Available online at www.rajournals.in

International Journal of Management and Economics Invention

ISSN: 2395-7220

DOI: 10.47191/ijmei/v9i5.01

Volume: 09 Issue: 05 May 2023

International Open Access

Impact Factor: 8.061 (SJIF)

Page no. 2935-2946

Public Financial Management in Nigeria: The Goals, Concepts, Legal and Institutional Framework, and Reforms for Good Governance

ADEKOYA, Adesanya Augustine

Department of Accounting, Babcock University, Ilisan-Remo, Ogun State, Nigeria.

ARTICLE INFO

Published Online: 04 May 2023

Corresponding Author: ADEKOYA, Adesanya Augustine

ABSTRACT

Globally, Public Financial Management (PFM) has become a key factor for good governance, promotion of social economic development, and efficient management of public resources in a country. Poor PFM in Public Sector (PS) has contributed to the inefficiency, ineffectiveness, and corrupt practices common in PS. Nevertheless, this call for better understanding of the goals, concepts, legal and institutional frameworks, and PFM reforms for good governance. It is against this background that the study examined PFM in PS as a means to enhanced transparency, accountability, efficiency, and probity in PS activities. The study employed exploratory research design with focus on relevant literatures. The study concluded that PFM is an integral part of organisation structure and operating mechanism which would provide good frameworks for good governance. Also, PFM reforms would enhanced efficiency, transparency, credibility, and trust in government. The study recommends adoption of participatory budgeting for budgeting process. In addition, continuous capacity building and training for personnel in ministry of fiancé and budget office should be encouraged, while political office holders should be trained on the importance of budgeting, this would reduce political intervention on budget implementation. Furthermore, public procurement reforms should ensure competitiveness and probity on procurement of goods and services. Government should also invest more on information and communication technology to enhanced internally generated revenues and minimise cost of collection. Similarly, audit institution should be strengthened to promote stewardship of fairness, probity, efficiency, accountability, and transparency in management of public resources.

KEYWORDS: Accountability, Budget, Efficiency, Public Procurement, Public sector, Transparency.

1.0 INTRODUCTION

Public Financial Management (PFM) is all about planning, coordinating, controlling, and utilisation of government financial resources, and formulation of policies for the wellbeing of the citizens and the society at large. Also, PFM is the management of finance in public sector for economic growth and maximisation of citizens' wellbeing. Besides, finance is the lifeblood or fuel of an organisation, either public or private, and it constitutes the lubricants for the wheel of successful administration (Adekoya, 2020). Moreover, in public sector, finance must be handled with care and expended according to laid down principles, rules, and regulations. Nevertheless, a sound financial administration in public sector is the core of an efficient, effectives and transparent service delivery. Financial management is the art and science of financial planning, allocating, evaluating, and reporting financial resources to achieve the best objectives, goals and performance targets. According to Lawson (2015), PFM is the set of laws, rules, systems, and process used by government to generate resources, allocate public funds, expends, accounts, reports, and audits for transparency, probity, and accountability.

PFM is tailored towards the attainment of country's social economic and sustainable development goals through transparency, accountability, and efficient management of public resources. Welham, Krause, and Hedger (2013) viewed PFM as an instrument or means to an end in achieving broad developmental objectives, macro-economic stability, economic growth, efficient resources allocation, and effective service delivery. It is an activities which involved resources generation, allocation, and expenditures management to achieve effectives and efficient service delivery, and optimum financial reporting systems on the use of public funds. The goals of PFM therefore, is to enhanced financial management (funds generation, expenditures, and fiscal sustainability), operation management (budget and budgetary control, procurement effectiveness, and value for money), governance (traceability, transparency, and accountability), and fiduciary risk management (compliance process, control techniques, and auditing). In addition, PFM is a catalyst for an improved quality of public goods and services, and promotion of good governance. Moreover, social contract exist between the public administrators and the citizens on resources management, nevertheless, citizens dissatisfaction at time set inn due to the quality of goods and services provided by government when compared with the resources provided.

Public sector is that aspect of country saddled with the responsibilities to manage public resources, and provide goods and services for the wellbeing of the citizens. Country's development depend on the vibrancy, efficiency, and effectiveness of her public sector. Through the public sector, government implement policies, programmes, and provide goods and services that will aid economic growth and development, and improves citizens' standard of livings. Public sector provides public goods and services rather than increasing shareholders wealth as applicable in the private sector. In public sector, sound public administration would enhanced government ability to render quality public goods and services to the citizens, and promote good governance. Good governance entails improvement in the area of reliability, transparency, openness, accountability, predictability, managerial and technical competency, financial sustainability and as well as citizens' involvement in public administration. Public sector in Nigeria is classified into three, these are Federal, States, and Local Governments with their various relevant agencies and other public sector corporations that provides public goods and services.

In Nigeria, public sector report shows that huge sum of money have been lost through financial impropriety while high rate of fraudulent practices, lack of accountability and transparency are common in the conduct of public activities. Nigeria has a prolong problems of managing its endowed oil wealth which has not translated into better living for the citizens, robust economic growth, and improved infrastructural development for these past years. On this basis, Appah and Appiah (2010) reported that fraudulent practices and impropriety are common factor in Nigeria public sector. Budgets are prepared on yearly basis but lack mechanism for scrutiny and monitoring during budget implementation (Kanu, Obi, & Akuwudike, 2021). Similarly, on annual basis, expenditures always surpassed revenues, this resulted into budget deficit and makes the country to source for external or internal borrowings despite the huge resources the country is endowed with. The annual budgets have become a routine exercise with little to show in terms of economic growth and development rather the country has been plunge into massive debts, chaos, corruption, and lack of transparency in government activities. Recently, Nigeria has high corruption index of 154 out of 180 countries in 2021 from the index of 136, 148, 144, 146 and 149 for 2016-2020 respectively. Despite maintaining its previous score of 24 out of 100 point as in 2021 assessment, Nigeria position went up to 150 in 2022 in the new corruption index compared to its 154th position out of 180 countries assessed in 2021 rankings. Similarly, Nigeria public sector faced the challenges of procurement process, this had led to number of abandoned projects, upward review of contract value for illicit benefit, high cost of governance, non-delivery of procured goods and services according to specifications, loss of millions of naira to corrupt procurement process, and misuse of societal resources. According to Kanu, Ozurumba and Akuwudike (2020), despite Nigeria huge investment on procurement of goods and services on yearly basis, the country had not been fared better as some of these procurements were either not delivered, inflated, corrupted, or abandoned. These procurement challenges plus problems of weak financial management system, globalisation, new technology, ineffective service delivery, poor or decayed infrastructures, and insecurity affect the ease of doing business in Nigeria. To addressed some of these challenges, this call for prudent public financial management in governance and PFM reforms.

PFM reform is to improve good governance, transparency in the application of public resources, reliable and predictable cash management, efficient revenues generation and public procurement process, and achieve meaningful auditing. Since the return of Nigeria to democratic governance in 1999, various PFM reforms have been initiated and implemented with fundamental changes and transformation. In the past years, Nigeria government had initiated policies and strategies for meaningful economic growth and development where measures had been adopted to increase revenues generation and minimise expenditures. These reforms were initiated to assist government to plan, improve transparency and accountability in governance, reduce corruption and misuse of public resources, aids decision making, and enhance service delivery. PFM reforms is entrenched in political, economic, social and legal process. It is a vital tools for efficient, effective and sustainable economic management and development. Besides, World Bank, African Development Bank (ADB) and International Monetary Fund (IMF) have been a frontrunner for PFM reforms in developing countries. They provide both technical and financial support for PFM reforms, thereby, promoting sound public financial management in government. However, despite the increasing reforms in Nigeria public sector, fiscal outcomes of the country still remained very weak and poor (Ogujiuba & Okafor, 2013).

PFM has become a things of interest to policy makers, academicians, political analysts, donor agencies, financial managers, citizens, and international communities. However, in developing countries, there has been dearth of public sector accounting research, theories, and empirical evidence that focus on the contextual factors of PFM reforms (Adhikari & Mellemvic, 2011; Goddard, 2010). Therefore, the focus of this study is to highlight the goals of PFM, its legal and institutional frameworks, and these contextual factors. Also, to highlight how PFM practices can enhanced good governance of efficiency, probity, transparency, accountability, infrastructural development, and economic growth. In modern day activities, PFM has grown beyond revenues generation and payment of expenditures but with focus on sound financial decision and control, policies formulation, budget formulation and implementation, procurement management, project management, and sound international relationship. A sound PFM practices in Nigeria will aid long term economic growth, minimise fraudulent and corrupt practices, promote accountability and transparency, and enhance the provision of good service delivery. The theoretical implication of the study is its contribution to knowledge and literatures as public sector financial management still remain an emerging issue with less research work.

2.0 REVIEW OF EXTANT LITERATURE

2.1 Conceptual Review

Public finance – public finance is the study of government intervention in market regulations, it plays an important role in economic growth and development, apart from ensuring price stability. Musgrave (1959) defined public finance as the study of the economic activities of government. Public finance is the study of funds allocation in public sector to execute government programmes and projects. According to Rossen (2002), public finance is a branch of economics that studies allocation of resources and distribution of income, it is associated with taxes, expenditures, and monetary policy. The word public means "Government" while finance means "Management of government financial resources". Public finance can be categorised into two, these are positive public finance and normative public finance. Positive public finance is the study of facts, circumstances and relationship between sources (taxes) and application of funds (expenditures), and budgeting. Normative public finance is the study of state financial policy (fiscal policy) as it relates to revenues and expenditures to improve economic stability. However, public finance and public financial management differs in meaning and approach. According to Allen, Hemming, and Potter (2013), Public finance focus on "What to do" which means question of government policy while PFM focus on "How to do" which means question of policy implementation.

Public Financial Management (PFM) – PFM is a critical tool for democratic and transparent governance. PFM is the process of revenues generation and funds allocation to various government activities likes programmes and projects. PFM is the management of public financial resources in a transparent and accountable manner. Besides, Omolehinwa and Naiyeju (2015), defined PFM as all activities involved in policy formulation, resources generation, resources allocation, and expenditures management in order to enhance public accountability and to achieve efficient and effective delivery of public goods and services. Also, Visser and Erasmus (2013) defined PFM as function of budgeting, financing, expenditures management, transparency and accountability, financial reporting, and auditing. However, Chomovol *et al*. (2020), viewed PFM as a means of optimising financial and budgetary tools to minimise public debts and budget deficit in Gross Domestic Product (GDP).

Objectives of PFM

1. Fiscal discipline – this means budget discipline in taxes collection and efficient public spending in line with budgetary provision. Fiscal discipline balance tax revenues with public spending in order to avoid budget deficits and debts.
2. Strategic efficiency – this means efficient allocation of scarce resources to achieve strategic state activities. Here, public resources are allocated to strategic priorities and needs.
3. Operational efficiency – this involves efficiency in achieving price/quality ratio in service delivery. This is to promote value for money in service delivery.
4. Accountability and transparency – this means prudent use of public financial resources. Ability to follow due process, transparency and probity in government activities.

Public Financial Management Stages – PFM stages as highlighted by Onuarah and Appah (2012) are as follows:

1. Policy formulation – this is the first stage in PFM structure. It would addressed micro and macroeconomics policies. Policy gives budget directions and promote cost awareness. Aside, policy

formulation defined structures and articulate system and promote effective use of resources.

2. Budget formulation – this involves fair allocation of resources to various government activities. It involves process of articulating fiscal, monetary, social, political, economic, and infrastructural needs of the citizens into budget process.
3. Budget structures – this involves budget composition.
4. Payment system – this is the mode of receipts and payments in government.
5. Government accounting and reporting – this involves accounting and reporting modalities.
6. Audit – this is an independent check and balances, and opinion rendering on the fairness, transparency, and probity of financial resources.
7. Legislative control – the stage dictates role of legislative arms to control budget process, scrutinised figures for accuracy, and efficient allocation of resources.

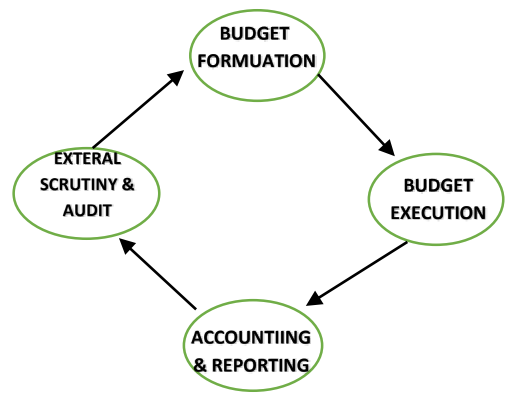
Principles of PFM – an effective system of PFM would followed six principles of democratic consent, probity, equity, prudence, transparency, and accountability.

1. Democratic consent – this means approval to collect taxes and payment for expenditures. This must go through democratic consent of the governed on yearly basis.
2. Probity – there must be honesty in the use of government funds. Public administrators and political office holders should act as stewards and not as owners in the management of public funds.
3. Equity – government should treat citizens equally without any form of partial or preference in revenues generation, expenditures payment, and allocation of resources.
4. Prudence – government financial resources should be used with minimum risk. Manager of government funds should not take unnecessary risks with government funds.
5. Transparency – there should freedom of information on government activities. Financial reporting on taxes collected and government expenditures should be done promptly to the publics. Expenditures allocated to all MDAs should be made available for scrutiny and decision making.
6. Accountability – administrators of public funds should be accountable and give accounts of their stewardship to the citizens, legislative bodies, donor agencies, and international communities.

Budget cycle

Budget is an organic instrument of PFM for any country. Moreover, PFM process are structured in line with budget cycle. Allen, Hemming, and Potter (2013) opined that the term PFM came into focus over 20 years ago, therefore, the coherent and compact definition of PFM could be related to budgetary cycle. Budget cycle depict that public expenditures should be well planned, expended, monitored, accounted, and dully reported. Alkaraan (2018) reported that a sound and transparent budgeting process, and accounting architecture, are fundamental basis for probity and good governance.

The cycle



Budget formulation – this is the first step in budgeting process. This involves budget preparation in accordance with government fiscal policies, strategic plans, programmes, and objectives. The main actors here are ministries, agencies, parastatals, and legislative arms of government.

Budget execution – this is the budget implementation stage when budgets had been approved for the fiscal year. This involves cash management, resources allocation, and procurement strategy. Budgets should be executed in accordance with effective standard, process, and internal control mechanism. This will ensure that public funds generated are used according to laid down rules, guidelines, and principles. Actors here are ministry of finance, budget and economic planning, and other spending ministries, agencies and parastatals.

Accounting and reporting – this involves the activities of accounting and reporting, budget monitoring and evaluation, transparency and accountability. Proper accounting records should be maintained, while financial statements should be produced timely. Reporting should done in line with prescribe standards, guidelines and principles.

External oversight and Auditing – this involves internal and external auditing, and independent review of accounting records and reporting. It also involves legislative scrutiny for budgets compliance and accountability.

Public Financial Management in Nigeria

Nigeria has a population of over 200 million peoples with a cultural diverse of over 350 indigenous languages. Nigeria operates Federal system of government, it has 36 States and Federal Capital Territory (FCT), Abuja, and 774 local governments. Nigeria returned to democratic government in 1999 after many years of military rules, the new government inherited both internal and external debts of over $30 billion, decayed infrastructures, economic downturn, high cases of corruption and unemployment rate, poor standard of living, crisis and insecurity, and lack of transparency and accountability in government activities. Also, the country's economies becomes highly volatile with poor fiscal policy, weak public financial management practices, and inconsistent budgeting process. However, with all these, the new democratic government called for PFM reforms, and these commenced in 2004 under Economic Reforms and Governance Project (ERGP) in alliance with World Bank. These reforms are to strengthened governance and accountability, minimised corruption in public sector, strengthened internal control system, promotes probity in revenues and expenditures, eliminate ghost workers and redundancy in public sector, restructuring of ministries, departments, and agencies for better performances, and to guaranteed efficiency and effectiveness in public service delivery.

Legal framework for PFM practices and standards in Nigeria

PFM practices in Nigeria are governed by some legal frameworks for efficient and effective operations and also, to enhance probity, consistency, integrity, transparency, accountability, timely and reliable reporting, and value for money decision making by various interest groups or stakeholders. The legal framework for public financial management in Nigeria involves the followings:

1. Constitution of the Federal Republic of Nigeria (hereafter called the 1999 constitution)
   This is the most supreme regulatory framework for PFM practices. It provides legal backing for the operation of federation account tag distributable pool account for all tiers of governments (Federal, States, and Local governments) and other special funds. It provides the general framework for public sector financial administration and basis for controlling public funds. It highlights various types of government funds, revenues, and expenditures patterns with their operational method. Similarly, it outlines method of accounting, reporting, and auditing of financial transactions in public sector.
2. The Finance (Control and Management) Act 1958, now referred to as CAP F 26 LFN 2004
   The Act vested the power and responsibility for the preparation of government financial statement on Accountant General of the Federation and that of the States. Also, the Act outlines the management and general operation of public funds. It regulates the accounting systems and outlines the various books of account to be maintained, also the process and procedure to be followed in the preparation of government financial statements. Similarly, it outlines the role of minister of finance, the creation of contingency funds, and budgeting process in public sector.
3. The Public Procurements Act 2007
   The Act was signed into law on June 4, 2007. The Act focused on the need to promote probity, transparency, accountability, competitiveness, efficiency and effectiveness on procurement of goods and services, and contracts execution in public sector. Procurement process exempts the procurement of special goods, work, and services which involves national defence and security matters, except with the approval of the president.
4. The Fiscal Responsibility Act 2007.
   The Act was passed into law in 2007 to give backing to financial control in government. The Act aimed at promoting the best practices in public financial management and to change the history of lawlessness and recklessness in the management of public funds in Nigeria. The Act was to institutionalise prudency, transparency, accountability in the management of public resources, and also to enthralled good governance in public sector. Also, Fiscal Responsibly Acts is to promote transparency in budget formulation, execution, and reporting, support sound financial disclosure, entrenched prudent management of public financial resources, and guaranteed citizens access to government financial records and statements.
5. The Annual Appropriation Acts as provided for by 1999 constitution.
   This is an approved budget of revenues and expenditures to be achieved within a fiscal year. These estimates are presented to the legislative arms of government for scrutiny and approval. The approved estimates will guides resources allocation and

accordingly, promote prudent management of financial resources.

6. The Treasury and Finance Circulars
   These are circulars issued by Accountant General of the Federation to conveyed new rules, regulations or amendment to existing circulars to Ministries, Departments, and Agencies (MDAs). It has the roles to guides account officers on public sector financial management practices.
7. Federal Treasury Accounting Manual
   Accounting manual provides guidelines on accounting operation such as transactions recording, preparation of financial statements, and reporting. It is an accounting operating guidelines for accounting officers and used as reference document for their understanding and training, on the process of recording, accounting, and reporting of financial activities.
8. International Public Sector Accounting Standards Board (IPSASB). This involves modality on compliance to IPSAS accounting and reporting.
9. The Audit Act (1956) - This outlines the process and guidelines on the audit of public sector financial statements.
10. Public service rule (2008)
11. Federal Inland Revenue Service Acts
12. Central Bank of Nigeria Acts
13. Debt Management Office Act 2004
14. Economic and Financial Crime Commission (EFCC) Act 2004
15. Independent Corrupt Practices Commission (ICPC) Act 2000
16. Freedom of information Act 2011

Institutional Framework of PFM in Nigeria

1. Ministry of Finance (Federal and States) and their agencies likes Budget office, Office of Accountant General, Debt management office, and Tax Authorities.
2. Bureau of Public Procurement (BPP)
3. National Revenue Mobilization, Allocation and Fiscal Commission (NRMAFC)
4. Federation Account Allocation Committee (FAAC)
5. National Assembly and State Assemblies
6. National Planning Commission (NPC)
7. Office of Auditor General (Federal and States)
8. Economic Team
9. National Council of States
10. Nigeria Customs Service (NCS)
11. Central Bank of Nigeria (CBN)
12. Nigeria National Petroleum Corporation (NNPC) and their Subsidiaries.
13. Fiscal Responsibility Commission
14. National Judicial Commission
15. Bureau of Public Service Reforms
16. Financial Reporting Council of Nigeria
17. Economic and Financial Crime Commission (EFCC)
18. Independent Corrupt Practices Commission (ICPC)

Public Financial Management (PFM) Reforms for good governance – PFM reforms are common factor for developmental initiatives. It involves process of promoting good practices in the administration of public sector in a country. Globally, countries faced different challenges in public sector financial administration and governance. Some of these challenges in developing countries are inefficient services delivery, fraudulent practices, corruption, communal crises and insecurity, increased population and unemployment, unpleasant health care service and decayed infrastructures, and lack of transparency and accountability in governance. However, the intent of PFM reforms is to address these challenges and proffer solution to these problems of governance in a country. Since money is the lubricant for good governance, changing its flows and modality cannot be achieved without changing the culture, structures, method, and process of public sector financial administration. The success of any PFM reforms depend on availability of resources likes human, financial, infrastructural, and material. Also, management style and political will is critical to the success of PFM reforms. Similarly, sound institutional and legal framework, and adoption of new technologies will add flavor to the implementation of PFM reforms for good governance, economic growth and development. Nevertheless, many countries had undertaken various methods of PFM reforms in public sector accounting and budgeting for the past 30 years and recorded good success. Some of these countries are spread across developed and developing countries, these are United State of America, United Kingdom, Canada, France, Denmark, New Zealand, Turkey, Chile, Malaysia, Thailand, Indonesia, Australia, South Africa, Nigeria, Ghana, United Arab Emirate, and others. According to Olson,Guthrie and Humphrey (1998), PFM reform is viewed as reforming spirit for an increase in financial awareness about public sector financial decision making, also it is an integral part of public service reforms. PFM reforms embraces reform in all area of financial accounting and reporting, budgeting process and implementations, restructuring of ministries, departments, and agencies, procurement and pricing policies, performance measurement techniques, and auditing. In all these, Curristine, Lonti, and Joumard (2007) opined that PFM reforms should make budgeting process more responsive to citizens' needs and priorities while management practices should be more flexible.

Factors attributable for PFM reforms in countries.

1. Financial crisis – PFM reforms becomes necessary when a country experienced economic meltdown and debts burden. This can be seen in countries likes Argentina, Tanzania, Canada, United Kingdom, Ethiopia, and Asian economies.
2. Post conflict/war – PFM reforms follows in a countries that had undergone war crisis. This is seen in countries likes Rwanda, Liberia, Burundi, Afghanistan, and Mozambique.
3. Political change – reforms becomes important in countries that had change of government especially from one form to another, for example, changes to democratic government in countries like Nigeria, South Africa, Ethiopia, and Serbia.
4. New technologies – advent of ICT bring about changes in public sector administration in countries like Korea, China, Chile, Mexico, and Philippines.
5. Public pressure/expectation – citizens' pressure and demand for better standard of living and infrastructural development as a result of increased population and economic growth. This can be seen in countries likes Canada, USA, United Kingdom, Australia, China, and New Zealand.
6. Donor pressure – this is common in developing countries where donor's institutions provide financial and technical support for PFM reforms for the promotion of good governance.

Challenges of PFM reforms for good governance

1. Financial resources – inadequate funding due to minimal budgetary provision
2. Resistance – some tiers or arms of government at time resist the reforms process based on constitutional independence and peculiarities.
3. Capacity gap – shortage of professional and skillful human resources required for reforms implementation.
4. Information and Communication Technology (ICT) infrastructural deficit
5. Globalisation and world crisis
6. Economic meltdown and political instability.
7. Communal crises and insecurity
8. Weak legal and institutional frameworks.

PFM reforms for good governance in Nigeria - Journey so far.

In Nigeria, PFM reforms commenced in 2004 under (ERGP) in alliance with World Bank. In addition, Fiscal Responsibility Act was introduced in 2007 to promote fiscal discipline and funds accountability in governance. The Act introduced Medium Term Expenditures Framework (MTEF), and oil price based fiscal rule (savings from an increase in oil price above budgeted figure). Also, Procurement Act (2007) was introduced to promote competitiveness, transparency, and probity in procurement of goods and services in public sector. Other reforms measures introduced and adopted by the government are:

1. Integrated Payroll and Personnel Information System (IPPIS) – this commenced in 2001 and approved by Federal Executive in 2006. It addresses staff data base challenges, over bloated wage bills, high cases of ghost workers, and high rate of corrupt practices in payroll system. IPPIS as centralized payment and payroll system has fully covered ministries, departments, parastatals, and agencies with appropriate cost savings in payroll system. IPPIS as a reform has aided planning and budgeting, facilitate staff salary payment with minimum frauds, and safeguard data base integration of workers.
2. Electronic payment – this platform commenced operation in 2009. Electronic payment system was adopted for all kinds of payment in public sector. It is a platform for payment of salaries, contractors, suppliers and vendors in ministries, departments, and agencies. This payment platform has minimised corruption, fast track payments, and enhanced efficiency in government activities. Also, it was adopted to eliminate cash transactions, payment delays, and improvement in reporting system.
3. Treasury Single Account (TSA) – this was introduced in 2012 as a centralized accounting system domiciled in Central Bank of Nigeria for receipts and payment of government funds. The idea is to reduce the numerous bank accounts spread across commercial banks. This multi-various accounts has been reported as a conduit pipe for corrupt and fraudulent practices. Nevertheless, TSA gives room for effective cash control and cash management, minimised corrupt practices, loss of funds, and high cost of bank charges. It instilled fiscal disciplines in banking activities and provide prompt information on government cash resources.
4. Government Integrated Financial Management Information System (GIFMIS) – this started in 2012. It is an integrated information and communication technology based system meant for public financial management process and reporting. GIFMIS supports

revenues generation, resources allocation, funds utilization, and conservation of public financial resources. Also, it gives opportunity to trace government financial transactions, and also uphold efficient and effective management of public resource for sound service delivery. In addition, it strengthened internal controls system to prevent corrupt practices and fraudulent activities in public sector.

5. International Public Sector Accounting Standards (IPSAS) – this was approved in 2010 by the Executive council. All tiers of government and arms of public sector likes ministries, department, and agencies are directed for compliance. It had a road map for cash basis between 2014 and 2015, while accrual accounting and financial reporting basis in all federal MDAs, States, and Local governments commenced in 2016.
6. Fiscal Rules and Medium Term Expenditures Framework (MTEF) – this emanated from Fiscal Responsibility Act (2007). The Act promotes fiscal prudence, disciplines and financial management of public resources. It also gives backing to cash management and planning, budgeting, fiscal benchmark and savings of excess crude oil revenue. Similarly, it provides limit to government borrowing which must not be more than 3% of GDP.
7. Zero Based Budgeting (ZBB) – this was introduced in 2016 for budgeting in public sector. ZBB method is to ensure that annual budget estimates are prepared from zero naira based on citizens' needs and priorities with their associated costs. This replaced incremental budgeting method used by government for years in public sector.
8. Public Procurements – Public Procurement Act (2007) was introduced to address corruption in the award of contracts, lack of competitiveness and transparency in the award of contracts for goods and services, and award of contracts without regard to budgetary allocation and fund appropriation. This has brought transparency and probity in the procurement of goods and services.
9. Efficiency Unit – the unit was created in 2016 with mandate to embraced efficiency and transparency in the application of public funds. The unit has ensured cost savings in procurement process, eliminate wastages of financial resources, and reduce duplication of procurements.
10. Modernisation of Internal Audit/ Presidential Initiative on Continuous Audit (PICA)
11. National Chart of Account (NCoA) – this was developed in 2011 to facilitate financial reporting system and compliant to IPSAS practices in Nigeria. It is an integrated budgeting and accounting classification system for recording, analysing, and reporting budgets and accounts data. It link budget codes with accounting codes for efficient budget monitoring and reporting. It has 52 digits of six segments, these are: Administrative (12), Economic (8), Functional (5), Programme (14), Fund (5), and Geo Codes (8)

2.2 Theoretical Review

The study anchored on Agency theory, public financial management theory, and efficiency theory. **Agency theory** – the theory emerged from Max Weber work, a German Sociologist in 1947. The work of Weber focused on bureaucracy where individual are rational, and where his rules and preference are clearly understood and respected. Weber focused on formal authority as the basis for social contract in agency theory. Furthermore, Agency theory was developed by Jensen and Meckling in 1976. They defined agency relationship as a contract between two or more parties where one or more persons (principal) have another person (agent) to perform some functions on their behalf, giving the agent some of their decision making power. Agency theory has been used by different authors in different fields likes marketing (Bergen, Butta & Walker, 1992), law (Lan & Heracleous, 2010), accounting (Baiman, 1990; Reichelstein, 1992), organization behaviour (Eisenhardt, 1985), economics (Ross, 1973), finance (Jensen & Meckling, 1976), and sociology (Shapiro, 1987). However, in public sector, this has been rare. In public sector, the principal are the citizens demanding for quality services or goods while the government is the agent that supply these goods and services in exchange for taxes and other revenues collected. Moreover, the theory posits conflicts of interest between the citizens and the government represented by political office holders and management, on the management of public resources. Agency relationship is a form of social contract between the government (Agent) and citizens (Principal), where the principal (citizens) gives the government (agent) the responsibilities to manage public sector resources on their behalf in an efficient and effective's manner. It is expected that the agent (government) should act in the best interest of the citizens (principal) in an efficient and effective's manner. Similarly, agents should be transparent, accountable, and honest in the discharge of their duties on regular basis. In agency relationship, the citizens want a better living, sound economy, infrastructural development, and adequate security, this promotes trust in government by the citizens and ensure prompt payment of taxes while the political office holders and manager in public sector are saddled with responsibilities to manage all societal resources in line with citizens' expectations. However, in agency relationship, conflict of interest occurred, where personal interest override majority interest. In most cases agents' personal interest leads to fraudulent activities such as corruption, embezzlement, fraud, and mismanagement of public resources to the detriment of the citizens while the principal will be engulfed with mistrust, bad economy, insecurity and crisis, and poverty that will promote tax evasion, avoidance, and economic downturn.

Public financial management theory – this theory was propounded by R.A. Musgrave in 1959. The theory stipulated that financial resources in public sector should be manage in a transparent and responsible manner to achieve good governance. Transparency and probity should be utmost in revenue generation, and management of public financial resources, budgeting, efficient allocation of resources, and financial control. The key focus of the theory is prudent management of public funds, cordial relationship with international communities, and promotion of good governance.

Efficiency Theory: Efficiency theory in PFM is justified on the premise of sound utilization of public financial resources for social, economic, and infrastructural development, and promotion of transparent revenues generation. A good PFM leads to fiscal discipline and fiscal efficiency which acts as the basis for good governance in public sector. Efficiency can be defined as the ratio of input to output or actual output to effective capacity. Also, it is where actual services is compared with effective capacity or expected in public sector activities in order to show the level of efficiency achieved. The theory posits that public sector should be more efficient and effective in service delivery. An efficient and effective public sector financial management will reduce input and increase output of goods and services delivery. Fiscal Responsibility Act (2007) in Nigeria focused more on fiscal efficiency, institutional prudency, transparency, accountability, sound financial disclosure, and promotion of good governance. According to Ezeani (2012) cited in Izueke, Anyadike and Nzekwe (2013), efficiency theory is the basis for good governance, prudent financial resources, trust in government and sound revenues generation. It is expected that government should provide goods and services in a more efficient and effective manner to the citizens while the citizens react or pay back with prompt tax payments. Nevertheless, good governance, trust in government, and efficient service delivery are result of sound PFM. Besides, effective and efficient management of government resources increases government capacity, improves the wellbeing of the citizens, and strengthened economic growth and development.

2.3 Empirical review

Gbegi, Duenya and Ipevnor (2019) investigated the effect of Treasury Single Account (TSA) adoption on accountability, transparency, and public financial management in Nigeria. The study revealed that adoption of TSA had significantly improved public financial management. The study recommends continuous implementation of TSA as it has significant effect on accountability and transparency in government activities. However, government should take measures on prompt release of funds for government activities. Moreover, Alkaraan (2018) examined PFM reforms as an ongoing journey towards good governance. The study revealed that PFM reform should not be treated in isolation but as part of broad public sector reforms to strengthened public accountability, transparency, and government performance. These reforms process should create organisational changes in areas of culture, strategy, structure and benchmark. Similarly, Thomas, Nadiyasu, and Bawuro (2017) studied public sector financial management reforms and international accounting standards. The study revealed that government reform on the implementation of IPSAS accrual accounting would improves public sector financial management, enhanced higher transparency, accountability, and improved the quality of public sector financial reports. Also, Nyamita, Dorasamy and Garbharran (2015) looked at PFM reforms from international perspectives. The studied conducted in four major continents of America, Europe, Asia, and Africa revealed that PFM reforms had been embraced globally with Europe and America being at forefront, followed by Asia and Africa. The reforms agenda focused mostly on ways of improving accountability, probity, and efficiency in government activities.

In addition, Dadi, Peter, Aderibigbe, and Idemudia (2019) studied financial management and state of infrastructure in Taraba State, Nigeria. The study revealed that budget performance has positive and significant effect on state infrastructures, however, the state infrastructure does not reflect the budgeted provision. The study recommends that budget should be implemented in line with projections in order to improved state infrastructures. Also, Olaoye and Olaniyan (2018) looked into public finance management and economic growth of Nigeria. The study revealed significant relationship between PFM and economic growth in Nigeria. The study recommends that there should be effective and efficient PFM in Nigeria public sector. However, government should reduce public borrowing as it has negative effect on economic growth. In the same vein, Emenike (2016) examined PFM and economic development in a developing countries. The study revealed that public revenues had significant positive influence on economic development while public expenditures have negative influence on economic development. The study recommends that government should put in place institutions that would enhanced and consolidate the efficiency of PFM in Nigeria. In addition, Kasapi (2016) studied the key issue in public finance management in Albania. The study revealed that since 2014, Albania had a significant progress on PFM. The study suggested that corruption should be prevented in public sector by means of an improved policy on accountability, transparency, and social participation in decision making.

3.0 METHODOLOGY

The study is based on conceptual and explanatory perspectives. This involves review of scientific sources such as journals, articles, books, guidelines, and abstracts in the field of public sector accounting, finance, law, and Nigeria constitution. Conclusion are made with appropriate recommendations for purpose of increasing the frontier of knowledge.

4.0 CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

PFM as an integral part of organisation structure and operating mechanism, would provide good framework for revenue generation, resources allocation, expenditure management, transparency and accountability for achieving public sector objectives and good governance. In addition, a good and strong PFM would drive economic growth and development, ensured value for money in all public resources, reduced budget deficit, increased efficiency in the management of government resources, improved debts management, enhanced good budgeting process and implementation, and promotes efficiency and effectiveness in goods and service delivery. Although various forms of reforms had been undertaken Nigeria government for these past years with good success and cost savings, but there is need to consolidate these ongoing reforms by all stakeholders if any further meaningful success is to be achieved in the future on new areas and achieved the ultimate goals of PFM reforms. PFM reforms initiated in Nigeria has helped the government to manage its scarce resources, ensure sustenance of fiscal policy, and efficient provision of public goods and services in a transparent and accountable manner. Globally, focus to improve the quality of PFM in countries has increased in recent time with many countries in developed and developing nation having impressive step to strengthened PFM and promote good governance.

Moreover, for years in most developing countries, budgeting process had been characterised with various challenges of delay, corruption, manipulation, and deficit. In most cases, anticipated expenditures are tends to be more than projected revenues thereby, resulting into annual budget deficit and economy downturn. Besides, PFM reforms should be strengthened to ensure that budgetary process are designed to prevent increase in public debts and budget deficit in gross domestic product. Also, revenues generation in public sector should be monitored to avoid leakages/loss, since revenue loss in public sector has negative impact on budgeting process. Government should embraced policies and strategies that will minimise corruption, embezzlement, and leakages in revenue generation, this would boost funds availability for allocation to various government activities. Similarly, policies on procurement should be entrenched while shortage of procurement officers in public sector should be addressed. This would promote efficient procurement process and solve the present problems of non-competitiveness, corruption and inefficiency in procurement of goods and services. In addition, there should be need to extend and adopt information and communication technology in all facets of government administration, this would ensure effectives and efficient PFM reforms. Furthermore, in Nigeria, there have been a lot of compromise in auditing and accounting reports of ministries, agencies, and departments, these undermined the credibility of public audits and reports. PFM reforms in this direction would promote good governance and enhanced credibility and trust in government administration. In addition, necessary sanctions should be given to erring officers to serve as deterrent to others on matter of fraudulent practices, corruption, dishonesty and wastages of government funds. The success of PFM in public sector rest on the account, audit, and budget officers in ministries, department and agencies of all tiers of government. Changes is dynamic, therefore, PFM can be achieved in public sector for good governance, probity and accountability when public resources are used in an efficient and effective manner to drive economic growth and development. This is the stake of PFM and must be embraced in public sector.

4.2 Recommendations

1. Government should embraced participatory budgeting process at all level of government as a basis for sound public financial management.
2. There should be continuous capacity building and training for personnel in ministry of fiancé and budget office, this is to improve budget process, implementation, accountability, and reporting.
3. Political office holders should be trained on the importance of budgeting in order to reduce budget padding, corruption, and political intervention during budget implementation.
4. Public procurement initiatives and reforms should be undertaken in public sector. This will promote

professionalism, competitiveness, transparency, and probity in procurement of goods and services.

5. Government should invest more on Information and Communication Technology (ICT). This will ease the administrative bottleneck on internally generated revenues, minimised cost of collection, enhanced transparency and accountability in government expenditures, and ensured better management of government resources.
6. Government auditing (internal and external) should be strengthened. This would promote probity, accountability, and transparency in the use of public resources and administration, this entrenched trust in government and good governance.
7. Financial planning, control, and management should be embraced as an important aspect of effective and efficient public financial management.
8. PFM monitoring institutions like EFCC, ICPC, FRCN, and others should braced up to minimised corruption, impropriety, and fraudulent acts in management of public resources. This would entrenched trust in government, citizens' confidence, and braced economic growth and development.

REFERENCES

1. Adekoya, A. A. (2020). Financial management in local governments: The challenges and prospects of the 21st century. Journal of Economics, Commerce and Management., 8(8), 339-357.
2. Adhikari, P., & Mellemvik, F. (2011). The rise and fall of acruals: A case of Nepalese central government. Journal of Accounting in Emerging Economies, 1(2), 123-143. doi:10.1108/20421161111138495
3. Alkaraan, F. (2018). Public financial mangement reform: An orgoing journey towards good governance. Journal of Financial Reporting and Accounting, 1-30. doi:10.1108/jfra-08-2017-0075
4. Allen, R., Hemming, R., & Potter, R. (2013). The international handbook of public financial managemnt. London: Palgrave MacMillian. Retrieved January 4, 2023, from http://www.palgrave.com/gp/book/9780230300248
5. Appah, E., & Appiah, K. Z. A. (2010). Fraud and development of sound financial institutions in Nigeria. Nigeria Journal of Development Research, 1(1), 49-56.
6. Baiman, S. (1990). Agency research in managerial accounting: A second look. Accounting, Organisation and Society, 15(4), 341-371.
7. Bergen, M., Dutta, S., & Walker, O. C. (1992). Agency relationship in marketing: A review of the implication and application of agency and related theories. Journal of Marketing, 56(3), 1-10.
8. Chomovol, A., Tabenska, J., Tomniuk, T., & Prostebi, L. (2020). Public finance management system in modern conditions. Investment Management and Financial Innovation, 17(4), 402-410. doi:10.2151/imfi. 17(4).2020.34
9. Curristine, T., Lonti, Z., & Joumard, I. (2007). Improving public sector efficiency: Challenges and opportunities. OECDJournal on Budgeting, 7(1), 1-41. doi:10.1787/budget-v7-art6-en
10. Dadi, M. A., Peter, Z., Aderibigbe, T. J., & Idemudia, S. (2019). Assessment of public financial management and state infrastructure in Taraba State, Nigeria. International Journal of Advanced Scientific Research and Development, 6(1), 1-12. doi:10.26836/ijasrd/2019/v6/i1/60102
11. Eisenhardt, K. M. (1985). Control: Organisational and economic approaches. Management Science, 31, 134-149.
12. Emenike, K. O. (2016). Public financial management and economic development in a developing country. Maghreb Review of Economics and Management, 3(1), 2170-2183.
13. Federal Republic Of Nigeria. (1999). Constitution of the Federal Republic of Nigeria, 1999. Lagos, Nigeria: Federal Government Press.
14. Gbegi, D. O., Duenya, M. I., & Ipevnor, M. J. (2019). Effect of treasury single account adoption on accountability, transparency, and public finance management in Nigeria. Nigeria Journal of management science, 7(1), 240-252.
15. Goddard, A. (2010). Contemporary public sector accounting reserch. An international comparison of journal papers. The British Accounting Review, 42(2), 75-87. doi:10.1016/j.bar.2010.02.006
16. Izueke, E. M., Anyadike, N. O., & Nzekwe, F. I. (2013). Management of local government finance in Nigeria: Challenges and prospects. International Journal of Research in Arts and Social Sciences., 5(1), 148-160.
17. Jensen, M. C., & Meckling, W. (1976). Theory of firm: Managerial behaviour, agency costs, and ownership structure. Journal of Financial Economics, 4(3), 305-360.
18. Kanu, S. I., Obi, H. K., & Akuwudike, H. C. (2021). Impact of public sector financial management on the

economic growth in Nigeria. International Journal of Management Science and Business Administration, 7(4), 45-59. doi:10.18775/ijmsba.1849-5664-5419.2014.74.1006

19. Kanu,S. I., Ozurumba, B. A., & Akuwudike, H. (2020). Effectiveness of public procurement Act in curbing corruption in the public service in Nigeria. A study of selected MDAs in FCT, Abuja. International Journal of Management Science and Business Administration, 7(1), 1-10. doi:10.18775/ijmsba.1849-5664-5419.2014.71.100
20. Kasapi, A. (2016). Key issues in public finance management in Albania. International Journal of Economicss, Commerce and Management, 4(2), 253-268.
21. Lan. L. L., & Heracleous, L. (2010). Rethinking agency theory: The view from law. Academy of Management Review, 35(2), 294-314.
22. Lawson, A. (2015). Public finance management . GSDRC professional development reading pack No 6. Birmingham, United Kingdom: GSDRC, University of Birmingham.
23. Musgrave, R. A. (1959). The theory of public finance. New York: McGraw- Hill.
24. Nyamita, M. O., Dorasammy, N., & Garbharram, H. L. (2015). A review of public sector financial mangement reforms: An international perspective. Public and Municipal Finance, 4(2), 25-37.
25. Ogujiuba, K., & Okafor, H. (2013). Public financial management and fiscal outcomes in Nigeria: Empirical evidence. Africa Heritage Institution Policy Research Working Paper 002. Enugu, Nigeria: Research Department, African Heritage Institution.
26. Olaoye, F. O., & Olaniyan, O. N. (2018). Public sector financial management and economic growth (Study in Nigeria). International Journal of Economics and Business, 3(1), 56-65.
27. Olson, O., Guthrie, J., Humphrey, C. (1998). Global warning: Debating international development in new public financial management. Bergen, Norway: Cappelen Akademisk Forlag.
28. Omolehinwa, E. O., & Naiyeju, J. K. (2015). Government accounting in Nigeria: An IPSAS approach (1st ed.). Lagos, Nigeria: Pumark Nigeria Limited.
29. Onuorah, A. C., & Appah, E. (2012). Accountability and public sector financial management in Nigeria. Arabian Journal of Business and Mnagement Review (OMAN Chapter). doi:10.12816/0002105
30. Reichelstein, S. (1992). Constructing incentive schemes for government contract: An application of agency theory. The Accounting Review, 67(4), 712-731.
31. Ross, S. A. (1973). The economic theory of agency: The principals problem. American Economic Review, 63(2), 134-139.
32. Rossen, H. S. (2002). Public finance: Essay for the encyclopedia of public choice. CEPS working paper No. 8. New Jersey, United States of America: Princeton University.
33. Shapiro, S. P. (1987). The social control of impersonal trust. American Journal of Sociology, 623-658.
34. Thomas, I., Nadiyasu, J. B., & Bawuro, M. B. (2017). Public sector financial management reform and international accounting standards. Research Journal of Finance and Accounting, 8(12), 125-132.
35. Visser, C. B., & Erasmus, P. W. (2013). The Management of Public Finance (K. McGillivrary, ed. 10 ed.). Cape Town, South Africa: Oxford University Press, Southern Africa.
36. Welham, B., Krause, P., & Hedger, E. (2013). Linking public financial management to development priorities. Working Ppaer 380. London, United Kingdom: Overseas Development Institute.