

OPERATIONAL POLICIES AND FINANCIAL ACCOUNTABILITY IN OYO STATE WATER CORPORATION

By

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ABSTRACT

Financial misappropriation in the public sector is one of the results of poor implementation of operational policies, lack of accountability and transparency in the public sector. Therefore this study investigated the effect of operational policies on financial accountability in Oyo State Water Corporation. The study used survey research using primary data gathered through questionnaires administered to two hundred staff drawn randomly from headquarter and zonal offices within Oyo State. The study used multiple regression analysis to analyze the data gathered. The study found that operational policies and procedures had positive and significant relationship with financial accountability. It was concluded that operational policies and procedure are very crucial in achieving financial accountability in public sector's activities in order to achieve the set objectives of the agencies. The study recommended that operational policy and strategy should be aligned with set objective of the corporation and management of the Corporation should make available the staff regulation to educate staff on their responsibilities.

Keyword: Operational Policies, Financial Accountability, Public Sector, Agency

INTRODUCTION

Misappropriation of funds in public corporation is occasioned by poor implementation of policies, lack of accountability and transparency. Odia,(2014) portrays the public outcry with respect to misapplication of public funds, mismanagement on the part of those charge with governance, high recurrent expenditures and poor estimates implementation. This is as a result of poor implementation of operational policies and procedures. Operational policies of an entity most especially public sector are one of the elements of internal control which enhances financial accountability in the public sector. Amudo and Inanga (2009) refer the financial control of the organization as effective control measures established by an organization with the aim of safe guarding its assets to ensure the reality of financial records in compliance with relevant policies and that will ensure the achievement of the organization objectives operational policies for a business are like checks and balance in public sector, they are process and procedures put in place to make sure that things are stay in right track (Ishola, Abikoye & Olajide, 2015). Operational policies cover the entire range of procedures, methods and control established by an organization to ensure proper scrutiny of the agency's operation. Operational policies reduce likelihood of errors, omissions in agency operations. However, there can be restriction in effectiveness of operational policies and procedures in terms of system omission, human factors, resources constraint in the public sector because of staff negligence, poor judgement, maneuvering of policies and unlawful transaction for personal gain. (Asare, 2006, Agbo, 2010, Emmanuel, 2010, Okpali, 2012 and Aristanti, 2015).Accountability and transparency in the public sector is one of the social obligation of the government especially at grassroots. Abubakar, Dibal, Amade & Pwaghsadi (2017) opine that transparency and accountability cannot be possible without effective policies and procedures in the financial activities of government at the grassroots level.

Financial Accountability is an obligation of any one handling resources in public office or any other position to report an intended and actual use of public funds. Financial Accountability entails ability to give narrative and explanation on stewardship to the public (Sanni & Osemene (2012), Rabenovic (2009) World Bank (2001) .Survey conducted in 2001 into public procurement in Nigeria showed that the government lost several hundred billions of naira over the last decades due to abuse of policies, lack of transparency and accountability is an emerging three dimensional relationship between the auditor, client and the stakeholders that are expected to upgrade financial accountability practices in the public sector.

Therefore, the study intends to examine the effect of operational policies and procedure on financial accountability in Oyo State Water Corporation Nigeria.

Concept of Financial Accountability

Accountability is the provision of information and disclosure on the activities and financial performance of government to the policies concern (Kewo 2017). Sylvester 2013 describes accountability as justification for one action on resource at one's disposal. Adegite (2010) define accountability as the obligation to demonstrate that work has been conducted in accordance with agreed rule and standards and the officer report fairly and accurately on performance result. Agbatogun (2019) views concept of accountability in two ways, this include insurability and enforceability. Insurability refers to the and public official to provide information about their decisions and actions and to justify them to the public and those institution of accountability tasked with providing that institution or agencies responsible for an accountability can sanction the offending party or remedy the contravening behavior.

Boven, (2006) classifies accountability into: Organizational, political, legal, social, financial, ethical and administrative. Political accountability is concerned with the elected

representatives and public office holders. This is a situation where elected representatives or appointed ministers are required to give account of their activities during their tenure in office (Sylvester, 2013). Legal accountability is a situation where public officers are summoned by the legislature and court to account for their acts on behalf of the agency. Social accountability practices include participatory public policies, budgeting, public expenditure tracking and citizen monitoring and evaluation of public services. This is to enhance government accountability and transparency (Mustapha, 2017). Ethical accountability is a practice of improving the overall personal and organizational by developing and promoting responsible and professional expertise and by advocating an enabling environment for people and organization to embrace a culture of sustainable development. Administrative accountability is the rules and regulations guiding the behavior of civil servants in department or ministries most especially where hierarchical system of responsibility makes subordinates to be accountable to superior. Financial accountability is described as the establishment of the pattern of control over the receipts and expenditure that permit a determination either by the executive or by the legislature that public funds are used for public purposes (Adeyemi, Akindele, Aluko and Agesin, 2012). Financial accountability is the main focus of this study.

Operational Policies

Operational policies and procedure relate to control activities and control environment of an organization. The operating styles and philosophy must be toward achieving corporate objectives. Delegation of authority and responsibility to the subordinates and effective human resources policies and procedure must be put in place to ensure effectiveness of the control system. Ntongo, (2012) opines that a governing board and management enhanced organization's control environment when they establish and effectively communicate their policies and procedures, a code of ethics and standards of conduct control activities are policies, procedure techniques and interims that need to ensure that management respond to isle identification and eventual reduction. Sleeve (2004) considers control activities as actions supported by internal control objectives, procedures and policies that enable managers to address risk timely, effectively and efficiently. (Oso (2004) considers control activities as procure and procedures established to address risk and to achieve the entity's objectives. control activities must be appropriate, function consistently according to plan throughout the period and be cost effective, comprehensive, reasonable and directly relate to the control objectives (Ntongo, 2012).

Theoretical Framework

The study is hinged on stakeholder theory. The theory was propounded by Edward Freeman in 1984. He assumed that the management is expected to act on behalf of all parties having interest in the organization. The Stakeholders' Theory is an extension of the Agency Theory in that corporate accountability is no longer restricted to shareholders but to a broad range of stakeholders (Abubakar, 2013). The theory provides an appropriate lens for considering a more complex perspective of the value those stakeholders seek as well as new ways to measure it (Jeffrey & Andrew, 2013). Since the performance measure used by the study was arrived at from the additions of all funds and achievement of the objective of the agency of Oyo State Water Corporation. Financial accountability is expected at all levels of operation of the agency of government. In order to achieve this, operational policies and procedures must be strictly adhered to by the management. Stakeholders' theory postulates that the outcome of operational policies and procedures should enhance financial accountability.

Empirical Review

Leng and Deng (2011) investigate the internal control disclosure and corporate governance: An Empirical evidence research Chinese companied showed that internal control disclosure

positively related to director remuneration. Aristantis (2015) examines the influence of internal control system on the financial accountability of elementary in Indonesia using purposive sampling technique to find out the effect of internal control component on financial accountability. The study established that information and communication had no significant effect on financial accountability while control environment, risk assessment and control activities significantly affect the financial accountability. Kewo (2017) examines the influence of the internal control and managerial performance on financial accountability of local government in Indonesia. The study used 226 units in North part of the country. 345 civil servants were sampled among 115 units. The study found that implementation of internal control and managerial performance influenced the financial accountability in local government in Indonesia.

Angwor and Akanni (2017) examine the effect of internal control system on fraud prevention in public service in Bayelsa state. Cross sectional research design was adopted using 48 samples. The data were collected using primary source through questionnaires. The study found that there was a strong relationship between internal control and fraud. William (2019) examined internal control principles and components with history of fraud and corruption. Survey research design was adopted using primary data. Rafindadi and Olarenwaju (2019) examine the impact of internal control system on financial accountability of NGOs in Nigeria. Data were collected from primary source through administration of 252 questionnaires administered to the respondents selected through multi stage sampling technique of 44 different NGOs in North Western part of Nigeria. The study found that internal control system had significant impact on financial accountability. The study established weakness existed in the internal control system of Non-Government Organizations and NGOs had not capitalized on the strength of strong internal control system components. Atieno & Kiganda (2020) studied the effect on internal control system on financial accountability in National Public Secondary Schools in Kenya. Survey research design was used on population of 309 staff consisted of 103 principals, 103 bursars and 103 board of management. Dimensions of Internal control system were found to have significant joint effect on financial accountability.

Abdulkadir and Zakariyah (2019) examine the impact of internal control system (ICS) on financial accountability of Non-governmental organizations (NGO) in Nigeria. Data was collected from primary source through the administrations of three hundred and fifty-two (352) questionnaire distributed to the respondents that were selected through multi-stage sampling technique of forty-four different NGO's in North western Nigeria. Data retrieved from the survey were analyzed using multiple regressions analysis and the PLS in bound structural equation modeling technique. The findings of the study revealed how ICS is found to be having the significant potencies of enhancing or derailing the quality of services rendered by the NGO and has the combined effects of predicting proper accountability in NGOs.

Etom, Nwosi and Ogwei (2022) examine the importance of internal control systems in financial accountability in Lira District Local Government Uganda. The study determined the importance of control activities, control environment and monitoring of controls on financial accountability. A correlational design to establish the relationship between internal control system and financial accountability and regression analysis to explain the importance of internal control on financial accountability were adopted. The study found that internal control systems account for 55.4% of the variation in financial accountability, specifically, control environment and monitoring controls bear significant effects on financial accountability.

All existing literatures reviewed showed the positive and significant relationship between internal control system and financial accountability. No literature exploited individual components of internal control systems and their significant impact on financial accountability in agency of government in Nigeria except the study of Aristanti (2015) which established the positive and significant effect of components such as control environment, risk assessment and control activities on financial accountability while information and communication had no significant effect on financial accountability in Elementary School in Bangdok, Indonesia. This study intends to fill the vacuum created by examining the effect of operational policies and procedures on financial accountability Water Corporation in Oyo State, Nigeria.

Methodology

The study adopted survey research design. There were about seven hundred staff of Water Corporation of Oyo within thirteen zonal offices. The data was gathered through questionnaire administered to two hundred principal officials (200) of Water Corporation of Oyo State selected using judgmental sampling technique to draw two hundred respondents from the thirteen zonal offices within Oyo State. The choice of staff was based on the interaction of the selected staff with the operational policies and procedures of the agency of government. Questionnaire was structured in Likert Style scale. All questionnaires were properly filled and returned. Simple regression analysis was used to analyze the data gathered from the respondents.

Model specification

FA is f (Operational Policies)

$$FA = \beta_0 + \beta_1 (OP) + \epsilon$$

FA represents Financial Accountability

β_0 represent intercept

OP- operational policies

β_1 represent coefficient of independent variables

Data Analysis

Model Summary Table

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.439	.193	.189	.486

The above table shows the model summary of the variables tested. The adjusted R^2 shows that all the independent variables are actually best fit to explain dependent variable. The independent variable can explain 18.9% of dependent variable while 81.1% constitutes other factors or variables that can impact financial accountability not within the scope of this study.

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	11.165	1	11.165	47.326	.000 ^b
Residual	46.710	198	.236		
Total	57.875	199			

a. Dependent Variable: Financial Accountability

b. Predictors: (Constant), Operational Policies

The table above showed the analysis of variance. The operational policies and financial accountability considered in the study have F- statistic of 47.326 ($p < 0.05$). Therefore the null hypothesis is declined while the study upheld the alternative hypothesis. It is therefore concluded that operational policies have significant effect on financial accountability.

Discussion of Finding

Operational policies and procedures had positive and significant relationship with financial accountability. This finding was in line with the view of Mustapha, (2017). Government should be proactive in formulating policies and guidelines on the effectiveness of internal control system. Level of financial accountability could be impacted if the employees were well informed about operational policies of government and this was also in line with the study of Oyango (2014). Dibal, *et al.* (2017) opine that transparency and accountability cannot be possible without effective policies and procedures in the financial activities of government at the grassroots level. Operational policies are very crucial in financial accountability. Operational policies reduce likelihood of errors, omissions in agency operations. It is therefore advisable for government to fortify the control environment in various agencies of government most especially the Water Corporation in Oyo State in order to achieve financial accountability.

Conclusion

The study evaluated effect of internal control system on financial accountability in Oyo State Water Corporation. The findings of the study showed that internal control systems components can only jointly and positively affect financial accountability in Oyo State Water Corporation. It is crucial that there should be adequate financial control over government agencies' activities in order to achieve the set objectives of the agencies. Operational policy of the agency influenced the financial accountability in Oyo State Water Corporation.

Recommendation

Operational policy and strategy should be aligned with set objective of the corporation. The management of Oyo State Water Corporation should make available the staff regulation to educate staff on their responsibilities. There should be effective ways of disseminating information from district offices to the head office and value must be created through the corporation services to the members of the public.

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