

Effect of Weak Public Financial Management on Public Sector Management and Sustainable Development in Nigeria

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Abstract

Corruption and weak PFM system are among the major factors that frustrate sound PSM and national sustainable development aspirations. FRs in all ramifications is designed to support probity and accountability in financial management in the public sector but these are often breached because of greed and corruption. Some public officers in Nigeria do not adhere to the basic principle of Mr. Average which implies that an average reasonable man is one who takes decisions and applies discretionary powers that are defensible and justifiable under the law or any other existing regulations in the administration of public affairs. This lie at the heart of weak PFM and PSM. The exploratory research design was used for the study and it was found that sound PSM and sustainable development requires effective PFM in Nigeria.

Keywords

Financial Regulations, Discretionary Powers, Accountability, Probity, PFM

Received: May 5, 2017 / Accepted: June 14, 2017 / Published online: July 27, 2017

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1. Introduction

The public sector of an economy which is also known as the government sector is that part of the economy comprised of the federal, state and local governments. In other words, the government sector is composed on the three tiers of government, ministries, departments and agencies (MDAs) as well as federal, state and local government enterprises also called public enterprises (PEs). The public sector is responsible and accountable to the people and has the power to control the economy for the purpose of stability and sustainable development. Achievement of economic growth and development are paramount objectives of the public sector that hinges on good public sector management through sound public financial management (PFM) system. While public sector management relates to the planning, organization, supervision and controlling of public resources so as to achieve the objectives of government, PFM involves the prudent allocation and utilization of public financial

resources for the enhancement of public sector management (PSM) and the achievement of national objectives. Managerial and financial inefficiency in the public sector has a long history all over the world. Because of the nature of governments attempts are usually made to correct such imbalances through changes in government. For the Prudent management of PEs privatization and commercialization programmes have been adopted in many countries to enhance sound PFM within such enterprises. For example, according to [60] because of the inefficiency in PEs the federal government appointed several study groups to examine their operations with a view to determining the basis for a new funding scheme, appropriate capital structure as well as incentive measures to enhance their productivity and general efficiency. According to him, the government discovered that without exception, such enterprises were found to be infested with problems such as confused and conflicting missions; political interference in operating decisions; misuse of monopoly powers; defective capital structures;

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bureaucraticredtapism in their relations with supervising ministries; mismanagement, nepotism and corruption. For a long time, corruption and weak PFM system are among the major factors that hinder sound PSM and sustainable development in Nigeria. This hypothesis is based on the fact that they influence the diversion of public funds away from the intended purposes to private hands thereby limiting the capacity of the government from achieving its objectives of good governance, security of lives and property, poverty reduction, sustainable development, among others. For example, Nigeria earns over 90 percent of her revenue from oil, but it could not save during the oil boom mainly due to weak PFM, public corruption and squandermania. It is reported that the country's domestic borrowing has fluctuated from ₦524 billion in 2009, through ₦1.36trillion in 2010, ₦852billion in 2011, ₦744billion in 2012, ₦577billion in 2013, ₦572billion in 2014, and ₦888billion in 2015. However, while the nation is owing about US\$15billion, it is also loosing about US\$15billion annually in oil revenue, due to corruption and weak PFM. Substantial amounts of tax revenues due to the government are often lost to private hands through structured corruption value chain in Nigeria [41] Improving PSM in Nigeria to a large extent requires reducing public corruption and enhancing the quality of PFM system to improve government revenue. According to [8] the power sector revenue loss in November 2016 was about ₦809b due to weak PFM system. Other MDAs also violate the rules of the Public Enterprises (Privatisation and Commercialization) Act, 1999. For example, according to [45] the Bureau of Public Enterprises (BPE) has been accused of operating in contravention of several provisions of the Fiscal Responsibility Act, 2007, which include the failure to provide audited accounts for the financial years 2012 to 2015 and non-remittance of its operating surplus of ₦81.8million in 2007. The government believes that the conduct of the BPE lacks probity, transparency and accountability and is a violation of section 48 (1) of the Fiscal Responsibility Act, 2007 which imposes obligation on the Federal Government to ensure full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and their implication for the finance of the federation. Such actions and inactions among other corruption activities impede the federal government's efforts to provide quality education, healthcare, roads, reduce poverty and to pursue the course of sustainable development [40], [18], [11], [20], [51], [12], [22], [19]. The [52] defines Sustainable Development as development that helps populations meet current needs while at the same time not compromising the ability of future generations to meet their basic needs. This would involve the reduction of corruption, poverty and hunger among the populations of the world, particularly in subs-Saharan Africa

where most of the poor people in the world live today. For example, according to [27] the prospect of achieving the Sustainable Development Goals (SDGs) is dependent on the fight against corruption. He posits that the SDGs would not be achieved if nations of the world do not diligently fight corruption within their systems, and that any setback to the attainment of the SDGs by 2030 portends a great danger to the planet earth and the people of the world. In Nigeria today the race towards sound PSM is being frustrated by the twin problems of corruption of weak PFM. Financial resources earmarked for propoor projects, to reduce youth restiveness, improve the security of lives and property and to pursue the targets of SDGs are gulped by corruption in Nigeria. For example, out of ₦423billion spent on propoor projects in Nigeria Delta, ₦400billion worth of such projects is abandoned [42]. Structured corruption in a public service endangers sound PFM system and generally undermines the efficacy of PSM. [49] believes that in the real world, governments need sticks as well as carrots because public servants motivated by private greed are virtually inevitable. He suggests that officeholders with the greatest conflicts of interest are often those in the most powerful positions to frustrate reforms and the efficiency of PSM. According to [15] corruption in the public sector is the misuse of public office for private gain, and among others, this type of corruption involves bribery, fraud, waste, misappropriation and misuse of public funds or assets, illegal fines, duties, taxes, stealing of cash, and assets, among others. They postulate that successful strategies to mitigate the risk of corruption should seek to strengthen institutions that govern PFM as well as systems of check, and balances designed to manage conflicts of interest to ensure sound PSM. Issues of public corruption have been reported in many countries in the past. For example, The Goldenberg Scandal is one of the largest cases of official corruption in sub-Saharan Africa. It was a fraudulent export compensation scheme put in place by the government to siphon funds from the Central Bank of Kenya through a phony company set up by Kamlesh Pattni. Following a committee report, parliament found out that corruption was so extensive and deep rooted that almost 56 percent of tax revenue was misappropriated corruptly. According to [33] it was further revealed that poverty, authoritarian rule, erosion of accountability in the process of government, misuse of political power, unsatisfactory civil service wages, and weak law enforcement institutions aid and abet corruption in society in general and in the public service in particular. Such causes of corruption are often reinforced by a growing national culture that seems to tolerate corruption provided it is beneficial to the immediate family or kin-group of public officers. Blind political loyalties also lead to high tolerance of corruption practices in society. The challenges in Kenya in the past are now the order of the day

in Nigeria where people who have stolen public funds, ex-convicts are honoured by their kin-group and others in receptions as emperors of public corruption [30], [17], [48], [47].

1.1. Statement of the Problem

Corruption in PFM even though a global phenomenon has become too rampant in Nigeria. This situation largely explains the high levels of poverty, insecurity, youth restiveness and underdevelopment in the country. Even the \$226.4m budgeted to fight terrorism in 2014 was misused [41]. According [38] over 20 ex-governors in Nigeria are under EFCC investigation for corruption while in public office, involving issues of bribery, conversion of public property, stealing, and money laundering, among others. In addition to the ex-governors, Sundry ex-public officeholders are known to have stolen and hidden cash in the bushes, holes and other public assets like vehicles stolen and hidden in remote villages. These unbecoming behaviours are made very easy by weak PFM system prevalent in Nigeria. For examples, the cases of ex-group Managing Director of NNPC who put away \$9.7m in a remote warehouse remain a classic case of public corruption. Ex-ministers are under investigation over allegations of \$1.66 bribery scandal, and another set of government officials and ex-ministers are helping the EFCC over N470m fraud. In 2015 about N61.4b public funds were diverted to the Ex-National Security Adviser (NSA). Such huge public money was shared by the NSA in his house without regard to financial instructions or the Constitution of the Federal Republic of Nigeria. In the last 10 years, over 90 percent of the N432billion of Niger Delta Development Commission's projects have been abandoned by the contractors after collecting about N400billion. Since 2012 over N400billion cash illegally collected by oil marketers under the watch of NNPC is yet to properly be accounted for by them. MDAs like BPE fail to remit their operational surpluses to the federal government as required by law. Ex-ministers are yet to fully defend themselves over \$200m Halliburton Settlement Agreement controversy, among other issues of corruption and weak PFM. The consequence of these attitudes is that it frustrates PSM and ultimately endangers government efforts at good governance and resultant sustainable development. Even the unprecedented bailout funds dished out by the federal government to ameliorate the sufferings of the people have been abused. Because of the high levels of poverty in the country and the fact that the investigator is not aware of previous investigation of this nature, the study becomes necessary to explore the means of effective PFM system as a modest contribution towards improving PSM and sustainable development in Nigeria. The negative effect of corruption and weak PFM on PSM cannot be overemphasized at this

point in time. For example, according to [14] the UN believes that the problem of corruption in government has come to be recognized universally as a major concern in public management. They assert that dealing with corruption is now perceived as crucially important because corruption activities of public officials can destroy the potential effectiveness of all types of governmental programmes, hinder development, and victimize individuals and groups. [6], [7], [9], [21], [23], [24], [3], [4], [5], [44], [43], [16], [50], [10], [45].

1.2. Objective of the Study

The study was designed to explore the implications of corruption and weak PFM on PSM in Nigeria.

1.3. Significance of the Study

The study would enable students, academics, researchers, governments, policy makers, among others to appreciate the need for sound PFM and PSM in Nigeria.

1.4. Research Questions

1. Is there any need for good PSM in Nigeria?
2. Is sound PFM needed for good PSM in Nigeria?
3. Does Corruption impede sound PFM and PSM in Nigeria?
4. Can we find evidence of corruption in PFM in Nigeria?
5. Does weak PSM impede sustainable development in Nigeria?

1.5. Restatement of Research Questions

1. There is need for good PSM in Nigeria.
2. Sound PSM is critical for good PSM in Nigeria
3. Corruption impedes sound PFM and PSM in Nigeria
4. There is evidence of corruption in PFM in Nigeria
5. Weak PSM impedes sustainable development in Nigeria.

2. Literature Review

The imperative of good PSM cannot be over emphasized because substantial national growth can only be achieved through planning and proper execution of policies. Good PSM enhances economic and social structures in the critical areas of education, health care, security, housing, sanitation, and the ultimate objective should be to bring about sustainable improvement in the well-being of the individual and bestow benefits to all citizens. Good PSM will make it possible for resources both human and material to be fully harnessed and utilized for economic development. But for long, good PSM has been encumbered by corruption and weak PFM. To check this phenomenon, [26] suggest that a

set of anticorruption reforms that focuses on the internal management of public resources to reduce incentives and opportunities for corruption is imperative in the public sector. They believe that these reforms should include instilling meritocracy and adequate pay in public sector, enhancing transparency and accountability in fiscal management, restructuring service delivery channels, and decentralizing state functions to ensure prudent management. They agree that sound financial management constitutes another pillar of good PSM and clean government. According to them, this entails timely reporting on financial operations, a comprehensive budget with the prohibition of off-budget expenditures, transparency in the use of public expenditures, and competitive and transparent procurement procedures, including the use of outsiders in bid evaluations. Alongside these financial management practices, effective revenue collection is a major measure of good governance and PSM. In this case, taxes and customs reform are usually the focus because they constitute the major sources of government revenues inflow and equally pose a notorious source of corruption in the public sector of many countries of the world. They postulate that a competitive private sector, and sound PFM are the critical ingredients for sound PSM and sustainable development.

2.1. Fostering Competitive Private Sector

The burden on PSM may be reduced through encouraging a competitive private sector. Because of the inefficiencies in PEs management, many countries, including Nigeria embarked on privatization and commercialization as a way of achieving a vibrant and efficient PSM. [26] posit that limiting the distortions caused by the state and fostering a competitive private sector can reduce opportunities for corruption in the public sector. This can be achieved through reducing discretionary powers of politicians and bureaucrats and thereby eliminating avenues for self dealing and collusion. Even though public policies with regard to liberalization, deregulation, simplification of rules and regulations, privatization, enhance the efficiency of PSM, they must be done carefully to avoid the risk of corruption. They emphasize that PSM efficiency requires competitive restructuring of monopolies, improving transparency in corporate governance, and strengthening business associations and societies [39], [37].

2.2. Strengthening PFM

Good PSM depends on sound PFM that will reduce the opportunities for corruption and mismanagement of public resources. According to [15] corruption in PFM diverts scarce resources away from public purposes, jeopardizes the ability of governments to achieve their agenda, directly

affects spending on priority sectors such as education and health, and can have a serious damaging effect on growth and sustainable development. They assert that countries with sound PFM system have less corruption perception indexes. Also, they believe that strong PFM system counters corruption by increasing the likelihood of detection and co-operative actions. To achieve this therefore, requires putting in place performance oriented budget formulation, which ensures results, predictable budget execution which minimizes irregular procedures used to justify discretionary decisions, good record keeping which furnishes an audit trail, and accurate reporting which enables management to oversee spending, detect anomalies, and take corrective measures. According to them, a sound PFM system assists in the detection and prevention of corruption by minimizing the opportunities for fraud in the public sector. A strong PFM system increases both the risk of detection and the cost of misbehavior. [15] complain that corruption in PFM system is a challenge faced by countries throughout history and across the world. They insist that coincident with government's responsibility for managing public funds are the risks that resources may be diverted for private use, that governments will not receive the resources owed them, that collected revenues are lost before proper use, or that once approved for use, the funds are not used as actually intended. The [57], [58] suggests that strengthening PFM system is critical for good PSM and accountability. It believes that the challenge will be implementing sound PFM reforms. The World Bank reports that quality PFM systems correlate positively with reduced perceptions of corruption. It insists that experience from some heavily indebted poor countries (HIPCs) reinforce evidence that lack of checks and balances for public resources limit transparency of fiscal information, and low probability of being detected and penalized create an enabling environment for corruption [56]. On the other hand, strong transparent PFM system with well defined and uniformly applied controls, oversight, and accountability can reduce the risk of corruption and increase the credibility of PSM. The World Bank recognizes that budget formulation takes place in a broad political context and is highly influenced by a country's public policy regulatory and institutional context. Yet the budget formulation stage is an opportunity for the government to plan the scope and structure of public revenues. According to the [55] poor planning for revenues, systematic over estimation of revenues, lack of transparency in revenue estimation and collection, and weak accountability give rise to significant opportunities for corruption in the public sector. The Bank strongly hypothesizes that a robust budget classification enables more transparent information on government activities for reporting, control, audit and export accountability for revenue collection and public spending.

Based on study, the World Bank (1998) notes that weaknesses in cash and expenditure management leads to situations where cash is stolen and hidden away from public use by public officers, particularly those in high revenue yielding public sector areas. [15] report that extractive industries such as oil, with large concession payments to government provide significant opportunities for loss of public resources to private hands. Effective cash management ensures that government has liquidity to meet payment obligations at as low a cost as possible and that financial assets obtain the highest return. But in a weak PFM system, weaknesses in cash management manifests throughout the stages of commitment, verification, payment approval and payment processing. Collusion between officers responsible for commitment, verification and payment authorization often lead to corrupt activities being overlooked because of breakdown of internal controls and lack of separation of duties among the officers, as well as the exercise of high discretionary powers that lead to weak PSM. Without adequate legislative oversight, discretionary powers granted to the executive is often misused, paving the roadway for high level corruption that significantly undermines the security and developmental activities in a country. In a situation where the budget for security is abused, the security agents may not be able to adequately guarantee the protection of lives and property, and where public funds are diverted away to private hands financing the priority areas and sustainable development cannot be achieved. The [57], from the Ghana experience, believes that strengthening PFM system, internal controls and management is important for mitigating the risk of corruption and giving way for sound PSM. [53] PFM system and PSM can be further strengthened against the risks of corruption by the auditing process. According to [51] audit plays a central role because it helps to promote government accountability and transparency through sound PFM. According to them, the primary purpose of Supreme Audit Institutions (SAIs) is to act as overseers of governments' management of public funds, as well as the quality and credibility of reported government financial information. They explain that performance auditing seeks to ensure that administrative procedures adhere to sound management policies, principles, and practices. Also, it looks to ensure that the best use is made of human, financial, and other resources, including procedures, information systems, and performance measure used by audited organizations, and that the organization's performance helps to achieve its institutional objectives. Also, it is a potent deterrent to waste and abuse of public funds. Audit helps to reinforce the legal, financial, and institutional framework of public finance that, when weak, allows corruption to flourish, and it acts as the anchor of a predictable framework of government behavior that reduces arbitrariness in the application of rules and laws

[34]. In some countries, like Nigeria, budget implementation has failed due to weak PFM system. For example, [36] reports that the Federal Government of Nigeria (FGN) believes that national budgets failed in the past not because of lack of funds, but because a lack of fiscal discipline and a strong monitoring and evaluation system. According to the report, in the past, budgets were not implemented as passed into law because there were no defined monitoring and evaluation techniques. However, the FGN believes that probity and strong monitoring process are important for effective budget implementation in Nigeria. Public corruption undermines government intentions for the efficient utilization of resources. For example, according to [32] Financial Regulations (FR) are made to guide, and regulate the actions of executives in order to enable decisions to be rational and non-personal. He posits that, the objectives of financial management, whether in the public or private sector include the utilization of available resources in the most efficient manner [35].

3. Methodology

3.1. Research Design

The qualitative technique of the exploratory research design was used for the study. The method is historical in nature and does not usually require a large sample nor structured questionnaire. The qualitative technique places stress on the validity of multiple meanings, structures and holistic analysis. In exploratory research, the investigator may also engage in interviews and data so gathered are reported, described and interpreted to form part of the study [46].

3.2. Sources of Data

Data were generated from both primary and secondary sources, such as interviews, books, journals, newspapers, among others. The mixed method of data collection was to supplement each other, and also to provide alternative insights and deeper understanding of the problem under investigation [46].

3.3. Treatment of Data

For the purpose of verification, the secondary data were correlated with primary data obtained from the interview of 70 individuals based on the Likert scale. This was necessary because secondary data had to be tested for accuracy, relevance at present, and freedom from any bias. This process helped the investigator to present a balanced result over the matter under investigation [1].

3.4. Data Analysis

Data were analyzed through descriptive statistics and result

resented in tables.

4. Presentation of Result

Table 1. 20 Reports of Weak PFM and Corruption in Nigeria 2017.

S/N	Amount		Brief descriptions	Status
	Naira (N)	Dollar (\$)		
1	-	9.7m	Cash hidden in a warehouse by ex-NNPC GMD, Mr. Andrew Yakubu	Cash recovered by EFCC
2	-	1.6b	Missing money paid for oil processing licence (OPL) 245	Under investigation by EFCC
3	-	470m	Fraud involving ministers, others over CCTV contract	Under investigation by House of Reps.
4	18.15b	-	Part of public looted funds recovered by govt.	More recovery under way
5	400b	-	Failed pro-poor NDDC projects as reported by FGN	FGN seek EFCC, ICPC help on recovery
6	3.4b	-	Conversion of public funds by ex-NIMASA DG, Patrick Akpobolokemi	Facing trail
7		2b	Arms deal, involving ex-NSA others	Under recovery and investigation by EFCC
8		252.3m	Under valuation of sales NITEL/MTEL	Under investigation by EFCC
9	-	1.092b	CAC official murdered over Malabu oil deal	Under investigation by EFCC
10	-	15.5m	EFCC: Jonathan's wife's proceeds of crime	Under investigation by EFCC
11	350m	-	Refunds on N1.75 ONSA funds by Omisore to EFCC	Under investigation by EFCC
12	-	200m	Controversy over the sharing of \$200m settlement agreement by FGN and Halliburton	Under investigation by EFCC
13	61.4b	-	How Okonjo-Iweala diverted Abacha loot to NSA- Report	Under investigation by EFCC
14	-	19b	Allegation of fraud over N522bn bailout fund	Under investigation by EFCC
15	81.8m	-	Non-remittance of 2007 operating surplus by BPE to the Federal Government and failure to provide audited accounts for the years 2012 to 2015	Under probe by House of Rep.
16	400bn	-	Cash frivolously collected by fraudulent oil marketers	Under investigation by EFCC
17	295b	-	Wasteful allocation uncovered in 2014 budget	Treated at the NASS
18	29b	-	Fraud involving ex-governor Nyako and others	Under EFCC investigation
19	109m	-	Pension fraud involving public servants	Under trial
20	3trillion	-	Oil: Nigeria loses N3trn yearly – NNPC GMD	Petroleum industry bill under way

Source: Author Fieldwork (2017)

Table 1 supports evidence in literature that corruption exists in PFM in Nigeria, as in research statements number 4, it also supports the hypothesis of [25] that corruption and weak PFM foster the opportunities for the diversion of public revenues into private pockets [48].

Table 2. 10 Most Financially Corrupt Political Leaders In Recent World History, As At 2007.

Ranking No	Country of financial fraud	Brief details	Amount (US\$)
1	Indonesia	Amount stolen by former President Suharto	15 – 35bn
2	Philippine	Amount stolen by former president Ferdinand Marcos	05-10bn
3	Zaire	Amount stolen by former President Mobutu Sese Seko	05bn
4	Nigeria	Amount stolen by former President Sani Abacha	02-05bn
5	Yugoslavia	Amount stolen by former President Slobodan Milosevic	01bn
6	Haiti	Amount stolen by former President Jean-Claude Duvalier	300-800m
7	Peru	Amount stolen by former President Alberto Fujimori	600m
8	Ukraine	Amount stolen by former Prime Minister Pavlo Lazarenko	114.200m
9	Nicaragua	Amount stolen by former President Arnoldo Aleman	100m
10	Philippine	Amount stolen by former President Joseph Estrada	78-80

Source: Author Fieldwork (2017) Adapted from Campos and Pradhan (2006)

These groundbreaking public financial corrupt activities must have succeeded due mostly to gross weaknesses in PFM systems and SAIs, around these countries. Today some of these countries like Nigeria are yet to attain their sustainable development aspirations.

Table 3. Characteristics of Interviewees (n=70).

S/N	Description	Category	Total number	Percentage
1	Gender	(a) Male	55	78.57
		(b) Female	15	21.43
2	Educational levels	(a) Above FSLC	20	28.57
		(b) Diplomas/Degrees	36	51.43
		(c) Higher Degrees	14	20.00
3	Age	(a) 18 to 30 years	25	35.71
		(b) 31 to 35 years	28	40.00
		(c) 36 to 70 years	17	24.29
4	Experience	(a) Less than 5 years	30	42.86
		(b) More than 10 years	15	21.43
		(c) More than 20 years	25	35.71
5	Income	(a) Low income	30	42.86
		(b) Middle income	20	28.57
		(c) High income	20	28.57

Source: Author Fieldwork (2017)

Table 3 showed the basic characteristics of interviewees of the study.

Table 4. Analysis of Interview Responses.

S/N	Statement	% Responses				
		SA	A	N	D	SD
1	There is need for good PSM in Nigeria	35	20	5	5	5
2	Sound PFM system is critical for good PSM in Nigeria	50	10	2	3	5
3	Corruption impedes sound PFM system and good PSM in Nigeria	48	13	3	2	4
4	There is evidence of PFM corruption in Nigeria	45	15	4	4	2
5	Weak PFM system and PSM impede sustainable development in Nigeria.	43	20	2	2	3

Source: Author Fieldwork (2017)

The summary of result of interviewees in table 4 supports the huge empirical evidence in table 2 that public corruption, weak PFM and PSM frustrate sustainable development ([54], [29]).

4.1. Discussion

There is a popular belief in many quarters that Nigeria is blessed with abundant natural, material and human resources that should place it in a vantage position in terms of economic prosperity and sustainable development, especially when compared with other African countries. On the other hand, there is also a strong belief in many quarters that Nigeria is among the poorest in the league of HICs as the result of corruption and mismanagement of the huge available resources. For example, [29] argue that corruption is part of a syndrome of poor-quality institutions linked to slow economic growth [28]. [25] posit that every society, whether democratic or authoritarian, harbours some form of corruption, and that systemic corruption indicates that resources for public purposes are no longer managed effectively and are appropriated for private gain. They insist that corruption and weak PFM foster the opportunities for the diversion of public revenues into private pockets. According to the [54] the public sector in many developing countries has been characterized by uneven revenue collection, poor expenditure control and management, bloated and underpaid

civil service, a large parastatal sector that provides poor return on the scarce public funds invested in it and weaknesses in the capacity of core economic agencies to design and implement policies that would address the problems. The report posits that not only does this state of affairs contribute to large fiscal deficits requiring adjustment measures, but it also progressively erodes the capacity of the state to provide economic and social services. To a great extent, corruption and irresponsible PFM rest on lack of good governance. Without good governance, which means the use of political authority and the exercise of control to manage resources for social and economic development, there will not also be superior public resource management, quality public expenditure and visionary public leadership in the polity. This is a serious drawback because it is envisaged that transparent leadership at the top within the body politic will always be the greatest single factor in achieving fundamental change and sustainable development [31]. For Nigeria to escape this tsunami the issue Treasury Single Account (TSA) must remain on top gear and vigorously implemented without any apology whatsoever because it will reduce the huge corruption in PFM. [15] postulate that: generally a greater number of accounts makes it harder to monitor all spending, complicates consolidated financial reporting and auditing prevents pooling of cash balances to meet payment obligations, and results in outstanding debt while idle cash remains in some accounts. The relevance of sound PFM

involves among others to ensure that financial rules and regulations as well as orderly bookkeeping practices are applied to facilitate the achievement of government objectives. Because the public service is a very large and complex organization, there should be a built in system of internal controls that must be complied with to ensure probity and safeguard of government financial assets and properties. To this extent, the public accounting officer has the important task of implementing the internal controls within MDAs and of implementing the financial rules and regulations in order to ensure the operation of a sound PFM system. Contrary to this view, the problem of weak PFM system in Nigeria is seriously compounded by the abuse of administrative law which allows for the use of discretionary powers by public officers and agencies. The discretionary powers should be used to the extent that is acceptable to the average reasonable man. This basic principle of Mr. Average implies that an average reasonable man is one who takes decision and applies discretionary powers that are defensible and justifiable under the law or any other existing regulation in the administration of public affairs in Nigeria. The reasonableness of Mr. Average is highly eroded by public corruption and responsible for weak PFM and PSM contrary to the contemplation of the Financial Regulation (FR) in Nigeria. For example, according to [32] FR in all ramifications is designed to ensure accountability and probity in financial management in the public sector. Table 1 is a catalogue of only 20 cases of abuses as the result of weak PFM in Nigeria. Such financial corruption and recklessness is, and remains injurious to sound PSM. Financial corruption is no doubt a global phenomena, but as shown in table 2, Nigeria has become the most corrupt country in sub-Saharan African in terms of weak PFM. These corruption forces have denied successive governments the revenue to carry out development programmes and automatically suppress the nation's sustainable development aspirations. Table 4 summarized the views of respondents as regards the relationships of corruption, PSM and sustainable development in Nigeria. It was found that about 90.00 percent of the interviewees agreed that weak PFM system impedes sound PSM and sustainable development while only about 7.14 percent of the total disagreed. This result supports [15] that weakness in PFM system diverts scarce resources away from public purposes and jeopardizes the ability of government to achieve its goals. Corruption and weak PFM undermine the effective application of FR that are made to guide the proper utilization of scarce resources in the public sector for sustainable development.

4.2. Scope for Further Studies

Further study should examine the relationship between tax evasion and sustainable development in Nigeria. This is

necessary to seek for ways of reducing huge revenue leakage as the result of tax evasion by Major Oil Companies (MOCs) in Nigeria.

4.3. Recommendations

- i. The Administrative legal system in Nigeria should be reviewed to ensure that public officers comply with the rule of Mr. Average in their daily operations.
- ii. Government needs to ensure that SAIs comply with the ethics of the profession as a first starting point toward enhancing probity in PFM in Nigeria.
- iii. Budgets must be based on predetermined parameters to guide against excesses that provide a fertile ground for corruption.
- iv. The harmonization of government revenue collection mechanism is imperative to check leakages particularly with regard to Internal Generated Revenue (IGR) to private pocket.
- v. Financial corruption and indiscipline involving political leaders like presidents and governors are becoming alarming in Nigeria. The National Assembly has a basic responsibility to take a closer look at the laws with a view of making such high level public officers comply with the rule of Mr. Average. This will certainly save the billions of dollars stolen on a daily basis to support the payment of huge salary arrears to workers, provide basic education, health care, reduce poverty, and pursue other important sustainable development aspirations of the country.

5. Conclusion

Corruption and weak PFM combine to frustrate sound PSM and sustainable development in Nigeria. The flagrant abuses of discretionary powers by public officers and the inaccuracies and manipulation of national budget system are among the challenges that impede sound PSM. The result of this study is classic in all ramifications as it supports the huge evidence in the literature and the works of the [57] and [15] that weak PFM system frustrates sound PSM. Also the result supports the hypothesis of [14] that the problem of corruption in government has come to be recognized universally as a major concern in public management. This is the interest of the study.

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