

**Enhancing Financial Management System as an
Avenue for Increased Transparency,
Accountability and Revenue in the State**

BY

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AT

**NEITI SOUTH -SOUTH ROADSHOW AND
TOWNHALL MEETING HELD IN YENEGOA,
BAYELSA STATE ON
5TH AND 6 TH OF OCTOBER 2009.**

I am delighted to be here with you today at this important road show and town hall meeting for the south- south region of Nigeria being organized by the Nigeria Extractive Industries Transparency Initiative. Distinguished participants, you will agree with me that the initiative of NE ITI needs to be applauded as the focus on increase transparency and accountability in the management of Government revenue will bring greater growth and development to the country.

2. There is a growing international consensus concerning the centrality of sound governance to the attainment of sustainable human development. This has been aptly demonstrated at various international conferences on issues of development. Governance can be defined as the exercise of political, economic and administrative authority to manage a nation's affairs. This is a broad concept and involves a large list of key issues such as legitimacy, accountability, transparency, human and institutional capacities, participation of civil society, rule of law, devolution of authority and resources, leadership and management and civil service reform and sound public financial management systems. Essentially therefore the essence of enhancing, financial management systems as an avenue for increased transparency, accountability and revenue in the States is aimed at attaining good governance for delivery of democratic dividends to the people.

3. As a prelude to dealing in the subject matter which I will situate to the Delta State experience, it is necessary to first

appreciate what the underlying terms of transparency and accountability stands for. According to the MSN Encarta, transparency is a state or quality of being transparent, with transparent meaning an obvious and easy to recognize situation. How does transparency relate to Government? There is a saying that the citizens pay the Government and therefore deserved to know how their money is spent. That philosophy is gaining traction. The growing trend globally is that federal, state and local Governments are increasingly making financial transparency a priority, opting to make many records freely accessible rather than leave the public waiting for information requests. As earlier defined transparency in the broadest terms literally means something that can be seen through. When we talk of transparency in terms of Government spending, we are referring to Government opening its books to the public so that tax payers can see exactly where the money is going. Transparency ensures that the citizen's funds are spent efficiently by making all decisions in the open and on the record. Transparency means that citizens can review and question policy makers' decision, examine documents, root out inefficiencies and hold officials accountable for the way revenues as spent.

4. Accountability on the other hand is defined by Merrican Webster online dictionary as the quality or state of being accountable especially an obligation or willingness to accept responsibility to account for ones actions. In other words, it means saying what you mean, meaning what you say and doing what you say you are going to do – taking responsibility for words and actions.

Given this definition, the logical question that follows is whether the Government is really accountability to the people? Quite frankly it is easy for Government, by losing touch with what is truly important and judging itself and its activities solely by what others say, to easily lose its vision and consequently its way. The way out of the dilemma is that Government should not lie to itself. It should take a daily look at the reality of the situation and use the truth as a motivator. Not only is a lie hard to remember, but even tiny untruths build on each other and can become organs of destruction. Accountability is both a tool and measurement device and it means intelligently providing for and being able to report on activities. It is therefore necessary for effective control of Government resources.

5. Having defined transparency and accountability our next step is to define what a financial Management system is and what its key components are. Law and regulations proffer the framework for public sector financial management systems in Nigeria. The prominent ones are the 1999 constitution of the federal Republic of Nigeria, Fiscal Responsibility laws, financial Regulations, Finance (Management and Control) Act 2004, General Order, Code of Conduct, International Public Sector Accounting Standards (24 of them currently) and appropriation laws. The system derived therefrom is as transparent and public officers accountable as the enabling laws and regulations guaranteed. However monitoring to ensure compliance with the laws and regulation is yet another issue in assessing the effectiveness of the system because the laws may be sound in principle but implementation may be deliberately or

inadvertently flawed. Our task in this paper therefore is to examine the effectiveness or weaknesses of these enabling laws and regulations and monitoring. In other words have they corrected leakages, wastages, rent seeking, improprieties, insider dealings, conflict of interest, etc in fiscal operations of Nigerian governments?

6. First, the constitution set up the basic framework for public financial management such as creation of consolidated revenue fund, capital development fund, various institutional frameworks such as Accountant General's office, Auditor General's office, budgeting and budgetary controls, revenue base of the three tiers of government, tax bases, federation account, revenue allocation amongst the three tiers of government etc. Secondly, the various government financial instructions/ regulations set out the financial guidelines and procedures for public financial administration. While these have proved to be useful, there has been some draw back in terms of manual execution – inaccuracy, delay in providing information etc. It is heart warming to note that Delta State government has since geared up to the weaknesses of manually driven public finance management and has put in place e-governance infrastructures and packages that guarantee that its accounting system embeds global best practices. The package is from SAP AG a German company arguably the best Enterprise Resource Planning (ERP) solution provider in the world. It has been up and running in Delta State since 2002 using a state-of-the-art communication backbone (wide area network). It is a modern integrated system with two particular features: - a uniform classification of accounts used

for budget and expenditure management capabilities across the system.

7. Under the SAP program, several work stations have been installed and integrated into one network. Several hundred public sectors employees have been trained to ensure compliance with the new system. The initial phase focused on reforming the budget preparation process, revising the regulatory framework for expenditure management, and introducing an integrated budget and expenditure management across various Ministries, Departments and Agencies. The payroll system is also being modernized and is to be integrated into the new-expenditure management system.

8. Conventionally there are three main objectives of any public finance management system. These include:

- providing macro-economic and fiscal stability
- promoting strategic allocation of resources by authorities to priorities and
- Promoting technical efficiency of spending.

The integration of different functions and entities within a shared data base provide managers with tools to plan, manage, and control public resources. Automation is therefore an important Financial Management System features whose benefits include:

- improved transparency of public sector operations
- rapid expedition of many transaction at once (contrary to manual systems which are cumbersome and slow)

- improved efficiency of financial controls and other expenditure management procedures
- rapid compilation of data from many sources for improved financial analysis and decision making and improved checks and balances.

So far our enhanced financial management system has been able to check and prevent financial irregularities in the State and above all it has improved the efficiency of data management, reporting and retrieval amongst other laudable achievements.

9. This naturally leads us to the next phase - how has the enhancement in the financial management systems been able to provide an avenue for increased transparency, accountability and revenue in the state? To answer the question we need to situate the essence of transparency and accountability which is to

- enable us open our books to the public, providing clear and consistent pictures of revenue and spending,
- provide information in an easily accessible, user friendly format
- let tax payer easily drill down for more detailed information.

To be honest though, I must admit that we have not been able to fully achieve all of the fore-going. However maintaining, a robust financial management system has provided the platform for us to do so in the very near future. For now, information on government expenditure are easily accessible to those who desire them, as against what existed in past. What is left for us as a Government is to

ensure that financial information is regularly published. We are on that path. Within our system access is provided on the budget:- proposed revenue and expenditure, typically for one year period shown in broad categories by ministries/ departments/ agencies and by expenditure type. The budget serves as the financial plan.

Financial Report – a comparison of budgeted to actual expenditure and revenues, typically for a one year period shown in the same broad categories as the budget. The report demonstrates how well the government managed within the proposed budget and plan. A register listing all items of expenditure showing dates, amount, to whom payment was made, account type and purchase order numbers where applicable and a commitment control system to monitor commitments.

10. In terms of revenue, the Government has embraced the use of online pay direct software, powered by the interswitch to ensure that a high percentage of revenue enters the treasury. The financial system in place has been used to monitor Government revenue there by blocking leakages in the system. In deed we also have it on authority that some persons who will ordinarily avoid tax, having been impressed with the system have chosen the path of honouring their tax obligations. To further increase revenue in Delta state, we have designed and introduced the Delta State Internal Revenue card system (DSIR CARD) to bring all taxable self employed adult into the tax net. Under the scheme, the DSIR card to be procured by all taxable adults resident in the state shall serve as a necessary complement to the assessment and collection of personal income tax.

The scheme uses an electronic card with magnetic strip that record details of a tax payer and display when swipped on a terminal. We are currently grappling with some difficulties - technology wise- which we hope to overcome in due course. There is also the AutoReg programme which is a new a way of renewing your vehicle licenses in the State. Apart from the good check on tax avoidance and evasion i.e., tax leakages, it also allows for the online registration of vehicle and ownership can easily be determined on line.

11. After all said and done, it is essential that all tiers of Government strive to be transparent in their dealing and be accountability for all their actions. What does it take to achieve acceptable levels of transparency and accountability? We can appreciate from Delta State experience that enhancing our financial management systems is very essential. As soon as this is achieved other steps which are briefly highlighted below could follow:-

- review the resources and information available in you financial systems. Are there reports that can be easily generated and shared with the public?
- Print publications for availability to the public via a wide variety of sources.
- can these print publications be easily available electronically for download from the web?
- set up a web page
- convert the document to standard formats such as pdf or html

- analyses how the information can best be presented and how it can be easily read and understood by the public i.e. can the information be put in bar, graph, or pie charts for a quick snapshot new?, can copies of relevant documents be placed on the web, showing payments made in real time?, can a list of all vendors who have been paid for services/goods over a period of time be provided with details on the vendor, amount paid, the goods/services received and the date of the payment.
- Identify and remove any confidential information that may not be necessary for public view.
- include feedback mechanisms to allow the public to submit feedback on information the information that is being shared.

There are many more steps to state but time will not permit me to.

12. On this note, Ladies and Gentlemen, no matter how ambitious this may sound I believe that transparency and accountability in Government can be easily attained if we set our priorities right. While we share this as food for thought, I thank you all listening. God bless

Ministry of Finance

Asaba

Delta State.