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## TOWARDS A MANAGEMENT CONTROL SYSTEMS (MCS) TOOLS TO REDUCE CORRUPTION IN THE PUBLIC ADMINISTRATION

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This study uses the management control systems tools and its frameworks to provoke a reflection on petty corruption in the public administration in Nigeria. The study being an interpretive action one with an element of interventionist approach to Management Controls Systems (MCS) in public administration in Nigeria, adopted the case study of SIAFEM (Administrative and Financial Information Systems for the States and Municipalities) in Brazil. Upon review of secondary documents, we observed that control tools such as the national identity cards, driving licenses, vehicle licenses, to mention just a few are adequate *artifacts* to assist government in assembling adequate data for regional budgets. Our findings makes us to conclude that MCS brings innumerable ways of standardizing controls and besides, it tries to eliminate ways of creating impediments for administrative controls that originates petty corruption, therefore, should SIAFEM be benchmarked it would enhance the monitoring procedures.

Keywords: Nigeria, Public, Management, Control Systems, Tools, SIAFEM.

## A APLICAÇÃO DE FERRAMENTAS DE SISTEMAS DE CONTROLE DE GESTÃO PARA REDUZIR PEQUENAS CORRUPÇÕES NA ADMINISTRAÇÃO PÚBLICA

O presente estudo aplica ferramentas de sistemas de controles de gestão e sua estrutura conceitual para provocar uma reflexão acerca da pequena (*petit*) corrupção na administração pública da Nigéria. Sendo um estudo interpretativo e ação com abordagem intervencionista dos sistemas de controles de gestão (MCS) na administração pública da Nigéria, adota-se um estudo de caso de SIAFEM (Sistema de Informação de Administração Financeira Estadual e Municipal) do Brasil. Tendo analisados os documentos secundários observa-se que as ferramentas tais como identidade nacional, carteira de motorista, só para citar alguns, são *artefatos* que poderiam auxiliar o governo local em levantamentos de dados que ajudarão na composição e execução de orçamentos regionais. Assim, essa pesquisa nos permite concluir que os MCS trazem fontes incalculáveis de padronizações de controles além de tentar eliminar os aspectos impeditivos que originam pequenas corrupções portanto, se aplicarem como *benchmark* o SIAFEM certamente reforçaria os procedimentos de monitoramentos.

Palavras-chave: Nigéria, Gestão, Pública, Sistemas de Controles, Ferramentas, SIAFEM.

## 1. Introduction

The theme about equal rights and justice dominated the songs of the deceased Bob Marley and as a result of the positive impacts it created in our society, these songs continue to sell like a hot cake. In this same line, a recent issue that moved the western world is the preparedness of China to welcome the Athletes and tourists for the 2008 Olympic game. In order to correct the culture of people jumping queues she has started to reeducate her citizens to be patient in a queue, that is learn to wait for one's turn, be it in the bank, to enter into a train, so on and so forth. In general terms, the act of jumping queue tries to favor petty corruption in public administration and this reeducation that is in place is showing rest of the world that they are tired of showing this image that favors the smart ones.

In certain public establishments normally in the transition economies, when one is able to single out a honest employee who deliberately go against such act of favoritism, we perceive a violent wave against his resistance to bow to unlawful acts, in an act of segregation such person is either named a moralist or suffers an exclusion in the place of work.

In this respect, data relating to transparency in public administration which brings an indicative of lower bureaucracy and corruption to light, being factors considered in the calculation of country risk is an issue discoursed when describing scenarios in the transition economies. Thus, neoinstitutionalized and empowering management control systems that could neutralize petty corruption, known to be available in the developing countries would be an added value.

This study forces a reflection upon a MCS case study implemented in the Brazilian environment which was institutionalized and through the exercise of power inculcated the indirect control culture thereby cultivating reduction of the petty corruption.

## 2. Problem statement and research questions

In the Nigerian City Management, prolonged military rule and rarely changed actors maintained powers in the hands of few people who are influenced by “so-called *fast* people” thereby generating corruption. This corruption, ranges from the main looting of the national coffins to a mere petty corruption. This petty corruption, when it results to complete abuse of power penetrated government establishments and in some cases national strategic affairs.

Equally, upon generalization, one could risk to say that it permeates all economic transactions of the nation more especially, those which could be distributed in the state and municipal government services such as policing, sewage disposal, energy generating and distribution and hospital administration.

Even though the revenue from sales of crude oil which is supposed to raise the *per capita* income shown in table 1 below are not adequately managed and equally distributed thereby causing a state of no hope to the entire citizens, allocations are biased owing to weak management control systems. It is important to state that since the decade of 70, the economy deviated from agriculture to total dependence on oil revenue.

**Table 1 - GLOBAL INCOME PER CAPITA IN US\$ - PUBLISHED 2006**

COUNTRY_NAME	2004	2005	RANK
	US\$	US\$	2005
Luxembourg	56380	65630	1
Norway	51810	59590	2
	----	-----	----
	----	-----	----
Brazil	3000	3460	74
	----	-----	----
	----	-----	----
Nigeria	430	560	150
Kenya	480	530	151
Benin	450	510	152
Uzbekistan	450	510	153
Zambia	400	490	154
Bangladesh	440	470	155

Source: GWIPC (2007)

In this regard, discursion surrounding Management Control Systems tools who aimed to reduce *petit corruption* calls for citation of control tools that assist the government to gather precise data about people and their environment so as to ameliorate in general terms the budgetary elaboration. If we look at the breakdown furnished by the literature it makes one to raise question concerning the basic statistical data available to back the government budgets. In the absence of reliable data, indexes are either drawn from census which might be out of date or is unduly influenced by the politicians, and on the ultimate end data that would subsidize government decisions regarding prioritization of projects is barely inexistent.

To this end, what could show efficiency on one hand, in the public management, might on the other hand get a setback as a result of ineffective process that is filled up with middlemen, lobbyists and agents who generally created artificial bureaucracy that eventually resulted in petty corruption. Based on the aforementioned we raise the following questions: a) how and where does petty corruption impacts on the trust of the public administration? b) are innovations concerning management control systems new expectations to promote a changed culture? and c) is the experience (of MCS) in Brazil worthy of emulation in order to minimize petty corruption?

### 3. Background

#### 3.1 Petty Corruption

Corruption in the democratic economy leads to government distrust corrodes allocations from its efficient dispensation, besides, prejudice to budgetary compliance and reduction of faith by fellow countrymen.

Administrative corruption normally known as petty (*petit*) corruption forms a basis of bribery in connection with the implementation of the laws, rules, and regulations.

In the transition economies such as that of Nigeria where basic amenities and general infrastructure provided by the government are scarce, actors and or civil servants could see it as an avenue to transact such services for personal enrichment expecting that their hands be greased so that they would perform the services for which they are already paid. So, manual Vehicles licensing and renewal as it is done today, Passport Issuance, Visas, Tax Collection and Waivers of Interest charges, Fines, to mention just a few poses a fertile land.

According to Uslancer p.6, 2004, if goods and services are in short supply and manipulated by the state, bribery and gift giving seem reasonable ways to obtain routine services. And state officials will find petty corruption a useful means of getting more resources themselves. Corruption will trickle up throughout the system and at the top will be far more than petty. Autocratic societies, with high levels of scarcity and little accountability, are breeding grounds for dishonesty. When people have little reasons to trust one another, they will not engage in corruption but will treat it as just another transaction, marked by no particular moral disapprobation.

Petty corruption impacts on the image of the public administrators and the nation at large, by creating the perception that: a) The social ground only exists for the smart ones and so, it is for survival of the fittest; b) To jump a medical attendance cue, *tip* the police officer on duty, offer gift payment to county and/or court officials on normal service may be considered natural; and c) Solidarity may be seen as a wasteful exercise;

### 3.2 New Paradigm of Control Culture

If one says that human beings cluster according to their culture and how well this network is constructed shows his preparedness to act in the competitive world, this so-called cluster does not necessarily need to be corrupted for personal interests, so, there might be a light at the end of the tunnel if weaknesses are pinpointed as a basis of knowledge management. Thus, a new paradigm of control culture might be in the making.

Control culture in nowadays organizations; be it public or private shows the consciousness of personal rights and obligations in a business environment. In the real sense, it makes people to know (what to do and not to do) procedures to follow in order to attain efficiency in such organization.

If the medium or line-managers in an organization believe in and subscribe to this culture, they are likely to take a consistent decision that is in-line with organizational strategy without being questioned by the top management. (Imoniana, 2006).

Control culture in most institutions is a base for rethinking management paradigm. This seems to suffer some setbacks as a result of poor planning, lack of programmatic dispensation of activities, monitoring procedures and reporting in the traditional business environment. Performance evaluation procedures are not systematically adhered to and if in one hand it is done on the other hand it is in detriment of other essential management control activities.

Another approach is to consider a MCS as a tool to analyze in a broader perspective the understanding of the management limits and needs to bettering and institutionalising cultural changes in the public establishments.

### 3.3 Institutionalization of MCS

Institutions consist of cognitive, normative and regulative structures and activities that provide stability and meaning to social behavior. Institutions are transported by various carriers – cultures, structures and routines – and they operate at multiple levels of

jurisdiction. The cognitive elements include widely held beliefs and taken-for-granted assumptions that provide a framework for everyday routines. The normative elements incorporate habits and informally sanctioned social obligations including rulings of legislatures and enforcement mechanisms of the regulatory agencies. (Scott, p. 33, 2001).

Even though empirical studies such as in (Imoniana : 2006) mentioned that there is no rules of thumbs for the customization of control systems, and that considering different cultures and control environments this does not as yet have a standard definition, development and implementation of control standards, taken as a guidance items such as those stated in ISO would serve as control and surveillance tool and force actors to be cultured for the world standard.

In particular, a number of authors have applied institutional theory with a focus on IS in developing countries (Avgerou 2002, Silva and Figueroa 2002; Bada 2003; Madon *et al* 2007), reflecting an interest in the relationship between ICTs and the institutional

Drawing from this definition, therefore, we wish to investigate the processes whereby digital inclusion projects can become institutionalised through the creation of structures of symbolically accepted goals linked to relevant social activities and supported by appropriate material resources. However, institutionalisation is not a one-off static event; institutions need to be re-created or maintained over time (Madon *et al* (2007).

To this extent, it would be prudent to mention some management control tools implemented by Brazil to enhance the reduction of petty corruption, they are digitalized: National Identity Cards (see Fig 1) Vehicle Licenses (Fig. 2), to mention just a few, apart from the implementation of an Integrated System for State Financial Administration (SIAFEM).

**Figure 1 - National Identity Cards (Brazil)**



Source: Fazenda (2007)



Taking example from Brazil, the National Identity Cards are documents meant for civil identification in the national level. It is public management tool which enhances the documentation of citizens in every locations of the country. It contains name, date of birth, date of issue, filiations, photograph, signature and the digital finger print. It is the responsibility of the State Governments to issue the identity cards, but, it is valid in the national territory. This document is very essential to enable the government raise the level of population of a state and also determine the growth. It is a document that is used to match the birth and death certificates so as to evaluate the mentioned growth. For Federal allocation purposes, records furnished by this document would assist in more precise planning.

The driving license in figure 2 is another document meant for control of the citizens and also assist in capture of information relating to who and who is driving apart from helping to control revenues from who is using the roads. For budgetary purposes they enable the municipal governments to control the use of their roads. The new Brazilian National Driving License as seen below was implemented in the mid 2006. It is issued by the departments of road transportation that integrates the control for the driving license on national level.

**Figure 2 – National Driving License (Brazil)**



Source: Fazenda (2007)

Note that as in Figures 1 and 2 they are already digital, being that from Brazilian counterpart, which seems to reduce the bureaucracy as compared to the manually issued form that paves way for possibilities for forgery. The said records are maintained in the national database so; access for consultation of personal data is tremendously enhanced. Other departments such as the crime control, health services, banking, etc. may access this database.

#### **4. Research Methodology**

The methodology chosen for the current study was action and interventionist approach to MCS in public administration in Nigeria by adopting the case study in Brazil. According to Godoy (1995) the strategy of case study is adopted to give answers to research questions of which there are no much possibilities of control on the phenomenon studied and its main objective is to analyze the current moment through the day to day events.

In consonance to this approach, Yin (1990) states that to use the case study approach, certain items must be elaborated so as to sustain the direction for the investigation process, they are: research questions, study presuppositions, unit of analysis, linking data to presuppositions and criteria for interpretation of data. Yet according to Walsham (1993): ... Interpretive methods of research start from the position that our knowledge of reality, including the domain of human action, is a social construction by human actors.

#### **5. The Case of SIAFEM**

The Integrated System for State Financial Administration (SIAFEM) is a large governmental Administrative and Financial Information Systems for the States and Municipalities developed by the Brazilian Federal Data Processing Services Center (SERPRO) aimed to enhance and also harmonize the control models for the recording of accounting transactions, the budgetary execution, financial and property management in an integrated format, thus reducing costs, increasing transparency, efficiency, effectiveness in the management of public resources. Makes the government accounts accessible to all organizations, be it for internal control purposes, external control, representatives from the House of Assembly or the Federal Audit.



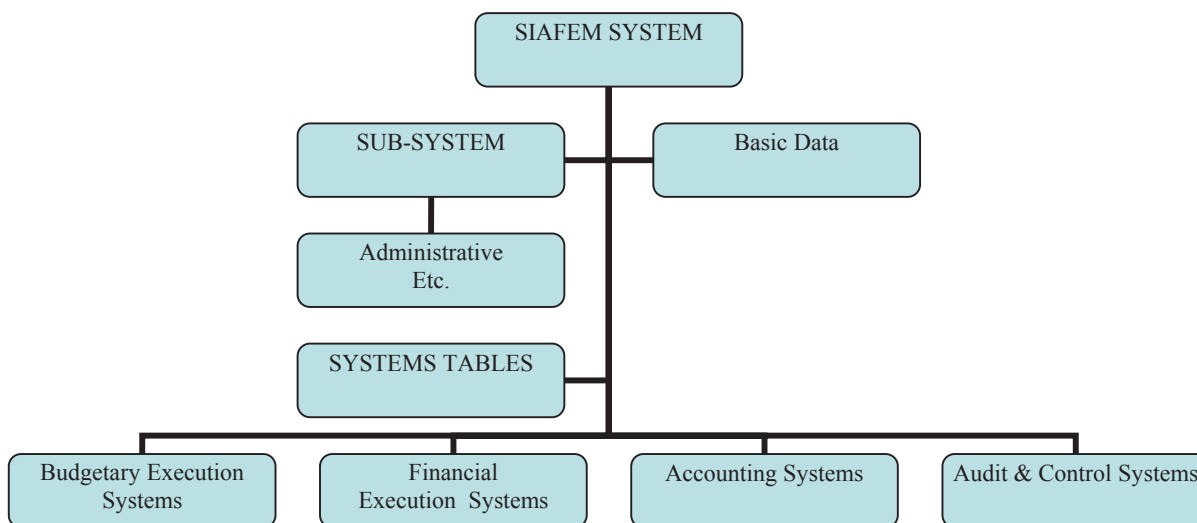
The system is based on the Federal Law nº 4.320, of 17th March 1964 that institute general procedures for the elaboration of financial statements for the, budgetary, execution and control on the federal level, the States and Municipalities. (Fazenda, 2007)

As shown in Fig 1, it requires a decentralized browsing of the system and a direct recording of department transactions. Some officials became very dissatisfied with the new system because part of their knowledge would be inscribed into the SIAFEM processes and they would be left to carry out only unskilled routine tasks Humes & Reinhard (2007).

Upon implementation of the system, data entry were made through the following documents: Appropriation Note (AN), Credit Note (CN), Debit Notes (DN), Encumbrance Note ((EN), Recording Note (RN), Programming for Disbursement (PD), Bank Order (BO) and Receiving Note (RN) when entered updates the SIAFEM directly.

All the financial resources of diverse origin are deposited into the State Account, Unique Account of the State from which all monies for payment of expenses are withdrawn.

**Figure 3 – SIAFEM Diagram**



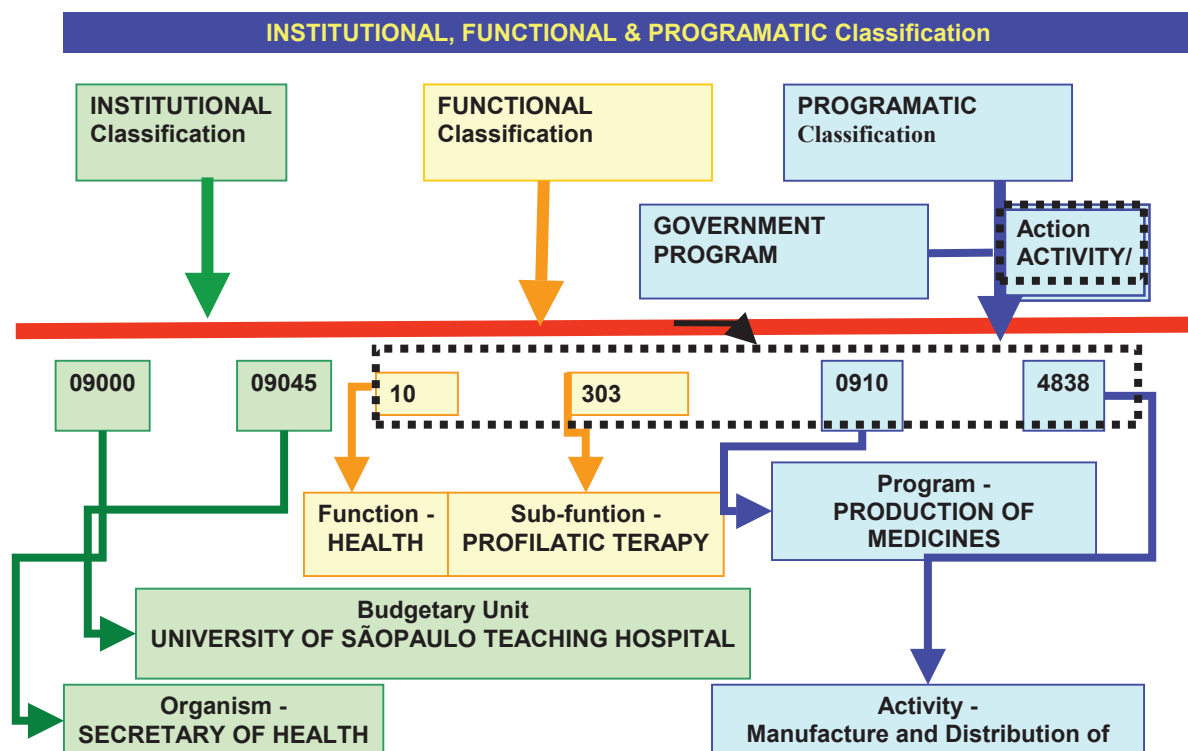
Thus, for every Administrative Unit (AU), there is an Accounts Code whose corresponding allocations make up what is available for that account. Thus for example, all payments to suppliers would be credited automatically in their respective accounts, however needing a prior inclusion in the system. For a glance, see example of Accounts Code and its classification made for the Secretary of Health in Figure 2.

Since it permit the standardization of methods and accounting routines, dissemination of information and public administration knowledge, it modernizes the

budgetary control system, finances, accounting controls systems, operational asset control for the indirect and direct public administration. In fact, the control features implemented in the systems decentralizes data entry, updates, access only and the execution of the budgetary processes this in turn minimizes costs and also reduces the involvement of staff thereby increasing the efficiency and effectiveness of the state services. It permits all segments of the society transparent data about the recording of all revenues and execution of the public expenditures. However, maintain privacy of information access, availability of cash belonging to the government even though there is a unification of records, SIAFEM states a clarified ceiling for every AU spending.

The accounting functions of reporting are enhanced, all users could access reports anywhere and anytime since it Web enabled. Staffs that are to be relocated for record entry purposes are optimized for transaction analysis and the control of output, and finally monitor targets for reporting. It is important to note that during the implementation of the system government faced a lot of resistance, employees who were close to retirement left and were not replaced since there would be the need for staff reduction. However, those who remained were forced to adapt to the new control culture.

**Figure 4 – The dynamism of accounting classification**



Therefore, as for reflection, three key analytical themes are synthesized from our empirical work, and these are discussed as follows.

### **6.1 MCS for reduction of Petty corruption**

Issues concerning petty corruption as it concerns the Nigerian environment would always spark some reflections since it is notorious from World Bank reports that, what corrodes the resources of most African countries apart from ethnic conflicts is corruption, and without exaggerations, it definitely starts from petty corruption. According to Uslenser (2004) when trust is low, it is more difficult to manage conflicts within a society. Social strains make a society more difficult to govern and governments will have more difficulty winning the support of their citizens. Low confidence in government beliefs that democracy is not working and that the market is unfair, thereby leading to lower compliance with the law.

Since SIAFEM system in its logical architecture has two basic operational structures, the Accounts Codes and Tables of Events, various types of accounting transactions classified and/or recorded reflects their nature, therefore, its sub-systems (SIGEO and SIAFISICO) being the MIS and the procurement control systems would guarantee: a) Transparency at all government levels; b) Focalized result and performance oriented public management; c) Competence analysis and a monitoring procedure for the budget; d) Enhancements on integration of data relating to procurements, suppliers, warehousing, so as to assist in the process of asset and material control; e) Unit of analysis for the financial accounting in comparison with the management accounting; and f) Analysis from previous expense budgets in lieu of future budgetary settings.

### **6.2 Legitimization of the Actors**

In this regards, legitimization of the actors through a consolidated neo-cultural system whereby responsibility is established and compromise determined may be the solution. That is, force the public administrators to use the systems and charge them for that. Another thing to emphasis is the integration with the Fiscal Responsibility Act (FRA); this has been the tonic for the SIAFEM implementation. The former task looks less democratic but in its essence, when we talk of institutionalization of MCS it may be correct to be less democratic when systems are implemented to assist the public managers in their managerial process so that they can easily account for there decisions. The latter goes

along with the regulations that managers may only spend what they have as budgeted for; the FRA tries to hold the public administrator responsible for administrative deficits, particularly to avoid actors from creating debts that are not paid in one regime and transferred to another without justifiable reasons.

### 6.3 Capability for its implementation

In the Brazilian Case, implementation started from the State of São Paulo before it was spread all over the country, so one would imagine that the land is fertile in Nigeria for a lead in an attempt to reduce petty corruption in the country. State such as Delta, Lagos, to mention just a few, have implement their systems acquired from the international ERP firms not to mention their *egovernance* applications and this systems could be customized to include this concept of management control.

### Conclusion

As far as in democratic transition economy in which one would expect that the executive decisions acts in the direction of social influence, involving societal voice, accountability reform, enhance fiscal responsibility, propagate social control and sensitize the population as regards internal and external controls, in order not to act contrary to the legislatures, the leaders have to give example, need to take the lead in the compliance with the rules and regulations.

Therefore, a recognizable management practice has to be disseminated and this is possible only through accreditations and copying of benchmarks, so, borrowing a leaf from the SIAFEM Brazilian experience would be an added advantage to the steps taken by the government to give a moral standard to public administration.

In this regard, there would be a resisting group, which is natural. Even though the SIAFEM implementation faced similar tasks, if the government is bent to have a transparent public administration that aims to reduce petty corruption, it has to be decisive in its management control systems reforms in order to assist in the inculcation of a control culture.

We conclude therefore that, there are innumerable studies which could be developed relating to this theme, especially those which can use refined mathematical treatments for the aggregation of linguistic variables by adopting tools such as fuzzy sets to explain the impacts of petty corruption in the transition economies.

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