AFRREV IJAH
An International Journal of Arts and Humanities
Bahir Dar, Ethiopia
Vol. 1 (1), February, 2012:68-78
ISSN: 2225-8590

Public Sector Financial Records Management: A Panacea for Good Governance

Okafor, Tochukwu Gloria
Department of Accountancy,
Nnamdi Azikiwe University,
Awka Nigeria

Abstract

This study is aimed at evaluating the importance of financial records keeping in achieving good governance with emphasis on public sector organizations. It draws on experience from Nigeria and some other African countries. We found out that despite efforts to institute comprehensive programmes of financial and structural changes through various economic policy reforms, some financial records are still buried and inaccessible, and this could be attributed to weak democracy and poor organizational structure. Good public management and administration with emphasis on accountability and responsiveness to consumer needs has been seen as aspect of good governance. We therefore recommend that African governments should develop national strategic approaches to managing public sector financial records as strategic national economic resources.

Introduction

From the late 1980s, the debate on good governance and its requirements has provided an impetus for new approaches to public sector management reforms. Some of the changes that have taken place have been aimed at

Copyright © IAARR 2012: www.afrrevjo.net/afrrevijah
Indexed African Researches Reviews Online: www.arronet.info

improving the overall efficiency and effectiveness of civil service, tackling some worst forms of governance abuses and failures in Africa the personalized nature of rule in which key political actors exercise unlimited power, systemic clienteles, misuse of state resources and institutionalized corruption; opaque government; the breakdown of the public realm; the lack of delegation of power and the withdrawal of the masses from governance Hyden (1992 and 2000),

Good public management and administration, with emphasis on accountability and responsiveness to customer needs has been seen as an aspect of good governance by donor agencies supporting reforms in developing countries. To the World Bank, good governance consists of a public service that is efficient, a judicial system that is reliable and an administration that is accountable to the public. The World Bank elaborates on four elements of good governance (World Bank 1989, 1992)

- Public sector management emphasizing, the need for effective financial and human resources management through improved budgeting, accounting and reporting and rooting out inefficiency particularly in public enterprises.
- Accountability in public services, including effective accounting, auditing and decentralization and generally making public officials responsible for their actions and responsive to consumers;
- A predictable legal framework with rules known in advance, a reliable and independent judiciary and law enforcement mechanisms; and
- Availability of information and transparency in order to enhance policy analysis, promote public debate and reduce the risk of corruption.

Developments in Africa have been hampered by an ineffective civil service, and this has led African governments to reconsider their own role as agents of sustainable development. Deficiencies of governance are at the root of many of the problems and thus improved governance is an essential aspect of the solution (King et al 1991).

Post colonial states have for too long clung to out –dated structures, systems and procedures as instruments of development. The traditional model of

Copyright © IAARR 2012: www.afrrevjo.net/afrrevijah
Indexed African Researches Reviews Online: www.arronet.info

organization and delivery of public services, based on the principles of bureaucratic hierarchy, planning and centralization direct control and self sufficiency, a product of 1920's function in a rapidly changing, information rich, knowledge intensive environment.

The end of colonialism marked the advent of real struggle for development. The civil service which should have been the agent of transformation inherited a bureaucratic dinosaur, lacking in capacity and rule-driven weakness in the policy sphere has been particularly severe (Dotsef, 1991). Effectiveness in programme delivery has similarly been reduced and some available resources have not been effectively utilized. The implication of this crisis is inability of governments in African to perform basic government functions. The crises have dramatized the urgency for reform of public sector management, particularly the civil service's capacity to plan and manage fundamental transformation. The civil service rule and regulations in most case fail to achieve positive result not because they are entirely faulty but because they were usually sacrificed to sloopy implementation and are simply grafted onto the corrupted system that caused the failure of past reforms. In Nigeria for instance from 1945 to date there have been eleven (11) of such reviews with varying focus and complexity of coverage (Adegoroye 2006).

This is the background against which this study public sector financial records management, a panacea for good governance is presented. The study draws on experience from Nigeria and the discussion will be presented as a case study to illustrate points of wider significance. It will stress the importance of proper financial record keeping in achieving good governance.

Government and financial structures

The objectives of government in any country and at any period, cannot be effectively achieved without the management of the consolidated fund. The machinery for controlling and coordinating public funds and thus translating government policy into effective action is the central administration of finance. In most of commonwealth Africa, the control administration of finance consisted of the Ministry of Finance, the Accountant Generals Office and office of the Auditor General. These three form the core of the financial mechanism and in their differing ways, play a major part in coordinating and combating the flow of public funds.

Copyright © IAARR 2012: www.afrrevjo.net/afrrevijah
Indexed African Researches Reviews Online: www.arronet.info

Arrangements made in the management of the consolidated fund are generally associated with the treasury. The two broad categories of works done by the treasury are policy and the physical handling of funds. The handling of funds involves the operation of accounting, which provides government with its institutional memory of past financial events. Policy and physical handling of funds belong to the realm of control. As an agency of control, Treasury Occupies a very important position in the public financial mechanism. In commonwealth Africa, the functions are divided between the Ministry of Finance and the Accountant General's Offices. The fact that this is so and that central control is split up in this particular way is due to historical circumstances.

Lesson from Nigeria

In Nigeria the payment of revenues into the Federation Account and the consolidated Revenue Fund, the authorization of expenditure from the Federation Account and the consolidated Revenue Fund, the audit of Public Accounts, the allocation of revenue and other financial matters are regulated by the relevant sections of the constitution of Federal Republic of Nigeria. The president of the Federal Republic of Nigeria has assigned to the Minister of Finance, responsibility for all financial business of the Government of the Federation.

The following Acts are very crucial for Public Sector Accounting purposes in Nigeria:

- Finance (control and management) Act 1958
- Audit Act 1958 and
- Annual appropriation Act

They give detailed guidelines and directives on the management and operations of all government funds. These laws emphasize the role of records and information as source materials in public financial administration.

In some African countries, we learnt that their problem of accountability and proper record keeping arose from treasury reform. According to former financial secretary in Ghana, with the abolition of the treasury as a single unit and as a result of the split into institutions, there has emerged problems of co-ordination and control and in particular problems associated with accurate and timely expenditure data (Akotia, 1996).

Copyright © IAARR 2012: www.afrrevjo.net/afrrevijah
Indexed African Researches Reviews Online: www.arronet.info

A similar problem in Gambia is seen where the main laws make scattered references to the importance of maintaining "…registers and records in accordance with the financial instructions" (Accounting manual, Banjul, 1990) for both countries, a manifestation of the lack of proper structures for managing records has been the practice of presenting multi-year financial reports for audit, when statutorily, this should be an annual function.

Structurally, it may not be totally right to say that Nigeria civil service is faulty civil service rules and regulations in most cases fail to achieve positive result not because they are faulty but because they were usually sacrificed to sloppy implementation and are simply grafted onto the corrupt system that caused the failure of the past reforms before it.

Nigeria's problem of financial record keeping stems from corruption, politicizing some important posts like Accountant General and Auditor general, weak democracy, non-challant attitudes among civil servants in their duties, undue importance accorded to generalists at the expense of professionalism, not sticking to civil service rules and regulation etc.

In situation where the Accountant General is employed abinitio to represent the interest of those at the top, not that he is the most qualified and suitable for the post Fraudulent tendency and desire to satisfy his political god father may not allow him to discharge his duties efficiently. For instance, keeping accurate records and controls provides internet check which in some cases reveals some fraudulent activities of these god gathers. To avoid such situation the Accountant General may decide neither to enforce good record keeping nor prepare final account at the end of year for onward submission to the Auditor.

Auditor general on the other hand need to maintain ascertain level of independence for him to unravel some defects in Accounting statement prepared by the accountant General but his case is similar to that of the Accountant General where political interest at god father is placed first.

Financial regulations are seen as unnecessary red-tapeism and accountants regarded as stumbling blocks hence top administrators would not support any move to improve the efficiency and effectiveness of the accounting function in government. They have, in fact blocked attempt by the Treasury to achieve any success in this direction (Okoye and Ani 2004). A case in point is lack of co-ordination between budgeting and accounting, which are complementary functions and the non-use of government accountants for budgetary function

Copyright © IAARR 2012: www.afrrevjo.net/afrrevijah
Indexed African Researches Reviews Online: www.arronet.info

by the budget department. These practices of course do not encourage proper financial record keeping.

General lack of understanding of the purposes of government accounting – among members of the society in general and the following specific groups in particular – the politicians (i.e. including members of the legislature and the executive arm) the administrators and sadly enough, a substantial proportion of the accounting personnel in government (Ani and Okoye, 2004), because of this general attitude, administrators are reluctant to involve government accountants in the decision making process.

Structurally, there is inherent weakness in the existing organization /administrative arrangements for government accounting for fund (Okoye 1998). There are technical inefficiencies and ineffectiveness inherent in the location of the Treasury. There exists the anomaly of putting Chief Accounting Officer of Government under one of the administrative (accounting) officers; also the deliberate attempt within departments to relegate accountants to second position in departmental financial administration. All these hamper the effectiveness of financial record keeping.

A major defect in financial administration arises from failure to integrate accounting and registry systems, with the result that essential information is lost or becomes subject to inaccuracies. Ideally, registry systems and accounts record systems should be used where each is most appropriate. For many tasks both are required and there needs to be adequate cross-reference between the two. However, too often users do not receive the support they require to make maximum use of these systems. It is not uncommon to find administrators consulting files when they should be using accounts. One sees for example, administrators searching through a contract file to determine what payments are due or have been made. Were they able to use properly constructed accounts, the information would be easily obtainable and accurate.

The benefits of good financial accounting information

Financial reporting in public financial administration is a product of well structured financial records management system, a critical element in the accountability of government. The key objective of financial reporting has always been to provide the legislature and the public with the assurance that there has been conformity with legal and other mandatory requirements in the

Copyright © IAARR 2012: www.afrrevjo.net/afrrevijah
Indexed African Researches Reviews Online: www.arronet.info

government's management of resources. It provides basis for accountability, retrospective reporting, planning and authorization information. On the one hand the public and other users such as investors depend on the reports to evaluate the government's viability. Multilateral donor organizations and governments, on the other hand should be able to rely confidently on the reports as sources of facts and figures (Henley, 1992).

The machinery of government should itself use financial and accounting information to evaluate current performance, so as to:

- Establish whether public policy objectives are being realized.
- Asses the contribution that alternative decisions are likely to make towards reaching those objectives.
- Monitor the progress of previous decisions.

Moreover, public accounts are not only a measure of past events but are also important for what they reveal about the future (Rees, 1992).

In a similar vein the budgetary control system is a key factor by which governments ensure that decisions previously made are being carried out effectively. For Nigeria, the budget control system depends for its effectiveness on monitoring the flow of expenditure and revenue. Unless records are managed as part of the monitoring process the objective of the system is not achieved and the control mechanism fails to inform. At present the various parties charged by law to prepare and submit accurate and timely expenditure are in breach of this requirement.

In Nigeria section 13 of the Audit Act requires the Accountant-General of the Federation to sign and present, within a period of seven months after the close of each financial year, to the Auditor-General of the Federation the accounts showing the financial position of the Federation of Nigeria but sad enough, this is not done. In Sabo (2003) Buhari was worried that according to him, last time annual financial account of the Federal Government was prepared and submitted for audit uses, I understand is 1980. And at the 1984 conference of Auditors-General of the Federation and States Directors of Audit, it was revealed to the astonishment of no one that eleven states last submitted their annual accounts for audit in 1967. During the tenure of our government in 1984-1985, we instituted a programme to update audited account and publish them but this was soon washed away" what all these

Copyright © IAARR 2012: www.afrrevjo.net/afrrevijah
Indexed African Researches Reviews Online: www.arronet.info

tend to expose is that there is management or operational problem in the Nigerian public sector in the financial and accounting control.

The budgetary system has been central to the operation of the public financial mechanism in Nigeria. The budget system is incremental in approach and attempts to relate appropriations made to the benefits to be achieved from them. Four closely interlinked stages formulation, enactment, implementation and accountability and audit, generate records that must be managed to provide the basis for the macro-economic framework and transparency of budgets and public expenditure programmes. Enhanced records management capacity would strengthen this process.

In Nigeria the amount and variety of information created and maintained in electronic format is on the increase in the central administration of finance. Computers have become a significant factor in the attempt to promote economy and efficiency. The volume of transactions used to prepare public accounts makes manual-based production not only cumbersome but inefficient. While it is expected that this trend will continue there has been a noticeable lack of attention to the information structures required to under pin the financial systems. Well structured paper-based systems and a clearly defined interface between paper and electronic records ought to provide the basis for properly controlled electronic records systems.

There has also been inadequate attention given to the relationship between the management of the financial records, paper and electronic, and the management of personnel records paper and electronic. While financial management has implications for all parts of government, it has a particular relationship with personnel management. In many countries expenditure on staff is 70-80% of total government expenditure and certainly in almost all cases it is the largest single item of expenditure. It is very easy for the payroll to be inflated by creating ‘ghost workers’ if the record systems are inadequate. For this reason it is important that there is a close relationship between financial information systems and personnel systems. For this to be achieved the names on the personnel system must match exactly the names on the payrolls system. There has to be an authentic reliable list of names against which everything else can be checked and validated. This can only be achieved through proper record keeping. It is very important that both records managers and auditors ought to be consulted when computerization is to be undertaken or when an existing computer is to be programmed to

Copyright © IAARR 2012: www.afrrevjo.net/afrrevijah
Indexed African Researches Reviews Online: www.arronet.info

perform a new function. Consultation of both auditors and records managers is needed at three stages, namely:

- Initial planning stage.
- The stage where the systems specifications are complete but before detailed programming has been undertaken.
- The point at which the system is to be approved for operational use.

Accountability a proof of good governance

The last stage of the budgetary cycle, accountability and audit, is also dependent upon effective records management. Public office carries with it responsibility to apply resources to achieve the purpose for which the resources were provided. Through accounting information for example, the public will be opportune to assess whether the government has been equal to its assignment or has fallen short on ability, achievement or even honesty. Public records, if well managed, have the potential to provide a meaningful resource by which both the executive and civil service machinery can present themselves as honest well-meaning and accountable.

As the management of public funds represents a trust, the concept of audit has become inherent in public finance administration. Audit is a major participation in financial coordination and control. To the conventional audit role of inspector is added the role of adviser and consultant on public financial administration. The extent to which national audit institutions assume such an advisory role in addition to their original "watchdog" function is an indication of their commitment to strengthening good government and the earning of a favourable public image. Correspondingly, should audit allow the interpretation of its role to be restricted by lack of independence, its support for governance process is fundamentally concerned with a review of records and until electronic records are recognized as legal evidence and are well managed, auditors simply cannot fulfill their responsibilities. There can be no accountability, no transparency, until records are properly audited. Auditors are therefore, among the greatest supporters of effective records management and there is tremendous scope for collaboration between the two professions.

Copyright © IAARR 2012: www.afrrevjo.net/afrrevijah
Indexed African Researches Reviews Online: www.arronet.info

Conclusion

Nigeria has experienced some economic policy reforms leading to comprehensive programmes of financial and structural change. Also important initiatives have been taken to introduce the framework for good records management practices. Despite the efforts, some financial records are still buried and inaccessible. This could be attributed to weak democracy and poor organizational structure. If the full benefits of economic reform are to be realized records management systems must continue to evolve to match the central administration of finance. The management of financial records will require a sustained effort and should assume a higher profile in economic sector management.

Public administration is now recognized as an essential component in the modernization of national economic and political institutions the same time, information technology is being introduced in government to enhance control of key resources such as finance. Computers are viewed increasingly as solutions to the management of the information required to deliver effective public service (Thruston 1995). The information itself must be managed as key strategic resource to underpin the public financial administration process. Computers provide a tool to assist in this process, but need to be assisted for efficient result.

Economic policy reform and bureaucratic accountability are dependent on available and valid information. The quality of decision-making and correspondingly, risk and cost are all functions of the quality of information and its available (Blunt 1995). The challenge of public sector management, governance and the rapid introduction of computer technology makes it absolutely imperative that African governments should develop national strategic approaches to managing public sector financial records as strategic national economic resource.

References

Accountant General Office Banjul (1990). Accounting *Manual*. Government Printer.

Adegoroye B. (2006). Public Service Reform for Sustainable development: The Nigeria Experience. Paper Presented at the Commonwealth Advanced Seminar at Wellington, New Zealand 20th February-3rd March.

Akotia P. (1996). The Management of Public Sector financial Records. The Implications for Good Governance Retrieved on August 12th 2010 from

Copyright © IAARR 2012: www.afrrevjo.net/afrrevijah
Indexed African Researches Reviews Online: www.arronet.info

Anyafo A. M. O. (1997) *Nigerian Public Finance*. Onitsha: Joanec Educational Pub. Ltd.

Blunt P (1995) "Cultural relativism "good" governance and sustainable human development: *Public Administration and Development.*

Constitution of the Federal Republic of Nigeria (1999)

Dia M. (1993). *A governance approach to civil service reform in sub-saharan africa*: Washington DC: The World Bank.

Doles F M (1991). *The state of training in public policy management to Ghana:* Public Administration and Development II.

Federal Government of Nigeria (2000). *"Finance Regulation"* Lagos: Federal Government Press.

Federal Government of Nigeria Print, Federal Government Accounting Manual.

Glentworth G. (1989). Strategic *Issues in Civil service reform* London ODA

Henley D. (1992). Public Sector Accounting and Financial Control London: Chapman and Hall

King A. and Schnider B. (1991) The First Global Revolution a strategy for reviving the World London: Simon and Schuster.

Okoye E. and Ani (2004). *Annals of Government and Public Sector Accounting* Nimo Rex Charles and Patrick Ltd.

Okoye E. I. (1998). *Government and Public Sector Accounting:* Onitsha Chamak Industries Ltd.

Public Sector Management Reforms in Africa Lessons Learned retrieved on 15th September, 2010 from

Steward (1992). Handbook of Management Skills BCA

UNDP (1995). *Public Sector Management Governance and Sustainable human development* New York: UNDP.

Copyright © IAARR 2012: www.afrrevjo.net/afrrevijah
Indexed African Researches Reviews Online: www.arronet.info