

## **PUBLIC SECTOR ACCOUNTING SYSTEMS AND FINANCIAL ACCOUNTABILITY: CHANGING THE PUBLIC GOVERNANCE LANDSCAPE IN NIGERIA**

**Udo, Ekubiat John, PhD, FCA**

Department of Accountancy, School of Business and Management Studies  
Akwa Ibom State Polytechnic, Ikot Osurua, Ikot Ekpene, Nigeria  
ekujohnn79@gmail.com; ekubiat.udo@akwaibompoly.edu.ng

**&**

**Udokang, Imaobong Augustine**

Department of Accountancy, School of Business and Management Studies  
Akwa Ibom State Polytechnic, Ikot Osurua, Ikot Ekpene, Nigeria  
imapet84@gmail.com

### **ABSTRACT**

This is an exploratory survey study that deployed a qualitative approach to examine Public Sector Accounting Systems and Financial Accountability in Changing the Public Governance Landscape in Nigeria. The study was conducted out of the failure in public values and frauds in public financial management systems in Nigeria leading to poor financial accountability and high corruption among public office holders over the years and to proffer best public sector accounting systems to solve this cancer eating deep to the Nigerian public financial system. Specifically, to examine the implications of public sector accounting systems - vote accounting, commitment accounting and fund accounting compared to the unfitted accounting systems - budgeting accounting and accrual based accounting toward good public governance in Nigeria. The data were obtained specifically by reviewing of literature in an armchair research method and the exploratory approach. Contextual analysis method was used to analyse the data through adequate exegesis of the gathered secondary information in arriving at conclusion. Findings indicated that vote accounting, commitment accounting and fund accounting affect public sector financial accountability and yield good public governance, and that financial regulations if properly implemented will act as public governance act for the Nigerian Public Sector. It was concluded in the study that the application of Public Sector Accounting Systems - vote accounting, commitment accounting and fund accounting is key to Public Financial Accountability for Changing Public Governance Landscape in Nigeria. Recommendations were made to include full implementation of the public sector accounting techniques – vote accounting, commitment accounting and fund accounting in the Nigeria public sector. The budgeting accounting in practice should be modified to conform with the needs of the Nigerian context while accrual based accounting should be strictly in line with IPSASs.

**Keywords:** Public Sector Accounting Systems, Financial Accountability, Public Governance Landscape, Nigeria

### **1.0 INTRODUCTION**

The political, economic, social, technological, environmental, legal and religious (PESTELR) crises experience in Nigeria since democratic government, without doubt made it very clear that there been a breakdown in the governance of Nigeria. It has been reported that, from 1996 to 2023, Nigeria's indices have been growing badly and the country tagged with the worst indicators such as poverty capital of the world, corrupt nation, high migrants along Saharan Desert, insurgent and banditry nation, high cost of living/business operation, high inflation, high unemployment rate, high foreign exchange rate, epileptic power supply, income/wealth inequality, high of cost of business operation, violation of rule of law, abuses and poor management of public monies of among others (Sahara Report, 2019; Udo & Chukwuekezie, 2023). It seems that those in public governance have used their government to enrich themselves while the populaces are suffering despite the abundant resources in Nigeria. Everything has become politicking for political offices rather than governance. Osinbajo (2017) affirmed that Nigeria is badly disfigured by bad governance, and that bad governance has made youth growth to a misled and feeling that there is total absence of ideology and faith in the future of Nigeria. It is no longer news in Nigeria that, many people celebrate unaccountability, bad leadership and governance, political corruption, abuse of rule of law, nepotism, absolute power and dictatorship among others, provided they too benefited from it or are from the region (Udo & Chukwuekezie, 2023).

United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) (2021) described good public governance as the process of measuring how public institutions and authorities conduct public affairs and manage public resources as well as guarantee the realization of human rights in a manner essentially free of abuse and corruption and with due regard for the rule of law. In the democratic governance, the concept of good governance emerges as a model to compare ineffective economies or political bodies with viable economies and political bodies (International Monetary Fund, IMF, 2020). Good governance centers on the responsibility of governments and governing bodies at all levels to meet the needs of the masses as opposed to select groups in society. Countries often described as "most successful" are liberal-democratic states and concentrated in Europe and the America often opined as maintaining good governance standards against other states and institutions (IMF, 2020). These developed countries often focus on ensuring good governance, setting up institutions that conform to the nation's agenda, meeting the needs of the governed as well as sustaining development and growth.

Good system of public governance always results in the more efficient and effective use of public finances for attaining policy objectives while flawed governance opens up opportunities for corruptions, errors, abuses and a waste of public money, embezzlement and other financial crimes. Public governance consists of the arrangements put in place to ensure that the intended outcomes for all stakeholders are defined and achieved. It includes systems, institutions and processes that help all stakeholders participate in debates about policy objectives, that enable policy-makers to make decisions on which policies should be pursued, and that offer stakeholders the possibility to monitor and appraise the implementation of public policies (Ang, 2020). The Chartered Institute of Public Finance and Accountancy (CIPFA) and the International Federation of Accountants (IFA) in 2021 provided an answer in their International Framework for Good Governance in the Public Sector. The framework indicates that good governance consists of the following:

- i. Ensuring openness and comprehensive stakeholder engagement;
- ii. Defining outcomes in terms of sustainable economic, social and environmental benefits;
- iii. Determining the interventions necessary to optimize the achievement of the intended; outcomes;
- iv. The entity's capacity, including the capability of its leadership and the individuals within it;
- v. Managing risks and performance through robust internal control and strong public financial management; and
- vi. Implementing good practices in transparency, reporting and audit, to deliver effective accountability. Good public governance is key for a successful performance of the public sector.

Bulama et al. (2023) described the public sector as an organization that is responsible for managing the resources of a nation on behalf of the people who are the owners of these resources as well as being accountable to them. However, much is desired of the activities of the public sector in terms of financial accountability especially in the Nigerian context. Financial accountability is the obligation on the part of those charged with financial responsibility in the public sector to render account for the responsibility conferred (Makina & Mago, 2015). It is a pity to Nigerians that those in government - past and present have failed to live up to their responsibilities. This has ultimately impacted on the country's ranking in terms of corruption - 146 in 2019 to 149 in 2020, 154 in 2021, 151 in 2022 and 145 out of 180 countries according to the 2023 Corruption Perceptions Index (Transparency International, 2024; Nigerian Trading Economics, 2024). Corruption has become a religion where people now believe that is the only way to be rich and famed in Nigeria, and as such, politicians vying for continuous power at all costs. Nwoke et al. (2023) argued on the need for Nigerian government officials to show accountability in order to address the ills and eliminate corruption and promote transparency in government. To say it all, financial accountability is key component of good public governance landscape.

Financial accountability is synonymous with civil responsibility. Cheruiyot et al. (2017) defined financial accountability as the duty to account for actions (financial and non-financial) or reckoning those actions for which one is held responsible. It is the obligation to render an account for a responsibility conferred on those in corridors of power. This presumes the existence of at least two parties: one who allocates responsibilities and one who accepts the obligation to demonstrate that work has been conducted in accordance with agreed rules and standards with the officer reporting fairly and accurately on performance results vis-à-vis mandated roles and or/plans (Bulama et al., 2023). It means doing things transparently in line with due process and the provisions of financial regulations. Financial accountability is defined as an embodiment of the obligation to account for the success or failure of the organization's mission in achieving the objectives and objectives that have been determined through a media accountability carried out periodically (Muttaqin & Mulyasari, 2018). Public financial accountability is defined as the process of recording, disseminating, summarising, assessing, and interpreting financial accounts in aggregate and details for public consumption (Ogiriki & Buseri, 2022).

Public accountability is essential for the efficient use of public finances and relies on a good system of public governance. It ensures good governance across institutions and processes. When public officers have an obligation to explain and justify their conduct towards other public authorities, or taxpayers and citizens, they are exposed to the judgment and, possibly, the sanctions that can be imposed for any wrongdoing. In order for the accountability mechanism to work, however, certain conditions must be met, including transparent access to information, reliable accounting systems and an independent media and judiciary. For many countries, seeking improvements in their accountability and public governance systems is an ongoing process. One such case is Ethiopia, which embarked on a series of reforms of the civil service and public financial management systems in the mid-1990s, with great success. Running alongside a programme of decentralisation of public functions, the reforms resulted in the creation of a modern macroeconomic and fiscal framework that introduced many innovative components (The School of Oriented and African Studies SOAS University of London, 2020). These reforms may be linked to public sector accounting.

Public sector accounting is the system of accounting that involves recording and maintenance of books of accounts by the government authorities on their financial performance (Abhishek & Divyashree, 2020). The public sector accounting systems is a set of systems and subsystems that track the financial activities of government and its agencies for the betterment of the economy. There is no doubt that public sector financial accountability in Nigeria is a scam. This is because there is no relationship between politicians' performance and citizens as well as to that between politicians and public managers, after all, there is no public governance codes nor legal commitment or penalty for poor performance other than the mere oaths of office and the pledge on the outdated Federal Constitution. Today, political class get richer and become heartless even at the suffocating conditions and hardship experience by Nigerians. An Emiratis once said, the difference between United Arab Emirate and Nigeria is leadership and public accountability. Public accountants thought that with the implementation of International Public Sector Accounting Standards (IPSASs), there will be proper accountability in the public sector, but this has not been witnessed in Nigeria due to flaws in the entire system. Therefore, the study is sought to explore the following: what are the public sector accounting systems/techniques for financial accountability? Why? and how would the public sector accounting systems aid public financial accountability for a change public governance landscape in Nigeria?

## **2.0 CONCEPTS AND THEORITICAL CONSIDERATIONS**

Bracci et al. (2019) analysed the role and impact of accounting within the fragmented field of public value theory literature. The study found that the lack of empirical research and the limited number of papers on accounting for the creation of public value means that accounting scholars need to address theoretical stagnation to achieve a deeper understanding of how to govern the public value creation process. concludes that, the Nigerian state and its actors have been major impediments to the deepening of the public sector management. Nevertheless, public sector accounting techniques (vote accounting, commitment accounting, fund accounting and accrual accounting) have being presumed in developed countries to offer solutions to the problems of public officers' unaccountability and produce new public management (NPM) as well as New Public Governance (NPG) in recent reform packages, showing the role of governance and accountability therein. The absence of accountability culture and strong government agencies to enforce laws and rules has significantly influenced poor public sector performance. According to Nhyira Premium University (2021), public sector accounting systems are financial accounting techniques and managerial approach for the processing of financial statements for quality accountability, public governance and values.

### **VOTE ACCOUNTING AND PUBLIC FINANCIAL ACCOUNTABILITY**

Vote Accounting is concerned with the receipt, custody, disbursement, and transfer of public and trust monies as required by law. It is a form of accounting system for the public sector in which the financial records are based on budgetary estimates approved by National/State Assembly or the Council. The vote or appropriation accounting system presents a report based on appropriation where funds are voted or appropriated by the legislature for various organisations. Under this system, records are kept for receipts and payments in accordance with the vote or appropriations approved by National/State Assembly. Where a reporting entity spends less than has been voted for in the budget year, the balance is surrendered (that is, paid back to chest). It is generally unlawful for the reporting entity to spend more than the amount appropriated unless there is an approved supplementary appropriation. But if the entity spends more than has been voted for in the budget, the estimate for the next period is generally reduced by the amount. However, if an expense item with a given line estimate is underspent; surplus can be transferred to supplement an overspent item within the same line estimate. The process of transferring funds within a line item is termed virement. Some features of vote accounting include the following;

- i. Receipts and payments are kept based on the amount appropriated by the legislature. All payments are often expensed in the same period. No systematic accounting principles are maintained for assets.
- ii. As a result of the above, depreciation is not generally applicable in vote accounting system.
- iii. Accounts are kept in receipts and payments format.

An appropriation bill covers the combined estimate of the spending organisations. This bill is passed into Appropriation Act after all the estimate has been examined and debated upon by the legislature. The functions of an appropriation act are to;

- i. Authorized the estimate of the organisations;
- ii. Give approval to the ambit of the vote;
- iii. Become a reference point for resolving any misunderstandings and disagreements.
- iv. Denote by implication ultra-vires acts of any organisation.

The National Assembly examination and debate of the estimates take some time before the final approval and subsequent passing of the Appropriation Acts to enable organisations to finance through government funds to get finances for their activities for any budget year. To ensure that the business of Government does not grind to a halt, appropriation in advance is often approved by the legislature pending the passing of the Appropriation Act, where it is clear that the Appropriation Act cannot be passed before the beginning of the following year.

#### **Reasons for Vote Accounting Operating System**

- i. For effective monitoring of government expenditure.
- ii. To depict uncommitted balance at a glance.
- iii. To depict government creditors.
- iv. To ensure that funds are available in the appropriate head and sub-head to meet payment of a specific voucher.
- v. To ensure that there is no extra-budgetary spending.

#### **COMMITMENT ACCOUNTING AND PUBLIC FINANCIAL ACCOUNTABILITY**

This is the accounting technique that recognise and report expenses once an expenditure decision is made. In other words, as soon as a decision is made for the acquisition of a service or an item, cash is set aside to meet such cost and such committed expense is included in the reports. As soon as a commitment is made or an obligation is established or entered, relevant entries are made in the books of accounts. Financial transactions are therefore recorded as soon as commitments are made. As a result, a transaction is not recognised upon the movement of cash but rather once the policy decision is made for the acquisition of the service.

A practical situation is when orders are made for some acquisitions. Once the purchase order is made, entries are expected to be made to reserve funds for the items. Though no legal obligation has arisen at this stage, hence no liability, an encumbrance entry is made, reserving the necessary amount of money to settle the order when delivery is made. When the order is met, the encumbrance entries are reserved and actual double entries made for the receipt of the goods or services, with payment made immediately or later subject to raising the necessary documentation. A significant feature, which is an advantage, is that it enables budgetary control and efficient treasury management. With this technique, uncommitted budget funds are clearly highlighted, enabling budget managers or vote controllers to plan other commitments and disbursements effectively. A major problem with this technique, is that, it can often encourage end-of-year rash spending as uncommitted resources are often expected to lapse. Rush orders for inappropriate services can be made for the purpose of committing unused cash balances just to make sure that funds are used. This can be resolved using fund accounting technique.

#### **There are many benefits to the use of Commitment Accounting in government including:**

- i. Ensuring sufficient funds are available to meet contractual needs.
- ii. Guaranteeing that budgets will not be overspent.
- iii. Helping in planning for future costs.
- iv. Assisting in determining flexibility in adjusting budget transfers.
- v. Predicting budget variances to speed up or slow down spending to meet government objectives.
- vi. Balancing the budget cycle with the General Ledger to ensure information integrity.

Commitment accounting requires many steps prior to affecting the General Ledger. Government financial management systems must track the status of all of these steps to ensure that the budget will not be overspent. The available budget

for spending is often referred to as the “free balance” where: **Free Balance = Budget – (Commitments + Obligations + Actuals)**

The status of budgets, commitments and obligations provide government decision-makers with trend information that can predict budget variances.

### **FUND ACCOUNTING SYSTEM AND PUBLIC FINANCIAL ACCOUNTABILITY**

Fund accounting is the approach or technique of accounting that reports in terms of funds rather than organisation. In this sense, a fund is a reporting entity and the financial reports generated are in respect of the fund. A fund is defined as a self-balancing unit in respect of which separate reports are generated. Also, a fund is an independent accounting entity and must be accounted for using a separately identified set of accounts in such a way that it is possible to identify the specific assets and liabilities that represent the balance on the fund. That is, separate books are kept for each fund, separate bank accounts are maintained, and separate financial statements are generated. Fund accounting promotes accountability and fund management and never profitability due to involvement of funds. For instance, in Ghana, generally, funds are not comingled. The 1992 constitution of Ghana create the consolidated fund, the contingency fund, and authorises Parliament to have the liberty to create other funds through acts of Parliament or legislative instruments. Parliament has created a number of funds: the Ghana Education Trust fund (GET Fund), The District Assemblies Common Fund (DAC Fund), Road Fund, Petroleum Holding Fund, Heritage Fund, Stabilization Fund, Ghana Infrastructure Investment Fund (GIIF), Sinking Fund, The National Health Insurance Scheme Levy among others on the needs arises and monitor to ensure implementation.

#### **Types of Fund Accounting**

**Restricted Funds:** Restricted funds come with restrictions from donors and nonprofits have to utilize these funds for specific projects only. Furthermore, the experts keep transparency while keeping the records.

**Unrestricted Funds:** Unrestricted funds are opposite restricted funds, as these funds come with no dictation and management is free to use them as per their feasibility. Nonprofit organizations don't have to seek permission from the donor regarding the use of funds.

**Endowment Funds:** Endowment funds have specific purposes. Usually, these types of funds are specifically allotted for charitable purposes and given to hospitals, schools, universities, and churches.

**Non-current Asset Funds:** Non-current asset funds are ideal for maintaining financial resources such as machinery, transport, buildings, land, and equipment. Interestingly, these funds can be used to repair the cost of non-current assets.

**Specialized Funds:** Specialized funds are flexible and can be used for multiple purposes. Therefore, nonprofit organizations use them to maintain all types of assets.

#### **Advantages**

- i. Promotes accountability and never focuses on profitability.
- ii. Helps not-for profits to know the difference between restricted and unrestricted funds.
- iii. Allows nonprofits to make the best use of unrestricted funds.
- iv. Allows nonprofits to spend cash and similar resources that are of the same value.

#### **Disadvantages**

- i. Stops nonprofit management to use restricted funds as per their desire.
- ii. Increases the workload of nonprofit organizations by allocating different types of funds.
- iii. Unclears not-for profit firms regarding the utilization of money by offering specialized funds. Never clears the financial position of non-profit agencies.

Udo (2023) opined that, there are eight major funds recommended for the sound financial administration of a governmental unit:

- i. The General Fund to account for all financial transactions not properly accounted for in another fund.
- ii. Special revenue Funds to account for the proceeds of specific revenue sources (other than special assessments) or to finance specified activities as required by law or administrative regulation.
- iii. Debt Service Funds to account for the payment of interest and principal on long-term debts other than special assessment and revenue bonds.
- iv. Capital Projects Funds to account for the receipt and disbursement of moneys used for the acquisition of capital facilities other than those financed by special assessment and enterprise funds.
- v. Enterprise Funds to account for the financing of services to the general public were all or most of the costs involved are paid in the form of charges by users of such services.

- vi. Trust and Agency Funds to account for assets held by a governmental unit as trustee or agent for individuals, private organization, and other governmental units.
- vii. Intergovernmental Service Funds to account for the financing of special activities and services performed by a designated organization unit within a government jurisdiction.
- viii. Special Assessment Funds to account for special assessments levied to finance public improvements or services deemed to benefit the properties against which the assessments are levied.

The fund theory is useful primarily to government and non-profit organizations. Hospitals, Universities, cities, and governmental units, for example, are engaged in multifaceted operations that use separate several funds. For such organizations, the information about sources and uses of funds is very useful as compared to financial statement information.

#### **Reasons/Uses of Fund Accounting Systems**

- i. It allows for the demonstration of fiduciary stewardship. That is, it shows that resources have been handled in a proper way through proper procedures.
- ii. It assists in reaching fund's objectives based on policies and program, requirements of its implementation, monetary and evaluation.
- iii. It provides rules of accounting and responsibility of stewards who operate the funds.
- iv. In the public sector, diversity of functions and restrictions on how certain resources may be used makes it necessary to focus attention on individual areas of operation and to segregate resources provided for a specific purpose. This is made possible by the use of Fund Accounting. Financial reporting on government is seen as a series of reporting units and Fund Accounting allows some flexibility in defining reporting units as entities within an explicit framework of controls.

#### **ACCRUAL ACCOUNTING AND PUBLIC FINANCIAL ACCOUNTABILITY**

Accrual accounting is that system of accounting where the transactions are identified as the underlying financial event occurred without considering the time of the related cash receipts and payments. So, in this system revenue recognition is done when income is earned and expenses are recognized when liabilities are incurred or resources are used. In cash system of accounting revenues are considered to be earned and expenditure to be incurred only when cash is received or paid. Accrual accounting maximizes the public management efficiency and can be achieved with minimal cost for the society.

#### **Benefits of Accrual Based Accounting**

Financial position under accrual system of accounting, the information relating to entities financial position and current assets and liabilities are known through preparation of balance sheet. This required for the public entities to make required decision about the liability of financing the provided services plan for the future funding requirements of asset maintenance and replacement, decide on the repayment of existing liabilities etc., this enables entities to manage cash position and financing requirements efficiently and effectively. More importantly accrual system stresses on financing decisions on net assets or equity which in turns make entities to take a long-term view when making crucial financing decisions.

Financial performance under accrual system of accounting income statement is prepared where complete information regarding revenues and expenses are provided. The income statement aids governments to focus management by results and also management of resources. Information regarding revenues is necessary because to assess the impact of taxation on the government's fiscal position and the requirement of borrowings in the long-term likewise, knowing about expenses is very much necessary because to assess revenue requirements, the sustainability of existing programmes, and the estimated cost of proposed activities and services.

Cash flows cash accounting is not fully neglected in accrual accounting because cash management is an integral part of accrual based accounting and financial management framework. Statement of cash flows is necessary because to identify separately the cash receipts and payments relating to operating, investing and financing activities. The conventional accrual based accounting systems supports cash based accounting and reporting and also tries to provide very comprehensive information on current and certain projected cash inflows and outflows. This helps in efficient cash management and as result aids in preparation of cash budgets effectively. Reporting and budgeting, the main motto of accrual based reporting is to meet the various needs of wide range of users in making economic decisions by providing that financial information, which is understandable, relevant, reliable, accurate, complete and comparable. It widely

includes non-cash information which is not possible in cash system of reporting. for instance, re-valuations, write-offs , pension liabilities and consumption of assets through depreciation etc., are some important non-cash transactions which are possible to incorporate in cash system but can find place in accrual system and better can be provided. The financial reports which are produced by entities have to depend on the budget forecasts to show any variances between actual results and the budgeted results. In some cases, the budget becomes more financially important than the financial statements.

#### **Additional Benefits**

By the analysis of Adapted New Zealand's accrual system of accounting, the following benefits are evidently observed:

- i. Improved cash management
- ii. Elimination of idle cash balances.
- iii. Better accounting for and management of accounts receivables.
- iv. Better management of assets.
- v. Ensuring recovery of cost for services provided.

#### **Disadvantages of Accrual Based Accounting**

- i. Accrual system involves very high costs related to developing of accounting policies, establishing accounting systems, identifying and valuing existing assets, purchase of software and pilot testing, developing required skills, providing financial information training for preparers and users etc.,
- ii. Accrual system is framed to measure financial performance only which is apt for private sector but sometimes considered as meaningless concept in the public sector.
- iii. In public sector maintenance of public assets is given more importance than providing information on their value.
- iv. No role of finance staffs in budgetary control because they play their role only when cash paid, but non-financial managers and suppliers play their role and decide before cash is paid when invoices are issued.
- v. The understanding of government accounts prepared as per accrual system of accounting demands greater professional judgement by both the preparers and the auditors of final accounts.
- vi. Compared to accrual system of accounting, cash based accounting simpler and objective.
- v. The users of financial reports should have strong ground knowledge about the principle of income, revenue, expenses, assets and liabilities in order to make economic decisions based on the information provided in the reports prepared as per accrual system of accounting.

#### **Budgeting Accounting for Financial Accountability in Nigeria**

Budgetary accounting a method of accounting in which the amounts that government, Ministry, Department and Agencies (MDAs) and other government commissions planned to spend and the amounts it really spent are included in the accounts, so that one can see how much of the budget is left. Budgeting is an essential element of the financial planning, control, and evaluation processes of governments. The purpose of budgetary accounting is to monitor and control the nation's/state's financial activities to the level and purpose specified in the annual Budget Act and other pertinent legislation. The primary objective is to ensure that expenditures stay within the legal limits provided in the Financial Act and other authorizing legislation. To ensure budgetary control, an agency/department/ministry must be able to determine, on an ongoing basis, the balance of resources available for spending for a given purpose and ensure that actual spending does not exceed authorized spending.

Ministries/Departments/Agencies and all public owned entities must understand the relationship between budgeting and accounting and the statutory links between these two fiscal disciplines. For additional information about the relationship and statutory links, refer to the Ministry of Finance, Budget Office for a Guide.

The Finance Regulation should specify linkage between budgeting and accounting:

- i. It requires every state ministry/agency/department and court for which an appropriation has been made, to submit for approval to the Ministry of Finance, a completed and detailed budget with proposed expenditures and estimated revenues for the ensuing fiscal year. The state's budget format primarily follows the program budget concept.
- ii. It requires state agencies/departments to maintain accounting data for inclusion in the Presidents/Governor's/Chairman's Budget, Budget Act and related documents and the Budgetary Legal Basis Annual Report according to the methods and bases in regulations, budget letters and other directives of the Ministry of Finance.

The Financial Regulation should require the accounting officers through their representatives respectively to submit an annual report to the Minister of Finance containing a statement of the funds of the state, its revenues, and the public expenditures during the preceding fiscal year. The annual report shall be known as the Budgetary-Legal Basis Annual Report and prepared in a manner that will account for prior year adjustments, fund balances, encumbrances, deferred payroll, revenues, expenditures and other components on the same basis as that of the applicable President's/Governor's/Chairman's Budget and the Finance Act, as determined by the Minister of Finance and Economy Coordinator in consultation with the CBN Governor.

The Finance Act should prescribe the codes clearly of the Budgetary Accounts. The budgetary ledger in FISCAL also known as Commitment Control, used to track appropriation, encumbrance, expenditure and reimbursement balances (Adapted from California Department General Services, 2020). Adams (2019) expressed that the concept of budgeting implies that government should not undertake any financial commitment/action without a prior budget on it. It assumed all government revenue and expenditure must be budgeted for.

### **Financial Regulation/Accounting Manual and Public Financial Accountability in Nigeria**

These are rules governing the management of public funds. The rules deal with system concerning the receipts and disburse of public funds and the procedures to ensure good accountability and assurance against frauds and other malpractices. It could be regarded as the accounting manual of the government as it states all the dos and don'ts with regard to public sector accounting (Mohammed et al., 2023). Financial Regulation in relation to Budgeting, describes the state's budget process, which consists of the development of the Nation's Budget, the Legislature's enactment of a budget, and the executive branch's administration of the budget.

For instance, **Chapter 7 Section 713 of the Nigeria Financial Regulations** states that in no condition should personal money be paid into the government's bank account nor shall any public money be paid into a private account. **Section 149, Paragraph 11 of the 5<sup>th</sup> Schedule of the Federal Constitution of Nigeria 1999**, stipulate sanctions on failure to declare assets as public office holders.

#### **Advantages of Financial Regulation/Accounting Manual**

- i. It ensures consistency.
- ii. It serves as a training tool.
- iii. It serves as a reference point.
- iv. It ensures continuity.
- v. It serves as a guide and strengthen the public financial system.
- vi. It provides the framework for managing public financial affairs.
- vii. It maintains confidence in the public financial system.

#### **Disadvantages**

- i. It is very rigid.
- ii. It does not allow usage of initiative.
- iii. It is de-motivational.
- iv. Since it demotivates the workforce, the workers may not be at their product best.
- v. The job becomes monotonous (Adams, 2019).

#### **Benefits of the Public Sector Accounting Systems**

- i. Formulate the general objectives of the agency and co-ordinate the policies of individual's financial needs of the various units.
- ii. Relate each spending units' requirements to the economic resources estimated to be available and the total claims to them.
- iii. Keep expenditure within the total resources of the year.
- iv. Advise management and each unit about financial control measures of the agency (Nhyira Premium University, 2022).

#### **Theoretical Consideration**

**Financial Control Theory:** The theory of financial control was initiated by George P. Marsh in 1864 but was recently elaborated by Ostman (2007). This theory of financial control principally stipulates that existing and possible functions of financial tools for organizations are most essential. The theory of financial controls for organizations places a natural focus on the organization such that they are viewed from several latitudinal areas. The first focus of the theory is on individuals like the political officeholders, employees in the public service and what activities they do for their



organization (in this study, public institutions). The second focus of this study is on how the organization is structured (the bureaucratization) and the interrelationships among the different structures of the organization (the public service). The last focus of the study dwells on the internal control system in the organization (in the public sector) and the procedures and rules instituted to ensure its success. According to this theory, these three aspects work together to ensure the efficient and effective functioning of organizations/institutions (the public sector).

Financial control theory therefore provides an assurance to the management of the reliability of accounting data employed in making decisions. The financial control theory is very relevant to the study given that it helps in better understanding the intricacies surrounding financial management in the public sector. It delineates the aspects of financial control such as public sector audit, budgetary control and procurement process that are relevant towards maintaining high levels of financial accountability. The theory is relevant to this study because it highlights the role of the individual, how the public sector is structured including the rules, regulations, and processes and the internal control systems instituted. The theory argues that if these components are lacking in an organization, that is the public sector, then such an organization will be exposed to corruption and financial recklessness. As a result, scholars have argued that the effective enforcement of financial control in the public sector will improve financial accountability in the system.

#### **Accountability Theory**

This theory was originally developed by Tetlock, P. E. and Lerner, J. S in 1983 and in 1999. According to Tetlock and Lerner (1999), accountability is seen as mechanism and as a process in which a person has a potential obligation to explain his or her actions to another party who has the right to pass judgment on the actions as well as to subject the person to potential consequences for his or her actions. It was later developed by Gray R. in 1992. Accountability theory is concerned with the relationship between groups, individuals, organizations and the rights to information that such relationships bring about. Accountability is an act of being responsible or answerable for one's own decisions or actions with the expectation of explaining and justifying them when asked to do so. Simply stated, accountability is the duty to provide an account of the actions for which one is held responsible. The natures of the relationships and the attendant rights to information are contextually determined by the society in which the relationship occurs.

#### **Public Value Theory**

This theory was coined by Professor Nark H. Moore in 1995. Public value is value for the public. It equates managerial success in the public sector with initiating and reshaping public sector enterprises in ways that increase their value to the public in both the short and the long run.

### **3.0 METHODOLOGY**

The study used exploratory research design where related literature on public sector accounting systems and financial accountability for changing public governance landscape in Nigeria were reviewed. The study's review cuts across the developed and developing economies based on the global regulatory and IPSASs framework. Data were obtained specifically by reviewing of literature in an armchair research method and the exploratory approach. The data were analysed using contextual analysis method through adequate exegesis of the gathered secondary information in arriving at conclusion.

### **4.0 CONCLUSION AND RECOMMENDATIONS**

Public sector accounting systems and financial accountability for changing public governance landscape in Nigeria was studied. Specifically, to express opinion on the issues of public financial accountability, reforms in budgeting accounting application in the Nigerian public sector and examining the implications of transformative public sector accounting systems for a sustainable good governance void of corruption in Nigeria. It was concluded that public sector accounting systems is a means to an end of financial accountability for changing public governance landscape in Nigeria. It was recommended that:

- i. Full implementations of the transformative public sector accounting techniques – vote accounting, commitment accounting and fund accounting in the Nigerian public sector. The budgeting accounting in practice should be modernized to conform with the needs of Nigerian context while accrual accounting should be strictly in line with IPSAS.

- ii. Public engagement and town hall with professional accountants as well as engage the public on things more beneficial and for several reasons and Government should stop verbatims lifting of public sector accounting and governance that does not work in Nigeria.
- iii. Preparing for the future by making policies that affect the people positively, thus delivering public values and relevant achievements.
- iv. The use of Chart of Accounts (CoA): CoA is a structured set of codes that provides a framework for Recording, Classifying, and Organising Budget Data and Accounting Transactions into Reports and Statements. It provides various perspectives on financial transactions and facilitates budgetary controls. This technique of revenue and expenditure classification is very necessary to show the complex nature of government or public sector accounting. On the chart of accounts MDAs and MMDAs are used as expenditure heads, and it is possible to trace revenue collected into the Consolidated Fund to its primary source.

**Benefits of Harmonised CoA:**

- i. Harmonization of accounts of MDAs and MMDAs;
- ii. Uniform classification of accounts in public financial management;
- iii. Control of accounts in public financial management;
- iv. Tracking of revenue and expenditure in public financial management;
- v. Efficiency and effectiveness in budgetary resource allocation; and
- vi. Design of audit trail.

**Segments of the Harmonised CoA: Institution Segment** - This segment is used for coding an Institutional Unit which stands as an economic entity. An economic entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities. These entities should be treated as separate government units if they maintain full sets of accounts, own goods or assets in their own right, engage in non-market activities for which they are held accountable at law, and are able to incur liabilities and enter into contracts.”

**Funding Segment** – The Funding segment provides a means to track the source of funding for expenditures within a consolidated reporting scheme. Expenditures are assigned against the appropriate funding code, independent from the organizational or program structure.

**Functional of Government (COFOG) Segment** – This segment provides coding for functional classification of expense to provide a strategic view of the allocation of budget resources between different sectors of the economy. This is based on the United Nations Classification of Functions of Government (COFOG). It is a detailed classification of the functions, or socioeconomic objectives (examples, health, education, defence and so on), that Government units aim to achieve through various programmes.

**Organisational Segment** – The Organizational segment provides the basis for establishing the responsibilities for the day-to-day administration of government business. The structure of the organizational hierarchy is reflected in the series of codes for ministries, departments and agencies (Cost Centres/ Spending Units) reporting under the Sector Ministries.

**Program and Sub-programme Segments** – These segments provide the basis for recording transactions associated with a specific program or sub-program that is operating under an organizational unit.

**Activity Segment** – This segment provides the classification of various activities related to specific programmes, sub-programmes or outputs.

**Location Segment** – Provides geographical location of an institution, organisation, programme, among others, based on established political and administrative tiers.

**The Natural Accounts segment** – This is an Economic Classification which provides the basis for recording specific activity by the kind of transactions by which the Government performs its functions. This segment provides classification and coding for revenue, expenditure, liabilities, etc.

- v. The government of Nigeria at all levels should prepare and publish complete set accrual based General-purpose financial statements as stipulated by IPSAS.
- vi. There should be complete separate of powers as well as checks and balances between the tiers of government while National/State carryout oversee functions on the MDAs.
- vii. Strict compliance with internal audit reviews and strict enforcement of sanctions on breaches resulting in government losses to deter erring staff and strictly based on financial regulations.

- viii. The budgeting accounting in practice should be modernized to conform with the needs of Nigerian context while accrual based accounting should be strictly in line with IPSASs.

**Limitation of the Study and Future Research:** The major limitation of the study is that it is in conceptual in nature and it has not analysed the government accounts in an empirical manner. This area, therefore, can become an opportunity for future research.

## REFERENCES

- Abhishek, N. & Divyashree, M. S. (2020). Public sector accounting system – A conceptual analysis. *Journal of Indian Taxation*, 6(2), 25 – 36.
- Acemoglu, D. & Robinson, J. A. (2012). *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. New York: Crown Business Publishing.
- Adams, R. A. (2019). *Public Sector Accounting and Finance - Made Simple (4th ed. IPSAS Compliant)*. Lagos: EL-TODA Ventures Limited.
- Ang, Y. Y. (2020). *China's Gilded Age: The Paradox of Economic Boom and Vast Corruption*. Cambridge, UK: Cambridge University Press.
- Bracci, E., Papi, L., Bigoni, M., Deidda Gagliardo, E., & Bruns, H. J. (2019). Public value and public sector accounting research: A structured literature review. *Journal of Public Budgeting, Accounting & Financial Management*, 31(1), 103 - 136.
- Bulama, G. D., Maimako, S. S., & Oki, U. E. (2023). Financial control and financial accountability in the public sector in northeast Nigeria. *FUW International Journal of Management and Social Sciences*, 8(1), 13 – 30.
- California Department General Services (2020). Purpose of Budgetary Accounting - 8310 (New: 09/2020). State of California.
- Cheruiyot, P. M., Oketch, J. R., Namusonge, G. S., & Sakwa, M (2017). Effect of public financial management practices on Performance in Kericho county government, Kenya: a critical review. *International Journal of Education and Research*, 5(12) 1-14.
- FreeBalance (2022). *Government Technology Implications: Budgets and ccounting*. *Government Digital Transformation*. <https://freebalance.com/en/blog/government-digital-transformation/government-technology-implications-budgets-and-commitment-accounting/#:~:text=Assisting%20in%20determining,ensure%20information%20integrity>.
- Igbokwe-Ibeto, C. J., Nwobi, F., & Nnaji, I. L. (2019). The Nigerian state and public sector management: A political economy analysis. *The International Journal of Social Sciences and Humanities Invention*, 6(04), 5376 - 5383.
- IMF (2020). *The IMF's Approach to Promoting Good Governance and Combating Corruption — A Guide*. International Monetary Fund Press.
- Mohammed, A., Buba, A., & Ahmed, U. O. (2023). Effect of financial regulations on accountability of some selected public organisations in Nigeria. *FUDMA Journal of Accounting and Finance Research (FUJAFR)*, 1(1)(20), 157 – 174.
- Muttaqin, G. F., & Mulyasari, W. (2018). Financial accountability: organizational performance improvement through culture control and contractibility. *Jurnal Akuntansi*, 22(2), 210 – 221.
- Nhyira Premium University (2021). *Accounting Techniques: Public Sector Accounting*. Resources – ICAG/ACCA.
- Nhyira Premium University (2022). *Guide to Public Sector Accounting Systems (Updated)*. Ghana: Nhyira Premium University Press.
- Nigerian Trading Economics (2024). *Nigeria Corruption Rank*. Retrieved on September 16, 2024 from <https://www.tradingeconomics.com>
- Ogiriki, T. & Buseri, T. (2022). Financial accountability mechanisms and service delivery in Kolokuma/Opokuma Local Government Area of Bayelsa State, Nigeria. *Journal of Accounting and Financial Management*, 8(1), 101 – 117.
- Sahara Reporters (2019). *How corruption, bad governance helped make Nigeria poverty capital of the world by Banjo Damilola*. Lagos: Sahara News.
- The School of Oriented and African Studies, SOAS (2020). *Public Sector Accounting*. London University of London.
- Transparency International [TI] (2024). *Corruption Perceptions Index*. Germany. Retrieved on September 16, 2024 from <https://www.transparency.org/en/cpi/2020/index/nga#>

- Udo, E. J. & Chukwuekezie, M. N. (2023). Spiritual Accounting Attributes and Sustainable Good Governance in Nigeria. *International Journal of Sustainability Management and Information Technologies*, 9(2), 20 - 27.
- Udo, E. J. (2023). *Accounting Theory and Practice*. Uyo: Brainspec Publishing Company, 355pp.
- United Nations Economic and Social Commission for Asia and the Pacific, UNESCAP (2021). *What is good governance*. Accessed September 16, 2024.