



## ACCOUNTABILITY IN GOVERNANCE AND CHALLENGES OF PEACE BUILDING IN NIGERIA

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### ***Abstract***

*This study examined the implications of accountability in governance for peace building in Nigeria. It underscored the critical role of accountability for good governance and pointed out the centrality of professional accountants in enhancing accountability in governance. The study argued that peace is desirable in every human society and is pursued through mechanisms which include accountability. Drawing from the experience of Nigeria, the study revealed that accounting contributes to peace building through assurance services by professional accountants and efficient taxation bolstered by accounting professionals. The study recommends amongst others, financial statement insurance to increase the quality of audit so as to prevent conflict arising from fraud and misstatement.*

**Keywords:** Accountability, Governance, Peace Building, Public Sector, Nigeria

### **Introduction**

Accountability remains a critical ingredient of good governance because of the central role of finance in governance. Accountability entails communication of economic information to user for informed economic decision. As communication, it embraces the sender, the content, the medium and the receiver and in some cases the feedback. To that effect, through accountability information relating to mobilization, allocation and utilization of public resources is processed, transmitted and received by the public. Whenever there is a distortion in the process such that the information may not be understood, then a mechanism is stirred that may in some cases lead to break down of peace.



Some crisis in the society could be averted if there is proper accountability. The global financial crisis which resulted to crash in the financial sector of Nigeria led to loss of job and five banks being salvaged through bailout fund and were taken over by Central Bank of Nigeria in August 2009 and injected billions of naira to recapitalize the banks. Osisioma (2010) revealed that the action was due to adverse audit findings reported by joint inspectors from Central Bank of Nigeria (CBN) and Nigerian Deposit Insurance Corporation (NDIC) which found that the banks were showing signs of distress and were loaded with non-performing loans, with balance sheet showing false picture of prosperity and buoyancy. Also, discovered were insider deals and manipulation of security market transactions.

Public funds are held by public office holders in trust for citizens. Through the instrumentation of government, these funds are disbursed for the benefit of the citizens. Where such funds are embezzled, not fairly utilized in equitable distribution of amenities or not properly accounted for, this might lead to crisis or breakdown of peace.

Meanwhile, it is apposite to note that peace is not necessarily the absence of conflict. It is a process which involves activities directly or indirectly linked to increasing development and reducing conflict within the society (Ibeanu, 2006). Peace building on the other hand is a wide range of long-term strategies aimed at achieving security and development at all levels so as to mitigate risks of conflict escalation or re-occurrence of conflict where it had occurred. As noted by Paffenholz and Spurk (2006 p. 16), there are three phases of:

- (i) the prevention phase aiming at preventing armed conflict;
- (ii) the conflict management or peace-making phase aiming to end armed conflict and reach a peace agreement; and
- (iii) the post-conflict phase, or post settlement phase.

The history of post-colonial African countries is dotted with cases of disruption to peace by various organized and unorganized groups due to ill feelings connected to failure of the leadership to account for the countries' resources. In the light of the above, the connection between accountability and peace building is explored within the context of accountability by political leaders. This accounting for stewardship includes financial and non-financial responsibilities of leaders. In order to examine the link between accountability in governance and peace building, this study interrogated the following research questions:

1. What are the contributions of accountability to peace building in Nigeria?
2. How can poor accounting practices undermine accountability and peace building in Nigeria?



## **Review of Related Literature**

This was approached thus:

Concept of accounting and accountability

Concept of Peace Building

Accountability and Peace-Building in Nigeria

Accounting Practices and the Challenge of Peace Building in Nigeria

### **Concept of accounting and accountability**

American Accounting Association in Millicahamp (1992) defines accounting as the process of identifying, measuring, and communicating economic information to permit informed judgment and decision by users of the information. The nature of the information is financial and generally stated in monetary terms. It is a process by which data relating to the economic activities of an organization are measured, recorded and communicated to interested parties for analysis and interpretation (Inanga, 1990). This implies that the financial data has to be identified, gathered, classified, analysed, interpreted and the result communicated to stakeholders. For the accounting information to be useful, it must be comprehensive, relevant, reliable and timely to enable user to make informed decision.

Basically, accounting has six branches, namely: Financial Accounting, Management Accounting, Government /Public Sector Accounting, Auditing and Investigation, Taxation Laws and Accounts, and Financial Management. Each of the above branches has sub branches. For instance, Financial Accounting has Principles of accounting, Advanced Financial Accounting and Accounting Theories and Corporate Reporting. From the accounting theories arises other sub classification including Social Accounting and Conflict and Peace Accounting.

In public sector, accountability is an obligation to answer for the execution of one's assigned responsibilities (ICAN, 2014). The process provides explanation about the stewardship of public money and how it has been used. Accountability encompasses rendering of accounts which gives information about the behavior of public organization and holding to accounts that deals with the exercise of judgment and power over public officials. This implies that those who receives the account have power and ability to take action on the basis of those accounts. In addition to the above two, ICAN (2014), enumerated conditions that facilitate public accountability

- a. Existence of democratic institution that allows for change of leadership through free and fair election. The challenge of re-election compels those in authority to be accountable.



- b. The existence of leadership that truly believes in and committed to accountability.
- c. Presence of active investigative media
- d. Presence of populace which are averse to embezzlement of public funds
- e. Reduction of poverty through poverty alleviation policies and programmes.

### **Concept of Peace Building**

Peace has been variously defined. Ronald Reagan once remarked that peace is not the absence of conflict but the ability to handle conflict by peaceful means. Similarly, Albert Einstein noted that peace is not the absence of war but the presence of justice, of law, of order, in short of government. Extending these views, Galtung (1969) distinguished two forms of peace--negative peace (end of violence) and positive peace (peaceful society at all levels). Institute for Economic and Peace (2016) defines negative peace as absence of violence or fear of violence while positive peace is the presence of structures, institutions and attitudes that guarantees a sustainable social system and freedom from all forms of violence. Peace-building becomes necessary because of the fact that peace is not static. Thus, is used to refer to all efforts aimed at reducing conflict in human society. Meanwhile, has been narrowly defined by some studies as a process that takes place after violence has erupted. Thus Paffenholz and Spurk(2006) conceptualized as a process that aims at preventing and managing armed conflict and sustaining peace after large-scale organized violence has ended. Such a definition is not adequate to understand the all encompassing character of. Therefore, is better appreciated as a conflict management mechanism applied at both the escalation and de-escalation phases of conflict aimed at engendering sustainable peace and preventing further escalation of conflict.

Etymologically, the concept peace building was conceived as integral part of United Nation's effort to promote peace in 1992 and found its place among the organisation's traditional instruments: preventive diplomacy, peacemaking and peacekeeping with the then secretary general making it clear that peace building consist of sustained co-operative work to deal with underling economic, social, cultural and humanitarian problems (Haugerudbraaten, 1998). However, it involves all activities aimed at creating environment supportive of self-sustaining peace, reconciliation of opponents, entrenching rule of law mechanism, addressing underlying structural and societal issues as well as enduring peace.

### **Accountability and Peace-Building in Nigeria**

Accountability has contributed immensely to peace building. This is true as accounting is the medium through which information about one's stewardship is communicated to stakeholders. In big organizations, owners are divorced from management while in government and public



sector assets are held in trust for the benefit of the citizenry with accounting as a medium of communicating the result of stewardship. Failure to give account or unsatisfactory accounting results in crisis and distrust. At family level, situation might arise when the wife renders report to the husband or the husband to the wife or the children to the parents or to his sibling(s). It is in view of such accounting in the family that Okoye (2016) suggested a seventh branch of accounting termed Household Accounting. Therefore, accounting has helped in prevention of violent conflict in the family but where such was not properly done or there were fraud, misappropriation of fund and asset abuse, crisis ensues. This may be in form of violent physical attack or psychological attack. Usually in the family, no formal accounting format is used. Most times, it takes the form of receipt and payment.

In big organizations, such as limited liability companies where the owners are divorced from the management, financial accounting is usually adopted. Financial accounting presents information on financial performance, financial position and cash flow of an enterprise. It also contains statement of changes in owners' equity as well as some explanatory notes. This allows share-holders and other stake holders to assess the performance of the entity. In government establishments, accounts are prepared by the Accountant General of the Federation annually. Also, through the instrumentation of budget, government revenue and expenditure are estimated and government is guided along the line in that fiscal year. This makes government to be organized in dealing with financial matters. Furthermore, through financial regulation, other financial officers are guided thus ensuring peace and orderliness in the system.

Taxation has been instrument for revenue generation needed for provision of infrastructure, social services and security. Various direct and indirect taxes are open to government from which public infrastructures like roads, pipe borne water and electricity and social services like schools and health care are provided to the citizenry. From these services like health care, the sick, injured and the maimed are catered for and rehabilitated. These, amongst others when provided, gives sense of belonging and improves the living standard of the people

Government and public sector stake holders are not left out. There is great need for responsibility accounting. This embraces financial and non financial. Public office holders are public servants and are required and expected to at intervals give account of their stewardship. This they usually do through periodic public briefings.

Auditor's role in peace building is quite glaring as they attest to financial statement affirming or otherwise that it is a true reflection of state of affair in the organization, whether private, public or government owned organisation. The auditors function is to satisfy himself that



financial statement fairly present the state of affair of the entity and are prepared in accordance with relevant laws and statutes governing the organisation (government or private). To ensure acceptability in court of law, further steps are taken in the form of forensic accounting/auditing. Forensic auditing is the application of auditing skills in situations that has legal consequences (Okoye, Maimako& Jat, 2017). It gives stakeholders reasonable assurances that the financial statement presented shows a true and fair view of the organisation's financial position. As a result it reduces doubt and increases the credibility of the financial report.

### **Accounting Practices and the Challenge of Peace Building in Nigeria**

**Fraud:** Udeh and Ugwu (2018) defined fraud as intentional misstatement of facts (Falsification or fabrication) with the intention to benefit or conceal shoddy deals such that reliance on that may be misleading and eventually result in loss to the user. The question is; how do the stakeholders in accounting report get convinced that the account so presented is a true reflection of the state of affair in the organization. The issue of fraud prevention, detection and investigation comes to mind. Management set up the internal control system and the policy of the organization, to prevent fraud and misappropriation of fund. Despite the above measures, fraud and other misdeeds are rampant in Nigerian firms. It is worthy to reiterate that despite the level of internal control, desperate and keen employees would always found ways of circumventing them. Furthermore, prevention and detection of fraud and irregularities lie with the management while auditors attest to the true and fair view of the financial statement. However, most stakeholders were of the opinion that part of auditor's duty should include detection of fraud. This brings about a gap termed expectation gap.

Some corruption cases in the past in Nigeria were listed below with most of those involved not convicted.

- N195 billion pension scam.
- N32.8 billion police pension fund fraud
- \$20 billion NNPC case
- The alleged N1.9 billion Ebola fund divert
- The above N2 billion ministry of defence scam.

There are many more cases being reported with very few being prosecuted to a logical conclusion.

**Resistance to Taxation:** Taxation is face with the problem of acceptance by the payers. There are cases of tax avoidance, tax evasion and in some cases outright rejection as could be evidenced by the Aba women riot. According to Igbinijesu (2013) on 18<sup>th</sup> November 1929,





Aba women rioted against the colonial authorities of that time due to dispute as a result of taxation.

**Poor Responsibility Accounting:** The challenge in this respect lies with the question whether the leaders are transparent and accountable. In most cases, the servants turn and become “Lords” and “Masters”. There may be corruption, fraudulent self enrichment, embezzlement and misappropriation of funds entrusted to their care. The question is; are there no accounting and audit staff in these institutions where these abuses were identified.

**Audit Independence and Auditors’ Security:** The problem of audit independence, and security stares at the face of the accountants and auditors. The appointment of auditor general of the federation is by the executives who most often have overbearing influence on them. Similarly, in private companies the problem of independence of auditors abound. Furthermore, there is freedom of speech but there is no guarantee of freedom after speech in fundamental human right. Therefore, you can write your audit report but are you safe afterward. However, this does not exonerate accounting and auditing staff completely from accusation of shabby deals.

**Unethical Practices by some Accountants/Auditors.** Unethical and sub-standard practice by some auditors have reduce the quality of audit report thus affecting peace building. The reduction in quality of audit and confidence in audit report was expressed by Ezejelue in Ude and Ugwu (2014) thus:

Time was during the colonial administration when the mere mention of auditors visiting an establishment led to a scrupulous cleansing of the table along with sensation of fright and panic. Today, no more, they all appear to be hand-in-glove with those financial managers whose ingenuity ends with how to muddle accounts in order to cover up shady deals in the hope of getting the auditor to endorse what is patently a swindle. Whether or not the auditors know it, their reputations have been largely sullied by their records or performance so far in the country. In truth, whatever credibility still left of the possibilities and capabilities of Nigerian auditors is dangerously at stake and they should feel concerned. And I ask in all good conscience, what type of auditors are you?

Similar deteriorating feeling about the quality of audit was expressed by Bob Tricker in Osioma (2010) about the evolving role of auditors thus:



In those days, the accounting profession consisted mainly of relative small firms. ... They were respected and well-to-do, but they were not rich. Neither would they compromise their principles. They would not sign an audit report stating that the client's accounts showed a true and fair view unless the partner was personally convinced that they did. Better lose a client than your integrity. This was a profession after all. The audit process demanded absolute objectivity of thought and independence from the client. How different today? The big accounting firms have become vast, international and concentrated. ... they are major business, with products and market share, business solutions and profit performance as watchwords. Partners are judged by fees generated and growth. ... But auditing is not astrophysics. True, the work demands detailed, intense and up-to-date work. But the real challenge lies in determining standards and living up to them ... Today, as the world wide Andersen saga shows, the market place regulates, not the profession. Indeed, auditing has ceased to be a profession: it has become a business.

**Weak Institutions:** Furthermore, even when the auditor raises suspicion about the report of a servant, the institution for justice seems to be weak thus allowing the suspect to be free despite being actually involved in shoddy deals. The above scenario is disheartening and demoralizing. A number of measures have been put in place by Nigerian government to promote public accountability such as the Fiscal Responsibility Act 2007, the Freedom of Information Act 2011, the Public Procurement Act 2007, the Nigerian Code of Conduct Bureau, Economic and Financial Crimes Commission (EFCC), Independent Corrupt Practices and Other Related Offences Commission (ICPC), Public Accounts Committee of the two national houses of assembly, Office of the Auditor General of the National State and Local Governments, Revenue and Inspectorate Department of the Office of the Accountant General of the Federation, Nigerian Extractive Industry Transparency Initiatives (NEITI) and Office of Special Adviser on Project Monitoring in the Presidency.

### **Methodology**

The study applied descriptive research design. This is appropriate for the study in that no hypothesis was tested and facts were analysed by critical examination and fishing out meanings from them. Relevant journal articles, seminar papers, text books etc were carefully reviewed for full exploration of the topic.





## **Discussion**

In discussing this, one should bear in mind peace building in the family, community and the society through some different branches of accounting and accounting as a whole. Peace building encompasses among other things; prevention, de-escalation, and solution of conflicts by peaceful means, thereby seeking "victory" for all parties involved in the conflict. It seeks 'win' 'win' situation for all concerned.

Accounting generally has contributed significantly to peace building. Majority of the problems confronting accounting contribution to peace building are not pure accounting problem. For instance, fraud has been argued not to be accounting or internal control problem but human problem (Andi, 2012). The human elements in fraud are exposed in fraud triangle of fraud diamond which comprises the incentive or pressure, opportunity to commit the fraud and rationalization to justify the action. The human element skillfully find loophole in internal control system of an enterprise notwithstanding the level of control systems in place. However, fraud management has been one of the greatest challenges that stare at the face of accounting profession. Fraud reduces confidence, causes family and communal crisis. It raises agitations and suspicion and in some extreme circumstance violent attacks. It deters national development as it scare investors and brings down government. One of the factors militating against Nigeria's development is fraudulent/self serving attitude of some political leaders culminating in crisis of leadership.

Usually, revenue mobilizations for government fall within the confine of accounting department. This is done through fees, fines and taxation. Most direct taxes are resisted by payers. This is because it is a charge against taxable income. This reduces money for consumption and savings. The resistance to reduction in resources available is not uncommon; coming in the form of tax evasion, avoidance and outright protest. However, indirect tax like Value Added Tax (VAT) seems to provide the alternative but should be approached with caution. However, the same citizenry who resist tax payment will turn and complain in some cases protest lack of basic infrastructure and other social amenities. Fund is required in peace keeping and peace enforcement. In crisis situations as in Boko Haram insurgency in the North East, Niger Delta militancy and kidnapping requires money to tackle them militarily, resettlement, and rehabilitation and so on. The state of affair is so bad such that Nigeria was rated in global peace index 149 out of 163 countries by Institute for Economic and Peace (IEP) in 2016. In Africa out of 44 countries rated by IEP, we achieved the 'prestigious' 4<sup>th</sup> most insecure country just above Democratic Republic of Congo, Central African Republic, Somalia and Southern Sudan. In 2019, Corruption Perceptions Index (CPI) Nigeria scored 26 percent



clinching 146<sup>th</sup> position out of 180 countries sampled. This depicts the level of insincerity in the system in Nigeria.

## **Conclusion**

Peace is the ultimate desire of every human society. The Sustainable Development Goals (SDGs) goal 16 identified peace as one of the goals that should be achieved globally by 2030. Accordingly, peace building remains a mechanism for achieving sustainable peace in human society. Accounting helps in building trust and understanding the financial and operational activities of any entity and the wider society. As a result it contributes significantly to peace building by ensuring adequate financial planning and report of leaders' stewardship through mechanisms such as presentation of audited financial reports. By so doing, accounting helps in conflict prevention, peacemaking and conflict resolution and building of trust among various stakeholders.

## **Recommendations**

The following suggestions were adduced as possible strategies to enhance peace building through the practice of accounting.

1. Financial statement insurance. In response to lack of audit independence and conflict of interest of auditors, instead of appointing auditors, organizations and public parastatals should purchase financial statement insurance cover against misrepresentations in the financial report. The insurer who undertakes the risk then appoints and pays the auditor. This would reduce conflict of interest inherent in auditors-client relationship and some unethical practices by the auditors.
2. Mainstreaming strong institutions into the fraud box model: Okoye (2016) proposed fraud box model which is where elements in fraud diamond namely pressure, opportunity, capability and rationalization are assumed to be in a box with good corporate governance as key. Although, those elements exist, fraud is no longer possible due to good corporate governance. However, due to lapses sometimes experienced in corporate governance, we add strong institution as second key to fraud box. This is in realization that if the fraudster out smart corporate governance, then the strong institution would become another big huddle to contend with. Strong institution embraces the police, the anti graft agencies and judiciary etc. When such is in place, it would help in peace building by entrenching prudence and trust by preventing fraud which can bring about corporate failure and crisis.



Just imagine the ripple effect of failure of a commercial bank with large number of branches.

3. Enhancing citizens' participation in governance. Channels must be created to enhance citizens' participation in governance not just as tax payers but as government watchdogs. This the government could do through national orientation agency by way of billboards, radio and television jingles etc. This would increase acceptance of government tax policies and programmes thus reducing resistance and increasing peace.

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