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TRANSPARENCY AND ACCOUNTABILITY: KEYS TO SUCCESSFUL FINANCIAL MANAGEMENT IN NIGERIAN TERTIARY INSTITUTIONS

Olu. Adesola Famade
Department of Educational Foundations
Kano University of Science and Technology, Wudil, Kano State, Nigeria.
Email: solamade63@gmail.com

ABSTRACT

Transparency and Accountability are key elements of good governance, be it at governmental or institutional levels. Transparency is all about free flow of information while Accountability presupposes that holders of public or institutional office should and must be accountable to the various stakeholders. When fully and properly applied, financial transparency and discipline could help fight and minimize corruption, ensure good governance at both public and institutional levels, and promotes sustainable development. The Nigerian tertiary institutions, universities in particular, being the citadels of learning are expected to play leading roles in the fight against corruptive tendencies by providing a pathway to financial prudency in the management of their finances and resources.

Keywords: *Transparency, Accountability, Financial Accountability, Fiscal Discipline, Fiscal Transparency, Finance Management.*

INTRODUCTION

Transparency and Accountability are two important elements of good governance the world over. They are powerful forces that, when consistently applied, can help fight corruption, improve governance and promote sustainable development. Accountability presupposes that decision-makers in government, the private sector and the civil society organizations are accountable to the public, as well as to institutional stakeholders (Rondinelli, 2007). By implication, financial accountability implies an obligation on the part of the person(s) handling resources, or holding public office or any other position of trust, to report on the intended and actual use of the resources or the position bestowed upon them. Transparency, on the other hand is built on the free flow of information. This implies that processes, institutions and information should be directly accessible to those concerned with them, and enough information to be provided to understand and monitor them. Invariably, the more informed citizens can be, the more meaningful the role they will play in dialogue with their governments and with each other. Transparency and accountability have operational or instrumental value in budgeting and public financial management. This is because the obligation to make known the nature and extent of the nation's fiscal activities, acts as a check on potential bad budgetary decisions; and forces budget aryactors to comply with budgeting rules and thereby improves the likelihood of better budgetary outcomes. Consequently, budget transparency and engagement opportunities are essential to empowering citizens to participate in public processes and to hold their government to account (Famade, 2014). Transparency is always looked at in terms of relevant, accessible, timely and accurate disclosure of information on actions, rules, plans and processes. Accountability is however defined in terms of an overall accountability system, where actors are held answerable and face consequences within government and from outside of government. Similarly, financial transparency and discipline are essential to improve and sustain performance, maintain stability and reduce vulnerabilities in all aspect of governance. Financial discipline is a key value in public finance management. It pertains to all key measures of fiscal performance: total revenue, the financial balance, and the public debt. Generally, financial discipline mean maintaining budgeted and actual spending, revenue, and borrowing at levels that are financially sustainable and compatible with short – and long – term macroeconomic objectives, given likely risks. Financial discipline helps governments avoid the negative consequences of extreme fiscal stress, and also make a positive contribution to fiscal outcomes.

Financial transparency is a critical element of effective fiscal management. It helps ensure that government's economic decisions are informed by a shared and accurate assessment of the fiscal position, the costs and benefits of any policy changes, and the potential risks to the fiscal outlook. The level or degree of financial transparency is an important predictor of a country's fiscal credibility and performance.

Transparency and Accountability Template: The IMF Prescriptions

The International Monetary Fund (IMF) came up with a 'Code of Good Practices on Fiscal Transparency'. The code described fiscal transparency as 'being open to the public about the governments' past, present and future fiscal activities, and about the structure and functions of government that determine fiscal policies and outcomes' (IMF, 2007). The code identifies a set of principles and practices, and as well focuses on four thematic areas, which is all geared towards good governance.

Clarity of Roles and Responsibilities:

- The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and a policy and management roles within the public sector should be clear and publicly disclosed.
- There should be a clear and open legal, regulatory, and administrative framework for fiscal management.

Open Budget Process:

- Budget preparation should follow an established timetable and be guided by well-defined macro-economic and fiscal policy objectives.

Public Availability of Information:

- The public should be provided with comprehensive information on past, current, and projected fiscal activity and on major fiscal risks.
- Fiscal information should be presented in a way that facilitates policy analysis and promotes accountability.
- A commitment should be made to the timely publication of fiscal information.

Assurances of Integrity:

- Fiscal data should meet accepted data quality standards.
- Fiscal activities should be subject to effective internal oversight and safeguards.
- Fiscal information should be externally scrutinized.

Role of Transparency and Accountability in Governance

Governments all over the world are saddled with the responsibility of developing their nations and the people. In that respect, governments becomes the custodians of the collective resources of the people and these resources are held in trust. From the perspective of the law of social contract, governments are expected to give account to the people to justify the confidence reposed on them by the citizenry in the use of their collective resources. Flowing from the above scenario, the role of transparency and accountability in governance, as noted by Dikki (2014) is to:

- Build confidence and trust between the government and the governed, and ensure optimization in the use of resources through dialogue and consultation, and meeting of the actual needs of the people.
- Encourage the practice and culture of financial systems' checks and balances that ensure consistent good behaviour of those entrusted

with the nation's collective resources from one generation to another.
- Ensure public understanding of government policies and support for them.

Transparency and Accountability in Financial Management in Nigerian Universities

Universities as citadels of learning are expected to serve as role models, and provide the pathway to financial prudency in the management of its finances and resources. In Nigeria, the financial resources available to universities are:
- Subventions and/or grants from owner governments,
- Tuition and other fees,
- Gifts, grants and endowments,
- Investment income, and
- Consultancies and research activities.

Universities are expected to be accountable and transparent to its students, faculty and staff, taxpayers, sponsors, donors as well as alumni it serves, in the management of its resources. This could be in form of financial reports, which pertains to the revenues and expenses for the universities for each fiscal year. The two major indices of transparency and accountability must be strictly adhered to by universities. These are financial accountability and financial responsibility. By financial accountability is meant the ability and readiness to account for the way money is spent to donors, boards and committees, members and people whom the money is meant to benefit. However, financial responsibility is all about:
- Keeping proper records of money that comes into the institution and goes out of the institution.
- Paying staff and accounts on time.
- Not taking obligations the institution cannot meet.

Role of Critical Stakeholders in Institutional Financial Management

Every member of the university community should have the responsibility of ensuring maximum transparency and integrity of the financial transactions and systems carried out in the university. The Governing Councils has a much wider and very critical role to play here. They are supposed to be responsible for the management and control of the finances of the universities, which include responsibility for adoption and review of budget for the university.

Statutorily, Universities are expected to

- Prepares annual financial statements at the end of each financial year.
- Submits annual financial statements to the owner government.
- Prepares and maintains a Financial Management and Procedures Manual of policy and procedures for the university's accounting and internal controls.
- Prepares and submits to the Minister/Commissioner in charge of Education, an annual report which includes a copy of the audited annual financial statements.

The Governing Council's Finance Committee is the main financial and resource planning body in universities.

The Committee is thus Empowered by Council to

- Formulate policy on investment management, and
- Approve revisions to budget.

Specifically, the Committee assists and advises Council on financial and resource planning for the university, and receives advice from the university Registrar or the appropriate officer, regarding the educational profile, strategic plans, resource allocation and performance. In addition, the Committee would also receive advice on the asset management plan, the implementation and administration of the financial operations of the university including investment of funds, pay roll, accounts and purchasing, and public accountability requirements. The Vice Chancellor, as the Chief Executive Officer should be responsible to Council for all aspects of the universities management, including its financial affairs. In this task, the Vice Chancellor is assisted by the:

- Deputy Vice Chancellor (Administration) : for administrative aspects
- Deputy Vice Chancellor (Academics): for academic aspects
- Registrar : for financial control and accountability
- Bursar: for planning, resource allocation and financial management.

Financial Accountability in Universities: which way forward?

Traditionally, financial accountability entails institutional leaders being accountable to one another and to external constituents: donors and the public. However, there are situations and instances when institutions find it challenging to balance their budgets, comply with accounting and legal requirements, prepare accurate and up-to-date financial statements, and implement systems of internal control to reduce the risk of theft or fraud.

According to Burke (2005), accountability places six demands on institutions and their officials. These include:

- Demonstrating that delegated power and authority has been used properly.
- Showing that the mission and priorities of the institution are being achieved.
- Reporting regularly on institutional and individual performance.
- Demonstrating that institutional resources are being used both efficiently and effectively.
- Ensuring the quality of the institution's programmes and services, and
- Showing that the needs of the institution's constituents (i.e. the public) are actually being met.

The interest in financial prudency in Nigerian educational institutions has been increasing over the years. Hence, the call and expectations by the public and the critical stakeholders, that the universities will explore every means possible to cut costs and wastages in their financial transactions. There are three accountability demands that impacts on the understanding and expectations regarding financial accountability in higher education. According to Gabbard (2012), these are:

- Issues/matters of quality,
- Efficiency/effectiveness, and
- Meeting constituent needs.

It may seem difficult for people to think of quality as a financial accountability issue. However, to maintain, sustain and improve the quality of the institution's programmes and services requires a high degree of consultation and collaboration among the major stakeholders within the institutions. This is all about accountability and transparency. It is essential and important to involve students, faculty members, administrators, trustees, alumni/alumnae and others in the evaluation and improvement of academic and non-academic programmes and services of the institutions. Likewise, institutions must have appropriate mechanism for overcoming decision-making challenges. A large representative group that includes all the relevant stakeholders should be employed or individual leaders are involved in decision-making processes. This is accountability and transparency at play. In Nigeria, the perennial funding challenges confronting the educational institutions, has brought to the fore the issues of wastages, efficiency and effectiveness in resource use. Higher institutions have been and still being pilloried by stakeholders of perceived failures, both to control costs, avoid wastages, and to achieve its purposes. The issue of efficiency: getting more things done less expensively; and effectiveness: achieving the desired results, has been on the front burner of public debate in Nigeria for long. Not surprisingly, the two economic indices are related to financial accountability. This is in the sense that educational institutions are expected to demonstrate how financially accountable they are, by seeking to 'maximize all of the good work they are capable of doing for the least possible cost' (Gabbard, 2012).

Generally, there seems to be a direct connection between financial accountability and meeting the needs of the institutions' stakeholders: students, donors, faculty members, alumni/alumnae, etc. Higher institutions exist to serve its constituents, and meet their needs in conformity to its stated mission. Basically, the mission of higher education in Nigeria is about producing highly skilled manpower that will be relevant both in the public and private sectors of the economy. In this regard, institutions are expected to judiciously allocate and use resources with the purpose of not only meeting the needs of its constituents, but the extent to which they can adjust in meeting those needs within the bounds of the institutions mission and vision. Financial accountability in educational institutions should necessarily involve:

- Artful application of human resources to the improvement of institutional programmes and services.
- A commitment to increasing institutional efficiency and effectiveness, and
- Making strategic adjustments to meet the needs of constituents.

CONCLUSION

It is given that transparency and accountability are two important elements of good governance. It can help fight corruption and improve governance when consistently and honestly applied. But in Nigeria, has this always been the case? Has the Nigerian government, ditto the educational institutions, always been open to the public and the critical stakeholders about its past, present and future fiscal activities; and about the structure and functions of government that determine fiscal polies and outcomes? Has the scourge of corruption in Nigeria been tamed through the adoption of fiscal transparency? There are weaknesses in systems of accountability and transparency that facilitates unethical behaviours. There is therefore a need for governments and multilateral as well as bilateral donors to recognize the importance of the accounting and auditing systems, and to dedicate resources and priorities to establishing sound, basic and timely systems. Transparent and accountable governance and administration in all sectors of society are indispensable foundations for the realization of social and people-centered sustainable development. Governments should make their procedures transparent in order to avoid and combat all acts of corruption. System weaknesses always lend themselves to exploitation and create conducive environment in which corruption may occur easily. It is instructive to note that individual worker does not engage in successfully in corrupt activity without finding a weakness in one of the financial management systems through which to conduct it. Thus, strengthening accounting systems is a critical issue that should be addressed by governments, donors and institutions. If there were proper accountability for financial and physical resources, public officials would not be able to loot public properties and the treasury. There can be no transparency without achieving accountability. Likewise, there can be no accountability without maintaining books of accounts. And, there can be no effective accounting process unless government and institutions prioritize it, and provide the needed resources.

Financial resources may be planned for (budgeting) continually, and laws may be passed by governments, but this will not necessarily produce effective results (transparency and accountability) if the control process (accounting) is defective or malfunctioning. There is need for the government to document the public financial control system, put in place a system to review its elements and components on an annual basis (especially, accounting process), realign them and make them complete to match the environmental changes. It is often argued that despite the well designed and formulated anti-corruption legislations, most developing nations, Nigeria in particular, circumvent these laws. The feeling is that these laws are not followed, and little or nothing is done when cases of corruption is found or are reported. This sends the wrong message that it does not really matter even if one is caught for wrongdoing. Government should strengthen its resolve to prosecute and punish offenders. Government must put in place, and implement the necessary institutional arrangements required to enhance public sector financial management transparency and accountability. This could be done through the adoption and implementation of International Public Sector Accounting Standards (IPSAS), which promotes greater transparency and accountability in public sector finances. For improved transparency and accountability in cash management, it is imperative that:

- Proper regulations on cash management should be issued and enforced.

- Control over printing and use of official cash receipts should be maintained.
- Proper internal control over cash with regular audits is necessary, including unannounced audits. Audit personnel should also be regularly rotated.
- Only senior and specified staff should be allowed to collect and handle cash, including the regular banking of funds.
- Those who misuse cash should be dealt with seriously, including prosecution in a court of law.

It worth emphasizing that accountability is lost when government and institutions fails to ensure financial basics, such as: recording, calculating balances, summarizing receipts and expenditures, and reporting to the people, are not properly undertaken.

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