Effect of Public Accounts Committee on Accountability of Nigerian Public Financial Management

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Abstract: *This paper examines the effect of public account committee (PAC) on accountability of Nigerian public sector financial management. It specifically investigates the effect of PAC functionality viz; independence, report and composition on accountability of financial management in Nigerian public sector. The paper used survey design to source data from selected federal ministries. Data collected were analyzed using descriptive statistics, test for nature and normality of variables, Pearson correlation matrix was used to check for multi co-linearity among the variables. The multiple regression which is estimated with the binary logit were employed to test the hypotheses. The results revealed that PAC independence and composition has positive significant effects on accountability of Public sector financial management, while PAC report has positive effect on accountability but not significant. Based on the findings, we recommended that government should work in accordance with the transparency theory, which made it known that transparency co-exist accountability and trusts, but these trusts must be subjected to verification. Also, government should always ensure that every accounts and trusts in the public sector must at all-time, undergo audit procedures then the final examination of PAC in legislature.*

Key Words: *Public sector, Financial management, Accountability,* ***PAC*** *independence, report and composition*

1. INTRODUCTION:

In recent years, there have been an increasing demand for effective control of Nigeria government ministries, departments and agencies as a result of high citizens' criticisms on issues concerning the accountability of Public Sector (which involve the misuse of public fund and available resources), via evaluation of the effectiveness and outcomes of government programme, information disclosure of financial data through Statement of Financial Position (SFP) and other books of account. Also the case of inefficient, ineffective and uneconomical practices in public sector, which is as a result of "the theory of I don't care attitude', exhibited by some public officers, comes to be a major problem of government accountability. These problems apparently came up due to inadequate control. In order to effect remedial approaches to these challenges, there arose the need to emanate effective control of executive and other government agencies by the legislative arm of government, through the creation of a Standing Committee called Public Account Committee (PAC) and other regulatory agents like Auditor- General, of which legislature confirms their independence at all time. (Anichebe, 2016).

The PAC has been one of the main link in the chain of public accountability of Nigeria economy. The need for PAC was recognized from vital roles it plays in safeguarding the interest of the legislature in ensuring proper expenditure of public funds. The Accounting officers and other responsible parties most explain their stewardship actions on issues raised in the Auditor- General's report of the PAC. Thus, making the document public. This system, procedures, methodologies and checks and balances will ensure accountability and allow Government to operate with due regards to economy, efficiency and effectiveness. (Pelizzo, 2011).

Ajayi (2004), since government, especially democratic government derive their legitimacy from the citizenry, as all government programs and activities are therefore assumed to be done on behalf of the people. The people therefore need to be assured that the resources which they put at government disposal are efficiently and effectively utilized. The PAC is thus, a method devised by the legislature to ascertain whether the money appropriated to government divisions and statutory corporations, has been spent on the services for which it was voted, that is, to show that the nation's finance have been effectively managed. (Act No 8 of 1987). Public accountability is the hallmark of modern democratic governance. Democracy remains paper procedure if those in power cannot be held accountable in public, for their acts and omissions, decisions, policies and expenditures. Public accountability is the tenet of democracy (Sylvester, 2013). Factually, accountability in public sector throughout the world, is being given serious attention. The process of accountability is ensured through the submission of computed and organized accounts of revenue and expenditure, that public fund is collected from sources intended and that they are utilized only for the purposes originally specified, subjected to minor variations within the legal frame work of predetermined legislative authorization and procedures (Sylvester, 2013).

According to Horna (2001), financial management of Public sector is assisted by the provisions of financial information to management by accountants and the use of budgetary control and standard costing which highlight and analyze variance. Imo (1999), sees financial management of public sector as the study of the various issues and instrument employed in public fund acquisition, management and retirement. Marvall (2007), stated that accountability is an obligation to give an account in an accountability obligation or relationship, of which there must be at least one principal and one agent. Accountability is an obligation to answer for a given responsibility that has been conferred (International Journal of Auditing, 2003).

Several research works related to this study has conflicting results or findings. This study specifically drove from existing gap to determine the effect of PAC's functionalities on accountability of public financial management. Such functionalities include PAC's independence, reports and composition.

1.1 Hypotheses

- PAC's independence has no significant effect on accountability of Public Sector Financial Management.
- PAC's reports have no significant effect on accountability of Public Sector Financial
- Management
- PAC's composition has no significant effect on accountability of Public Sector Financial Management.

2. REVIEW OF RELATED LITERATURE :

2.1 THEORETICAL FRAMEWORK

Transparency theory is being adopted to be the main theory on which this study is anchored, as its principle and assumptions give appropriate explanation of the study. It is applicable to this study as its assumptions state, "it can only exist and prevail in a country with either a democratic or non-democratic conditions and in the presence of communication mechanism". These assumptions are the factor surrounding the nature of this study, knowing fully well that Nigeria is a democratic nation with several communication mechanisms. Today, Nigerian system urge officers of the Public sectors to be responsible, transparent and accountable for every office held to the general public. Notwithstanding, the last assumption of this theory, states that transparency is a developing phenomenon of trust, which is subjected to its core principle known as the Principle of trust but verify. Precisely, the statutory element of transparency in Nigerian system has placed an atom of trust on Public officers to give true and fair accounts of their stewardship to the general public (electorates).

2.2 EMPIRICAL FRAMEWORK

PAC Independence and Accountability

Anderson et al, (2004) discovered that PAC being independent in its activities or operation has significant effects on discharge of its duties, which is to ensure that proper performance and accounts are carried out by public officers. His work being carried out in Malaysia, further discovered that PAC of Malaysian Parliament has been statutorily demanded to be free from all sorts of external interference, so as to ensure that adequate accountability by Auditor-General of the federation is being actualized. Rebecca (2011), independence of PAC suggests that it is a separate and independent body of its own, establish to plan, manage and control its operation in accordance to established legal framework. Piston (2007), posits that the relationship between PAC independence and accountability of public sector is a linear relationship. He further explicated by analyzing that a reduction in degree of PAC independence can lead to reduction on accountability in public sector.

PAC Report and Accountability

Empirical studies on the relationship between PAC report and public sector accountability were carried out at different wheels. Kanellos (2007) in a study of New Zealand PAC, formulated a number of questions based on provision of promulgations by Common Wealth Institute of Public Account Committee (CIPAC), in order to determine the effect of PAC report on public officer accountability. Zaman, Saeed and Salem (2003), on case study of Malawi PAC, measures PAC reports through numbers of PAC reports publication within a year, while accountability of public sector was measured through recurrent and capital expenditure. The result shows that PAC report has significant effect on accountability of public sector. Osazee (2008) discovered that regular reports by PAC can curtail poor accountability by public officers. If PAC is fully independent and the committee works fairly, then financial frauds in public offices could be curbed, as such will be compiled on reports to the parliament. Several studies on PAC reports and accountability of public sector have given mixed results. Menon (1998), provided evidence that lesser the frequency of PAC report, lesser the accountability standard of public sector.

PAC Composition and Accountability

Davidson (2010) in his study asserted that when PAC compositional size increases, can lead to internal conflict among committee's members and pave way for free riding problems by public officers. In conclusion of his study, he concluded that an optimal size of PAC composition should be adopted and maintain for qualitative performance. Haffia and Hudaib (2006) and Mangena and Chamisa (2008), studying the PAC of Panama and South Africa (1997-2006) respectively, discovered that there is no significant relationship between PAC composition and public accountability. The relationship between PAC composition and accountability of public sector have often produced mixed outcomes all through studies. Based on this, Pascal and James (2004), suggest that effect of PAC composition on public sector accountability are theoretically and empirically ambiguous. On the same hub, Kumar (2006), in his empirical study found that there is significant effect of PAC composition on accountability of public sector. Gunasekerage et al (2007) in China, discovered that PAC compositional size and structure has significant effect on public sector accountability. He recommended that for PAC compositional size and structure to augment accountability, an evaluated size must be maintained over time by its membership comprising of opposition parties in parliament, so as to avert one party domination within the committee.

3. METHODOLOGY:

The data collected for the study representing the functionality of Public accounts committee (PAC) and accountability of public sector financial management (PSFM) were sourced through survey design from eight federal ministries that was purposively selected. Data obtained were analyzed using Pearson correlation matrix to check for multi co-linearity presence in the model formulated based on survey data methodology and to explore association between the explanatory variables and the dependent variable. The multiple regression which is estimated with the binary logit were employed to test the hypotheses.

Model Specification

This study employs binary logistic data analysis.

Independent variable **dependent variable**

PAC Independence (PACIN) Accountability (ACTAB) PAC Reports
(PACRP)
PAC Composition (PACCP)

$$ACTAB_{it} = \beta_0 + \beta_1 PACID + \beta_2 PACRP_{it} + \beta_3 PACCP_{it} + \varepsilon_{it}$$

Variables and Measurement

Independent variable: Public sector accountability will be measured on binary scale of aggregated numeral of each response (positive and negative) related to public accountability. **Dependent variables:** PAC will be measured through the obtained survey data of PACID, PACRP and PACCP.

Table 4.1: Descriptive Statistics

Variables	Mean	Max	Min	Median	Std. Dev
ACTAB	0.8627	1.0000	0.0000	1.0000	0.3458
PACID	0.8137	1.0000	0.0000	1.0000	0.3913
PACRP	0.7941	1.0000	0.0000	1.0000	0.4063
PACCM	0.7843	1.0000	0.0000	1.0000	0.4133

Source: researcher summary of descriptive statistics (2016).

Table 4.1 shows the mean (average) for each variable, their maximum values, minimum values, median and standard deviation. The result provides some insight into the nature of the data used for the study. Firstly, it was observed that over the period under review, the sampled accountability have positive average of (0.8627), this means the public accounts committee has a positive average within in the period of the study. The table also reveals that within the period under review, in Nigeria the public accounts committee's independence has a positive average of 0.8137, public accounts committee's report has also a positive value of 0.7941 and public accounts committee's composition has a positive value of 0.7843. Lastly, in table 4.1, the standard deviation of the variable reveals that the data has a negligible volatility. This means that any variable with outlier are not likely to distort the conclusion and are therefore reliable for drawing generalization.

Correlation Analysis

In examining the association among the variables, the study employed the Pearson correlation coefficient (correlation matrix) and the result are presented in table 4.2 below:

Table 4.2: Pearson correlation matrix

	ACTAB	PACIN	PACRP	PACCP
ACTAB	1.000			
PACID	0.149	1.000		
PACRP	0.149	0.119	1.000	
PACCP	0.071	0.178	0.149	1.000

Source: Researchers summary of Minitab 16 correlation analysis

The use of correlation matrix is to check for multi-collinearity and to explore the association between each explanatory variable and the dependent variable.

The findings from the correlation matrix table, shows that accountability of public sector financial management have a positive relationship with public accounts committee's independence, public accounts committee's report and public accounts committee's composition. Public account committee's independence is positively associated with public accounts committee's report and public accounts committee's composition. In checking for multi-collinearity the study observed that no two explanatory variables were perfectly correlated. This means that there is the absence of multi-collinearity problem in the model used for the analysis.

Regression Analysis

To examine the effectiveness of public accounts committee on public sector accountability and to test our formulated hypotheses the study used binary logit regression analysis.

Table 4.3 Multiple Regression Result

	PACID	PACRP	PACCP
Coefficient	9.0530	0.7988	8.3159
P-value	0.031	0.207	0.002
R-squared (adjusted)	63.514		
Log likelihood	39.038		

Source: Researchers summary of OLS regression Analysis.

The binary logistic regression analysis result shows a R-squared (adjusted) value of 0.63514 (64) approximately 64%. This means that about 64% of the variation or changes in accountability of Public sector financial management can be attributable to the effectiveness of the public accounts committee. Thus 64% of the outcome of the dependent variable can be jointly explained by the independent variables. The Log Likelihood shows a value of 39.038 this shows the appropriateness of the model used for the analysis, the value means that model is statically significant and valid in explaining the outcome of the dependent variable.

Hypotheses Testing

Hypotheses I

H01 : PAC's independence has no significant effect on accountability of Public Sector Financial Management.

The analysis result of the effect of public accounts committee independence on accountability of Public sector financial management showed a coefficient value of 9.0530 and a P-value of 0.031 which is less than the alpha value of 0.05. The coefficient value (9.0530) reveals that public account committee independence has a strong positive effect on accountability of public sector financial management, while the p-value of 0.031 reveals that the effect is statistically significant at 5% level. Based on the analysis result, the study rejects the null hypothesis which states that public accounts committee independence has no significant effect on accountability of public sector financial management and accepts the alternate hypothesis. It therefore concludes that; public accounts committee independence has a positive significant effect on the accountability (level) of public sector financial management.

Hypothesis 2.

H0 2: PAC's reports have no significant effect on accountability of Public Sector Financial Management.

The binary logit regression result showed a coefficient value of 0.7988 and P-value of 0.207. The coefficient value indicates that Public account committee report has a weak positive effect on accountability of public sector financial management while the p-value shows that the relationship is not statistically significant even at 10% level. This means that Public accounts committee report have no significant effect on the level of accountability of public sector financial management. Based on the analysis result, the study rejects the alternate hypothesis which states that Public account committee report has a significant effect on accountability of Public sector financial management and accepts the null hypothesis. It therefore concludes that; public account committee report has no significant effect on accountability of public sector financial management.

Hypothesis 3:

H0 3: PAC's composition has no significant effect accountability of Public Sector Financial Management.

The binary logit regression analysis result showed a coefficient value of 8.3159 and P-value of 0.002. The p-value is less than the alpha value of 1%. The coefficient value in the result indicates that Public account committee composition has a strong positive effect on accountability of Public Sector Financial Management, the p-value of 0.002 reveals that the relationship is statistically significant at 1% level. The result means that Public accounts committee composition has a positive effect on the level of accountability of Public Sector Financial Management. Thus the more the diversified or structured the Public accounts committee composition, the more likely the committee will perform their roles and on corresponding wheel, the higher the possibility of better accountability in accountability of Public Sector Financial Management. Based on the analysis result, the study rejects the null hypothesis and accepts the alternate hypothesis. It therefore concludes that; Public account committee composition has a positive significant effect on the level of accountability of Public Sector Financial Management.

4. SUMMARY OF FINDINGS:

The aim of this study is to investigate the effectiveness of Public accounts committee (PAC) on accountability of Public sector financial management. The study examined the effectiveness of PAC via PAC independence, PAC report and PAC composition. The data set used in this study was obtained through survey design. The study ended up with a sample of 120 staff in eight selected Federal Ministries of Nigeria. Multiple regression is chosen as the main tool of analysis in this study. Preliminary analysis performed are descriptive analysis and Pearson correlation matrix

In terms of PAC Independence, this study revealed that PAC Independence has positive significant effect on accountability of Public sector financial management. Hence, a change in the degree of PAC's independence can lead to significant change in the level of accountability of Public sector financial management. The existence of PAC independence positively affects the subject matter, accountability. This finding goes non-contradictory to the view of Makhado (2002), that a reduction in PAC independence is accompanied with large increase in abnormality of Public officers' stewardship. This work in-line with the findings of Anderson et al (2004), who discovered that PAC being independent in its activities or operation has significant effects on discharge of its duties, which is to ensure that proper performance and accounts are carried out by public personnel. It also the findings of Piston (2007), who found out that the relationship between PAC independence and accountability of public sector is a linear relationship. He further explicated by analyzing that a reduction in degree of PAC independence can lead to reduction on accountability in public sector, as most public officers will try to take advantage of the created loopholes, as they can now influence and manipulate the Committee's system to mismanage public funds.

With the findings on PAC Report, it was discovered that PAC report has positive effect on accountability of Public sector financial management. In spite of the positive effect, this study revealed that PAC report has no significant effect on accountability of Public sector financial management. Factually, any change in either PAC report nature or number of issuance does not significantly affect accountability of Public sector financial management. This finding contradicts the findings of Zaman, Saeed and Salem (2003), that PAC report has significant effect on accountability of public sector. Also contradicts the findings of Menon (1998), that lesser the frequency of PAC report, lesser the accountability standard of public sector.

Following the result on PAC composition and accountability, it was revealed that PAC composition has significant positive effect on accountability of Public sector management. Thus, the more the diversified or structured the Public accounts committee composition, the more likely the committee will perform their roles and on corresponding wheel, the higher the possibility of better accountability in accountability of Public Sector Financial Management. These findings stepped non-contradictory to the view of Hans Klein (2004), which propelled that it has been a common tie that PAC membership composition over countries in the world comprises of ruling and opposition parties, which tend to enhance the functionality of the committee and financial accountability in public sector.

5. CONCLUSION AND RECOMMENDATION:

From the findings, it can now be concluded that PAC independence significantly affect accountability of Public sector financial management. Hence, a change in PAC independence will definitely result to significant change on accountability of public sector financial management. With the view of this research findings and review of empirical study, it is concluded that PAC independence has a linear relationship.

Also the findings of this research concluded that though PAC report positively or negatively affect accountability of public sector financial management, the effects are usually insignificant, as a change in PAC report cannot lead to a significant change in accountability of PSFM and vice versa.

Based on the results of this research on PAC composition and accountability, it is factually concluded, that PAC composition has significant effect on accountability of Public sector management. Thus, the more diversification of Public accounts committee composition, the more PAC will perform their roles, and on corresponding wheel, there will be augmented degree on accountability of accountability of Public Sector Financial Management.

Government should work in accordance with the transparency theory, which made it known that transparency co-exist accountability and trusts, but these trusts must be subjected to verification, ensuring that every accounts and trusts in the public sector must at all-time, undergo audit procedures then the final examination of PAC in legislature.

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