

## Due Process Mechanism and Fraudulent Practices in Nigerian Public Sector

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**Abstract:** This study empirically examined whether due process mechanism serve as an antidote for fraudulent practices in the Nigerian public sector. Using 875 subjects in the public sector, the Pearson Product-Moment Correlation statistical tool was employed in order to establish whether due process mechanism is an antidote for fraudulent practices and also to see if due process ensures transparency in the public sector. The study found that due process ensures transparency and is an antidote for fraudulent practices. Another interesting finding from extant literature was that weak internal control system encourages fraudulent practices in the public sector. Thus, the need to re-embark upon moral, religious, ethical and social re-orientation in the public sector on the path of economic progress and development and not for political advantages is eminent as well as rigorous campaigns to awaken the conscious and re-orientate public servants and the general society on the need to refrain from fraud or abetting it. The internal control system operating in the public sector needs to be strengthened. Also, there is need for institutionalizing, internalizing and building ownership for the multitude of reforms within the public sector so as to ensure that it sustains the changes in the anti-corruption campaign in Nigeria. These trends need to continue for the dividends of due process to be fully realized in the Nigerian public sector.

**Keywords:** due process; public sector; fraudulent practices; transparency

### 1. Introduction

There is no question about the existence of fraudulent practices in developing countries public sector which Nigeria is a part of. Fraudulent practice reflects a democracy, human rights and governance deficit that negatively impact on public sector development. It endangers the stability of democratic institutions, discriminates the delivery of governance services and thus results in lack of confidence by the people. UNDP (2005) points that fraudulent practice pose a major obstacle to the achievement of the Millennium Development Goals (MDGs). Thus, one of such crucial issue is to decide on the institutional arrangements for combating fraudulent practices i.e., the choice regarding the kind of framework that need to be established in order to ensure a successful fight against fraudulent

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practices in the public sector – **‘the due process mechanism’**. Due process implies that governmental activities and businesses should be carried out openly, economically and transparently without favouritism and corruptible tendencies (Ezekwesili, 2005). Sabo (2003) opine that public demands and expectations at the grassroots for the provision of essential social and basic services using government resources have continued to be astronomically high, manifested by rising pressure on the resources with which to satisfy these. He further reiterated that the strength of any government depends on the success of its development programmes, which largely depend on an effective implementation of its policies. Thus, the government exists to serve the interest of the citizens.

Over the years, fraudulent practices in the public sector is on the increase largely due to weaknesses associated with the internal control system and other criminal temptations, which to say the least, taps the nation’s resources with its far-reaching and attendant consequences on socio-economic development. Cases of fraudulent practices in the public sector are so pronounced that everyone in every segment of the public service could seem to be involved in one way or the other in some of these nasty acts (Ekpo, 2004). This assertion is not difficult to appreciate if we accept and adopt the simple definition of fraud as “any deliberate false act aimed at deceiving or harming any party, individual or corporate body, in any manner. Halidu (1991) observe that the bane of financial administration in Nigeria since the oil boom years a period under which the foregoing observation becomes relevant, has been the existences of structurally weak control mechanism, which create a variety of loopholes that have tended to facilitate and sustain fraudulent practices. This is coupled, of course, with the fact that there is a near total absence of due process in the conduct of public affairs.

The above tends to expose that there is a management or operational problem in the Nigeria public sector in the financial or the accounting control system (Watoseninyi, 1995). Thus, one need not wonder too much to see how devastatingly fraudulent practices have compromised the administrative competence, performance capacity and general credibility of the public sector - initial estimates of major projects become little fractions of ultimate costs paid, original cash projections produce less than half of the benefits expected and projects which seemed technically feasible and economically viable, turnout “white elephant” if not, abandoned, with serious implications for growth and development.

## 2. Prior Literature

There is little empirical evidence supporting due process mechanism as an instrument in solving fraudulent practices in the public sector in Nigeria. Owing to this fact, we have provided the few empirical literatures on the research. For instance, Owolabi (2010) examined corruption and financial crimes in Nigeria: Genesis, Trend and Consequences. The study reports that fraudsters are busily devising new methods of their nefarious activities and that the government should devise preventive and counter measures to check them. Also, there should be internal control mechanism/checks and balances and provide adequate remuneration and reward for excellence and good conduct.

Africa Development Bank and Africa Development Fund (2004) provided guidelines for preventing and combating corruption and fraud in bank group operations. The study found that due to weak internal control system, fraudulent practices were easily done and as such recommended that there should be the establishment of an oversight committee on corruption and fraud and strengthening of bank internal capacity. Danfulani (2013) examined E-Governance: A weapon for the fight against corruption in Nigeria. The study found that despite the measures by government to combat corruption, the virus of corruption keeps spreading like bush fire in the public and private sectors. At some points, e-governance was introduced to heighten transparency in conduct of government businesses.

Ogundiya, (2009) provided a theoretical perspective and some explanation into political corruption in Nigeria. The study found that apart from the nature and character of the Nigerian state and the problem of ethnicity, that provided a fertile ground for corruption to thrive, there is poor political will to implement anticorruption laws. Therefore, for corruption to be ameliorated there must be constitutional reform that will erase the concept of indigeneity, residence or non-residence or "son of the soil syndrome" from Nigerian politics. Moreover, ethnicity must be demystified in Nigerian politics without which all efforts to eradicate corruption will remain a mirage.

Organization for Economic Co-Operation and Development (2007) investigated Integrity in Public Procurement: Good Practice from A to Z. It was reported that public access to procurement information is essential to transparency and creates a basis for social audit by interested stakeholders. Public information should be easy to find, comprehensive and user friendly providing information of relevance. The

assessor should be able to verify easy access and the content of information made available to the public.

UNDP (2005) provide a comparative study on institutional arrangements to combat corruption using some countries such as Australia, Botswana, Bulgaria, Hong Kong, Indonesia, Latvia, Lithuania, Malaysia, Nigeria, Republic of Korea, Singapore, South Africa, Thailand and United Republic of Tanzania. The study found that one of the main causes of corruption was that corrupt officials at the lower levels of the bureaucracy were reported by the public, frequently no action was taken as superior officers were either directly involved in the corruption or did not consider it a priority. Also, corruption at the lower levels has been attributed to low levels of remuneration in the public sector in the selected countries.

Ejimabo (2013) examined “understanding the impact of leadership in Nigeria: Its Reality, Challenges and Perspectives”. The investigator used Northouse leadership approach to understand the leadership in the current Nigerian leadership situation. Twelve past and present leaders in the government operations of the Eastern Region of Nigeria participated in the study, and the leadership assessment instrument survey questionnaire was used to support the study. While the study showed a great need for change in leadership, the results of the study revealed that most of the leaders and policy makers in the Eastern Region of the country lack effective leadership skills for the positions they hold. The study also suggested some recommendations for improving the current leadership situation in Nigeria.

Sabo, (2003) examined fraud prevention and control in Nigerian public service: the need for a dimensional approach. Using the records compiled from early study covering 637 reported fraud cases in Nigeria, which were committed between 1970-1990 in respect of three-tiers of government selected from ten (10) states the study employs chi-square technique to test the dependence of the types of fraud and the areas covered on the public sector organisation in which they are committed. The study establishes the dependence and calls for systematic review of audit approach among others, to give special attention to fraud dimensions and areas, drawing largely from behavioral, equity, sociological and ethical principles.

Oguonu, (2011) investigated due process and procurement in the Nigerian public sector. The study gave a brief background of Nigeria, a general overview of Due process and Procurement System in Nigerian Public Sector and the major challenges of Due Process Mechanism. It finally draws conclusion and makes recommendations on how best Nigeria can maximize the benefits of effective

Procurement System through Due Process Mechanism. The study found that due process is a framework for implementation and it is committed to tackling corruption, promoting transparency and accountability in Nigeria polity.

Deloitte and Touche (2010) examined public sector fraud by identify the risk areas. The study found that failure to adhere to procurement procedure, misuse of public assets for personal gains, misreporting of budgets to obtain funding among others were the major causes of fraudulent practices in the public sector. It also found that scarce resources, weaknesses in internal controls and senior management override can make any organization in the public sector vulnerable to fraud. Whether overstating overtime, colluding with suppliers or straightforward misappropriation of money or assets, the opportunities to commit fraud exist. However, this study examined due process mechanism and fraudulent practices in Nigeria.

### 3. Methodology

This study is designed to follow a quantitative method. Data collected using questionnaire was analyzed through the Pearson Product Moment Correlation (PPMC). The researcher used some key statistics; one of such is the r-value. The r-value indicates strength and direction ( $\pm$ ) of the correlation. Every r value (a sample statistic) strives to represent r (the actual correlation value in the population). When r gets bigger, we get more confident that there really is a correlation (Kent, 2007). We know one of two things must be true.

$H_0: r = 0$  [There is NO actual correlation]

$H_A: r \neq 0$  [This is a correlation]

If r drops below .05, we reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ). The opposite is the case if r does not drop below .05; we reject the alternative hypothesis ( $H_1$ ) and accept the null hypothesis ( $H_0$ ). The analysis was done via the Statistical Package for the Social Sciences (SPSS).

### 4. Analysis and Interpretation of Results

This section presents the results from the SPSS Software. The table below presents the summary of the Pearson Product Moment Correlation.

**Table 1. Summary of Pearson Product Moment Correlation**

| <b>Pearson's r</b> | <b>t-statistics</b> | <b>N</b> | <b>P</b> | <b>VIF</b> | <b>TOL</b> |
|--------------------|---------------------|----------|----------|------------|------------|
| 0.6350997          | 4.2723282           | 875      | 0.05     | 1.00       | 1.00       |

*Source: Correlation Output*

A Pearson product-moment correlation was run to determine the relationship between due process and fraudulent practices. The data showed no violation of normality, linearity or homoscedasticity. The results further revealed that there is a strong, positive correlation between due process and fraudulent practices, which was statistically significant ( $r = .635$ ,  $n = 875$ ,  $p < .0005$ ). In addition, the results showed a perfect collinearity between due process and fraudulent practices. This was established by the VIF and TOL with values 1.00 and 1.00 respectively. This suggests that due process is an antidote for fraudulent practices in the Nigerian public sector. The belief that why fraudulent activities permeates in the public sector is due to lack of transparency in the public sector has necessitated us to perform another analysis whether due process guarantees transparency.

**Table 2. Summary of Pearson Product Moment Correlation**

| <b>Pearson's r</b> | <b>t-statistics</b> | <b>n</b> | <b>Prob.</b> | <b>VIF</b> | <b>TOL</b> |
|--------------------|---------------------|----------|--------------|------------|------------|
| 0.7770192          | 4.2723282           | 875      | 0.05         | 1.00       | 1.00       |

*Source: Correlation Output*

A Pearson product-moment correlation was run to determine whether due process guarantees transparency in the public sector. The data showed no violation of normality, linearity or homoscedasticity. The results further showed that there is a strong, positive correlation between due process and transparency in the public sector, which was statistically significant ( $r = .777$ ,  $n = 875$ ,  $p < .0005$ ). In addition, the results showed a perfect collinearity between due process and transparency in the public sector. This was established by the VIF and TOL with values 1.00 and 1.00 respectively. This suggests that due process mechanism guarantees transparency in the public sector. The implication of this is that due process leads to transparency in the public sector.

## **5. Conclusion/Recommendation**

The importance of due process mechanism cannot be overemphasized. It is a framework for implementation and it is committed to tackling fraudulent practices, promoting transparency and accountability in Nigeria polity. The results of the study indicated that due process brings about a more transparent, efficient and effective system in place. It leads to increase in government revenue base by minimizing avenues of wastages and leakages in the economy through efficient management of government resources. It should be noted that due process mechanism can produce some useful dividends in the public sector. The study concludes that due process mechanism is an antidote for fraudulent practices in the Nigeria public sector. Thus, it was recommended that there must be strong and functioning accounting internal control and audit systems, manned by competent and morally upright staff; the government should try to alleviate the sufferings of its general population to improve their standard of living and empower them economically; there is need to re-embark upon moral, religious, ethical and social re-orientation in the Nigeria's society on the path of economic progress and development and not for political advantages.

Rigorous campaigns to conscientize and re-orientate the general society on the need to refrain from fraud or abetting it are desirable; there is need for a realistic, efficient and precisely formulated personnel policy in terms of staff recruitment, postings, promotion, motivation and discipline to be put in place to discourage attempts to defraud public sector organizations; ministries and parastatals as well as local governments should endeavour to identify the type of fraud they are susceptible to and mount special efforts to deal with these specially and decisively. They can do this by being alert to the types of fraud prevent and gearing efforts to prevent it.

Finally, there is need for institutionalizing, internalizing and building ownership for the multitude of reforms within the public sector so as to ensure that it sustains the changes in the anti-corruption campaign. Some people feel that our legislators are found wanting in this area. It is necessary that legislators should play a leading role in enthroning the principles of openness, accountability, probity and transparency.

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