Mechanisms of Financial Governance in Nigeria

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DOI : https://doi.org/10.63939/JAAS.2025-Vol8.N24.197-223

Abstract

In order to establish financial governance in Nigeria, various reforms have been initiated for the purpose of maximizing revenue, minimizing expenditure, and curbing corruption and misuse of public resources. Based on analytical and functional approaches, this research discussed the constitutional, legal, and institutional mechanisms of financial governance in Nigeria, its challenges, and possible solutions. Among the results of the research is that these mechanisms play an effective role in establishing transparency, effectiveness, and efficiency, and minimizing financial crimes and corrupt practices in the management of public funds, The research also concluded that Nigeria's financial governance practices remain very limited in reality, mainly due to: Lack of human resources; and poor Information and Communication Technology (ICT) infrastructure. To overcome these challenges, the research proposes continuous capacity building and training for staff in the Ministry of Finance and the Budget Office to improve budget preparation, implementation, and quality reporting. More investment should also be made in ICT to minimize the cost of collection.

KEYWORDS*:*

Nigeria's financial governance, mechanisms of financial governance, constitutional mechanisms, institutional mechanisms, legal mechanisms constitutional.

Introduction

Public fund is considered the most important pillar of any State; The overall development, and the economic growth in particular, of any country depends on the optimal management of public funds when carrying out operations related to both revenue and expenditure. However, the increased public expenditure and scarce financial resources, coupled with the widespread corruption of public funds have led to the need for financial governance based on legal and institutional mechanisms to enshrine the principles of accountability, control and audit.

Nigeria's public sector report shows that a huge amount of money has been lost through financial irregularities, fraudulent practices, and lack of accountability and transparency. Nigeria has struggled to manage its oil wealth, which has not translated into economic growth and good infrastructure in recent years. Budgets are prepared on an annual basis, but its execution lacks mechanism for auditing and monitoring. Annual budgets have become a routine practice with few results in terms of economic growth and development. The excess of expenditures over revenues has led to budget deficits and has made the country resort to external and internal loans despite the country's huge resources. The country sank into massive debt, corruption, and lack of transparency in government activities.[5] Nigeria's corruption index averages 21.48 points from 1996 to 2023, reaching an all-time high of 28.00 points in 2016 and a record low of 6.90 points in 1996. More recently, Nigeria has a high corruption index of 154 out of 180 countries in 2021, up from 136, 148, 144, 146 and 149 for 2016-2020, respectively. Despite maintaining its previous score of 24 out of 100 points, as in the 2021 assessment,

[5] - ADEKOYA, A. Augustine, "Public Financial Management in Nigeria: The Goals, Concepts, Legal and Institutional Framework, and Reforms for Good Governance". International Journal of Management and Economics Invention, Volume: 09 Issue: 05 May 2023. P: 2936.

Nigeria's position increased to 150 in 2022 in the new corruption index compared to its position of 154 out of 180 countries assessed in the 2021 rankings, and in the latest assessment for 2023, Nigeria scored 25, with an improvement of one score compared to the previous two years in which it scored 24, as well as its improvement in position; ranking 145 out of 180 countries, compared to the past four years from 2019 to 2022.[6]

Since Nigeria's return to democratic rule in 1999, various reforms for financial governance have been initiated and implemented for significant economic growth and development; to increase revenue generation and minimize expenditure; improve transparency and accountability in governance, reduce corruption and misuse of public resources, and aid decision-making.[7] And in order to ascertain the extent to which financial governance mechanisms have been adopted for the management of Nigerian public funds, this article will address the legal framework and constitutional and legal mechanisms as well as the institutional mechanisms of financial governance in Nigeria; then identify the most significant financial governance challenges in Nigeria and propose solutions to overcome them.

The nature of this topic necessitates two main methods, which are:

- The analytical method, which will analyze the mechanisms of financial governance in Nigeria.
- The functional method; it will identify the role of different institutions in establishing financial governance in Nigeria.

The significance of this article is reflected in the importance of financial governance in Nigerian public affairs. Financial governance is essential for the optimal implementation, efficiency and effectiveness of public policies; hence, it has a strong presence in various legislative levels, and even institutions have been created for it. This research will

[6] - Nigeria - Transparency.org
[7] - ADEKOYA, A. Augustine, Ibidem. P: 2936.

be of great interest to policymakers responsible for the ever-ongoing reform of financial governance at the international level generally, and in Nigeria particularly.

Previous studies on "Financial Governance in Nigeria" can be discussed in the context of "Public Financial Management (PFM) in Nigeria" because it is mostly the same as what can be addressed in the topic of financial governance in terms of principles, mechanisms, objectives, etc. The term "Financial Governance in Nigeria" is hardly used at all. Some of the most important studies that can be mentioned in this regard are:

- ADEKOYA, A. Augustine, “Public Financial Management in Nigeria: The Goals, Concepts, Legal and Institutional Framework, and Reforms for Good Governance”. International Journal of Management and Economics Invention, Volume: 09 Issue: 05 May 2023. This research discussed the objective of Public Financial Management, its stages, principles, and its legal and institutional frameworks in Nigeria, it also highlighted some of the challenges facing the PFM in Nigeria, then recommended some solutions to it.
- Kanu Success Ikechi, Obi Henry Kenedunium, Akuwudike Hilary Chinedum, “Impact of Public Sector Financial Management on the Economic Growth of Nigeria”, International Journal of Management Science and Business Administration, Volume 7, Issue 4, May 2021, Pages 45-59. This study includes conceptual and theoretical frameworks of Public Sector Financial Management in Nigeria, concluding that the aggregated components of capital expenditures have a significant short run relationship with the level of economic growth in Nigeria; and that expenses incurred by the Economic sector and Social and community service sector maintained an inverse relationship (though not statistically significant) with economic growth in the short run while expenses incurred in

administration and transfers proved to have a positive significant relationship.

1. Constitutional Mechanisms and Legal Framework for Financial Governance in Nigeria

The 1999 Constitution of the Federal Republic of Nigeria is the supreme regulatory framework for financial governance in Nigeria. In addition to the Constitution, financial governance practices in Nigeria are governed by a host of legal frameworks with the aim of achieving efficiency and effectiveness, as well as, to promote probity, consistency, integrity, transparency, accountability and reliable and timely reporting.

1.1 Mechanisms of Financial Governance in the 1999 Nigerian Constitution

The 1999 Constitution of the Federal Republic of Nigeria, through several articles, regulates financial governance; it frames the roles of the National Assembly and the state Houses of Assembly, as well as the Accountant General of the Federation and the states in achieving financial governance, it establishes the Consolidated Revenue Fund of the Federation and the states, and regulates the necessary procedures for disbursement from it.

The role of the National Assembly of the Federation and the states' Houses of Assembly in achieving financial governance can be illustrated by their influence in financial bills, and their role in what can be considered prior control of the allocation of original, supplementary, arrears, and contingency fund appropriations; their authorization is necessary for expenditure from the Consolidated Revenue Fund (CRF). They also have the power to conduct investigations to uncover corruption, inefficiency, or waste in the disbursement or management

of the funds they allocate, which can be considered an exercise of concurrent or subsequent control.[8]

For the Federation's Auditor-General appointed by the President of the Republic on the recommendation of the Federal Civil Service Commission, subject to Senate ratification, and for the State Auditor-General appointed by the Governor of the State on the recommendation of the State Civil Service Commission subject to ratification by the States' Houses of Assembly, they both have the responsibilities of auditing and reporting public accounts of the Federation and states respectively, and of all offices and courts of the Federation and states, and they shall submit their reports to the National Assembly and to the House of Assembly of the concerned States; and for that purpose, the Auditor-Generals or any person authorised by them in that behalf shall have access to all the books, records, declarations and other documents relating to those accounts.

the Auditor-Generals shall also provide auditors for government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an Act of the National Assembly with a list of auditors qualified to be appointed by them as external auditors and from which the bodies shall appoint their external auditors, and guidelines on the level of fees to be paid to external auditors; and comment on their annual accounts and auditor's reports thereon. The Auditor-General shall have power to conduct periodic checks of all these corporations, commissions, authorities, agencies, persons and bodies. The Auditor-Generals for federal and states shall, within ninety days of receipt of the Accountant-General's financial statement, submit their reports to each House of the National Assembly and States' Houses of Assembly and each Houses shall cause the reports to be considered by a committee of the House of the National Assembly and

[8] - Constitution of the Federal Republic of Nigeria, 1999. Updated with the First, Second and Third Alterations (2010) and the Fourth Alteration (2017), Sections: 59, 80-83, 88, 89, 120-123, 128, 129.

States' Houses of Assembly responsible for public accounts. In the exercise of their functions, the Auditor-Generals for federal and states shall not be subject to the direction or control of any other authority or person. However, a person serving as the Auditor-General for either the federation or states could be relieved of his or her post by the President or Governors of states on an address supported by two-thirds majority of the Senate or House of Assembly praying that he be so removed for inability to discharge the functions of his office (whether arising from infirmity of mind or body or any other cause) or for misconduct. The Auditor-Generals shall not be removed from office before such retiring age as may be prescribed by law.[9]

1.2 Legal Framework for Financial Governance in Nigeria

In addition to the constitution, Nigeria's financial governance practices are governed by a host of legal frameworks aimed at achieving efficiency and effectiveness, promoting integrity, transparency, accountability and reliable and timely reporting. These laws include the following:

1.2.1 Debt Management Office Establishment (Etc.) Act 2003:

It's an act to provide for the establishment of the debt management office; and for other related matters. This Act is deemed to have come into force on 1st August, 2000.[10] The act, among other provisions, listed the functions of the office which includes: to maintain a reliable database of all loans taken or guaranteed by the Federal or State Governments or any of their agencies; prepare and submit to Federal Government a forecast of loan service obligations for each financial year; prepare and implement a plan for the efficient management of Nigerian's external and domestic debt obligations at sustainable levels compatible with desired economic activities for growth and

[9] - Ibidem. Sections: 85, 87, 125, 127.
[10] - Debt Management Office Establishment (Etc.) Act 2003, Part I – Preliminary.

development; and participate in negotiations aimed at realising those objectives; verify and service external debts guaranteed or directly taken by the Federal Government; on agency basis, service external debts taken by State Governments and any of their agencies: where such debts are guaranteed by the Federal Government; set guidelines for managing Federal Government financial risks and currency exposure with respect to all loans; advise the Federal Government on the re-structuring and re-financing of all debt obligations; advise the Minister on the terms and conditions on which movies, whether in the currency of Nigeria or in any other currency, are to be borrowed; submit to the Federal government, for consideration in the annual budget, a forecast of borrowing capacity in local and foreign currencies; prepare a schedule of any other Federal Government obligations such as trade debts and other contingent liabilities, both explicit and implicit, and provide advice on policies and procedures for their management; establish and maintain relationships with international and local financial institutions, creditors and institutional investors in Government debts; collect, collate, disseminate. information, data and forecasts on debt management with the approval of the Board; carry out such other function, which may be delegated to it by the Minister or by an Act of the National Assembly; and perform such other functions which in the opinion of the Office are required for the effective implementation of its functions under this Act.[11]

1.2.2 The EFCC Establishment Act 2002, as amended in 2004: The Act established the Economic and Financial Crimes Commission; To combat economic and financial crimes.

1.2.3 Federal Inland Revenue Service (Establishment) Act, 2007: It is the act that provides for the establishment of the Federal Inland

[11] - Ibidem. Sections: 6.

Revenue Service with powers to control, collect and account for revenues accruable to the Government of the Federation and related matters.[12]

1.2.4 Fiscal Responsibility Act 2007: The law provides for the prudent management of the Nation's resources; ensure long-term macro-economic stability of the national economy, secure greater accountability and transparency in fiscal operations within a medium-term fiscal policy framework, and establish the Fiscal Responsibility Commission to ensure the promotion and enforcement of the Nation's economic objectives; and for related matters.[13]

2. Legal and Institutional Mechanisms for Financial Governance in Nigeria

The Federal Government of Nigeria has embarked on public financial management reforms to address the challenges of transparency, accountability and lack of quality in service delivery. This became necessary because the nation has not made much progress in its economic development efforts due to a host of challenges: Inadequate planning and budgeting system; huge wage bill and absence of government employee information base; low capital expenditure; inefficiency; inadequate financial, accounting and budgetary reporting; outdated accounting and evaluation system; underutilization of modern ICT infrastructure in PFM; high cost of governance; spending about 60% of the annual budget on recurrent expenditure; high domestic debt and associated costs; dependence on oil revenue with its unpredictable impact on budget execution. As a result, in 2004, Nigeria embarked on

[12] - Federal Inland Revenue Service (Establishment) Act, 2007 Act No. 13, Description.
[13] - Fiscal Responsibility Act 2007. Description.

the World Bank-sponsored Economic Reforms and Governance Project (ERGP) to address the challenges.[14]

2.1 Legal Mechanisms for Financial Governance in Nigeria

Nigeria has adopted a set of legal mechanisms to switch from means-based budgeting to results-based budgeting in order to achieve efficiency and effectiveness, and has adopted systems to pay salaries to employees and settle government transactions in order to minimize corruption and enhance effectiveness and efficiency. This is explained in the following:

2.1.1 Medium-term sector strategy (MTSS):

The MTSS is a medium-term (usually three years) framework for public expenditure, under which available internal and external resources are allocated among the various economic sectors. It is a procedure for matching limited resources with unlimited needs of the citizen; it is an integrated system through which all available resources are allocated on the basis of specific policy priorities; and it is the sector strategies setting out future priority spending. [15]More specifically, it describes how specific units or groups of government units will deliver evidence-based outputs, within the limits of available resources, contributing to evidence-based outcomes across governments in line with policy priorities.

At a minimum, this means that there should be a reasonable expectation that sufficient money and capacity will be available.[16] The sectoral component of the medium-term expenditure budgeting was the medium-term sector strategy (MTSS) process. Starting from 2005,

[14] - Kanu Success Ikechi, Obi Henry Kenedunium, Akuwudike Hilary Chinedum, "Impact of Public Sector Financial Management on the Economic Growth of Nigeria", International Journal of Management Science and Business Administration, Volume 7, Issue 4, May 2021, Pages 50, 51.

[15] - An Overview of Medium-Term Sector Strategy. Quibiztec Limited, 2016, P: 4.

[16] - Ibidem. P: 5.

MDAs were requested to develop and articulate Medium-Term Sector Strategies consistent with NEEDS and the MDGs. The process involved clear articulation of goals and objectives by MDAs against the background of the overall goals of NEEDS, Vision 20:2020 and the attainment of the MDGs, identification and articulation of key projects and programmes necessary for the achievement of their goals and objectives bearing in mind their expenditure envelope, costing of the identified key initiatives in a clear and transparent manner, phasing of the implementation of the initiatives over the medium-term (three years), defining the expected outcomes in clear measurable terms and proper linkage of expected outcomes to their objectives and goals. The MTSS became a major policy document against which budget proposals of MDAs were evaluated.[17]

2.1.2 Medium Term Expenditures Framework (MTEF):

As part of the budgetary reform measures, steps were taken in 2005 to develop a medium-term expenditure framework which places emphasis on multi-year (three years) budgeting. The revenue estimates were also based on a Medium-Term Revenue Framework (MTRF). In Nigeria, the MTEF seeks to improve macro-economic balance by developing a consistent and realistic resource framework; improve the allocation of resources to strategic priorities among and within sectors; increase the commitment to predictability of both policy and funding for better planning by MDAs and increased programme sustainability; and provide MDAs with a hard budget constraint and increased incentives for efficient and effective use of funds.

In Nigeria, the adoption of the MTEF at the federal level derives from the need to achieve the right balance between economic development and macro-economic stability direct the bulk of federal spending towards capital spending on the nation's priorities and ensure that

[17] - PFM REFORMS - GIFMIS.

budget holders are accountable for the funds allocated to them and improve the value of federal spending by adding activity and output-based budgeting. That is, agreeing in advance the activity to be performed and the expected output and then comparing this with actual output and explaining the variances.[18]

2.1.3 Treasury Single Account (TSA): The treasury single account was introduced in 2012 as a centralized accounting system based at the Central Bank of Nigeria for the collection and payment of government funds. It is an idea to minimize the numerous bank accounts spread across commercial banks, which was a conduit for corrupt and fraudulent practices. The TSA gives room for effective cash control and cash management, minimizing corrupt practices, loss of funds, and high cost of bank charges. It instills financial discipline in banking activities and provides prompt information on government cash resources.[19] The TSA is primarily designed to bring all Government funds in bank accounts within the effective control and operational purview of the Treasury, in order to: Enthrone centralised, transparent and accountable revenue management; Facilitate effective cash management; Ensure cash availability; Promote efficient management of domestic borrowing at minimal cost; Allow optimal investment of idle cash; Block loopholes in revenue management; Establish an efficient disbursement and collection mechanism for Government funds; Improve liquidity reserve; and Eliminate operational inefficiency and costs associated with maintaining multiple accounts across multiple financial institutions.[20]

[18] - Ibidem.
[19] - ADEKOYA, A. Augustine, Ibidem. P: 2941.
[20] - Guidelines for the Operation of Treasury Single Account (TSA) by State Governments in Nigeria, February 2016. P: 2.

2.1.4 National Chart of Accounts (NCOA):

The Federal Executive Council (FEC) at its meeting on 28th July, 2010 approved that Nigeria should adopt the provisions of the International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS) for Private and Public Sectors respectively. In light of the above, Federation Account Allocation Committee (FAAC) held a meeting on the 13th June, 2011 and a Sub-Committee was set up to provide a roadmap for the implementation of IPSAS among the three tiers of government in Nigeria. The FAAC Sub-Committee has developed a comprehensive and standardized National Chart of Accounts hereafter refers to as NCOA. This NCOA is an integrated budget and accounting classification system which has been prepared primarily for the implementation of the uniform accounting system that is IPSAS compliant.

The NCOA therefore provides the organizing framework for Budgeting, Recording and Reporting on all Government financial transactions in Nigeria. Chart of Accounts is a created list of the Accounts used by an entity to define each class of items for which money or the equivalent is spent or received. It may be defined as a complete list of budget and accounting items where each item is uniquely represented by a code and grouped into tables of related data for the purposes of tracking, managing and reporting budgetary and accounting items in an orderly, efficient and transparent manner. In other words, it can be defined as a created list of codes which can be represented by numeric, alphabetic, or alpha-numeric symbols. This is to enable the entity to define each item of revenue, expenditure, asset, liability, location and other parameters in order to give interested parties a better understanding of the entity.[21] A well-designed chart of accounts makes financial reporting easier while keeping bookkeeping tasks as simple as possible. The NCOA was designed after due

[21] - National Chart of Accounts (NCoA) Users' Manual, 2013, P: 4.

consultations with all the Local Government Councils, States and Federal Government of Nigeria in consideration with their peculiar needs.[22]

2.1.5 The Presidential Initiative on Continuous Audit (PICA):

PICA was set up by (former) President Muhammadu Buhari to strengthen controls over Government finances through a continuous internal audit process across all Ministries, Departments and Agencies (MDAs), particularly in respect of payroll. Through the activities of PICA, more than 50,000 erroneous payroll entries have been identified, with payroll savings of N198 billion achieved in 2016.[23]

2.1.6 Efficiency Unit (EU):

The Efficiency Unit was created in 2016 with mandate to embrace efficiency and transparency in the application of public funds. The unit has ensured cost savings in procurement process, eliminate wastages of financial resources, and reduce duplication of procurements.[24] It reviews all Government overhead expenditure, reduces wastage, provides efficiency and ensures quantifiable savings for the country. Also, the Unit identifies best practices in procurement and financial management for adoption. The Efficiency Unit's efforts have resulted in more than N15 billion in savings on travel, sitting allowances and souvenirs. There was also potential savings of N7 billion on other expenditure lines where the unit seeks to control spending through Circulars. In addition, there is on-going work on the deployment of a price-checker, as well as the use of debit cards for payments.[25]

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[22] - Ibidem. P: 5.
[23] - Transparency & Anti-Corruption – The Statehouse, Abuja
[24] - ADEKOYA, A. Augustine, Ibidem. P: 2942.
[25] - Transparency & Anti-Corruption – The Statehouse, Abuja

2.1.7 Government Integrated Financial Management Information System (GIFMIS):

this started in 2012. It is an integrated information and communication technology-based system meant for public financial management process and reporting. GIFMIS supports revenues generation, resources allocation, funds utilization, and conservation of public financial resources. Also, it gives opportunity to trace government financial transactions, and also uphold efficient and effective management of public resource for sound service delivery. In addition, it strengthened internal controls system to prevent corrupt practices and fraudulent activities in public sector.[26]

The Government Integrated Financial Management Information System (GIFMIS) is an IT based system for budget management and accounting that is being implemented by the Federal Government of Nigeria to improve Public Expenditure Management processes, enhance greater accountability and transparency across Ministries and Agencies. GIFMIS is designed to make use of modern information and communication technologies to help the Government of Nigeria to plan and use its financial resources more efficiently and effectively.[27] GIFMIS implementation will enable the Federal Government of Nigeria process financial transactions faster and at a much lower cost. GIFMIS will also improve the reliability of management information. This will increase the speed at which decisions are taken and services delivered to the general public. It will also reduce opportunities for corruption and ensure safety of public resources.[28]

2.2 Institutional Mechanisms for Financial Governance in Nigeria

A set of institutional mechanisms have been adopted to address and monitor revenue distribution and financial matters; manage public

[26] - ADEKOYA, A. Augustine, Ibidem. P: 2941.
[27] - GIFMIS.
[28] - Ibidem.

funds from fees, taxes, etc. external and internal debt; monitor compliance with accounting, auditing, corporate governance and financial reporting standards, and prudent management of state resources; ensure long-term macroeconomic stability of the national economy; ensure greater accountability and transparency of financial operations within the framework of the medium-term fiscal policy; and ensure integrity, accountability, transparency and competitiveness. Some of these institutional mechanisms are described below:

2.2.1 Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC):

The Commission was established by Decree No. 49 of 1989 as **National Revenue Mobilisation Allocation and Fiscal Commission (NRMAFC)**, a body created to handle revenue allocation and fiscal matters on a continuous basis unlike previous Commissions or Committees which were ad-hoc in nature as they were dissolved on completion of their respective assignments. Decree No. 49 of 1989 was later amended by Decree No. 98 of 1993 (now RMAFC Act Cap. R7 LFN 2004) which also renamed the Commission as Revenue Mobilisation Allocation and Fiscal Commission (RMAFC).

The Commission is also listed in the 1999 Constitution of the Federal Republic of Nigeria (As Amended) under Section 153(1) as one of the fourteen (14) Federal Executive Bodies.[29] The Commission shall have power to- (a) monitor the accruals to and disbursement of revenue from the Federation Account; (b) review, from time to time, the revenue allocation formulae and principles in operation to ensure conformity with changing realities; (c) advise the Federal, State and Local Governments on fiscal efficiency and methods by which their revenue is to be increased; (d) determine the remuneration appropriate to the holders of the offices as specified in Parts A and B of the First Schedule

[29] - Establishing Law | RMAFC.

to this Act; [First Schedule.] (e) make recommendations and submit its finding by a report thereto to the government of the Federation or of the State, as the case may be, regarding the formula for the distribution of the Federation Accounts and the Local Government Accounts; and (f) discharge such other functions as may be conferred on the Commission by the Constitution of the Federal Republic of Nigeria, this Act, or any other Act of the National Assembly.[30] For the attainment of these objectives, the Commission shall- (a) be a statutory member of each of the following Government Agencies- (i) the Federation Account Allocation Committee; (ii) the Local Government Joint Account Allocation Committee; (iii) the Joint Tax Board; (iv) the Niger-Delta Development Commission; and (v) the Commission on Ecological Fund; (b) have the power to demand and obtain regular and relevant information, data or returns from any Government agencies including- (i) the Nigerian National Petroleum Corporation; (ii) the Nigerian Customs Service; (iii) the Federal Board of Inland Revenue; (iv) the Central Bank of Nigeria; and (v) the Federal Ministry of Finance. And It shall be the duty of those Government agencies to comply with requests made by the Commission.[31]

2.2.2 Federal Account Allocation Committee (FAAC):

The Federal Account Allocation Committee was established through the section 6 of the Allocation of Revenue (Federation Account, etc.) Act, which also stated that the functions of the Committee shall be to ensure that allocations made to the States from the Federation Account are promptly and fully paid into the treasury of each State on the basis and terms prescribed by this Act; and to report annually to the National Assembly in respect of the forementioned function.[32] All tiers of Government depend on revenue from the federation account to finance

[30] - Revenue Mobilisation Allocation and Fiscal Commission Act, 2004, section 6.
[31] - Ibidem.
[32] - Allocation of Revenue (Federation Account, etc.) Act No.1 1982. Section 6.

development projects and Section 165 of the Constitution of the Federal Republic of Nigeria 1999 as well as the Allocation of Revenue (Federation Account, etc.) Act No.1 1982, stipulates that the revenues generated by the Federal government should be credited into the Federation Account and disbursed monthly among the three tiers of government as defined in the Revenue Act 1982.[33]

2.2.3 Federal Ministry of Finance:

Between 2015 to 2019, there was a Ministry of Budget and Planning, but the second term of President Muhammadu Buhari merged it with the Ministry of Finance. Until May 29, 2023, it was known as the Federal Ministry of Finance, Budget, and National Planning. On assumption of office, President Bola Tinubu made Finance an independent ministry, now known as the Federal Ministry of Finance. The Ministry of Finance through its agencies plays a pivotal role in Nigeria's financial governance; it coordinates the management of Nigeria's external and internal debt through the Debt Management Office (DMO).

The ministry prepares an annual budget for the federal government and oversees the implementation of the budget and fiscal policies. The ministry of finance, budget, and national planning also ensure manages the monies generated through importation duties by Nigeria Customs Service (NCS).

The ministry also raises and collects taxes on behalf of the federal government through the Federal Inland Revenue Service (FIRS), and initiates and formulates the implementation of policies on the management of public funds through the Office of the Accountant General of the Federation (OAGF).

The ministry develops and expands the non-oil sectors of the economy in order to reduce Nigeria's dependence on oil revenues through the

[33] - FAAC.

Nigerian Export-Import Bank [NEXIM], the ministry manages Nigeria's income from oil exports (Sovereign Wealth Fund) for rainy days through the Nigerian Sovereign Investment Authority [NSIA]. The ministry serves as a funding mechanism to bridge the gap in the provision of local and foreign funds to small and medium-sized enterprises in Nigeria through the National Economic Reconstruction Fund (NERF).[34]

2.2.4 Financial Reporting Council of Nigeria (FRC):

The Financial Reporting Council of Nigeria was established by the Financial Reporting Council of Nigeria Act of 2011.[35] The Council's objectives in the sphere of financial governance are to provide guidance on issues relating to financial reporting and corporate governance to bodies listed in sections 2 (2) (b), (c) and (d) of the forementioned Act; ensure good corporate governance practices in the public and private sectors of the Nigerian economy; ensure accuracy and reliability of financial reports and corporate disclosures, pursuant to the various laws and regulations currently in existences; and harmonize activities of relevant professional and regulatory bodies as relating to Corporate Governance and Financial Reporting.[36] One of its powers is to monitor compliance with accounting, auditing, corporate governance and financial reporting standards in Nigeria.[37]

The functions of the Board are to develop and publish accounting and financial reporting standards to be observed in the preparation of financial statement of public interest entities; review, promote and enforce compliance with the accounting and financial reporting standards adopted by the Council; receive notices of non-compliance with approved standards from preparers, users, other third parties or

[34] - 18 Agencies Under Ministry Of Finance In Nigeria And Their Mandates (infomediang.com).
[35] - The Financial Reporting Council of Nigeria Act 2011, as amended in 2023, Section: 1.
[36] - Ibidem, section: 11.
[37] - Ibidem, section: 7.

auditors of financial statements; advise the Federal Government on matters relating to accounting and financial reporting standards; maintain a register of professional accountants and other professionals engaged in the financial reporting process; monitor compliance with the reporting requirements specified in the adopted code of corporate governance; promote compliance with the adopted standards issued by the International Federation of Accountants and International Accounting Standards Board; monitor and promote education, research and training in the fields of accounting, auditing, financial reporting and corporate governance; review financial statements and reports of public interest entities; specify, in the accounting and financial reporting standards, the minimum requirements for recognition, measurement, presentation and disclosure in annual financial statements, group annual financial statements or other financial reports which every public interest entity shall comply with, in the preparation of financial statements and reports; develop or adopt and keep up-to-date auditing standards issued by relevant professional bodies and ensure consistency between the standards issued and the auditing standards and pronouncements of the International Auditing and Assurance Standards Board.[38]

2.2.5 The Fiscal Responsibility Commission (FRC):

This Commission was set up by the Fiscal Responsibility Act (FRA), 2007, Act No.31, enacted on the 30th July, 2007 by the National Assembly of the Federal Republic of Nigeria. The Commission has the power to compel any person or government institution to disclose information relating to public revenues and expenditure;[39] disseminate such standard practices including international good practice that will result in greater efficiency in the allocation and management of public expenditure, revenue collection, debt control and transparency in fiscal

[38] - Ibidem, section: 8.
[39] - Fiscal Responsibility Act 2001. Section: 2.

matters; undertake fiscal and financial studies, analysis and diagnosis and disseminate the result to the general public.[40]

2.2.6 Bureau of Public Procurement (BPP):

The bureau of public procurement was established by the Public Procurement Act of 2007.[41] The bureau's objectives are the harmonization of existing government policies and practices on public procurement and ensuring probity, accountability and transparency in the procurement process; the establishment of pricing standards and benchmarks; ensuring the application of fair, competitive, transparent, matneney standards and practices for the procurement and disposal of public assets and services; and the attainment of transparency, competitiveness, cost effectiveness and professionalism in the public sector procurement system.[42] Its functions are to formulate the general policies and guidelines relating to public sector procurement for the approval of the Council; cause to be inspected or reviewed any procurement transaction to ensure compliance with the provisions of this Act, review and determine whether any procuring entity has violated any provision of this Act; debar any supplier, contractor or service provider that contravenes any provision of this Act and regulations made pursuant to this Act; maintain a national database of federal contractors and service providers and to the exclusion of all procuring entities prescribe classifications and categorizations for the companies on the register; maintain a list of firms and persons that have been debarred from participating in public procurement activity and publish them in the procurement journal; call for such information, documents, records and reports in respect of any aspect of any procurement proceeding where a breach, wrongdoing, default, mismanagement and or collusion has been alleged, reported or proved

[40] - Ibidem, section: 3.
[41] - Public Procurement Act, 2007. Section: 1.
[42] - Ibidem, section: 4.

against a procuring entity or service provider; recommend to the Council, where there are persistent or serious breaches of this Act or regulations or guidelines made under this Act for: (*i*) the suspension of officers concerned with the procurement or disposal proceeding in issue; (*ii*) the replacement of the head or any of the members of the procuring or disposal unit of any entity or the Chairperson of the Tenders Board as the case may be; (*iii*) the discipline of the Accounting Officer of any procuring entity; (*iv*) the temporary transfer of the procuring and disposal function of a procuring and disposing entity to a third party procurement agency or consultant; or (*v*) any other sanction that the Bureau may consider appropriate; call for the production of books of accounts, plans, documents, and examine persons or parties in connection with any procurement proceeding; act upon complaints in accordance with the procedures set out in this Act; nullify the whole or any part of any procurement proceeding or award which is in contravention of this Act.[43]

2.2.7 Economic and Financial Crimes Commission (EFCC):

The Economic and Financial Crimes Commission was established by The EFCC Establishment Act in 2002; to combat economic and financial crimes, thereby enabling the Commission to prevent, investigate, prosecute and penalize economic and financial crimes. The commission is the designated Financial Intelligence Unit (FIU) in Nigeria, which is charged with the responsibility of co-ordinating the various institutions involved in the fight against money laundering and enforcement of all laws dealing with economic and financial crimes in Nigeria.[44] The Commission is responsible for the investigation of all financial crimes including advance fee fraud, money laundering, counterfeiting, illegal charge transfers, futures market fraud, fraudulent

[43] - Ibidem, section: 5.
[44] - The EFCC Establishment Act 2002, as amended in 2004. Section 1(2).

encashment of negotiable instruments, computer credit card fraud, contract scam, etc.; the co-ordination and enforcement of all economic and financial crimes laws and enforcement functions conferred on any other person or authority the adoption of measures to identify, trace, freeze, confiscate or seize proceeds derived from terrorist activities, economic and financial crimes related offences or the properties the value of which corresponds to such proceeds; the adoption of measures to eradicate the commission of economic and financial crimes; the adoption of measures which includes coordinated preventive and regulatory actions, introduction and maintenance of investigative and control techniques on the prevention of economic and financial related crimes; the facilitation of rapid exchange of scientific and technical information and the conduct of joint operations geared towards the eradication of economic and financial crimes; the examination and investigation of all reported cases of economic and financial crimes with a view to identifying individuals, corporate bodies or groups involved; the determination of the extent of financial loss and such other losses by government, private individuals or organizations; collaborating with government bodies both within and outside Nigeria carrying on functions wholly or in part analogous with those of the Commission concerning - (i) the identification, determination, of the whereabouts and activities of persons suspected of being involved in economic and financial crimes, (ii) the movement of proceeds or properties derived from the commission of economic and financial and other related crimes; (iii) the exchange of personnel or other experts, (iv) the establishment and maintenance of a system for monitoring international economic and financial crimes in order to identify suspicious transactions and persons involved, (v) maintaining data, statistics, records and reports on person, organizations, proceeds, properties, documents or other items or assets involved in economic and financial crimes; (vi) undertaking research and similar works with a view to determining the manifestation, extent, magnitude, and effects of

economic and financial crimes and advising government on appropriate intervention measures for combating same dealing with matters connected with the extradition, deportation and mutual legal or other assistance between Nigeria and any other country involving Economic and Financial Crimes; The collection of all reports relating suspicious financial transactions, analyse and disseminate to all relevant Government agencies; taking charge of, supervising, controlling, coordinating all the responsibilities, functions and activities relating to the current investigation and prosecution of all offenses connected with or relating to economic and financial crimes; the coordination of all existing economic and financial crimes, investigating units in Nigeria; maintaining a liaison with office of the Attorney-General of the Federation, the Nigerian Customs Service, the Immigration and Prison Service Board, the Central Bank of Nigeria, the Nigeria Deposit Insurance Corporation, the National Drug Law Enforcement Agency, all government security and law enforcement agencies and such other financial supervisory institutions in the eradication of economic and financial crimes; carrying out and sustaining rigorous public and enlightenment campaign against economic and financial crimes within and outside Nigeria.[45]

The Commission has Special powers of the cause investigations to be conducted as to whether any person, corporate Commission body or organization has committed any offence under this Act or other law relating to economic and financial crimes; cause investigations to be conducted into the properties of any person if it appears to the commission that the person's lifestyle and extent of the properties are not justified by his source of income.[46] The Commission is charged with the responsibility of enforcing the provisions of the Money Laundering Act 2004; 2003 No.7 1995 N0. 13; the Advance Fee Fraud and Other Fraud Related Offences Act 1995; the Failed Banks (Recovery of

[45] - Ibidem, section: 6.
[46] - Ibidem, section: 7.

Debts) and Financial Malpractices in Banks Act 1994, as amended; The Banks and other Financial Institutions Act 1991, as amended; Miscellaneous Offences Act, and Any other law or regulations relating to economic and financial crimes, including the Criminal code of penal code.[47]

Conclusion

It is clear through the research on mechanisms of financial governance in Nigeria that these mechanisms play an effective role in enshrining the principles of transparency, integrity, effectiveness and efficiency, and reducing financial crimes and corrupt practices in the management of public funds.

It is also clear from the research themes that the most important mechanisms around which financial governance practices in Nigeria revolve are the mechanisms of control, public accounting and financial reporting, while ensuring their conformity with international standards. The research findings attest to the legislative and institutional adequacy of financial governance in Nigeria.

In this context, the research dealt with a number of legal and institutional mechanisms for financial governance in Nigeria, the most important of which are the constitutional mechanisms for financial governance in Nigeria through the roles of the National Assembly, states' Houses of Assembly and the Accountant General at the federal and state levels in achieving financial governance.

The research also touched on the legal mechanisms, namely the Medium-Term Expenditure Framework (MTEF); the Medium-Term Sector Strategy (MTSS); Treasury Single Account (TSA); National Chart of Accounts (NCoA); Presidential Initiative on Continuous Audit (PICA); and Government Integrated Financial Management Information System (GIFMIS). Institutional mechanisms addressed in

[47] - Ibidem.

the research include the Revenue Mobilization and Allocation Commission (RMAFC); the Financial Reporting Council of Nigeria (FRC); the Economic and Financial Crimes Commission (EFCC); and many others. Despite all this, financial governance practices in Nigeria are still very limited in practice due to a host of challenges that can be summarized in lack of human resources to implement financial governance requirements; and poor ICT infrastructure.

To overcome these challenges, the research suggests that there should be continuous capacity building and training for staff in the Ministry of Finance and the Budget Office to improve budget preparation and implementation, control and accountability, and quality reporting; More investment should be made in ICT to minimize the cost of collection and ensure better management of government resources.

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