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NIGERIA'S FINANCIAL MANAGEMENT NIGHTMARE

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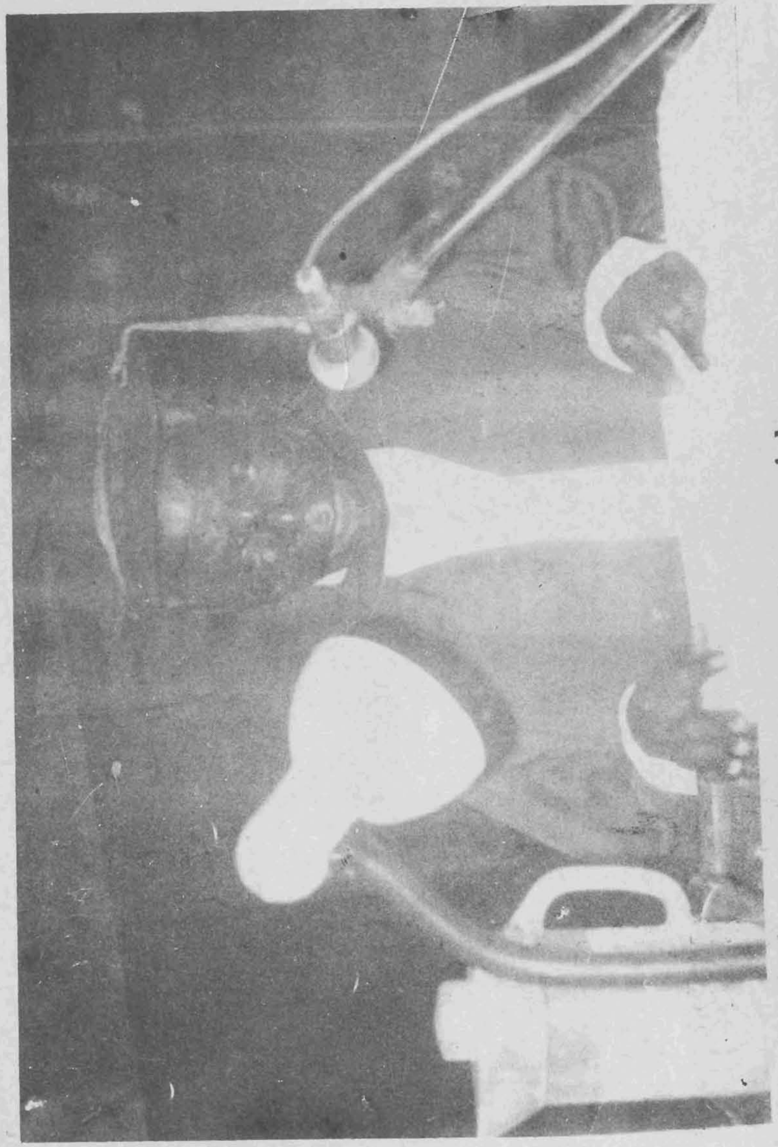

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1. INTRODUCTION

The phenomenon of financial crisis that has engulfed the country since the early 1980s, which has defied all solutions, crafted by the financial managers of successive Nigerian governments has turned into a hydra-headed monster, so characteristic of a nightmare. The situation as reflected in an escalating process of pauperization of citizens, persistent secular decline of agricultural production, deindustrialisation and decumulation of human capital and very high unemployment rate is very serious indeed (See Table 1).

Perhaps the most serious evidence has been the very rapid process of human capital decumulation – education, knowledge, skills and public health services which have all been neglected. Nigeria has failed woefully to achieve the globally-agreed objectives of education for all, universal access to safe water and universal access to primary health care. Hence, life expectancy in the country is still 54 years and our infant mortality and under 5 mortality rates are among the highest in the world. As many as 33.8% of the country's population are not expected to reach the age of forty (40) years before they die. In addition, social indiscipline is very rampant in the country. The so-called 'Nigerian factor', which symbolizes everything evil – 419, armed robbery, corruption, vandalism, ethnicity and high degree of ostentatious display of public immorality is the order of the day. Consequently, imperative actions have to be taken urgently. Disaster awaits as the only alternative.

One of the fundamental economic objectives of successive Nigerian governments as stated in their various national development plans since independence is to break the vicious circle of poverty and to emerge from almost a static and subsistence economy to a dynamic and well developed economy (Ayida, 1971); (Myrdal, 1968), (Third National Development Planners 1975).

Until the early 1960s, economic activity in Nigeria was dominated by the production and marketing of agricultural produce and a few selected non-oil minerals. Based on past economic trends and the extent of destruction caused by the Nigerian Civil War of 1966 to 1970, no one could have anticipated the extent of the dramatic changes in the economic fortunes of Nigeria in the 1970s.

However, the economy changed dramatically as mining and petroleum replaced agriculture as the main stay of the Nigerian economy, not only in terms of foreign exchange earnings but also as the main source of government revenue and domestic liquidity. The Yom Kippur war of 1973, the uncertainty arising from the Arab oil export embargo against western countries supporting Israel, the Iranian revolution, the Iran-Iraq war, the Gulf war of 1991 and the general instability in the middle east have all combined to bring about steep increases in the price of oil over the years.

The windfall from oil stimulated a phenomenal increase in government expenditures and enlarged public sector participation in the whole economy. Such excessive government spending spilled over to the rest of the economy and generated an unsustainable growth in economic activities. In particular, the pattern of investment shifted mainly to construction, transportation and other service sectors to the detriment of the agricultural sector, which has traditionally been the major source of employment, domestic food supply and foreign exchange earnings before the advent of oil. Also, no serious attempt was made to use the increased revenue to broaden the base of the Nigerian economy.

Unfortunately, the dramatic slump that followed the period of boom as a result of the 1981 international oil glut resulted in a near-collapse of the economy. It became very difficult for all the Nigerian governments to meet their financial obligations as and when due – employee wages and salaries were in arrears, debts were not serviced and defaults in debt repayment became a regular occurrence. Law and order, infact, virtually broke down during the period. (Adedeji, 1999).

The various policies designed to arrest the situation – hosterity measures, counter trade, economic emergency, Structural Adjustment Programme (SAP), Medium Term Economic Strategy or Programme (MTES or MTEP), Vision 2010 Programme, Poverty

Alleviation, etc. failed to achieve the stated objectives. Inspite of the dramatic decline in oil revenue, the government failed to reduce the country's import bill.

Consequently, government financial managers resorted to fiscal deficits, which unleashed the rapid increase in the inflation rate, which reached the unprecedented level of 72.3% in 1995. The deficits were financed largely through fiduciary issue thus raising total domestic debt outstanding to N343.67 billion in 1996 (CBN, 1997) Nigeria's foreign exchange reserve crashed from 5.1 billion U.S. dollars in 1981 to 1.1 billion U.S. dollars in 1983. There is confusion between the CBN and the Federal Ministry of Finance as to the exact amount of Nigeria's foreign debt outstanding. However, financial experts believed it to be between 28 and 32 billion U.S. dollars as at the end of the year 2000 (Olasore, 2001).

According to Aluko (2001), the breakdown of Nigeria's foreign debt is as follows:

(i) Total Debt till date: 28.5 billion U.S. dollars (N3.85 trillion)

(ii) Total Repayments to date: 41.6 billion U.S. dollars (N7.8 trillion).

(iii) Outstanding balance: 28.95 billion U.S. dollars (N3.9 trillion).

Thus, Nigeria has already repaid nearly twice the total amount borrowed.

Unfortunately, there is no way this type of inheritance will not affect the performance of the present civilian administration. The governments have to contend with settling the debts of their military predecessors who had announced to the public with fanfare the large budget surpluses they were leaving behind in their respective treasuries for the incoming civilian successors without a word on the huge debts, many uncompleted white elephant projects and several IOUS to be inherited.

The point to stress here is that the more the failure of SAP and other policies designed to reform the Nigerian economy and with them the deterioration in the value of the naira, the more burdensome has become the external debt of Nigeria. In 1985, pre-SAP, the 28billion U.S. dollars external debt of Nigeria would have amounted to 24.7billion naira. Today the debt is the equivalent of 3,136 billion naira or 86.8% of our G.D.P and three times the annual revenue of the federal and state governments combined.

Availability of Funds For Economic Development in Nigeria

In examining the role of the government in financing economic development in Nigeria, consideration must be given to the ability of the government to provide necessary funds. A government may be constitutionally endowed with extensive policy making powers, and staffed by highly competent and patriotic officials prepared to formulate and implement policies in pursuit of well-defined goals. However, if this government does not have the financial means to carry out and implement these policies, these powers are meaningless.

The summary of the federal government finances from 1971 to 2001is as presented in table 2. The table shows that the total federally collected revenue rose very consistently from N0.5 billion in 1971 to N1690.0 billion in 2001. Records also show that public spending in recent years has averaged over 40% of the G.D.P. (about 51% in the year 2000 budget), a rather very significant amount when compared to other developing countries. However, when set against the country's situation as the 26th poorest country in the world (United Nations 2001) there is very little to show for the huge expenditures in terms of programmes, projects and particularly, the quality of life of the vast majority of the citizens. Hence, it is quite clear that a reasonably satisfactory supply of funds exist in Nigeria but this does not mean that these funds will be made available to the critical sectors within the economy (Omopariola 1986). In addition to funds availability, government decision-makers must be

competent, dedicated, incorruptible and armed with well-formulated goals and objectives with the right priorities list for the transformation of the Nigerian economy. It is not difficult to suggest several ways of increasing government revenue; but without the solution to the problems of corruption and accountability, it will all be wasted. For example, one of the greatest tragedies that has befallen Nigeria is that a large proportion of the income earned from crude oil sales in the last three decades was never reinvested in Nigeria; rather, a good percentage found its way into the private bank accounts and stock exchanges abroad.

Directly as a result of mismanagement, misallocation and misappropriation of available resources, Nigeria has moved from the ranking of about fifty (50) in the league of better-off nations to 136 out of the 162 nations on earth (UN, 2001). As revealed by the findings of a research study sponsored by OECD in 1976 and published in 1979, Nigeria was among the group of countries that were becoming increasingly industrialized and were expected to move out of underdevelopment by the year 2000. The other countries included in the group were Malaysia, Venezuela, Iran, the Philippines and Algeria.

In the same regard, it is an historical fact that Nigeria's GDP which in real terms was 93.1 billion U.S. dollars in 1983 had by 1997 fallen to 40 billion U.S. dollars. It is equally true that in 1983 when Nigeria's GDP was as already indicated, 93.1 billion U.S. dollars, that of South Africa was 78.8 billion U.S. dollars. In 1997, the figures were 40 billion U.S. dollars for Nigeria and 129 billion U.S. dollars for South Africa (Adedeji, 1999). Thus, Nigeria is clearly a paradox: a configuration of contradictions. The question any perspective watcher may ask is: why are we so blessed and yet so poor? Why are we suffering in the midst of plenty?

The rest of this lecture is organized into four sections. Following this introduction is an exploration and discussion of government financial management in Nigeria in section two. Section three briefly examines the question of who is to blame for the mismanagement of available resources in Nigeria while section four considers the way out of the mess for the country. This is followed by the concluding remarks in section five.

2. GOVERNMENT FINANCIAL MANAGEMENT IN NIGERIA

Government financial management – the branch of financial management concerned with the management of government operations – can be defined as the administration of the ways in which the government derives its financial resources, records, restricts and accounts for their use. In other words, it is the management of the inflows into and outflows of funds from the government treasury. Government financial management practices are derived from a number of sources, such as the constitution, statutes, administrative and other requirements and the pronouncements by the accounting and financial professions. The primary purpose of government financial management practices is to ensure that the financial resources available to the government are spent in such a way as to maximize the benefit to the citizens.

As currently used, government financial management is concerned not only with the acquisition but also with the application, conservation, timing, volume and composition of funds in order to ensure an effective utilization of available resources.

Figure 1 provides a practical look at the government financial management function. It shows that the value of a government to the citizens, which government financial managers should seek to maximize, can be related to five critical factors (Omopariola, 1983).

The first factor, viability ratio, relates total income of government to its total expenditure. It requires governments to be prudent in the disbursement of public funds. The factor was once thought to be useful only in the private sector business analysis where every action is guided by the twin objectives of profitability and liquidity. In government business however, while the concept of liquidity is jealously guarded at all times (the Accountant-General

will release funds, even though voted by government only at intervals and only upon the authority of warrants (AIE) and will not release at all or will release only reduced amounts depending on the availability of cash; little or no consideration is given to the question of profitability. This is in conformity with the age-long proposition that government ministries and agencies are run for the benefit of the economy as a whole and not with a view to profit – most of the services are provided free or at subsidized prices.

Nevertheless, the federal government is now expected to pursue value for money services on behalf of the Nigerian public, which it seeks to serve. Techniques for measuring social benefits in monetary terms and comparing these with costs are used extensively by modern governments. However, it is quite obvious that successive Nigerian governments have failed to live within their means. It must be remembered that Argentina suffered recent economic crises because it failed to keep its capital budget in line with revenue (Stiglitz, 2002).

According to a former minister of National Planning, there was never a year since 1987 when the national budget was designed to yield a balance of income and expenditure except in 1999 when an attempt was consciously made to have a zero deficit (Gbadamosi, 2001). Even then, foreign reserves were drawn down to mitigate the threatening deficit; the battle by the end of the third quarter of each year has been how to extricate the national finances from devastating deficit. In the end, the trick has been to withhold releases of funds, especially for capital projects at the federal level and apply a point blank denial of other tiers of government of statutory allocations in the name of financial prudence. And given the rancour about fiscal federalism in recent days, budget 2001 has not been immune to that trick.

The second factor is the leverage ratio. When a government is completely equity financed, its value is 1. As the proportion of total assets financed by equity decreases, this ratio increases. In other words, this ratio is a measure of leverage or debt utilization and increases with increasing leverage. It simply means that all other factors remaining the same, increasing leverage increases the total assets of government. It is the task of the financial managers to find the optimum level of leverage to be combined with the statutory allocation and internally generated funds, to maximize the value of the government. The truth is that increases in leverage have not resulted in corresponding increases in the total assets of the government. In other words, the money said to have been spent cannot be traced to projects executed. To this end, the recklessness of a government being indebted to its citizens with whom it had entered into contractual obligations ought to be minimized in the management of government finances. Government, like individuals must learn to live within its means and not operate in a way to ruin its citizens.

The third factor is the ratio of services provided to the total available resources and is a measure of the government's efficiency in utilizing its resources. An increase in the services provided in excess of an increase in the available resources indicates that the government has become more efficient. The efficiency ratio will increase, thereby increasing the value of government to the community. Government financial managers, therefore, should aim at increasing the value of the government by increasing the government's efficiency. Unfortunately, successive Nigerian governments have failed to pay adequate attention to this criterion.

The fourth factor is the ratio of the number of people served by the government to the total population of the country. The ratio is often called "service delivery ratio" which is very important in the U.S. public sector. It is a measure of the government's effectiveness in the provision of services to the people. Of course, the higher the ratio, the better the effectiveness. Therefore, government financial managers should aim at spreading the services of the government to as many citizens as possible. The cry of marginalisation by some sections in the country indicates that there is inequality and injustice in the allocation of government resources in Nigeria. No matter the

objective assigned, no matter the interests and inclination of individual, the major criterion for measuring the effectiveness and impact of the government financial management is the contribution to poverty reduction. In other words, the impact on the quality of life of the people is central to the perfection of government financial management in an underdeveloped country like Nigeria. Unfortunately, the poor masses have been left out in the scheme of things irrespective of the programmes couched in fascinating titles as a camouflage.

The fifth factor is the ratio of the size of irregularities discovered to the size of the budget. It is a measure of the extent to which the government programmes, projects, functions or activities have been executed in compliance with applicable laws, rules and regulations. This factor is not concerned with viability, leverage, efficiency or effectiveness. The most wasteful, extravagant, uneconomic, and ill-planned programmes, projects, functions or activities may be perfectly regular and legal whereas the most urgent, useful and viable activities may be illegal because it is not in conformity with applicable laws, laid down policies, rules, regulations and procedures and therefore irregular.

As succinctly put recently by the minister of finance, Malam Adamu Ciroma, "many government accounting officers often feel very reluctant to follow the laid down rules and regulations on financial reports in the discharge of government business" (Ciroma, 2001). However, of all the above five factors, the legality factor is the most important in the public sector. Whenever there is a conflict between legality and any other factor, legal conformance will always prevail, since law and justice or "the rule of law" are always at the centre of governance. The supremacy of law is very paramount in a developing country like Nigeria because it provides adequate safeguard against the "abuse of power, corruption, injustice, suppression of rights, especially those of minorities and the fanning of embers of disunity" by the government functionaries. However, one of the professed goals of the New Public Management (N.P.M)

School of thought has been to re-direct the attention of public administrators from rules and processes to outcomes and outputs.

3. WHO IS TO BLAME?

Thus, successive Nigerian governments have not only been unable to achieve the major national economic and technological development objectives of the country, they have also failed on the basis of each of our five criteria for measuring the soundness of government financial management. The reasons for this tragic failure can be traced to a number of conceptual errors in addition to corruption and unserious attitude of the Nigerian public administrators to probity, accountability and transparency (Omopariola, 1984; Ogunlade, 1995; Eso, 2001).

(i) *Conceptual Errors*

Nigeria's financial problems cannot be divorced from its political crises. To properly situate the genesis of the economic problems and the contradictions in the socio-political system of the country, one has only to look into the history; remote and recent, of the country.

Those who were schooled in the political development of Nigeria will normally refer to the 1914 amalgamation of the northern and southern protectorates of the country as the beginning of Nigeria's political problems. And to date, the problems have assumed wider dimensions with diverse issues such as resources control, religious differences, ethnicity, power sharing, federal character and marginalisation expanding the gulf between the federating units in the country.

The origin of the economic problems can be traced to incomplete transformation of the economy and the impact of politics. As stated in section 1 above, Nigeria was notable for agricultural export produce, which earned it enormous foreign exchange and provided employment for the vast

majority of the citizens prior to independence. Shortly after independence, the desire of our political leaders to model the country after the success stories of industrialization in the developed countries led to the adoption of import-substitution industrialization strategy.

By this approach, it was hoped that with time, Nigeria would be able to produce at home, most of what it formerly imported from other countries. But rather than achieve this laudable objective, the strategy led to further dependence on imports for raw materials, spare parts for plant and machinery and equipment.

The desire for backward integration between the industries established and the agricultural sector became largely, a mirage. Gradually, agriculture got abandoned and the favoured manufacturing sector failed to develop. The situation became compounded with the emergence of oil as a source of sudden wealth which led to the relative abandonment of all efforts at assisting the real productive sectors to develop.

With time, the country became largely a big consuming nation of all sorts of things from abroad. The contradiction emanating from this transformation became reinforced with the oil boom. Consequently the country's economic structure became distorted and skewed in favour of trading and consumption rather than production. Today, Nigeria can hardly be described as an agrarian or a manufacturing nation. Nigeria is not a leading producer of anything in these two productive sectors. Thus it is this incomplete transformation of the economy with its reinforcing repercussions that precipitated the economic problems.

Thus, targeting of the various reforms to the solution of just the debt burden and the apparent poverty amounted to treating the symptoms rather than the main problem. In other words, given the background to the Nigerian economy and the characteristics of the reforms embarked upon by successive governments since 1983, it is hardly surprising that the reforms did not achieve the desired result.

(ii) ***Unserious attitude of the Nigerian public administrators to probity, accountability and transparency***

In Nigeria under each of the three governmental systems that have been practiced since independence in 1960 – parliamentary, military and presidential – each minister is responsible to the prime minister/head of state/president, for the financial management of his or her ministry. He/she may be summoned, to defend his budget before the legislatures/the Supreme Military Council (SMC)/Provisional Ruling Council (PRC) and is responsible for the implementation of the budget approved for his ministry.

It is quite obvious that no minister can carry out all his duties alone. He is, therefore, compelled to delegate a great number of his tasks and powers. He is obliged, nevertheless, to exercise control and supervision over all persons to whom he has delegated powers and ascertain whether the statutory and other regulations applicable to the execution of the budget has been observed and whether this execution has been effective and efficient. In other words, he is to delegate and not to abdicate the responsibility for those duties. Therefore, in order to be a faithful and sincere steward, he must accept the reality that he carries the ultimate responsibility for the results produced by those to whom he has delegated responsibilities. Whatever the case may be, he is fully accountable to the head of state for the performance of his entire ministry.

The idea of accountability is as ancient as organized government itself (Normanton, 1966). A fundamental tenet of democratic society holds that governments and agencies

entrusted with public resources and the authority for applying them have a responsibility to render a full accounting of their activities.

This accounting is necessary to enable elected representatives to supervise and control administrative action; to enable administrative officials to effectively manage the programmes entrusted to them; and ultimately, to enable citizens to determine the effectiveness with which they have been served by their government. The structure of accountability controls in Nigeria is as presented in Table 3.

(i) ***Elements of Accountability***

Four important criteria are regarded as basic to accountability. These are fiscal, managerial, programme and individual accountability. Fiscal or financial accountability is concerned with adherence to applicable laws, rules and regulations, consistency with appropriate principles, concepts and conventions; accuracy and fairness of reports and legitimacy of expenditure. Managerial accountability deals with the generation of essential information for decision-making and the need for economy, efficiency and effectiveness of operations. (Omopariola, 1991).

Programme accountability is primarily concerned with the overall evaluation of programme impact and the extent to which intended goals and aspirations are attained. Individual accountability is related to personal qualities and conduct demonstrated by accountable officers. It involves such attributes as commitment, honesty, trust, probity and integrity. Transparency is the art of doing things in the open without any secrecy so that everything is known and understood by everybody. It goes without saying, therefore, that individual accountability does enhance overall transparency. Infact, accountability and transparency are siamese twins. They are inseparable. They interact and overlap. It is impossible to be transparent without being accountable and it is impossible to be accountable when one is not transparent. (See Figure 2).

(ii) ***Are Nigerians Accountable?***

That there is a serious problem of accountability and transparency in the Nigerian public sector is not only well known but fairly well documented. General and specific allegations both from within and outside the public service seem to suggest that the problem is not only real but also enduring. For example, in addition to incontrovertible evidence from audit reports, it is the claim of Nwabuokel that the Nigerian government lost huge sums of money on many projects such as:

(a) Earnings from crude oil sales during the Gulf War ... 12 billion U.S. dollars.

(b) Expenditure on peace-keeping operations in Liberia and Sierra Leone ... 10 billion U.S. dollars.

(c) Abuja Stadium ... 38 billion naira

(d) National Identity Card Project ... 27 billion naira.

(e) Ajaokuta Steel Mills Complex (which was based on Russian outmoded technology ... several billions of naira.

(Nwabuokel, 2001).

The pertinent question that emanates from all these disclosures and discourse regarding accountability and transparency in Nigeria is whether there are no institutional safeguards in Nigeria's financial management system to prevent or control corruption and other related offences.

(iii) ***Instruments of enforcing accountability in Nigeria***

Some of the major instruments of control of public functionaries in order to effect accountability and transparency in Nigeria include Legal Provisions, the offices of the Accounting Officer, the Accountant-General, Chief Internal Auditor, Audit Alarm Committee, Ministerial Hearings and questions, Auditor-General, Police, Judiciary, The Press and The General Public.

(a) **Legal Provisions**

The legal instruments of enforcing accountability can be divided into three:

(i) ***Constitutional Requirements:***

Sections 81 and 82 of the 1999 constitution and all the previous constitutions of Nigeria have attempted to spell out not only the accounting and accountability requirements but also the total framework of financial management in the public sector. The constitution also regulates the budgetary procedure, legislative appropriation and the audit and eventual review through the Public Accounts Committee.

The effect is that the general legal framework of the key areas in government accounting, the general controls in terms of the powers of the Auditor-General and the Public Accounts Committee and the procedure for allocation of resources through the appropriation process are all embedded in the constitution. The major problems here are two – too frequent changes of the constitution and inadequate publicity of the constitutional provisions.

(ii) ***The Legislative Requirements***

The legislative requirements to effect accountability and transparency are generally in the forms of Finance Acts, Audit Laws, Appropriation Acts and Decrees. For example, section 13 of the Audit Law of 1958 requires the Accountant-

General for the federation to, within a period of seven months after the close of each financial year, present to the Auditor-General for the federation, the accounts of the government showing fully the financial position of the federation of Nigeria on the last day of such financial year. The truth is that the Auditor-General has always been several years in arrears with the submission of his reports since shortly after independence.

(iii) ***Administrative and Other Requirements***

These take the form of circulars, regulations, executive directives and other government policy decisions, which are not legislative, but for purposes of accountability in the public services, they are made to define the duties and responsibilities of public officers. Like the existing accounting system, the government financial instructions, regulations and memoranda which provide or should provide guidance for the recording and presentation of government accounting information are now fragmented and are not uniform throughout the federation. The time has now come for the instructions and regulations to be reviewed, consolidated, brought up to date and made uniform all over the country. They should also be made available to the appropriate categories of staff to enable them understand their provisions.

(b) **Accounting Officer**

For the purposes of accountability, the office of the accounting officer is a very strategic one indeed. The Accounting Officer is the Permanent Secretary or the Head of a Department and he is designated for this function by the minister of finance. As a matter of fact, the designation 'Accounting Officer' was introduced in the United Kingdom through a Treasury Minute of 1872 for the officer responsible for rendering an Appropriation Account. Besides the

Accounting Officers, there are four other categories of officers with financial and monetary responsibilities, namely, officers controlling expenditure, sub-Accountants (sub-Accounting Officers), Revenue Collectors and Imprest-holders.

These officers are expected, among other things to collectively and individually (as the case may be), ensure that the proper system of accounting as prescribed by or under the authority of the Minister of Finance is established and maintained. They are expected to produce when required by the Accountant-General or his deputies, or by the Auditor-General or his deputies, all cash, stamps, securities and account books, records or vouchers in their charge. They are also expected to promptly reply to any queries from the Accountant-General or the Auditor-General.

Thus, the ultimate responsibility to the legislature for the control of votes rests with Accounting Officers at all times. Any officer, however, making, allowing or directing any disbursement without proper authority may be held responsible for the amount and any officer whose duties require him to render accounts may similarly be held responsible in these accounts.

(c) **The Accountant-General**

As the Chief Accounting Officer of the government, the Accountant-General operates directly under the Minister of Finance.

Although the Accountant-General has many other functions, his most important duty in relation to the Auditor-General is to ensure accurate and prompt rendition of the various accounts of government to the Auditor-General. The problems of the Accountant-General in the performance of the above duties can be classified into three – the defects in the budgeting system, accounting system and the quality of available manpower.

Defects in The Current Budgeting System

The problems in the current budgeting system can be classified into three – defects in the conception of budget, problems in budget authorization and implementation and the weaknesses in the methods of budgeting.

The defects in the conception of budget relate to the problems in the budget formulation phase, the very first stage of budgeting at which conflicts in policy are resolved. To formulate a realistic budget, the policy maker obviously needs some basic facts about the past, present and future state of the economy, the amount of prior spending and achievements, budgetary gaps, the extent to which budget expectations have been realized in the past few years, etc. This naturally calls for informational data which still proves very difficult to find in Nigeria in the year 2001 as it was in the early 1960s (Stolper, 1966; Omopariola, 1983). The consequence is that ministers and departments are forced to embrace the charade of allocation without releases or even staggered, incomprehensive quarterly funding enmeshed in a game whereby the last quarter release will never come. In effect what we have in Nigeria annually are "budgets without budgeting" (Omopariola, 1989c).

The main defect under the methods of budgeting in Nigeria is the failure to move with the rest of the world in the introduction of modern budgeting systems. For instance, a number of Commissions and Panels have, since the early 1970s recommended budgetary innovations in Nigeria (Public Service Commission, 1974). Infact, one of such recommendations was accepted in principle by the Federal Military Government who passed it on to the Federal Permanent Secretaries for detailed examination. But although the Federal Permanent Secretaries agreed with the recommendation, actually sent the report to the cooler because of their skepticism of the ability of the government to implement the recommendation in view of personnel institutional and data constraints (Akinyele, 1981).

However, the federal government has since 1984 directed all the Nigerian governments to operate on the Traditional Line Item

Budgeting – the oldest and the most elementary budgeting system (Budget Guidelines, 1985). Consequently, the federal government and many other state governments that have reformed or were about to reform their budgeting systems were forced to forget about budgetary innovations.

This lecturer was a member of the experts who assisted the federal government in the introduction of PPBS into the government in 1981. I was also part of the Faculty of Administration, O.A.U. staff who introduced the system (P.P.B.S) to the then Ogun, Ondo and Oyo State Governments in 1979. (Omopariola, 1990). I co-ordinated the introduction of the system to the then Water Corporation of Oyo State as well as the training of administrative officers of Niger State government on the same PPBS in 1980. It is quite obvious; therefore, that both the federal and some state governments had actually modernized their budgeting system while many others had planned to do so before the directive from the then military government in 1984.

By and large, government ministries, departments and agencies in Nigeria still see the budget as a necessary evil that has to be tolerated grudgingly. They see budgeting only as an instrument for seeking funding – purely a government affair, mechanistic, bureaucratic, incremental and non-transparent. There is also the perceived lack of budget discipline and commitment to proper implementation of the budget provision.

Thus, government budgeting in Nigeria is still characterized by political manoeuvres on the part of the civil servants themselves and pressure groups outside the government. Infact, most of the top officials see themselves as representatives of their people rather than the country as a whole. As a result, some accounting officers often influence some proposals that are unrealistic and unattainable. In order to ensure ethnic balancing, these officers deliberately load certain projects and infact stop at nothing to justify their pet programmes. Consequently, government budgets in Nigeria are reactive rather than proactive and as such, incapable of being used as an instrument for organizational control. This is why government budgets have failed to achieve even up to 30% of the targets in the past few years. (Omopariola, 2002).

Accounting System

The present government accounting system is more or less a colonial legacy, which is no longer capable of satisfying the demands of social, economic and constitutional developments in the country. For example, the long arrears of outstanding Audit Reports in the federal and virtually all the states of the federation as stated under the legislative requirements above can be traced to the inability of the Accountant – General, for various reasons, to present the annual financial statements and accounts of the government to the Auditor-General on time. Similarly, reconciliations of treasury cashbooks with banks are often in arrears of over one year even though these are required to be done at the end of every month.

The receipts and disbursement procedure of the Nigerian governments are very cumbersome, delaying and complicated (Omopariola, 1990). The natural results of this situation are a high cost of operating the government, delays in payments with consequent discredit of the government, higher prices charged to the government because of the delay in payments, and delays in reporting receipts and disbursements with consequent effects on fiscal, monetary and economic planning.

The increase in the delay by governments in paying suppliers and contractors is symptomatic of a confused accounting and budgeting systems. Mainly as a result of corruption, many cases of frauds – direct embezzlements, receipt of huge kick-backs, contract inflations, large scale salary frauds, etc. – were not detected by the normal operations of financial control, including auditing, until they were discovered by special investigatory panels manned by security personnel aided by judicial and administrative enquiries set up by the government.

In addition, the gross mismanagement of the economy by public office holders – political, professional and administrative officers – has resulted in the loss of credibility in the eyes of the international community. In effect, nearly all modes of public accountability became inoperative.

Personnel Problems

There are acute shortages of qualified personnel in the critical sections within the ministries. Specifically, Nigerian governments still lack the necessary budget and accounting technocrats in key ministries like the ministry of finance. Technocrats like accountants, auditors, statisticians, etc. who ensure accountability are very few in the employments of Nigerian governments. Consequently, most of the important aspects of the budgeting and accounting duties are left with the clerks who know very little about government budgeting and accounting. The result is that the accounts of many governments in Nigeria have not been submitted for auditing for several years.

The root cause of this problem is the poor remuneration package and poor reward system in the public sector. The poor reward system in the sector has led to poor performance and break-down of utilities in the economy. This has led to a situation in which good and productive hands have left the sector for the private sector where a better reward system is in vogue. To be added to this is the insecurity of job as a result of retrenchment or threat of such by many governments, which has driven the morale of the civil servants to the lowest ebb for quite sometime now.

(d) **The Chief Internal Auditor**

Section 34 of the General Guidelines for the implementation of the 1988 Civil Service Reforms provides that the Internal Auditor of each ministry shall be directly responsible to the accounting officer to provide a complete and continuous audit of the accounts and records of revenue, expenditure, plants allocated and unallocated stores where applicable. Experience has shown the deficiency in this arrangement in that the Internal Auditor cannot be reasonably expected to report on the irregularities committed by his boss.

(e) **Auditor-General**

Under Section 85(5) of the 1999 Constitution, the Auditor-General for the federation is required to within ninety days of the receipt of Accountant-General's financial statement submit copies of the accounts of the federation signed by the Accountant-General to the National Assembly together with a certificate of audit and a report upon his examination and audit of all accounts relating to public funds. The summaries of the activities covered by this provision are presented in Figure 3.

Although the failure of the Auditor-General to submit his reports to the National Assembly or its representative on time is due largely to the Accountant-General's inability to prepare and submit the financial statements of the federation on time, the Auditor-General is not without his problems. For example, the Audit Departments are generally under-staffed, poorly equipped, while their responsibilities continue to increase not only because of the progressive expansion of the public sector over the years but also because of the phenomenal increase in the rate of white collar crime in the country. It is also generally known that Audit Departments are poorly funded. Yet no special provisions were made in the 1999 constitution to provide Audit Departments with adequate resources to enable them to perform their functions effectively.

(f) **Audit Alarm Committee**

Civil Service (Re-Organisation) Decree of 1988. (Decree 43) provides for the establishment of an Audit Alarm Committee. The intention was to prevent irregular payments before they are made. Its membership comprised of the

Auditor-General as chairman, Accountant-General of the federation and one representative of the president as members. The committee was charged with the responsibility to examine all cases of alarms raised and brought before it. All prepayment audit queries raised by the Internal Auditor but overruled by the Chief Executive must be referred to this committee. It is an offence for any officer to process any queried payment under the audit alarm system any further, without an audit certificate issued by the Auditor-General once a prepayment audit alarm has been raised. Unfortunately, this important provision has been repealed by the adoption of Ayida Committee Report.

(g) **The Legislature**

One of the major problems affecting transparency and accountability is the total absence of a truly independent institution for budget approval under military regimes. One dictator after another would read out an economic treatise crafted in Utopia and go to bed pondering how much of the budgeted funds would find its way into his pocket, with little or no consideration for economic performance or the success/failure of the budget. Budgetary outlines were routinely shunned for unplanned programmes.

However, under the democratic presidential system of government, the independence of the legislative arm of government is very total. This is because the 1999 constitution provides the national assembly with the power not only to scrutinize the president's budget proposals very closely but also provides for a substantial divergence between what the president proposes and what the national assembly approves. Since the national assembly has the power to initiate, change, or decide and not just to accept or reject the president's budget. Unfortunately, this often results in rancour and acrimony between the legislative and the executive arms of government.

For example, the budget for the year 2000 was delayed and was not approved until towards the end of the first quarter of the year 2001. While that for the year 2001 was passed very speedily by the two chambers of the national assembly after the legislators have increased their own budget by about 50% from N10.524 billion to N15.488 billion as was the practice in the second republic. All the stakeholders in the Nigerian economy are still anxiously awaiting the consideration and authorization of the year 2002 budget by the national assembly.

In addition to the wranglings and show of power between the legislative and executive branches, there are allegations of falsification of the so-called implementation documents to favour or to the detriment of an individual or a community. A typical example of this is the alleged falsification of the implementation document concerning Nnamdi Azikiwe University, Awka, Anambra State, which had about N148 million approved but had only N43 million reflected in the document. The discrepancy was never settled but buried in the maze of political sentiments and acrimony (Ezema, 2001).

(h) **Public Accounts Committee (PAC)**

PAC refers to the committee of the legislature on accounting matters. The idea of the PAC system was imported to Nigeria in 1961 from Britain where it has served as one of the parliament's public expenditure since 1862.

Although Decree 43 of 1988 made PAC a permanent body of government with power to hear and determine such appeals, the effectiveness of PAC in Nigeria has been considerably hampered by the combined efforts of indifferent politicians, military officers and civil servants with vested interests who usually work to frustrate the efforts of the committee.

(i) **Law Enforcement Agencies**

The alleged high level of corruption in the Nigerian police and the general inefficiency in the judiciary – the two agencies with the greatest responsibility for law enforcement in Nigeria – is very well known. Instead of striving to maintain the age-old principle of playing the role of 'the last hope for the common man', the Nigerian courts were accused of detaining people without trial (Aka-Basorun, 1989). Consequently, it is very essential that a high powered commission is appointed to review the Law Enforcement Agencies with a view to solving the above problems, especially on the ways of reducing the level of corruption, wastes, inefficiencies and the ineffectiveness in the judiciary and the Nigerian police.

(j) **The Press**

Although, the Nigerian Press has been relatively independent and fearless, it has not been able to sufficiently expose the wrong doings of government officials in order to reduce the level of corruption in the high places in the public sector. There is no doubt that there can be no accountability and transparency in the real sense without a vibrant and objective press.

In other words, the success of accountability is easily identifiable from the measure of freedom of the press in a country. The freedom itself is ascertainable from how much the press can control, professionally, its own internal operation of generating information, processing it and disseminating it. It is quite obvious that in Nigeria, during the military era, government officials and other stakeholders were able to interfere with any of the three stages of collection, processing and dissemination of information.

(k) **Code of Conduct For Public Officers**

Part 1 of the fifth schedule of the 1999 constitution provides that certain categories of public functionaries must declare their assets and liabilities on assumption of their offices and when vacating such offices.

(l) **The Corrupt Practices and Other Related Offences Act, 2000**

This bill prohibits and prescribes punishment for corrupt practices and other related offences. It establishes an Independent Corrupt and Other Related Offences Commission vesting it with the responsibility for investigation and prosecution of offenders thereof. The bill also protects anybody who gives information to the commission in respect of an offence committed or likely to be committed by any other person.

(m) **The General Public**

The ultimate watchdog in the modern society is the general public. Apparently, prolonged years of consistent destruction of the country's moral fabric seems to have left a deep psychological injury on the people's moral sense. Consequently, their will to suppress unethical and sharp practices in public life has always failed to withstand the vicissitude and onslaught on their socio-economic obligations. Thus it does not seem that the policemen of the public service are being encouraged to come forward with useful information.

However, as provided under section 110 of the 1999 constitution, a member of Senate, House of Representatives, Assembly, or a Councilor may be recalled by the member's constituency if he/she ceases to enjoy the confidence of the majority of his/her electorate.

4. THE WAY OUT

Financial accountability demands three prerequisite conditions to operate successfully: good financial reporting, sound management system and effective organizational arrangements. In government, the first is a function of accounting system, which requires timely rendition of accurate and reliable financial information.

The second is a function of budgeting and budgetary control measures relating to procedures and methods put in place to guide the allocation of public funds to the various ministries, departments, divisions, programmes, projects and activities. The third is a function of control involving clear definition of responsibilities at the organizational as well as the functional levels, the various controls interms of checks and balances built into the system and the capacity to direct and coordinate financial matters through the use of central agencies such as the treasury and budget ministry.

The presence of such a high level of mismanagement of government finances shows quite clearly that all the three prerequisites are seriously lacking in Nigeria. Consequently, there is an urgent need for attitudinal, moral and spiritual change: the kind of change that will help to demolish morbid desire for naked power and domination, abuse and misuse of power and office, greed, selfishness and intolerance, nepotism, favouritism, jobbery, bribery and other forms of corruption and erect in their places, probity, tolerance, altruism and devotion, equality of treatment, justice, equity and fair play for all. The above vices have affected the conscience of a lot of people into believing in wrong things and acting wrongly. Since conscience can be educated; it becomes the responsibility of everyone in Nigeria irrespective of age, sex or religion to redirect his/her conscience to the universally accepted value system where the pride of place is given to such factors as character, honour, merit, patriotism and performance.

Changing Position and Status of Civil Servants

New information management technologies are revolutionizing the work of organizations. These micro-processors (from television sets, radio, wrist watches, electronic calculators to computers of various shades) have modified the perceptions of the relative importance of public service careers. The purpose of careers and one of the principal goals of civil service reforms during the past two centuries have been to build a framework able to attract, retain, develop and motivate personnel of the appropriate caliber for service to the government and to the country. The need to safeguard the neutrality of public servants and promote professionalism has been related concerns.

The mix of knowledge, skills, attitudes and values required of public servants has changed over time, as have the public attitudes and expectations of government in the face of the recent clamour for globalisation. Unfortunately, the Nigerian civil service has not been restructured sufficiently to meet the evolving needs and culture of public administration and society at large. Specifically, there is an urgent need for the formulation of policies aimed at fostering and safeguarding merit, mobility and motivation as well as to encourage professionalism in the Nigerian public service.

The development and execution of the type of accounting and auditing systems discussed in this lecture require an adequate staff of competent and experienced personnel. The degree to which the accounting and auditing systems can aid management is proportional to the capabilities of the accounting and auditing staff. In order to improve on these capabilities, it is necessary to restructure both the accounting and auditing systems as well as to strengthen the manpower levels in the various accounting and auditing units. To achieve these objectives, the following points must be fully considered:

(i) **Creation of a New Ministry of National Accounting**

An effective system of government accounting is basic to the administrative structure of a government and is of particular significance to economic development and stabilization policies and in evaluating their effects. Government accounting is a part of the broad area of government management and administration. Fiscal management derives its importance from the government to which it relates. The relationship of accounting to the operations of a ministry, department or agency is so close and so important that the effectiveness with which the accounting function is performed has a major impact on the effectiveness of governmental operations in general.

However, the volume and the variety of the functions now being performed in the ministry of finance is rather too extensive. Besides, the Accountant-Generals and their staffs in most states apparently experience difficulties in getting their professional views accepted and in introducing innovations owing to the relative superiority in rank of the Permanent Secretaries who are statutorily the accounting officers of their respective ministries even though they are not necessarily knowledgeable in accounting and financial matters. Hence, it is hereby suggested that a new ministry to be known as the 'Ministry of National Accounting' where the Accountant-General will automatically become the Permanent Secretary be created.

The creation of a ministry of National Accounting will be a welcome news to the Auditor-General since it will make the minister for national accounting, who will probably be a professional accountant or an accounting graduate, responsible to the national assembly for national accounting matters. This responsibility and the possibility of attack on the floor of both houses of the national assembly will make him in co-operation with the Accountant-General to take adequate measures not only to ensure prompt preparation and submission of final accounts to the Auditor-General for examination and certification in accordance with the relevant laws, but also to assist in the control phase of management by:

(a) providing up-to-date statistical and financial data in regular reports to each level of management, comparing actual expenditures and output with budgeted expenditure and output;

(b) analyzing and interpreting causes of difference, both controllable (at the level of the manager receiving the report) and uncontrollable causes;

(c) reviewing and advising on internal control systems to minimize fraud, errors and waste.

(ii) **Establishment of a New Office of The Chief Internal Auditor**

To ensure an impartial and objective reporting by the Internal Auditor it is hereby suggested that the office of the Chief Internal Auditor of the federation and of each of the states should be established. The Chief Internal Auditor should be on the same level with the Accountant-General and should report to the Chief Executive. He should deploy his staff to all the ministries/departments to do prepayment checking and should be armed with the power of disallowance.

(iii) **Strengthening the Office of The Auditor-General**

The time has come for the legislative backing for the introduction of the value for money auditing in Nigeria (Omopariola, 1981). This is the only way to ensure that

audited entities comply with the four components of accountability as presented in Figure 2. In addition there is an urgent need for improved funding and staffing so as to make the office truly independent and better able to perform its constitutional and statutory roles. (Omopariola, 1980).

(iv) **Reintroduction of The Audit Alarm Committee**

There is a need for the reintroduction of a committee like the Audit Alarm Committee. However, unlike the situation under Decree 43 when the Auditor-General was the chairman, the Chief Internal Auditor should now serve as the chairman of this committee. Experience has shown that making the Auditor-General the chairman of this committee has a number of conceptual weaknesses.

In the first place, the control exercised by the Auditor-General in the committee tends to reduce the degree of responsibility of the principal financial officers of the government and has often led to conflicts. Secondly, it runs counter to a generally accepted principle of auditing that an auditor should not be placed in a position where he is required to review and comment on operations in which he had personally been involved previously. In short, this provision may create avoidable problems and as such, its unpopularity among government financial officers.

(v) **Strengthening The Independence of The Press**

It is quite apparent that the new era of democratic experimentation in the country as from 29th May 1999 has drastically reduced the amount of interference in the system. However, to enable media practitioners to perform their duties effectively, certain primitive restrictions and draconian laws have to be reviewed or removed from the nation's statute books as suggested by experts. (Nigerian Guild of Editors, 2001). Some of such obnoxious laws are listed in Table 4. These laws are not only outdated but are quite irrelevant in a democratic setting where there should be a great deal of transparency, openness, and accountability. Afterall, freedom of the press is actually freedom for all Nigerians.

(vi) **Restructure Public Accounts Committee (PAC)**

The need for a committee like the PAC in a new era of democracy cannot be overstated. In order to improve on its effectiveness, it is desirable that this important committee is restructured. There are three main areas in which PAC can be restructured:

(a) ***Choice of the Chairman:*** It is very essential to state the minimum qualifications of the chairman of PAC. For example, shortly after independence in 1960, the chairmanship of PAC became the prerogative of the governing party, as the Prime Minister, Head of State and the President respectively together with their cabinets were unable to entrust such a key post to the leader of opposition as in Britain. But if the system worked so well in Britain, why not in Nigeria?

(b) ***Membership:*** There is also the need to prescribe the number and minimum qualifications of members and the conditions of membership. For example, since the committee deals mainly with accounts, what minimum qualifications in this subject are expected from members?

(c) ***Frequency of Meeting:*** In the past, PAC meetings were very irregular and the accounting officers of government agencies seldom cooperated fully with PAC meetings. However, little benefit can be gained by making PAC permanent and setting frequency of meetings when there is no Auditor-General's report to review.

(vii) **Legislators To Spend More Time On Budgeting And Other Financial Matters**

To ensure better transparency and accountability in the system, the principle of the "question time" should be incorporated in the schedule of the legislators. This will ensure that adequate time is set aside regularly (weekly as in the United Kingdom?) for each minister and other government functionaries to come and answer questions relating to their actions and policies in the national assembly. There is also the need to fix specific dates each year for debating the Auditor-General's report.

(viii) Recruitment of staff should be based purely on qualifications and ability. Existing vacancies should be given wide publicity and appointments made as quickly as possible.

(ix) Promotions should be based solely on merit rather than on length of service or other extraneous considerations.

(x) Like other professionals, accountants and auditors must have adequate training – both in the classroom and on the job. To this end, the Nigerian governments should:

(a) increase the capacity of the Administrative Staff College of Nigeria (ASCON) for offering specialized courses for accountants and auditors, and

(b) encourage and make full use of the facilities available within the universities having well-established Faculties of Administration. These institutions should endeavour to design some courses purposely for government accountants together with internal and external auditors at various levels so as to increase the interchange (cross-fertilization) of ideas, experience and points of view as we used to do in our department of Management and Accounting between 1979 and 1994 when we had, under my co-ordination, annual seminars/workshops and other short-term programmes for these categories of federal, state and local government officers. Afterall, our Institute of Administration, which was translated into Faculty of Administration in 1976, was established mainly to provide intensive instructional, consultancy and special training programmes designed to professionalise the administrative class of the Nigerian governments and parastatals.

(c) encourage brilliant and ambitious members of staff to study accountancy and related subjects at recognized institutions with a view to qualifying as graduates and/or professional accountants.

(xi) Provide adequate compensation to minimize the drift of professional accountants or degree holders in accountancy and finance from the critical sections within the public sector to the private sector. Non-transparency in the public sector can be controlled if workers can enjoy security of tenure in their employment and are well rewarded like their counterparts in the private sector. These are the tonic needed to provide a vibrant economy.

(xii) Given our nature, it is quite obvious that people, especially, powerful people, will not come forward voluntarily to render accounts. At the same time, Nigerians need timely and reliable information on how public money is spent so that people can react promptly to what is going on. Consequently, the basic principle of the "right to know everything the government does" should be embedded in the constitution. For instance, the role of the 'Freedom of Information Act' in the attainment of economic growth, accountability and transparency in the United States cannot be overstated. Among other things the existence of the Act acts as a check on the government.

(xiii) Declaration of assets as required under the fifth schedule of the 1999 constitution should be done openly and publicly by all the appropriate categories of public functionaries.

(xiv) The provisions of the Corrupt Practices and Other Related Offences Act, 2000, especially Sections 12 and 47 on fraudulent acquisition of property and their forfeiture, should be strictly applied in all cases.

5. CONCLUDING REMARKS

Given the rather elaborate constitutional, statutory, administrative and other provisions put in place to ensure probity, accountability and transparency by public functionaries as discussed in this lecture, the popular belief of many people in this country and abroad that there is a serious problem of accountability and transparency in Nigeria is very instructive. It goes a longway in explaining the reasons why Nigerians are wallowing in avoidable poverty despite the country's huge resources.

It is generally agreed that the notion of accountability means that the public should be able to control the policies and behaviours of public institutions and officers and hold them answerable for what they do and/or failed to do. Agreement on how to operationalise this concept is more elusive. However, together with the traditional concept of formal, hierarchical accountability, the concept of subjective accountability as formulated by (Mosher, 1980) which relies on individual responsibility together with experience, values, and professional relationships is the most appropriate element of accountability to focus in Nigeria.

All over the country today, the cry for economy, efficiency and effectiveness in the management of the country's dwindling resources is loud and clear. One sure way of achieving this objective is to promote transparency, honesty and accountability. Experience in other countries have shown conclusively that the most enduring antidote against corruption in any society is a punitive moral climate which does not tolerate or spare it. It is the substratum upon which legal provisions can operate in a meaningful way. Unfortunately, accountability law breakers are seldom punished in Nigeria. Since one of the major factors forcing people to comply is the fear of sanctions, it is of paramount importance that penalty provisions in the appropriate accountability regulations should henceforth be strictly enforced.

In retrospect, one can see clearly that Nigerians are a people who arrived on a nightmare hoping for a dream. By October first 1960, when the colonialists handed power to the elected representatives of Nigeria, Nigerians actually left a nightmare and started hoping for a dream. Forty-two years after, that hope seems for-lorn. But then, Nigeria is still surviving and when there is life there is hope. Nigerians still crave no more, now than the hope that the past years of pain and anguish will stir the souls of their leaders and let some glory out.

The fervent prayer of Nigerians now is for the emergence of a leader who can stand head and shoulders above others, like the biblical Joshua to compel public officers to obey the rules and regulations. A strong visionary leader who is a brilliant exemplar for a very steadfast code: capable of bringing dissimilar people together to achieve stated objectives and to turn service to the people into one of the key measures of integrity. Capable of wooing avowed communists, socialists and capitalists to the fold, always concerned that any idea that works best should be deployed, not thrown away on the alter of ideological differences. Unfortunately, time is running out. Even, if all Nigerians were to be endowed with the faith and patience of Job of the *Holy Bible*, the undulating fortunes of this yet emergent nation state must necessarily result in frustration and disappointment. Afterall, a hungry person is an angry person.

Our leaders must realize that poverty is one threat with formidable capacity to launch debilitating attack on our nascent democracy. The rising crime wave, the sporadic ethnic violence, the religious fundamentalism with the combined and cumulative effect of shattering our fragile unity is traceable to poverty and its

allied forces. There is no doubt that poverty poses a greater security threat to this country than the military might of all her neighbours combined.

For sustained peace and tranquility in the country, our leaders have to formulate and effectively implement programmes and projects designed to mount a frontal attack on poverty. Once poverty is tackled successfully, the crime rate will decrease, violent ethnic clashes will disappear, electoral malpractices will be reduced to a manageable level and the dividends of democracy will become evident in the lives of the masses. Given the right leadership, - leaders who will not compromise their Spartan beliefs on the rights of the oppressed and the down-trodden of our dear country to the very end - Nigeria has the resources to wage the war and achieve outright victory. However, one cannot over-emphasise the fact that the "Will of God" which is expressed in the natural laws of Creation is the only sustainable basis and beneficial coexistence of the federating units in the country.

Fortunately, Nigeria has a lot of people at home and in the Diaspora to assist in the efficient management of available resources. It is only then that Nigeria can reasonably be expected to seriously become the first black super power that would be made a model for Africa in terms of democracy, education, technology, social service, etc. as envisaged by Nigeria's founding fathers.

Mr. Vice-Chancellor, distinguished ladies and gentlemen, I thank you all for your patience and kind attention. May the Grace of God, the undeserved kindness of our Lord Jesus Christ and the sweet fellowship of the Holy Spirit be with you all forever.

TABLE 1: PERFORMANCE OF NIGERIAN ECONOMY

	PERFORMANCE OF NIGERIAN ECONOMY									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Real GDP Growth (%)	4.8	3.0	2.7	1.3	2.2	3.4	3.2	2.4	2.8	3.8
Crude Oil (%)	9.2	2.7	-2.6	-6.0	0.8	6.9	1.4	-4.9	-4.2	0.6
Non-Oil Sector (%)	4.0	3.0	3.1	2.4	2.5	2.9	3.4	3.8	3.6	3.1
Population Growth (%)	2.1	2.1	3.2	2.1	2.1	2.8	2.8	2.8	2.8	2.9
Unemployment Rates (%)	3.1	3.4	2.7	2.0	1.8	3.4	3.2	3.9	3.0	3.6
Adult Literacy Rate (%)	54	54	55	55	55	57	57	57	57	57
Life Expectancy (years)	54	51	52	52	52	53	53	54	54	54
Manufacturing Capacity Utilisation (%)	42	38.1	35.0	30.4	29.1	36.8	34.0	34.9	39.0	34.5
Inflation Rate (%)	13	44.6	57.2	57.0	72.8	29.3	8.5	10.0	6.6	6.9
Crude Oil Production (Million barrels per day)	1,890	1.944	1.960	1.910	1.960	2.0	2.2	2.11	2.0	2.2
International Oil Price Bonny Light (US dollars per barrel).	20.14	19.84	17.50	16.17	16.60	21.21	19.4	12.9	18.0	28.6
External Reserves (Million U.S. dollars)	4,487	713	1,33	1,659	1,441	4075	7,581	7,100	5,450	9,910
Balance of Payments (Nb) overall	-15.5	-101.4	-41.7	-42.6	-195.2	-53.2	1.1	-220.7	-326.6	314.

Source: The Central Bank of Nigeria. Financial Standard Economic Intelligence Unit.

TABLE 2: SUMMARY OF FEDERAL GOVERNMENT FINANCES 1971 – 2001 (₦ BILLION)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Oil Revenue	0.5	0.8	1.0	3.7	4.3	5.4	6.1	4.6	8.9	12.3	8.5	7.8	7.3	8.3	11.0
Non-Oil Revenue	0.6	0.6	0.6	0.8	1.2	1.4	1.9	2.8	2.0	2.9	4.7	3.6	3.2	2.9	4.1
Federally Collected Revenue	1.1	1.4	1.6	4.5	5.5	6.8	8.0	7.4	10.9	15.2	13.2	11.4	10.5	11.2	15.1
Federal Government Retained Revenue	0.4	1.2	1.4	4.5	5.5	6.8	8.0	5.2	8.9	13.0	7.5	5.8	6.3	7.3	10.0
Total Expenditure	0.9	1.0	1.5	2.7	5.9	7.9	8.8	8.0	7.4	15.0	11.4	11.9	9.6	9.9	13.0
Recurrent Expenditure	0.7	0.8	1.0	1.5	2.7	3.8	3.8	2.8	3.2	4.8	4.8	5.5	4.8	5.8	7.6
Capital Expenditure	0.2	0.2	0.5	1.2	3.2	4.1	5.0	5.2	4.2	10.2	6.6	6.4	4.8	4.1	5.4
Current Surplus / (Deficit)	(0.3)	0.3	0.3	3.0	2.8	2.9	4.2	2.4	5.7	8.2	2.6	0.3	1.5	1.4	2.4
Overall Surplus / (Deficit)	(0.5)	0.1	(0.6)	1.8	(0.4)	(1.1)	(0.8)	(2.8)	1.5	(2.0)	(3.9)	(6.1)	(3.4)	(2.7)	(3.0)
	P E R C E N T A G E S														
Oil Revenue	45.5	57.2	62.5	82.2	78.2	79.4	76.3	62.2	81.6	80.2	64.4	68.4	69.5	74.1	72.8
Non-Oil Revenue	54.5	42.8	37.5	17.8	21.8	20.6	23.7	37.8	18.4	19.8	35.6	31.6	30.5	25.9	27.2
Federally Collected Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Federal Government Retained Revenue	36.4	85.7	87.5	100.0	100.0	100.0	100.0	70.3	81.7	80.9	56.8	50.9	160.0	65.2	66.2
Total Expenditure	81.8	71.4	93.8	60.0	107.0	116.2	110.0	108.1	67.9	98.7	86.4	104.4	91.4	88.4	86.1
Recurrent Expenditure	63.6	57.1	62.5	33.3	49.1	55.9	47.5	37.8	29.4	31.6	36.4	48.2	45.7	51.8	50.3
Capital Expenditure	18.2	14.3	31.2	26.7	58.2	60.3	62.5	70.3	38.5	67.1	50.0	56.1	45.7	36.6	35.8
Current Surplus / (Deficit)	27.3	21.4	18.8	66.7	50.9	42.6	52.5	32.4	52.3	53.9	19.7	2.6	14.3	12.5	15.9
Overall Surplus / (Deficit)	(45.5)	7.1	(37.5)	40.0	(7.3)	(16.2)	(10.0)	(37.8)	13.8	(13.2)	(29.5)	(53.5)	(32.4)	(24.1)	(19.9)

TABLE 2 (CONT'D) **(N BILLION)**

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Oil Revenue	8.1	19.0	19.8	39.1	71.9	82.7	164.1	162.1	160.2	324.2	369.2	423.0	382.0	624.0	858.0	1237.0
Non-Oil Revenue	4.5	6.4	7.8	14.8	26.2	18.3	26.3	30.6	41.7	135.4	151.0	328.0	324.0	417.0	315.0	453.0
Federally Collected Revenue	12.6	25.4	27.6	53.9	98.1	101.0	190.4	192.7	201.9	460.0	520.2	751.0	706.0	1041.0	1172.0	1690.0
Federal Government Retained Revenue	8.0	16.1	15.6	25.9	38.1	30.8	53.3	83.5	90.6	249.8	325.1	423.0	354.0	663.0	597.0	1374.0
Total Expenditure	16.2	22.0	27.7	41.0	60.3	66.6	92.8	191.2	160.9	248.8	288.1	428.0	487.0	948.0	701.0	894.0
Recurrent Expenditure	7.7	15.6	19.4	26.0	36.2	38.3	53.0	136.7	90.0	127.6	129.4	159.0	178.0	450.0	462.0	483.0
Capital Expenditure	8.5	6.4	8.3	15.0	24.0	28.3	39.8	54.5	70.9	121.2	158.7	270.0	309.0	498.0	240.0	447.0
Current Surplus / (Deficit)	0.2	(0.5)	(3.8)	(10.3)	1.9	(7.4)	(0.2)	(53.2)	(0.6)	122.1	195.7	264.0	176.0	213.0	135.0	447.0
Overall Surplus / (Deficit)	(8.3)	(5.9)	(12.2)	(15.3)	(22.1)	(35.8)	(39.5)	(107.7)	(70.3)	1.0	37.0	(5)	133	285.0	104.0	-
	P E R C E N T A G E S															
Oil Revenue	64.3	74.8	71.7	72.5	73.3	81.9	86.2	84.1	79.3	70.6	80.0	56.3	54.1	59.9	73.2	73.2
Non-Oil Revenue	35.7	25.2	28.3	27.5	26.7	18.1	13.8	15.9	20.7	29.4	20.0	43.7	45.9	40.1	26.8	26.8
Federally Collected Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Federal Government Retained Revenue	63.5	63.4	56.5	48.1	38.8	30.5	28.0	43.3	44.9	54.3	62.5	56.4	50.1	63.7	50.9	81.3
Total Expenditure	128.6	86.6	100.4	76.1	61.2	65.9	48.7	99.2	79.7	54.1	55.4	56.9	69.0	91.1	59.8	65.1
Recurrent Expenditure	61.1	61.4	70.3	48.2	36.9	37.9	27.8	70.9	44.6	27.7	24.9	21.2	25.2	43.2	39.4	28.6
Capital Expenditure	67.5	25.2	30.1	27.8	24.5	28.0	20.9	28.3	35.1	26.3	30.5	35.9	43.8	47.8	20.5	26.4
Current Surplus / (Deficit)	1.5	2.0	13.8	(19.1)	1.9	(7.3)	(0.1)	(27.6)	(0.3)	26.5	37.6	35.1	24.9	20.5	11.5	26.4
Overall Surplus / (Deficit)	(65.9)	[illegible]	(44.2)	(28.4)	(22.5)	(35.4)	(20.7)	(55.9)	(34.8)	0.2	7.1	(0.7)	18.8	27.4	8.9	-

SOURCES: Computed from CBN, Annual Report and Statement of Accounts, various years
CBN, Statistical Bulletin Vol. 8, June 1997.
CBN, Economic and Financial Review, various years.
CBN, Financial Standard Economic Intelligence Unit.

TABLE 3: THE STRUCTURE OF ACCOUNTABILITY CONTROLS

S/N	ACCOUNTABILITY	CONTROLLING AUTHORITIES	ENABLING POWERS	METHODS OF CONTROL	ACCOUNTING OFFICER	REPORTING AUTHORITY
1.	Departmental Control	Ministries and other government agencies	Budget programmes Budget projects	a. Departmental warrant (A.I.E.) b. Imprest c. D.V.E. Book d. Spending officer's vote book. e. Tenders Boards f. Boards of Survey g. Internal Control h. Internal Audit	a. Accounting-Officers b. Departmental Heads. c. Vote Controllers d. Imprest holders e. Revenue Collectors.	Accounting-Officers
2.	Treasury Control	a. National Economic Council b. Minister of Finance	Annual Budget Budget Programmes	a. Funds b. Warrants c. Financial Instructions (F.I.)	Accounting-officers	Accountant-General though the Minister of Finance.
3.	Audit Control	Auditor-General	Constitution of Nigeria 1999.	a. Annual Audit b. Audit Reports		Auditor-General
4.	P.A.C. Control	P.A.C	a. Constitution of Nigeria 1999	a. Review of Audit Report. b. Oral examination of witnesses. c. P.A.C. Report		P.A.C.
5.	Legislative Control	National Assembly	a. Constitution Of Nigeria 1999 b. Finance (Management and Control) Act, 1958. c. The Appropriation Act. d. The laws and other Revenue Legislation.	1. Assembly Debate on: a. Consolidated Revenue and other Funds. b. Annual Budget c. Supplementary Estimates 2. Joint Finance Committee. 3. Institution of Inquiry.	Accountant General Chief Accounting Officer.	

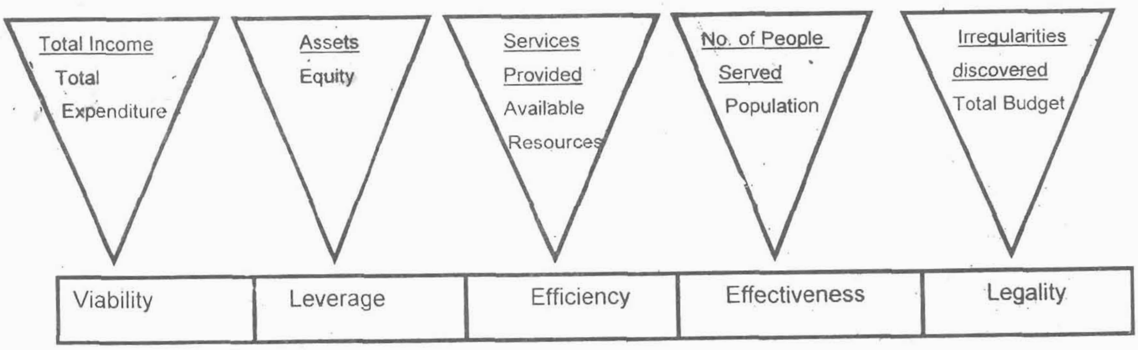
Source: Adapted from O. Omopariola (2002); *Government Budgeting in Nigeria: Principles, Policies and Practices;* ***O.A.U. Press.***

TABLE 4: SOME OF THE MAJOR OBNOXIOUS LAWS IN NIGERIA'S STATUTE BOOKS

1.	Newspaper Act, 1917
2.	Press Registration Act, 1933
3.	Children and Young Persons (Harmful Publications) Act, 1961.
4.	Defamation Act, 1961.
5.	Emergency Powers Act, 1961.
6.	Obscene Publications Act, 1961.
7.	Seditious Meetings Act, 1962.
8.	Official Secrets Act, 1962.
9.	Newspaper (Amendment) Act, 1964.
10.	Criminal and Penal Codes which deal with sedition.

Source: Nigerian Guild of Editors

FIGURE 1: FUNCTIONAL PERSPECTIVES OF GOVERNMENT FINANCIAL MANAGEMENT



SOURCE: Omopariola, O. (1983); Financial Management in the Nigerian Local Governments; The Nigerian Journal of Local Government Studies, Vol. 1, No. 1.

FIGURE 2: COMPONENTS OF ACCOUNTABILITY

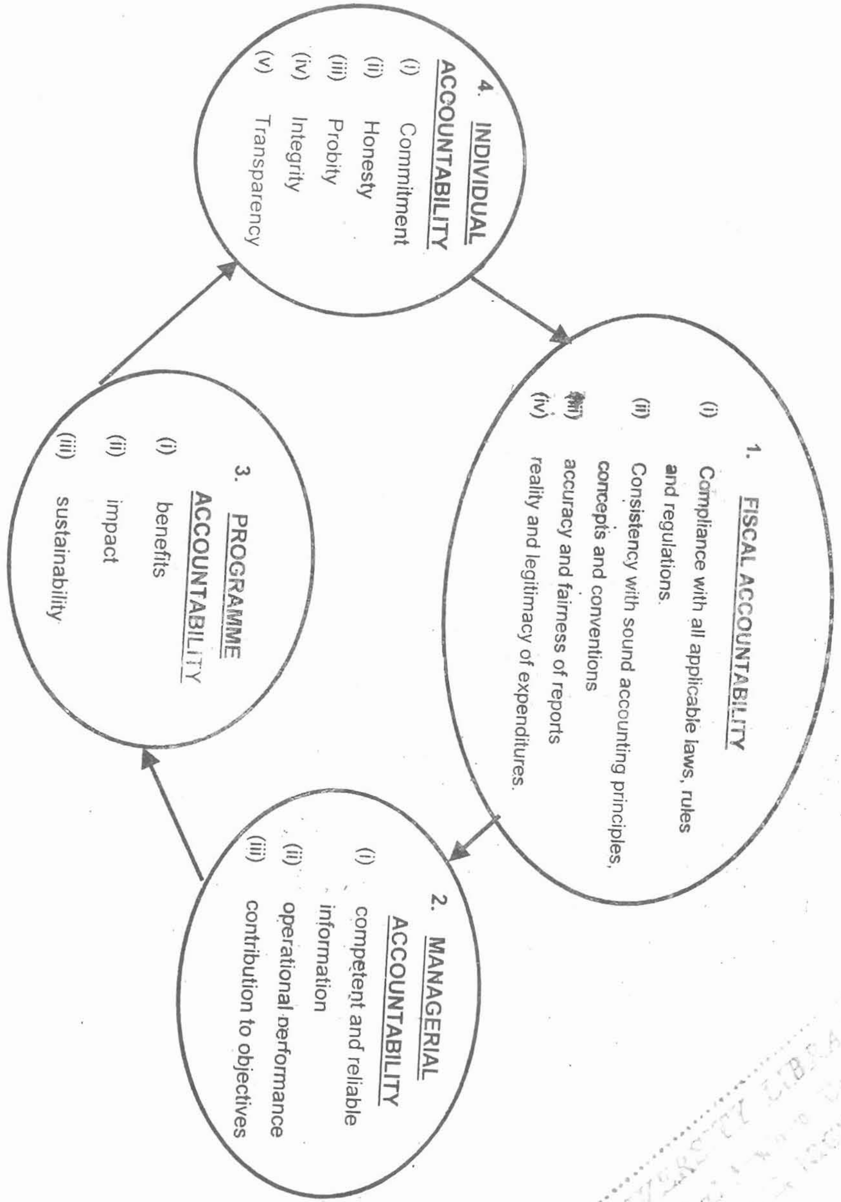
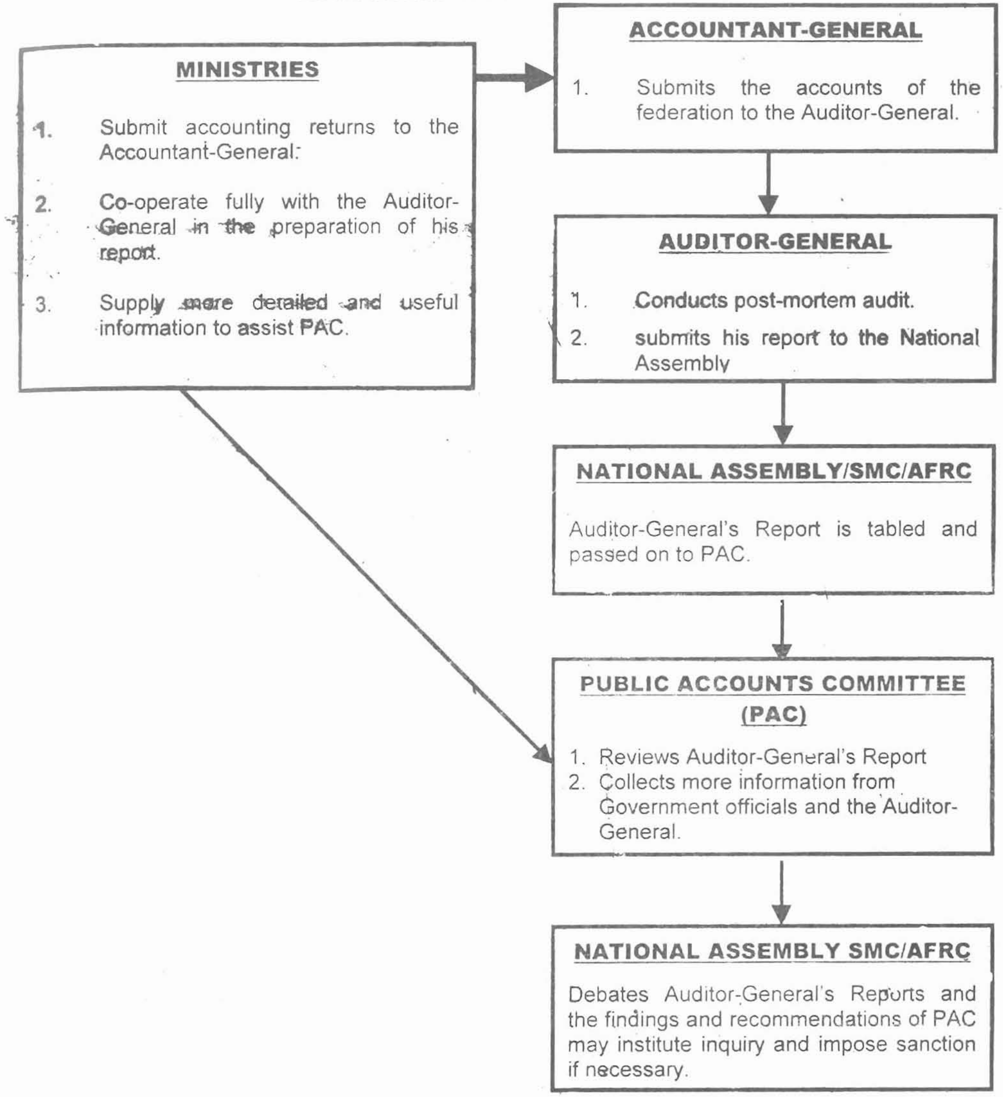


FIGURE 3: ACTIVITIES COVERED UNDER BUDGET ACCOUNTABILITY



Source: Same as Table 3.

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