The Effect of Corruption on Public Financial Management System in Nigeria

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Abstract

The target of Nigeria reforming public financial management (PFM) system over the years was to reap the associated reward of financial propriety with the attendant socio-economic development. However, corruption in PFM system remains a serious problem in Nigeria. To examine this concern, the paper deployed information derived from official documents and extant literature to analyze the effect of corruption on PFM system in Nigeria. The analysis is anchored on the institutional theory and largely based on round 1 and 2 versions of the mapping and scoping surveys of anti-corruption and governance measures in PFM reports on Nigeria. Findings reveal that the effect of corruption is deep and substantial in PFM system in Nigeria. Effects include but not limited to distortion of public finance and procurement processes, payment systems, accounting, financial reporting and auditing systems. This stems from low adherence to laws and near absence of deterrence. The paper therefore recommends the criminalization of certain acts and omissions, as well as the development of a strong and compelling enforcement mechanism consisting of effective detection and diligent investigation, efficient prosecution, speedy adjudication and effective sanctions for culpable parties to serve as deterrent to violators of PFM laws in Nigeria.

Keywords: Corruption, Public, Financial Management, System, Effect

Introduction

Corruption is a serious problem in Nigeria. It is widespread and increasingly dominating public discourse and academic research efforts. Corruption in Nigeria seems to have acquired immunity against various political and legal measures aimed at its control over the decades. The problem stifling economic development, eroding public bureaucratic efficacy, widening inequality, and undermining the creation of opportunities and delivery of social services for the citizens, especially those who are socially, economically and politically disadvantaged are all attributed to corruption. In this context, the government is regarded as insensitive and unresponsive to the need of the citizens. Several laws and institutions have been created by the country's successive government to control corrupt practices. But rather than abating, corrupt practices have become endemic even within the law enforcement and anti-corruption agencies in the country and consequently, engendered cynicism among citizens as well as impunity among the rulers and officials of government and private enterprises.

All over the globe and over the years, nations and international bodies have been concerned with how to modernize and improve public financial management system using public policy and legal reforms (Elliott, 2004; Schooner et al, 2008; Appah, 2008). The target of nations reforming public financial management system has been to reap the associated reward of financial propriety with the attendant socio-economic development (Bovis, 2010; PEFA, 2014). Many countries including Nigeria has been assisted by global financial institutions like the World Bank in correcting some weaknesses in their public financial management systems over the years (CPAR, 2002; World Bank, 2003). Within the 'good governance' strategies of the World Bank and the International Monetary Fund to curb corruption were that state parties to place anti-corruption efforts high on their development agenda, an arrangement that Nigeria is not only a signatory to but also a state party (TUGAR, 2013).

The Treaties are the United Nations Convention Against Corruption (UNCAC), the African Union Convention on Preventing and Combating Corruption (AUCPCC), and ECOWAS Protocol on the Fight Against Corruption. The UNCAC, AUCPCC and the ECOWAS Protocol require that state parties to adopt measures aimed at promoting best practices. The primary aim of these measures is to ensure and promote transparency and accountability in the management of public finances through the application of codified measures whether they be constitutionally established as laws or internationally established and adopted as conventions in accordance with the fundamental principles of a state's party legal system. Such measures according to UNCAC (2003) may include but not limited to

a. Procedures for the adoption of the national or state budget;
b. Timely reporting on revenue and expenditure;
c. A system of accounting and auditing standards and related oversight;
d. Effective and efficient systems of risk management and internal control;
e. Appropriate, corrective action in the case of failure to comply with the requirements established.

Similarly, AUCPCC (2003) requires state parties like Nigeria being a signatory to the treaty to adopt legislative and other measures to create, maintain and strengthen internal accounting, auditing and follow-up systems, in particular, in the public income, custom and tax receipts, expenditures and procedures for hiring, procurement, and management of public goods (Article 5(4)). The ECOWAS Protocol (2001) also provides for each state party to "to take measures to establish and consolidate on revenue collection systems that eliminate opportunities for corruption and tax evasion and provide for regulation, which require companies and organizations maintain adequate financial books and records and adhere to internationally accepted standards of accounting" (Article 5 (g)).

Nationally, the 1999 Constitution of the Federal Republic of Nigeria establishes the basis for managing public finances and budgeting. Section 162 of the Constitution contains rules on the management of public revenues at the federal and state levels. Regrettably, despite the existence of these initiatives and extant laws, governance processes and procedures intended for service delivery are still replete with corrupt practices in Nigeria (Ogudiya, 2009; Waziri, 2010; Obuah, 2010 a, b; Ademola, 2011; Mohammed, 2013; Imohonopi & Ugochukwu, 2013; Ijewereme and Dumande, 2014; Iewereme, 2015; Stephen and Basil, 2012; 2015; Onah, 2015)

Social science literature shows that corruption and governance performance in the area of financial management have implications for citizens' confidence and trust in their government (Anderson and Tverdova, 2003). Several studies have made important contributions towards the appreciation of the concept of corruption in governance and the governance processes and procedures in Nigeria. However, there are scarcely, studies on the effect of corruption on public financial management system in Nigeria, in spite of widespread concern about the issue. This study therefore, examines the effect of corruption on public financial management system in Nigeria. In other words, it looks at how corruption affects public financial management system.

It is not the intention of this study to document impact, output and outcome of the public financial management system as that will be beyond the focus and scope of this work. The paper therefore is structured into seven sections. Following this introduction which is section one is section two which clarifies the concept of corruption relative to public financial management system. Section three explained the concept, scope, objectives and relevance of public financial management system. Section four anchored the analysis of the study on the institutional theory while section five presents the methodology employed in conducting this work. Section six is unarguably the engine room of the paper as it takes a critical look at the effect of corruption on public financial management system in Nigeria while chapter five draws the curtain on the paper with some concluding remarks.

The Concept of Corruption

Research on corruption in developing countries, particularly in Africa, has sought answers by looking specifically – and sometimes too narrowly – at the formal structures and roles of the central state institutions. It has partly been about classifying different forms and sub-forms of corruption in order to operationalize the concept for analytical and practical purposes. Researchers have defined corruption as a particular state-society relationship, and made the distinction between ‘political’ corruption and ‘bureaucratic’ corruption. Other broad analytical categories have also been suggested like between ‘functional’ and ‘dysfunctional’ corruption and corruption as a mechanism of either ‘upward extraction’ or ‘downward redistribution’. Sometimes the aim has been to relate corruption to other important phenomena and processes. For example, political science classifications and definitions have tended to place corruption and the fight against it within the broader agenda of democratization. As such, corruption has been variously defined (Heidenheimer, 1989; Nye, 1967; Khan, 1996; Huntington, 1968; Rose-Ackerman, 1999; Moody-Stuart, 1997; Coolidge and Rose-Ackerman, 2000; Aluko, 2009; Asobie, 2012).

The decisive role of the state is reflected in most of these definitions of corruption, which define the concept as a particular state society relation. Many of these definitions and conceptualizations of corruption call attention to the ‘corrupters’, those who offer the bribes in the first place, and the advantages they gain. Other definitions and conceptualizations emphasize the corrupted and their advantages. Conventionally, it is understood to mean and referred to, as the private wealth seeking behavior of someone who represent the state or the public authority. It is the misuse of public resources by public officials, for private gains. The encyclopedic and working definition used by the World Bank, Transparency International and others is that corruption is the abuse of public office for private benefits. Another widely used description stemming from the avalanche of definitions is that “corruption is a transaction between private and public sector actors through which collective goods are illegitimately converted into private-regarding payoffs” (Heidenheimer, 1989:6).

In Collin Nye’s classical definition, corruption is “behavior that deviates from the formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique) wealth or status gains” (Nye, 1967:416). An updated version with the same elements is the definition by Mushtaq Khan, who defines corruption as “behavior that deviates from the formal rules of conduct governing the actions of someone in a position of public authority because of private-regarding motives such as wealth, power or status” (Khan, 1996:12). Samuel Huntington noted that where political opportunities are scarce, corruption occurs as people use wealth to buy power, and where economic opportunities are few, corruption occurs when political power is used to pursue wealth (Huntington, 1968).

The World Bank definition has some merit, but also creates the impression that corruption is a malady that primarily or even solely afflicts those in the public service, especially state authority, whereas the private sector and civil society may be equally culpable. Besides, those who demand for illegal service or preferential treatment that violates stated laws, policy and specified procedures are as guilty as those who unjustifiably agree to render the service. The Transparency International definition though improving on the World Bank definition, by taking account of abuses of entrusted power, which may not necessarily occur in the public domain is also very helpful for policy and action because, rather than expose the underlying essence of corruption, it merely like the World Bank and many other contemporary definitions, describes who is corrupt or in other words what the corrupt does. However, whilst corruption may often relate to misuse of entrusted authority or power, misuse may not always be for a private personal gain, it may result in the unjustified gain of a community and not necessarily any one particular person.

A more encompassing and amenable definition to how corruption could affect public financial management system was that put forward by Asobie (2012), who broadly defines corruption as "the breach or perversion of legal rules, established procedure, code of conduct, system of ethics, or set of moral norms, in the service of unethical or illegitimate ends, private, parochial or public". This definition seems to clarify the essence of corruption and avoids the temptation to describe the corrupt and what he does. In addition to capturing the illegitimate nature of its gains which is universal, it captures various manifestations of corruption more prevalent in Nigeria and the developing World. The essence of corruption is therefore the deviation from law, regulation or rules, standard practices or code of conduct or moral norms. The litmus test of corrupt practice is not whether or not some private or individual gain occurred. It is first whether a law, rule or code of conduct, standard practice or norm was violated and secondly, whether such violation leads to an unethical and or illegitimate end, which may be private, parochial (communal) or public and does impact public systems in a negative way.

Concept and Scope of the Public Financial Management (PFM) System

Internationally, public financial management system straddles three major approaches. The first is detailed codification of all related processes into written rules on budgetary procedures and practices as you will find in Continental Europe and France, and the second is the enactment in the form of general principles for managing public funds with the details left to be set by executive rules as in the United Kingdom (Lubin, 2007). A third scenario is what obtains in many African Countries like Nigeria, where generally, the Constitution defines the roles and responsibilities of each state power (tiers of government and institutions) in the budgetary process and more specific aspects of the budget process are spelled out in Budget Laws, Public Finance Acts, Financial Regulations, Circulars and Codes of Ethics, in each case with operative institutions. Thus, the PFM system comprises the legal and organizational framework for supervising all phases of the budget circle (OECD/DAC, 2003). The budget cycle refers to all activities involved in planning, preparing, executing (including procurement), and reporting the budget (TUGAR, 2013). The legal framework will include the existing Constitutional framework, Statutes/Laws, and regulations in some other jurisdictions.

The organizational framework of PFM refers to the institutions, administrative structures, processes, workflows, initiatives and other arrangements in place to facilitate the budget process.

Administrative arrangements in Nigeria include offices for facilitation, rules and regulation of budget preparation, implementation, reporting, and audit, such as the ministries of finance and planning, revenue administration, the treasury, the procurement (due process) regulation, and finance and supply departments in MDAs, the Auditor's General Office, and the Public Account Committee of the House of Assembly. Workflows and processes include required documentation, proformas, standard guides, business processes and routing, authorization and approval procedures, disclosure requirements, accounting and auditing standards and policies (TUGAR, 2013). Organizational framework is seen as inclusive of both the structures, rules and other arrangements in place for planning and implementing the budget over a multi-year period. In some jurisdictions and contexts rules may be seen as part of the legal framework.

Objectives and Relevance of the Public Financial Management System

The main objective of public financial management system is to facilitate attainment of the three budgetary goals of, overall fiscal discipline, effective allocation of resources to strategic priorities, and efficient delivery of public services (OECD/DAC, 2003). Fiscal discipline requires formulation of realistic and attainable budgets and their implementation as made without overrun. A realistic budget is a credible one, formulated with due consideration to realizable revenue, and reasonably coasted. The PFM system supports all the above aspects: fiscal and revenue projections, project costing, and avoidance of budget overruns unless undermined/overridden by the political system (TUGAR, 2013).

The PFM also supports allocation of resources to strategic priorities. Strategic allocation of resources entails identification and distinction of development priorities from parochial and political expediency or priorities. Development priorities flow from well-articulated strategic policies, identifying medium to long-term development needs. The budget should ensure that available resources address prioritized needs. The PFM system helps the process by supporting preparation of matching fiscal forecasts and linking annual budgetary allocations to medium term fiscal projections and strategies. For example, a well-functioning PFM system will mount an effective gate-keeping regime that discourages allocation to non-development priority needs at the expense of priority development areas as identified in policy document (TUGAR, 2013).

Theoretical Framework

The theoretical framework adopted for the analysis of this work is the institutional theory which seeks to examine the effectiveness of legal, regulatory and institutional frameworks of governmental institutions with the view of ensuring compliance in organizational studies (Scott, 2008). Institutional theory has a long history dating back to the mid-nineteenth century and incorporates the pioneering insights of seminal scholars of the social sciences such as Max Webber, with Émile Durkheim as the foundational author of this approach (Scott, 2005). The choice of this theoretical paradigm is predicated on the fact that institutional theory is the traditional approach that is used to examine elements of public financial management systems and their compliance level in governmental setting (Checkland and Scholes, 1990; Thai, 2001; Scott, 2001).

Institutional theory comes from the concept of institutions described as the building blocks of society, providing the assurance of security, ease of social transactions, and a sense of established order (Scott, 2008; Green et al, 2009). Iconic sociologist W. Richard Scott provided a comprehensive conceptual schema based on his extensive survey to institutional literature that guides directions for pursuing this theory. He posits that institutions consist of carriers (cultures, structures, and routines) and pillars (cognitive, normative, and regulative structures) and activities that provide stability and meaning to social behaviour (Scott, 2004). Central to the application of this theory is the regulatory pillar which emphasized the use of laws, rules and sanctions as enforcement mechanism, with expedience (deterrence) as means for compliance (Scott, 2008).

For governments' public institutions and their stakeholders to comply with relevant provisions of the laws (public financial management system) or protocols or treaties (The UNCAC, AUCPCC and the ECOWAS Protocol) entered into and aimed at safeguarding public resources from corruption, authorities are encouraged to as a matter of expediency, apply sanctions where necessary to ensure effective domestication and control over fraudulent practices in the management of public finance. This is because studies have shown that deterrence is more reliable in dealing with financial crimes than relying on cultures and values, particularly in developing societies (Imperato, 2005). According to Zubcic and Sims (2011), enforcement action and increased penalties lead to greater levels of compliance with laws. Financial related corruption matters among government officials in developing countries such as Bangladesh, India, Sri Lanka, Nigeria and Venezuela has been linked to a weak enforcement of the rule of law (Nwabuzor, 2005). A study on corporate governance in Africa revealed that countries such as Nigeria and Ghana suffer from weak law enforcement mechanisms (Okeahalam, 2004). Gunningham and Kagan (2005) argue that the threat of legal sanctions is essential to regulatory compliance and that enforcement action has a cumulative effect on the consciousness of regulated organizations and it reminds organizations and individuals that violators will be punished and to check their own compliance programmes. This is also supported by Gunningham and Kagan (2005) who opined that the outcome of sustained enforcement action instilled a culture of compliance and had a direct impact on corporate compliant behaviour. Sutinen and Kuperan (1999) further argue that coercive enforcement measures remain an essential ingredient in any compliance regime.

Methodology

This study relied on secondary sources of data, which in turn was analyzed using descriptive qualitative approach. The specific documents used were: copies of mapping and scoping surveys of anti-corruption and governance measures in public financial management, the 1999 Constitution of the Federal Republic of Nigeria, relevant provisions of UNCAC, AUPCC and ECOWAS Protocol, and other implementing documents. Also documents like the Public /Civil service rules, Anti-corruption Law; Freedom of Information Law was utilized. Other secondary data used for the analysis of this study were accessed from official websites, reports of formal review appraisals, journals and books.

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However, it is not clear how well this definition fits with situations where powerful interests influence the law, rules, standards and practices to make what will otherwise be corruption legitimate. An example is the practice of influencing legislators to give Politically Exposed Persons (PEPs) enormous powers that could be abused for illegitimate purposes. At the point of passage of the law, no illegitimate purpose may be apparent, but subsequently, the powers given may be used to secure illegitimate or unethical advantage for an individual or a group. The challenge is that the action or specific exercise of power that will later bring the illegitimate advantage though morally wrong may not be in accordance with existing law or policy at the time of its occurrence. This is typical of the Nigerian experience where for instance, some states PFM laws that gave enormous powers to political office holders and by so doing break down traditional practices of checks and balances (TUGAR, 2021). This is the realm of the State Capture and ground corruption and indicates how much of a serious and complex governance challenge corruption has become to many economies.

Transformation of society's aspirations into feasible policies with well-recognized financial implications is at the heart of financial management (Premchand, 1999). This is only possible with adherence to rules, laws, established principles, norms and standards. Corruption affects policy formulation and can lead to policies being skewed to favour a few. This can have fundamental negative effect on public finance and governance processes generally, since most government action is directed at formulating and implementing public policy. By skewing public policies to favour only a few, government and governance can only work for only a few, leaving out the greater majority of citizens. This happens everywhere, but is perhaps more common in developing nations like Nigeria, where awareness and literacy is low and governance systems are weak. This has a debilitating effect on citizens driven voice and accountability mechanisms, and on quality and efficiency of public service delivery, as well as on standards of living of majority of citizens.

Corruption distorts public finance work processes, in order to consummate corruption schemes; perpetrators often distort observance of PFM laws, rules, processes and sometimes standards and norms. It's either that process abuses occur to affect the scheme or to cover it up. Related process abuses observed include, failure to comply with objective criteria and requirements for project selection, project location, and expenditure authorization. Also abuses include infraction of rules and standards of public disclosure and reporting requirements. Corruption leads to limited engagements and consultation of citizens in decision making relating to policy. Formulation, economic projections, policy implementation, monitoring and evaluation, or where consultation occurs, in manipulation of the results of the consultation to justify narrow interests and pre-conceived decisions. In this way it undermines process transparency and accountability and reduces citizen's participation in public decision making. As such, governments across board need to improve and institutionalize citizen's participation in governance in the fight against corruption. It is in bridging this gap that sustainable solution to public finance governance can be found.

The effect of corruption on tax systems is enormous. Tax revenue sources often do not perform very well at the federal level but worst still in most Nigerian states due largely to poor administrative abilities of states governments, their reliance on unconditional flows from the Centre, and also corruption (TUGAR, 2021). Most state governments in Nigeria are not able to generate more than 10-20 percent of their revenue needs from their internal sources. In most cases their tax revenues are far short of the cost of personnel, that is, salary alone, and this is without considering other state administrative overhead costs. With the exception of few states, most states in Nigeria will be insolvent without the natural resources revenue that comes monthly in the form of statutory transfers from the consolidated revenue fund. Most states governments have weak and non-transparent tax administration system characterized by lack of comprehensive taxpayer database, poor assessment techniques, and loopholes in internal controls around revenue collection and accounting, and discretionary tax policies. Best of Judgment (BOJ) are sometimes abused and exploited for illicit gain despite recent attempts at reforms (TUGAR, 2021).

Arbitrary waivers, selective rebates to labour and other interest groups, and lack of professional capacity contribute to reducing the effectiveness of the tax system and increase vulnerability to corruption (TUGAR, 2021). Corruption affects different stages of the taxation process in different jurisdictions albeit to varying degrees in the following areas: identification and registration of taxpayers, the assessment and collection of taxes due, the monitoring of incoming payments, the assessment surcharges or refunds, and investigation by the tax authorities (possibly for suspected tax offences). Research has also shown that in countries with high corruption, the GDP share of tax revenue collected tends to be lower because some of the tax revenue is diverted to the pockets of tax administrators (Mauro, 1997; Tanzi, 1998, Achanya, 2023).

The effect of corruption on natural resources revenue and exploitation processes and system in Nigeria is rampant and continuous. Corruption, seen as breach or perversion of law, rules, standards, practices, established procedure, code of conduct, system of ethics, or set of moral norms, in the service of unethical or illegitimate ends, private, parochial or public has had a dominant effect on the operational processes in the oil and gas industry by Nigeria Extractive Industry Transparency Initiative (NEITI) financial, technical and process audit reports (NEITI, 2018). The results of these infractions or perversion of the system has included but not been limited to huge losses in revenue, poor environmental management, conflict and the increased vulnerability of the sector to corruption (TUGA, 2021).

The effect of corruption on Foreign Direct Investment (FDIs) Flows can be significant. Research has shown that while a one-percentage-point increase in the marginal tax rate on foreign investment reduces FDIs by about 3.3 percent, an increase in the corruption index by a single point reduces the inflow of FDI by about 11 percent (Wei, 1997). Also a related study indicates that the unpredictability of corruption (as measured by the dispersion of individual ratings of corruption) has a further negative effect on FDI. A higher level of dispersion makes corruption behave like an unpredictable and random tax. Consequently, the effect of uncertainty on FDI is negative, statistically significant and large. This again affects the PFM system negatively (NBS, 2022).

In 2022, total FDI into Nigeria only added up to a paltry $3.3bn according to the World Bank. Even at its all-time high in 2008, Nigerian FDI only totaled $4 billion. In 2021, 32 of Nigeria’s 36 states did not attract one dollar in foreign direct investment (FDI) during the first quarter of 2022 (NBS, 2022). According to the National Bureau of Statistics (NBS), only Lagos, Oyo, Katsina and Anambra and the Federal Capital Territory (FCT) attracted any FDI during the first three months of 2022. According to the NBS’ Nigeria’s capital importation, the total value of capital imported into Nigeria in the first quarter of 2022 stood at $1.bbn, compared with $2.2bn in the preceding quarters (NBS, 2022).

The effect of corruption on public procurement processes in Nigeria can be seen at project identification and selection, procurement and implementation stages. Sometimes project selection processes are skewed with the effect that otherwise viable projects are located in less beneficial environment or communities as a result of nepotism or illicit interests of decision makers or groups. This trend also generally results in projects that would otherwise not be justified on the basis of objective investment selection criteria or cost benefit analysis. The result is often abandonment of projects, drastic reduction in efficiency, and value for money. This does not support the effective and efficient service delivery objectives of PFM (Achanya & Cinjel, 2020; TUGAR, 2021).

It has been said that about 80% of corruption cases in Nigeria arise from the procurement process (Ojeme, 2009; Achanya, & Cinjel, 2021; Achanya, & Andokari, 2022). The failure in the procurement process are damaging to the economy. These have a lot of ramifications for example; it could lead to government awarding projects it has no money to complete, or contracts being awarded to contractors who are not qualified, or inflation of contracts etc. which in turn results in waste of limited resources. This provides support to the culture of corruption and impunity and above all, poor service delivery and weak institutions. At the federal level in Nigeria, the Presidential Projects Assessment Committee had reported that over the years, there are 11.886 abandoned capital projects which will require N7.78 trillion to complete (the period covered include many years prior to current procurement reforms) (TUGAR, 2021).

These figures do not include the value of abandoned projects at the State and Local Government levels across the country, which may be of the same magnitude with figures at the Federal level if we apply the definitions of corruption by the World Bank and Transparency International singularly denominated by private gain resulting from abuse of public office or entrusted power, many of the unjustifiable and illegitimate actions and decisions driven by parochialism, which may have resulted in the situation reported by the presidential committee, will be perfectly legal conduct, if they have not led to private gain. This is why Asobie's definition of corruption provides improved clarity in the consideration of what corruption truly is in the Nigerian context, and how it directly or indirectly affects systems. However, the conclusion here should not be that these huge failures results from corruption. That will be an over simplification of a complex problem because there may be other compounding factors. However, it is evident that corruption more than any other factor makes the system in states and at the federal level more susceptible to the kind of failures found by the presidential project assessment committee (TUGAR, 2021).

Corruption also affects the payment systems. This is the operational system for receiving and making payment of monies due and owed by government to its personnel and to third parties and citizens. Payments in Nigeria at the federal level is becoming increasingly made by electronic means, however, many sub-national governments (states) in the country depend solely on cash and cheque payment systems. Poor payment systems can and do facilitate the illegitimate and unethical gains from corruption activities, and corruption often perverts payment systems whether or not technology driven to achieve its ends. It is arguable though, that the impact on efficient technology driven money flows and helps those wishing to hide illicit funds, whilst in the alternative, a cashless system with good compliance to Know Your Customer (KYC) systems in banks supports traceability and makes it more difficult to hide illicit funds (EschBom, 2015).

Corruption affects accounting, financial reporting and auditing systems at national and sub-national levels, as well as within private and non-government concerns. It manifests in the form of improper recording, communication, interpretation and analysis of financial statements and information in aggregate and in details, and in deliberate failures to comply with accounting and auditing rules, timelines and standards. Also it often results in non-disclosure of material financial, information as well as outputs and outcomes of public expenditure activities. For example, as common to the Local governments by State Joint Allocation Committees may be, evidence backed information relating to incomplete remittances of these revenues are rare and difficult to come across (TUGAR, 2021).

Corruption also leads to a change in the structure of expenditure, a decline in the productivity of public investments and deterioration in the quality of infrastructure, this impact negatively on growth and development. At the federal level in Nigeria, access to public finance related information though increasing, remains difficult, selective and unpredictable in many quarters. Access is evidently more restricted in states (TUGAR, 2021). Changes are occurring in PFM systems at the federal level and in some states of the federation, but not at the rate that can make quick and substantial impact on livelihood. The result is that the system makes it difficult in many instances for citizens to hold public officials accountable. Above all the PFM systems is a system for generation, and administration of funds used to acquire public goods and deliver public services. The poor compliance to its laws, rules and procedures, and inefficiencies in the system reflects not only in leakages and waste of resources generated, but also in the quality and standards of public goods and services which the generated resources are used to acquire. It is a two-fold impact. It impacts on processes, but also, it has a catastrophic impact on quality of lives.

Conclusion

Corruption is a complex and multifaceted phenomenon with multiple causes and effects, as it takes on various forms and functions in different contexts. The phenomenon of corruption ranges from the single act of a payment contradicted by law to an endemic malfunction of a political and economic system. The problem of corruption has been seen either as a structural problem of politics or economics, or as a cultural and individual moral problem. Essentially, it affects systems and processes negatively.

The regulation and practice of public financial management in Nigeria has not witnessed substantial improvements. This is despite the existence of extant laws and legislations on public financial management, coupled with the adoption and implementation of international treaties which the country is a signatory to. This has largely been attributed to low adherence to rules, laws, established principles, norms and standards due to weak institutional arrangement and near absence of deterrence for punishing violators. The essence of corruption is therefore the deviation from law, regulation or rules, standard practices or code of conduct or moral norms. The litmus test of corrupt practice is not whether or not some private or individual gain occurred. It is whether a law, rule or standard practice or norm was violated and also whether such violation leads to illegitimate gains and consequently affects processes or systems negatively as seen from the study’s discussion on the effect of corruption on Public Financial Management system in Nigeria.

To mitigate the effect of corruption on public financial management system, the paper recommends the criminalization of certain acts and omissions not yet captured under the law, as well as the development of a strong and compelling enforcement mechanism consisting of effective detection and diligent investigation, efficient prosecution, speedy adjudication and effective sanctions for culpable parties to serve as deterrent to violators of public financial management laws or legislations in Nigeria.

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