

Accounting: A Tool for Corruption Control in the Public Sector in Nigeria

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Abstract

This paper examined the role of accounting on corruption control in the Nigerian Public Sector and the rate existing internal control and accounting standards are helping to reduce the occurrence of corruption. The specific objective of the study is to find out whether internal control and accounting standards have significant relationship with corruption control in the public sector in Nigeria. The study obtained primary data using a structured questionnaire while secondary data were obtained from reports of previous studies. To test for reliability of result from data used, the cronbach alpha coefficient was applied. Questionnaires were administered to staff on grade level 10 to 14 in 5 selected ministries in Ekiti, a state in Nigeria. Respondents were selected using stratified random sampling. Multiple regression analysis result exhibited that both internal control and accounting standards have significant negative relationship and effect on corruption control in the Nigerian public sector. Among the recommendation of the study is that management personnel should at least have basic knowledge of accounting while staff in the accounts department to proceed regularly on training to meet up with prevailing accounting trends.

Keywords: Accounting Standards, Internal Control, Corruption, Corruption Control.

1. Introduction

Corruption according to (Schleifer, 1993) involves theft which could arise if an individual is induced with money even though it is assumed that a legal transaction must have taken place, such as the sale of government property.

Glynn, Kobrin, & Naim (1997) are of the opinion that no country can be exempted from corruption. Corruption is not limited to developing countries because it also exist in developed countries (Kaufman, 1997) although the extent of its impact varies ((Robinson, 1998). In Nigeria the public sector is viewed as not being accountable to the public and there is also inconsistency in what takes place in government andS what the citizens are told. This inconsistency and government not being transparent makes people think and act in a fraudulent manner (Okoye, 2005). For instance the proceeds from the natural resources in Nigeria is enough to take care of population growth, but only few individuals in the country have access to funds generated from these natural resources. Over 70 percent of Nigerians are living below the poverty line in the midst of plenty in the country. Therefore, when an individual secures a government job; he or she views it as an opportunity to amass wealth while in office (Okoye, 2005).

Nigeria is more likely to fall prey to corruption because as a multi-ethnic country it has failed to manage ethnic conflicts to the satisfaction of the citizens. Nigerians identify more to themselves in line with ethnic affiliation which conflicts with nationalism. As a result, citizens are more concerned with developing their region rather than the country as a whole. This situation has led to gross underdevelopment in most parts of the country since officials are more interested in diverting resources to their relatives, families and those within their immediate clan (Shilgba, 2009).

In the opinion of (Waziri, 2007), corruption in the public sector in Nigeria are in various forms such as using stationery meant for office use for private usage, altering contract papers and payment vouchers, misuse of travel allowance by senior officials of government, arbitrary inflation of contract sum by top public officers, payment for jobs not executed, undue inflation of salaries and allowances, diversion of government revenue by public officers, illegal printing of receipts by those entrusted to collect revenue on-behalf of government, forgery of signatures on cheques, payment of ghost workers and falsification of financial account.

Corruption according to (Smith, 2007) is more noticeable in Nigeria because no-body has been brave enough to stop political corruption resulting from bad leadership which has led to poverty and gross inequality. (Obayelu, 2007) also opined that corruption is prevalent in Nigeria because of weak institutions, poor legal system, use of discretionary power due to absence of clear codes and rules.

1.1 Research Problem

According to ((Gire, 1999)) the rate at which corruption has grown in Nigeria is such that it looks as if it has been legalized. The studies on corruption conducted by the Transparency International in 1996 placed Nigeria as the most corrupt nation with Pakistan placing second from the rear out of 54 nations used in the study (Moore, 1997). As at year 2012, Nigeria was still among the ten most corrupt countries in the world (Obayelu, 2007).

This study seeks to confirm whether what is portrayed by accountants and auditors from published financial reports are actually true from the perspective of both internal control and accounting standard.

1.2 Research Question

The main purpose of this research is to find out whether accounting in the past had effect on corruption in the public sector in Nigeria. The specific research questions are:

1. Do Internal Control have any significant relationship with corruption control in the public sector in Nigeria?
2. Do Application of Accounting Standards have any significant relationship with corruption control in the public sector in Nigeria?

2. Theoretical framework

The theory considered for this research is the theory of neo-patrimonialism. The term neo-patrimonialism has been used to mirror the political problem experienced by most African and developing countries (Roth, 1968). Neo-patrimonialism also involves the use of state resources to get the loyalty of “godfathers” within a population.

According to ((Gambo, 2006) “godfatherism” could be described as the unilateral power and overwhelming influence of an individual to decide who picks a party ticket and who eventually wins within the Nigerian politics. In a bid to satisfy these “godfathers” public office holders squander state funds (Ogundiya, 2009). The agitation by the political class that presidency should be rotated or zoned among the various ethnic groups in Nigeria is believed to be a way for these ethnic groups to have access to the wealth of the country (Ogundiya, 2009). The idea of zoning is hoped to be a good representation of the centre, and that was why the idea of the federal character was entrenched in the 1999 constitution of the federal republic of Nigeria (Ogundiya, 2009).

The inclusion of the federal character in the 1999 constitution was not a genuine motive but an avenue to settle differences among ethnic groups over the distribution of resources within the Nigeria state (Ogundiya, 2009). Success of each zone within the ethnic groups is measured in terms of political appointments secured which determines the percentage of share accruing from the “national cake” (Ogundiya, 2009).

Therefore, it is a normal norm to steal from the common wealth in Nigeria (Ogundiya, 2009). Neo-patrimonialism as a theory has been used for this study to give a picture of what transpired within the colonial era which has features of illegitimacy and exploitation, and the political situation in Nigeria which involves corruption and cheating of the system which has denied the population of basic amenities because of the selfish interest of the political class. Since the colonial era, corruption has continued in Nigeria unabated (Ogundiya, 2009).

2.1 History of Corruption in the Public Sector in Nigeria

The history of corruption in the public sector in Nigeria can be traced to the era of the colonial masters. The colonial masters were successful in colonizing the country via the use of both direct and indirect rule by engaging the services of local officers from different paths of the country. Those whose services were engaged were not indigenes of the region assigned to them. Some of the local officers abused their new found power and influence for their selfish interest (Owolabi, 2007). After independence, the politicians that were elected into office and other public servants exhibited traces of corrupt tendencies. During the period of election, there was manipulation of votes while some went to the extent of hiring thugs to intimidate and sometimes eliminate political opponents. At the assumption of Office, these public officials were more particular about their selfish interest at the expense of the public (Owolabi, 2007).

The military in 1966 took over power citing the massive corruption of public officials as the major reason for their intervention. However, the military regime proved to be worse than their civilian counterparts which ultimately led to the proliferation of corruption in the country as each military regime was identified with arbitrary use of power, non-transparency and lack of being accountable. The foregoing trend created a culture of corruption within government while public officers saw it as an avenue to continue with their financial recklessness (Owolabi, 2007).

2.2 Accounting and Corruption

Maintaining proper books of records throughout the life of an establishment is very important (Thurston, 1997).

The role of accountants in fighting corruption will be more felt if certain controls are in place such as making sure that those caught perpetrating corrupt acts are dealt with under the laws of the land irrespective of their status, ensuring that proper cover is given to those who expose corrupt practices, having a good tax reform, system of reporting accounting transactions enhanced, proper way of knowing how well civil servants have performed established, and giving more powers to those who are known as watchdogs like the auditor (Pope,

1998).

A study on what causes corruption in the public sector in Nigeria was conducted by (Ogundiya, 2009) and he discovered that weak internal control in public organizations account for fraudulent practices which include over reliance on an employee by a senior officer in the discharge of certain duty, arbitrary procedure of authorization, lack of constant appraisal of performance, less emphasis on detail, lack of accounting knowledge by management, lack of proper training of staff, inadequate separation of accounting duties, irregular review of the accounts department and improper documentation of accounting records.

(Abubakar, 2011) carried out a research on the compliance to accounting standards at both the public and private sector in Nigeria and he found out that there was compliance at both sectors as required by the Accounting Standards Board, but the rate of compliance was below 91% which is the global benchmark. As for (Grunner, 1993) accounting will have effect on corruption if proper disclosures are reported accordingly and such disclosures should not be historic in nature but very timely.

3. Research Methodology

The Procedure of the study is descriptive and it belongs to the generic research design called survey design (Adepoju, 2013)). The population involves staff in five selected ministries in Ekiti State Nigeria.

3.1 Sampling Frame and Technique

The sample size of this study is made up of 132 respondents while the sampling procedure adopted is random sampling because it is the generally acclaimed method of probability (Adepoju, 2013).

Proportional stratified random sampling was adopted. The sample was divided into three strata with each stratum comprising of 44.

3.2 Research Instrument

A questionnaire was used as the instrument of the research. The choice of a questionnaire was convenient because it is less expensive.

The opinion of respondents to the various assertive questions was achieved through the use of Likert Scale format which is a scale of psychometrics usually used for questionnaires. The five point Likert Scale was adopted and weights were attached accordingly as follows; Strongly Agreed 5, Agreed 4, Undecided 3, Disagreed 2, Strongly Disagreed 1. The use of both the primary and secondary method of collecting data was applied. The primary data consist of the questionnaire design and the analysis of the response of respondents. The Secondary data includes previous work carried out by scholars on how accounting has impacted on corruption.

3.3 Validity and Reliability of Data

The content of the research instrument was validated to confirm that it measures the variables under investigation in the study. The first draft of the questionnaire was given to three senior academic colleagues. Their critique was noted and improvements were made. The improved copy was given to two other professional colleagues who also contributed positively. Their input was incorporated in the final copy which was used as the basis for carrying out the study. To confirm reliability of data the cronback Alpha Coefficient was used because it is the most widely adopted technique to test for reliability of result. A cronback Alpha of 61.4% was achieved. This shows that the data used are reliable.

3.4 Method of Data Analysis

In this study the multiple regression analysis will be used because there is more than one independent variable.

4. Data Analysis

In this section, result of the research objectives are presented using Multiple Regression Analysis.

Research Objective

1. Do internal control have any significant relationship with corruption in the public sector in Nigeria?
2. Do Application of Accounting Standards have any significant relationship with corruption in the public sector in Nigeria?

Table 1. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B		Correlations		
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1 (Constant)	25.009	6.368		3.927	.000	12.409	37.609			
InCont	.249	.209	.123	1.196	.234	-.163	.662	.221	.105	.102
AStdCont	.488	.284	.176	1.717	.088	-.074	1.050	.245	.150	.146

Table 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error the Estimate	Change Statistics					Durbin-Watson
					R. Square Change	F Change	df1	df2	Sig. F Change	
1	.265 ^a	.070	.056	12.29155	.070	4.863	2	129	.009	.876

a. Predictors: (Constant), AStd, InCont

b. Dependent Variable: CCont

Table 3. Correlations

		CCont	InCont	AStdCont
Pearson Correlation	CCont	1.000	.221	.245
	InCont	.221	1.000	.560
	AStdCont	.245	.560	1.000
Sig. (1-tailed)	CCont		.005	.002
	InCont	.005		.000
	AStdCont	.002	.000	
N	CCont	132	132	132
	InCont	132	132	132
	AStdCont	132	132	132

From table (i) above, a model is derivable as follows:

$$Y = 2.5.009 + 0.25x_1 + 0.49x_2$$

Where Y = Corruption

X₁ = Internal Control

X₂ = Application of Accounting Standards.

From Table (2) above the percentage of contribution explained in the dependent variable (corruption control) by the predictors (Internal control and Accounting Standards) is only 5.6% as indicated in the Adjusted R Square which is not significant.

Also, from table (1) it is obvious that both Accounting Standards and Internal Control do not have significant impact on corruption control with a beta of approximately 0.18 and 0.12 respectively.

However, from table (1) it is easy to safely conclude that both Internal Control and Accounting Standards have 25% and 49% impact respectively on corruption control which is also grossly insignificant, which means a change in Accounting Standard and Internal control will not result in a significant change in corruption control.

Although, a positive correlation exist between each of the predictors (internal control and accounting standard) and the dependent variable (corruption control) from the Pearson correlation in figure (3); the correlation is weak and near zero and also statistically insignificant.

5. Conclusion and Recommendation

From both primary and secondary data considered, it has been observed that although there are traces of the existence of internal control and the application of guidelines as issued by the Accounting Standards Board of Nigeria; the level of compliance has been very weak to combat the level of corruption in the public sector in Nigeria.

Top management personnel should have basic accounting knowledge while management should also ensure that payroll is regularly reviewed such that payment of salary is only to legitimate workers of an establishment to erase the possibility of paying ghost workers.

In addition, management of each ministry should make sure that there is training and re-training of staff and their accounting responsibility well spelt out.

Government is advised to ensure that accounting policies and procedures are structured taking into consideration the legal aspect of financial operations that involves the public sector. The legal aspect should have strict punitive measures to deter others from viewing government appointments as an avenue to amass wealth.

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