



Impact of Fiscal Control Institutions on Financial Accountability in Nigerian Public Sector: A Study of Oyo State

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Abstract: *The importance of fiscal administration in public sector cannot be overemphasised and this is why it receives constitutional recognition. To avoid abuse, the 1999 Constitution of the Federal Republic of Nigeria, provides a series of checks and balances over fiscal administration by sharing financial responsibilities among the Executive, the legislature and the Office of the Auditor-General. This research sought to evaluate the effectiveness of the checks and balances on public finance in Oyo State. The research also set out to recommend measures that will enhance the discharge of financial accountability. In this research, three (3) hypotheses were formulated and tested. The primary data was obtained through the administration of questionnaires, interviews and actual observation. This was supplemented with secondary data. The technique of simple random sampling was used in the questionnaire administration. The population of the study was 398 out of which a sample of 200 was studied. The chi-square (χ^2) test statistics was used to test the four hypotheses. The findings of this research indicate that the public budget is not a significant instrument of legislative control over public finance in Oyo State; the reliance of Auditor General on the financial statements prepared by the Executive arm of government does not significantly influence his performance and the quality of legislative financial oversight has a significant effect on the State Auditor-General. The research shows that budgetary non-compliance is quite common. Infringements on financial rules and regulations are also common. The Public Accounts Committee of the State Legislature never met to consider the report of the Auditor General between 2015 and 2017. The implications of these findings are that the legislature is unable to discharge its Constitutional responsibility using the public budget; the weakness of the legislature adversely affects the Auditor-General and poor financial record keeping is not solely attributed to the qualification of those who maintain them. The study recommends a balanced redistribution of financial powers among the Executive, the Legislature and the Auditor-General to promote the discharge of financial accountability in Plateau State.*

Key words: *Public Sector, Budget, Financial Responsibility, Fiscal Control and Accountability*

INTRODUCTION

If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself. A dependence on the people is, no doubt, the primary control on the government; but experience has taught mankind the necessity of auxiliary precautions. (James Madison or Alexander Hamilton, The Federalist No.51, in Rossiter 1961)

One of the distinguishing features of any public financial management system is the role of fiscal control institutions (such as Treasury Office, the Parliament and the audit) in public spending (Lienert, 2005). The duties of every fiscal control institution are enshrined in the Constitution to facilitate the discharge of

financial accountability. Financial accountability is concerned with adherence to applicable laws and regulations, consistency with appropriate accounting principles and traditions, accuracy and fairness of reports; and complete legitimacy of expenditure. It has been proven that absolute control over finance by one arm offers for its abuse, and this is why power over finance is divided, the division being formally recognized constitutionally in virtually all countries.

The practice, world over, shows that power over finance is shared between the Executive and the legislature and in some cases with an independent body, such as Audit Institution. However, the question here is that has this Constitutional sharing of power over finance achieved the desired result? Constitutionally, one of the responsibilities placed on government is to put up a framework for the management and control of the public purse. The formalities established in relation to accounting and financial control support the process of governance. One important tool in fiscal governance and control is budget. It is also most relevant to the economic policy in any country. This is so because it is the second most important document after the constitution in any nation. It signifies that the budget is an expression of the constitution and statutes of a government which endow the executive and legislature with designated financial and managerial responsibilities (Ugoh and Ukpere, 2009).

Furthermore, in any democratic government, the Legislature has a constitutional responsibility to exercise its power of financial oversight on the Executive arm of government. This singular act has positive effects on the performance of the State Auditor-General. This is true because, audit constitutes the instrument of control in the financial and administrative process of operating government business. In recent years, however, the entire machinery for applying these control mechanisms by the Offices of the Auditor-General seems to have collapsed hence the confirmed financial improprieties virtually in every area of Nigerian public sector. The duties of the Auditor-General are among others to audit and report on the public accounts of ministries and extra ministerial departments and other bodies created by an Act of the legislature.

Again, it has been argued that governments must implement the necessary institutional arrangements required to enhance public sector financial accountability. An integral and essential part of these arrangements is the use of accrual-based accounting, through the adoption and implementation of International Public Sector Accounting Standards (IPSASs), which promotes greater transparency and accountability in public sector finances and allows for enhanced monitoring of government debt and liabilities for their true economic implications. Most state Governments in Nigeria, including Oyo State, have adopted IPSASs since 2015, but as good as this principle of accounting can be, the entire instruments of control in the public sector seem to have collapsed.

Consequently, there are increases in the mismanagement, scandalous embezzlement, extravagance, wastage, misappropriation, contract abandonment, overpricing of goods/service, unpaid salaries, capital flights and all other sorts of corruption. Thus the objective of the public financial management seems to have been defeated owing to the widespread accusation by the public to the fact that Fiscal Control Institutions merely express true and fair view without attempting to conform to prescribed standards, legal requirement and other regulatory framework. Therefore, this paper undertakes a critical review of government financial control and accountability system, and carries out an empirical examination of the role of various Fiscal Control Institutions in promoting fiscal accountability in Nigeria. So, the study broadly aims to ascertain the impact of fiscal control institutions on fiscal accountability generally in Nigeria and particularly in Oyo State.

Statement of Research Problem

Control of public finance is very important to public governance. That is why power over public finance is enshrined in the Nigerian Constitution. To promote financial accountability in Nigeria, power over finance is shared between the Executive, Legislature and the Office of the Auditor General. However, these institutions have not been able to play the roles assigned to them very well as it has been observed that there is the problem of non or partial implementation of the budget by the Executive arm of government virtually in every state of and particularly in Oyo State.

The budget is one of the most important instruments for the legislative control over public finance. Related to this issue, is the problem of spending without legislative authority. The checks and balances on public finance require that the Executive cannot spend without legislative approval. Even where voted funds fall short of requirements, the spending agency must apply for supplementary appropriations provisions and obtain legislative approval for such additional expenditure before incurring them. It has been alleged that this requirement of the law is not usually followed in most of the Nigerian states which Oyo State is a part. The Executive arm of government which implements budgets is required to ensure that expenditures are properly covered in the relevant Appropriation Acts. Funds are supposed to be apportioned to spending MDAs in line with the approved budget. It has been noted that public expenditures are frequently made on items not budgeted for, which of course means that such expenditure have no legislative approval. Once the budget has been approved, it is alleged that funds are shifted to purposes other than those for which they were meant. Though, in Nigeria constitution allow for a very limited annual flexibility in the name of quick decision-making which is so essential to macroeconomic management, but again shifting of power to the executive has made governments more vulnerable, and its capacity to avoid financial crises, has reduced, in the eyes of the public (Premchand, 2001).

Besides, the financial management cycle, as Premchand further observes, “has become a ritual that is often carried on like an innocent folk rite for its own sake than for the public.” Although, “limits of expenditure are imposed by the budget”, however, “spending agencies do not observe these limits when incurring expenditure.” He further argues that “in the course of budget implementation, a vote book is usually maintained to ensure that approved budgetary limits are not exceeded, but this aspect of expenditure control is often abused as spending agencies do not always respect limits when incurring expenditure.” So, with all these abuses, what has happened to the legislative oversight function?

The performance of the Auditor-General of many states in Nigeria, including Oyo State, has been called to question. It is alleged that Auditor Generals are incapable of discharging the functions of his office which is constitutionally prescribed. Furthermore, many State Legislatures in Nigeria including Oyo State Legislature are seen to be weak and unable to discharge their constitutional responsibility by exercising their power of financial oversight on the Executive arm of government. This problem is alleged to have adverse effects on the performance of the State Auditor-General.

Public financial control in Nigeria also suffers from poor financial record keeping. Where financial records are poorly maintained, can the reliance of the Auditor General on these records adversely affect his performance? In addition, if it is true that financial records are poorly maintained in Oyo State, is this a function of the qualification of those who keep these records? How do these problems listed above impact on financial accountability in Oyo State?

Objectives of the Study

This research sets out to evaluate the role of the formal institutions of financial control over public finance in Oyo State. Specifically, the research has the following objectives:

1. To evaluate the significance of the public budget as an instrument of legislative control over public finance in Oyo State.
2. To determine whether the reliance of the Auditor-General on the financial data supplied by the Executive enhances his audit work.
3. To examine the quality of legislative oversight function on State Audit performance.
4. To recommend measures on how to improve financial accountability in Oyo State.

Research Questions

The questions of this research are as follows:

1. Is the Budget a significant instrument of Legislative control over public finance in Oyo State?
2. Does the reliance of the Auditor-General on financial statements prepared by the Executive enhance his performance?
3. Does the quality of legislative financial oversight enhance the performance of State Auditors?

Research Hypotheses

1. H₀: The public budget is not a significant instrument of Legislative control over public finance in Oyo State.
2. H₀: The performance of the Auditor-General is not significantly dependent on the financial statements prepared by the Executive arm of government.
3. H₀: State Audit performance is not significantly dependent on the quality of legislative financial oversight.

Conceptual and Theoretical Framework

Financial Control

Finance occupies a special place in the conduct of government business. Therefore, any financial performance process becomes meaningless if a strategy to control it is not defined and implemented based on objectives consistent with the current state of the company and its upcoming projects. Fiscal control has now become an essential part of any public finance. Hence, it is very important to understand the meaning of fiscal control, its objectives and benefits, and the steps that must be taken if it is to be implemented correctly.

The term 'control' has long been recognised as one of the principles of management. Control exists in most human endeavours. Most authorities agree on what constitutes control. Lucey (1996:137) states that control is concerned 'with the efficient use of resources to achieve a previously determined objective, or set of objectives, contained within a plan'. Similarly, Koontz, Donnel and Wiehrick (1980:81) define control as the measurement and correcting of activities of subordinates to assure that events conform to plans. Ekwonu (1996:35) states that control 'is the measurement of the performance of the activities of subordinates in order to make sure that objectives and plans devised to attain them are being accomplished'. All these definitions point to the fact that control exists to ensure that organizational objectives are met through measurement of performance. The control process according to involves three steps, viz: Establishing standards, measuring performance against these standards and correcting deviations from standards and plans

Public finance, according to Buhari (1993: 66) can be defined as 'a branch of economics concerned with the finance and economic activities of the public sector'. From these definitions, we can state that public finance not just deal with the ways government raises money, but also the manner such money is expended with the aim of achieving economic growth.

In Nigeria, the Federal government raises money through the following major sources: Petroleum profit tax, Mining, Company income tax, import duties, Export duties, Excise duties, Interest and repayment of loans granted by the government. Others include; Education tax, Value added tax, Pay-as-you-earn, Fees and charges, Royalties, Rent of government property, Grants, aids and loans. The money raised through the above sources is expended on the following items: Administration, Infrastructural services, Productive services, Defense, Interest on internal and external loans, and Diplomatic missions. In connection with government finance, we can identify two basic groups of control- administrative and financial control; the former referring to those techniques which have indirect bearing upon expenditure operation while the latter denote techniques of control relating to fiscal control. The emphasis of this study is on financial control.

Fiscal control is a very important type of control in the management of government finance. Oshisami (1992:29) defines it as the process which ensures that financial resources are obtained at cost considered to be economical and utilized efficiently and effectively for the attainment of established objectives. A comprehensive definition of financial or fiscal control is given by Ekwonu (1996:33) as the sum total of the work, which guides, directs and interprets the budget cycle. It covers the activities of the Executive branch, involving finance and the ministries... the audit department and the legislature...

Objectives and benefits FC

1. Checking that everything is running on the right lines - Sometimes, financial control just checks that everything is running well and that the levels set and objectives proposed at the financial level regarding revenue and expenditure are being met without any significant alterations.
2. Detecting errors or areas for improvement - An irregularity in the public finances may jeopardize the achievement of government's general goals, causing it to lose to its stability and in many cases compromising its very survival. Therefore, it is important to detect irregularities quickly.
3. Implementing preventive measures - Occasionally, early diagnosis of specific problems detected by financial control institutions makes corrective actions unnecessary, as they are replaced by solely preventive actions.
4. Informing the public - Precise knowledge of the state of the nation, including its problems, mistakes and those aspects which are being handled correctly, encourages better communication with public.
5. Taking action where necessary - Detecting the situation is of little use without concrete actions to get a negative situation back on track thanks to specific and detailed information provided by finance control (Captio, 2016).

In a democratic era, fiscal control may operate internally and externally. Within the Executive arm of government, control by the finance ministry is internal, while audit by the Auditor-General and legislative oversight constitute external control. The next segment is devoted to discuss the role of Fiscal Control Institutions as regard public financial management. These institutions include Legislature, Auditor-General and the Executive itself.

Fiscal accountability

Fiscal accountability is the responsibility for public funds. It is the most vital because most policy decisions have financial implications. The basic tenet of fiscal accountability is openness in all financial activities of government and that government only embraces confidentiality in specific circumstances where it is proper to do so. The approach properly safeguards public funds, makes sure they are used economically, efficiently and effectively and accounted for in accordance with the statute that govern their use as well as reporting performance for all stakeholders through clear channels of communication (Sunday & Lawal, 2016; Okpala, 2012).

Empirical Review

Schick (2002) explored the evolution of legislative control of the budget in a small number of OECD countries; the study concludes mainly by highlighting a decline in parliamentary influence. Meanwhile, some cross-national surveys have shown that the role of legislatures in the public financial management varies greatly between countries (Lienert 2005, Wehner 2006). In addition, a number of legislatures have initiated reforms to strengthen financial scrutiny. The survey provides a unique opportunity to assess, for the first time, the budgetary role of African legislatures.

In a survey of about twenty-five African countries, including Nigeria 2008, Wehner examined budget practices and procedures. In that study, timeliness in the formulation, approval, execution and audit and evaluation was examined. The role of the executive and the legislatures, fiscal transparency, off-budget spending and Aid management were also examined. He linked the survey results to administrative traditions, reform efforts and political and economic realities. He mentioned areas of transparency and off-budget spending, budget execution and audit procedures and Aid management as areas that need attention.

Ademola (2003) carried out a study on the fund management and control in the state governments of Nigeria, using Ekiti State Government as the case organization, with the objective of finding out whether there is effective fund management and control of the state government fund. The study adopted the survey design using a 21 – item questionnaire. The sample size was 175 respondents drawn from the treasurers, accountants, cashiers and other fund managers in the state. The formulated hypotheses were tested using the Spearman's correlation method. The findings show that there is weak internal control over the state government funds which leads to ineffective fund management; that fund management positively

correlated with the procedures and the state government performances. In the study conducted by Olurankinse et al (2008), find that budget as a control for evaluating performance in federal ministries was found to be poor and ineffective.

Olatunji (2013) observes that budget is a vital tool for planning and control of natural resources in forest development. In a similar vein, budget in ministries serves as an indicator of performance of services. Budget documents should be used to direct the affairs of an organization via cost reduction methods namely budgetary control and standard costing. Checking every budget spending versus activity traced to it is essential instrument of control that will achieve the desired target of that organization in question. In a study by Kola (2014) it was declared that government budgeted revenues and expenditures for various items required careful tracking and control in order to meet budget targets and make the citizenry well-off.

Legislations aimed at Promoting Fiscal Accountability in Nigeria

Apart from the Constitution and other financial laws which prescribe how public funds should be managed, other legislations have also been enacted to help promote transparency and accountability in Nigeria. These legislations include:

- a) The Anti-Corruption Act, 2000
- b) The Code of Conduct Tribunal
- c) The Economic and Financial Crimes Commission (EFCC) and
- d) Due Process

All these legislations are designed to enthrone financial accountability in Nigeria. The success or otherwise of these legislations are outside the scope of this research.

Role of Fiscal Control Institutions in Promoting Fiscal Accountability

At the core of the analytical model is a fiscal control cycle set within contextual factors (see figure1 below). The fiscal control cycle is an idealized model of the relationship between an institution of fiscal control (e.g. Legislature) and a unit of the executive branch (e.g. Office of the National Security Adviser). The present chief Executive in Nigeria President Muh’d Buhari provided information to Auditor-General who later forwarded the report to Economic and Financial Crime Commission- EFCC about the financial activities of the former NSA – Dasuki Zambo, the case has since been taken to court to account for his improper behavior in the handling public funds. EFCC itself is an example of Accountability Institution in Nigeria. Figure 1 below is a fiscal control cycle which explains model of the relationship that exists between an FCI and a unit of the Executive branch.

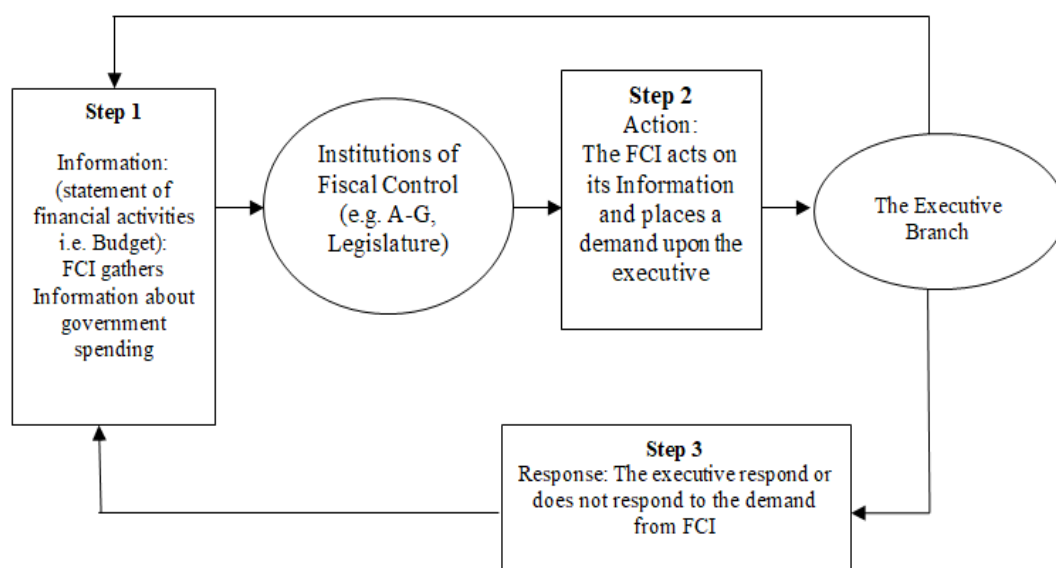


Figure 1: The Fiscal Control cycle: Model of the Relationship between an FCI and the Executive Branch.

Source: Adapted from the World Bank (2005)

The Legislature: The 1999 Constitution of the Federal Republic of Nigeria recognises that State Legislatures have power and control over public funds. Section 120 (3) & (4) hold that the State Houses of Assembly are the only organs empowered to authorise withdrawal of money from the consolidated revenue fund of the State except money meant to meet expenditure that is a charge upon the fund by the Constitution. The Legislature is also given power over budgets especially in the area appropriation and approval (see section 121). To ensure accountability in the management of public funds the 1999 Constitution holds thus:

No moneys shall be withdrawn from any public fund of the State, other than the Consolidated Revenue Fund of the State, unless the issue of those moneys has been authorised by a Law of the House of Assembly of the State [Section 120 (3)].

No moneys shall be withdrawn from the Consolidated Revenue Fund of the State or any other public fund of the State except in the manner prescribed by the House of Assembly [Section 120 (4)].

Similarly, section 123 (1) & (2) empower the legislative arm of government to make laws for the establishment of a contingency fund to meet urgent and unforeseen expenditure which shall be replaced by a supplementary appropriation. Furthermore, section 128 grant the state Houses of Assembly the power to conduct investigation into any matter or thing with respect to which it has power to make laws and the conduct of any person, authority, ministry or government department relating to both financial and non-financial matters. In the exercise of this power, the legislative arm of government shall have power to procure all evidence, written or oral, direct or circumstantial, as it may think necessary or desirable, and examine all persons as witnesses whose evidence may be material or relevant to the subject matter (see section 129 (1)).

Of interest to this research is Parliamentary control of public funds. Parliament is able to exercise this control through a number of instruments, organs and institutions and these include:

- a) Budget - The importance of budget as an instrument of planning is well recognised. In determining whether public funds have been wisely spent, the process starts with the budget. Sahgal (2003:2) opines that budgeting has been the first point of entry. The importance of budget control as a tool of development is now well recognised.
- b) Another instrument of Parliamentary control of public funds is through the operation of the Consolidated Revenue Fund. With legislative approval of the budget and once it has been signed into law, spending can commence from the consolidated revenue fund. Budget approval carries with it Parliamentary consent to withdraw from the consolidated revenue fund.
- c) Auditor-General: this is an institution of control. This office serves as an agent of Parliament. The Auditor-General is expected to lay his report on the accounts examined by him before the Parliament.
- d) Public Accounts/Petitions Committee: The committee shall consider the subject matter of all petitions referred to it and report their opinions to the house from time to time.
- e) Public Account Committee: A standing committee of the house whose jurisdiction covers budget proposals, conducting continuing studies of the effect on budget outlays of relevant existing and proposed legislation and requesting and evaluating continuing studies of tax expenditures, to devise methods of co-ordinating tax expenditures, policies and programmes with direct budget outlay and to report the results of such studies to the House on a recurring basis.

The above listed instruments of Parliamentary control of public expenditure may have a slight variation between countries with respect to the assigned roles given to committees. However, the basic role of Parliamentary oversight over the public purse is the same.

The Auditor-General: By law, the Auditor-General is an agent of the Legislature. He has the duty of overseeing the management of public funds and the quality and credibility of governments' reported financial data. To ensure that the budget is implemented according to legislative approval, the Auditor-General carries out a comprehensive audit of all government financial transactions. Other important activities carry out by the Auditor-General of a state include the following:

- touring areas outside the headquarters for the purpose of his audit.
- facilitating the write-off of lost funds.
- auditing the payment of pensions and gratuities
- addressing queries to accounting officers
- verifying government stores and
- producing an annual report

In Oyo State, the Auditor-General being the external auditor to government ministries, carries out his audit on an annual basis with exception of salaries which are audited monthly. The staffs of the Auditor-General do not carry out internal audit functions. In Oyo State, internal auditors are drawn from the office of the Accountant-General.

The Treasury/Office of the Accountant-General: Treasury is an office headed by the Accountant-General and is usually part of the ministry of finance. Treasury control of public fund takes the form of overall supervision of the spending of ministries and departments. The objective is to ensure that they conform to the approved estimates and that adequate attention is paid to efficiency in the spending of funds allocated by Parliament. Where spending departments wish to deviate from the policies and programmes approved by Parliament or wish to exceed their votes, they need to secure the approval of finance for the new policies or changes. The Treasury control of public funds is exercised by the office of the Accountant-General. In that the Accountant-General is vested with the duties of:

- a. receiving, keeping and disbursement of government funds;
- b. recording and reporting of government financial transactions
- c. exercising supervisory powers over other ministries in terms of financial matters.
- d. investigating cases of fraud, loss of funds, assets and store items

We may say that government accounts serve legislative interest by enthroneing the concept of accountability; it provides a framework for purposes of a variety of decision-making and it can be used for evaluating performance.

A series of checks and balances exist within the accounting system to ensure effective financial control. Teriba and Oji (1973: 326) explain that there are checks and balances in the accounting system of ministries/departments aimed at ensuring effective financial control. The essence of this financial control system is that book-keeping functions are so allocated that one book-keepers function provides a check on the function of some other book-keepers.

The roles of the Executive arm of Government, the Auditor-General and the Legislature in discharging financial accountability in the public sector were extensively reviewed. On the basis of the literature reviewed here above. It was observed that there is need to reinforce the institutions of financial control in the public sector, of which Oyo in Nigeria is no exception. It is observed that there is a failure to link the three institutions of financial control namely; the Executive, the legislature and the Auditor General. The absence of these interrelationships in financial control is one of the fundamental areas to be addressed by this research.

Methodology

The research design that was adopted for this study is 'Descriptive and Survey Research Design'. This is a cross sectional survey research design, which involves the use of questionnaire and oral interview. This method is preferred to other methods because it enables the researcher to solicit information from the research respondents, particularly where the nature of the research makes practical field work necessary.

Sources of Data Collection

The data for this study was obtained from two main sources - primary and secondary sources of data collection. Primary data were collected through the use of questionnaire. The questionnaire was divided into three sections (A, B & C). To evaluate the role of treasury staff in financial record keeping and reporting, section (A) of the questionnaire was designed and administered for employees in the office of the

Accountant-General in Oyo State who are directly involved in accounting duties. To determine the role of State Audit in promoting financial accountability in the public sector, section (B) of the questionnaire was designed for staff of the Auditor-General in Oyo State. Lastly, Section (C) of the questionnaire was designed for elected legislators. The questions in this section attempted to examine the role of the Legislature in promoting financial accountability in Oyo State. The secondary data for this study was obtained from textbooks, journals, internet browsing and the Ministry of Budget and Planning, Oyo State. For the primary data questionnaire and oral interview were used.

Population of Study

The Ministry of Finance was contacted for the list of accounting operating staff. Similarly, the Office of the Auditor-General was also consulted for the list of audit operating staff. The house of assembly was also consulted for the list of house members. From the preliminary survey, the population for the study consists of:

Table 1: Components of the study setting

S/N	Study Setting	Population
1	Accountant-General staff	288
2	Audit operating staff	78
3	House of Assembly Members	32
	Total	398

Source: Field Survey, July, 2017

Sample size

Okwandu (2004: 130) recommends the use of Taro Yamane’s formula for researchers in determining the sample size from a given population. It was adopted in this study. Taro Yamane’s formula is:

$$n = \frac{N}{1+N(e)^2}$$

Where:

n = Desired sample size

N= Population size

e = Level of significance or Accepted error margin or limit (0.05)

1 = Constant value

Using the above formula, the sample size is determined as follow:

$$n = \frac{398}{1+398(0.05)^2}$$

$$n = \frac{398}{1+0.995}$$

$$n = \frac{398}{1.995}$$

$$n = 199.49$$

Therefore, the sample size (n) is rounded up to 200

Sampling technique/procedure

In this research, the proportional stratified sampling technique was used to arrive at the number of respondents to be selected from each of the three (3) Financial Control Institutions (FCI) that is, the strata of the population. This was done in proportion to each stratum using the formula below:

$$\frac{n}{N} \times \frac{S}{1}$$

Where:

n = Population of each stratum

N = Total Population

S= Sample size

Using the formula, the sample size for each stratum was worked out below and as shown in Table 2:

$$\begin{aligned}
 S_1 &= \frac{288}{398} \times \frac{200}{1} = \frac{57600}{398} = 145 \\
 S_2 &= \frac{78}{398} \times \frac{200}{1} = \frac{15600}{398} = 39 \\
 S_3 &= \frac{32}{398} \times \frac{200}{1} = \frac{6400}{398} = 16
 \end{aligned}$$

Table 2: Proportional Representation (Sample size for each component of the population)

S/N	Components of the Study Setting	Population	Sample Size
1	Accountant-General staff	288	145
2	Audit operating staff	78	39
3	House of Assembly Members	32	16
	Total	398	200

Source: Field Survey, July, 2017

Being active participants in the managing of public funds, this population, we believe know about the accountability arrangements in the public sector and as such hold important opinion from which this research can benefit tremendously.

Data Analysis Procedure

Data gathered in this study were analysed using simple percentages in areas where we expected significant findings but hypotheses were not formulated. However, to test our hypothesis we made use of chi-square method. The chi-square test is a test of independence between variables. The formula for computing the Chi-Square test is given as shown below: $X^2 = \sum \frac{(O_i - E_i)^2}{E_i}$

Where:

O_i = observed frequency for contingency table category in row i and column j.

E_i = expected frequency for contingency table category in row i and column j based on the assumption of independence, with n rows and m columns in the contingency table.

Whereby,

$$E_i \text{ is calculated as: } = \frac{\text{Total response in rows} \times \text{total column}}{\text{Total response of number of rows and column}}$$

The test statistic has a chi-square distribution with (n - 1) (m - 1) degrees of freedom provided that the expected frequencies are 5 or more for all categories.

Data Presentation, Result and Discussion

Analysis of Responses

In this section, responses to items on the questionnaire which was designed and administered to major stakeholders that are involved in public financial control were analyzed. The response rate from data generated in the study are reported using simple percentage based on each component of the study setting as shown in table 3 below.

Table 3: Analysis of Response Rate

Study Setting	Sample Size	Retuned	Not Retuned	Rate Return %
Accountant-General staff	145	137	8	74%
Audit operating staff	39	32	6	17%

House of Assembly Members	16	16	0	9%
Total	200	185	14	100%

Source: Field Survey, July, 2017

Hypothesis 1:

H₀: The public budget is not a significant instrument of Legislative control over public finance in Oyo State.

For hypothesis 1, we used questions 13 & 16 in set ‘A’ of the questionnaire to generate data for the purpose of our analysis. These questions are distributed as shown in table 4 and 5 below.

Question 13: Effect of quality Legislative budgetary control

Alternative	Frequency
Poor	8
Average	46
Good	66
Very Good	17
Total	137

Source: Field Survey, July, 2017

Question 16: The level of the yearly budget implementation your ministry?

Alternative	Frequency
1% - 25%	11
26% – 50%	71
51% - 75%	48
76% - 100%	7
Total	137

Source: Field Survey, July, 2017

From the data presented in table 4 and 5 above we can now construct our contingency table as shown in table 6 below:

Table 6: Relationship between Legislative Budgetary control and level of budget implementation

Level of Budget Implementation	Effectiveness of Legislature in using the Budget to control Public Finance				Total
	Poor	Average	Good	Very Good	
1% - 25%	2 (0.64) +1.36	3 (3.69) -0.69	5 (5.29) -0.29	1 (1.36) -0.36	11
26% – 50%	3 (4.14) -1.14	23 (23.83) -0.83	37 (34.20) +2.80	8 (8.81) -0.81	71
51% - 75%	2 (2.80) -0.80	18 (16.11) +1.89	23 (23.12) -0.12	5 (5.95) -0.95	48
76% - 100%	1 (0.40) +0.60	2 (2.35) -0.35	1 (3.37) -2.37	3 (0.86) +2.14	7
Total	8	46	66	17	137

Source: Field Survey, July, 2017

The table 6 above represents our Observed Frequencies; the Expected Frequencies can be determined as follow:

$$E_1 = \frac{CT \times RT}{GT}$$

- Where:
- E₁ = Expected Frequency
 - CT = Colum Total
 - RT = Row Total
 - GT = Grand Total

Thus, our expected frequencies are calculated in the same way as for a 2 × 2 contingency table where each cell are obtained by multiplying the two totals common to the cell and dividing by N - total number of

observations. So, solving for the upper left-hand cell is $\frac{(8 \times 11)}{137} = 0.64$. Other expected frequencies are obtained in a similar manner and they are as shown in bracket of each cell in table 6 above.

$$\text{Therefore, } X^2 = \frac{(1.36)^2}{0.64} + \frac{(0.69)^2}{3.69} + \frac{(0.29)^2}{5.29} + \frac{(0.36)^2}{1.36} + \frac{(1.14)^2}{4.14} + \frac{(0.83)^2}{23.83} + \frac{(2.80)^2}{34.20} + \frac{(0.81)^2}{8.81} + \frac{(0.80)^2}{2.80} + \frac{(1.89)^2}{16.11} + \frac{(0.12)^2}{23.12} + \frac{(0.95)^2}{5.95} + \frac{(0.60)^2}{0.40} + \frac{(0.35)^2}{2.35} + \frac{(2.37)^2}{3.37} + \frac{(2.14)^2}{0.86} = 12.25$$

No. of degrees of freedom = (4-1) (4-1) = 9. So, with 9 d.f., $X^2 = 16.919$

X^2 Calculated = 12.25 < X^2 (@5% Level) = 16.919

Decision Rule:

Since the value of our X^2 calculated (12.25) is less than the value of X^2 tabulated (16.919) as shown above, we accept the null hypothesis (H_0) which states that the public budget is not a significant instrument of legislative control of public finance in Oyo State.

Hypothesis 2:

H_0 : The performance of the Auditor-General is not significantly dependent on the financial statements prepared by the Executive arm of government.

For hypothesis 2, we used questions 13 & 17 in set ‘A’ of the questionnaire to generate data for the purpose of our analysis. These questions are distributed as shown in table 4 and 5 below.

Table 7: Level of reliance on financial statements prepared by the Executive

Alternative	Frequency
Highly reliance	5
Moderately reliance	13
Low reliance	9
No reliance	5
Total	32

Source: Field Survey, July, 2017

Table 8: Effect of Financial Statements on State Auditors Performance

Alternative	Frequency
Highly Significant	6
Significant	12
Insignificant	9
Highly Insignificant	5
Total	32

Source: Field Survey, July, 2017

From the data presented in table 7 and 8 above we can now construct our contingency table as shown in table 9 below:

Table 9: Relationship between State Auditors’ Performance and their Level of reliance on financial statements prepared by the Executive.

Effect of Financial Statements on State Auditors Performance	Level of reliance on financial statements prepared by the Executive				Total
	Highly reliance	Moderately reliance	Low reliance	No reliance	
Highly Significant	1 (0.9) +0.1	3 (2.4) +0.6	1 (1.68) -0.68	1 (0.9) +0.1	6
Significant	1 (1.87) -0.87	4 (4.88) -0.88	5 (3.38) +1.62	2 (1.87) +0.87	12
Insignificant	2 (1.41) +0.59	5 (3.66) +1.34	2 (2.53) -0.53	1 (1.41) -0.41	9
Highly Insignificant	1 (0.78) +0.22	2 (2.03) -0.03	1 (1.41) -0.41	1 (0.78) +0.22	5
Total	5	13	9	5	32

Source: Field Survey, July, 2017

Thus, our expected frequencies are calculated in the same way as for a 2 × 2 contingency table where each cell are obtained by multiplying the two totals common to the cell and dividing by N - total number of observations. So, solving for the upper left-hand cell we have $\frac{(5 \times 6)}{33} = 0.90$. Other expected frequencies are obtained in a similar manner and they are as shown in bracket of each cell in table 9 above.

$$\text{Therefore, } X^2 = \frac{(0.10)^2}{0.93} + \frac{(0.6)^2}{2.4} + \frac{(0.68)^2}{1.68} + \frac{(0.10)^2}{0.90} + \frac{(0.87)^2}{1.87} + \frac{(0.88)^2}{4.88} + \frac{(1.62)^2}{3.38} + \frac{(0.87)^2}{1.87} + \frac{(0.59)^2}{1.41} + \frac{(1.34)^2}{3.66} + \frac{(0.53)^2}{2.53} + \frac{(0.41)^2}{1.41} + \frac{(0.22)^2}{0.78} + \frac{(0.032)^2}{2.03} + \frac{(0.41)^2}{1.41} + \frac{(0.22)^2}{0.78} = 3.38$$

No. of degrees of freedom = (4-1) (4-1) = 9. So, with 9 d.f., $X^2 = 16.919$

X^2 Calculated = 2.50 < X^2 (@5% Level) = 16.919

Decision Rule:

Since the value of our X^2 calculated (12.25) is less than the value of X^2 tabulated (16.919) as shown above, we accept the null hypothesis (H_0) which states that the performance of the Auditor-General is not significantly dependent on the financial statements prepared by the Executive arm of government.

Hypothesis 3:

H_0 : State Audit performance is not significantly dependent of the quality of legislative financial oversight.

The data for this hypothesis were generated using questions 7 and 8 in set “B” of the questionnaires. These questions have the frequency distribution shown in tables 14 and 15. The contingency table (table 16) is derived from tables 14 and 15.

Table 10: Performance of the Public Accounts Committee (PAC)

Alternative	Frequency
Very Good	6
Good	8
Average	10
Poor	9
Total	33

Source: Field Survey, July, 2017

Table 11: Influence of PAC on State Auditors

Alternative	Frequency
Positive Influence	15
Negative Influence	11
No Influence	7
Total	33

Source: Field Survey, July, 2017

From the data presented in table 10 and 11 above we can now construct our contingency table as shown in table 12 below:

Table 12: Influence of PAC on State Auditors’ Performance

Influence of PAC on State Auditors’ Performance	Performance of the Public Accounts Committee (PAC)				Total
	Very Good	Good	Average	Poor	
Positive Influence	1 (1.9) -0.9	4 (3.4) +0.61	8 (4.8) +3.2	3 (5.8) -2.8	16
Negative Influence	2 (1.6) +0.4	2 (2.8) -0.8	2 (3.9) -1.9	7 (4.7) +2.3	13
No Influence	1 (0.5) +0.5	1 (0.8) +0.2	0 (1.2) -1.2	2 (1.5) +0.5	4
Total	4	7	10	12	33

Source: Field Survey, July, 2017

Thus, our expected frequencies are calculated in the same way as for a 2 × 2 contingency table where each cell are obtained by multiplying the two totals common to the cell and dividing by N - total number of observations. So, solving for the upper left-hand cell we have $\frac{(4 \times 16)}{33} = 1.9$. Other expected frequencies are obtained in a similar manner and they are as shown in bracket of each cell in table 12 above. A closer look at the expected frequency cells we found that some cells have expected frequencies of less than 5. We therefore merge such cells to improve on the deficiency of those cells as shown in table 13 below.

Table 13: Influence of PAC on State Auditors' Performance (Merging deficient cells)

Influence of PAC on State Auditors' Performance	Performance of the Public Accounts Committee (PAC)		Total
Positive Influence	5 (5.66) -0.66	12 (11.33) +0.67	17
Negative/ No Influence	6 (5.31) -0.69	10 (10.56) -0.56	16
Total	11	22	33

Source: Field Survey, July, 2017

Having improved on the deficient cells, we compute the chi-square statistics as:

$$\text{Therefore, } X^2 = \frac{(0.66)^2}{5.66} + \frac{(0.67)^2}{11.33} + \frac{(0.69)^2}{5.31} + \frac{(0.56)^2}{10.56} = 7.39$$

No. of degrees of freedom = (3-1) (3-1) = 4. So, with 9 d.f., $X^2 = 16.919$

X^2 Calculated = 7.39 < X^2 (@ 5% Level) =

Decision Rule:

Since the value of our X^2 calculated (12.25) is less than the value of X^2 tabulated (16.919) as shown above, we accept the null hypothesis (H_0) which states that the performance of the Auditor-General is not significantly dependent on the financial statements prepared by the Executive arm of government.

Recommendations

Fiscal Control Institutions should be attentive to issue of fiscal crisis and seize these opportunities to press for major legal and institutional reforms and actual changes in government practices (including the publication of budget documents, development of a citizen's budget, and creation of greater opportunities for legislatures and citizens to engage in fiscal decision making).

The State House of Assembly (SHoA) should support the modernization of the State Auditor-General's Office and the PAC Secretariat, among other tasks. There should be an improvement on the timeliness of submission and publication of the audit reports. Also full compliance with International Organization of Supreme Audit Institutions (INTOSAI) standards should be given quick consideration. Once delivered, the external audit function of the State as well as the legislative oversight Secretariat (PAC) would have been strengthened to better deliver on their mandates.

Other recommendations are as follow:

To Legislature

- legislature's capacity to perform its function and act as an independent body
- timely availability of public budgets to the legislature
- timely availability of public expenditure reports to the legislature
- effective legislative oversight over the executive branch
- active public accounts committee that focuses on oversight of public financial management
- adequate process for legislative review of the budget

To Audit Institution

- existence of a clear auditing mandate enshrined in legislation for the audit institution
- protection of the Auditor-General's independence by way of legislation or strong tradition
- direct reporting relationship by the Auditor-General to the legislature without political interference

- Auditor-General power to determine which audits will be done and how they will be done
- Auditor-General freedom to determine how audit findings will be reported
- Auditor-General power of unrestricted access to information it needs to do its audit work
- adequate level of funding for Auditor-General (for investigation and monitoring activities)
- freedom to determine how audit findings will be reported

Conclusion

This study offers lessons for policy and practices and ways by which Fiscal Control Institutions can advance and improve fiscal accountability in Nigeria. The need to achieve Fiscal Control and Accountability in Nigeria cannot be overemphasized. This is especially important considering that the national economy recently slipped into recession. According to findings from this study, one notable factor for this is the high level of fiscal indiscipline at the subnational level, which mainly derived from problematic of non-compliance with fiscal rules generated by unconditional executive dominant in public financial management.

An effective Fiscal Control Institutions may produce some of its most powerful benefits in invisible ways. Officials may refrain from behaving badly for fear of exposure when regular fiscal disclosure is required. These possibilities notwithstanding, the Nigerian case show that would-be users faced significant obstacles in the use of fiscal information to engage in fiscal decision making. Legislators lacked the expertise and capacity for analysis or lacked real avenues and incentives to translate information into pressure for holding the executive accountable.

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