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PUBLIC SECTOR REFORMS IN NIGERIA: IMPLICATIONS FOR THE PUBLIC SECTOR ACCOUNTING AND BUDGETING SYSTEMS

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ABSTRACT: *This study examines the implications of the public sector reforms on the accounting and budgeting systems in the Nigerian public sector. The provisions of the Fiscal Responsibility Act 2007, being a major framework for carrying out the public sector reforms in Nigeria, are examined in order to determine their compatibility, or otherwise, with the public sector budgeting and accounting systems. It goes on to explore in what ways, if any, the provisions therein would require reform in the public sector financial reporting systems to ensure the achievement of the economic reforms which are to enhance transparency, efficiency, accountability and economic development in Nigeria. The descriptive and ex-post facto research designs were employed. The study established that there is need for a reform of the public sector financial reporting systems if the objectives of the Nigeria Public sector reforms as provided for in the Fiscal Responsibility Act are to be achieved.*

KEYWORDS: Fiscal Responsibility Act, Activity Budgeting, Cost Accounting System.

INTRODUCTION

The issues of accountability, transparency, probity, and budget implementation are at the heart of the developmental problems of the Nigerian economy. The Public Sector Reform started by the government of President Olusegun Obasanjo was embarked upon to improve efficiency, fiscal accountability and transparency in the public sector. These, in turn, should translate to improvements in the economic and development indicators such as per capita, fiscal balance, rate of inflation, GDP, citizen welfare in terms of life expectancy, availability of adequate healthcare and other social services, as well as good business climate needed to expand the economy. The fiscal strategy of the economic management reform is embodied in the Fiscal Responsibility Act 2007 to provide framework for the implementation of the public sector reform.

Objective

A number of scholars have made effort on the link between fiscal reforms and economic growth in developing countries (see e.g. Goode, 1993; Hemming et al, 2002; Khalid, 1996; Lucas, 1988; Easterly and Sergo, 1993; Diamond 2006; Ossowski, 2008). However, no study has been done on fiscal responsibility and accounting and budgeting systems, and how proper coordination between fiscal responsibility and financial reporting systems could achieve the economic objective of fiscal transparency, accountability, poverty reduction and economic growth in the Nigerian setting. This paper seeks to bridge this gap.

This paper examines the suitability or otherwise of the present public sector financial reporting system in achieving the reform objectives. It also examines the implication for public sector accounting and budgeting systems.

LITERATURE REVIEW

Background

Poor public expenditure management in Nigeria has greatly hampered the quality of government capital projects (Okonjo-Iweala and Osafo-Kwaako, 2007; Soludo, 2007; King, 2003). This has resulted in poor service delivery to citizens. According to Okonjo-Iweala and Osafo-Kwaako (2007), weaknesses in budget implementation and monitoring had in the past, resulted in low quality of government expenditures and many uncompleted projects. In their opinion, strengthening the budget preparation and execution process was, therefore, urgently needed in order to improve the efficiency of government spending and improve service delivery to the Nigerian public (Okonjo-Iweala and Osafo-Kwaako, 2007).

According to *ThisDay* (2009) newspaper report which was based on a comprehensive study conducted by the International Budget Partnership (IBP) in 2008, "Nigeria is among 25 countries in the world that provide scant or no budget information to enable the public hold the government accountable for managing their money" (Ikokwu, 2009). The study went on to conclude that nearly 50% of national governments are successful in hiding "unpopular, wasteful and corrupt" spending from the public. In the study, Nigeria scored 19 on a scale of 1 to 100 in the Open Budget Index (2008).

The Fiscal Responsibility Act (2007) is to provide framework for the implementation of the public sector reforms undertaken by the government to convince the world that it was serious about improving the economic and development indices that ranked Nigeria among the poorest, most corrupt, and least developed countries. The Act, according to the then Minister of Finance, Nenadi Usman, is expected to "underpin the economic growth of the country as Nigeria's finances will be managed at a very high standard, and also to revolutionize the budgeting process" (The African Economy, 2006).

The Need for Reform

Since the oil boom era, Nigerian governments allowed oil income to influence spending. What is more? The political structure meant that the federal government collects all oil revenue which it then distributes to states and local governments in accordance with the prevailing revenue-sharing formula (Okonjo-Iweala and Osafo-Kwaako, 2007). Government also distributed oil money, via large contracts, to individuals who had enough wealth and pedigree to influence those in power. The result is that all tiers of government in Nigeria spend far more than they earn such that between 2000 and 2005, Nigeria had a deficit of more than one trillion naira (Phillips, 2006). External and domestic debt amounted to 70% of Gross Domestic Product (Phillips, 2006; Soludo, 2003). This meant that current revenue is largely used to service debt. But even as the national debt grew, past governments did little or nothing to control public expenditure.

In a bid to find solution to the poor economic management situation and other developmental challenges, the Obasanjo administration embarked on economic reforms. In pursuit of this, a number of sectorial reforms were packaged for implementation. Strengthening the budget preparation and execution process was urgently needed in order to improve the efficiency of government spending and improve service delivery to the Nigerian public (Okonjo-Iweala and Osafo-Kwaako, 2007; Soludo, 2007). In the past, weaknesses in budget implementation and monitoring resulted in low quality of government expenditures and many incomplete projects.

The Framework for The Reforms

The entire economic management reform, which is an integrated package of various economic reforms, was started in 2004. The reform programme was based on the National Economic Empowerment and Development Strategy (NEEDS). NEEDS is a 'home-grown' economic development strategy which focused on four main areas: improving the macro-economic environment, pursuing structural reforms, strengthening public expenditure management, and implementing institutional and governance reforms(Okonjo-Iweala and Osafo-Kwaako, 2007).

The implementation of the comprehensive economic reform programme is in four main areas: Macroeconomic reform; structural reforms; government and institutional reforms; and public sector reforms (Iba, 2007). Under the Macroeconomic Reforms Programme, government adopted prudent oil price-based fiscal rule; introduced Medium Term Expenditure Framework (MTEF) and Medium Term Sector Strategies (MTSS); improved implementation of monetary policy by Central Bank; undertook a bank consolidation exercise to strengthen financial sector; adopted trade liberalization policies; and undertook the privatization of some government enterprises. One of the major challenges was to introduce an appropriate fiscal rule to cut the link between public expenditures and oil revenue earnings. This way, external shocks to the economy would be minimized.

Under the Structural Reforms Programmes, there has been civil service reform, deregulation of government activities, bank-consolidation exercise to strengthen the financial sector; trade policy reform; and privatization of some government enterprises. Under Institutional and governance reforms, government introduced the Due Process mechanism in public procurement; reformed public expenditure management; adopted the Extractive Industries Transparency Initiative (EITI) in Nigeria; and established the Economic and Financial Crimes Commission (EFCC) as well as the Independent Corrupt Practices Commission (ICPC) to address corruption in public offices. Under the public sector reform, there has been a restructuring of some government agencies and an expectation of increases in service delivery.

MTEF is defined by Alta Fölscher (2007) as a comprehensive, government-wide spending plan that links policy priorities to expenditure allocations within a fiscal framework—linked to macroeconomic and revenue forecasts—usually over a three-year forward planning horizon.

The MTEF, in Nigeria, is an economic and fiscal strategy document that covers a three-year period but which is revised and updated every year in the manner of a rolling plan. It is the document that spells out the maximum amount that the Federal Government should spend in a particular financial year. This is known as the Expenditure Ceiling. In addition, it also spells out how this amount is to be allocated to the major heads and sub-heads of expenditure. It is this document that spells out the budget objectives and aligns the nation's developmental needs and goals with the available resources in line with the fiscal regime as spelt out in the Fiscal Responsibility Act. Thus, the MTEF is more or less the working paper for the achievement of the economic and public sector reforms in Nigeria.

The MTEF is not a substitute for the annual budget as annual Appropriations are still prepared every year. However, the annual estimates and appropriations are prepared in consonance with the provisions of the MTEF. In order to achieve this, Ministries, Departments and Agencies (MDAs) are required to identify and develop key initiatives in the form of projects and programmes that they will embark upon to achieve their goals and objectives. These are documented as Medium-Term Sector Strategy (MTSS). However, these goals and objectives must be consistent with the economic and developmental goals of the government.

Each MDA is expected to clearly articulate and document their key initiatives. These key initiatives are also required to be costed, phased over a three-year period and linked to expected outcomes. It is to be especially noted that the outcomes as contained in the MTSS are used as policy documents against which budget proposals of the MDAs are evaluated (Budget Office of the Federation, 2009). Although the Fiscal Responsibility Act was signed into law in 2007, the MTSS, according to the Budget Office of the Federation (2009), has been a feature of the budget preparation process since 2005. The Budget Office reckons that this covers at least 80% of MDAs Expenditure (Budget Office of the Federation, 2009).

METHODOLOGY

The research design adopted in this study is the descriptive research design because it seeks to determine the extent of the association between the variables and to draw inferences. However, the ex-post facto research design is also adopted in addition to the above in order to enable meaningful comparison of economic indices between the pre and post FRA 2007 periods as an indication of the effectiveness of the reform effort. The result of the analyses is, ultimately, a pointer to whether or not there is need for reform of public sector accounting and budgeting systems in Nigeria to make the Act more effective. The primary and secondary data were subjected to statistical analyses using tables and graphs.

Sources of Data

The macro-economic indices used for this study are the Federal Government Capital and Recurrent Expenditures, and Budgetary Allocations to the education and health sectors. The sample used for this research is drawn from raw data extracted from the sources listed below and have been used by the researcher to construct tables for data presentation and analyses in this study:

i. Central Bank of Nigeria Annual Report and Statement of Accounts (covering financial years 1990-2009);

ii. The Nigerian Statistical Fact Sheets on Economic and Social Development (2009);

iii. Central Bank of Nigeria Statistical Bulletin;

iv. National Bureau of Statistics Year Books, National Accounts, among others.

The study covers both pre-, that is, 1994 to 2003, and post-, that is, 2004-2013, FRA periods. This gives a total coverage of 20-year period.

FINDINGS AND DISCUSSIONS

This research set out to determine the implications of the public sector reform on the public sector accounting and budgeting systems in Nigeria. To this end, the provisions of one of the major reform implementation frameworks, the Fiscal Responsibility Act, were critically examined to ascertain their compatibility with the public sector financial reporting systems. Also, analyses of the spending pattern of the government was carried out in order to determine how much support the present public sector financial systems have been able to provide for the government to enable it achieve the goal of effective and efficient use of resources for the public good. The research data are presented and analysed and the findings are discussed in detail; also the implications of the results as they relate to the achievement, or otherwise, of the objectives of the public sector reforms are discussed.

The framework for the implementation of public sector reforms is the Fiscal Responsibility Act passed into law in 2007. Several provisions in this Act suggest a shift in paradigm. According to Nenadi Usman, former Federal Minister of Finance,

> *Nigeria urgently needs a Fiscal Responsibility Bill in order to instill some prudence in the management of our public finances. There are a number of major components of this bill such as improving openness in our public budgeting; setting clear rules on the management of public finances; providing transparency in budget preparation, execution and reporting; ensuring prudent public debt management; and introducing key performance indicators to help us focus on results. I believe that by introducing the Fiscal Responsibility Bill, Nigeria's public finances will be managed at a very high standard, and this will underpin our continued economic growth.*

This Act brings about an introduction of performance indicators to help decision-makers focus on result. The emphasis is no longer on inputs alone as this Act effectively creates an input-output dimension in fiscal and financial management in Nigeria. There is a lot of emphasis on matching result with objectives and resources utilized. For example, section 11 (3) (e) provides that "a statement describing the nature and fiscal significance of contingent liabilities and quasi-fiscal activities, and measures to offset the crystallization of such liabilities" shall be contained in the Medium Term Expenditure Framework (MTEF). Section 19 provides that the Annual budget shall be accompanied by:

(i) A copy of the underlying revenue and expenditure profile for the next two years (S19 (a));
(ii) Measures on costs, cost control and evaluation of results of programmes financed with budgetary resources (S19 (d)). Sections 21(2)(b), 22 and 23 add a competitive edge to the way public enterprises are run.

Part III of the FRA 2007 is titled "The Annual Budget". It provides for the guidelines in the preparation of the Annual Appropriations, as well as the components and accompaniments. Section 18 provides for the Medium-Term Expenditure Framework as the basis for the preparation of the annual estimates of revenue and expenditure to be presented to the National Assembly under section 81(1) of the Constitution.

An appropriate public sector accounting and budgeting system (financial reporting system) should ensure fiscal accountability, economy, efficiency, and effectiveness. Fiscal Accountability means not just the executive's responsibility to account for the way public funds are collected and utilized to the parliament, but also the public availability of comprehensive, accurate and useful information on a government's financial activities. Economy describes how effectively a government manages inputs in relation to costs with a view to minimizing the cost of resources used for an activity, having regard to the appropriate quality. Efficiency measures the extent to which a government works with inputs in relation to outputs to ensure that its inputs are used in such a way that they produce as many outputs as possible. Effectiveness refers to how a government manages public resources so as to achieve the intended outputs and outcomes. These are the same goals which the public sector reforms, in general, and the Fiscal Responsibility Act, in particular, seek to achieve.

The existing cash accounting and budgeting systems in the Nigerian public sector do not meet the above requirements and, therefore, are not appropriate for the realization of desired objectives of the FRA. A number of reasons which border on the shortcomings of cash accounting in the public sector can be adduced for its unsuitability in the realization of the PSR/FRA objectives. In the first place, a developing country like Nigeria should invest/embark more in capital projects in order to develop capital infrastructure which forms the foundation for economic and social development. However, public office holders are usually sceptical about embarking on such capital-intensive projects so as not to be seen as spending too much. Their scepticism may be excused because under cash-based accounting and budgeting systems, the amount of money voted for such projects are treated as lump sums spent in the particular fiscal year in which they are released. This is irrespective of the number of years over which the execution of such projects may last and the fact that the benefit may not accrue in the same year that the money is recorded as released. Capital purchases, according to Ouda (2006), are treated in the same manner as recurrent expenses with no recognition that they are productive for years. As a result, capital projects that stimulate economic and social development and which enhance citizen welfare are discriminated against. This point can be buttressed by a comparison of capital and current expenditures of the sectors used in this study for the period under review as shown in the table below.

Table 1: Capital and Recurrent Expenditures for the Education sector for selected years.

Year	Capital (=N=m)	Recurrent (=N=m)	Total (=N=m)	Capital as % of Total	Recurrent as % of Total
1994	2,405.7	7,878.1	10,283.8	23.4	76.6
1995	2,426.4	9,421.3	11,847.7	20.48	79.52
1996	3,215.7	12,136.0	15,351.7	20.95	79.05
1997	3,808.2	12,136.0	15,944.2	23.88	76.12
1998	10,579.3	13,928.3	24,507.6	43.17	56.83
1999	8,516.6	23,047.2	31,563.8	27.0	73.0
2000	10,529.2	39,034.0	49,563.2	26.97	73.03
2001	19,860.0	39,884.6	59,744.6	33.24	66.76
2002	9,215.0	100,240.2	109,455.2	8.42	91.58
2003	14,680.2	64,755.9	79,436.1	18.48	81.52
2004	9,100.0	76,500.0	85,600.0	10.63	89.37
2005	31,900.0	82,800.0	114,700.0	27.81	72.19
2006	32,700.0	119,000.0	151,700.0	21.56	78.44
2007	46,800.0	150,800.0	197,600.0	23.68	76.32
2008	48,800.0	164,000.0	212,800.0	22.93	77.07
2009	43,400.0	90,200.0	133,600.0	32.49	67.51
2010	87,900.0	99,100.0	187,000.0	47.00	53.00
2011	35,400.0	231,800.0	267,200.0	13.25	86.75
2012	47,600.0	197,900.0	245,500.0	19.40	80.60
2013	60,141.0*	367,375.0*	427,516.0*	14.10	85.90

Source: Constructed by Researcher with data sourced from CBN Reports.

*Indicates budgetary allocations. All other figures are actual budgetary spending.

The table above is a presentation of data on Federal Government capital and recurrent expenditures in the Education sector for the selected years (1994 to 2013). These have been extracted from Central Bank of Nigeria Annual Reports and Statement of Accounts and Financial Statements covering the period under study. The capital and recurrent expenditures are also expressed as percentages of their annual totals. These are presented graphically as shown below.

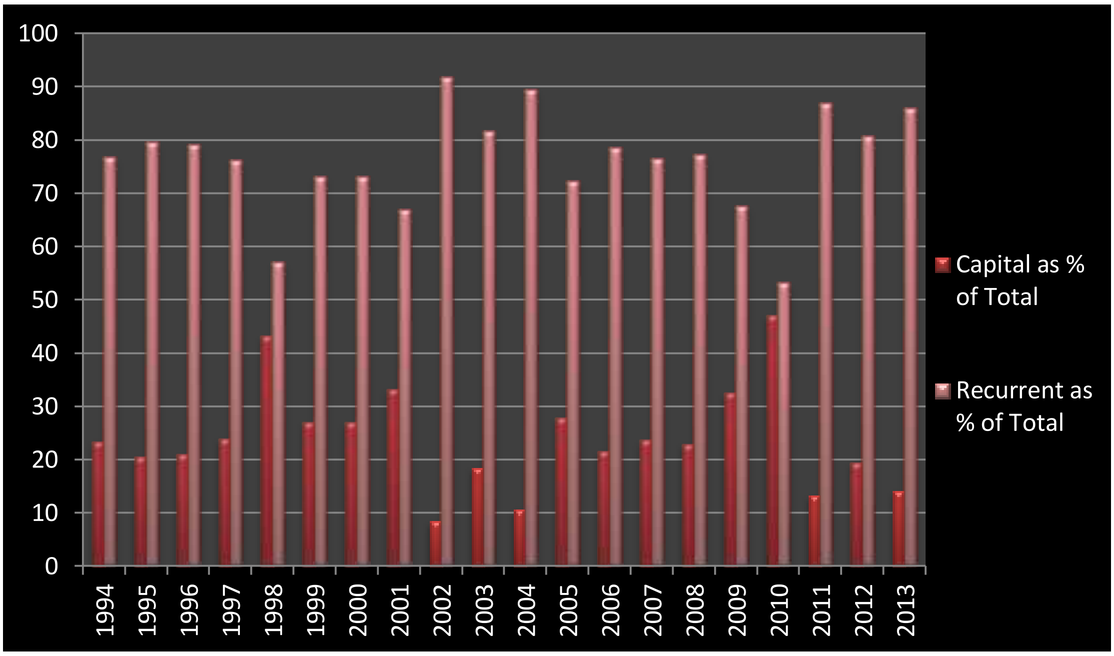


Figure 1: Comparison of Capital and Recurrent Expenditures for the Education sector for selected years.

Source: Constructed by Researcher with data sourced from CBN Reports.

The figure above is a comparison of the data on Federal Government capital and recurrent expenditures as percentages of total in the Education sector from 1994 to 2013 presented in a chart. It clearly illustrates the inherent bias against capital spending. In all the years considered, the recurrent expenditures are much higher than the capital expenditures, contrary to what should be in developing country like Nigeria. The table below shows data for Federal Government expenditure in the health sector along capital and recurrent lines.

Table 2: Capital and Recurrent Expenditures for the Health sector for selected years.

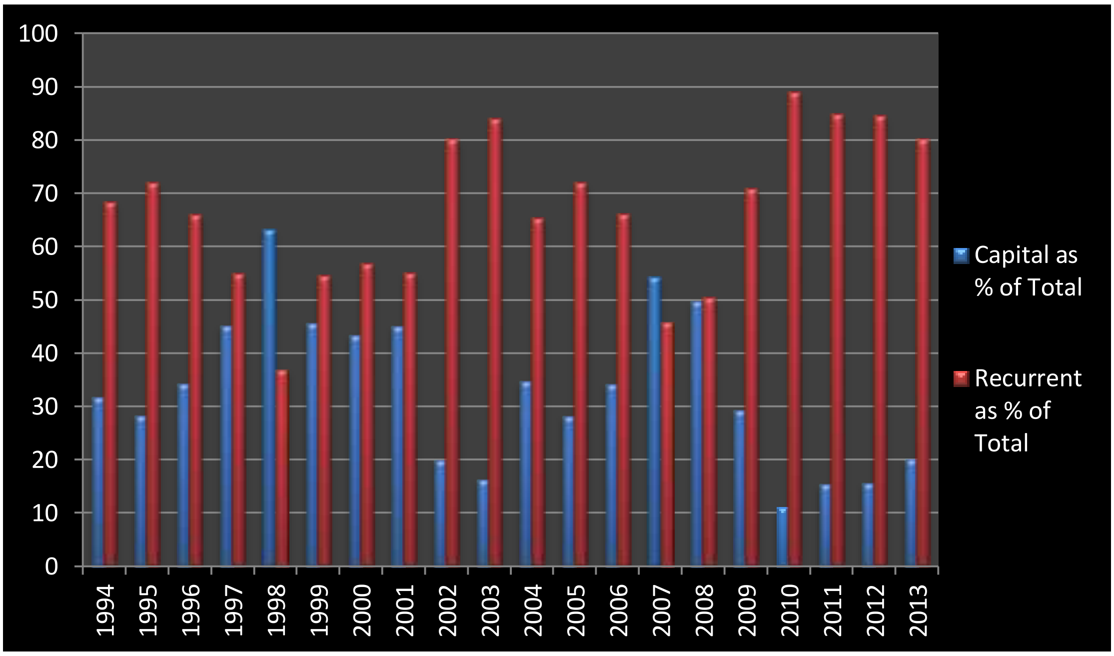
Year	Capital (=N=m)	Recurrent (=N=m)	Total (=N=m)	Capital as % of Total	Recurrent as % of Total
1994	961.0	2,066.8	3,027.8	31.74	68.26
1995	1,312.3	3,335.7	4,648.0	28.23	71.77
1996	1,659.6	3,192.0	4,851.8	34.21	65.79
1997	2,623.8	3,179.2	5,803.0	45.20	54.8
1998	8,307.2	4,860.5	13,167.7	63.10	36.9

1999	7,386.8	8,793.2	16,180.0	45.65	54.35
2000	8,865.6	11,579.6	20,445.2	43.36	56.64
2001	20,128.0	24,523.5	44,651.5	45.08	54.92
2002	12,608.0	50,563.2	63,171.2	19.96	80.04
2003	6,431.0	33,254.5	39,685.5	16.20	83.80
2004	18,207.0	34,200.0	52,407.0	34.74	65.26
2005	21,800.0	55,700.0	77,500.0	28.13	71.87
2006	32,200.0	62,300.0	94,500.0	34.07	65.93
2007	96,900.0	81,900.0	178,800.0	54.20	45.80
2008	97,200.0	98,200.0	195,400.0	49.74	50.26
2009	52,500.0	126,900.0	179,400.0	29.26	70.74
2010	35,000.0	281,000.0	316,000.0	11.10	88.90
2011	39,500.0	217,800.0	257,300.0	15.35	84.65
2012	45,000.0	243,800.0	288,800.0	15.58	84.42
2013	55,800.0*	223,100.0*	278,900.0*	20.01	79.99

Source: Constructed by Researcher with data sourced from CBN Reports.

*Indicates budgetary allocations. All other figures are actual budgetary spending.

The table above is a presentation of data on Federal Government capital and recurrent expenditures in the Health sector for selected years. These are extracted from Central Bank of Nigeria Annual Reports and Statement of Accounts and Financial Statements covering the period under study. The capital and recurrent expenditures are also expressed as percentages of their annual totals. These are presented graphically as shown below.



Source: Researcher

Figure 2: Comparison of Capital and Recurrent Expenditures for the Health for selected years.

The figure above is a comparison of the data on Federal Government capital and recurrent expenditures as percentages of total in the Education sector from 1994 to 2008 presented in a chart. It illustrates the inherent bias against capital spending. In all the years under consideration, except for 1998, 2007 and 2008, the recurrent expenditures are much higher than the capital expenditures, contrary to what should be in developing country like Nigeria. This bias exists because of political considerations and despite the fact that a developing country like need to spend more on capital projects to stimulate economic development.

Another reason that can be adduced for the above result is the treatment of capital expenditures under cash-based regime. There is no distinction between capital and current expenditures under a cash-based regime. Capital expenditures are not spread out over the life of the project for which it was spent. For this reason, Boothe (2007) argues, there is inherent bias against the accumulation of public sector capital in a cash accounting regime. He explains that the interaction of the different accounting regimes with the fiscal rules produces different incentives and government behaviour because the variable on which one of the fiscal rules is based, the deficit, is measured differently under different accounting regimes. In all, the non-achievement of set macro-economic and development targets can be attributed to the bias against capital expenditures that characterize cash-based accounting and budgeting systems.

The results of the data analyses being discussed here are also supported by opinions of other scholars in this field to the effect that accrual accounting is better suited to achieve the reform objectives of countries undertaking fiscal and public sector reforms. Blöndal (2003) observes that instead of spikes in expenditures when individual capital projects are undertaken, these are incorporated into the annual operating expenditures through an allowance for depreciation. According to Wynne (2007), Accrual accounting can play a key role in New Public Management developments as the means by which measurements are made, achievements are documented and negotiations take place.

Public sector reforms or New Public Management reforms focus on performance in terms of efficiency and effectiveness, that is, the management reforms focus on output instead of input and the managers are expected to become completely responsible for the management of their departments. But Ouda (2006) argues that for managers in the public sector to manage their departments in an efficient and effective way, they need an accounting system that can provide them with meaningful information about the economic resources available and the total costs of the output, where management changes are related to accounting changes. Characteristically, cash based accounting system is unable to provide such information. Therefore, according to Ouda (2006), management reforms cannot be enforced or implemented in the context of cash-based accounting system. Since the public sector in Nigeria uses cash-based accounting and budgeting systems, it means that there is need to reform the accounting and budgeting systems in the public sector to equip the Nigerian public sector with the enabling financial reporting system to implement the provisions and also to achieve the objectives of the FRA.

From the point of view of Ouda (2003), government accounting reform is a shift from a cash flow and cash balances concept to a total-economic resources concept. For him, it is an extension of measurement focus to encompass the total economic resources of governmental entities instead of only concentrating on the cash resources. Blöndal (2003) is of the view that accountability is better served by accrual accounting, which recognizes expenses when they are deemed to have been incurred, rather than when they were actually paid, as in cash accounting. So, Accrual Accounting provides more comprehensive information (assets, liabilities, revenues, expenses, net assets and changes therein) about governmental entities and whether these entities are operating economically and efficiently.

Giving reasons for advocating that Hong Kong public sector should move to the accruals system, Man-To Shun (2003) pointed out the inadequacies of the cash accounting system in meeting the objectives of budgeting, financial and accounting systems in the public sector as follows:

> *The Government should be accountable for the scarce resources entrusted to it by the citizenry. By accountable is meant the Government should provide information on how much is in its custody and what it has done about it—particularly in respect of the changes that may not have been easily discerned from the accounts. Cash accounting may not provide the best way for the Government to discharge its responsibility in this respect.*
>
> *Second, the accounts should report fairly on the Government's financial performance and position. As mentioned earlier, the existing cash-based Government Accounts are clearly deficient in this aspect.*

Arguing against what he terms 'the backwardness of cash accounting' and in favour of the suitability of accrual basis in the public sector, Ouda (2005) posits that Accrual accounting with its matching principle means that the actual cost will be recognized in the year in which it occurs. He further emphasizes that the matching principle means that both usefulness and the costs incurred in providing this usefulness have to be recognized in the same reporting period in order to prevent the current generations from benefiting on the account of the future generations or vice versa (Ouda, 2007). This position is understandable because cash-based system recognizes only actual cash receipts and payments during the accounting period irrespective of the period of transaction. Therefore, this system is not suitable for performance measurement as provided for in the FRA (2007).

Rose (2003) posits that reforms in the public sector have led to a shift from the traditional public administration system to the improved and pragmatic management system known as New Public Management. The New Public Management (NPM) focuses on performance evaluation and result-oriented accountability. This new public sector management system has the following features (Ouda, 2004):

(i) focuses on output instead of input
(ii) increases individual responsibility of managers
(iii) gives the managers discretion in the use of resources
(iv) measures performance in terms of efficiency and effectiveness.

Also Folscher (2007) has stated that different countries have applied different mechanisms within MTEFs to improve the quality of information used to make resource allocations. An important aspect of this trend is the introduction of program classification and a performance orientation, often combined in parallel program performance budgeting systems (Folscher, 2007).

In line with the view of Ouda (2004), NPM systems permit greater flexibility of inputs and processes in return for greater emphasis on outputs and performance. Thus it becomes clear that NPM systems such as MTSS are premised on decentralization and accountability. Therefore, there is need to adapt the financial reporting systems in the Nigerian public sector to conform with activity-based and programme performance budgeting which is provided for in the FRA via the MTEF.

Moreover, Scott (1996) has argued that if a country has already made a commitment to a results-based management system that explicitly specifies the objectives of a government entity, the adoption of the accrual accounting system and the application of modern cost accounting principles will improve the ability of the government to assess the costs of achieving those objectives. This view agrees with that of the researcher that Sections 19(d) and (e) and 44(1) (among other sections) which emphasize the input-output dimensions to public sector governance being introduced by the FRA 2007 require the application of cost and managerial accounting tools to be implemented.

The FRA provides the framework for achieving these objectives specifically through the instrumentality of MTEF and MTSS by means of which expected results are supposed to be clearly defined and matched against input resources. Also, alternative means of achieving same goals or results are weighed and the most cost effective adopted. Thus, the FRA clearly provides for the adoption of programme performance budgeting and requires the adoption of techniques capable of measuring the performance of the programmes of government. Also, matching results with inputs as provided for in the FRA employs techniques that are clearly beyond those that the cash-based system, currently being used in Nigeria, can accommodate, such as cost and management accounting (Okoroafor, 2015).

Now, the framework for achieving the objectives of the FRA in the Nigerian public sector is the MTEF. According to Folscher (2007), MTEFs operate best when budgets are developed using a program budgeting methodology. He further opines that if MTEFs are to result in better spending and service delivery, they need to be well integrated with, and complemented by, improvements in other public policy and management processes. A critical reform is that of the budget classification system: it must provide a program view of spending for planning that is linked to an administrative and line-item view for implementation purposes (Folscher, 2007). The challenge here is that this process also operates best in a computerized environment. A general purpose financial statement can usually be prepared in a timely fashion and presented faster if the process is computerized.

Granted, developed knowledge and user capacity in this area is relatively low in the Nigerian public sector as in other developing countries, but does not rule out the possibility of successful reform of financial reporting systems. Ethiopia's budget and accounts reforms recorded a success story. According to Stephen Peterson (2007), a major reason for the success of the budget and accounts reforms in Ethiopia was that the existing system was evolved through a process of learning by doing, that is, process change. He goes on to state that financial management reform in developing countries should be driven by the design of financial procedures.

Process change evolves existing procedures and workflows using Information Technology (IT) in a supportive role. It is a less risky strategy of reform because it works with existing requirements and with existing developed knowledge and user capacity (Davenport, 1993), which is relatively low in developing countries. Ian Lienert's (2002) conclusion after a review of the financial reporting systems in African countries is that critical actions should be directed towards enhancing budget discipline and improving accountability of all those responsible for budget preparation, execution, reporting and evaluation. Although this conclusion was predicated on his opinion that the existing public expenditure management systems with some exceptions were relatively sound while the execution processes were not, it is a pointer to the fact that there exists good foundation upon which improvement can be made in public sector budgeting and accounting systems in African developing countries, Nigeria inclusive. Therefore, in line with the findings of this study, there is need for accounting and budgeting systems reform to be carried out in the public sector but with a process change approach.

CONCLUSION

This study, having critically examined the features of MTEF and MTSS in Nigeria, has established that they are fashioned after the New Public Management (NPM) concept as the study shows that they possess all the features of the NPM. The findings of this research have also established that Nigeria's adoption of MTEF and MTSS has effectively launched her into the league of countries tending towards programme performance budgeting system. This, by implication, means that Nigeria has embraced and adopted the concept of New Public Management in its public sector. However, the public sector accounting and budgeting systems in Nigeria have essentially remained the same. The accounting and budgeting systems in the public sector are still very much cash-based. The systems lack any form of linkage between targets and outputs. It is, therefore, difficult to see how the public sector reforms objectives can be achieved, let alone making any meaningful impact on the lives of the ordinary citizens.

It is clear that the reform of public sector accounting and budgeting systems is an essential driving force in successfully achieving the public sector reform objectives. This is in line with the views of scholars in budgets and budgeting systems. Ouda (2004), posits that the need to expand focus beyond inputs towards a "performance-based" or "output-based" management, to improve the efficiency, effectiveness and accountability of the public sector, and to increase the managerial discretion which gives managers incentive to manage with greater awareness of resource costs, has led to major changes in the public sector accounting system. According to Rose (2003), the shift from old public administration to New Public Management has fundamental implications for budgeting. Traditional budgeting practices focus on economy of inputs, financial regularity, and adherence to procedure. NPM systems, on the other hand, permit greater flexibility of inputs and processes in return for greater emphasis on outputs and performance (Ouda, 2004). In essence, NPM is premised on activity-based, that is, programme-based and performance budgeting. It, of necessity, requires designing budget and financial management systems to improve measurement of the public sector performance. According to Goldman and Brashares (1991), such systems must be characterized by the following requirements:

a. shifting from an input to an output based system;
b. changing from cash to accrual accounting;
c. and creating different forms of appropriations for different types of government activities.

The afore-mentioned features are not found in the accounting and budgeting systems in the Nigerian public sector. This situation accounts for the non-achievement of the objectives of Public Sector Reform in general and Fiscal Responsibility Act (2007) in particular.

POLICY RECOMMENDATIONS

In the light of the above, it is strongly recommended that the relevant arms of government seriously consider taking the following practical policy measures to create the necessary enabling structures and appropriate systems congenial to the realization of the public sector reforms and the provisions of the FRA (2007):

1. The legislative arm of the government which performs oversight function of governance should insist that proper systems to support the implementation of the requirements of the public sector reforms should be put in place as condition for passing any appropriation bill.

2. To enhance efficiency, effectiveness, and accountability, the Budget should not only consist of list of programmes or projects but must also clearly indicate the following:

   i. Strategic alignment of programmes and activities to fiscal and economic development objectives of government
   ii. Mapping of staff and their positions to expected deliverables
   iii. Entering financing data for the all Programmes and Projects

Furthermore, the expected Output (Results) must be clearly defined in the sectoral Work Programmes and national Budget. In essence, each MTSS Work Programme Activity/Programme must appropriately conform to the relevant sector strategy in the following ways:

- Step 1: Alignment to national economic development and strategic objectives.
- Step 2: Alignment to sectoral objectives.
- Step 3: Alignment to output (results).

3. An appropriate Cost Accounting System (CAS) should also be put in place to enable reasonable performance evaluation of government ministries and agencies. Specifically, the CAS will be useful in performing the following:

   i. Computation of the Cost of Deliverables
      - A cost accounting system is useful in the determination of the overall cost of the products and services delivered by the public sector.

   ii. Budgeting Support
      - Cost accounting provides a framework that ensures that resources are used as originally planned in the work programme.
      - A good cost accounting system also provides more granular data, especially at deliverables level, to facilitate the resource allocation process.

   iii. Efficiency Gain
      - A cost accounting system should facilitate the ability to generate and obtain ratios and indicators that enables better understanding of the use of resources across the various sectors of the government.

   iv. Cost Management and Sharing
      - An appropriate cost accounting system enables the public resource managers to determine the administrative costs related to the management of agencies and

parastatals and will also enable the determination of appropriate basis for the distribution of expenses among the various agencies of government.

4. The Federal Government should properly equip and train the appropriate and relevant workforce with and in appropriate ICT techniques.
5. The government should make adequate alternative arrangements to take care of redundancies which the proper implementation of the reform objectives will throw up.
6. The Federal Government and National Universities Commission should consider revising the tertiary institutions' syllabus for undergraduates to reflect the requirements needed and also equip students of accounting and finance for the change in governmental accounting and budgeting, which the public sector reforms require.

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