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DUE PROCESS AND ACCOUNTABILITY IN PUBLIC FINANCIAL MANAGEMENT: INSIGHTS FROM NIGERIA

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Abstract: The public sector in Nigeria is in most quarters seen to connote inefficiency, fraudulence and public officers are seen to neglect laid down procedures in the day-to-day discharge of government business. Budget estimates were not too different from mere paper work as the contents were never religiously implemented. This scenario painted a picture of outright mismanagement of government resources by civil servants and public office holders. It is expected that the public sector should be prudent in the management of the economic resources of the nation. The researched adopted a literature review approach in the study. The paper sees Due Process Mechanism as the harbinger of economic management and empowerment which will constitute the threshold to propel the actualization of the tripartite cardinal agenda or mission statement of the National Economic Empowerment and Development Strategy (NEEDS) of wealth creation, job creation and poverty reduction. The paper recommends that due process should remain as part of government mechanism against corruption and that the agency should remain in the Presidency.

Keywords: Due process, NEEDS, wealth creation.

1.0 Introduction

There are over a hundred internal and external sources of revenue to every local government in Nigeria. The external and internal sources of revenue combined to constitute the major and miscellaneous items aggregated to provide the required fund to finance the enormous functions ascribed to each council. The overriding factor in a council's financial management is the operation of financial service in a competitive and cost-effective manner. The guiding principle of financial management are efficiency or economy, effectiveness and equity. Efficiency stresses the need for achieving maximum results at the least cost, while effectiveness ensures relevance of expenditure and equity focuses on justice and fair play.

The application of the above principles in the management of local government revenue is seen in most quarters as ineffective and inefficient. The various actors in local government administration including the council Chairmen, Councilors, Secretary to the Local Government Area, Head of Personnel Management (H.P.M.), the Treasurer, Internal Auditor, Auditor-General for Local Government etc. are entangled either in political quagmire or financial impropriety coupled with corrupt tendencies within the leadership and the rank and file. The factors do not augur well for an efficient and effective management of the Local Government System.

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A budget, as a tool for financial management sets out the objectives of any local government administration at the beginning of the year. The budget affirms the prudent use of limited resources, cost efficiency in executing capital projects avoidance of wasteful spending and improvement of revenue generation. A local government budget is expected to focus on its mandatory and current functions backed up with further guidelines from the upper tiers of government. To achieve optimum efficiency, a budget is expected to be operated within certain limits, but this is hardly obtainable in practice.

Another factor element in the financial management of local government is the internal auditor. It falls under his brief to review, evaluate and report on the adequacy or otherwise of controls installed and operated and the extent to which the controls ensures propriety, security, completeness and accuracy of operations of the establishment. A sound internal audit department provides a tool for monitoring operational effectiveness of policies, which the council introduces, continuously and renders a factual objective, evaluation of operational efficiencies of an establishment as a whole. The internal auditor's functions are corroborated by those of the external auditor. They raise pre and post-audit queries as control mechanism in local government financial administration. Queries serve as important mechanism of financial control as well as valuable means of detecting and preventing errors, frauds etc. Despite the existence of these measures, local government financial management is everything but efficient and effective.

1.1 Problem Statement

That local government funds, whether internally or externally generated, are mismanaged cannot be overemphasized. According to Okaro (2004), the problems of governance in Nigeria range from contract inflation, sub-optimal returns on capital expenditure, overload of recurrent expenditure, capital flight, tension and insecurity as the gap between the poor and the rich widens. The legislative arm of government is acclaimed to be of the view that the due process mechanism is a "clog in the wheel of progress, especially in the release of funds for execution of projects". This paper will tackle this and other issues.

1.2 Objectives of the Study

The paper aims at identifying the problems militating, against effective revenue generation and management of funds in the local government system and possible solutions to the problems. It will identify measures to enthrone accountability in the delivery of services in ideal government as well as advance measures for the effective management of the fund so as to ensure the promotion of economic stabilization. The paper will establish the need or otherwise for establishing Due Process Office in every stratum of government including the local governments.

1.3 Scope of Study

The paper x-rayed the problem of local government administration as far back as possible with emphasis on the period spanning 1999 to 2005. Because it will be difficult to visit all the local government councils in Nigeria, the study concentrated on three Local Government Areas in Abia; Aba North, Aba South and Osisioma from which conclusions were drawn.

2.0 Conceptual Framework and Literature Review 2.1 The Nature of Financial Management

Financial Management is that managerial activity that is concerned with the planning and controlling of the firm's financial resources (Pandey, 2003). In affirming this, Akinsulire, (2002) wrote that:

financial management connotes responsibility for obtaining and effectively

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utilizing the funds necessary for the efficient operation of an enterprise: The finance function centres around the management of funds, raising and using them effectively. It therefore covers all functions concerned in attempting to ensure that: financial; resources are obtained and used in the most effective way to secure attainment of the objectives of the organization.

Financial management involves the use of accounting knowledge, economic models mathematical rules, systems analysis and behavioral science for the specific purpose of assisting management in its functions, of financial planning and control. It is worthy to mention here that the scope of financial management has changed over the years owing largely to the fact that emphasis of financial managers has shifted from the episodic financing to the managerial, financial problem, from raising of funds to efficient and effective use of funds. Nigerian governments at the various strata are yet to breast up with the emerging trends.

2.2 The Concept of Due Process

Due process means normal process, logical approach, official approach and/or optimum ways of doing something (Nwankwo, 2004). It aims at, cutting down or eliminating frivolous expenditure and has provided for increased efficiency and effectiveness in the procurement activities of the government. Okaro (2004), is of the opinion that the indifference of the operators of public sector administration is one factor that has obviously militated against prudent financial management. He further opines that apart from the issue of endemic corruption, other fact impinges on the ability of the operators to implement an efficient financial management. They include poor remuneration of office holders and misplacement, of the value system. Certainly, this is prevalent with local government financial activities whether capital or recurrent in nature. No wonder that Ude (2005) pointed out that it would have been impossible for any Nigerian government to initiate a series of reforms programmes without tackling the question of public procurement reforms.

The Due Process mechanism is therefore the child of the anti-corruption crusade and the much talked about National Economic Empowerment and Development Strategy (NEEDS)' of the Federal Republic of Nigeria. As a strategy to stem corruption and encourage development, the Federal Government of Nigeria set up the Budget Monitoring and Price Intelligence Unit (otherwise known as the Due Process Office) and appointed Dr. (Mrs) ObyEzekwesili, as the pioneer helmsman. The Unit commenced a process of contract review, oversight, and certification commonly referred to as the "Due Process Mechanism".

The Due Process Mechanism certifies public funding for only those projects that have passed the test of proper project implementation packaging of the Unit. This is to be backed by the proposed Public Procurements Reforms Bills to be implemented by the Federal Government.

2.3 Is Due Process Necessary?

The necessity for the Due Process Mechanism, apart from it being in consonance with global trends in public procurements reforms, can be derived from the picture painted by the Auditor- General of the Federation's report or queries for the 2001 fiscal year which revealed a canker of disturbing public sector practices as listed hereunder:

- non-compliance with record keeping rules,
- over invoicing,
- non retirement of cash advances,
- lack of audit inspection,
- payment for jobs not done,
- double debiting,,

- contract inflation,
- lack of receipts to back up purchases, □ **flagrant violation of financial regulation and**
- **release of money without approval.**

- transforming Local Government Areas into a prosperous and self-sustaining economy and thereby improving the living standards of the people,
- fighting penury and poverty from all angles,
- enthrone improvements in the welfare and quality of life of the citizenry,
- engendering grassroots and integrated rural development and concentrating resources on the provision of basic infrastructure and the amenities across the nation and thereby increasing the tempo of infrastructural development in the nation,
- promoting staff morale and motivation and strengthening the rule of law and
- Bringing about overall benefit accruing from democratic culture posting positive democratic dividends to the citizenry who will now have greater belief and trust in the government.

3.0 Methodology

Hypothesis One

Hypothesis Two

Hypothesis Three

The population of the study consisted of all the senior staff of three local Government Councils in Abia State namely Aba North, Aba South and Osisioma, which when put together is 340. The researcher distributed 150 questionnaires to the staff who were selected randomly. The major instrument used for the study was the likert scale formula where strongly Agreed (SA) 4 points, Agreed (A) 3 points, Disagreed (D) 2 points, and Strongly Disagreed (SD) 1 point. The researcher used some of his students to reach the respondents and the questionnaires were retrieved within the same week. The statistical method applied for the analysis of data was the student's t-test distribution statistical method at 0.05 alpha level. The reliability was determined after a pilot study of test and retest at 0.78 coefficient of reliability. The "student" t-distribution formula is given as;

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$$\text{i.e } t = \frac{X - N}{S/\sqrt{N}}$$

Where t = t-distribution (t sampling distribution)

- X = sample mean
- S = sample standard deviation
- N = Mean of normal population
- N = sample size
- ∞ = Alpha
- 6 = Population mean

3.1 Results

Table one shows the result the test of Hypothesis one.

Table one

Responses	Mean	Standard Deviation	Degree of Freedom	Calculated T-value	Critical T-value	Alpha Level
Agreed	19.40	46.74	98	3.2	1.96	0.05
Disagreed	21.42	48.72				

Since the calculated t-value (3.2) is greater than the critical t-value (1.96), the null hypothesis was rejected and its alternative retained. This implies that there is a significant relationship between the application of due process mechanism and the nation's economic development.

Table Two

Responses	Mean	Standard Deviation	Degree of Freedom	Calculated T-value	Critical T-value	Alpha Level
Agreed	17.41	42.74	98	4.1	1.96	0.05
Disagreed	23.41	52.72				

Since the calculated t-value (4.1) is greater than the critical t-value (1.96), we rejected the null hypothesis and accepted the alternative hypothesis. This implies that there is a significant relationship between due process mechanism and corruption index.

Table Three

Responses	Mean	Standard Deviation	Degree of Freedom	Calculated T-value	Critical T-value	Alpha Level
Agreed	18.42	44.70	98	3.6	1.96	0.05
Disagreed	22.40	50.76				

Since; the calculated t-value (3:6) is greater than the critical t-value, the null hypothesis was rejected while the alternative was accepted. This implies that there is a significant relationship between the application of due process mechanism in governance and audit opinions/report.

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4.0 Discussion of Results

The results of Hypothesis one reveal that due process mechanism enhances economic development. This is in line with the view of Ojaide (2004), that basic elements of economic activity and economic analysis provide insight into the causes of poverty and development. His opinion is that poverty emanates from low labour force, little capital for labour to work with, low levels of technology, inefficiencies in the use of resources and excessive rate of population growth.

The importance of budgeting in economic development is aptly captured when Osiyemi (2005) stated that the critical aspect of any budgeting process is the issue of monitoring of the implementation of the budget which did not enjoy its due in the past giving rise to many abandoned projects adorning most states of Nigeria. The Budget Monitoring and Price Intelligence Unit (Due Process Office) has ensured not only the savings of huge public sector funds but also ensuring that the nation continues to derive value for money.

It is revealed in hypothesis two that Due Process Mechanism has an inverse relationship with corruption index. With this yardstick, we can expect the achievements of the mechanism to further corroborate the goals articulated by the National Economic Empowerment and Development Strategy (NEEDS) which are job creation, poverty reduction and wealth creation. The new budgeting system embedded in Due Process Mechanism, will, according to Augusto (2005), among other things, ensure fiscal responsibility transparency, accountability and cost effectiveness in government spending. These will in turn reduce, if not eliminate, corruption in our socio-economic endeavors, thereby allowing for a better management of financial resources of the government.

The above listed laudable landmarks will improve our global rating in corruption index from the unenviable position of the second most corrupt nation in the world to a more comfortable ranking which will extend confidence to international investors to bring their capital to Nigeria for the much desired investment undertakings.

The third hypothesis established a relationship between due process, audit reports and opinions. The auditor, whether internal or external, raises audit queries which are observations raised by the auditor about missing links in a particular transaction (Hassan, 2007). He further asserts that queries serve as important mechanism of financial control, as well as valuable means of detecting and preventing errors, fraud etc. Audit queries are raised when offences are committed in the delivery of government business by officers in the following circumstances:

1. Irregularities resulting in losses to the government due to either fraudulent activities of the functionaries or their negligence or incompetence,
2. Irregularities not directly or immediately resulting in losses to government but which infringe upon budgetary and proper financial management,
3. Irregularities arising through poor or inefficient management and accounting which may lead to losses by the government.

If audit queries are given prominence and prompt attention, the resultant deterring effect against fraud and error will in turn encourage Due Process Mechanism, reduce corruption and increase economic development.

5.0 Conclusions and Recommendations

Due process mechanism is a panacea to financial management, mechanism for reducing government wasteful spending which result from over-invoicing and other corrupt practices of Government Officials. It is designed as an experiment on probity where it has scored major cost saving points. Going by the report of the Budget Monitoring and Price Intelligence Unit, due process mechanism aided the Federal Government to recover

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whooping sum of N102billion in 2004 budget, a figure that would have been lost from public treasury (Ude, 2005).

We have observed in the course of the study that due process aims to cut down on frivolous expenditure and has provided for increased efficiency and flexibility in the procurement activities of the government. Rather than constituting a deterring factor in budgetary expediency, due process when properly observed and devoid of legislative encumbrances will protect the economy against corruption, fraud and unnecessary spending. It will enthrone appropriate public access to corporate governance and practices.

Based on our findings, we posit the following recommendations:

1. Due process office should remain as part of the Presidency so as to ensure optimization of the benefits of the Unit. Otherwise, its achievements will be extinguished and its powers diluted as was the case with other government agencies in the past.

2. The Unit in charge of due process should not be centred only at the Federal level but its activities should be decentralized to all nooks and crannies of government including local and state.

The Due Process Offices should be fortified with core accounting professionals who possess proven understanding of the intricacies of financial management mechanism for optimal actualization of its envisaged benefits.

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