditor-General focuses on only reported expenditure. The audit scope should be expanded to cover both revenue and expenditure. When this is adopted, cases of unreported expenditure will be brought to light.

5.3.1.9 Internal Audit

Presently in Plateau State, internal audit duties are carried out by the staff of the Accountant-General. Treasury staff function both as accounting staff and internal audit staff. This is not an adequate method by which internal control in plateau State can be achieved. To enhance internal control in Plateau State, we recommend that an internal audit unit be established. The Head of Internal Audit should be answerable to the Chief Executive of the State, that is, the Governor. The Internal Audit department or unit should have its own staff.

5.3.1.10 Computerisation of Government Accounts

We have recommended in this research (see section 5.3.1.7) that the Accountant-General should be mandated to present his financial statements for audit not more than six months into a new fiscal year. To achieve this purpose, we recommend that government accounts should be computerised. Financial recording keeping will receive a boast when the accounts are computerised. Computerisation will require that staff be trained to man the new system.

5.3.1.11 Segmental Reporting

Each ministry/department should be directed to publish its own financial statement. The format should be clearly stated. To encourage compliance, we recommend that a certificate of achievement be introduced for the reporting entities. The published accounts must be ready at most four (4) months into the new fiscal year. The Accountant General will prepare the State's Consolidated Financial Statements.

5.3.1.12 Organised Civil Society

The organised civil society and the media should show greater interest in public sector financial accountability. They should educate the public on the importance of financial accountability, with a view to encouraging governments to be financially accountable.

5.3.1.13 Establishment of Due Process

It has been stated in this research that Due Process aims to eliminate non-compliance to financial rules and regulations and also over-invoicing of government contracts. We recommend the establishment of a functional Due Process Unit. We also suggest that the chief Executive of the State should take an active interest in the activities of the unit to ensure that it works.

5.3.1.14 Other Measures to Promote Financial Accountability

The research recommends that:

(a) Appropriate punishment be meted out to financial offenders according to existing laws. While the punishment should be reformatory, it should also serve as deterrent to potential offenders.

(b) The mechanism for supervision should be resuscitated and;

(c) Relevant recommendations from both internal and external audit reports should be implemented to help achieve organizational objectives.

5.3.2 Suggestions for Further Research

a) Krafchick and Wehner (2003) suggest that the organised civil society and the media play an important role in promoting financial accountability in the pubic sector. This needs to be investigated empirically.

b) There is an unsettled debate as to whether the cash basis of accounting or the accrual basis of accounting is most suited for recording financial transactions in the public sector. This research did not go beyond a review of literature in this area. Researchers, we suggest, should investigate this empirically.

c) We also reviewed relevant literature on methods of budgeting in the public sector. We suggest that an investigation is required to determine the most suitable method of budgeting for Nigeria.

5.4 CONTRIBUTION TO KNOWLEDGE

a) The existing gap in literature has been filled by this research. The research has demonstrated that there is a significant relationship among the three institutions of financial control namely; the Executive, the Legislature and the Auditor General.

b) The Government of Plateau State will find this research useful in the area of financial control and accountability because of the dearth of the research work of this kind.

c) Scholars will find this work of great value as it relates to Plateau State in particular and public sector in general in pursuing further work.

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APPENDIX A

Department of Accounting and
Management Sciences,
University of Jos, Jos.
July 2004

____
____
____

Dear Respondent,

QUESTIONNAIRE

I'm a doctoral student of the School of Postgraduate Studies of the University of Jos. I'm carrying out a research on "The Role of Financial Control Institutions in Promoting Financial Accountability on Public Funds under a Democratic Setting" in partial fulfillment of the requirements for the award of the Doctor of Philosophy (Ph.D.) degree in Management of the University of Jos.

Financial accountability implies a duty upon government ministries/departments to account for funds entrusted to them to the legislature. The Auditor General has the Constitutional responsibility to assist the legislature in making the Executive accountable.

You have been chosen as someone who is an active participant in the financial accountability arrangements in the public sector. We believe that you hold important opinions on this topic from which this research can benefit.

I know you are very busy, but I shall be very grateful if you would spare part of your busy time to complete the attached questionnaire to enable me complete the research project. All responses will be anonymous so I hope you'll be very honest in your replies. The questionnaire is designed for research purposes only and will be treated as such.

Thanks,
Yours sincerely,

S.S. Maimako.

SET "A" (For Treasury Staff – Ministry of Finance)

SECTION A: BACKGROUND INFORMATION

1. 1. Gender: Male ☐ Female ☐

2. What is your highest educational/professional qualification?

(a) ACCA/ACA/CNA ☐

(b) M.Sc./MBA ☐

(c) B.Sc./HND ☐

(d) Diploma ☐

(e) GCE/SSCE ☐

(f) Primary School Leaving Certificate ☐

(g) Others, Please specify ☐

3. List all required accounting records you maintain *(use additional sheet if necessary)*

____

____

____

____

____

____

SECTION B: BUDGETARY AND FINANCIAL INFRINGEMENT

4. How frequently do the following occur in respect of financial control in your establishment?

(a) Expenditure without budgetary provision

i) Highly frequent ☐

ii) Frequently ☐

iii) Infrequently ☐

iv) Never ☐

(b) Cases of exceeded votes
i) Highly frequent ☐
ii) Frequently ☐
iii) Infrequently ☐
iv) Never ☐

(c) Under funding of approved estimates
i) Highly frequent ☐
ii) Frequently ☐
iii) Infrequently ☐
iv) Never ☐

(d) None funding of approved estimates
i) Highly frequent ☐
ii) Frequently ☐
iii) Infrequently ☐
iv) Never ☐

(e) Payment without authorization
i) Highly frequent ☐
ii) Frequently ☐
iii) Infrequently ☐
iv) Never ☐

(f) Payment not supported by payment vouchers
i) Highly frequent ☐
ii) Frequently ☐
iii) Infrequently ☐
iv) Never ☐

(g) Absence of prepayment audit
i) Highly frequent ☐
ii) Frequently ☐
iii) Infrequently ☐
iv) Never ☐

(h) Payment without supporting documents
i) Highly frequent ☐
ii) Frequently ☐
iii) Infrequently ☐
iv) Never ☐

SECTION C: PERFORMANCE OF THE FORMAL INSTITUTIONS OF FINANCE CONTROL ON PUBLIC FUNDS

5. Rate the Executive's compliance to the rules and regulations governing the use of public funds.
(a) Very Good (76% - 100%) ☐
(b) Good (51% - 75%) ☐
(c) Average (26% - 50%) ☐
(d) Poor (1% - 25%) ☐

6. Rate the quality of State Audit work
(a) Very Good (76% - 100%) ☐
(b) Good (51% - 75%) ☐
(c) Average (26% - 50%) ☐
(d) Poor (1% - 25%) ☐

7. How would you rate the performance of the state legislature in performing its financial oversight function over the Executive?
(a) Highly Effective ☐
(b) Effective ☐
(c) Ineffective ☐
(d) Highly Ineffective ☐

8. Rate the effectiveness of the checks and balances on public funds
(a) Highly Effective ☐
(b) Effective ☐
(c) Ineffective ☐
(d) Highly Ineffective ☐

SECTION D: BUDGET IMPLEMENTATION
9. Indicate the level of the yearly budget implementation in your ministry/department
(a) 1% - 25% ☐
(b) 26% - 50% ☐
(c) 51% - 75% ☐
(d) 76% - 100% ☐

10. How is your rating in 9 above an assessment of the significance of the legislature in using the public budget to control public finance?
(a) Highly Significant ☐
(b) Significant ☐
(c) Insignificant ☐
(d) Highly Insignificant ☐

SECTION E: MEASURES TO PROMOTE FINANCIAL ACCOUNTABILITY

11. Suggest measures by which financial accountability can be improved in your ministry/department

____

____

____

____

____

____

Thank you.

SET "B" (For Audit Staff-Staff of the Auditor-General)

SECTION A: BACKGROUND INFORMATION

1. Gender: Male ☐ Female ☐

2. How long have you been working with the Office of the Auditor-General?
____

SECTION B: EMPLOYMENT STATUS

1. Which of these organs control your
   (a)Recruitment
      (i) Civil Service Commission ☐
      (ii) Parliament ☐
      (iii) State Audit ☐
      (iv) Civil Service Commission and State Audit ☐
      (v) Others, specify ______________________________
   (b) Promotion
      (i) Civil Service Commission ☐
      (ii) Parliament ☐
      (iii) State Audit ☐
      (iv) Civil Service Commission and State Audit ☐
      (v) Others, specify ______________________________
   (c) Training
      (i) Civil Service Commission ☐
      (ii) Parliament ☐
      (iii) State Audit ☐
      (iv) Civil Service Commission and State Audit ☐
      (v) Others, specify ______________________________

2. Who is responsible for funding State Audit?
   (i) The Executive arm of government ☐
   (ii) Parliament ☐
   (iii) Direct funding from the consolidated revenue fund ☐
   (iv) Others, specify ______________________________

SECTION C: FINANCIAL AND MATERIAL SUPPORT

3. How satisfied are you with the financial and material support you receive to carry out your audit work?
   (a) Highly dissatisfied ☐
   (b) Dissatisfied ☐
   (c) Satisfied ☐
   (d) Highly satisfied ☐
   (e) Not sure ☐

4. How does the support you receive from the Executive arm of government influence your performance as Auditor?
   (a) Highly effective ☐
   (b) Effective ☐
   (c) Highly ineffective ☐
   (d) Others, please specify____

5. Indicate your level of reliance on the financial statements prepared by the Executive for the purpose of performing your audit.
   (a) 1 – 25% ☐
   (b) 26 – 50% ☐
   (c) 51 – 75% ☐
   (d) 51 – 75% ☐
   (e) 76 – 100% ☐

6. How does this level of reliance in 5 above significantly enhance your audit work?
   (a) Highly Significant ☐
   (b) Significant ☐
   (c) Insignificant ☐
   (d) Highly insignificant ☐
   (e) Others, specify ____

SECTION D: INDEPENDENCE AND AUDIT PERFORMANCE

7. How do you rate the performance of the Public Accounts Committee (PAC) in controlling public funds?
   (a) Very good (76% – 100%) ☐
   (b) Good (51% - 75%) ☐
   (c) Average (26% - 50%) ☐
   (d) Poor (1% - 25%) ☐

8. How does your rating in 7 above influence your job performance?
   (a) Positive influence ☐
   (b) Negative influence ☐
   (c) No influence ☐

9. Rate State Audit level of independence in the performance of its audit work.
   (a) 76% - 100% ☐
   (b) 51% - 75% ☐
   (c) 26% - 50% ☐
   (d) 1% - 25% ☐

10. How satisfied are you with the response to audit queries by the Executive arm of government?
    - (a) Highly dissatisfied ☐
    - (b) Dissatisfied ☐
    - (c) Satisfied ☐
    - (d) Highly satisfied ☐
    - (e) Not sure ☐

11. How satisfied are you with the follow-up by the Executive arm of government on queries and observations raised by State Audit?
    - (a) Highly dissatisfied ☐
    - (b) Dissatisfied ☐
    - (c) Satisfied ☐
    - (d) Highly satisfied ☐
    - (e) Not sure ☐

12. Why are proper financial records not kept?
    - (a) Inadequate numer of qualified staff ☐
    - (b) Inadequate number of accounting staff ☐
    - (c) Carelessness on the part of accounting staff ☐
    - (d) Lack interest from accounting officers ☐
    - (e) All of the above ☐
    - (f) None of the above ☐
    - (f) Others (specify) ☐

SECTION E : MEASURES TO IMPROVE FINANCIAL ACCOUNTABILITY

13. Suggest measures by which financial accountability can be improved
    - (a) ____
    - (b) ____
    - (c) ____
    - (d) ____
    - (e) ____
    - (f) ____
    - (g) ____
    - (h) ____

Thank you.

SET "C" (For Legislators)

SECTION A: BACKGROUND INFORMATION

1. Gender: Male ☐ Female ☐

2. For how long have you been a member of parliament?
   ____

3. Highest educational qualification
   ____

4. Last position held before becoming member of parliament.
   ____

SECTION B: FINANCIAL OVERSIGHT

1. Are you aware of the Constitutional responsibility granted parliament to exercise control over public funds?
   (i) Yes ☐
   (ii) To some extent, yes ☐
   (iii) No ☐

2. Is the involvement of the legislature in the budgetary process adequate?
   (v) Yes ☐
   (vi) To some extent, yes ☐
   (vii) No ☐

3. Has the Public Accounts Committee considered any report from the Auditor-General in the last four years?
   (i) Yes ☐
   (ii) No ☐

4. If yes, how many times?
   (i) 0 ☐
   (ii) 1 ☐
   (iii) 2 ☐
   (iv) 3 ☐
   (v) 4 ☐

5. How does parliament perform under the influence of financial support from the Executive?
   (a) Highly effective ☐
   (b) Effective ☐
   (f) Ineffective ☐
   (g) Highly ineffective ☐
   (h) Others, specify ___________________________________

6. Has the Executive been implementing the budget according to legislative approval?
   (a) Yes ☐
   (b) No ☐

7. How does you rating above influence your oversight function?
   (a) Positive influence ☐
   (b) Negative influence ☐
   (d) No influence ☐

8. Does the Executive always seek parliamentary approval for supplementary expenditure before incurring the expenditure?
   (a) Yes ☐
   (b) No ☐
   (e) Not sure ☐

9. Suggest ways by which financial Accountability can be promoted
   (i) ____________________
   (ii) ____________________
   (iii) ____________________
   (iv) ____________________
   (v) ____________________
   (vi) ____________________

Thank you.

APPENDIX B1

CALCULATIONS FOR HYPOTHESIS ONE

$$\frac{4 \times 6}{119} = 0.20$$

$$\frac{4 \times 65}{119} = 2.18$$

$$\frac{4 \times 45}{119} = 1.51$$

$$\frac{4 \times 3}{119} = 0.10$$

$$\frac{42 \times 6}{119} = 2.12$$

$$\frac{42 \times 65}{119} = 22.94$$

$$\frac{42 \times 45}{119} = 15.88$$

$$\frac{42 \times 3}{119} = 1.06$$

$$\frac{61 \times 6}{119} = 3.08$$

$$\frac{61 \times 65}{119} = 33.32$$

$$\frac{61 \times 45}{119} = 1.54$$

$$\frac{12 \times 3}{119} = 0.31$$

$$\frac{12 \times 6}{119} = 0.61$$

$$\frac{12 \times 45}{119} = 4.54$$

$$\frac{12 \times 3}{119} = 0.30$$

First merging

$$\frac{46 \times 6}{119} = 2.32$$

$$\frac{46 \times 65}{119} = 25.13$$

$$\frac{46 \times 45}{119} = 1.16$$

$$\frac{73 \times 6}{119} = 3.68$$

$$\frac{73 \times 65}{119} = 39.87$$

$$\frac{73 \times 45}{119} = 27.61$$

$$\frac{73 \times 3}{119} = 1.84$$

Second Merging

$$\frac{46 \times 71}{119} = 27.45$$

$$\frac{46 \times 48}{119} = 18.55$$

$$\frac{73 \times 71}{119} = 43.55$$

$$\frac{73 \times 48}{119} = 29.45$$

APPENDIX B2

CALCULATIONS FOR HYPOTHESIS TWO

$$\frac{14 \times 2}{32} = 0.875$$

$$\frac{14 \times 17}{32} = 7.44$$

$$\frac{14 \times 7}{32} = 3.06$$

$$\frac{14 \times 6}{32} = 2.63$$

$$\frac{17 \times 2}{32} = 1.06$$

$$\frac{17 \times 17}{32} = 9.03$$

$$\frac{17 \times 7}{32} = 3.72$$

$$\frac{17 \times 6}{32} = 3.187$$

$$\frac{1 \times 2}{32} = 0.063$$

$$\frac{1 \times 17}{32} = 0.531$$

$$\frac{1 \times 7}{32} = 0.291$$

$$\frac{1 \times 6}{32} = 0.188$$

First Merging

$$\frac{14 \times 2}{32} = 0.875$$

$$\frac{14 \times 17}{32} = 7.44$$

$$\frac{14 \times 7}{32} = 3.06$$

$$\frac{14 \times 6}{32} = 2.63$$

$$\frac{18 \times 2}{32} = 1.13$$

$$\frac{18 \times 17}{32} = 9.56$$

$$\frac{18 \times 7}{32} = 3.94$$

$$\frac{18 \times 6}{32} = 3.83$$

Second Merging

$$\frac{14 \times 19}{32} = 8.31$$

$$\frac{14 \times 13}{32} = 5.69$$

$$\frac{18 \times 19}{32} = 10.69$$

$$\frac{18 \times 13}{32} = 7.31$$

APPENDIX B3

CALCULATIONS FOR HYPOTHESIS THREE

$$\frac{16 \times 4}{32} = 2$$

$$\frac{16 \times 7}{32} = 3.5$$

$$\frac{16 \times 10}{32} = 5$$

$$\frac{16 \times 11}{32} = 5.5$$

$$\frac{12 \times 4}{32} = 1.5$$

$$\frac{12 \times 7}{32} = 2.63$$

$$\frac{12 \times 10}{32} = 3.75$$

$$\frac{12 \times 11}{32} = 4.13$$

$$\frac{4 \times 4}{32} = 0.5$$

$$\frac{4 \times 7}{32} = 0.88$$

$$\frac{4 \times 10}{32} = 1.25$$

$$\frac{4 \times 11}{32} = 0.5$$

First Merging

$$\frac{16 \times 11}{32} = 5.5$$

$$\frac{16 \text{ X } 10}{32} = 5$$

$$\frac{16 \text{ X } 11}{32} = 5.5$$

$$\frac{12 \text{ X } 11}{32} = 4.13$$

$$\frac{12 \text{ X } 10}{32} = 3.75$$

$$\frac{12 \text{ X } 11}{32} = 4.125$$

$$\frac{4 \text{ X } 11}{32} = 1.38$$

$$\frac{4 \text{ X } 10}{32} = 1.25$$

$$\frac{4 \text{ X } 11}{32} = 1.38$$

Second Merging

$$\frac{16 \text{ X } 11}{32} = 5.5$$

$$\frac{16 \text{ X } 10}{32} = 5.0$$

$$\frac{16 \text{ X } 11}{32} = 5.5$$

$$\frac{16 \text{ X } 11}{32} = 5.5$$

$$\frac{16 \text{ X } 10}{32} = 5.0$$

$$\frac{16 \text{ X } 11}{32} = 5.5$$

APPENDIX B4

CALCULATIONS FOR HYPOTHESIS FOUR

$$\frac{71 \text{ X } 6}{119} = 3.58$$

$$\frac{71 \text{ X } 6}{119} = 3.58$$

$$\frac{71 \text{ X } 32}{119} = 19.09$$

$$\frac{71 \text{ X } 68}{119} = 40.57$$

$$\frac{71 \text{ X } 7}{119} = 4.18$$

$$\frac{41 \text{ X } 6}{119} = 2.07$$

$$\frac{41 \text{ X } 6}{119} = 2.07$$

$$\frac{41 \text{ X } 32}{119} = 11.03$$

$$\frac{41 \text{ X } 68}{119} = 23.43$$

$$\frac{41 \text{ X } 7}{119} = 2.71$$

$$\frac{7 \text{ X } 6}{119} = 0.35$$

$$\frac{7 \text{ X } 6}{119} = 0.35$$

$$\frac{7 \text{ X } 32}{119} = 1.88$$

$$\frac{7 \text{ X } 68}{119} = 4$$

$$\frac{7 \text{ X } 7}{119} = 0.41$$

First merging

$$\frac{71 \text{ X } 12}{119} = 7.15$$

$$\frac{71 \text{ X } 32}{119} = 19.09$$

$$\frac{71 \text{ X } 75}{119} = 44.74$$

$$\frac{41 \text{ X } 12}{119} = 4.13$$

$$\frac{41 \text{ X } 32}{119} = 11.03$$

$$\frac{41 \text{ X } 75}{119} = 25.84$$

$$\frac{7 \text{ X } 12}{119} = 1.88$$

$$\frac{7 \text{ X } 75}{119} = 4.44.$$

Second merging

$$\frac{71 \text{ X } 12}{119} = 7.16$$

$$\frac{71 \text{ X } 32}{119} = 19.09$$

$$\frac{71 \text{ X } 75}{119} = 44.75$$

$$\frac{48 \text{ X } 12}{119} = 4.84$$

$$\underline{48 \text{ X } 32} = 12.91$$

119

$$\frac{48 \times 75}{119} = 30.25$$

Third merging

$$\frac{71 \times 44}{119} = 26.25$$

$$\frac{71 \times 75}{119} = 44.75$$

$$\frac{48 \times 44}{119} = 17.75$$

$$\frac{48 \times 75}{119} = 30.25$$

APPENDIX B5

TABLES FOR OTHER ANALYSES

Table 22: ***Payment without Authorisation***

Payment without Authorisation	Frequency	%
Highly frequent	10	09
Frequent	41	34
Infrequent	38	32
Never	30	25
Total	**119**	**100**

Source: ***Field Survey, (2004)***

Table 23: ***Payment without Vouchers***

Payment not supported by payment Vouchers	**Frequency**	**%**
Highly frequent	10	8.40
Frequent	58	48.74
Infrequent	32	26.89
Never	19	15.97
Total	**119**	**100**

Source: ***Field Survey, (2004)***

APPENDIX B7

Table 24: ***Absence of Prepayment Audit***

Absence of Prepayment Audit	**Frequency**	**%**
Highly frequent	15	12.61
Frequent	59	49.58
Infrequent	23	19.32
Never	22	18.49
Total	**119**	**100**

Source: ***Field Survey, (2004)***

APPENDIX B8

Table 25: ***Payment without Supporting Documentation***

Payment without supporting documents	**Frequency**	**%**
Highly frequent	13	10.92
Frequent	46	38.66
Infrequent	31	26.05
Never	29	24.37
Total	**119**	**100**

Source: ***Field Survey, (2004)***

APPENDIX B9

Table 26: ***Expenditure not included in approved Estimate***

Expenditure without budgetary provision	**Frequency**	**%**
Highly frequent	14	11.76
Frequent	56	47.06
Infrequent	40	33.62
Never	9	7,56
Total	**119**	**100**

Source: ***Field Survey, (2004)***

APPENDIX B10

Table 27: ***Exceeding Approved Budget Limit***

Cases of exceeded votes	**Frequency**	**%**
Highly frequent	16	13.45
Frequent	69	57.98
Infrequent	23	19.33
Never	11	9.24
Total	**119**	**100**

Source: ***Field Survey, (2004)***

APPENDIX B11

Table 28: ***Under-funding of Approved Budget***

Under funding of approved estimates	**Frequency**	**%**
Highly frequent	29	24.37
Frequent	61	51.26
Infrequent	20	16.81
Never	9	7.56
Total	**119**	**100**

Source: ***Field Survey, (2004)***

APPENDIX B12

Table 29: ***None funding of Approved Estimates***

None funding of approved estimates	**Frequency**	**%**
Highly frequent	19	15.97
Frequent	47	39.50
Infrequent	37	31.09
Never	16	13.44
Total	**119**	**100**

Source: ***Field Survey, (2004)***

APPENDIX B13

Table 34: ***List of Accounts to be Maintained***

Ministries, Boards and Parastatals are required to maintain the following records in Plateau State:

1. Summary cash book
2. Treasury cash book
3. Cheque summary register
4. Dishonoured cheques register
5. Proper money register for cheques received but yet to clear
6. Imprest cash, Register and Ledger
7. Revenue collector's cash book
8. Return of revenue
9. General ledger account (Treasury)
10. Transcript
11. Deposit register
12. Project register
13. Contract register
14. Return of remittances/cash transfers
15. Remittance ledger/register
16. Unclaimed wages register
17. Bank Reconciliation Statements
18. Register of bank advices
19. Cash float register
20. Bank statements
21. Cheque Delivery Register
22. Cheque Stubs
23. Outstanding Payment Voucher Register
24. AIE/Warrants Register
25. Payment Voucher Register
26. Departmental Vote Expenditure Book
27. Bills/Invoices/LPO Register
28. Adjustment Voucher Register
29. PV and Payroll Number Register
30. Advances Register/Ledgers
31. Motor Vehicle Comprehensive Insurance Register
32. Analysis Abstracts Register
33. Receipts Register
34. Payment Register
35. Capital Expenditure Register
36. Recurrent Expenditure Register
37. Plant and Vehicle Register
38. Register of On-payment Deductions
39. Payroll
40. Payroll Control Register

41. On-Payment Withdrawal Vouchers for Deductions on Payroll for Tax, Union Dues etc.
42. Federation Allocation
43. Register of Deductions at Source
44. Register of Loans (Both Internal and External)
45. Register of Guarantees by the Government on behalf of Local Governments and Parastatals
46. Register of Loans Granted but which draw down is yet to commence
47. Register of Funded, Unfounded and Floating Loans
48. Register of Arrears of Revenue
49. Consolidated Revenue Fund
50. Development Fund
51. Contingency Fund
52. Treasury Clearance Fund for Non-Personal Advances
53. Report on Loss of Funds or Stores Source

Source: ***Plateau State Ministry of Finance, (2004)***

The list consists of cash books of various types, registers, ledgers and fund statements