

## PDF - FUNDS MANAGEMENT AND CONTROL IN THE PUBLIC SECTOR A CASE STUDY OF FEDERAL MORTGAGE BANK OF NIGERIA - researchcub.info1.1                      **BACKGROUND**

Even though a country may be naturally endowed with diverse kinds of resources, the gestures of such country lies in her ability to manage her resources properly. Public sector, in a nutshell, is the sector that manages the resources of the government in order to ensure effective and efficient allocation of these resources for satisfaction of the citizenry concerned. The sector is used in implementing government policies. It is the tool for accelerating development in the entire economy. For instance, it accounts for approximately two-third of gross national products (GNPs) in Nigeria. Public sector includes all government ministries and departments, extra-ministerial department, parastatal agencies, commissions and public enterprises. Being a service-oriented sector, it is usually budget financed.

Essentially, funds, in the public sector, refers to the sum of money or other resources segregated for the purpose of carrying out specific activities in accordance with special regulations, restrictions and limitations. According to Vatter, (1947:3), public sector fund accounting is the demonstration of fiduciary stewardship; to show that resources (funds) have been dealt with in a proper way.

The management and control of funds in the public sector revolves around towards: responsibility and accountability. This has to do with the honest application of funds and in compliance with proper procedures, ensuring that these funds are spent on properly approved items and within the budgeted level. In spite of its paramount importance in the economy, this complex sector has failed to live up to the expectations of bringing the policies and programmes of the government fruition. Cases of financial indiscipline like embezzlement of public funds by public office holders are very rampant nowadays. Depletion of public purse is no longer a new scenario. Most public office holders venture into this sector and come out unprecedently rich. Astonishing, is the way these undesirable elements embezzle these funds and go scot free.

That Nigeria is known as the third most corrupt nation in the world is not an overstatement. This is largely as a result of financial impropriety that is ravaging the public sector. When it comes to public funds, people seem to put aside their moral values. Financial integrity is hardly seen in the public sector. Worst still, is the effrontery being exhibited by these perpetrators even when caught red-handed. The president, Obasanjo, in decrying the high incidence of financial impropriety, said in the daily guardian newspaper on March 25, 2005 that "it is only in Nigeria that you will catch a thief and he takes you to court".

Unfinished projects, non-payment of salaries and pension, and so on, were as a result of misappropriation of public funds in the public sector. No single day will pass without a report on misappropriation of funds in the public sector. This entails the diversion or misuse of funds earmarked for specified project or programme for another unconstitutional selfish purpose. The magnitude is unbearable. One may rightly ask "is the financial statute vis-à-vis public sector not explicit on the way and manner these funds should be utilized? Or is it a resolution among public accounting officers to tow the part of financial indiscipline?"

Financial profligacy is another phenomenon that is wrecking serious havoc in the public sector. There is an accentuated, unbridled and unnecessary squandering of funds in the public sector. About ninety five percent of Nigerians see the public funds as a "NATIONAL CAKE" that fall from heaven. This attitudinal imbalance had led many of these public officer holder to be improvident. The ripples of this overspending are felt all over the economy. Government has continued to run budget deficit, which has had adverse effect on diminishing our gross national products, thus putting the living standard of the citizenry on the

decline. This equally has rendered most public sector organizations moribund. No wonder the government is calling for privatization of most of these public sector organizations. Non performance of these sectors as a result of misappropriation of fund meant for their operation must not be far from what informed government decision to privatize them.

The questions many people are asking are: is the financial regulations, as enshrined in finance (management and control) Act 1958 so weak in combating this menace? Are no procedures for managing and controlling of funds in the public sector? If we have are they weak or do public offices neglect them? Is there no innovation that could be plugged into funds management and control system of this public sector or enable it live up to the expectation? Hence my interest to embark on this project.

Federal mortgage bank of Nigeria is an apex mortgage institution established by the federal government of Nigeria in the year 1977 as a successor to Nigerian Building society established in the year 1956. This apex institution is charged with the responsibility of administering loan at an affordable rate of interest to citizens, for building and buying houses and for renovating their own house through a government approved housing policy known as NATIONAL HOUSING FUND (NHF) scheme.

National Housing Fund scheme,. Being the main focus of Federal Mortgage Bank of Nigeria, was established by decree No 3 of 1992 (now an acts), primarily to address the constraints to the mobilization of long term funds of housing development and to ensure that every Nigeria has access to housing loan at affordable rates of interest. It provides an enduring pool of funds for lending to contributors to enable them build, buy and renovate their own houses. This scheme clearly redefined the activities of federal mortgage bank of Nigeria.

The objectives of federal mortgage bank of Nigeria through the National housing fund scheme includes;

- To facilitate the provision of houses for Nigeria at affordable prices.

- To ensure the constant supply of loan to build, buy or improve their residential houses and also to provide policy over the allocation of resources and fund between the housing sector and other sector of the economy.

- To provide long term loan to mortgage institutions.

The resources of fund as stipulated in the decrees (now an act) includes;

- A mandatory contribution of 2.5% of basic income of every Nigerian both the public and private sectors of the economy (including self-employed) earning an income of N3000 and above per annum.

- A mandatory deposit into the fund by every commercial and merchant banks, of a sum not less than 50% of their non life and life funds through federal mortgage bank of Nigeria.

- A mandatory contribution from federal government of Nigeria.

These funds are managed and administered by the federal mortgage bank of Nigeria in accordance with section seven of the decree (Now an act).

There apex mortgage institution has its head office, presently, at Abuja (the capital of Nigeria) and also it has offices through out the entire thirty six states of the federation and six zonal offices of the six geo-political zones in Nigeria. In Enugu state, for example, the state office has the head as the state controller and the zonal office as the zonal co-ordinator.

## **1.2 STATEMENT OF PROBLEM**

Why is the level of embezzlement of funds escalating in the public sector? What are the root cause of this financial impropriety as observed in the public sector what impact has this on our economy? What have so

warped the mind and values of many public officers that they wallow in the act of misappropriating and squandering of public funds without fear, shame or qualm? Could lack of proper orientation and training, in any way, be responsible of this menace?

How can we introduce an innovation that will bring about effective and efficient funds management and control in the public sector? There are the thought provoking questions which this project tends to answer.

### **1.3 OBJECTIVES OF RESEARCH**

The objectives of this research work are:

To ascertain the damage which this escalating level of embezzlements of funds has done in the public sector.

To find out the extent this financial impropriety affects our economy as seen in the public sector.

To ascertain the extent to which disorientation and lack of proper training in the public sector results in misappropriation and unnecessary squandering of public funds.

To determine to what extent application of ineffective and inefficient funds management and control in the public sector has ravaged our economy.

### **1.4 SCOPE AND DELIMITATION**

The scope of this project borders on mismanagement of public funds (misappropriation, embezzlement, financial profligacy and impropriety and also management and control measures in the public sector with particular reference to Federal Mortgage Bank of Nigeria.

### **1.5 RESEARCH QUESTIONS**

a. To what extent have the escalating level of embezzlement of funds in the public sector affects development in Nigeria?

b. To what extent does financial impropriety as observed in the public sector affects the economy?

c. To what extent does misappropriation and squandering of public funds as occasioned by disorientation and lack of proper training in the public sector hinder our economic development?

d. To what extent does inefficient and ineffective procedures applied in funds management and control in the public sector affects our economy?

### **1.6 SIGNIFICANCE OF STUDY**

The significance of the study are as follows:

a. It will help to assist policy-makers in improving and adopting strategies to reduce funds mismanagement in the public sector.

b. It will provide useful suggestions to avert high incidence of embezzlement and financial impropriety in the public sector.

c. Provide basic information on the causes of various forms of funds mismanagement in the public sector.

d. It will be very useful to policy makers, financial experts, graduates of accountancy, and professionals in understanding and appreciating the pivotal role of funds management and control in any organization.

### **1.7 DEFINITION OF TERMS**

**1. PUBLIC SECTOR** – This comprises of all government ministries and departments, extra-ministerial departments, parastatals, agencies commissions and public enterprises that implement government policies.

**2. GROSS NATIONAL PRODUCTS** – This is the gross domestic product plus the income accruing to

domestic residents arising from overseas.

3. **POLICIES** – This connotes plan of action, statement of aim and ideas especially one made by government.
4. **PROGRAMMES** – These are integrated series of development projects
5. **FUND** – This is a self-contained accounting entity with its own asset, liability, revenue expenditure or expenses, other equity accounts and with its own ledger(s).
6. **FUND ACCOUNTING** – is an entity with a self balancing set of accounts that records cash and other financial resources together with all related liabilities and residual equities set aside for the purpose of carrying on specific activities in accordance with special regulations.
7. **FINANCIAL IMPROPERITY** – This means financial dishonesty or wrong doing.
8. **FINANCIAL POFLIGACY** – This s the act of squandering or unnecessary spending of funds, i.e. extravagant spending.
9. **MISAPPROPRIATION OF FUNDS** – This means intentional or unintentional diverting the funds earmarked for a project or expenditure to another unconstitutional purpose, usually, for selfish benefit.
10. **EMBEZZLEMENT OF FUNDS** – This means a deliberate theft of funds that is placed in ones custody.
11. **MORIBUND** – This means the inability to function **effectively and about to come to an end completely.**
12. **CONTROL** – Facility or power to make events to conform to plan.
13. **MANAGEMENT** – This refers to harnessing all resources (funds) at the disposal of any organization in such a way as to enable it achieve the overall goal.
14. **PARASTATAL** – This is agency of government that renders various services and does not rely on government for monthly subventions but basically is under the supervisory role of ministry. For examples, Nigerian Port Authority, Hotel Presidential, Nike Lake Hotels, Federal Mortgage Bank of Nigeria etc.
15. **MINISTRIES** – These are core government departments that execute various government policies, and rely solely on government subvention for payment of staff salaries. For examples, Ministry Finance, Ministry of Housing and Urban Development, Ministry of Health etc.
16. **EXTRA-MISTRIAL DEPARTMENT** – These are extension from government ministries. They also depend on government for monthly subventions for payment of salaries. For examples, civil service commission, judicial service commission.
17. **BUDGET** – An estimate of future operations which is usually measured in monetary terms but can also be measured in terms of quantities.
18. **PUBLIC ENTERPRISES** – Institutions or public corporations created by government to carry out in the public interest different kinds of operations or render various type of services. They function outside the civil service.

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