

# **A Paper Delivered by**

*by*

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*at the*

## **Public Lecture**

*on*

***PUBLIC SECTOR FINANCIAL REFORM AS A PANACEA TO  
ERADICATE CORRUPTION AND ENTHRONE  
ACCOUNTABILITY***

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Organized by

**Lokoja & District Society of ICAN**

*in collaboration*

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## **Preamble**

I feel highly honoured to be invited today to share my thoughts at this Public Lecture with the theme ***Public Sector Financial Reforms As Panacea to Eradicate Corruption & Enthroned Accountability***. I wish to express our gratitude to the Vice Chancellor of the great Federal University Lokoja for collaborating with Lokoja & District Society of The Institute of Chartered Accountants of Nigeria (ICAN) on this event. This collaboration is desirable and necessary to bridge the widening gap between the tertiary institutions and the expectations of the market for the various professions. The need for a university-industry linkage is critical to deploying the outcome of research from our ivory towers by players in the different industries. Also, a strong feedback mechanism between industry and academia would ensure that researches undertaken are not only relevant but also meet the peculiarities of Nigerian operating environment.

Ladies and gentlemen, although the topic of this Public Lecture is not entirely new it still resonates as we all expect better performance in Public Financial Management (PFM) practices in the country. I have sectioned my presentation under seven (7) broad headings as follows:

- a. Background Information
- b. Concept of Financial Reforms: The Public Sector Perspective
- c. Dimension of Public Sector Financial Reforms
- d. The Nigerian Public Sector: Issues and Challenges in the Present Democratic Era

- e. Role of Professional Accountants in Public Sector Financial Reforms in Nigeria
- f. ICAN's Recent Initiatives for Enhancing Public Sector Financial Reforms
- g. Other Modes of Enhancing and Promoting Financial Reforms in the Public Sector in Nigeria

**a. *Background Information***

Over the years, there has been a rising global push for improved public sector financial reforms. This growing push for transparency and accountability in the public sector stems not only from the realization that it is an inalienable hallmark of modern democratic governance, but also from the realization that lack of reforms poses various socioeconomic risks to any country's public sector prospects. It is evident, especially in developing countries, that lack of transparency and accountability across sectors, including the public sector, is the cause of most of the unethical financial activities.

Prior to the indigenisation policy and the boom of oil discoveries and contracts in Nigeria, the public sector was said to have a pleasant past and good international reputation for minimal corruption, if at all. The shift to petrodollars laid the foundation for a move towards irresponsiveness, inefficiency, corruption and incompetence in the public sector. This breakdown in public sector accountability in Nigeria became manifest during the military regime. Indeed, it is claimed that

the inability of successive military regimes to hold their predecessors accountable fuelled the demand for democratic governance in Nigeria.

Unfortunately, despite more than twenty (20) years of democratic governance, this hoped-for promise remains a mirage, as the country's public sector continues to be plagued with lack of accountability by many of the country's top public officials and political office holders. In order to restore Nigeria's image, which had been severely tarnished by widespread corruption, fraud, embezzlement, and cupidity in the public sector, the Federal Government of Nigeria established certain regulatory bodies, legislation, and policies to checkmate the menace. Some of these include;

- ✓ Code of Conduct Bureau in 1999;
- ✓ Independent Corrupt Practices and other Related Offences Commission (ICPC) in 2000
- ✓ Economic and Financial Crimes Commission (EFCC) in 2002; and
- ✓ Fiscal Responsibility Commission (2007)

Recent measures to improve accountability include the Treasury Single Account (TSA), the Integrated Payroll and Personnel Information System (IPPPIS), and the Government Integrated Financial Management Information System (GIFMIS), which are currently eliciting mixed reactions from Nigerians due to their intent and socioeconomic implications. The entire idea or goal of this reform is to

guarantee fiscal prudence, transparency, and accountability in public sector spending and revenue collection.

Nonetheless, despite these and other institutional measures put in place to minimise the excesses of corrupt public employees and their surrogates and improve transparency in the public sector, the prevalence of this broad socio-political pandemic in Nigeria remains a serious concern. This unfortunate fact, which stares us all in the face, raises a crucial point: government cannot reform public sector accountability in Nigeria on its own without the assistance of critical stakeholders and professionals.

***b. Concept of Financial Reforms: The Public Sector Perspective***

In literature, the concept “financial reforms” has several meanings and connotations. With these varied meanings, Financial Reforms should ideally be based on a clear definition of responsibility, reporting systems, and a system of evaluation, incentives, and sanctions. More specifically, responsibility is a revolving and multi-directional obligation that goes upward from subordinates to superiors, downward from superiors to subordinates, and laterally among peers in different professions.

Financial reforms in the public sector are linked to procedures that require public officials and institutions to explain, justify, and accept the

consequences of their actions and decisions taken as public trustees. Financial reforms is the process by which public sector institutions and persons within them accept responsibility for their decisions and actions, including their stewardship of public funds and all aspects of performance and submit themselves to proper external scrutiny. In summary, public sector financial reforms encompass systems, mechanisms, processes and policies designed to hold public sector agencies and their employees accountable for their collective and individual acts, as well as the decisions that led to them.

### ***c. Dimension of Public Sector Financial Reforms***

When it comes to defining financial changes, there is no one or widely accepted viewpoint. This explains why, in literature, different scholars seek to categorize financial reforms in different, albeit sometimes overlapping ways. However, the public sector has highlighted four elements of financial reforms as follows:

- ✓ **Individual Reforms** – this suggests that the person who acts or exerts authority should be held accountable for any actions he takes.
- ✓ **Managerial Reforms** – this relates to operational efficiency and economy.
- ✓ **Administrative Reforms** – this refers to the responsiveness of appointed public officials to the political executive as well as the public or governed. This sort of reform entails a strong internal control structure that supplements and assures the necessary checks and balances provided by constitutional governance and an active public

- ✓ **Fiscal Reforms** – this entails the duty to strictly comply with financial rules and regulations.

Other reforms, in addition to the aforementioned aspects, include financial, political, and social accountability.

- ✓ **Financial accountability** – this involves the duty of people in possession of resources or in positions of trust to report on the planned and actual use of those resources.
- ✓ **Political accountability** – this focuses on free, fair, and transparent periodic elections that create a control system in which elected and appointed individuals are held accountable for their activities while in government.
- ✓ **Social accountability** – this is defined as a demand-driven strategy that involves ordinary individuals and groups demanding more accountability from public officers or those in positions of authority.

#### ***d. The Nigerian Public Sector: Issues and Challenges in the Present Democratic Era***

The current condition of public sector financial reforms in Nigeria is not by chance; it is the result of a number of difficulties stemming from perceptual, attitudinal, and institutional deficiencies. These problems have been identified as follows:

### **1. *Wrong Conceptualizations:***

There is the issue of misconception and multi-varied perspective about what financial reforms entails. In other words, financial reforms mean different things, to different people. Financial Reforms is one of those words that are more often used than understood. Inability to understand the fact that financial reforms is not just about reporting performance but rather it also requires review, including appropriate corrective actions and consequences for individuals. Wrong or improper conceptualization of financial reforms creates some sort of 'accountability expectation gap' in the public sector.

### **2. *Undue Proliferation of Agencies:***

Another problem undermining public sector financial reform aspirations is the establishment of numerous public sector agencies, which frequently leads to overlapping and unclear functions. This is because, in addition to needlessly raising the expense of government, the variety of agencies and organizations creates opportunities for opportunism, abdication of responsibilities, and the inclination to shift the responsibility whenever anything goes wrong.

### **3. *Absence of Effective Accountability Mechanisms:***

Accountability mechanisms are institutionalized methods for keeping public officials accountable. They are powerful tools that improve service performance by providing constructive criticism and pushing decision makers to avoid unfavourable external criticism. The



conclusion is that flaws in accountability techniques, mechanisms, or processes render the public sector a social caricature devoid of public trust both within and beyond the country. Unfortunately, taking Nigeria as an example, this is one of the numerous hydra-headed challenges that have hampered public sector accountability in the country.

#### **4. *Conflict of Interest:***

Objectivity and selflessness are required for successful governance and accountability. However, the tendency for individuals at the top in the public sector to let their own preferences and interests dictate their actions undermines accountability in the public sector. . The societal decadence which manifests in the desire for self-aggrandizement and get-rich-quick mindset explains the increasing dimensions of shady and unethical behaviours witnessed in the Nigerian public sector.

#### **5. *Weak Institutions***

In Nigeria, the institutions set up to ensure accountability are frail, and as a result, they have not been able to properly and effectively carry out their given responsibilities. The EFCC, the police, the legislature, and even the judiciary, which is meant to be the last chance of the common man, have all been accused of corrupt and shady activities in the past. Even if the laws exist, they are not successfully implemented, and as a result, corrupt public officials take advantage of the law enforcement's weakness to engage in corruption with impunity. Accountability may be carried out effectively through institutions that

are legally protected, structurally independent, functionally autonomous, and behaviourally unbiased.

## **6. *Information Hoarding***

The foundation of accountability is information. According to the IMF's code of good practices and fiscal transparency, full information on past, present, and anticipated fiscal activities should be made available to the public. This, of course, helps with budgetary responsibility. However, the high level of secrecy and excessive information hoarding that characterizes some parts of the Nigerian public sector stifles whistle blowing and fosters the perpetration of unethical activities.

Other issues that have been identified as impeding accountability in Nigeria include ethnic and tribal attitudes, corruption, religious contradiction, and military culture.

### ***e. Role of Professional Accountants in Public Sector Financial Reforms in Nigeria***

Aside from the trainings, certificates, and specialities that generally characterize a professional accountant, ICAN holds professional accountants in the public and private sectors to a high standard of integrity, probity, and transparency in the course of their responsibilities. However, the observed compromise of some professionals, exemplified by many anti-social activities in Nigeria, has also rubbed off on few public-sector professional accountants.

ICAN identifies ways to support financial reforms in the public sectors and the achievement of public sector accountability in Nigeria. As professional accountants, we are at the forefront of public and private sector accountability. Permit me to therefore reiterate and reaffirm the duties of professional accountants in improving public sector accountability in Nigeria.

Firstly, it is believed that professional accountants should be properly grounded in and dedicated to using the International Public Sector Accounting Standard (IPSAS) in public sector reporting in order to promote accountability and openness in public sector financial management. Preparing government financial statements in accordance with IPSAS will not only improve public sector financial management and accountability within the country, but it would also improve foreign perception of the country's public sector accountability, thereby attracting more foreign investments in the country.

Secondly, the Institute has encouraged their members to expose acts of financial irregularities within the public sector through its whistle-blowing policy. As stakeholders, professional accounting organisations can support this quest for enhanced public sector accountability by shielding member-whistle blowers who may be prone to victimization by the culprits or their surrogates. It is very important to note that the Institute's code of ethics infers that the attitude of glossing over

observed irregularities by professional accountants is unethical and unprofessional.

Thirdly, Accountants in the public sector should exemplify financial accountability in line with set efficiency benchmarks by ensuring judicious use of resources to actualize objectives. There is a growing emphasis on demonstrating accountability through effective use of public assets and funds in the delivery of services and the pursuit of government objectives.

Fourthly, professional accountants should make efforts at ensuring timely reporting which would aid proper and timely scrutiny by the relevant public sector authorities where such need arises. The timeliness is determined by the number of days that have elapsed between the fiscal year-end and the date that the financial report becomes available to the public. Ultimately, the need for value reorientation and a strict adherence to professional ethical code of conducts by professional accountants in the public sector is pertinent.

***f. ICAN's Recent Initiatives for Enhancing Public Sector Financial Reforms***

- 1. The ICAN Accountability Index** - As the foremost accountancy body in Africa and a major stakeholder in the Nigerian economy, ICAN launched a governance performance evaluation and assessment tool in 2017, known as ICAN Accountability Index (ICAN-AI), to assist

government in meeting its goal of efficient and effective service delivery to the citizens. The ICAN-AI is an objective tool for an annual assessment of the three tiers of Nigerian government on adherence to international standards in Public Financial Management (PFM) practices. The primary objective of the Index is to enhance transparency and accountability in governance. Also, the Index aims to ensure that the three tiers of government make publicly available relevant financial information that can aid the public in assessing their performance in the management of the country's financial resources. In sum, the ICAN-AI is intended to improve quality of governance and compliance with Fiscal Responsibility Act 2007 and tackle corruption by engaging quality professionals in public sector.

- 2. Non-Compliance with the Laws and Regulations (NOCLAR)** - ICAN keyed into NOCLAR in 2017. It is a whistle blowing initiative, by the International Ethics Standards Board for Professional Accountants and Auditors, which mandates professional accountants and auditors to expose any act of non-compliance to laws and regulations by their employers or clients to relevant authorities.
- 3. The Whistleblowers' Fund** – ICAN has in place a Whistleblower Fund since 2015 to support and compensate its members who report any form of financial misdemeanour in both the public and private sectors of the economy.
- 4. Robust Disciplinary Mechanisms** – ICAN's disciplinary machinery is also very strong in meting out appropriate punishment on any erring

member. The accounting profession is so central to fighting corruption that we cannot allow professionals to be part of the problem they are supposed to solve. Over the years, we have de-registered some members found guilty of gross professional misconduct, whether in the public or private sectors of the economy.

***g. Other Modes of Enhancing and Promoting Financial Reforms in the Public Sector in Nigeria***

The ways and means by which Financial Reforms can be enhanced in the public sector are:

- ✓ *Prompt Rendering of Account:*
- ✓ *Accountable Leadership.*
- ✓ *Investigative Reporting /Media Attention:*
- ✓ *Public Enlightenment*
- ✓ *Whistle Blowing Policy:*
- ✓ *Openness in Governance*
- ✓ *Encouragement of Due Process*
- ✓ *Review of current method of Asset Declaration*
- ✓ *Strengthening of Anti-Graft Bodies*
- ✓ *Deletion of Immunity Clause*
- ✓ *Publish public government financial statements regularly.*
- ✓ *Reduce tolerance of corruption through big data and analytics.*
- ✓ *Ensure accrual accounting is central to the whole Public Sector Financial Management (PFM) system to provide an accurate financial picture.*

## **Conclusion**

The public sector is the largest spender and wields the highest control in most economies. Hence, public sector financial reform remains critical to achieving the overall objective of growth and development. Ensuring transparency and accountability in public sector finances is a precondition for the general well-being of an economy.

Thank you all for your kind attention and God bless.

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