

Measure of the Impact of Financial Reporting and Accountability on the Public Sector in Nigeria

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Accepted July 23, 2020

Financial reporting is one of the best indices of accountability, effective financial reporting practices are important to Kogi State public sector being in a position to make policy and deliver services to the citizenry. However, accountability and transparency in Nigeria leave a lot of room for improvement. This study aimed to analyse the effects of financial reporting and accountability to the public sector in Kogi State. Data collected were analysed with the help of Statistical software NCSS version 2008. A Cronbach's Alpha of .957 was realized which shows that the instruments used to collect data were reliable. The result of regression analysis, $R = .882$ informs us there is a moderate – to-strong association. On review of the output found in the ANOVA, we find that the overall equation was statistically significant ($F = 31.375$, $P < .000$) the coefficients sought to make out which predictors are noteworthy contributors to the 77.7% of elucidated difference in Y ($r^2 = .777$) and which ones are not, and in what methods do the important ones help us to give explanatory, of Y . From this equation, budgeting was established to be the lone independent variable with a significance consequence on quality of annual accounts ($B = .557$, $P < .000$) while each other variables were come into the regression equation. It was established that the better the quality of annual accounts. Financial statements preparation, appropriation and auditing did not attain the basic measure to extensively influence quality of annual accounts, so they had no noteworthy role at this point of the investigation.

Keywords: ANOVA, Regression, Appropriation, F-Statistic, Content Analysis.

INTRODUCTION

It has been generally agreed that there is a serious problem of lack of accountability, transparency and corruption in the Nigerian public service. Generally, and specific observations within the service and comments from international bodies like the World Bank and Transparency International (TI), all seem to suggest that the problem is not only real but also enduring. While

financial reporting is considered the best index of accountability, it holds also that accounting remains the undisputable index of stewardship (Adebayo, 2013; Kothar, 2003; WBR, 2006). However, both financial reporting and accountability stand to lack their true essence if they are based on out dated and unwholesome accounting procedures and practices that inhibit

complete and accurate recording and measurement of government resources inputs and the resultant outputs. A considerable body of literature has developed, particularly on the nature of governmental accounting and financial that typically explains the practical application of accounting standards in the governmental settings, discusses currently unresolved governmental accounting issues, and or questions current practices in governmental accounting and financial reporting in grams (ANAO, 2004; Bernard, 2005; Lawrence and Rahaman, 2011). Some of the major issues identified include; a perceived gap in the information content of government financial report and information, need of users and lack of external accountability. Chan (2016) and BD (1992) pointed out the need to integrate budgeting, accounting and financial reporting that a strong and enduring relationship exists between government accounting and budgeting and the need to perform budgeting processes in view of large budget variances which rightly captured the state of the governmental accounting system.

Observations showed that various individuals who have written on the subject of financial reporting in the Federal Government have termed it "antiquated, fragmented, incomplete, unreliable and lack timeliness. All of these epithets may have merit, especially in respect of the statutory background of government accounting, the adequacy of information content and the extent to which it satisfies public accountability criteria (BD, 2016; Caba and Lopez-Hernandez, 2009). Harris et al, (2008) acknowledged that many errors of principle will be committed if there are no material modification to the public accounts, in adopting private sector accounting procedures. In addition, of relevant information contained in government financial statements could provide financial information, the timing of publications can impair its reliability, completeness and usefulness and so adversely affect users of published government financial statements (Hogue, 2001; IPSASB, 2012; Kirina, 2013; Kombo and Tromp, 2011; Oshishami, 1992).

These observations and opinions typified above have several implications. A foremost implication is that the existing accounting, financial, administrative, legal and social ingredients have not been effective in promoting the desired culture of accountability and transparency in the public service. As all these elements remain in place and

for the fact that any measure, aimed at improving accountability has to build on them. This paper is intended to examine them more closely with a view to providing further insights into their current status and prospect for remedial action.

METHODOLOGY

The study used a descriptive survey research design. The target population for the study was Kogi State public sector which comprises the office of Accountant General and Auditor General which prepare financial statements and other annual accounts. The subject of the study was drawn from the 40 staff of Accountant General and 12 staff of Auditor General. The researcher conducted a census survey of all 52 targeted respondents because their number is small and was accessible. Data was analyzed using both qualitative and quantitative methods. Quantitative data were analyzed using simple descriptive analysis while qualitative data analysed using content analysis.

Model Specification

The model is of the form;

$$Y = B_0 + B_1 + B_2 + \dots + B_n + E$$

equation...1

Where y = Dependent variables

X_i = Independent variables

B_0 = Constant

B_i = Regression coefficient or change induced in by each x

E= Error term

$$Y = B_0 + B_1 x_1 + B_2 x_2 + B_3 x_3 + B_4 x_4 + E$$

Where y = is quality of annual accounts

X_1 = is budgeting

X_2 = Financial Statements preparations

X_3 = is appropriation

X_4 = is auditing

B_0 = is a constant

$B_1 - B_4$ = are beta coefficient for variables being measured

E= error term

$$Y = B_0 + B_1 x_1 + B_2 x_2 + B_3 x_3 + B_4 x_4 + E$$

$$Y = 0 + .072 + .256 + .111 + .557 + .337$$

Reliability of Data Collection Instruments

The primary data instrument, the questionnaires presented using a small sample to confirm its

reliability through asking the respondents, to explain reactions to questions form, wording and order. This was assessed by use of internal consistency techniques. In this approach a score obtained in one item is correlated with scores obtained from other items in the instrument Cronbach's Alpha will be computed to determine how items correlate among themselves. Cronbach's Alpha is a general form of the Kuder Richardson (K-R) 20 formula. Use of K-R 20 formula reduces the time required to compute a reliability coefficient in other methods. Its application also resulted in a more conservative estimate of reliability; the estimated coefficient of reliability of data is always lower. To avoid erroneous conclusions, it is always better to underestimate reliability of data than to overestimate it.

$$KR20 = \frac{(K) (S^2 - \sum s^2)}{S^2 - (K-1)}$$

Where KR20 = Reliability coefficient of internal consistency

K= Number of items used to measure the concept

S^2 = Variance of all scores

s^2 = Variance of individual items

A high coefficient implied that items correlate highly among themselves i.e., there is consistency among the items in measuring the concept of interest. A reliability of 95% of the research instruments was ensured (Table 1).

RESULTS AND DISCUSSION

Test of Hypotheses

A regression analysis was done to test the conceptualized model that quality of annual accounts affected by budgeting, financial statement, preparation, appropriation and auditing.

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + E$$

Where y = is quality of annual accounts

X1 = is budgeting

X2= Financial Statements preparations

X3 = is appropriation

X4= is auditing

Bo= is a constant

B1- B4 = are beta coefficient for variables being measured

E= error term

$$Y = B_0 + B_1x_1 + B_2x_2 + B_4x_4 + E$$

$$Y = O + .072 + .256 + .111 + .557 + .337$$

The results of the regression analysis are presented in Table 2.

From the model summary, the multiple correlation coefficients (R) is a determinant of the potency of the association between Y (quality of annual accounts) and the four predictors chosen for insertion in the equation. Regarding this regression analysis, R= 0.882 which informs us there is a moderate –to-strong association. By squaring R., we recognized the value of coefficient of multiple determinations (R^2). This statistic made possible for us to establish the total of explained difference (variance) in from the four predictors on a range from 0-100 percent. Thus, we are in a position to say that 77.7% of the difference in Y (quality of annual accounts) is explained by the collective linear effects of the forecaster variables presented in Table 3. The F- ratio in ANOVA is utilized to check whether or not R^2 may possibly have arisen by chance only. The F- ratio established in the ANOVA table computes the likelihood of chance going away from a straight line. Analysis of variance (ANOVA) results are shown in the Table 4.

On review of the output presented in the Analysis of Variance Table 4, it was found that the overall equation was statistically significant (F = 31.375, P<.000) coefficients table sought to make out which predictors are noteworthy contributors to the 77.7% of elucidated difference in Y ($r^2 = .777$) and which ones are not, and in what methods do the important ones help us to give explanatory, of Y.

For every forecaster variable in the equation, Researcher was only interested with its related standardized beta, and beta and t-test statistics level significance (sig). Whenever P<.05, it was established that the results were statistically significant. This denotes that when a P-value (sig) is under or equivalent to .05, the matching beta, is statistically significant in the equation. From this equation, budgeting was established to be the only independent variable with a significance consequence on quality of annual accounts (B= 0.557, P<0.000) when each and every one of the variables were come into the regression equation. It was established that the better the quality of annual accounts (Table 5). Financial statements preparation, appropriation and auditing did not attain the basic measure to extensively influence quality of annual accounts, so they had no

Table 1. Reliability Item – Total Statistics.

	Scale mean if item deleted	Scale variance if item deleted	Corrected item total correction	Cronbach's Alpha if item Deleted
Fully involved in financial reporting	63.90	75.890	.118	.966
Strong financial mgt. culture established	62.22	68.976	.655	.955
Ongoing commitment and support by management	62.10	66.940	.794	.953
Benefits of reliable and timely financial statement	62.05	66.048	.864	.952
Robust arrangements for approval, review and oversight	62.12	6.410	.88	.952
Appropriate accountability arrangements	62.02	68.174	.747	.954
HAG has required skills qualifications and experience	61.59	71.949	.403	.958
A strategy or plan developed to improve financial statements	62.20	65.911	.851	.952
Full accrual monthly financial reports are prepared	62.22	66.376	.722	.954
Within year financial reporting used to identify and address issues	62.32	65.272	.857	.952
Balance sheet reconciliations are completed monthly	62.29	65.612	.854	.952
Balance sheet reconciliations are completed monthly	62.29	65.612	.854	.952
End of month process are streamlined	62.29	66.562	.812	.953
Errors and problems are identified and addressed	62.32	66.922	.800	.953
Proper attention is given to recruiting	62.17	70.345	.575	.956
Practical strategies for succession planning	62.41	68.149	.802	.953
There is an organizational structure with clear lines	62.20	67.561	.799	.953
Accounts team and business areas are sufficiently resourced	62.15	68.778	.681	.955
Mix of resources utilized is effective in managing peak financial statement work loads	62.15	68.428	.724	.954
Appropriate training and support are provided	62.22	69.526	65.7	.954

Table 1. Continue.

Roles and responsibilities of relevant staff are understood	62.24	67.189	.821	.953
Opportunities are taken to maximize interaction	62.15	70.428	.623	.955

Table 2. Summary Reliability Statistics.

Cronbach's Alpha	Cronbach's Alpha Base on Standardize items	Number of items
.957	.957	21

Table 3. Model Summary.

Model	R	R square	Adjusted Result	Std error of the estimate
1	.882a	.777	.752	.313

Predictors: (constant), Budgeting, Financial Statements Preparation, appropriation, Auditing.

Table 4. ANOVA.

Model	Sum of squares	Df	Mean Square	F	Sig
Regression	12.282	4	3.070	31.375	.000b
Residual	3.523	36	.098		
Total	15.805	40			

a. Dependent variable: Quality of Annual Accounts

b. Predictors: (constant), budgeting, financial statements preparation, appropriation, auditing.

Table 5. Coefficients

	Unstandardized B	Coefficient Std Error	Standardised coefficient	T	Sig.
Constant	.247	.337		-.731	.469
Auditing	.067	.150	.072	.450	.656
Financial statement preparation	.273	.149	.256	1.840	.074
Appropriation	.133	.126	.111	1.062	.295
Budgeting	.601	.139	.557	4.315	.0005

Dependent Variable: Quality of Annual Accounts.

noteworthy role at this point of the investigation.

CONCLUSION

The study sought to determine the effects of financial Reporting and Accountability in the public sector in Kogi State. This was accomplished through seeking answers to three questions that includes, (i) to determine if the financial reporting apparatus of government meets the minimum accountability criteria? (ii) What is the effect of appropriation and expenditure reports on the quality of annual accounts in the public sector in Kogi State? (iii) What is the effect of financial statements preparation on the quality of annual accounts in Kogi State public sectors?

The regression analysis revealed that budgeting was the only independent variable with significant effect on quality of annual accounts ($B = .557$, $P < .000$) when each and every one of the variables were inserted into the equation. It was established that the better the budgeting practices, the better the quality of annual accounts. Financial statement preparation, appropriation and auditing did not attain the necessary threshold to considerably affect quality of annual accounts, so they played no significant role.

The study concluded that budgeting practices ought to be taken seriously as they have a significant effect on quality of annual accounts. Financial statement preparation, appropriation and auditing although important do not attain the necessary threshold to significantly affect quality of annual accounts and 30 priorities should be accorded to budgeting practices.

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