

Budget Monitoring and Price Intelligence (Due Process) in Ekiti State Public Service: The Role of Professional Accountants

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Abstract: This paper examined the role of professional accountants in budget monitoring and price intelligence (also known as Due Process) in Ekiti State Public Service. It reviewed the concept of due process, evaluated the public procurement reform in the nation generally, and examined the objectives and functions of the budget monitoring and price intelligence unit. It identified the key role of the professional accountants to include internal auditing and control in the public service, project conceptualization and packaging to match defined priorities and targets, enforcement of the due process principles of transparency, competition and efficiency, prevention of extra budgetary spending among others. The paper concluded that much as the role of other professionals such as economists, valuers, purchasers and others cannot be over-emphasized, the professional accountant is however the orbit around which the entire budget monitoring and price intelligence usually revolves.

Keywords: Due Process, Procurement Reforms, Project Packaging, Annual Appropriation, Professional Accountant.

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I. Introduction

In 2008, the Ekiti State government formally launched her own version of the Budget Monitoring and Price Intelligence (aka Due Process) manual tagged Ekiti State Due Process Mechanism. This was coming closely on the heels of the Federal government initiative on the same matter. The reason for a clear policy on the part of government to introduce due process was the endemic corruption in the public procurement by government ministries/agencies and parastatals. The former President of Nigeria, Obasanjo, whose government introduced the idea of due process, observed, as cited by Oguonu (2012) that, "until 1999, Nigeria had practically institutionalized corruption as the foundation of governance. Hence, institutions easily decayed to unprecedented proportions as opportunities were privatized by the powerful, this process was accompanied by the intimidation of the judiciary, the subversion of due process, the manipulation of existing laws and regulations, the suffocation of civil society, and the containment of democratic values and institution. Power became nothing but a means of accumulation and subversion, as productive initiatives were abandoned for purely administrative and transactional activities. The legitimacy and stability of the state became compromised as citizens began to devise extra-legal and informal ways of survival. All this made room for corruption".

There was an urgent call for Procurement Reforms and enthronement of Due Process in the Nigerian public sector, therefore in 2001, the Federal Government issued New Policy guidelines for procurement and award of contracts in Government ministries/parastatals vide circular F15775 of 27th July 2001. However, the problem of corruption, especially in the use public fund through procurement and issuance of contract became such a disturbing national phenomenon that no tier of government has been spared. Thus, it appeared natural that any serious arm of government ought to key-in into the lofty idea behind the Procurement Reforms of the Federal government.

As remarked in the foreword to Ekiti State Due Process Mechanism Manual, by the then governor, Engineer Segun Oni, "when this administration came on board on Tuesday, 29th May, 2007, the immediate challenges were institution of proper governance and the delivery of competent service to the people at optimal costs. This entails the reduction/elimination of waste and fraud in the contracting process to enable government conserve funds to actualize our lofty dreams... the objectives of prudent management of expenditure funds propelled us to establish, immediately we assumed office, the Public Procurement Unit, otherwise known as Due Process, in the Governor's Office with the mandate to ensure that avenues of waste and pilfering are

curtailed if not completely eliminated.” From the foregoing, the due process, following from the 2001 Federal Government public procurement reform started in Ekiti State public service in 2008.

The professional engineers, valuers, economists, accountants, no doubt have a lot to contribute towards realizing the objective of the Budget Monitoring and Price Intelligence, in areas of project packaging, pricing, and facilitation of payments. However, the professional accountants come in as consultants, civil servants or advisers to ensure success of the Due Process, via right pricing, contract packaging, compliance with contract approval thresholds and making of initial and final payments to contractors.

What is Due Process?

According to Ekiti State Due Process Mechanism manual (2008), Due Process is a part of the Public Procurement Reform Programme which serves as the mechanism for ensuring strict compliance with the openness, competition and cost accuracy rules and procedures that should guide contract awards within the Ekiti State Government in Nigeria. Oguonu (2012) remarks that "Due Process implies that government activities and businesses can be carried out openly, economically and transparently without favouritism and corruptible tendencies". The essence of this is to ensure that rules and procedures for procurement are made in such a way as to be implementable and enforceable. Due Process, wherever, it is genuinely instituted should put an end to "the Business as usual Syndrome". Obasanjo (2003) as cited by Oguonu (2012) observes that Due Process is a mechanism that certifies for public funding only those projects that have the test of proper implementation packaging and that adhere stringently to the international competitive bid approach in the award process.

Evolution of Due Process in Nigeria Public Sector

Ekpenkhio (2003) as cited by Oguonu (2012) observes that based on widespread corruption, conducting government business degenerated so much by year 2000. This, according to Ekpenkhio (2003) was due to the fact that no serious attention was paid to Public Service Rules, Financial Regulations and Ethical Norms because of selfish reasons. Therefore, Federal Government in 2000 commissioned the World Bank to collaborate with some private sector specialists to study Financial Systems and general procurement related activities in the country, "With a process of enthroning efficiency, accountability, integrity and transparency in Government Procurement and Financial Management Systems".

The Country Procurement Assessment Report (CPAR) (2008) identified some major weaknesses in the procurement systems in Nigeria as follows:

- ❖ That Nigeria lacks a modern law on public procurement and permanent oversight and monitoring purchasing entities.
- ❖ That the Finance (Control and Management) Act 1958; together with Financial Regulations which set basic rules for managing public expenditure have gaps, deficiencies and faulty implementation of existing regulations on procurement
- ❖ That due to inflation and lack of regular adjustments on the threshold of the approving limits of the Tenders Boards, their authorization were constantly being eroded resulting in abuses, prominent among which is splitting of contracts.
- ❖ That there is proliferation of Tender Boards which were perceived by the private sector as sources of delay and non-transparency.
- ❖ That customs systems and procedures were cumbersome and major causes of delay in clearing goods and hence a source of corruption.
- ❖ That procurement is often carried out by staff that substantially lack relevant training.

Based on the above identified weaknesses, the (CPAR), made the following recommendations:

- ❖ The need for a procurement law based on the United Nations Commission for International Trade Model (UNCITRAL).
- ❖ The need to establish a Public Procurement Commission (PPC) to serve as the regulation and oversight body on public sector procurements.
- ❖ That revision of key areas of the financial regulations to make them more transparent.
- ❖ The streamlining of Tenders Boards and the Strengthening of their financial authority, including power to award contracts.
- ❖ A critical need to rebuild procurement and financial management capacity in the public sector; and
- ❖ A comprehensive review of the businesses related to export, import and transit regulations, procedures and practices.

It should be noted that the Federal Government accepted the Country Procurement Assessment Report (CPAR) with the exception of Registration of Contractors and the involvement of the Political Office holders such as Ministers/ Commissioners in the award of contracts in excess of N50 million which the report was against.

It is the modest pioneering effort of Obasanjo regime to institute fiscal transparency and track compliance with guidelines on Due Process Certification that Ekiti State government under Governor Oni effectively keyed-in to.

The Public Procurement Act, No. 8, 2020

A number of review of the Public Procurement Act 2007 had been effected by the national assembly in Nigeria. States of the federation have initiated and passed several legislations on public procurement. However, the Public Procurement Act of 2020 is anchored on principles such as transparency, good management, and prevention of misconduct, accountability and control in order to enhance integrity in public procurement.

The five pillars of procurement under the Act include:

- Value for money. It is not necessarily the tender with the lowest price that is going to win the bid.
- Open and effective competition.
- Ethics and fair dealing.
- Accountability and reporting.
- Equity

<http://www.sa-tenders.co.za>>content

Gains of Due Process in Ekiti State

The goal of public procurement is to award timely and cost effective contracts to qualified contractors, suppliers and service providers for the provision of goods, work and service to support government and public services operations in accordance with principles and procedures established in the public procurement. <http://leanpub.com>. However, the gains derivable from the introduction of the Due Process according to government are economic. In the first nine months of his administration, the then Governor Oni disclosed that the Due Process Unit saved for the government about N2 billion, through meticulous scrutiny of contract costs, bids, invoices and quotations".

Specifically, the gains derivable from the introduction of Due Process are enumerated as follows: according to Ekiti State Due Process Mechanism Manual 2008.

1. Good governance of public money and assets resulting in the reductions of corruption and waste.
2. Improved system
3. Planning and project preparation of work leading to accuracy of costing, cost/benefit analysis and prioritization in deciding the spending pattern and plan for any given year.
4. Improved fiscal management through more effective expenditure management, institutions, and process and control mechanisms.
5. More optimal resource allocation decisions to achieve clearly articulated public policy objectives through enhanced identification of the costs and benefits of alternative expenditure decisions.
6. Improved liquidity management of public funds.
7. Enhanced transparency and accountability of government; providing better holistic information as a guide to the future.

Objectives of the Budget Monitoring and Price Intelligence Unit (BMPIU)

The Ekiti State Due Process Mechanism Manual (2008) identifies the following objectives of BMPIU;

- To harmonize and update all Government Policies, Procedures and Practices on Public Procurement.
- To ensure that project conceptualization and packaging match the defined priorities and targets as set in Annual Appropriations.
- To strictly enforce the Due Process principles of transparency, competition and efficiency and value for money in the procurement of public goods work and services.
- To ensure efficient and integrity based monitoring of the implementation of all Government Projects in line with Due Process principles.
- To prevent extra budgetary spending by Local Governments, Ministries, Departments and Agencies by ensuring that only projects with due appropriation by House of assembly are certified and thus funded for execution.
- To prevent contract inflation by ensuring cost reasonableness, accuracy and comparability of all public contracts with national, regional and global costs.

Functions of the (BMPIU)

The Ekiti State Due Process manual identified the following as the functions of the Budget Monitoring and Price Intelligence Unit,

- Implements approved standard to enforce harmonized bidding and tender Documents for all Students and Local Government Contracts.
- Implements general policies and guideline on public sector procurement.
- Develops, updates, maintains relevant systems wide data base and technology,

- Upholds professional ethics and reports erring procurement personnel, public official, departments and private sector companies and their personnel to relevant authorities for appropriate application of presented sanctions.
- Monitors prices of tendered items and provides updated price data base advisory services to the public and private sectors.
- Performs procurement audits.
- Documents and monitors State and Local Government Projects from points of award until completion.
- Coordinates training to promote capacity building of procurement personnel and development of systems and standards in the public sector.
- Sensitizes, promotes and educates members of the public on public procurement in relation to the Annual Appropriation.
- Provides relevant procurement and budget performance information to interested parties and institutions

The Role of the Professional Accountants in Due Process in the Ekiti State Public Sector

First, the professional, and for emphasis the Chartered Accountant already has a broad knowledge of the principles and practice standards of accounting, either in management accounting or tax practice, the Chartered Accountant is encouraged to keep abreast of the principles, practices and standards of the profession by the institute of Chartered Accountants of Nigeria (ICAN).

Ifezulike (2003) observes that there is a new and fast developing associated accounting discipline known as forensic Accounting. Forensic accounting is the application of financial skills and an investigative mentality to unresolved issues, conducted within the context of the rules of evidence. As a discipline, it encompasses financial expertise, fraud knowledge and a strong knowledge and understanding of business reality and the working of the legal system. The Chartered Accountant (who now practices forensic Accounting) can assist with regulatory compliance at all levels, especially in the public sector by assuring that government units, business and, in some instances, individuals are complying with applicable legislation on due process.

The Professional accountant in Public Service is specifically required to perform the following roles in connection with Budget Monitoring and Price Intelligence.

At every level of operation, the Chartered Accountant must have a big picture mindset of the civil service especially in the area of internal audit tests and review efforts. The role of internal audit in due process is no doubt immense. Thus, Ifezulike (2003) is of the opinion that "Due process Operational format is all about strengthening contracts in the public sector. There is no doubt that the importance of internal control built into procedures, practices and standards have been properly recognized". Resultantly, by the broadened requirements, accountants in the Public Sector, regulatory examiners and internal auditors should devote more time to reviewing and evaluating internal control systems and the internal check requirement built into them."

Furthermore, professional accountant operating either as consultant or civil servant must ask the following questions in relation to Due Process Ifezulike(2003):

- How good in theory are the systems of internal control?
- Are the personnel working in any activity or function properly trained relative to the internal control requirement?
- Does the system of internal control in fact hold the perceived risks in any work environment to the level considered acceptable to management?

Again in relation to achievement of broad objectives of the Due Process in Ekiti State Public Service, the accountant must help in the following areas:

- Ensuring that project conceptualization and packaging to match the defined priorities and targets as set in Annual Appropriations through service Tenders Board are achieved.

- Enforcing the Due Process principles of transparency, competition and efficiency and value for money.

In the procurement of public goods, works and service through internal auditing:

- Ensuring efficient and integrity-based monitoring of the implementation of all government projects in line with Due Process principles. The training of an honest accountant would facilitate this.

- Prevention of contract inflation by ensuring cost reasonableness, accuracy and comparability of all public contracts with national, regional and global costs. This function falls squarely within the ambit of internal auditing.

- Reduction of corruption and waste through effective internal control system in pricing and project monitoring.

- Accurate costing, cost-benefit analysis and priori fixation in spending pattern. This is achieved through adoption of management accounting principles.

- Improved liquidity management of public fund. This is the aspect of financial management which professional accountants are trained to handle.

- Performance of procurement audits.
 - In the bid evaluation process for pre-qualified bidders (the commercial/financial evaluation by the evaluation team of the procuring entity should normally, have a professional accountant as a member).
- In summary, the success of the entire Budget Monitoring and Price intelligence activity is hinged on effective collaboration between professional accountants (as consultants, public servants or civil servants) on the one hand and other stakeholders (purchasing officers, economists, political office holder etc) on the other hand.

II. Conclusion

Budget monitoring and Price Intelligence is an innovation in public fund utilization and effective management of capital expenditure budget in the public sector. The accountant is considered important in internal control, project conceptualization and packaging to match defined priorities and enforcing the due process principle of transparency, competition, efficiency and value for money. Since its inception in Ekiti State in 2008, successive administration has keyed into it as a matter of principle because of its immense benefits. The effect of BMPIU at the federal level has flowed into most states of the federation with each state replicating the principle of Due Process in contract pricing and project implementation in the respective states. Furthermore, the role of accountants in packaging, liquidity management and reduction of corruption make their services an essential part of Budget Monitoring and Price Intelligence Unit (Due Process) in the Public Service of Ekiti State. Further study on the subject of the role of accountants in public procurement in Ekiti state could focus on the specialized field of forensic accounting.

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