

**AN ASSESSMENT OF AUDITING FUNCTION AS A TOOL FOR
ACCOUNTABILITY IN LOCAL GOVERNMENT
COUNCILS OF PLATEAU STATE**

BY

**ONOJA PATRICK JR.
MSCI ADMIN/17758/98/99**

**A THESIS SUBMITTED TO THE POST GRADUATE SCHOOL, AHMADU
BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTERS OF
SCIENCE, Msc
(ACCOUNTING AND FINANCE)**

**DEPARTMENT OF ACCOUNTING, FACULTY OF ADMINISTRATION
AHMADU BELLO UNIVERSITY ZARIA, NIGERIA**

MARCH, 2002.

DECLARATION

I Onoja Patrick Jr. hereby declare that, the entire work here in is the outcome of my research, and to the best of my knowledge has never been published or presented in any form, anywhere for any other degree prior to this research. All materials consulted and used for this research have been duly acknowledged in the references. All errors in the entire work are entirely my responsibility.

CERTIFICATION

This thesis entitled an Assessment of Auditing Function as a Tool for Accountability in Local Government Councils of Plateau State by Onoja Patrick Jr. meets the regulation governing the award of Msc (Accounting and Finance) of Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.

..... Date

Chairman Supervisory Committee

..... Date

Member Supervisory Committee

..... Date

Member Supervisory Committee

..... Date

Head of Department

..... Date

Dean, Post Graduate School

ACKNOWLEDGMENT

It is worthy to start thanking God Almighty who has seen me through all my life. Courtesy demands that I should mention individuals who contributed in many ways to making this research work a success.

First and foremost, I would like to mention Mr. Joseph Onyabe, my supervisor whose meticulous criticisms and suggestions put me on the right part towards the realization of the objects of this work.

Next, I must mention Lecturers of the department whose stimulating lectures has made the difference in my academic life, Dr. M.A. Mainoma, Mr. Akanet Mr. Wato, Late Dr. O. T. Odiongenyi and Mr. Silva. The same thanks goes to the entire staff of the department.

I would like also to thank my good friends; Achimugu Tony Onoja and Joshua Okpanachi who rendered useful help during the programme.

To my dear Sisters, Angela and Alison, I remain grateful. To my dear mother, Madam Otini Onoja, I say remain blessed for you are a darling mother.

DEDICATION

To my Sister Ann of bless memory and my wife Deborah Patrick Onoja

ABSTRACT

The problem of the research study is three-fold:

- i. Are the internal Audit departments of local government councils given the desired independence to carry out their function.
- ii. Do the local government councils apply funds according to laid down rules.
- iii. Do the councils maintain proper books of accounts.

The study, descriptive in nature made use of the questionnaire and oral interview tools of data collection. The data so collected fall into the secondary and primary group of data.

Data collected was mainly in respect of nine (9) local governments. The data was analyzed via the use of tables.

The major findings of the research are:-

- i. **local government accounting:** an investigations shows that the books prescribed by the financial memoranda for use by all local -governments in Nigeria are not properly adhered to. This is due to unqualified staff on ground - who are either school certificate holde¹'9 who have reason through the ranks

The conventional enterprise accounting recognizes the concept of asset maintenance. This means that there is gradual setting aside of funds in form of depreciation for the replacement of assets at a future date. For the local government under study replacement is a matter of management decision, when such acquisition is envisaged, a provision is made in the estimate and if approved and fund is provided, the asset will be replaced.

- ii Local government revenue- investigation shows that statutory allocation gets to local government as at when due. Apart from statutory allocation internally generated revenue is on the increase except that revenue generation problem has to do with the machinery for collection.

iii **Local government auditing:** There was absence of good internal control system in the organization and this makes it impossible for management to achieve good accountability since there will not be any reliable data to rely. From the local government under study, aggregate internal control measures are not in place. This goes to say that internal control measures are inadequate and this account for large scale fraud that is found in local government councils.

LIST OF TABLES

4.1	Collection and Recording of Transactions.....	83
4.2	Approval of Transactions.....	84
4.3	Administration of Internal Control	85
4.4	Independence of Internal Auditor.....	86
4.5	Performance of Internal Audit Department.....	86
4.6	Application of Vouchers.....	87
4.7	Use of Abstracts	88
4.8	Implementation of Abstracts.....	88
4.9	Implementation of Financial Memoranda	89
4.10	Maintenance of Individual and or Deposit Account.....	90
4.11	Revenue Drive.....	92
4.12	Level of Revenue	93
4.13	Investment in bonds.....	94
4.14	Investment in Company Shares	94

LIST OF APPENDICES

i.	Questionnaire	111
ii.	Letter of introduction.....	117
iii.	Summary of State's Statutory Allocation	118
iv.	Share of VAT.....	120
v.	Jos North Local Government-Summary of Recurrent Revenue Estimate..-	122
vi.	Jos South Summary of Recurrent Expenditure	123

TABLE OF CONTENTS

Title Page

Declaration

Certification

Acknowledgment Dedication

Abstract

List of Tables

List of Appendices

CHAPTER ONE -INTRODUCTION

1.0 Background of Study

1.1 Statement of Problem

1.2 Research Questions

1.3 Purpose of Study

1.4 Significance of Study

1.5 Scope of Study

1.6 Definition of Terms

1. 7 Organization of Study

CHAPTER TWO - REVIEW OF RELATED LITERATURE

2.0 Introduction

2.1 Evolution of Local Government in Nigeria

2 2.2 Internal Audit

2.2.1 Objectives of Internal Audit

2.2.2 Advantages of Internal Audit to Management

2.2.3 External Auditors

2.2.4 Appointment of Internal Auditor of the Local Government.

2.2.5 Remuneration of Internal Auditor of Local Government 20

2.2.6 Organization of the Internal Audit

2.2. 7 Duties of Internal Auditor

2.2.8 Power of the Internal Auditor of Local Government.

2. .2.9 Limitation of Internal Audit Department.

- 2.2.10 Lack of Independence and Organizational Position
- 2.2.11 Quality and Strength of Staff of Internal Audit Department
 - 2.2.12 Lack of Co-operation from the Staff of the Organization and management
- 2.2.13 Absence of clear, Simple Standard Principle
- 2.3 Internal Control
 - 2.3.1 Characteristics of Internal Control
- 2.4 Sources of Local Government Finance
 - 2.4.1 External Sources of Finance
 - 2.4.2 Internal Sources of Finance
- 2.5 Local Government Revenue
- 2.6 Local Government Accounting
 - 2.6.1 Purpose of Keeping Local Government Accounting
 - 2.6.2 Duties and Responsibilities of Local Government Treasury
 - 2.6.3 Double Entry Book Keeping
 - 2.6.4 Main Books of Account
 - 2.6.5 The Cash Book
 - 2.6.6 The Revenue and Expenditure Abstract
 - 2.6.7 Advance and Deposits
 - 2.6.8 Imprest System
 - 2.6.9 Journals
 - 2.6.10 Depreciation/Renewal Fund Accounting
 - 2.6.11 Bank Reconciliation
- 2.7 Control of Fund by Authorized Officers 59
 - 2.7.1 Departmental Vote Expenditure Book 59
 - 2.7.2 The Main Ledger and its Reconciliation 60
- 2.8 Financial Control in Local Government 60
 - 2.8.1 Classes of Financial Control 61
 - 2.8.2 Audit Control 65
 - 2.8.3 Establishment of the Office of the Auditor General
- 2.9 Budgeting at the Local Government Level 67
 - 2.9.1 Definition of Budget 67
 - 2.9.2 Budget Preparation

2.9.3 Cash Budget

2.10 Cash Management in Local Government

2.10.1 Management of Cash Flows'

2.11 Summary **CHAPTER THREE - RESEARCH Demonology**

3.0 Introduction 75 3.1 Types of Research 75

3.2 Research Approach 3.2.1 Sample Survey Technique 76

3.3 Research Design

3.3.1 Sampling 78

3.3.2 Data Collection Recording and Analysis 79

3.3.3 Data Processing and Analysis Technique 79

3.4 Summary

CHAPTER FOUR - DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction 82

4.1 Plateau State Local Government Audit 82

4.1.1 Existence of an Internal Audit Department 82

4.1.2 Duties of an Internal Audit Department 82

4.1.3 Detection of Errors Fraud

4.1.4 Segregation of Duties

4.1.5 Authorization of Transactions and Payments

4.1.6 Internal Control Measures Adopted 85

4.1.7 Relationship between the Audit Department and other Departments

4.1.8 Assessment of Internal Audit Department

4.2 Local Government Accounting

4.2.1 Vouchers in use

4.2.2 Recording in the Abstracts

4.2.3 Posting of the Abstracts

4.2.4 Books of Accounts

4.2.5 Balancing of the Books of Accounts

4.2.6 Advance Accounts Maintained

- 4.2. 7 Replacement of Fix Assets
- 4.2.8 Financial Statements
- 4.3 Local Government Revenue
 - 4.3.1 Taxation as a Source of Revenue
 - 4.3.2 Tax Revenue Sources
 - 4.3.3 Assessment of Tax Yield
 - 4.3.4 Revenue Drive Periods
 - 4.3.5 Revenue Officers, Employee of Contractors.
 - 4.3.6 Problems of Revenue Generation
- 4.4 Investment by Plateau State Local Governments
 - 4.4.1 Order Investment
- 4.5 Summary

CHAPTER FIVE - SUMMARY OF FINDINGS, CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS.

- 5.1 Summary of Findings
 - 5.1.1 Findings on Local Government Auditing in Plateau State
 - 5.1.2 Findings on Local Government Accounting in Plateau State
 - 5.1.3 Findings on Revenue in Plateau States Local Governments.
 - 5.1.4 Findings on Investments in Plateau States Local Governments
- 5.2 Conclusion
- 5.3 Limitations
- 5.4 Recommendations
 - 5.4.1 Local Government Audit
 - 5.4.2 Local Governments Accounts
 - 5.4.3 Local Government Revenue
 - 5.4.4 Local Government Investment
- Bibliography

CHAPTER ONE INTRODUCTION

1.0 BACKGROUND OF THE STUDY

Okoye (1998) says that the Federal Government of Nigeria has committed a good part of its annual revenue in running of local government Councils. The chief executive (i.e. Chairmen) Of these 10 local government Councils may not be financial experts by their training, but they are statutorily classified as Accounting officers¹.

This means that as accounting officers they are entrusted with a specific amount of fund. This comes from Federal allocation, state and internally generated revenue. For example, in the year 2001, the federal government allocated the sum of two hundred and forty one million, four hundred and seventy one thousand, seven hundred and ninety eight naira (N241,471,798) to the seventeen local government area of Plateau State.

Oshishami (1987) says that Accounting officers of local Government councils are expected to give stewardship of the use of resources entrusted in their care. To achieve this purpose, they rely on the Accountants in their treasury departments and staff of internal audit units in performing their function as chief accounting officers².

There is growing dissent amongst the populace over the use of their resources, as they do not obtain appreciable value for their contributions. There is collapse in local government administration. They attribute this to rising incidence of fraud.

The local government appears to be the common man's institution which is supposed to provide certain basic services since the Federal and State Government are distant from him. The local Government is expected to judiciously manage their finances.

The general feeling therefore, is that accounting system of local government council is not operating as it should be.

1.1 STATEMENT OF PROBLEM:

The objective of auditing is to assist all members of management and the general public to know how the stewardship functions of those entrusted with responsibility can be ascertained. This can be achieved through, analysis, appraisal, recommendations and pertinent comments concerning activities reviewed.

From some now, the issue of local government finance has been a problem to the government (federal State and local) At one time or the other, certain responsibility of the local government had to be taken over by another tier of government. Some many on going projects have been abandoned and the reason given always is lack of fund. The frequent changes of the Revenue Allocation formula are all attempts to address pro problems associated with the account and finances of the local governments.

The research problem in three fold therefore are:-

- i. That internal Audit departments of local government are not given the desired independence to carry out their functions.
- ii. Local government councils do not apply funds according to laid down rules.

- iii. Local government councils do not maintain proper books of account

1.2 RESEARCH QUESTIONS:

Nnamdi (1991) Says that a research questions serves as a guide to the researcher in his quest for answers to the problem being investigated ³. This study is therefore based on the following research question:

- i. Are the internal audit departments of local government councils given the desired independence to carry out their functions?
- ii. Do the local government councils apply funds according to laid down rules?
- iii. Do the councils maintain proper books of accounts.

1.3 PURPOSE OF THE STUDY:

In line with the problem of the research, the purpose of the study are:

- i. To discover whether there is internal audit independence in local government councils
- ii. To ascertain whether local government councils spend according to laid down rules.
- iii. To discover whether local government are keeping proper books of accounts.

1.4 SIGNIFICANCE OF THE STUDY:

The significance of the study can not be over emphasized. It is intended to carry out an assessment of the auditing functions as a tool for accountability in local government councils. It makes useful suggestions on how to improve where necessary the auditing function of local governments.

The study will be of interest to those in academic as they will appreciate the auditing function as a tool for accountability. It is a reference material for academic staff, students and other interested parties.

Professional accountants will also benefit from this research work in that it will aid them in having a first hand knowledge of local government auditing.

The study is also useful to policy makers in making policies that are consistent with the needs of the local government.

1.5 SCOPE OF THE STUDY:

This research work is an assessment of auditing function as a tool for accountability in local government councils of Plateau State.

The reason behind the selection of Plateau State is the availability of satisfactory data and limitation of financial resources. The study will make use of the latest available guidelines and procedures applicable to the Nigerian local governments.

The study is with Particular reference to nine (9) out of the seventeen local governments in Plateau State. the period under study is the year 1997- 2001. The researcher is quite aware of the implication of lop-sided information in terms of validity and reliability given the sample size. The draw back, however cannot undermine the research work given the frame work of local government reforms and the uniform financial guidelines where each local government is expected to be with the other in terms of structure and operation.

1.6 DEFINITION OF TERMS & ABBREVIATIONS:

In this study, the following words are used with the accompanying connotations:

- i. **Council:** Means a council constituted for a local government established in accordance with the provision of a State edict/law.
- ii. **Local government:** Means a body cooperate established in accordance with the provision of State edict/law.
- iii. **Local government treasury or treasury:** Means the department of the local government set up to administer the finances and general purpose committee and in accordance with the provision of an edict or law, financial memoranda and any other relevant regulations or instructions.
- iv. **Treasurer:** Means the chief finance officer of the local government. The treasurer is the Head of treasury department.
- v. **Plateau State:** Means the composition of Plateau State as from the creation of States.
- vi. **LGT:** Means Local Government Treasury.
- vii. **FM:** Financial Memoranda
- viii. **A.I.E.** Authority to incur expenditure

1.7 ORGANIZATION OF THE STUDY:

The study is basically divided into five chapters as follows:

Chapter 1 is the introductory chapter, which covers the introduction, statement of problem, Research questions, purpose of study, scopes of the study and of course the organization of the study.

Chapter 2 is a review of related literature on the evolution of local government in Nigeria auditing concepts and accounting.

Chapter 3 centers on how the research is carried out (research methodology)

Chapter 4 contains analysis and evaluation of data collected from the field. The audit, revenue, expenditure and accounting.

Chapter 5 give a critical analysis of data (from both the existing literature and field) on the basis of which recommendations are made on how to improve the auditing functions of the local government.

REFERENCES

1. Okoye, A.E. (1988) The quest for accountability in the Nigerian Universities and its implication for independence and security of the Internal Auditor: An overview, The Nigerian Journal of Management Research, Vol. 1 No.1 Jan-June. P50.
2. Oshishami K. (1992), Government Accounting and Financial Control. Spectrum Books Ltd, Ibadan, P10
3. Nnamdi A.(1991) Research Methodology in Behaviourial Sciences, Longman. Lagos. NiQ. P100

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 INTRODUCTION:

This chapter is a review of related literature. We shall be looking at the evolution of local government in Nigeria, Internal audit, Internal control, sources of finance and accounting in local government.

2.1 EVOLUTION OF LOCAL GOVERNMENT IN NIGERIA:

Buoye (1995) says that the history of local Government in Nigeria can be divided into three stages:

(a) 1900-1914

This stage was generally concerned with:

- (i) establishment law and order
- (ii) abolishment of slavery
- (iii) establishment of a system of administration through a network of provinces, native authorities under a unified central government ¹.

The government was carried out through indirect rule system where by the traditional rulers became subordinate to the central government and were almost independent for native laws and custom.

(b) 1914-1947

The activities of this second stage lasting from the beginning of the first world war to the end of the second world war consisted mostly in the building up of native authority institutions such as finance, education building up of native authority institutions such as finance, education and police. The earliest task to be undertaken was the development of a tax system and the establishment of

treasuries. It was possible to channel tax from native authorities to the central government.

(c) 1947 till date.

In the 1945 resident conference it was decided that in order to bring native authority closer to the people, vigorous growth of district and village councils should be promoted. In February 1947 the British Secretary of States' famous despatch advocated the establishment of efficient, representative and local institutions of government.

The initiation of representative regional government was done by MacPherson. This manifested into local government administration in each of the three regions for the north, the east and the west in the 1960s. With this development according to Riddley (1988) it was thought that the role of the local government authority will no longer be that of the universal provider, it is for local authorities to organize, secure and monitor the provision of services, without necessarily providing them ².

The Nigerian civil war which started in 1967 led to the suspension of the Eastern local government and also diverted attention from improving upon local government in other parts of the country. The Gowon administration created 12 states in 1967, which introduced a lot changes. Consequently the local government lost their functions of police and prison to Federal Agencies. This is a prove of lack of confidence in the integrity and efficiency of the local government. By 1969 local government in the country were experiencing crisis and many states were already considering reforms.

Clark and Stewart (1988) observed that in 1976, the Federal Government introduced the unification of local government system with similar structures, composition and function. For the first time in Nigeria, local government became the third tier of government in Nigeria, it was made a community governing itself, legitimately concerned with all that goes on within it and could be expressed in "a power of general competence" for local government ³.

In spite of the status given to local government, the unification was not solely a problem solver for the Federal Government still had to introduce three controls (financial, legislative and judiciary), aimed at guiding against mismanagement of funds, abuse of power and lack of autonomy and efficiency.

In 1991 the Federal Government made a pronouncement that local government Secretaries be appointed by the elected local government chairmen and this is to further consolidate the much needed desired autonomy of the local government and to harmonize their administrative structures with those of the Federal and State Civil Service.

From the fore going, it would be seen that local governments in Nigeria have evolved from a traditional institutions to a much wider representative government.

2.2 INTERNAL AUDIT:

According to Okolo (1987), an internal audit is the independent review or appraisal within an organization of the accounting, financial and other operations as a basis for protective and constructive service to management⁴.

It is a management control, with functions for measuring and evaluating effectiveness of other controls. Thus internal auditing is distinct from the financial

accounting system. It is concerned with appraising the operation of the various other internal control.

It is distinct from the review which one employee makes as part of a 'outline procedure of a voucher- prepared by another employee. Both steps are part of accounting routine. When a later review is made of the vouching process to determine if prescribed procedures are being observed and whether such procedures are adequate.

2.2.1 Objectives of Internal Audit:

Hornsby (1974) defined objective as, of person, writings, pictures In influenced by thought or feeling dealing with outward things, actual facts the, uninfluenced by personal feelings or opinion ⁵.

The objectives of internal audit are as follows.

- a. To monitor the use of resources in the pursuit of the defined objective of the local government.
- b. To secure the continued maintenance of sound system of control within each area of departmental responsibility.
- c. Gboyega (1991) equally said that the essence of internal audit is to assist in protecting the assets and interest of the local government by carrying out a continuous examination of activities in area to detect fraud, misappropriation and irregular expenditure and losses ⁶.

According to Home et al (1971), the secondary objective of internal Audit could be seen in the following light ⁷.

- a. to identify opportunities and provide timely suggestions for improvements in internal control system efficiency, financial or tax planning and

accounting methods to the extent that such identification and provision can be combined economically with the procedures required under the primary objective or one requested by the client, and were not already made during the interim report.

- b. where requested, to prepare the local government financial statement as an accounting service.

Each of the local government interviewed hold shares in at least one company.

2.2.2 Advantages of Internal Audit to Management:

Local government establish the internal audit department so as to aid e organization in meeting its goals more effectively and efficiently. Some of e advantages can be summarized as follows:

- a. Providing data for carrying out operations of the local government. Majority of decisions are based on available information made to management of internal audit department.
- b. b. Promotion of operational efficiency by preventing unnecessary duplication of efforts, protecting the local government against waste in all aspect of the business and by discouraging other types of inefficient use of resources.
- c. Safeguarding of assets and records against theft, misuse and destruction either intentionally or accidentally. Both physical assets such as fixed assets and non-physical ones like accounts receivable or other documents can be tampered with unless they are properly protected.

According to Biggs (1979) the following advantages of internal auditing accrue to management ⁸.

- a. fraud and errors are more likely to be discovered in their early stages. The existence of assets are verified so as to protect the assets of the organization. In ensuring this, the department reviews the tests procedures in connection with receiving and disbursement of cash. It also verifies inventories by taking or observing physical counts, determining the accuracy of pricing procedures and receiving the cost accounting records. It verifies liabilities by reviewing them to ascertain whether all obligations have been properly recorded and to ensure that prescribed payment procedures are followed. Revenue and expenses are viewed regarding property and allocation to proper accounting classification.
- b. errors in account keeping which arise can be corrected while the points are fresh in the mind of the officers concerned.
- c. it acts as a moral influence on the staff and promotes efficiency by compelling the officers to keep the books of account entered up to date.
- d. a detail examination of the financial accounts submitted by contractors is facilitated.
- e. cash disbursement such as wages and salaries may be checked before they are made.
- f. In certain times. Internal auditors may be called upon to evolve a new system of control but he must always take care not to assume responsibilities that could prove beyond his competence.

Above all, internal auditors are responsible to management; hence the amount of help required of them would be determined by management decision.

2.2.3 External Auditors

External auditors examine the validity and reliability of an organization documents and records. To show that the financial statement in auditors reports, which has been prepared from the records, presents a true and fair view of the state of affairs of the local government at the end of the year.

The independent auditor may be interested in the internal control system for different reasons. Some of the reasons are;

- a. it is the only method he can use to determine whether or not an audit is possible. This is because if the control is so inadequate as to present basic reliance on the data, the auditor should refuse to conduct an audit or issue a disclaimer on the statement.
- b. it determines the scope of the audit where internal control system is weak but not too weak to cause the issuance of disclaimer. The auditor has to subject the record to a deep scrutiny or check. It also determines the cost and time of a particular audit work.
- c. it determines the kind of recommendation the auditor may make to management.

A letter of recommendation may be written on the basis of strength of the system and a letter of weakness may be written on the basis of the weakness. Howard (1976) observed other advantages accruing to the external auditors thus⁹.

Firstly, there is inter-relationship of operations. External auditors work on the same field, using the same techniques with internal auditors and they have a common goal to obtain.

- i. an adequate accounting system to provide the information necessary for preparing true and fair financial statement.
- ii. an effective system of internal check to preclude or detect errors and fraud and that it is operating satisfactorily.

Secondly, they have similar methods of approach to auditing;

- i. verification of assets existence and ensuring good records of liabilities
- ii. Examination of the system of internal check to both soundness in practice and effectiveness in operation.
- iii. Observation, inquiring, the making of statistical comparism and such other measures that may be deemed necessary.
- iv. Examination and checking accounting records and statements. Internal auditors work in the same sphere and uses similar methods as the external auditors, hence reduce the work of external auditors. External auditors may rely to a large extent on the work of the internal auditors to see that the internal control is operating satisfactorily and in assessing the reliability of the accounting system. therefore, the external auditor, instead of checking a large number may concern himself to one or two procedural audit tests, hence, time and costs are served. External auditor Des not have to just rely on internal auditors work, they have to make sure tat the internal auditors work is reliable.

Howard (1976) says that the extent to which the external auditor is able to take account of the work of the internal auditor will depend on his assessment of the effectiveness of the internal audit function¹⁰.

The external auditor will be concerned with the following:

- a. the scope, extent, direction and timing of tests made by the internal auditor's scope of work in terms of the coverage of the enterprise.
- b. the degree of independence of the internal auditor from those whose responsibilities he is reviewing. His ability to detect malpractice and correcting such malpractice.
- c. the evidence available of the work done by the internal auditor and of the review of that work. If sample test conducted on the works of the internal audit department shows accuracy, then internal auditor could be relied upon.
- d. the extent to which management takes action based upon the reports of the internal audit function. Ability of the internal auditor to enforce acceptable standard or practice in all sections of the organization.

Internal auditors assist the external auditor in cash surveys and verification of inventories during the accounting periods. Also internal auditor helps in preparing some of the audit schedules needed by the external auditors for his record as well as verification of stock by been present at the stock taking.

Sally (1997) says that Internal auditors are expected ensure that new systems are introduced, system development control are maintained and the new

system are properly tested. External auditor will examine with the introduction of new system ¹¹.

All the same, it is necessary for the external auditor to be aware that the internal auditor are responsible to management, hence management decisions will determine the amount of help to be rendered to them.

External auditors report is used only by management, but also by the public. The importance of this report to the public (especially the words that constitute the local government) is to enable them know how their money is being spent. Since these people cannot go directly to the local government to ask for their financial activities for the past one year. They rely on external auditors reports. As internal auditor is one way or the other assisting the external auditor in producing his report.

Internal auditor ensures that the rules and regulation's establishing the organization as well as those set up by the managements for the effective operations of the organization are complied with. Owners are made to understand and believe that the organization is being properly run to accomplish the set down goals and objective.

Ensuring efficiency of the system of internal control, internal auditor helps to safeguard the assets of an organization. It's controls over assets like building, equipment, fixtures and fittings as well as cash is assured. This assurance is therefore given with the help of internal auditor by safeguarding assets and ensuring liabilities are properly recorded.

Employees exhibit a great deal of laxity and apathy in the discharge of their duties. Laid down rules and regulations are often flouted and fraud often times condoned.

Considering this type of situation, internal audit may be used to make sure that the following are ascertained:

- a. that proper inventory of assets are maintained and that movements of such asset are recorded.
- b. that sufficient provision exists for security
- c. that contracts are not awarded beyond the amount authorized and that such contract have satisfied procedural requirement.
- d. that in case of disbursement of cash all payment vouchers are properly authorized and accompanied with supporting documents like invoices and price compilation.
- e. that in the case of cash receipts, receipts serial number are used, properly stored under lock and key and that the receiving cashier do not enter the transactions into the general ledger.

Internal auditor could help in recommending changes in certain areas so as to ensure increase in efficiency and effectiveness in these operations. The importance of the internal audit unit has made the existence of the unit indispensable that it is established in all local government.

2.2.4 Appointment of Internal Auditor of Local Government:

The local government civil service commission establish in 1989 by the edict of the state government is responsible for the appointment of internal auditors to local governments [section 151 (1)].

Interested person will forward the application to the commission for the post of internal auditor. This body will conduct the interview and employ qualified and competent person and post him to the local government. The body is also responsible for the rotation of internal auditor as the commission deem fit.

2.2.5 Remuneration of Internal Auditor of Local Government

The remuneration of the internal auditor in local government has been It under the control of local government service commission.

This body decides the remuneration and promotion of the internal auditor as well as his dismissal. The commission can carry out any of these action when it feels necessary. This is to make the internal auditor dependent of the executive, the chairmen and other departments of the local government.

2.2.6 Organization of the Internal Audit

Internal audit must be sufficiently independent to enable the auditor to perform his duties in a manner, which will allow his professional judgment Id recommendation to be effective and impartial.

The principle element of independence, which should be present for internal audit to operate effective and impartial.

The principle element of independence which should be present for internal audit to operate effectively are:

- a. Internal audit should have direct access to all departmental heads, chief executive or the management board.
- b. The chief internal auditor should have the right of reporting under of his local government especially on financial matter.

IV he is to check all financial transactions of all departments in the local governments.

Independence is a quality which Accountants have found rather had to define in relation to the work of the auditor basically, it is an attribute of the mind which does not allow the view point and conclusions of the auditor to become reliant on subordinate to the influences and pronouncement of conflicting interests.

The auditor must maintain an awareness of these influences and pleasures in order to maintain his objectives and impartiality in all aspect of his work, thus independence in, this sense is a feature of professional characteristics of human honesty. However a state of mind is not an ideal basis on which to place the confidence of the public merely because of its intangible qualities.

It is important that as well as being mentally independent, he must also be seen to be independent or at least is seen to be in a position of independence. The ideal situation will be in which he has no interest in anything concerning his organization except his audit assignment.

2.2.9 Limitation of Internal Audit Department:

Functions of internal audit are subject to many constraints. Some of which could be collusion of internal audit staff with accounting or other staff his own name, without his report being edited.

- C. internal audit should be independent of personnel directly responsible for the operations under review.
- D. internal audit should completely independent of the financial system operating within the organization, involvement in routine departmental procedures will inevitably impair the work of audit department.

2.2.7 Duties of Internal Auditor

The duties of the internal auditor will be determined by the organization's management and may include:

- a. verification of assets and liabilities
- b. examination and checking of accounting records and statement
- c. Examination of the system of internal control, assessing the effectiveness of principles and operations.
- d. Evaluation of performance, using statistical comparism.

2.2.8 Power of Internal Auditor of Local Government:

Despite the fact that internal auditor in local government councils is accountable and responsible to the chairman of the local government, he has some power in the course of carrying out his duties effectively. These are:

- i. He has power to disapprove any proposed expenditure approved by the accounting officer.
- ii. He has power to query the executives
- iii. He has power to write the external auditor on the state of affairs to defraud the organization. This becomes more possible if people are not rotated often on their job. Others are lack of independence, nature of duties performed, lack of experienced and trained staff in the organizational hierarchy, lack of co-operation from the staff of the organization and the public well as lack of clear and simple standards. These are mainly some of the constraints or limitations that affect the efficiency and effectiveness of the department.

2.2.10 Lack of Independence and Organizational Position

Internal audit department often lack the freedom of independence to effectively do their work. Internal audit department has the function of objectively reporting its findings to management and recommend corrective pleasures where necessary without fear or favour. This is the best way the auditor can assist the management in creating the necessary environment for efficiently accomplishing the set down organizational objectives. In doing this, the internal audit must approach his job with an independent mental attitude.

Stamp (1969) observed that independence is a state of mind. State of mind cannot be measured objectively. They can only be judged by the end results of an auditors mental processes, but since this is the audit report self, such an assessment could be a question begging operational best ¹².

Stamp (1969) equally observed that Internal auditor can only discharge s duties with a considerable degree of independence. Complete dependence is not possible for the internal auditor because he cannot divorce himself completely from the management ¹³

Internal auditor is bound to do such works as assigned to him by the management as long as management appoints him. This is the reason why the idea of impartiality and independence of internal auditor is far fetched. The management promotes the auditor and the auditor will therefore report confidentially for his promotion. It is however, examinable how the auditor can be said to be independent in such a situation.

Internal auditor must assess the degree of compliance to the laid down rules and regulation. Since he has to appraise and review the work of not only

the accounting department but also other departments. He has to rely heavily on technical knowledge and information supplied to him from the department of which he has little knowledge. Therefore, his disagreement with such information may not have the confidence and authority of an expert. By this, one may ask whether such reliance on other does not erode the supposed independence to a considerable degree.

2.2.11 Quality and Strength of Staff of Internal Audit Department

There is the problem of qualified staff for the internal audit function. The functions of internal auditors are materially affected given the situation where there is a grievous shortage of qualified and experienced accounting personnel for audit duties. It is the duty of internal auditor to make detail examination of the accounting system and controls in such areas as cash receipts and disbursements. This should make use of modern auditing techniques like statistical sampling, flow charting and observation of physical controls of inventory. Internal auditors are expected to advice management on an increasingly wider field such as stock and credit control.

Internal auditors must be well trained so as to be able to perform these duties as well as that they should be experienced and have adequate staff strength in their units or department. They should be able to attend conferences, workshops and seminars so as to acquaint themselves with new development in their field.

Internal auditors are sometimes expected to be of little important to the establishment. This is experienced in their nomenclature attached to a division in some organizations where they call it internal audit unit unlike accounting or personnel department.

This internal unit are not been manned by qualified personnel in some local government. No conscious effort is been made to train staff in this unit and the staff strength is abnormally low in some cases.

2.2.12 Lack of Cooperation from the Staff of the Organization and Management

Stettler (1970) observed that the department often lacks the necessary cooperation they needed from not only staff of other departments but sometimes from management, which set them up. This is to say that, without the cooperation, functions of internal audit unit would not be carried out effectively. As part of his duties, internal auditor test evidence for transaction. He vouches the work of other officers including those outside the accounting department. This is to say that auditors are seen as detective in disguise, out arrest criminals ¹⁴.

According to Humband (1976), people generally see auditor as "a past middle age, spare, wrinkled, intelligent, cold, passive, non-committal with eye like a cold-fish, polite in contact but at the sometime calm and composed as a concrete post or a plaster of Paris, with a large heart and without charm of the friendly gem, passion or sense of humour ¹⁵.

One gets to wonder if there is any useful role played by auditors based on all these perceptions by other employees and even the public, but the auditors positively states that lack of cooperation was responsible for late submission of audit report.

Therefore, employees and the public should be made to realize that internal auditing activities are basically for the good of the organization as well as for themselves so cooperation is required of them.

2.2.13 Absence of Clear, Simple Standard Principle

Internal audit department often lack the necessary standard with which to compare their work. Internal auditor has the duty of checking and reporting on work of accounting officers and this can be satisfactorily carried out where there exists unquestionable and clear accounting principles and conventions seems not to exist as viewed by a writer who concluded that in the first place, there is the deceptive nature of the phrase accounting principle. The word principles lead to spurious air of authority and accuracy to a situation, which is in fact almost chaotic.

It is believed that as a result of complex business and economic environment in which accountants operates, accounting principles do not possess the same authority and commanding voice as principles in other areas.

Even where no contradiction exist, the number of accepted alternative are so many that the layman often finds it difficult to believe that accountants are not trick stars, especially where the application of the alternatives yield different results. This is more often in areas like stock valuation, depreciation methods, and some income determination. The purpose of objectivity which the auditors reports and recommendations are expected to portray will be defeated because both internal and external auditors only determined by their judgment, whether a particular method of treatment is appropriate under the prevailing circumstances.

2.3 INTERNAL CONTROL

This is the whole system of financial and other control established and operating within an organization or establishment including internal check, internal audit and all other forms of control.

Robertson (1979) says that, internal control is defined comprehensively in auditing theory as:

The plan of organization and all of the coordinate Method and measure adopted within an organization or establishment to safeguard it's assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed management policies ¹⁶.

This definition possibly is broader than the measuring sometimes attributed to the term. It recognizes that a system matters when it relates directly to the functions of the accounting and financial departments.

Two dimensions of internal control are the administrative controls and the accounting controls. Internal auditors are constantly interested in both dimensions. Independent auditors are most interested in the accounting controls but not to the complete exclusion of the administrative controls.

Administrative controls includes, but it is not limited to the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility of achieving the objectives of the organization and it is the starting point for establishing accounting control of transactions.

Accounting control comprises the plan of the organization and the procedure and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

iv transactions are executed in accordance with the managements general or specific authorization.

IV transactions are recorded as necessary

IV to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements.

IV to maintain accountability for assets.

C. access to assets is permitted only in accordance with managements authorization.

D. the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any difference.

2.3.1 Characteristics of Internal Control:

A satisfactory internal control system is one that exhibits the following qualitative characteristics:

- i. a plan of organization which provides appropriate segregation of functional responsibilities.
- ii. a system of authorization and record procedures adequate to provide reasonable accounting control over assets, liabilities, revenues and expenses.

- iii. Sound practices to be followed in performance of duties and functions each of the organizational departments.
- iv. Personnel of a quality commensurate with responsibilities.
- v. A reliable system of internal control actually operates effectively to detect and correct data processing errors.

D. **Segregation of Responsibilities**

The first qualitative characteristic calls for an appropriate segregation of functional responsibilities. Sometimes this requirement is referred to as division of duties. There are three general duties that should be performed by different departments or at least by different persons on the client's accounting staff.

1. Authorization to execute a transaction. This authorization refers to the person who has the authority and responsibility to initiate record keeping of transaction. Authorization may be general, referring to a class of transaction.
2. Recording of the transaction. This duty refers to the accounting and record keeping function (book keeping), which in some organizations may be partially delegated to an electronic data processing system. If EDP is used, an additional level of control over the machine system is required.
3. Custody of assets involved in the transaction. This duty refers to the actual physical possession or effective physical control of property.

B. Authorization of Recording Procedure:

The second qualitative characteristics to system of authorization and record procedures. In general, such a system means that approved procedures and methods should be employed by the accounting staff. The system consists of the chart of accounts, procedures, manual, computer program and system documentation manuals, flow charts of transactions processing and the variety of paper work forms and approval signature provision that characterize large-volume transaction data files.

C. Sound Practice:

The quality characteristics of sound practices in the performance of duties and function adds another dimension to the first two characteristics. There is overlap among this characteristic and the first two because sound practice also includes appropriate division of duties and appropriate authorization and records procedures. The sound practice dimension refers to the varied error-checking that may be performed in connection with record keeping, including periodic comparison of recorded amounts with existing assets and liabilities.

D. Quality of Personnel

The fourth characteristic is both the most important and the most difficult to evaluate. In fact, auditors have very limited means for discovering whether a clients personnel possess "a degree of quality commensurate with responsibilities" often times, this quality is referred to as the dexterity test or knowledge exams to determine directly whether personnel are competent. Perhaps the best that could be said is that auditors can generally identify the very capable people and the very incapable people. But these two extremes

Occur with too little frequency to be of much practical help in audits. The next best means of assessing competence is to observe and audit the output generated by the people which is direct evidence of their work and indirect evidence of their abilities. This task leads to evidence gathering in the objective compliance testing phase and relates the study and evaluation of internal control to the fifth system characteristic.

E. **Quality System Performance**

Any system may be beautifully designed with complex organization charts, voluminous manuals, and detailed statement of operating procedures, but if the people do not operate the system as designed, then the elaborate system exist on paper. Only tentative conclusions may be based on the evaluation of the first four characteristics. An auditor must perform objective test on important controls, which he intends to rely upon to determine whether the system actually operates effectively as it is designed.

2.4 SOURCES OF Local GOVERNMENT FINANCE:

For the purpose of this study, the various Sources of local government finance are broadly classified into:

- a. External Sources of finance
- b. Internal Source of finance

2.4.1 External Sources of Finance:

This Source is used to refer to revenue that accrues to the local governments outside the ones that are generated internally within the framework of their fiscal jurisdiction. The revenue from this Source could come in the form of statutory grant and loan.

a. Statutory Grant:

The constitution of the Federal Republic of Nigeria provides for the provision of statutory grants from the Federal Government.

According to section 160 (2) of the 1999 constitution "any amount standing to the credit of the Federation account shall be distributed among the Federal and State Governments each State on such terms and in such manner as may be prescribed by the National Assembly".

Schedule 2, part II section 160 (4) of 1999 constitution says that the amount outstanding to the credit of local government concerned on such terms and in such manner as may be prescribed by the National Assembly¹⁷.

The constitution further provides that each state government and local governments in the state shall maintain a Specific account to be called "local government account" into which shall be paid such funds to be applied for joint purposes as may be prescribed by the state or the National Assembly. Each state shall pay to the local governments in its area of jurisdiction such Portion of its revenue excluding the sums and in such manners as may be prescribed by the National Assembly¹⁸. (Schedule II, Part II section 160

(4) The amount outstanding to the credit of the local governments in the local government accounts shall be distributed among the local governments on such terms and in such manner as may be prescribed by the House of Assembly¹⁹. (Schedule I" part II section 160 (4))

The amount or percentage equivalence of this statutory provision has not been very steady in Nigeria successive regimes have always varied it depending

on the economic and financial responsibilities of the Federal, State and local governments.

The formula to be used in allocating revenue (federation account) has always been a thorny issue. Various committees set-up have at one time or the other recommended various formular for revenue allocation viz:

In 1977, the Aboyade commission recommended that the federation account, then known as the distributable public account (DPA) be shared as follows:

- Federal Government - 57% .
- State Government - 30%
- Local Government - 3%

In addition, they recommended the establishment of a central government fund for further distribution among her local governments.

The local governments in the states were expected to benefit from the local government joint account on the basis of five criteria below:

- a. Equality of access to development opportunity 0.25
- b. National minimum Standards for National Integration 0.22%
- c. Absorptive Capacity 0.20%
- d. Independent Revenue and Minimum tax effort..... 0.18%

in 1980 too, the Okigbo Presidential Commission on Revenue Allocation was set up to model the formula after the presidential system of government. The commission consequently made the following recommendations on sharing of federation Accounts:

- a. Federal Government - 53%

b. State Government Joint Account	-	30%
c. Local Government Fund	-	10%
d. Special fund	-	7%

It further recommended the adoption of the following criteria in sharing out the state joint account:

i. minimum responsibility of government (or equality)	-	40%
ii. population	-	40%
iii. social development factor as indexed by primary enrolment	-	15%
iv. internal revenue efforts	-	5%

Before the recommendation of the Okigbo commission could be put to use, the then Bendel State Government challenged the powers of the president to set up such a commission. Consequently, the recommendation saw its abrupt end and the National assembly had to modify the Okigbo recommendation and applied it.

The National Assembly formula was dropped when the Army came to power in 1983 and in its place, Decree No 36 of 1984 (Revenue Allocation Account Amendment Decree) stated the Federation Accounts as follows:

Federal Government	-	55%
State Government	-	32.5%
Local Government Fund	-	10%
Fund for Amelioration of Ecological Problems	-	1 %
Fund for the development of Mineral Producing areas	-	1.5%

100%

According to the Revenue Allocation (of Federal Account) Act 1981, the local government share a National Revenue is to be paid to the states, and in conformity with the constitution has determined that this share will be 100 of National revenue.

It further provided that the distribution to the local governments will be on the basis of 50% to be shared equally 40% proportionate to population and 10% according to land area.

The state governments are empowered to determine the formula for distributing revenue to local government account.

In the 1991 Nigerian National budget, the Revenue Allocation formular was changed and the share of the local government in the Federation Account increased from 10% to 15% with an additional responsibility for primary evaluation and in 1992 budget it was increased to 20%.

The Abacha Administration had a vertical structure which as at January 1997 shared the Federation Account as follow:

■ Federal Government	-	48.5%
■ State Government	-	24%
■ Local Government	-	20.0%
■ Special fund	-	7.5%

b. Grant-in-Aid:

Apart from the statutory allocation from the 'federation account', the 1999 federal constitution further provides that the federation may make grants to a state or to a local government to supplement the revenue of the state or local

government in such sum and subject to such terms and conditions as maybe prescribed by the National Assembly section 162 (1).

Chapman (1953) observed that, in the general scheme of local government finance, government grants serve four (4) basic purpose thus:

- a. It help to argument local government general desire for expansion of service and there is always the difficulty of allocating additional independent sources of revenue to such services.
- b. It help to meet exceptional needs or limited means of particular areas.
- c. It aids central control over particular service. This control may be used to stimulate the development of service at a particular time or to ensure that the quality of a service does not fall below a certain standard over dependence on central grant has danger which Chapman (1953) puts as adequate financial resource which are independent of the state are sine qua non of proper local government, with them, local government authorities become more agents of central government and elected representatives loose most of their points²⁰.

The local governments have not been able to borrow money from the financial institutions because of lack of collateral security. In addition, they have not been able to sell bonds for capital improvement.

In summary therefore, the main external sources of revenue available to local government comprises:

- i. Statutory allocation from federation account
- ii. Statutory transfer from state account or from internal reserves.
- iii. Variety of grants-mainly discretionary grants or mandatory grants.
- iv. Loan from external sources.

The first three constitutes a greater percentage of total revenue of local government.

2.4.2 Internal Sources of Finance:

This refers to the revenue that are within the fiscal jurisdiction of the local governments. This source has a constitutional backing in Nigeria. According to schedule 2 part II section 4 (9) of the 1999 constitution Of the Federal Republic of Nigeria, a House of Assembly may subject to such conditions as it may prescribed make provisions for the Collection of any tax, fee or rate for the administration of law providing for such collection by a local government council.

Where the law of a House of Assembly provides for the collection of tax, fee or rate or for the administration of such law by a local government council in accordance with the provisions hereof, it shall regulate the liability of persons to the tax, fee or rate is not carried on the same person in respect of the same liability by more than one local government council²¹. (Chapman 1953).

According to the 1999 Nigerian Constitution, the main functions of the local government are:

- a. the formulation of economic planning and development schemes for the local government area.
- b. collection of fees, rates and television licences
- c. establishment and maintenance of cemeteries and homes for destitutes

- d. licencing of bicycles, trucks (other than mechanically propelled truck) canoes, wheel barrows and carts.
- e. Establishment, maintenance and regulation of slaughterhouses, market, motor parts and public convenience.
- f. construction and maintenance of roads, streets lightings, drainage, parts, gardens, open spaces or such public facilities as maybe prescribed from time to time by the house of Assembly of a State.
- g. Naming of roads and streets and numbering of houses. g. registration of all births, death and marriages.
- h. Assessing of privately owned houses or tenement for the purpose leaving such rate as may be prescribed by the house of Assembly of a State.
- i. control and regulation of:
 - i. out door advertising and hoarding
 - ii. movement and keeping of pets of all description
 - iii. shops and kiosks
 - iv. Restaurants, bakeries and other places for sale of food to its public .

In addition to the above list, the constitution further provides that the functions of the local government shall include participation of such local government in the governance of a state as it relates to the following matters namely:

- a. The provision and maintenance of primary, adult and vocational education.
- b. The development ,of Agriculture and Natural Resources, other than the exploitation of minerals.

- c. the provision and maintenance of health services
- d. Such other functions are maybe conferred upon the local government by the House of Assembly of the State ²².

In carrying on these functions, the local governments are by implication allowed to raise revenues from the functions (where appropriate).

Other sources of internal revenue are:

- a. Taxation
- b. Licences, rates, levy and fees
- c. Investments

Taxation:

Taxation is an old and important source of finance to the government. Abubakar (1987) gave the definition of taxation as defined in public finances as a compulsory contribution imposed by the public authority, irrespective of the exact amount of service rendered to the tax payer in return and not imposed as a penalty for any legal offence. Halidu in his book, public finance and budgeting principles, practice and issues, made a summary of the many definitions of tax as a legal instrument which is used to extract money payments from citizens (or residents) of a country or within a tax jurisdiction ²³.

The basic distinction between tax as a revenue source and fees or rates is that in the case of tax, there is 'quid pro quo' between the tax payer and the public authority, it simply means that the tax paid is not a condition for enjoying or obtaining specific goods and services. It is only an individuals contribution to the cost of government. The importance of this source of finance to the government could be summarized in the phrase 'the power to tax is the power to rule.

On a broad note, taxes could be direct or indirect. A direct tax is that type of tax whose burden or incidence falls on the person or corporate body whose income or property is taxed. Examples of direct taxes include personal income tax, petroleum profit tax etc.

In the case of indirect tax however, the burden of tax is shifted to another person other than the person or body being taxed. Examples of indirect taxes include duties like excise, import, export and other miscellaneous taxes.

It should be noted that taxation as an element of fiscal policy service various purposes as:

- i. A source of revenue to the government
- ii. A means of incomes re-distribution a income equalization
- iii. Acts as an instruments for income stabilization

CONDITIONS NECESSARY AND SUFFICIENT FOR HIGH TAX YIELD: As

has already been pointed out in this study, taxation is an old and important source of government revenue (local government). As important as it may be, there are some conditions that must be fulfilled to make taxation assumed this role and they include:

- a. the type and elasticity of taxes
- b. the revenue capacity of a given tax: jurisdiction
- c. the revenue efforts

Types of Elasticity of Taxes

Elasticity is a defined as the change in demand as a result of a change in price. In taxes, elasticity could be taken to mean responsiveness of tax yield to changes in tax base.

If a change in tax system of that tax jurisdiction is inelastic and so may not serve an effective revenue function on the other hand, if a change in tax base change the tax yield (positively), we say that the tax: system is elastic and could serve an effective revenue function.

REVENUE CAPACITY OF A GIVEN TAX JURISDICTION

The revenue capacity of a given tax jurisdiction refers to both the size and distribution of the aggregate tax base and the amount of tax that can be justifiably or fairly imposed on the tax paying public. It follows therefore that the positive revenue capacity is found in a tax jurisdiction characterized by:

- (i) high level of industrialization
- (ii) an active and productive population
- (iii) a high level of employment –
- (iv) a favourable tax powers

The taxable capacity or revenue capacity of any local government depends on the factors mentioned above. The positiveness and negativeness of stage of development depends on the level of industrialization, population involved in active productive/level of employment among other factors. The sharing of tax powers also has bearing on the revenue capacity of given area.

The type of power allocated a particular governmental level will determine the extent to which that level can use taxation as an instrument of revenue generation.

The Revenue Effort:

Revenue efforts refers to the aggregate effort (human and material) geared towards tapping and exploiting or given tax jurisdiction of it's tax revenue

potentials. The efforts is directed at various types of taxes within a given tax jurisdiction. In the local government. For instance, the effort should be directed at community taxes, rates, fees and licences etc. closely related to the tax revenue effort are two factors that determine the effectiveness of the effort. These factors are:

- i. The machinery for revenue allocation
- ii. The institutional factors surrounding tax assessment and collection.

The machinery for revenue collection refers to the agency of government responsible for tax collection. It is made of staff and equipment (e.g. vehicle). The combination of responsible tax collectors (staff or personnel) and availability of vehicles determines how much efforts can be exerted in revenue collection.

The institutional factors refer to the attitude staff to work and the effective level of corruption. Where the attitude to work is negative and the level of corruption high, there is the tendency for tax yield to be low.

Though important as a revenue source, the effectiveness of taxation is very much dependent on two (2) factors discussed above. If a tax system is elastic, the diversification or multiplicity of tax base could lead to high tax yield. If the revenue capacity of a given jurisdiction is positive, it is only a necessary condition for high tax yield. A necessary and sufficient connection, however is that in addition to positive tax operating, the revenue efforts must also be positive (favourable), local government are no exceptions. The effectiveness of 'taxation' as a source of finance for our local government very much depends on the factors already discussed.

Going by the definition of tax given (above), one could say the main sources of revenue from taxation for local government include:

- community tax
- property tax
- cattle tax

Licences Rates Levy and Fees:

A break down of these could be in the form of parking or garage charges, licencing and regulation of bicycles, carts and other type of vehicles, registration of births, deaths and marriages, licensing, supervision and regulation of bakeries, sanitary inspection charges, market fees etc.

All resources accruable from items on the exclusive reserve list of local governments are by implication, however, be noted that the state through its edict determine what the sources of revenue of particular local government should be.

Investment:

Investments also constitute and source of revenue to the local government on broad basis investment could be internal or external, investment refers to investments in shares of companies, commercial banks and government bonds within the country while external investment refers to monies invested in foreign countries which yield interest to local government at agreed time period.

Whether from external or internal sources, revenue could either be recurrent or capital in nature. Recurrent revenue includes all receipts other than the ones specifically in respect of capital development works. Capital revenue refers to revenue relating directly to the cost of capital development projects. It

includes specific government grant in and of capital expenditure and other receipts such as disposal of capital assets.

The new estimate format provides that recurrent estimates be sub- divided into nine heads with code number 1001-1009 while capital revenue be sub- divided into four heads from 3001-3004 as follows:

Recurrent Revenue:

Head 1001 - taxes

Head 1002 - rates

Head 1003 - local licences, fees and funds

Head 1005 - rent on local government property

Head 1006 - interests, payment and dividends

Head 1007 - grants

Head 1008 - miscellaneous

Head 1009 - statutory allocation

Capital Revenue:

Head 3001 - internal Resources

Head 3002 - external Loans

Head 3003 - grants

Head 3004 - miscellaneous

2.5 LOCAL GOVERNMENT EXPENDITURE:

Expenditure of local governments are patterned after the cost of goods delivered or services rendered (whether paid or not) provision for debt retirement (not regarded as a liability) and capital outlays.

On a broad not therefore, local government expenditure is classified

Into:

1. Capital expenditure
2. Recurrent expenditure

Under the new estimate format recurrent and capital expenditure are classified as follows:

Recurrent Expenditure:

Head 2002 - The Councils

Head 2002 - Office of the Secretary

Head 2003 - district Administration

Head 2004 - Treasury

Head 2005 - Planning and Budgeting

Head 2006 - Education

Head 2007 - Health and Social Welfare

Head 2008 - Community development, Information, Sports and Culture

Head 2009 - Works and Housing.

Head 2010 - Agricultural and Natural Resources

Head 2011 - Commerce and Industries

Head 2012 - Traditional Officers Head 2013 - Miscellaneous

Head 2014 - Contribution to local government loan fund

Head 2015 - Transfer to reserve fund

Capital expenditure:

Head 4001 - (a) Economic Sector

Head 4002 - (b) Social Service Sector

Head 4003 - (c) Area development Sector

Head 4004 - (d) Administrative Sector

Head 4005 - (e) Repayment of Capital Loans

Estimates provides a sound means of control over local government expenditure in that:

- (i) there shall be no spending above the approved estimate for particular head or sub-head except such excess is approved by appropriate authority.
- (ii) where a particular head or sub-heads vote is unexpended in a financial year, it cannot be used to meet the needs of other heads unless approved by the appropriate authority.
- (iii) at the end of the financial year, the unexpended balances of vote estimate (if capital grant deposit account in the project concerned). This amount shall be transferred to the capital revenue of the project the following year when it is needed (FM include in definition of terms. 27.11).
- (iv) Where expenditure is incurred in excess of the approved estimate without due authority, the officer who directed the payment of such shall be held personally liable for the excess expenditure.

2.6 LOCAL GOVERNMENT ACCOUNTING:

Bull (1980), Says that accounting is concerned with the quantification of economic events in money terms in order to collect, record, evaluate and communicate the results of past events and to aid in decision making.²⁴

From this professional definition, three (3) things are very clear of accounting discipline.

- (i) The accounting system provides a chronological permanent recorder of all transactions involving money or money worth.
- (ii) It provides an analysis and classification of the transactions showing the amounts received from various sources of revenue (in local government for instance, of taxes, rates, licences, fees etc.).
- (iii) It provides information to enables the preparation of the organization or institution. In relation to local government, such statements comprise mainly statement of revenue and liabilities. The equivalence of these statements in business organization or profit oriented organization are profit and loss account and balance sheet.

Like the financial statement of business organizations are needed by interested users (as governments, creditors, analyst, investors, pressure group etc.) For one type of decision or the other, the account of the local government serve the same purpose.

2.6.1 Purpose of Keeping Local Government Account:

- (i) it serves as evidence that all sums of money due to the local governments have been received and properly accounted for and that all claims settled by the local governments are properly chargeable against it's revenue.
- (ii) it provides detailed costs of individual establishments, services and projects to enable the costs as ascertained to be used for control purposes with a view to eliminating excessive expenditure, losses and wastage.

- (iii) It helps to provide management accounting service to the council to facilitate the reaching of prompt policy and management decisions on the basis of accurate and comparative financial position.
- (iv) It gives end of month or year financial position of the local government for specific purposes it could be put to.

2.6.2 **Duties and Responsibilities of Local Government Treasury:**

Ejisun (1985) observed that, local government treasure according to financial memoranda for use in local government treasuries in Nigeria is the department of a local government set up to administer the finances and funds of local government under the finance and general purpose committee and in accordance with the provision of an edict, or law, financial memoranda any other relevant regulations or institution ²⁵.

The treasury is responsible for:

- (i) the care and custody of the local government funds (either in cash or bank account)
- (ii) seeing that all revenue due to the local government is collected promptly and properly and is paid into the local government fund promptly.
- (iii) making all payments out of the local government funds and ensuring that such payments are properly authorized and relate to the duties entrusted to the local government.
- (iv) participating in the preparation of local government estimate in the form and manner prescribed.

- (v) Keeping the prescribed accounts and records of local government transactions up to date at all times.
- (vi) exercising control over the accounts and financial records kept by other departments or officials and seeking that such accounts and records are submitted to the treasury for checking at the prescribed times.
- (vii) Keeping and storing all accounts and records in an orderly manner and ensuring that they are available to the auditor, internal auditor or local government inspector and any other persons authorized to inspect such accounts and records.
- (viii) Preparing all financial returns as and when they are required, so that they can be submitted and promptly on the dates they are due.
- (ix) Dealing promptly with queries arising from inspection or audits and keeping records of such queries showing how they were cleared.
- (x) Dealing promptly with all correspondence concerning the financial transactions and financial affairs of the local government.

2.6.3 Double Entry Book Keeping System:

The financial memoranda (FM 18.1) require account of the local government to be prepared using the double entry system of book keeping. The double entry principle states that every change in anyone element of assets,

liabilities or equities of an entity is accompanied by another charge, numerically equal but of opposite sign in another element ²⁶.

The principle is based on the fact that every transaction has two (2) aspects to it-the 'giver' and the 'receiver' and both aspects are recorded in the books of account by debiting the 'receiver-party' and crediting the 'giver- party' .

2.6.4 **Main Books of Account:**

The local governments are required to maintain the following books of accounts:

- 1 Cash book kept and maintained in accordance with provisions of the financial memoranda chapter 19.
- 2 The journal are called 'the adjustment record or summary of adjustments (maintained according to FM 20 prescription).
- 3 Daily and monthly abstract summaries of revenue and expenditure prepared from payment, receipt are journal vouchers.
- 4 the main ledger Which shall include the following accounts
 - a. Revenue (total) Account or General Revenue Balance Account, Expenditure (total) Account Showing monthly totals of votes.
 - b. Remittance (total) Account
 - c. Advances (total) Account
 - d. Investment (total) Account
 - e. Deposit (total) Account
 - f. Loans (total) Account
 - g. State Government Central Account
 - h. Revenues Fund Total Account

- i. Surplus (or Deficiency) Account
- j. Reserve Fund Account (if any)

In addition to the main books, local governments are expected to maintain the following subsidiary books.

An Advances ledger which shall include:

- 1. Motor Vehicle Advances
- 2. Other Personal Advances
- 3. Imprest Advances
- 4. Other Advances

b. Deposits ledger which shall include:

- 1. Renewals fund deposit account
- 2. Special rate reserve fund (where appropriate)
- 3. Other deposit account

FM 23.7 provides that at the end of each month these accounts shall be balanced and summarized on form. LGT 85 agreeing with the balance on the deposit account in the main ledger.

c. Investment ledger which shall include:

- 1. General investment in Nigeria
- 2. Overseas investment (where appropriate)
- 3. Deposits with the Accountant-General of State Government
- 4. Renewal fund investment 5. Local Government Fund

FM 23.9 provides that at the end of each month these accounts be balanced and summarized on form LGT 80 agreeing with the balance on the investment account in the main ledger.

d. ***Suspense ledger which shall includes:***

1. Un allocated stores suspense account
2. Vehicle suspense account
3. Other suspense account.

This also requires monthly balancing and summarization on form LGT 85

4. Remittance ledger
5. Loans ledger
6. Vote service ledger which is made up of:
 1. department votes revenue account book and
 2. department votes expenditure account book

All these ledger account are expected to be balanced and summarized and reconciled (as appropriate) at the end of each month.

2.6.5 The Cash Book:

Since treasury management of local government is actually concerned with cash management, the importance of cash book cannot be over emphasized. Like in profit making organizations, in local government too, the cash book is used to record cash receipts and cash payments. The financial memoranda (19.4; 19.7) provides that cash receipt and payments be entered in the cash and bank columns as appropriate. The FM further provides that for any receipt and payment vouchers backing up transactions. The cash book shall be kept on form LGT (FM 19.3).

After the cash book entries have been made, posting will still take place as appropriate to the various other accounts to complete corresponding debit or credit entries.

Cash and bank transactions and the keeping of the cash and the responsibility of the finance department cashier, who should not be the same person as the finance officer nor be made responsible for keeping any of the other authority accounts. The cashier is required to balance his cash daily and for this purpose must keep a Till Book (LGA from 69-Sec 19.21). This simple form is shown:

TILL BOOK

DATE:.....

Details	N	K	Details	N	K
Cash in hand at the start of business			Total payments for the day (last PV entered is No...)		
Total receipts for the day (last RV entered is No...) ,			Cash in hand at the close of business		
Total			Total		

The two totals must agree and the finance officer is required to check the Till Book and cash in hand at the close of the day before the cashier leaves, and certify their correctness. It is not necessary for the cash book to be ruled off completely each day but the totals of each days transactions must be calculated and entered in the debit and credit 'daily total' columns. Regulations governing the strong room in which must be stored monies in hand and keeping the strong room register and given in FM 5.8 to 5.13. The use of strong room to store actual coinage and the notes should be minimized nowadays with the better availability of bank facilities and only cash needed for immediate requirements, kept therein, surplus monies being promptly deposited in the bank.

At the end of each month the cash book must be totaled, and the cash and bank balances ascertained. The totals of the 'daily totals' columns and when the balancing figures and inserted and added to the totals, the final totals of all the debit columns must be the same as the totals of the credit columns.

An example of the closing entries in the cash book at the end of the month is given below:

Cash Book

Month.....

DR. Receipt

Payment CR

	CASH	BANK	DAILY TOTAL		CASH	BANK	DAILY TOTAL
Balance at the beginning of month	N'000 2000	N'000 8000	N'000 10,000	Monthly total payment	N'000 17500	N'000 11000	N'000 28500
Monthly total receipt	20100	9200	28300	Balance at the end of month	4600	6200	10806
Total	22100	17200	39300		22100	17200	39300

2.6.6 The Revenue and Expenditure Abstract:

In order that the book keeping entries might more easily be understood, in practice, transactions are entered in separate books known as 'abstracts'. The receipts abstract contain the items of revenue analyzed under the various head and sub heads; the payment abstract contains the analysis of the items of expenditure. These abstracts are totaled monthly and only the overall monthly totals of receipts and payments are posted to the main ledger. The main ledger would be impossibly large without these separate books. The total receipts for a month are posted to the credit side of a main ledger 'revenue account' and the total payments to the debit side of an 'expenditure account'. It is important to understand that the abstract are not subsidiary accounting records, but constitute an integral part of the accounts.

The cash book receipts and payments vouchers have to be entered daily abstracts, on form LGT 73A. Each of the daily abstracts has separate sections

for each sub-head of revenue and expenditure, arranged in the order of the estimates and for the other accounts as may be appropriate, namely;

- 1 Motor vehicles loans advances
- 2 Deposits
- 3 Investments
- 4 Renewal Fund
- 5 Loans
- 6 Remittances
- 7 State Government Central Account

At the end of the month, after all the receipts and payments voucher have been entered, the adjustment vouchers are entered from the adjustment ledger and the monthly totals obtained for each sub-head. It should be noted that any adjustment (journal) voucher debit entry to a revenue sub-head, must be entered in need and subtracted when arriving at the monthly totals.

Examples of daily abstract entries are given below.

Daily Abstract of Revenue

Revenue Relating to Special Services

Head of Service VID Health

Sub-Head No.1

Sub-Head description: Conservancy or compost charges Amount in Estimate

₦1000,000

Dates	PV/RVN NO.	Amount	Monthly total	Running Total	Balance available/outstanding
7/4	17	15	N'000	N'000	N'000
14/4	31	10			
21/4	54	15			
28/4	102	50			
31/4	AVA	5			
3/4	8	10	73	158	842
9/5	19	25			
15/5	31	12			
20/5	40	8			
28/5	57	15			
30/5	AV.2	3			
10/4	20	<u>Deposits</u> 25			

Daily Abstract of Expenditure

General Works and Services

Head of Services: VIIRD Roads and Communication Sub Head No.6

Sub Head Description: Motor Vehicle-Maintenance and Running Cost Amount in

Estimates N2, 5000,000

Dates	PV/RV NO.	Amount	Monthly total	Running Total	Balance available			
-/4	5	32	N'000	N'000	N'000			
6/4	24	8						
12/4	40	84						
13/4	45	15						
20/4	61	22						
27/4	101	103				264	264	2236
3/5	6	18				161 25	425 25	
12/5	30	5						
14/5	35	11						
19/5	51	48						
22/5	56	64						
18/5	84	26						
31/5	AV8	11						
28/5		<u>Deposits</u> 25						

The monthly totals of the revenue and expenditure sub-heads in the daily abstracts are posted to the monthly abstracts, form LGT 74. The monthly abstract, are of revenue and one of expenditure, have sections for each main sub-heads, again arranged in the order of the estimates. Under each head, two

columns are provided for each sub head and at the top of the two sub-head columns is entered the amount approved in the estimates for the sub-head. In the first of the two columns is entered the monthly total from the daily abstract and in the second column the balance outstanding of the approved estimate or 'vote'. Two additional columns are provided for each head giving the total of the monthly figures for all the sub-heads, and cumulative totals to the date of the receipts or the expenditure.

2.6.7 Advance and Deposits:

The financial memoranda (24.1) permits local government to advance money along the following lines: 1. Personal advances 2. Imprest advances

3. Advance account in respect of irregularities 4. Other types of advances

Personal advances are only made to employees of the local government for the following purposes:

- I. to purchase motor vehicle or motorcycles
- II. to purchase bicycles
- III. by way of salary advance when proceeding on leave.
- IV. any other purpose approved by the ministry for local government

(FM 16.2).

Where a person employed by the local government and having a personal advance outstanding dies or leaves the local government for any reason other than on transfer to another public body, the amount outstanding shall be deducted from any funds from the local government to his dependants or himself or shall be recovered from his estate.

If all efforts to recover the outstanding advance fails, it shall be written off after approval has been given by the ministry for local government, a copy of which must be given to the auditor.

2.6.8 Imprest System:

The FM 4.23 provides that an imprest advance maybe granted to any official who holds, an Authority to Incur Expenditure' (AIE) for the purpose of meeting payments which cannot conveniently be made by the treasury. The authority for imprest advance shall be given as follows:

- i. the Secretary
- ii. The finances and General purpose
- iii. The council

Imprest shall be retired when the purpose for which the imprest was granted is completed or at such intervals as are prescribed when the imprest is approved. However all imprest shall automatically be retired at the end of the financial year.

Imprest Cash Book:

It is expected of every imprest holder to keep an imprest cash book according to the following rules:

- i. enter the initial advance as a receipt
- ii. properly authorized payment vouchers must accompany all payments from the imprest account.
- iii. all expenditure from the imprest account was authorized.

- iv. before replenishment of the imprest, the holder is expected to submit his cash book and payment vouchers to the treasury for cross-checking.
- v. once replenished, the imprest holder must record it as receipt in his cash book and process continues all over again.

Imprest account shall be retired under two (2) conditions;

- a. when the purpose for which the imprest was granted is complete At the end of each year

2.6.9 Journal

The journal also called 'summary adjustment' or the 'adjustment record' is a book of original entry used to record financial transactions which do not involve the actual payments or receipt of cash. The entries to be made in the journal include the following:

- i. correction of wrong allocation on vouchers which have already been recorded in accounting records of the local government.
- li writing off amounts cash or stores that are irrecoverable.
- li adjusting for profits or losses on sale of investments
- iv. Adjustment of the suspense account etc.

2.6.10 Depreciation/Renewal Fund Accounting:

In respect of vehicles devoted to hiring services, FM 36.18 provides that there shall be hire charges sufficient to cover among other things, the depreciation of the vehicle and the maintenance costs and any other expenditure arising from the operation of the vehicles.

Provision shall be made in the accounts of a business venture for the renewal of capital assets such as building, plant or machines. Such provisions shall be made by setting up a 'renewal fund' maintained by annual charges to the expenditure of the venture (FM 29.1). The annual charges to the fund depends on the estimated cost of replacing the capital assets and their estimated useful life.

The annual contribution is expected to be revised:

- i. when new assets are obtained; and
- ii. At least every three years to ensure that provision is sufficient to replace the asset in the light of current price levels.

No expenditure shall be made from the renewals fund except with the approval of the council. Such expenditure is also restricted to the replacement of the particular capital asset for which provision has been made.

The proceed from the sale of an asset so replaced shall be credited to the ventures account as current revenue. In respect of renewal fund, the FM (29.12) further provides that a renewal fund deposit account shall be opened from each business venture in the deposit ledger. This account shall be credited with all related deposits and interests while expenditure shall be debited.

The annual contribution to the renewals fund are expected to be fully invested at all times in one of the following ways;

- a. with the Accountant-General of the State Government
- b. on fixed deposit with a bank or savings bank
- c. can deposit with the local government loans authority
- d. on deposit with the local government fund.

Where there is no expenditure on replacement assets during the year the whole of the annual contribution is invested.

Where the expenditure on replacement, exceed the annual contribution, the excess must be with draw from the renewal fund investments. The receipt voucher is credited to the investment account.

2.6.11 Bank Reconciliation Statement:

The FM (5.4) requires ail local government to maintain an account with one commercial bank except where the commissioner approves the maintenance with two other banks. They are also expected to maintain cash book (FM 193) with two columns relating to transactions respectively.

Officers of the local government (i.e Revenue Collectors and Other) collecting revenue on behalf of the local government are expected to pay in such money to a near by bank if they are from the treasury office. This is to avoid the difficulties and risk involved in transporting sums of money over long distances. Where that is the case a copy of the bank paying-in slip, receipted by the bank is sent to the finance department cashier, who will then make out a treasury receipt and receipt voucher in the usual way. Such a transaction is entered in the bank column of the cash book.

When the local government requires cash from the bank a cheque is drawn payable to 'cash'. Likewise the local government could bank the cash in their possession. In these cases, the transactions affect the cash book and so they are treated specially as 'contra entries'.

One would expect that the bank column of the cash book and the actual bank balance in the bank book should always be the same but most times they are not for the following reasons:

1. Cash book payments to bank not yet credited in the bank statement.
2. Bank statement credits (e.g. interest and bank deposit) not in cash book
3. Cash book cheque, payment not debited. In addition to cheques drawn by the local government during the month but not presented for payment; there may be cheques still outstanding from the previous bank reconciliation statement.
4. Bank statement debit (e.g. bank charges, standing order etc.) Not in cash book.

Since these reasons cause the totals of cash book and bank statement to disagree, there is a need to reconcile them. The main purpose is to verify the balance of the account of the local government with the balance of the account in the bank.

After all the points above (a-d) have been identified, the final reconciliation statement will be prepared in this format:

Balance as per cash book	xxx
Add: Total un-presented cheques from previous month	xxx
Add: Total outstanding receipts for previous month	<u>xxx</u>
Less: Debit in the bank not in cash book	xxx
Less: Credits in the cash book not in bank	<u>xxx</u>
Balance as per bank statement	

2.7 CONTROL OF FUND BY AUTHORIZED OFFICERS

The FM provides that the council shall delegate in writing to the officer of the local government who shall be known as "officer controlling Vote", the control of expenditure under specific heads or sub-heads of the approved estimates or under specific advance or deposit accounts. Such control could be delegated to the head of department, secretary, most senior official, officer in-charge of particular service as appropriate.

An officer controlling a vote may, with the approval of the local government, delegate control of a vote or part thereof to another senior local government officer or, in exceptional circumstances, to a government officer and sub-divide the funds available in a vote between specific works and services, by the issue of an A.I.E.-.

Payment vouchers must be authorized by the officer controlling a vote or by the person to whom an A.I.E has been issued. The signature of official authorizing the payment certifies the correctness of all the details on the voucher. He will therefore, be held liable for any payment in excess of approved votes, which are unreasonable or are found to be irregular in any aspect.

2.7.1 DEPARTMENTAL VOTE EXPENDITURE BOOK

The officer controlling the vote or has the authority to control vote is expected to maintain a departmental vote expenditure book containing a separate account on Form L GT 42 for each head or sub-head of the approved estimates and for such non-personal advances and deposit accounts for which he has responsibility. The books shall show:

1. The total expenditure approved in the estimates;

2. Payments made chargeable to the particular sub-head or votes;
3. Liabilities incurred e.g. for contracts, stores etc; and
4. The balance of funds unspent at any date.

Each time an entry is made in an account in the Departmental Vote Expenditure Book, the total liabilities and balance of fund available, shall be adjusted so that the position of the vote can be seen readily at any time.

2.7.2 THE MAIN LEDGER AND ITS RECONCILIATION

According to FM 22, the main ledger is a summary of the financial transactions of the local government during a financial year. This summary is made up of the monthly totals or control accounts, details of which are recorded in the subsidiary record books. The essence of the monthly reconciliation of accounts is to ascertain the accuracy in the accounting entries in all the main books in the treasury.

The following accounts are expected to be kept in the main ledger of a local government:

1. General Reserve Balance Account;
2. Cash and Bank Combined Account;
3. Reserve Fund Account (if any);

Just like the accounts of profit-making organizations, those of the local governments are also kept on the double entry principle. The trial balance, a list of balances in the ledger is also prepared from the main ledger accounts at the end of each month on Form LGT 77 A or Form LGT 78 is it designed to give the administration a concise picture of the financial position and of progress made by the local government.

Using the trial balance, the statement of surplus and deficit is prepared monthly showing the net surplus or deficit and also the statement of assets and liabilities.

2.8 FINANCIAL CONTROL IN LOCAL GOVERNMENT

More than ever before, local governments in Nigeria are assuming the role of a third tier government. This status certainly requires enough revenue to maintain. Consequently, the revenue base of the local governments have been defined and broadened by the Babangida administration. Some of the measures include 20% share of the Federation Account, now paid direct to the local governments, and the 10% share of the state internally generated revenue as well as a large pool of internal revenue available to each local government. The establishment and sustenance of a sound financial control is therefore important.

2.8.1 CLASSES OF FINANCIAL CONTROL

Broadly speaking, the financial controls operative in the local governments are of two categories viz: Internal and External financial controls.

While internal control refers to the checks and balances established either by the local government councilor prescribed by the financial

memoranda (FM), external control relates to the control mechanisms used on the local governments by the states and the federal government. The responsibility for internal financial control is mostly vested in the local government council (made up of the chairman and all his councillors). Collectively however, the responsibility for internal control rests with the council, treasurer, all heads of department, the internal auditor and revenue collectors.

In view of the huge revenue accruable to the local government, the council is expected to maintain a system of controls to ensure accuracy and reliability of

records and eradicate fraud, extravagance and waste. In pursuance of this objective the council has the following general responsibilities:

1. To ensure that there is compliance with the provisions of Financial Memoranda (FM) and that financial directions under any Edict or Law issued by government are strictly observed;
2. To ensure that all revenues are promptly collected and accounted for;
3. To ensure that all expenditure is properly authorized and satisfactorily achieves the purpose for which is intended;
4. To ensure that adequate safeguards exist for the custody of funds, stores and other assets of the local government;
5. To ensure that all annual estimates, supplementary estimates development plans, annual accounts, financial statements, and other financial returns are submitted on the due dates and in the manner required by the memoranda;
6. To ensure that boards of surveyor boards of enquiry are appointed on cash in hand (in accordance with FM 5.17) revenue earning books (in accordance with FM 7.15) losses of funds (in accordance with FM 8.6) allocated/unallocated store in accordance with FM 34).
7. To ensure that, where applicable, all staff whose duties involve the handling of revenue or property are adequately bonded and that appropriate disciplinary action is taken against any individual held personally responsible for losses of funds or stores, for making improper or unauthorized expenditure, for failing to collect revenue

for which he is responsible or in any other way, failing to discharge his financial duties ²⁷.

These responsibilities are accomplished through the finance and general purposes committee (FGPC). To ensure that the committee performs its duties effectively, the following statements, records and reports must be placed before it on a monthly basis (FM 1.5):

1. The monthly reconciliation of accounts showing the position at the end of the previous month (FM 1.5.1);
2. The bank reconciliation statement as at the end of the previous month (FM 1.5.2);
3. The revenue collectors chart (FM 1.5.3);
4. A report on the checking of the accounts of revenue collectors and any irregularities in regard thereto (FM 1.5.4);
5. A report on the cash flow situation showing probable receipts and estimated payments for each month of the following three months (FM 1.5.5);
6. A report on the checking of accounts of revenue (FM 1.5.6);
7. A statement showing progress in the collection of revenue under the various main heads as compared with the estimated amounts (FM 1.5.7);
8. The personal and other advance ledgers and the deposit ledgers showing the up-to-date position of each individual account (FM 5.8);
9. Any applications to incur supplementary expenditure reports by the treasurer on any of the matters referred to in FM 1.5.9) or

10. Any failure to reconcile departmental records with those of the treasury (FM 1.5.9);
11. The Register of Audit correspondence and a statement showing progress made in dealing with any outstanding matters raised by the Auditor or the local government inspector (FM 1.5.11);
12. The Register of Authorities for supplementary expenditure or virement (FM 1.5.12).

Since the Treasury Department is the centre of financial activities, it is about the most important department in the local government. the treasurer therefore, as the Chief Finance Adviser plays a dominant role in financial control. with respect to financial control, the treasurer's responsibilities include ensuring that (FM 1.13):

1. There is strict compliance with the financial memoranda in the treasury and other department, of the local government;
2. All accounts and other records prescribed by the FM to be kept by the treasury are properly maintained and kept up to date;
3. All revenues due are promptly collected and paid into the bank;
4. All advances are recorded in accordance with the conditions under which they were granted;
5. No payments are made unless properly authorized and funds available for payments;
6. A monthly check of the treasury cash book transactions is carried out by an authorized person other than the cashier and a monthly bank reconciliation statement is prepared;

7. Safeguards, including the arrangements of duties on sound internal check principles, are laid down for protection against fraud, embezzlement or irregularity;
8. All possible steps are taken to prevent waste of local government's funds or other resources;
9. Proper provision exists for the safe custody of the local government's cash and other securities, revenue-earning books, stores and other physical assets~
10. Departmental accounting systems are satisfactory and departmental accounts and other subsidiary accounts are reconciled monthly with the treasury records;
11. The annual estimates, annual accounts and all other financial returns and statements required by these financial memoranda, the ministry for local government and the finance and general purposes committee (including those referred to in FM 1.5) are correct and are properly submitted on the due dates in the prescribed manner;
12. All claims for government grants are correctly prepared and submitted on the due dates;
13. The accounts of all revenue collectors are checked as often as possible, and in any case at least once a month. The dates on which the accounts are checked will be recorded on a Revenue Collectors chart maintained by the treasurer showing the names of all revenue collector's achievements

2.8.2 AUDIT CONTROL

Auditing of local government accounts is carried out by the state Auditor-General in accordance with Section 151 (1) of the Local Government Law. Audit measures the integrity of local government councils. No wonder that Thornhill songs (1989) opined that one of the surest ways of maintaining financial integrity of governmental bodies is to provide them with an independent testimony to the state of their financial health ²⁸.

Audit queries from the internal auditor or auditor-general for local government are always kept in the register of audit correspondence (FM 40. 11). The register specifies how queries have been dealt with and also the ones still outstanding. The register of Audit correspondence (Form LGT 83) must be placed once each month before the Finance and General purposes Committee for consideration.

A very significant feature of the 1988 Civil Service Reforms is in the area of audit of local government. the reform makes it mandatory for each local government to maintain an internal audit unit which should report directly to the chairman, as the accounting officer. the internal auditor who must be a qualified accountant shall be responsible for carrying out an independent appraisal of the accounting, financial and other processes of the local government with the following objectives:

1. To assist in protecting the assets and interests of the local government by carrying out a continuous examination of activities in order to check fraud, misappropriation, irregular expenditure and losses due to waste, extravagance and mal- administration;

2. To secure the continued maintenance of sound systems of control within each area of departmental responsibility;
3. To review and, where necessary, make recommendations for the improvement of systems, controls and procedures to ensure that they are both efficient and effective, and that they remain adequate in the light of changing circumstances and are adhered to in practice;
4. To monitor the use of resources in the pursuit of the defined objectives of the local government (FM 40.2).

The internal auditor can issue special report to the auditor-general for local governments on any irregularity or apparent departure from earlier internal audit report or recommendation. This therefore places the internal auditor in the financial control field of the local government.

2.8.3 ESTABLISHMENT QF THE OFFICE OF AUDITOR-GENERAL FOR LOCALGQVERNMENT

The creation of the office of auditor-general for local government and the establishment of Audit Alarm Committee (comprising the auditor- general as chairman, director of local government inspectorate representing the state governor and representative of the state accountant-general) have financial control implications. If during the prepayment audit, the internal auditor detects a case of irregularity of a material amount on a voucher and his objection is overruled by the chairman, the internal auditor must raise an audit alarm by notifying the auditor-general to convene the Audit Alarm Committee. Once such

an alarm is raised, it becomes illegal for the chairman or any officer to continue action on the voucher without a clearance from the Audit Alarm Committee.

The Reform also empowers the auditor-general for local government to carry out, on regular basis, the audit of local government accounts and to sanction or surcharge any officer found guilty of any act that causes to notify the Public Accounts Committee of all audit alarms of significant importance And serious prepayment audit queries for which the chairman of the local government is liable or responsible.

The auditor-general could attach a team of auditors to each local government for a systematic checking of the financial records. Moreover, each local government is expected to submit its annual accounts to the auditor-general not later than three months after the end of the previous financial year. The purpose of this exercise is to examine and verify all financial transactions, operations, accounts, and reports of the local government for the purpose of determining their accuracy, integrity and authenticity and to satisfy the requirements of laws, rules and regulations.

In compliance with the directive of the federal government as contained in the white Paper on the Dasuk;j Report, each state government is expected to set up a management audit team. The team is expected to visit every local government to examine the financial records and make appropriate recommendations to the government.

2.9 BUDGETING AT THE LOCAL GOVERNMENT LEVEL

2.9.1 Definition of Budget

Awoyemi (1989) defines budget as a plan which has been carefully prepared for all phases of the operations of a business for a definite future period of time 29.

Akin (1990) is of the opinion that budget is a statement of expectation and a means of tabulating the projection of inflows and outflows of any organization in order to map out plans to be achieved at the specified period of times³⁰

From the above definitions budget is a financial plan serving as an estimates of an control over future operations. At the local government level the term budget most popularly called estimate.

Local government budget is expected to achieve the following objectives:

1. It serves as a document of articulation of goals, objectives and programs expressed in simple financial terms;
2. It serves as a control mechanism over revenue and expenditure items;
3. It serves as a legal financial document for incurring expenditure;
4. It assists administrators in policy-making by serving as a document of financial guidelines for operation.

Since a budget points to 'where an organization is going', budgetary control concerns itself with the comparison of actual results with the budget to determine if the plans are being carried out and if not, helps in controlling operations. An organization that employs budgetary control "may be likened to

the motorist who carefully plans his trip, consults his map, and keeps in touch with all highway conditions enroute.³¹ (Akin 1990)

2.9.2 BUDGET PREPARATION

Local government budgets are prepared on a program budgeting basis. This is a situation where homogenous activities are grouped together into a program, each of which has the following objectives:

- (a) to become the cost center of collecting details during the preparation of the annual budget;
- (b) to be the control center during the implementation of the approved annual budget and financial accounting purposes; and
- (c) to become reference points during reviews of the annual budget and for the purpose of audit of financial transactions.

The preparation of budget at the local government level is in stages. The main stages are enumerated below:

- collection of data by the various heads of departments;
- Receipt of guidelines for the preparation of the budget;
- Committee meeting on the budget draft;
- - Forwarding of the budget to the governor for ratification.

2.9.3 CASH BUDGET

Akin (1990) defines cash budget is a financial plan setting out the anticipated amounts of cash receipts and disbursements over a specified period of time and to which actual cash experience is compared³². When drawn up, a cash budget shows the actual movements of cash into and out of organization. A cash budget serves the following purposes:

1. It shows the expected amount of cash in the organization at a particular time;
2. It determines the operating cash requirements as well as the anticipated expenditure;
3. It is basically a planning and control device which reveals whether there are either short-falls or surpluses of cash.

Cash budgets could be prepared on monthly, quarterly or even on yearly basis depending on the choice of the organization and the volatility of cash collections. If cash inflows are predictable though volatile as in local governments, cash budgets could be prepared at more frequent intervals. On the other hand, if they are more stable, its period could be elongated.

To be able to finance capital projects, it is also important to have a working knowledge of long-term forecasting techniques of cash flows.

2.10 **CASH MANAGEMENT IN LOCAL GOVERNMENT**

Cash management is actually that part of financial management involved with cash forecasting and planning, cash budgeting, collection, disbursement and recording. Cash serves as an input in the running of an organization and could also be an ultimate output if services or products are sold. In local governments however, the ultimate output of an input-cash is in the form of social benefits such as manpower development.

For all business organizations, cash management involves the following basic steps:

1. Cash planning: anticipating the cash inflows and outflows that will occur for the business unit over future days, weeks, or months. In

essence, it involves developing a comprehensive cash budget that will show liquidity at key future dates.

2. Cash collection: getting cash into the organization as soon as possible. This involves shortening the time of receipt of cash.
3. Cash mobilization: moving cash about within the organization to location where needed. This relies on a proper management information and cash transfer systems to succeed.
4. Cash disbursements: planning procedures for distributing cash. This involves delaying cash payments and maximizing float.
5. Covering cash shortages: determining how much cash must be transferred from other affiliates to cover short to medium-term cash deficits.
6. Investing surplus cash: determining the location and, in the case of multinational firms, the currency denominations in which temporarily surplus cash will be invested.

The importance of cash management even in local government can not be over-emphasized. In fact, treasury management in local government is cash management. The six steps discussed above should guide the Treasurer if efficient treasury management must be the case.

For a local government to actually be a third tier of government, it must be able to raise sufficient revenue to meet the cost of the services that the governmental unit is called upon to render.

As has already been pointed out elsewhere in this study, the three motives for holding cash are:

- a. Transactions motive
- b. Precautionary motive c. Speculative motive

Good as the motives are, governments generally hold cash for transactions motives like payment of salaries, repairs etc. they do not hold cash to fulfill speculative motives but rather establish funds for specific purposes and the contingencies fund in Nigeria is meant to fulfil precautionary needs.

Cash management is usually carried out through the instruments of cash budget and management of cash flows.

2.10.1 MANAGEMENT OF CASH FLOWS

For proper treasury management, it is necessary to use cash budgeting tool. A necessary and sufficient condition however, is that In addition to the cash budget, there should be careful monitoring and management of the cash flows.

This management has to do with a concerted effort to bridge the gap between budgeted cash flow and the actual cash flow. The manager of cash flows is expected to be abreast with the internal and external factors that are opposed to the cash budget.

2.11 SUMMARY:

In this chapter we have been able to critically examine the following:

- a) Internal Audit: Here the objectives internal audit, advantages of internal audit to management and to external auditors were analyzed.
- b) Source of Revenue: Source of Revenue has been discovered as external and internal. Under external sources, we have statutory grant and grant in-Aid. Internal source include collection of tax, fee and rates etc.

- c) Accounting: The purpose of local government account was analyzed and duties and responsibilities of local government treasury was equally examined.
- d) Fund control, Budgeting and cash management was equally discussed.

REFERENCES

1. Buoye, S.O, (1995)" Evaluation of the Role of and Auditor in : Local Government Authority,A Seminar presented at the Department of Financial Stugies, Plateau School of Accountancy and Management Studies, Jos. p.10
2. Ridley,N. (1988) liThe Local Right: Enabling not providing",culled from Local Government Stugies by Charles Knight, Grosvenor Press (Portsmouth) Ltd., Vol. 17 No 1. pp22-25
3. Clark, M. and Stewart, J. (1988) "Changing old Assumptions Local Government Training Board" Culled from Local Government Studies by Charles Knight, Grosvenor Press (Portsmouth) Ltd., Vol. 7, No.1. P 1
4. Okolo, J.U.T. (1987) The Qoncegt and Pragice of Auditing, Evans Brothers Ltd. p33 5. Ibid
6. Gboyega, B. (1991)Local Government in Nigeria; Ajomro Publication, Lagos, Nig.p46
7. Homes eta I (1971) ~yding Princigles and Procedures. Homewood Richard, D Union Inc. p.134
8. Bigg, W.W.(1979) PracticalAuditingHFL Ltd. London, 3rdEd. p. 8
9. Howard, L.R.(1976) Erincigles of ~uditing. ELB and MacDonald and Evans, London p. 61
10. Ibid.
11. Sally, J.M.(1997) "The advantages of Internal Audit Department", ACA Students Newsletter, Nov. p. 2

12. Stamp, E.(1969) "Auditing the Auditors" ACA Students Newsletter, Nov.p.5
13. Ibid.
14. Stettler, H.F(1970) Auditing Principles, Prentice Hall Inc. p. 21 15.
- Humbord, E.(1976) An Insight into Manaaement Accounting
Penguin Books Ltd., England. p. 9
16. Roberton, J.C. (1979) Auditing, Business Publication Inc., U.S.A. p. 187
17. 1999 Constitution Schedule 2, Part II section 160 (4) 18. Ibid. 19. Ibid.
20. Chapman, B. (1953) "Introduction to French Local Government", Allen and
Urwin. P. 67
21. Ibid. 22. Ibid.
23. Abubakar H.I.(1987) Public Finance and Budgeting: Principle, Practice and
Issues; National Library of Nigeria Cataloguing in Public Data. P. 67
24. Bull, R.J. (1980) Accounting in Business, Butterworths Pub., London, 4th
Ed. p4
25. Ejisun, J.A. (1985) "Material Resource Mobilization by Local Government",
in Oyeyipo and Odoh (ed) Local Government as a vehicle for National
Development. Published by the Department of Local Government Studies,
ABU Zaria. p. 163
26. Financial memoranda (1985) 27. Ibids
28. Thornhill, W. (1984) The growth and reform of English Local Government;
in Egonmwan (ed) Principles and Practice of Local Government in Nigeria,
SMa Aka and Sons Press, Benin City Nigeria. p. 131
29. Awoyemi, E.O (1989) A Guide to Government Accountant and Internal
Audit, Onibonoje Press, Ibadan Nig. p. 21

30. Akin, A.D. (1990) Budgeting of the Local Government Level, The Nigerian Accountant, April- June, p. 21

31. Ibids

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION:

The research work is titled 'An assessment of Auditing function as tool for Accountability in local Government Councils of Plateau State. The purpose is to ascertain whether there is internal audit independence and to also know whether revenue accruing to the local governments are spent according to laid down rules. The study will also discover whether proper books of accounts are kept. For this purpose, the research procedure is patterned after the descriptive approach of research, Ndagi (1984) says that descriptive research is concerned with the collection of data for the purpose of describing and interpreting existing conditions, prevailing practices, beliefs, attributes, and on-going processes. 1

In the solution of problems, the approach tries to ascertain where we are at present; where we want to go and how to get there. In short, a descriptive research would tell what variables to reckon with and how to achieve desired objective.

3.1 TYPES OF RESEARCH:

According to Osuala (1982), all factual knowledge Which is ascertained by research may be classified into three areas. 2

- a. Historical research
- b. Descriptive research
- c. Experimental research

Historical Research:

Historical research according to Whitney (1968), is a research that interpret past trends of attitude, event and fact 3.

Historical research may be considered as embracing the whole field of human past as broad as life itself, although the date must be reviewed with historical perspective as part of the process of social development rather than as isolated attitudes, events or facts.

Descriptive Research;

This is the type of research which specifies the nature of a given phenomena.

Descriptive research gives a picture of a situation or a population. It is basic for all types of research in assessing the situation as a pre requisite to inferences and generalizations.

Experimental Research:

Experimentation is the most scientifically sophisticated research method. The purpose of experimentation is to derive verified functional relationships among phenomena under controlled conditions. The essence of experimentation is to identify the conditions underlying the occurrence of a given phenomenon interview and questionnaire test and generalizes the results of the sample on the population from which it is drawn.

3.2 RESEARCH APPROACH:

As mentioned above the research work belongs to the category of descriptive research and particularly it is a sample survey technique.

3.2.1 SAMPLE SURVEY TECHNIQUE:

This technique involves a large number of persons or units. It attempts to describe the population characteristics by the selection of an unbiased sample. The technique mostly uses interview and questionnaire tests and generalizes the results of the sample on the population from which it is drawn.

Interview and questionnaire which are major instruments of data collection suffer from problems. The problems with the interview tool include:

- i. difficulty of generalizing from an unstructured interview.
- ii. The subjective elements or personal values and beliefs of the interviewer compromises the result of the interview- iii. the technique is really time consuming.
- iv. The race, tribe, age, sex, religion and vocabulary etc of the interviewer could alter the responses of the respondents.

The problems with the use of questionnaire are:

- I. respondents motivation is difficult to assess
- ii. The method is not popular with illiterates

Though the method suffers from, the disadvantages discussed above, Researcher still used the interview/questionnaire tools for the following) ons:

- I. to tackle the problem of generalizing from an unstructured interview, the researcher used the focused and structured types of interview.
- ii. The flexible nature of the interview method makes it applicable in different types of problems.
- iii. The interview method is easily applicable to children and illiterate making it superior to questionnaire in that respect.

- iv. The interview method is useful in collecting personal information as people will normally hesitate to put personal information on paper for consumption by the persons.
- v. the interview/questionnaire tools could be so original and effective.
- vi. The geographical coverage of questionnaire could be so wide to aid generalization.
- vii. Administration of questionnaire required less skill.
- viii. Respondents confidence is likely greater when anonymous and they are free to address their views.

3.3 RESEARCH DESIGN:

The research plan is set out to cover sampling, data collection, recording, and instrumentation, data processing and analysis technique.

3.3.1 Sampling:

In the aftermath of the 1971, Local Government reforms, all local government in the country took on uniform structure, composition and function. The Revised Financial Memoranda which come into effect on 1st April, 1979 was also expected to be the financial guideline for all local governments in the country. Since then, several administrative and financial guidelines have also been issued and applied in all governments. It is expected, therefore, that the choice of any local government(s) is representative of the others since they have common characteristics.

For this reason and resource Limitation nine (9) local government have been chosen from the seventeen (17) in Plateau State.

The sampling method adopted is the systematic sampling. This method involves the selection of the n th subject or item from serially listed population subject or units: where n is any number usually determined by dividing the population by the required sample size. The population is given by N .

Here the population under study is 17, the sample size is 7 Step I : Number of items/subject serially up to 17

Step II: Divide 17 by 7 i.e. $N = 1Z = 2.42 \ 7$

The interview/questionnaire was directed at various levels of employees categorized into junior, intermediate and senior cadres. It was so directed as each of these levels has one thing or the other to do with the accounts, the raising and disbursement of funds in the local governments.

3.3.2 Data Collection. Recording and Analysis:

Data for the study was collected from both primary and secondary sources. The primary data was generated through oral interview and questionnaire methods of data collection. The interview/questionnaire were patterned to address issues of local government finance, expenditure, accounting and general audit in the local governments. The oral interview, the researcher records the key points as answers were given to the questions.

Secondary data were collected from broad sources including administrative/financial documents and guidelines relating to local governments. The instruments of the primary data collection (the interview and questionnaire tools) were administered to local government officials as they help to supplement the secondary data where documentary sources are not readily available.

The combination of both primary and secondary sources of data will give credibility and reliability to the research work.

Interview and questionnaire tools of data collection are used because of the advantages given earlier.

3.3.3 Data Processing and Analysis Technique:

On a broad note the data analysis technique is both qualitative and quantitative.

The data collected from textbooks and related literatures are analyzed qualitatively. It covers the area of local government audit and accounting. The data presented in chapter 2 is mostly analyzed qualitatively using simple percentage. The data involving figures on the other hand are analyzed quantitatively.

3.4 SUMMARY:

In this chapter, research procedures were examined, it gives a methodology to be adopted to be able to arrive at reasonable conclusion.

Here, types of research were examined such as; historical, Descriptive and experimental research. Historical research tends to interpret past trends while Descriptive gives a picture of a solution or a population and experimental research verifies functional relationships among phenomena under controlled conditions. A sample survey technique was adopted and this involves using questionnaire and interview to test and generalize result of the sample on the population from which it was drawn. The sample size of the population was ascertained. Data collection, Recording and analysis methods were adopted and this includes primary and secondary sources.

Data processing and Analysis technique are seen to be quantitative and qualitative. Simple percentage method was adopted.

REFERENCES

1. Ndagi, J.O (1984) Essentials of Research Methodology for Nigerian Educators, University Press Ltd, Ibadan p99
2. Osuala (1982) Research Methodology, p137

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION:

4.0 INTRODUCTION:

This chapter contains the analysis and interpretation of data obtained from the local governments studied. In the collection of data for this study the researcher employed both the questionnaire and oral interview tools of data collection. The data so collected would enable some useful inferences to be made about the auditing and accounting functions of local government in Plateau State.

This chapter is basically sub-divided into four sub-chapters with each sub-chapter analyzing and interpreting an aspect of auditing and accounting in local government.

4.1 PLATEAU STATE LOCAL GOVERNMENT AUDIT:

4.1.1 Existence of an Internal Audit Department:

For now all local government in Plateau State have internal audit departments. Before 1988, few of them had internal audit as departments. Audit of local governments then was done by a team of auditors sent from the Plateau

State Audit Department and also by Inspectors of local governments.

The Internal auditor is appointed by the Local Government service commission on recommendation of the local government chairman. The internal auditor report directly to the Accounting Officer (i.e. the local government chairman).

The auditor is also expected on assumption to submit to the Accounting officer and the Director of Local Government Audit, a detailed audit program,

and thereafter, he shall report monthly to Accounting Officer as well as the Director of local government audit on the true progress of the audit.

4.1.2 Duties of Internal Audit Department:

The data collection from the field shows the following as the main duties of the local government internal Audit Department in Plateau State.

- i. Carrying out prepayment audit on payment vouchers.
- ii. Checking revenue receipts to ensure their correctness with the amount recorded.
- iii. Checking stores receipts and issues.
- iv. Carrying out routine checks on treasury cash books and reporting findings and recommendations to the chairman.

The responses show that much of what the local government does is vouching of records. The verification of physical assets at the headquarters and out-station is neglected. The assets and interests of the local government are therefore not fully protected. Value for money Audits is lacking at the local government levels in Plateau State.

4.1.3 Detection of Errors and. Frauds:

The audit departments of local governments included in the sample do discover errors and fraud in their performance of their audit assignments.

In view of the huge sums of money now accruing to the local governments and the ever-increasing fraudulent acts of local government staff, emphasis of audit should shift from vouching of book entries to discover fraud and error detection.

4.1.4 Segregation of Duties:

A question intended to find out whether an individual staff member of the local government could collect money, record and post into the ledger attracted the responses which is summarized below in table

4.1. Table 4.1 collection and recording of transactions

	No of Respondents	Percentage
Yes	20	20%
No	80	80%
Total	100	100

Questionnaire No 11 b

From the table above 80% of the respondents admitted that an employee cannot collect money, record and post into the ledger. In other words, duties of collection, recording and posting are segregated such that no one individual combines two or more of them. In such cases, there is a good internal checking procedure.

On the other hand, 20% of the respondents agreed that an individual could be a collectors, recorder and at the same time post into the ledger. On enquiring, the researcher discovered that this happens during general revenue drive when a good number of treasury staff and other departments are deployed as revenue collectors. The implication of this, is that there is an increased chance of fraud.

4.1.5 Authorization of Transactions and payments:

Table 4.2 show to the response as to the question of whether officers who authorize transactions are allowed to continue payments in relation to those transactions.

Table 4.2 Approval of transactions

	No of Respondents	Percentage
Yes	95	95%
No	5	5%
Total	100	100

Questionnaire No. 11d

The above table shows that 95% of the respondents agreed that officers who authorize transactions are allowed to control payments in respect of those transactions. This is in conformity with the provisions of FM (1)-(5) and FM 14(8)-(9). Since this is the case, officers authorized to incur expenditure are able to monitor properly to see that funds disbursed in respect of projects are spent on those particular projects and not on others.

5% of the respondents believe that sometimes it is no so, and when the officer who authorize a transaction is not the one paying, then it is possible for the local government to be paying for services or projects that are not performed or even paying the wrong person(s) for work not performed. As a safeguard, local governments should:

1. Make payments by cheque where convenient
2. Make payment to which it is due and not a third party
3. Where payment must be on the production of an authority letter which should be attached to a payment voucher if payments to commercial Banks are made with crossed cheques.

From the local governments studied, proper authorization of expenditure and payment procedure is strictly adhered to.

4.1.6 Internal Control Measure Adopted:

As to the internal control measure adopted in the local government, table 4.3 shows the summary of the responses.

Table 4.3 Administration of internal control

	No of Respondents	Percentage
Regular balancing of Account	11	11%
Adequate segregation of duties	-	-
Staff Rotation	11	11%
Proper Authorization	40	40%
Adequate documentation	-	-
and Recoding	38	38%
Total	100	100%

Questionnaire 11 (A-D)

40% of the respondents agreed that proper authorization is a key internal control measures adopted to see that the local governments are not defrauded. Adequate documentation and recording ranks very closely to proper authorization as an internal control measure followed by staff rotation and regular balancing of accounts.

The table also shows that most local governments are more concerned with individual control measure rather than the aggregate of all the control measures of internal control.

4.1.7 Relationship between the Audit Department and other Departments:

The relationship between the audit department and other departments in the local government is a question that looks very controversial. As table 4.4 indicates, some are of the opinion that is difficult to give a precise comment, others would say it is cordial and yet others would say very cordial. From the

analysis below, its shows that there is a good relationship between the internal audit department and other departments in the local government.

" Table 4.4 Independence of internal auditor

	No of Respondents	Percentage
Very cordial	20	20%
Cordial	75	75%
No Precise comment	5	5%
TOTAL	100	100

Questionnaire No 9

4.1.8 Assessment of Internal Audit Department

An internal assessment of the performance of local government audit department shows that most of them are performing at an average level. The table below shows this analysis 4.5

Table 4.5 Performance of Internal Audit Departments

	No of Respondents	Percentage
Very high	5	5%
High	10	10%
Average 83	83	83%
Low	2	2%
TOTAL	100	100

Questionnaire No.1 0

This reason why their performance is rather at average level could be because their work is mainly restricted to checking of payment vouchers and revenue receipts.

The Nigeria civil service Reform 1988 as it relates to the local government provides that there shall be establish in each local government an internal audit headed by a qualified Accountant to provide a complete and continuous audit of the accounts and records of revenue, expenditure, plant, allocated and unallocated stores whose applicable.

At present, there is not a single qualified professional Accountant in the local government in Plateau State. all the auditors of the local government studied fall below HND/BSc, while some others had West African School Certificate and have risen the ranks.

4.2 LOCAL GOVERNMENT ACCOUNTING:

4.2.1 Vouchers in use:

Table 4.6 shows that the local government included in the study use, payment, receipts and adjustment vouchers in the discharge of their accounting functions. These vouchers serve as records of original entries from which figures could be extracted to prepare the respective account.

Table 4.8 Applications of Vouchers

Vouchers	No of Respondents	Percentage
Payment vouchers	-	-
Revenue/Receipts	-	-
Adjustment vouchers	-	-
All of the above	100	100
Non of the above	-	-
Total	100	100

Questionnaire No.1

The responses show that all the 8 local government studied use the three types of vouchers in their financial functions.

4.2.2 Recording in the Abstracts:

A question was asked in order to find out the frequency of entering the figures on the payments and receipt vouchers in the abstracts. Table 4.7 represents the responses and it shows that total figures in the payments and receipt vouchers are entered in the abstracts on daily basis.

Table 4.7 Use of Abstracts

	No of Respondents	Percentage
Daily and month	100	100
Annually	-	-
Total	100	100

Section B

An enquiry revealed that at the end of every month, the daily entries in the abstracts under each of the sub-heads are totaled and carried forward to the monthly abstracts of revenue and expenditure as appropriate.

The abstracts aid the recording of daily revenue and expenditure under heads and sub-heads of the accounts. This conforms to the provisions of financial memoranda 21.

4.2.3 Posting of Abstracts Total:

In order to find out whether monthly totals of abstracts are posted directly to the main ledger accounts, a question was asked. The result obtained is summarized in table 4.8 below.

Table 4.8 Implementation of Abstracts

	No of Respondents	Percentage
Yes	66	66%
NO	34	34%
Total	100	100

Section B

Just like the FM 21 (7) provides, 66% of the respondents in the local government under study post on monthly basis, the totals of the abstracts to the ledger accounts as appropriate. This monthly posting is advantageous in the sense that it suggests that at least, on monthly basis, there is a form of account balancing.

4.2.4 Book of Accounts:

To determine whether or not books of account are kept by local governments, a question was asked in that respect and a summary of the responses is given below in Table 4.9.

Table 4.9 Implementation of Financial Memoranda

	No of Respondents	Percentage
Yes	100	100
No	-	-
Total	100	100

Section B

It was discovered by the researcher that all the local government keep some form of books of account on double entry principles. This conforms with the provisions of FM 18 (1)-(3).

Further enquiring however revealed that the following books are the ones maintained by the local governments.

- a. Cash book
- b. Abstracts
- c. Advance ledger
- c. Imprest ledger
- d. Contract ledger
- e. Deposit ledger

4.2.6 Balancing of the books of Accounts:

A summary of the responses revealed the following modes of balancing of books of account by the governments studies:

- i. The cash book is balanced on daily basis
- ii. The abstracts of revenue and expenditure are balanced within 2 weeks.
At the end of each month Revenue and the monthly abstracts are prepared.
- iii. Advances accounts are prepared after final retirement.
- iv. Deposit accounts are balanced on monthly basis.
- v. Personnel accounts are balanced on monthly basis
- vi. Imprest accounts are balanced after retirements of imprest.
- vii. Contract accounts are balanced after final payment

4.2.6 Advance Accounts Maintained:

As to whether separate accounts are maintained for each individual or deposits received, all the responses were in the affirmative as in table 4.10.

Table 4.10 Maintenance of Individual and or Deposit Account

	No of Respondents	Percentage
Yes	100	100
No	-	-
Total	100	100

Q7 section B

The above table shows that 100% of the respondents affirmed that separate accounts are kept for every individual advance made or deposit received. Where the advance is however made to the same individual, only one account is kept. The chance of error in posting is therefore minimized.

4.2.7 Replacement of Fixed Assets:

All the questionnaires administered and interviews granted point to the fact that the replacement of fixed assets is solely a management decision, which could come as the need arises.

As to the gradual setting aside of money (in the form of depreciation) to be able to replace fixed assets at a future date, the local governments do not generate like that. Rather, when the council envisages replacement of fixed assets, it first of all includes the projects in the estimate and when once the estimate is approved and the money provided, fixed assets are replaced.

The experience of local government however is that such funds never come and so the local governments are left to operate with whatever worn-out fixed assets they have.

4.2.8 Financial Statement:

The financial statements prepared by local studied like all local government in Nigeria is the Annual Account called consolidated financial statement prepared on form LGT 1.

The financial statement is normally sub-divided into sections disclosing the actual revenue for previous years and approved estimate. The statement also highlights basically five (5) items Viz:

- a. recurrent revenue
- b. recurrent expenditure
- c. capital receipts
- d. capital expenditure
- e. budge surplus or deficit

Appended to the consolidated financial statement are:

- a. recurrent revenue summary
- b. summary of capital receipt

- c. summary of recurrent expenditure
- d. summary of capital expenditure

At present, all local government in Plateau State have prepared their account up to date.

4.3 LOCAL GOVERNMENT REVENUE:

4.3.1 Taxation as a Source of Revenue:

Taxation could be defined as a compulsory levy imposed upon the residents of a particular tax jurisdiction by a relevant tax authority.

A question was asked to ascertain whether the local government raise their revenue through taxation and the response gotten shows that all local government under study do raise revenue through taxation as shown below.

Table 4.11 Revenue Drive

	No of Respondents	Percentage
Yes	100	100
No	-	-
Total	100	100

Q 1 section C

4.3.2 Tax Revenue Sources:

The tax-revenue sources of the local governments studied are as follows:

- i. Shops and Kiosk Rates
- ii. Tenement Rate
- iii. Liquor Licence
- iv. Slaughter slab fees
- v. Marriage, birth and death registration fees
- vi. Naming of street Registration

- vii. Right of occupancy
- viii. Market/motor park fees
- ix. Domestic animal licence
- x. Cattle tax
- xi. Merriment and road closure fees
- xii. Wrong parking charges.

4.3.3 Assessment Tax Yield:

In the course of the study, the opinions of the treasurers of the local I government of the tax yield were sought. Table 4.12 show the responses.

Table 4.12 Level of Revenue

	No of Respondents	Percentage
Very high	-	-
High	98	98%
Low	1	1%
Very Low	1	1%
TOTAL	100	100

Q3 section C

On a general note, the revenue from taxation is high and this is because the tax base has been expanded.

4.3.4 Revenue Drive Periods:

As to the period that local government go out on revenue-generating exercise, the responses show that local governments vary very much in that respect. While some local governments embark on revenue drive on daily basis, for others, it could be on particular market days and still others could be weekly and monthly.

4.3.5 Revenue Officers-Employees or Contractors:

A question was asked to ascertain whether revenue officers are employees of the local government or contractors. The responses show that all revenue collectors of the local governments included in the study are employees of the respective local governments.

The reason given for not engaging contractors is because, a proportion of the revenue will definitely go to the contractors as commission and this will bring down the quantum of internally general revenue of the local government.

4.3.6 Problem of Revenue Generation:

In revenue generation, the following general problems are encountered by local government in Plateau State.

- i. Shortage of manpower (Revenue collectors)
- ii. Access roads to the rural areas too bad
- iii. Inadequate transport system to convey revenue collectors.
- iv. Inability of the local government to identify taxable adults
- v. Unwillingness of the people to pay tax

4.4 INVESTMENT BY PLATEAU STATE LOCAL GOVERNMENT:

Table 4.13 Investment in Bonds:

	No of Respondents	Percentage
Yes	100	100
No	-	-
Total	100	100

Q3 section C

All the local governments included in the study hold in investment in bond.

Table 4.14 Investment in Company Shares;

	No of Respondents	Percentage
Yes	75	75%
No	25	25%
Total	100	100

Each of the local government interviewed hold shares in at least one company.

It was also revealed that many of the local governments that now hold shares in companies do so because the state government made it mandatory for all local governments in the state to buy shares in the on going privatization exercise especially in the Plateau State owned companies. The attitude of local government to investment of this nature is generally poor. Further investigation also revealed that there is intention to further invest in more shares of companies.

The above table shows that 75% of those interviewed intend to increase their investments in company shares, about 25% do not intend to do so because the revenue that accrue from such investments in terms of dividends is negligible.

4.4.3 Other Investments:

Apart from investment in bonds and shares, most of the local governments interviewed obtain the permission of the state government engage in commercial venture such as:

1.01 Catering and Hotel services

1.02 Transport services

Investigation reveals that most local government do not venture into other areas of businesses such as ownership of super market, book shop etc. because of the following reasons:

- i. Local government are not profit making organization
- ii. Poor financial state of the local government.
- iii. Low return on investments.

4.5 SUMMARY

In this chapter we had be able to come out with the analysis of data. Analysis was carried out thus:-

- i. **Local government auditing:-** there is existence of internal audit departments. The internal auditor is appointed by the local government service commission. He is expected to carry out the following functions:-
 - ensuring that payment by Cheque were convenient
 - ensuring that payment is made to whom it due and not third party
 - ensuring that payment most be on production of an authority letter which should be attached to a payment voucher.
- ii **Local Government Accounting:-** it was discovered by local governments make us of payment, receipt and adjustment vouchers in the discharge of their accounting functions.
- iii **local government revenue-** revenues accruing to local government apart from statutory allocation include the following:
 - shop and kiosk rates

- tenement rates
- liquor licence
- slaughter slab fees
- marriage, birth and death registration fees
- Naming of streets registration
- right of occupancy
- motor park fees
- domestic animal licence
- cattle tax
- merriment and road closure fees
- wrong parking charges

local government are also involve in investment in company bond. ~revenue generation problem of the local government has to do with non- availability of the machinery for the drive.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS:

The summary of findings is further classified into four (4) sub-topics as discussed below:

5.1.1 Findings on Local Government Auditing in Plateau State:

It is worthy to note that for large scale misappropriation of public fund to be eradicated, a good system of internal control has to be in place. A good internal control system must have the following qualities or attributes:

- i. There must be physical control over assets and records
- ii. there must be adequate segregation of duties.
- iii. there must be a proper procedure for authorization of transactions
- iv. There must be a competent and trustworthy personnel with clear lines of authority and responsibility.
- v. there must be staff rotation
- vi. there must be proper documentation and recording of transactions
- vii. there must be independent checks on performance

The absence of a good internal control system in an organization will make it impossible for management to achieve good accountability since these will not be any reliable data to rely on.

From the local governments under study, aggregate internal control measures are not in place. This goes to say that internal control measures are inadequate

and this account for high rate of large-scale fraud that is found in local government councils (see table 4.3).

The internal audit, the watch dog of public funds at the local government level is responsible for carrying out an independent appraisal of accounting, financial and other processes of the local governments.

The researcher in the course of the study found out that the local governments are interested in vouching and checking of book entries that correspond with receipts and vouchers.

The internal audit is therefore different in the following areas:

- a. Making useful recommendation acceptable to the accounting officer
 - b. Verification of physical assets
 - c. The continuity nature of an audit
- The civil service reform of (1988) provides that the internal auditor should be directly responsible to the accounting officer (i.e. the chairman). The appointment of the internal auditor by the local government service commission is by the recommendation of the chairman. It is a tradition that such appointees are always the right 'hand man' of the chairman when this is done the internal auditor becomes a supporter of whoever is in power than doing what should be done.

5.1.2 **Findings on Local Government Accounting in Plateau State:**

The role of accounting in any organization cannot be over emphasized.

For the business of government to be carried out effectively, good accounting system has to be in place. A good accounting system is expected to provide a good analysis of funds, collection and disbursement, monthly, end-of-

year and periodic statements for specific purposes, detailed cost of individual establishments, services and projects for control purposes, hence the need for a good accounting system.

The financial memoranda (FM) for use in local government treasuries prescribes a good number of books for use by at local governments in Nigeria such as;

- i. Estimate Form (LGT 1-11)
- ii. Cash Book (LGT12-12A)
- iii. Cash Order Form (LGT 14)
- iv. Revenue Collectors Form (LGT 15-16)
- v. treasury Receipt (LGT 17)
- vi. Departmental Receipt (LGT 19A)
- vii. Receipt Book Register (LGT 24)
- viii. Receipt Book Distribution Register (LGT 25)
- ix. Tax Forms (LGT 17-36)
- x. Cheque or Cash Order Form (LGT 51)
- xi. Register of Un-receipted Vouchers (LGT 52)
- xii. Register of Outstanding Voucher (LGT 52A)
- xiii. AVAE (LGT 54)
- xiv. Monthly Statement of Stores Accounts Register (LGT 100)
- xv. Cash Flow record (LGT 117)
- xvi. Project Date Sheet (LGT 121)
- xvii. Advance/Deposit Ledger (LGT 62)

xviii.	Bank Reconciliation Statement	(LGT 70)
xix.	DVEA	(LGT 73B)
xx.	Trial Balance	(LGT 77 A & B)
xxi.	Monthly Reconciliation Account	(LGT 78)

An investigation shows that the above-mentioned accounting forms are not properly adhered to, part of it is due to unqualified staff on grounds who are either school certificate holders who have risen through the ranks. Again the training facilities on ground are mostly confined to book keeping. This the staff gets through on the job training, instead of a high institution of learning. If this habit is allowed to continue, it will affect the application of modern accounting techniques in the local government.

For the local governments under study asset replacement is a matter of management decision when such acquisition is envisaged, a provision is made in the estimate and if approved and fund is provided, the asset will be replaced.(see table 4.2.7).

5.1.3 Findings on Revenue in Plateau State Local Governments:

Revenue generally is an income to the government. Without revenue the business of the government will not work.

The three broad sources of revenue to the local government are:

- i. The local government share of the federation account
- ii. The local government share from the state government

Investigation shows that the statutory allocation gets to the local government as at when due. Apart from statutory allocation,

internally generated revenue is on the increase except that revenue generation problem has to do with the machinery for collection.

Local governments do not exhaust their revenue potentials for the following reasons:

- i. They do not have adequate revenue staff to go round the towns and villages on daily basis to collect market rates, garage fees etc.
- ii. Transport services to convey revenue staff for revenue derive is not always available.
- iii. There is general laxity towards revenue generation as revenue staff normally takes days ear-marked as public holidays, and so they go about their individual businesses instead of carrying on the business of the councils.
- iv. these is so many cases of tax evasion.(see table 4.3.6).

5.1.4 **Finding on Investment in Plateau State Local Governments:**

From the study, some local governments invest in bonds and shares in companies. But many are not willing to increase their investment since they believe that return on such investment is not always tangible.

Again, because accounting officers believe that local government is a non-profit making organization do not encourage them to go into other profitable ventures, rather they concentrate on mass transit services and provision of catering services.

Answers to Research Questions

Q1 Are the internal audit departments of local governments given the desired independence to carry out their functions? (See table 4.4)

Ans. The internal audit departments of local government are not given the desired independence to carry out their functions. This is because the internal auditor is appointed by the local government service commission by the recommendation of the chairman.

This situation makes it impossible for adequate internal control to be implemented.

Q2 Do the local government councils apply funds according to laid down rules? (See table 4.2)

Ans. Funds are not applied according to laid down rules since the local governments do not adhere strictly to the books prescribed by the financial memoranda for use by local governments in Nigeria.

Q3 Do the councils maintain proper books of accounts?

Ans. The local governments keep some and not all books of accounts on double entry. (See table 4.9).

5.2 CONCLUSION:

In this study, the researcher has examined the auditing and accounting functions of some selected local governments in Plateau State.

The essence of the study is to see how auditing function of the local government could be a tool for accountability. To ensure that accountability is achieved it is pertinent to note that good control measures should be in place. The control measures that should be in place are:

- i. ensuring that all revenues are duly accounted for
- ii. ensuring that all expenditures are duly authorized and accounted for
- iii. Ensuring that there is no improper application of government funds or to ensure that moneys are expended for the purposes for which they were appropriated.
- iv. to ensure that funds and properties of the local government are kept under proper custody and suitable condition.
- v. to ensure that books, records and accounts are properly maintained .

For the above control objectives to be achieved a good system of audit should be in place and the auditor should be independent of management for him to perform his duties effectively and misappropriation of public fund will be a thing of the past.

5.3 LIMITATIONS:

In a work of this nature, it will be unwise to say that it was problem free. The following problems were encountered by the researcher in the course of the study.

First and foremost, the research is limited by non-availability of finance to go round all the local governments in Plateau State. Related to this is the finance to keep appointments at various dates with certain people in the local government.

Time constraints also featured in the study due to the tight schedules of local government treasurers and chairmen.

There was also the problem of some staff not willing to give certain information.

Whatever is contained in this research work has been done bearing these constraints.

5.4 RECOMMENDATIONS:

In the light of the findings, the following recommendations are made.

5.4.1 Local Government Audit:

Compliance audit should be pursued to ensure financial effectiveness of local governments. In compliance audit, the focus of the audit is on the initial objective of the project or programme. The fund allocated for a project and the subsequent expenditure incurred on the project will be audited to ensure that the initial objective of the project is achieved. It follows then that local governments should be made to submit their capital expenditure projects for a given period in good time so that proper monitoring of the funds for the project could begin.

An effective system of internal control with minimum number of weaknesses should be developed. In developing the internal control system, the following issues should be considered:

- i. ensure adequate segregation of duties
- ii. ensure proper procedure for authorization of transactions
- iii. ensure continuous physical control of assets and records
- iv. ensure once in a while staff rotation
- v. ensure adequate documentation and recording of transactions
- vi. Ensure clear lines of authority and responsibility. There should be a proper organizational chart.
- vii. ensure supervision (general and specific)

5.4.2 Local Government Accounts:

Conscious effort should be made by the local government to adhere strictly in the maintenance of accounting records. Emphasis should be placed on the following:

- a. Local government should adhere strictly to the financial statements FORM LGT 1 as these forms the basis of annual estimate, which the local government are mandated to prepare.
- b. Form 78 should be updated as this gives the progress of revenue and expenditure of local government, it's assets, investment and advances for a particular period.
- c. FORM 55A; Staff statistics. This form helps in detecting Ghost workers.

The local government should also rigorously pursue depreciation accounting. If depreciation accounting is practiced in local governments, assets like vehicles could be replaced with fewer pains which in turn will positively affect their revenue generating abilities.

The financial statements of local governments should be prepared to disclose the various tax-sources and their percentage contribution to the entire year's revenue.

The local government should review the current training facilities to encourage accounting staff to receive professional training in institutions of learning in Nigeria.

5.4.3 Local Government Revenue:

In view of the importance of internally generated revenue to the local government, it is reasonable for the local government to ensure the following rules for revenue collectors:

- i. that revenue collectors should keep and maintain such books of accounts and other records prescribed by the FM and the treasurer which will facilitate their job of revenue collection.
- ii. there should be prompt collection of all sums due to the local government
- iii. Revenue collectors should report to his immediate superior any default in payment from any revenue source.
- iv. Issue receipts for any payment made to him.
- v. record such receipts in the revenue collectors cash book

- vi. Ensure that collected revenues are placed in a safe of the local government pending the payment to the treasury of bank
- vii. keeping all revenue earnings book 'under lock key' when not use
- viii. Pay all revenue collected to the treasury or bank at intervals prescribed by the local government.
- ix. Present revenue earning books, accounts books and cash to persons responsible for checking his accounts when required.
- x. Monthly submission of used, partly used and unused revenue earning books and other records for the treasurer's perusal.
- xi. Return all exhausted revenue earning books to the official from whom they were received.

Due to insufficiency of revenue staff in local governments, it is also necessary to engage the services of traditional rulers who will facilitate revenue collection at the grass-roots.

5.4.4 Local Government Investments:

Investments are a good source of revenue generation for local governments. Though local governments do not take investment seriously it therefore, we recommend that:

- i. Local governments should retain in cash and the current bank account sufficient funds to provide working capital and the meet known requirements in the immediate future. Fund surplus of these requirements should be invested to earn interest for the local governments.

- ii. Local governments should invest in bonds seriously as section 87 of the local government Edict 1977 empowers them to do so.
- iii. Local government can also invest in foreign securities.
- iv. Surplus of funds, which are likely to be of relatively short duration, can be placed temporarily on short-term deposit with the bank. In this way interest can accrue to local governments:

BIBLIOGRAPHY

Awoyemi, E.G. (1989) A guide to government accounting and internal audit,

Onibonoje Pres, Ibadan, Nig.

Akin, A.D. (1990) Budgeting of the Local Government Level, The Nigerian

Accountant, April - June

Abubakar, H.I. (1987). Public finance and budgeting: Principle, Practice and Issues; National Library of Nigeria Cataloguing in Public Data.

Anderson, R.J.(1977) The external Audit: Concept and Techniques, Pitman Pub., Toronto.

Ariyo, A: (1984). "Management Advisory Service and audit independence: A cost benefit approach", The Nigerian Accountant: April/June,

Abubakar, H.I.(1998). "The Implementation of the Revised Memo or and (FM)", a Paper presented at the National Workshop on the Appraisal of the Implementation of the Revised financial Memoranda, 9th -13th March,

Buoye, S.O (1995) "Evaluation of the Role of an Auditor in Local Government Authority Seminar of presented at the Department of Financial studies, Plateau School of Accountancy and Management Studies, Jos,.

Bigg, W.W (1979) Practical Auditing. HFL Ltd. London" 3rd ed.

Boateng, A.P.(1989) International Auditing: A Managerial Tool for Effective Internal Control, The National Accountant, Jan-March.

Bull, R.J. (1980) Accounting in Business, Butterworths Pub., London 4th ed.

Clark, M and Stewart J.(1988). "Changing Old Assumptions Local Government

Training Board" culled from Local Government Studies by Charles Knight, Grosvenor Press (Portsmouth) Ltd., Vol., 7, No 1,

Chapman, B (1953) Introduction to French Local Government; Allen and Urwin,

Ejisun, J.A; (1985)."Material Resource Mobilization by Local Government", in Oyeyipo and Odo (ed) Local Government as a vehicle for National Development.

Published by the Department of Local Government Studies, ABU Zaria, .

Ejisun J. A (1985) Accounting framework of the Revised Financial Memoranda", A paper presented at the National Workshop on the Appraisal

of the implementation of the Revised Financial Memoranda, 9th -13th March,

Federal Government of Nigeria (FGN); the constitution of the Federal Republic of Nigeria; schedule 2, Part II.

Federal Government of Nigeria: Financial memoranda for use in Local Government treasuries in Nigeria-Incorporating the New estimate format as recommended by the Dasuki Report of 1985 and approved by the Federal Military Government: 1987.

Gboyega, B (1991) Local Government in Nigeria; Ajomro publication, Lagos, Nig.

Gwom S.L, (1985) Local Government Administration, ASCON Pub.

Howard, L.R.(1976).; Principles of Auditing. ELB and McDonald & Evans, London,

Homes etal(1971). Auditing Principles and Procedures. Homewood Richard D Union Inc.,

Humband, E (1976) An Insiaht into Mgt Accounting. Penguin Books Ltd, England,

Ituah, V.E (1994) Unpublished Government Accounting Monograph,

Isaac, N.O. (1998) Features of the Revised Financial Memoranda for Local Government of Nigeria, A Seminar presented at the National Workshop of the Appraisal of the Implementation of the Revised Financial Memoranda, 9th - 13th March

Johnson, I.E (1996). Public Sector Accounting and Financial Control, Paper Press Co, Lagos,

Johnson, I.E (1998). Solving Public Sector Accounting and Finance Problems, Financial training, Lagos,

Lee, G.A; (1982) Modern Financial Accounting; Thomas Nelson and Sons Ltd, Hongkong, 3rd ed.

Millichamp, A.H (1993) Auditing. An Instructional Manual for Accounting Student, DP publication Ltd., London,.

Mikeseli, R.M.. and Hay L.E;(1972) Government Accounting, Richard D. Irwin Inc. Illinois,

Nnamdi A,(1991) Research Methodology in Behavioural Sciences, Longman, Lagos, Nig..

Ndagi, j.O;(1984) Essentials of Research Methodology for Nigerian Educators, University Press Ltd, Ibadan,.

Okoye A.E (1998). The quest for accountability in the Nigerian Universities and its implication for independence and security of the Internal Auditor: An overview, The Nigerian Journal of Management Research"Vol.1 No.1 Jan- June

Okolo, J.U.T(1987) The concept and Practice of Auditing, Evans Brothers Ltd.,

Oshishami, K .(1992). Government Accounting and Financial Control, Spectrum Books Ltd.,Ibadan,

Robertson, J.C (1979) Auditing, Business Publication Inc., USA,.

Riddley, N (1988) "The local Right: Enabling not providing", culled from ~ Government Studies by Charles Knight, Grosvenor Press (Portsmouth) Ltd., Vol. 17 No.1 I" Saith., A.G (19) Northern Nigeria Publishing Co. Ltd, Zaria,

Sally, J.M. (1997). "The advantages of an internal audit department", ACA Students Newsletter, Nov.,

Stamp, E. (1969) "Auditing the Auditors", ACA Students Newsletter, Nov.,

Stettler H.F (1970}MQJ..ti.Q9-E.dngJ21\$\$, Prentice Hall Inc.,.

Thornhill, W.(1984) The growth and reform of English local government; in EgonmWan (ed) Principles and Practice of Local Government \n Nigeria S.M.O Aka and Sons press, Benin City, N\g.

Thangavehu, V (1985) "internal Control System and Prevent\on of Fraud". The New Nigeria, Kaduna, 13th Sept.,

Watoseniya, A.B.D (1996) Financial Control in the Nigerian Public Sector, Nation Account Vol. 6 No.1, Jan,.

Wolf, E. (1991) Auditing Today Prentice Hall Internal (UK) Ltd., London,

QUESTIONNAIRE

These questions are designed to assess the strength of the local Government in terms of their Accounting and Auditing function.

It will also test the adequacy of the revenue currently accruable to the various local government.

Please feel free to comment as this Will help in promoting the future of your focal government. The information disclosed will be treated with utmost Confidence. Your name is not necessary.

Preliminary Information: Tick the box or fill as appropriate.

a. Age.

- i. under 20
- ii. 21-30
- iii. 31-40
- iv. 41 and above

b. Sex.

- i. Male
- ii. Female

c. Educational Qualification:

- i. Primary Education
- ii. Secondary Education
- iii. Pool Secondary Education
- iv. Degree/HND/ACA/CNA

d. Local Government e. Post/office/Designation f. Occupation

Section A:

1. Is there any internal audit department in your local government?

Yes No

2. If 1 is Yes, who appoints the internal auditor?

3. To whom does the internal auditor report?

4. What are the main duties of the internal audit section?

5. Does the internal audit department of your local government perform their duties as it should be?

Yes No

6. How often are the books of the treasury subjected to review?

7. Is an employee allowed to collect money, record and port into the ledger?

Yes No

8. Are officers who authorize transaction's allowed to control payments in relation to those transaction's?

Yes No

9. What would you say has been the relationship between the internal audit department and other department?

(a) Very cordial

(b) Cordial

(c) No precise comment

10. What is your assessment of the performance of the internal audit department of your local government?

(a) Very high

(b) High

(c) Average

(d) Low

11. Which of the following internal control measure does your local government normally employ to ensure that local government is not defrauded

(a) Regular balancing of account

(b) Adequate segregation of duties

(c) Staff rotation

(d) Proper authorization of transactions

(e) Adequate documentation and recording

(f) All of the above

Section B:

1. Which of the following vouchers does your local government operate with?

1. Payment vouchers

- 2. Receipt/Revenue vouchers
- 3. Adjustment vouchers
- 4. All of the above
- 5. None of the above

2. How often are the RVS or PVS figures entered in the abstracts.....

3. Are monthly totals or the abstracts posted directed to the main ledger?

Yes No

4. Does your local government keep books of accounts.

Yes No

5. If Q4 is Yes, list the books of account maintained by your local government.

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____
- 7. _____
- 8. _____

6. How often do you balance these accounts?

7. Are separate accounts kept for each individual advance made or deposit received? Yes No

8. List the financial statement you prepare and indicate against each, the time you normally prepare it.

9. How do you normally provide replacement of fixed assets like motor vehicle?

Section C:

1. Does the local government raise revenue through taxation. Yes No

2. Mention the different types of tax revenue sources available to the government.

3. What would you say has been tax yield over the years?

- (a) Very high
- (b) Low
- (c) High
- (d) Very Low

4. How often do you embark on revenue drive?

5. Are revenue officers employees of the local government or contractors?

4. What are the problems encountered in revenue generation?

Section D:

i. Has the local government investment in any bond? Yes No

ii. Is the local government a shareholder of an company? Yes No

iii. Has the local government intention to invest in any (or more) companies? Yes No

iv. Apart from investment in bonds and shares, what other types of investment opportunities is your local government involved in?

THE RESEARCHER'S LETTER OF REQUEST FOR INFORMATION.

Department of Accounting,
Institute of Administration,
Ahmadu Bello University,
Zaria.

Date..... 1999.

The Respondent

Dear Sir/Madam

Request For Information

I am a student of the Masters of Science (Msc) Accounting and Finance programme in the above named University.

I am currently carrying out a research work on the topic "An Assessment of Auditing function as a tool for Accountability in local government council of Plateau State.

To make the research work a success, I would need some information from your local government. I therefore plead that you assist me in the needed information.

Be assured that all information given will be treated with utmost confidence.

Thanks.

Yours Sincerely
Onoja Patrick Jr.

OFFICE OF THE ACCOUNTANT GENERAL OF FEDERALTION

SUMMARY OF STATUTORY DISTRIBUTION TO LOCAL

GOVERNMENT COUNCIL FOR CBN FOR THE MONTH OF AUGUST 2001

STATE	S/NO	LOCAL GOVERNMENT	STATUTORY ALLOCATION	BANK/ACCOUNT NUMBER
PLATEAU	1	BARKIN LADI	4583244.54	LION BANK JOS BRANCH A/C NO. 011081538
	2	BASSA	5071973.36	LION BANK JOS BRANCH A/C NO. 0110867619
	3	BOKKOS	10945794.68	LION BANK JOS BRANCH A/C NO.011089342
	4	JOS EAST	11,24627.02	LION BANK JOS BRANCH A/C NO. 0011070501
	5	JOS NORTH	1226577.41	LION BANK JOS BRANCH A/C NO. 0011070501
	6	KANAM	13396696.58	UBA PLC JARMAI BRANCH A/C NO 243

	7	JOS SOUTH	7,425,065.28	LION BANK, JOSBRANCH A/C NO 011060816
	8	KANKE	8,606,783,80	FIRST BANK AMPER A/C NO. 0002004588
	9	LANGTANG NORTH	10068914.30	UNION BANK, LANGTANG NORTH A/C NO. 4831382150
	10	LANGTANG SOUTH	123101030.39	AFRI BANK G/GALADIMA A/C NO.01003724
	11	MANGU	5565230.29	LION BANK JOS BRANCH A/C 0011075791
	12	MIKANG	16,750,429.63	AFRI BRANK JOS BRANCH A/C NO. 01003666
	13	PANSHIN	7616382.16	UNION BANK PANYAM A/C NO. 632135515
	14	QUA'AN-PAN	9601281.21	UINIONBANK, DOMARK BRANCH A/C NO 154115078
	15	RYON	11,163,665.43	LION BANK PLC, JOS BANCH A/C NO. 011086742
	16	SHENDAM	21389130.29	UBA PLC. SHENDAM A/C NO 20302033-4
	17	WASE	15,735,902.03	BON PLC, WASE A/C NO. 500008

SHARE OF VAT AUG 2001

**SUMMARY OF STATES' STATUTORY DISTRIBUTION TO LOCAL GOVERNMENT COUNCILS FOR THE MONTHS OF
August, 2001**

STATE	S/N	LOCAL GOVERNMENT	STATUTORY ALLOCATION	BANK/ACCOUNT NUMBER
PLATEAU	1	BARKIN LADI	3,191,267.07	LION BANK OF NIG. JOS BRANCH A/C NO. 011081538
PLATEAU	2	BASSA	3,386,456.49	LION BANK OF NIG. OF NIG. JOS BRANCH A/C NO. 0110867619
PLATEAU	3	BOKKOS	3,120,550.64	LION BANK OF NIG. JOS BRANCH A/C NO.011089342
PLATEAU	4	JOS EAST	2,724,880.65	LION BANK OF NIG. JOS BRANCH A/C NO. 0011070501
PLATEAU	5	JOS NORTH	6,114,310.99	LION BANK OF NIG. JOS BRANCH A/C NO. 0011070501
PLATEAU	6	KANAM	3,304,453.60	UBA PLC JARMAI BRANCH A/C NO 243
PLATEAU	7	JOS SOUTH	4,195,943.34	LION BANK, JOS BRANCH A/C NO 01106081-6

PLATEAU	8	KANKE	2,820,785.40	FIRST BANK OF NIG PLC AMPER A/C NO. 0002004588
PLATEAU	9	LANGTANG NORTH	3,115,410.37	UNION BANK OF NIG., LANGTANG NORTH A/C NO. 4831382150
PLATEAU	10	LANGTANG SOUTH	2,636,600.79	AFRICA INTERNATIONAL BANK G/GALADIMA A/C NO.01003724
PLATEAU	11	MANGU	3,987,445.55	LION BANK PLC JOS BRANCH A/C 0011075791
PLATEAU	12	MIKANG	2,551,690.78	AFRICA INTERNATIONAL BANK JOS BRANCH A/C NO. 01003666
PLATEAU	13	PANSHIN	3,321,182.11	UNION BANK OF NIG PANYAM A/C NO. 632135515
PLATEAU	14	QUA'AN-PAN	3,581,907.45	UNION BANK OF NIG PLC DEMARK BRANCH A/C NO 154115078
PLATEAU	15	RIYON	2,729,145.76	LION BANK PLC, JOS BANCH A/C NO. 011086742
PLATEAU	16	SHENDAM	3,960,698.05	UBA PLC. SHENDAM A/C NO 20302033-4
PLATEAU	17	WASE	3,193,711.48	BAN PLC, WASE A/C NO. 500008
PLATEAU TOTAL			57,936,439.02	

