

## ROLE OF ACCOUNTING ON PUBLIC SECTOR ACCOUNTABILITY IN NIGERIA

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### Abstract

Accounting information is a crucial management tool for Nigerian national development services. In every state or country, accounting is crucial to maintaining social peace, political stability, and economic sustainability. The explanation for this clear truth about the development of Nigeria is not plausible given the massive multi-sectoral scope of Nigerian economic activities in both the public and private sectors. For government national progress, reliable accounting information is essential. This research aims to explore the role of accounting on public sector accountability in Nigeria.

**Keywords:** Accounting, Public sector, Nigeria

## Introduction

Public sector involvement in economic activities is often strong in the majority of emerging nations, including Nigeria. The development of public companies and statutory organizations that provide goods and services with an economic or social focus on the government's behalf is one of the ways the government has influenced the Nigerian economy (1). There are several reasons for the importance of accounting information in the management of public enterprises in Nigeria, some of which include poor management, theft, and open embezzlement of public funds by a small number of people (1, 2). It is conceivable for significant successful firms to be managed by a small number of people or a group, as long as these organizations continue to perform essential functions like ensuring economic stability and creating job possibilities (3).

It is asserted that budget execution results in public expenditures. The macroeconomic objectives of the state budget are managed by specialized, intricate systems known as the budget implementation macro system, which were created at the accounting information unit of the general accounting department (4). The primary function of accounting in the control of public spending is to establish standards through budgeting and monitor adherence to those standards. The accounting systems also guarantee the accomplishment of the macroeconomic objectives, including maintaining the overall framework of the budgeted expenditures; adjusting the rate of spending to the rate of income receipt; routinely monitoring compliance with public debt targets, and planning the financing of the gap to lower the national debt to product ratio (5, 6).

In Nigeria, public enterprises are engaged in a wide spectrum of economic activities including agriculture, mining, construction, manufacturing commerce, and services (7). Nigeria's public enterprises have been categorized using a variety of criteria by various bodies (8). Public utilities, governing/regulating bodies for services, financial institutions, and business and industrial companies were the categories of the public sector (7, 8).

Nigeria is a diverse economy, and a company is categorized as a private enterprise if it is financed, owned, and managed by a single person or group of people (9). These businesses must be registered in the state in which they conduct business. To verify and supervise these firms' accounting operations, accounting has to be introduced due to the recent increase in the operations of public enterprises (10).

To ensure proper accountability in various sectors and a real and fair financial situation for the company, accounting plays a crucial role in Nigerian businesses. Any business must prioritize this position. When the resources under a company's control are properly handled, the company makes economic (and accounting) profits (11). Public enterprises seem to play a bigger part in accounting (11). There have been instances of

incorrect accountability and misappropriation of funds in state organizations recently (12). These reasons have caused many public enterprises to go out of business, if the government had understood the importance of accounting, the majority of the issues currently being faced would not have arisen (13).

No business can advance without a functioning accounts department that is well-organized and provides accurate financial data to the business and other interested parties (14). The process of establishing cost standards and ensuring that the standards set are kept is central to the role of accounting in the oversight of public expenditure. However, if the already established standards seem unrealistic, they can be evaluated and changed to make them more so. Appropriate budget execution can be used to control public spending (15).

The yearly budget specifies the total amount of revenue that will be generated by the government during any fiscal year (16). The government aims to maintain a balanced budget, but many nations, particularly developing ones, have instead had budget deficits, which indicate an excess of expenditures over revenues (16). The funds to cover this deficit are never available, and the majority of governments have failed to recognize the importance of accurate forecasting and forecast adjustment to guarantee the achievement of a budget surplus (17).

Accounting information systems generate data that is used in the business world for a variety of purposes, including business analysis, fundamental analysis, strategic management and planning, business valuation, feasibility studies, accurate and effective costing, investment analysis and appraisal, fraud prevention, and variance analysis (18). Lack of usage of accounting information systems has the effect that businesses may not carry out their legal responsibilities to accurately gather, prepare, and publish accounting information and statements (18, 19).

In Nigeria, there are ever more instances of economic mismanagement and theft, which is caused by the absence of an adequate accounting system that would guarantee accountability and openness in the implementation of public expenditures (19). Furthermore, the control of public spending has become challenging due to public administrators' failure to apply conventional costing during forecasting. Since public administrators have not adopted standard costing, a good accounting technique for cost forecasting and control, there are many instances or occurrences of undesirable or adverse variability between the budgeted or standard amount of public expenditure and the actual amount of public expenditure.

### **Role of Accounting Information System**

The network of activities that make up an organization's accounting information system includes internal reporting to management for use in planning and regulating current and future operations as well as external reporting to stockholders, the government, and other extended users (20). Accounting offers data that is beneficial for corporate and economic decision-making. It is the main channel for informing those with an interest in a business, including owners, lenders, management, the government, and its regulatory bodies. Delivering pertinent, dependable, and timely information about the financial and operational situation of an organization aids users in making better decisions (21).

Because of the favorable data produced by information technology for decision-making and planning activities and which is distinguished to be associated with the future, decision-makers have become more dependent on accounting as a result of the development of the use of accounting information systems and expand the application of quantitative methods in addressing the problems of organizations (22). Specialists worked to treat the incoming data using concepts and methods suited for all fields of expertise to meet these needs (22). Additionally, the majority of accounting systems now rely on computers for electronic data processing.

It is acknowledged that accounting is crucial to maintaining social harmony, political stability, and economic viability in any given state or country (23). Given the massive multi-sectoral dimension of Nigerian economic operations in the public and private sectors, the explanation for this clear truth regarding our national growth is not plausible (23). Accounting is used as a tool to assess the financial success and viability of a project inside an economic system. The majority of developing nations do not have accounting systems that are sufficiently developed to perform the modern function of giving consumers information that is helpful in rich nations. Almost every group within a society requires and makes use of financial information. The information required for financial planning and control is provided by accounting.

Attention should also be paid to the role of accounting in economic development given the reasonably increased commercial activity and industrialization of Nigeria. Although the majority of people, governments, and international economic organizations understand the importance of capital and its effective use for achieving rapid industrialization, little attention has been paid to the activities that can contribute to accounting toward the realization of economic development plans.

Accounting information is crucial to the success of a country. A fundamental to increasing openness, facilitating the mobilization of domestic and international investment, fostering a solid investment climate, and promoting financial stability is high-quality corporate reporting (24). In addition, it increases global competitiveness by luring outside funding and seizing opportunities presented by global markets, so assisting in the reduction of corruption and resource mismanagement.

The government of nations also keeps accounting records to obtain information to aid them in making such national decisions, just as corporate entities do with their financial operations (24). Nations maintain the national budget, national revenue account, national expenditure account, and national financial yearbook, among other accounting data and records. The government maintains all of these books of accounts to advance national growth.

A crucial tool for decision-making is the accounting information system. The system's fundamental need is that accounting data be organized in a way that makes it simple and quick to access pertinent data when needed.

### **Accounting Control**

Accounting control is a practice created to safeguard assets and guarantee that all financial activities are documented to avoid and minimize fraud and errors (22). It is the procedure that ensures that financial resources are acquired economically and used effectively and efficiently to achieve the desired goals (8). It differs from organization to organization and is a component of both internal and financial controls set up by management, including planning, budgeting, and controlling expenditures as well as accounting, reporting, and reviews (23).

Accounting controls are designed to give all institutions a broad framework for resource management that is sound and effective. By providing trustworthy financial data, protecting assets and records, evaluating operational efficiency through budget, and organizational control, and encouraging adherence to prescribed policies and regulations, having a strong system of financial control helps the institution achieve its objectives (24). Financial controls in an organization should concentrate on the important transaction areas, with a particular focus on asset protection, the upkeep of accurate accounting records, and the provision of accurate financial data (23, 24).

Financial controls help assure the dependability of internal and external financial reporting and aid in compliance with laws and regulations by facilitating operational effectiveness and efficiency (25). Effective financial controls assist ensure that the institution is not unduly exposed to financial risks and that the financial information is used only within the business. These controls include the maintenance of correct accounting records (25).

### **Importance of Accounting Information to National Development**

It is impossible to overstate the importance of accounting data for countries when making choices about issues related to their national development. It benefits every country in the world in the following ways:

1. The government of a country must make economic decisions to advance all of its activities, and accounting supplies information that is essential to that process.
2. Accounting also acted as a system of information for the delivery of services for national development.
3. It is a piece of the reporting and analysis needed to make decisions regarding the management of a country's affairs.
4. National government officials might use it as a financial manual and instruction to steer clear of excesses and waste.
5. It serves as the foundation for performance evaluation, financial reporting, and analysis of national investment decisions.
6. Accounting records offer data that may be used by the company and that businesses can rely on when making investment decisions.
7. The issue with most potential investors in developing countries is that they are largely illiterate, therefore they need the assistance of any accountant and financial expert to help them access viable investment locations. Another crucial area where accounting expertise is required is budget implementation.

## Conclusion

Accounting information is crucial for concerns relating to national growth. Accounting information has been discussed by the literatures. Additionally, all offices that compile budgets rigorously follow the guidelines in the national budget proposal, prepare final accounts, and rely on these accounting information records when making planning and decision for both daily operations and development services. The researchers advised the national/federal government to hire competent and chartered accountants to efficiently and successfully maintain the important books of accounts, books of original entries, final accounts, and maintained financial statements, budgets, etc.

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