AN ASSESSMENT OF THE ACCOUNTING PROCEDURES AND THE EXTENT OF COMPLIANCE WITH FINANCIAL MEMORANDA ON ACCOUNTS IN LOCAL GOVERNMENTS OF KADUNA STATE

BY

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BEING A THESIS SUBMITTED TO THE SCHOOL OF POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MPA IN LOCAL GOVERNMENT AND DEVELOPMENT STUDIES

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DECLARATION

I hereby declare that the work in the thesis entitled "*An Assessment of the Accounting Procedure and the Extent of Compliance with Financial Memoranda on Accounts in Local Government of Kaduna State"* has been carried out by me in the Department of Local Government and Development Studies under the supervision of Prof. Bashiru Jumare and the information derived from the literature has been duly acknowledged in the text and a list of references provided. To the best of my knowledge, this thesis, or any part of it, has not been previously presented for the award of any degree in this or any other university.

Sabo Muhammad Tukur **Signature** **Date**

CERTIFICATION

This thesis titled "*An Assessment of the Accounting Procedures and the Extent of Compliance with Financial Memoranda on Accounts in Local Governments of Kaduna State 2006-2012"* by Sabo, Muhamamdu Tukur, meets the requirement of the regulations governing the award of the degree of Masters in Public Administration (Local Government and Development Studies) of the Postgraduate School, Ahmadu Bello University, Zaria, Nigeria.

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DEDICATION

This work is dedicated to the memory of my late parents Mallam Muhammadu Tukur Sambo and Hajiya Sa'adatu as well as my late sons and daughters, Hamza Abdulkarim, Aminu Abdulkarim, Abdulrahaman Abdulkarim (Mamani) and Hannatu Abdulkarim and entire Mallam Tukur's family for their total commitment and support and also to commemorate the memory of my guidance Alh. Muhammadu Aminu Tijjani (Turakin Zazzau). May Almighty Allah in His infinite mercy reward them abundantly and give them Aljana Firdausi, Amin.

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ABSTRACT

The issue of Financial Accounting in Local Governments in Nigeria has generated a lot of interest over the years particularly, with the increase in the Statutory Allocation to local governments. The major concern of this study is to assess the accounting procedures and its financial reporting system among the local governments in Kaduna State and to bring into focus the extent of compliance with the provision of Financial Memoranda (FM) which is a document that provides detailed instruction on the financial accounting procedures to be followed in local governments treasury operations. The problem faced by local government councils appears to be multidimensional. It translates into questions of non-adherence with provisions and sections of Financial Memoranda for Local Government Accounting System which state accounting procedures for all local government in Nigeria. The objectives of the study include assessing the effect of non-compliance to the provision of the Financial Memoranda and to determine the pattern of records keeping and preparation of timely financial statements of the local governments. This study has generated data from both primary and secondary sources. Chi-square and Kendall's Coefficient of Concordance constitute the data analysis techniques adopted for testing two hypothesis. The study found that there was no adequate compliance with the provision of the Financial Memoranda (FM) as regards to the financial accounting procedures of local governments resulting from lack of records keeping of ledgers/ledgers summary and its balance and trial balances for compiling of statutory and timely financial statements. The study therefore, recommended among other things that appropriate legislation should be put in place to strengthen the proper use of compliance with financial memoranda provision. There is need for Audit reports to be rendered according to scheduled time and sanction all defaulters.

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PREFIX AND ABBREVIATIONS

A/C	Account
ADC	Area Development Councils
ADV	Advance
AGLG	Auditor General Local Government
B/F	Brought Forward
C/F	Carried Forward
CAP	Capita l
CB	Cash Book
CE	Contra Entry
CHQ	Cheer
CR	Credit
D.A	Daily Abstract
DEP	Deposit
DLG	Department of Local Government
DR	Debit
EC	Executive Committee
EXP	Expenditure
F and GPC	Finance and General Purpose Committee
FD	Fixed Deposit
FM	Financial Memoranda
HD	Head

INV	Investment
J.V	Journal Voucher
J.VU	Journal Vouchers
LG	Local Government
LG	Local Government Area
LGC	Local Government Council
LGSC	Local Government Service Commission
LGT	Local Government Treasury
LGTF	Local Government Treasury Forms
M.A.	Monthly Abstract
MLG	Ministry for Local Government
NPF	National Provident Fund
O/S	Outstanding
P.V	Payment Voucher
P.V.V	Payment Vouchers
PAYE	Pay as You Earn
R.F.D	Renewal Fund Deposit
R.F.I	Renewals Fund Investment
R.VU	Receipt Vouchers
RDDA	Revenue Division Direct Assessment
REC	Recurrent
REM	Remittance

REV	Revenue
RV	Receipt Voucher
S/H	Sub-head
STD	Short Term Deposit
TB	Trial Balance
VSL	Vote Service Ledger

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

The Model Financial Memoranda for Local Government (Third Edition, 2009) is the one single document that traditionally provides the support and guidance in the administration of local government finances among other things, the principal aims of the revised financial memorandum are to:

> *Define the precise duties and responsibilities of the organs, functionaries and officials in regard to stores and financial management*.

In this regard, the Model Financial Memoranda have prescribed certain effective financial organizational arrangements of local government and the procedure in respect of collection and accounting for expenditure.

Among such arrangements are:

a. The care, custody and control of local government revenue.
b. The collection and receipt of revenue and other monies.
c. The control of receipt and other revenue earning books, and
d. The control of expenditure.

Eventually, the Financial Memorandum has spelt out the internal control measures as a means by which superior authority (internal or external to the organization) checks to see that public funds (revenue, fund and property) are not stolen, embezzled or lost. The management of local government's financial resources is a

responsibility, which is shared between different categories of local government functionaries and political office holders. Concerns with enhancing managerial efficiency and effectiveness and also good financial reporting, sound management and effective organizational arrangement has led to the institution of various statutory and administrative measures in the past years. Among such measures include, the Civil Service Reform of 1988 (as applied) in the local government administration, chapter one 2009:13 of the revised Model Financial Memoranda (FM). All these are attempts to strengthen the financial control and institute of enduring culture of accountability in Local Governments of Kaduna State.

1.2 Statement of Problem

Financial management has remained consistently one of the major constraints undermining the performance of Local Governments in the highly cherished goal of taking government and development closer to the grassroots. Several reform programmes have been undertaken by different governments of Nigeria on how to improve the standard of living of the people at the grassroots. But the overall performance of local government still leaves much to be desired.

The problem faced by our Local Government Councils appears to be multidimensional. It translates into question of non-adhering with provision and section of Financial Memoranda for Local Government Accounting System which stated the accounting principles to be followed by all Local Governments in Nigeria.

On the other hand, which according to J.A. Ejisan(2008) the system of accounting used by all local governments in Nigeria is based on the principle of double entry book-keeping. This system requires that every debit entry should be matched by a corresponding credit entry of similar amount and credit entry should be matched by a corresponding debit entry of similar amount. This principle is entrenched in the Financial Memoranda governing the financial operations of Local Government Treasuries in Nigeria. Another crucial dimension to the problem which forms the basis of this study is to assess the extent to which local governments significantly comply with accounting system as stated in the Financial Memoranda (FM). The justification of this dimension to the study stems from the fact that, the accounting pattern exhibited in local government goes along way to determine the usefulness of the level of record keeping and effectiveness of the production of financial report, efficient management system and effective organizational arrangement. This is because accounting in a general sense may be considered as a process in which the transaction and events in an operating entity are recorded for the purpose of accumulating and providing financial information essential to the good conduct of the activities of such an entity.

It is imperative to note that, the accounting system at stated in the FM is expected to enhance the proper and effective control and utilization of local governments' funds. This is due to the fact that, the FM is one document which guide and control the

financial activities of the Local Governments,just as it is stated in the introductory note to the F.M.

> *"The Financial Memoranda have been issued by the government and contains, instruction, which shall be observed and complied by all Local Governments for the better control and management of financial business of Local Governments in the States"*

From the above note, it can be deduced that the application of the provisions of the Financial Management operations are mandatory and as such, accounting which forms a vital aspects of financial management needs to be assessed, in order to determine the extent of compliance.

The major concern of this study is to assess whether the problem faced by the Local Government in the issue of accountability can be an attributed noncompliance with the guidelines for financial accounting and control as stated in the Financial Management and what variables could be the causes for the non-compliance, so that appropriate recommendation can be made. Presently, there have been reported cases of poor accounting system and mismanagement of public funds by the functionaries entrusted with such responsibilities in local governments in Kaduna State due the non-compliance with accounting procedure stated in the Financial Memorandum to the extreme loss of direction and accounting could hardly be carried out or rendering and form of accountability or control almost impossible and attributed to the following problems.

(Report of the Auditor General Local Government for 23 Local Governments 2004-2008:780). State the poor accounting system and financial reporting, poor sound of management system and poor organizational arrangement.This refers to the function of account system which requires the production of adequate and timely financial information. In this regard local government accounting system and financial reporting of Kaduna State has been that financial information produced are neither adequate nor rendered in time to serve desired purpose. It is claimed that the accounting system of local government does not provide full adequate reporting of all financially quantifiable resources of local government and such does not fully cover the operational criteria described in Chapter 5 and 32 of the Model Financial Memoranda by providing the full financial position of local government as well as result of operation.

Another peculiar problem mentioned in the report which is seriously faced by the Local governments in the state is poor management system. This is referred to as function of budgeting the budgetary cycle and calls for procedures and methods which help tract public funds to various levels of responsibility e.g. departments, units and divisions of local government programmes or projects. Generally, budget determines the structure of local government accounts. Local governments of Kaduna State are faced with problems of:

i. Proper planning i.e. programming

ii. Budgeting

iii. Budgeting execution accounting and control

iv. Audit and review

Financial Memoranda provides an effective organizational arrangement for which local government to follow; but it became a problem for local government to adopt a function of control which requires a clear control in terms of check and balance built in the system and capacity to direct and coordinate matter through the use of central agencies such as the treasury and budgetary department of local government. This particular prerequisite is seriously lacking in many facets of financial administration in local government of Kaduna state due to lack of adherence to model financial institutional arrangement in Financial Memoranda. Chapter 1, which provides for effective financial institutional arrangement. These accounting system of local governments in Kaduna State are not effective and most times are ill organized. This research will therefore, look into the preparation of accounts of local government and the adequacy/effectiveness of accounting practice and personnel. The researcher would also look to see whether the generally accepted accounting principle (G.A.A.P) are adopted by these local governments and how such principle can enhance the effective and efficient and preparation of sound accounting and financial reporting.

1.3 Research Questions

Arising from our preliminary discussion of the research problem, our study will elicit answers to the following key questions which essentially form the bedrock of our problem statement:

i. To what extent do the guidelines for accounting procedures as contained in the Financial Memoranda (FM) enhance effective control of finances in local government?

ii. Are the stated accounting principles in the Financial Memoranda (FM) for reconciliation between the main books of account and subsidiary books of accounts strictly observed/adhered to?

iii. Is the accounting procedures of local government capable of bring about efficient fund management?

1.4 Objectives of the Study

The primary objective of this study is to assess the perception of stakeholders as regards to strictly adherence to the accounting procedures of the local governments as stated in the Financial Memoranda.Other objectives include:

i. To examine the pattern of the local government accounting procedure by assessing the impact of financial record keeping in local government.

ii. To assess the extent of compliance with Financial Memoranda (FM) provisions on accounting procedures and practices of local governmentsin Kaduna State.

iii. To identify numerous challenges and problems of local government accounting system in Nigeria.

iv. To make policy recommendation for the improvement of the principles and procedures of local government accounting.

1.5 Research Hypotheses

In line with stated problems, objectives and research questions, the following hypotheses are designed for validation.

H_{O1}: There is no significant compliance with accounting procedure and the guidelines stated in the Financial Memoranda (FM) and effective control of finances in local governments.

H_{o2}: There is no significance adherence to accounting principles in the Financial Memoranda for reconciliation between the main books of account and subsidiary books of account in the financial statement of local government accounts.

The first hypothesis centered on establishing the fact that there is relationship existing between compliance with accounting procedure and Financial Memoranda (FM) provisionfor effective control of finance in local government. That is to say that, for local government in Kaduna State to be very effective in keeping accounting records and production of financial statement, there must be a significant compliance with the provision of the Financial Memoranda of accounting.

The second hypothesis centred on establishing the fact that there is relationship existing between adherence to accounting principles in the Financial Memoranda for reconciliation between the main books of accounting and subsidiary book of account in the financial statement of local government.

That is to say for local government in Kaduna state to be very effective in producing the financial statement there must be a significant compliance with Financial Memoranda provision for reconciliation between the main books of accounts and subsidiary books of accounts.

The statistical techniques, chi-square and Kendall's coefficient of concordance constitute data techniques analysis adopted for testing the two hypothesis.

1.6 Significance of the Study

This research work is important to examine the problems of accounting procedures and financial control in Kaduna State so that concrete solutions can be sought for in order to strengthen the compliance of the accounting procedures stated in the Financial Memoranda (FM) to solve the problems.

This study expects to evaluate how local government councils in Kaduna State manage and utilize their financial resources in relation to the accounting procedure provision of the Financial Memoranda (FM). In the light of this, the study is a survey to provide empirical evidence and functional picture of the accounting

procedures and financial control, with the sole intention of making policy recommendations for the benefit of:

i. **Government:** Federal/State Government need for appraisal of performances of the local government councils in order to assess adherence to legal provision of Financial Memoranda (FM) in relation to accounting and control for management and utilization of funds.

ii. **Local Government (Accounting Staff):** It will reawaken their attention and focus and attitudes towards compliance with financial regulations (Financial Memoranda). This will aid viable internal control system.

iii. **Research Purposes:** Other researchers would find the study useful and relevant for further research purpose.

iv. **General Public:** The general populace would be enlightened as to the operation of financial administration of local government councils. This will enhance their participation in local government politics.

1.7 Scope and Limitations of the Study

This study seeks to assess the extent of compliance with accounting procedures of the Financial Memoranda (FM) by local government councils in Kaduna State. The study would be limited to accounting procedure and financial control guidelines as provided in the Financial Memoranda (FM). The guidelines affecting the accounting

procedures and record keeping and necessary checking for effective control of finances would form the central goals of this study.

The study is confined to the period of 5 years. The part of this time frame is holding to the fact that Local Governments in Kaduna State witnessed a great inflow of funds from the statutory allocation and fiscal activities arising from the democratic governance when compared to previous years. It is imperative therefore, to study how the local governments within this period prepare and adhere to financial rules and regulation.

Limitations of the Study

As it is common with researches of this nature, problems and limitations are always encountered which usually undermine the adequate conduct of research. Some of these limitations encountered in the course of this work include

i. **Data Collection**: One of the problems encountered in the course of this study was that of data collection. Although the Local Governments' respondents were resistant to disclose relevant materials. The most serious difficulty encountered were total absence of essential records as Monthly Summary of the main ledgers, Monthly reconciliation of Banks Accounts, monthly reconciliation of Accts LGT (78) and Annual Accounts (Annual Financial Statement which last to prepare such statement by the two (23) local governments in the state was 2010- even from the 2006-2009 are not

up-to-date. In some other cases, respondents find it difficult to respond the questionnaires issued to them. Most at times they complained of lack of time. In fact, most times we had to make an appointment with the respondents to meet in the office in scheduled dates.

ii. Most significant problem related to the data collection is that the relevant books of accounts to be maintained in the Treasury according to the chapter 13 of Financial Memoranda were left out since 2003 even in some Local Government outdate since 1998 only the cash book is maintained but not balance monthly

1.8 Contextual Definitions of Terms

i. **Assessment:**Act of assessing, a valuation for the purpose of making things stronger and effective.

ii. **Compliance:**Yielding, agreements, assent, submission, abiding by procedure set out in Financial Memoranda for local governments.

iii. **Accounting:**Oshisami and Deen (2004:188) defines accounting as the process of recording, analyzing, summarizing, communicating , interpreting financial information about government in aggregate and in detail reflecting all transaction involving receipt, transfer and deposition of government funds and properly.

iv. **Procedures:** A mode of proceeding or a method of conducting things or business. The purpose is one, to demonstrate the propriety of transaction and

their conformity with established rules and give evidence of accountability for the stewardship of government resources and to provide useful government operation.

v. **Financial Memoranda:** Is a book issued by the government in accordance with a specific section of the state law. The memoranda contained instructions which shall be observed and complied with by the local governments for the better control and management of the financial business of local governmentsin the States.

vi. **Local Government:** Mandible (1998:36) defines local government as a sub unit of government controlled by local council which is authorized by the central government to pass ordinance and by-laws, having a local application, levying taxes or exert labour and within limit specified by the central government.

vii. **State Government:** Under the provision of the constitution of the Federal Republic of Nigeria, there shall be state government and there shall be thirty six (36) states in Nigeria. For the purpose of this study, Kaduna State is one of the states out of 36 states of federation situated in the north central part of the country, which share common boundary with Niger State and Federal Capital Territory in the west, Plateau State and Nasarawa State, in the south, Kono State, in the East while Katsina and Zamfara in the North. Kaduna State has twenty three (23) Local Government Areas that are under the state

government, ensure their existence under a law which provides for the establishment, structure, composition, finance and function of such local government councils.

1.9 Organization of the Study

This study consists of six chapters, chapter one among other things gave a background of the study, the statement of problems of the study, the research questions that arose from our preliminary discussion of the research problems. The primary objective of the study also form part of this chapter for assessing the perception of stakeholders as regard to strictly adherence to the accounting procedures of local governments. Research hypotheses form part of this chapter for testing the research questions, problems and objectives. The significance of the study is also part of the chapter to examine the problems of accounting procedures. This chapter also include the stated limitation and scope of the study.

Chapter two attempts to critically examine the various perspective and views of authors and individuals that have contributed in the area of Financial Management and Accounting in the public sector as special on local government financial management and accounting. Part one is the literature review. This section begins with the review of the major works relating to various definitions of financial management and accounting.

Chapter three primarily deals with the research methodology. It indicates the sources of data, methods of data collection, study population, sampling techniques and their justifications.

Chapter four deals with presentation and interpretation of data, analysis and discussion of the results obtained from the preceding chapter in order to discover the research findings.

Chapter five contains data presentation and analysis.

Chapter six constitutes the summary of research, findings, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

In this chapter, the study reviewed the relevant literature in the area of our study, and finally provides a theoretical framework upon which our study will be based. The key areas covered in our literature review include the following: origin and development of local government system in Nigeria, concept of accounting system, nature of Government Accounting, Basic Principle Guiding Local Government Accounting. The role of government accounting system, basis of government accounting, financial management in local government, Local government Financial Memoranda, accounting system in local government, an overview of the accounting system, accounting books and records; Local Government Treasury Operations.

2.2 Origin and Development of Local Government System in Nigeria

According to Olisa and Ogbonna(2004), prior to colonization, there were in existence in most African enclaves, local administrative machineries founded upon traditional institutions. In the areas known as Nigeria today, the existing ribs that make up the geographical areas already, had one form of local government administration and the other. In the Northern part of the country, the Hausa/Fulani practiced a highly centralized form of government with the Emir as the head of both the political and religious leader. The Emir however, delegated his powers to the district leads (magajis) to oversee the district that make up the emirates.

In the Western parts of the country, the Oba firmly held power over towns. This power was delegated to the Baale who administered a town or a village and paid royalties to the Oba at specified time of the year.

The Igbos of the Eastern part however, were republican and egalitarian in nature, that withstanding, there was still in existence the Ohaneze (an assembly of men) who sit in the village square to the decision on behalf of the people.

In the modern times, development in the Nigeria local government administration is expected to play a significant role in promoting the democratic ideals of the society and coordination of development programme at the grassroots level.However, more important is to note that reforms in Nigeria Local Government Structure has been a recurring struggle, for instance the 1976 Local Government Reform, the 1979, 1989 and the 1999 Constitutions sort to make local government the bedrock of national politics. Today, Nigeria is divided into thirty six states and one federal territory, which are further sub-divided into 774 Local Government Areas. This breaking down of the country into smaller units or localities is to enhance effectiveness in government administration and participation of the inhabitants of different units or localities in governance, through their elected representatives who exercises power or undertake functions under the general authority or national authority. This is quite different from the colonial arrangement which imposed native administration in order to pursue their selfish mission.

2.2.1 Local government (as a Public Organization)

The term local government has been defined in different ways, depending on the orientation and experience of its users. Awa (1981:45) sees local government as "a political authority set up by a nation or state as a subordinate authority for the purpose of disporsing or decentralizing political power".

Wraith (2003:106) also defines local government as "the act of decentralizing power, which may take the form of deconcentation or devolution. Decocentration involves delegation of authority to field entities of the same department and devolution on the other hand refers to a transfer of authority to local government units or special statutory bodies such as school boards or instance. From this perception, one can see local government as lesser power in the national policy.

It is an administrative agency through which control and authority relates to the people at the grassroots or periphery. Emezi (2000:205) on the other hand, perceived local government as "system of local administration under local communities that are organized to maintain law and order, provide some limited range of social amenities, and encourages cooperation and participation of inhabitants towards the improvement of their conditions of living. It provides the community with formal organizational framework which enables them to conduct their affairs effectively for the general good".

According to Maddick (1963:47) local government is defined as "A sub unit of government controlled by a local council which is authorized by central government to pass ordinances having a local application, levy taxes or exact labour and within limit specified by the central government varies centrally decided policy in applying it locally. The united nations defines local government" as "a political sub – division of a nation (or in a federal system, a state) which is constituted by a law and has substantial control of local affairs including the power to impose taxes or to exert labour for prescribed purposes. The governing body of such an entity is elected or otherwise locally selected. The Local Government Reforms documents (1976) defines local government as "government at local level exercised by representative council, established by law to exercise specific power within a define areas.

Deriving from the definitions given by Awa, Writh and Emezi, the definitions have some colonial underpinnings. For instance, Emezi emphasized more on maintenance of law and order and provision of limited range of social services. In essence, the conceptual view of local government is basically a function of space and time factor for example in colonial time, native administration was primarily established for maintenance of law and order. With the emergence of independence, emphasized shifted from law enforcement to the provision of social services. Whallen (2000) views local government as a given territory and population an institutional structure for legislative, executive or administrative purposes a separate legal identity, a range of powers and functions authorized by delegation from the appropriate central or

intermediate legislative and within the ambit of such delegation, autonomy including fiscal autonomy.

In addition, from the three definitions above Maddick (1963), United Nations definition, reform documents (Nigeria 1976) certain characteristics or local government stand out.

a. That local government is a subordinate system of government.
b. It has both legal and constitutional power to perform certain legislative, administrative and quasi judicial functions.
c. Has the power to make policies, prepare budgets and a measure of control over its own staff.
d. Its council could be elected or selected,
e. It has legal personality i.e. can sue and be sued.
f. It exercises authority over a given territory or population.

These definitions point at local government as having a government's character within limited power. This can be further broken down more specifically as follows:

a. Legal entity which can sue and be sued for wrong doing.
b. Power to make its own laws, policies, plans and budgets on what to do, how why, where, when, for who and at what costs.
c. Legislative body called a council composed of elected councllors and the chairman to make law and policies.

d. Executive body called the committees composed of appointed or elected officials and the chairman to formulate policies and laws.

e. Administrative body called the local government service composed of career civil servants to assist in formulating and in implementing laws and policies,

f. Power to tap human, financial and material resources for public use within the geographical area.

g. Answerable to a higher level of government (National or state or regional) on certain power an functions it carries out (especially concurrent function). This is to say that local government is not absolutely autonomous.

2.2.2 Objective for the creation of Local Government

A lot of reasons have been given for the objectives of the creation of local government in Nigerian. These ranges from political, social and economical motive. In summary, the following include the purpose for creation of local governments:

i. **To bring government closer to the people:** Participation by the citizens in government is one of the underlying precepts of democracy and modern day notion of government. Local government serves as avenues through which the people participate in the communities.

ii. **For administrative Convenience:** Local Governments are created for administrative expediency. There are many functions that will be cumbersome for the state and federal government to perform because of the

distance separating them and the people. These functions can be best and effectively performed by the local government. A few examples would suffice.

(a) Collection of rates, radio and television licenses,

(b) Registration of birth, deaths and marriages registry

iii. **To engender development:** Local governmentsare created to bring about meaningful development in the rural areas. As agents of rural development, local government are to use the fund made available to them by both federal and state governments and their internally generated revenue to improve the lives of the people within their areas of operation through the following:

(a) Initiating and attracting developmental projects to the local government such as provision of access roads, water and rural electricity.

(b) Sustaining livelihood through the provision of credit facilities for agriculture, arts, craft and small scale business.

(c) Encouraging the formation of cooperative societies and other economic groupings.

iv. **To preserve heritage and common interest of the people:** The creation of local Government is intended to bring people of common heritage or ancestry together as a political unit to further their interest and increase their participation in government business. The above aim and objectives of local government would not be adequately and effectively accomplished without finance. Finance is an important aspect of government business at all

levels,the local government finance and other related issues would not be out of place.

2.3 Concept of Accounting System

To have a proper understanding of accounting system, we would have to look at the concept of accounting defined by Ademolekun (1998:120) as the "art of recording, classifying and summarizing in a significant manner and terms, of money transaction and events which are in the past a least of a financial character and interpreting the result thereof." Furthermore, Adedeji (1979:136) defines accounting as "the process of identifying measuring and communicating economic information to permit informal judgement and decision by the users of the information." Based on the two definitions above, therefore, Accounting is revealed and pictured from a principle and scientific view points. Place (1957) defined system as assemblage of parts united because of interdependent. While Akpan (1984) defines system as the group of things or parts working together in a regular relations.

The question therefore, becomes what is accounting system? According to the Webster's Dictionary (1987) accounting system is a mechanism, designed to operate in line with the standard and principles of accounting.

However, a more encompassing definitions of an accounting system is given by Dudnor et al (2001:48) as "a collection of resources such as people and equipment designed to transform financial and other data into information."

The aforementioned definitions vary from emphasis on management decision-making requirements to the interrelationships of activities in an organization to produce information. Therefore, an accounting system could be seen as those inputs, human and material which facilitate the processing of financial data into economic information for decision making.

2.4 Nature of Government Accounting

Oshisami (2004:122) asserts that Government Accounting is the oldest form of accounting, long before business enterprises emerged in whatever form, government had been in existence and had maintained records of taxes collected, either monetarily or in kind as well as records of how those resources had been disposed intheir treasuries. Government moreover, tends to keep and preserve financial records longer than other entities. Hence, there are excellent examples of Government Accounting from early periods. This notwithstanding, Government Accounting has remained in the back-water of professional and academic pursuits. It is only in the last few years that the concern resulting from the scale and power of government relative to the other sectors of the economy and the far-reaching extent to which government taxation and expenditure affect the welfare of the citizenry have resulted in more attention being paid both to government and its mode of operations. The concern coming from a wide variety of quarters and for different reasons have necessitated attention being paid to Government Accounting.

Accounting in a general sense may be considered as a process in which the transactions and events in an operating entity are recorded for the purposes of accumulating and providing financial information essential to the good conduct of the activities of such an entity. A more recent and comprehensive definition of Government accounting was given by Oshisami and Dean (2004:147) as:

> *"The process of recording, analyzing, classifying, communicating, and interpreting financial information about government in aggregate and in detail, reflecting all transaction involving the receipt, transfer and disposition of government funds and property. The purposes are to demonstrate the propriety of transaction and their conformity with established rules, to give evidence of accountability for the stewardship of government resources and to provide useful information for the good control and efficient management of government operations."*

This definition delineates what government accounting stands for while at the same time indicates its central position within the financial control system as an essential element of the financial management cycle. This definition further shows that government Accounting is not the same thing as National Accounting or National Income Accounting. The latter refers to the process of capturing aggregate economic data necessary to arrive at the total of the incomes of every individual in a country.

Government Accounting is not the same as commercial Accounting although both use a number of technical bookkeeping and accounting tools and skills. They also share in some areas, the same principles and practice elements as well as concepts and theoretical foundations. In effect, although Government Accounting plays a

similar role to commercial Accounting, there are basic differences in concept and approach which affect their nature and objectives. These differences arise from the different roles of government and partly from the environment within which government operates. This does not mean that each operates entirely in a separate or distinct environment. In fact, the three types of accounting: national, government and commercial should be seen as complementary and could benefit tremendously from developments, innovations, and practices in each area. For instance, some see the three types operating within a generalized framework such that the information needs of one be supplied in a directly usable form by the other. The distinction however, remains necessary to discourage the general notion held by many people that accounting is inextricably linked with commerce and that if and where the principles and practice of government Accounting differ from commercial Accounting it is so because government Accounting is archaic and underdeveloped.

According to Uchendu (1996:2), Government Accounting has been developed primarily as a vehicle for authorization, accountability and control and traditionally expenditure is authorized only through the process of appropriation and issues of warrants. On the other hand, the role of government financial management can be seen as planning a head to ascertain cash needs and controlling inflows and outflows in the light of previously made plans. General accounting whether in the public, privates sector is concerned with collection, classification, summarization and communication of financial information. The task of accounting is to reduce huge

mass of detailed information to manageable and understandable proportion in consonance with legal requirements and generally accepted accounting practice.

The nature of local government activities as the third tier of government does not differ substantially from that of the State and Federal Government. Local government carries out similar types of activities to the grass root levels. The accounting procedure is the same in that essentially cash basis accounting is adopted while modified Accrual Basis is adopted for the project accounting.

In any case, every accounting action is aimed at highlighting:

(a) The performance of the administration with regard to revenue generation.

(b) The relationship between the budget expenditure and actual expenditure,

(c) The prudent utilization of the actual revenue and,

(d) The state of affairs at the end of the financial year.

Government Accounting, through a vehicle for accountability and control cannot be said to provide a full-proof for proper accountability and transparency.

Mikesell (1998:40) observed that, “Even when developed to the ultimate state of perfection, government accounting cannot become a guarantee of good government at best, it can never be more than a valuable tools for promotion of sound financial management. It does not offer a universal medicine for all the ills that beset representative government; nor will it fully overcome the influence of disinterested, uniform citizens. It cannot be substituted for honesty and transparency on the part of public officials; it can help resiting but cannot eliminate the demands of selfish

interests, whether in the form of individual citizens, corporation, or pressure groups, which always abound to influence government at all levels.

In the light of above, it seems universal to concluded that no accounting information can tell the truth about any entity. The case of local government appears worse as the level of development is very slow and low. Most local governments in the developing world suffer from the three M's of under-development viz misallocation, misappropriation and mismanagement. In view of this, it is usually difficult to provide from the system adequate information in respect of:

(i) Cost effectiveness of various programmes, projects and services.

(ii) Management efficiency and effectiveness other than compliance with rules;

(iii) Optimum allocation and utilization of resources;

(iv) Financial viability and strength of the entry to provide the services for which it exists economically on a continuous basis, and

(v) Evaluation of programmes effectiveness.

2.5 Basic Principles Guiding Local Government Accounting Procedure

According to Uchendu (1996:2) some basic principles govern the fiscal accountability of local government accounting system. The principles aims at procedures to ensure compliance with laws and rules (Financial Memoranda) that expenditure are kept within council authorization and the financial records and statements are accurately and fairly stated.

These principles correspond to some extent with the basic principles recommended by the national committee on government accounting some which are set out below:

(a) Legal compliance and financial operation

(b) Conflict resolution between accounting principles and legal provisions:

As much as possible, the government accounting system should ensure fell disclosure and fair presentation of financial position and operating results in accordance with generally accepted accounting principles applicable to government units.

(c) The budget and budgetary accounting: The annual budget should be adopted by every government whether required by law or not, and accounting system should provide budgetary control over government revenues and expenditure.

(d) Found accounting: Government accounting system should be organized and operated on sound basis, etc.

(e) Number of funds: The fund recognized are those required by law and sound financial administration. Numerous funds make for inflexibility, under complexibility and unnecessary expense in both accounting system and overall financial administration.

(f) Fund account: complete self-balancing groups of account should be established and maintained for each fund. Such should include general ledger, subsidiary records necessary to reflect compliance with legal provisions and to present financial position and results of financial operations of each fund,

clear distinction should be made between current assets and liabilities and those relating to fixed assets and liabilities.

(g) **Valuation of fixed assets:** Fixed assets register should be maintained and fixed assets accounts should be kept in case of project accounts. The basis should be original cost or estimated cost if original cost is not available or in the case of gift-in-kind, the appraised value at the time received.

(h) **Depreciation:** Depreciation on general fixed assets should not be recorded in the general accounting records. Depreciation charges on projects fixed assets will be computed. In case of fixed assets disposal, national depreciation charges should be computed and recorded only in memorandum form. They need not appear in the fund accounts but they applicable at the time of disposal, etc.

Above and other suggested principles are already contained in the Financial Memoranda which provide guidelines procedures for the local government accounting respectably. Specifically, the Financial Memoranda dealt with procedures and guidelines for local government. The memoranda never addressed properly the issue of accounting and financial management. However, the "standardization of federal and states government's accounts in Nigeria", produced by Accountant General of the federation and Accountant General of the states cannot be said to have come up with any new idea. Rather attempt was made to set

out list of financial statements required to be produced by various governments for the purpose of local government accounting the list includes:

i. Statement of assets and liabilities

ii. Statement of consolidated revenue fund

iii. Capital development fund (capital expenditure)

iv. Statement of recurrent revenue

v. Statement of total recurrent expenditure

vi. Statement of personnel cost

vii. Statement of overhead cost

viii. Statement of capital receipts

ix. Statement of capital expenditure

x. Statement of public debts

xi. Statement of external loans

xii. Statement of internal loans

A comprehensive consolidated financial statement and a balance sheet statement monthly reconciliation of account (LGT form 78) statement of (surplus and deficit) assets and liabilities) with necessary notes covers of all the statements listed above. This connotes that proper work has not been carried out in order to produced real standards for presentation of public generally. The case of local government accounts should not be an exception. Even the statement of assets and liabilities has some inherent arising from its static character.

2.6 Financial Management in Local Government

There are varying opinions of what constitute financial management by different scholars. According to Sheared (1984:38) financial management is that part of management which is concerned mainly with raising funds in the most economic and suitable manner using these funds as profitably (for a given risk level) as possible planning future operations and controlling current performance and future development, through financial accounting, cost accounting, budgeting statistical analysis and other means.

According to Hassan (2001:32) the guiding principles of financial management are efficiency or economic, effectiveness and equity, efficiency stresses the needs for achieving maximum results at least cost, while effectiveness ensures relevance of expenditure are equity and focuses on just and fair play. In local government, the objectives of financial management are in consonance with this component stressed. Pandy (1979:63), defines financial management as "that managerial activity which is concerned with planning and controlling of financial resources". When related to local government, it is sourcing which involves revenue generation and disbursement which focuses on expenditure pattern. Financial management tends to be beneficial only when activities are properly planned and executed. It is a whole system to the extent that when a unit of it is defective, the whole structure becomes defective.

According to OladimejiAorishade and Marshau (1981:79) “finance is a thread that runs round the cloth, if the thread is pulled wrongly at one end it will affect the design of the cloth and destroy its beauty”. This means that the finance of an organization must be handled with care and must be disbursed according to financial regulation and this peculiar activity is done in the treasury.

In a seemingly way Brockington(1983:143) sees it as that part of total management function which is concerned with the effective and efficient raising and uses of funds.

According to Abubakar(1988:3) classified control and accountability a function of financial management. Control and accountability can rightly be viewed as two sides of coin in the financial and fiscal activities of government in any democratic political system. However, while the concept of control is fairly straight forward and appropriate measures do exist and can fairly be instituted to ensure some organization in the conduct of the financial activities of government, ‘accountability’ has remained a rather amorphous and intimidating concept; difficult to define and even more difficult to operationalize.

2.6.1 Control

Financial control is basically the operation of a system of public accounts and audit that ensures that public funds are used for public purposes (for) which they were statutory appropriated in the first place. The control function ensures that the business of government is conducted in accordance with laid down procedures, rules

and regulations. Essentially, financial control "reflects a managerial process that is both political and administrative, dealing with horizontal and vertical relationships within government organizations. According to Premchand (1983:146), control can be both internal and external, pre, and ex-post.

2.6.2 Auditing

Auditing, in conventional practice, is the major for ensuring control both internally and externally. Ola (1979:7-8) essentially adopting a typological framework suggested by Chanada (1960:5) identifies three distinct but mutually enforcing purposes which apparently form the bedrock of statutory auditing in countries like Nigeria these are:

i. Accounting (accuracy)

ii. Appropriation (legitimacy)

iii. Administrative.

The accounting context of (statutory auditing) aims at the detection of fraud, the detection of technical errors or detecting errors of principles (i.e. those not in accordance with generally accepted accounting principles/practice). The appropriation purpose aims at trying to ensure that items of (expenditure) have been charged to the proper heads of accounting and that the accounts (or provisions) are not exceeded. The third purpose, i.e. the administrative, relates to ensuring that expenditure haven been incurred according to rules and regulations and that they have been sectioned by a competent authority.

2.6.3 Accountability:

Accountability stands out as cherished goal of every government. In the view of Day and Klein (1987:1) "accountability" is one of the fashionable words of our time".Over the past decades, new institutions and new techniques have been developed in the service of accountability. Such as pre-occupation with the institutions and techniques". The modern welfare state is also a service delivery state. Its development has compounded the problems of making those who deliver services answerable both to those who finance them and those who use them.

According to the United Nations (UN) manual for Government Accounting and Budget Execution, UN (1952:5), accountability is "a legal liability (involving) the establishment of a pattern of central over receipt and expenditures that permits a determination either by the Executive or by the Legislature or (both), that public moneys have been used for public purposes". This definition, though not without its usefulness, tends to impose a constraint to a more broad based understanding of the concept. The constraint here is the lens in which accountability is viewed rather narrowly as legal liability.

2.6.4 Tools for Financial Management in Local Government

There are many tools in place for effective management of the finances of a local government. It has been confirmed that many local governments have these instruments in place as part of their structural existence, (M.M. Hassan 2001: 51).These include:

i. Personnel: At the centre of the financial management and control are the officers charged with the responsibility for proper conduct of the financial affairs of the Local Government and ensuring that activities are carried out within the countries laid down rules and regulations. This class of officers includes those that determine the financial goals of the Local Government (executive) those that give legal authority for financial activities (legislative) and those who individually and collectively are responsible for the financial transactions of the local government (bureaucrats or the head of departments).All those officers play important role in ensuring that financial management system and control put in place will prevent wastages and misappropriation. These categories of officer are stated below:

a. The Council Chairman

b. The Vice Chairman

c. The Supervisory Councilors

d. The Secretary the Local Government

e. Leader of the Council (Speaker)

f. Head of Personnel Management (DPM)

g. The Council Treasurer

h. Internal Auditor

i. Clerk of the Council

j. Auditor General for Local Government

k. Other Heads of Departments

2. Committees

In discussing the aims and function of Local Governments, it is vital to consider the role of committees in the local government administration. These committees may be vertical (service) committee which focuses on one area of local government services e.g. Working Housing, Agriculture, Rural Development Committee, etc and Horizontal (functional) committee which focuses on function that bring the entire local government together as one e.g. funds management committee, finance and general purpose committee etc. In a form, these committees (vertical or horizontal) pay vital roles in financial management system in local government.

These committees include:

a. Fund Management Committee

b. Finance and General Purpose committee

c. The Executive committee

d. Board of survey at local government

e. Pre-payment inspection committee

f. Local Government Audit Alarm committee

g. Revenue collection and review committee

2.6.5 Review of Related Issues in Local Government Financial Management

According to Abubakar(1986:80) "Financial Management is the process of rising revenue and allocating and spending financial resources to meet the predetermine goals of an organization". It is important to note that financial management concerns with the twice issues efficiency and effectiveness as well as equity.

Financial management is a process through which organization whether in private or public sector raised and spend money in the most efficient and equitable manner. For example, how organization raised funds, how they allocate and how they spend in order to meet the goals and objectives of an organization.Importantly however, the process of most endeavour and equity, application of financial management to the laid down procedures in the Financial Memoranda or any other laid down rules and regulations.

We therefore, study financial management in order to enable organization to follow process of raising fund and spending those funds in the organization through equitable way. Contained in the government accounting journals vol. 34 No. 2. (1955), financial management has been defined as "that part of total management which is concerned primarily with the transaction of action both proposed into meaningful and relevant information for use in the management process" financial management process encompasses the systems and procedures through which government decides what programmes and activities to undertake, allocate resources to those peoples accounts for the resources and assesses the results".

Thus, financial management includes planning, programmes, budgeting, budget execution, accounting and various form of evaluation and review. Financial management infrastructure is basic framework, which ensures that public funds are equitably safeguarded and are spent economically, efficiently and effectively, if we consider the fact that all decisions have financial implications either because they

directly affect the expenditure of money or because they lead to the consumption/disposition of efforts, facilities or materials all of which cost money, we then realize that an important aspect of financial management is the coordination of the various decisions taken within the system. These decisions must be mutually consistent and geared towards achieving the overall objectives of that system. "Financial Memoranda" Financial Memoranda are not exclusive concern of any one part of the organization of a local government or any person or category of persons.The local government council, the chairman, the executive committees and all members of the local government staff from the highest to the lowest are involved in financial management affairs and should particularly, be concern with ensuring that within their filed of operations and responsibility and that proper value is obtained for money spent. However, the local government council, the chairman, the executive committee (F and GPC) and certain categories of officers do have special responsibility for financial matters those are set in the chapter of Financial Memoranda.

2.7 Local Government Financial Memoranda

The Financial Memoranda (FM) is one single document that has traditionally provided support and guidance in the administration of local government finances (Abubakar, 1993:20). Ejisun (1995) opined that, the F.M provides the basis for effective and efficient financial administration in the local governments. According

to the FM (1998) in its introduction "The Financial Memoranda contain instructions, which shall be observed and complied with by all local governments; for the better control and management of the financial businesses of local government in the states".

Among other things, the Financial Memoranda are designed to do the following:

(i) Define the precise duties and responsibilities of the local government, its executives and legislative council as well as those of other service officials in regards to funds, store and general financial management.

(ii) Set out the process to be followed in the preparation and approval of annual and supplementary estimates of the local government.

(iii) Prescribe certain financial organizational arrangement of local government and procedure in respect of collection and accounting for revenue and controlling and accounting for expenditure.

(iv) Statement of accounting objectives and accounting principles and practices to be followed.

(v) Prescribe the main and subsidiary accounting records to be maintained and the statement of accounts to be prepared each month and at the end of the financial year.

(vi) State the arrangement for internal audit of the accounts of the local government.

(vii) Prescribe the procedure to be followed in regards a number of ancillary matters.

In order to achieve these objectives, the Financial Memoranda have not left out everybody that has anything to do with local government, especially in its financial operation, either as individuals, groups of individuals or even institutions outside the local government in which it has substantial interest.

However, apart from stating clearly the duties and responsibilities of key officials and committee of local government, the F.M emphasized the collective responsibility of all stakeholders in the grassroots operation as regards finance.

As the main effective tool for local government financial management, Adewumi (1995) opined that it should serve as reference document for local government officials.

However, in the recent times, reform in the local government has continuously come on board. The FM being an essential tool for local government financial management has also been subjected to reforms. This is to cater for the changing needs of the local reforms have affected the FM. And to also see some essential features of the FM in the financial operation.

2.7.1 The Financial Memoranda and Local Government Reforms

Reforms in local government according to Adebayo, (2005:39) have been a recurring struggle, but the 1976 local government reform provided a district approach in the history of local government in Nigeria. For effective operation of the

system, the first comprehensive Model Financial Memoranda for local government council was compiled. Since then, various reforms and modifications (1988, 1990, 1999 reforms) have been undertaken in the local government service, which have by and large rendered obsolete the provisions of Model Financial Memoranda,(Adewumi 1995).

In so far as most decisions of local governments have financial implications, it has become imperative that the major tool of management be reviewed, sharpened and updates to synchronize the provisions with the dictate of current realities. The intention according to Aikhomu (1991:3) is to reinforce the checks and balances in a deliberate effort not only to enhance the judicious underlization of public funds, but also to preserve the gains made in the building the local government services in the recent past.

Adewumi (1995:40) viewed some of the problems the revised FM should solve which include, the codification of various rules and regulations within which local governments have been operating, especially the streaming of the duties and responsibilities of the two arms of local government, the executives and legislature arms. Also the FM provides the roles of individual's key officers and their relationship, so as to remove any ambiguities about role performance and accountability. Provisions are made for detailed accounting system, procedures, approving authorities and checks and balances. While most of the old forms have

been retained, a few had there numbers changed, some modified and new introduced to take account of staff matter and as much as possible, eliminate ghost workers.

According to Abubakar (1993:45) the Financial Memoranda (FM) in principle continue to provide the general basis for day-to day financial transactions of the local government. The non issuance of an updated FM incorporating the major changes introduced in local government administration in the last three years or so has however, grossly limited the control role of the FM, and left certain financial decisions to the discretion of the local government executive. Largely as a result of this, evidence abound of the flagrant abuses of the existing FM.

According to Odoh (1993:60) reforms are change effected in a given system with a view to enhancing the performance of such a system. Defining reforms, Siedentopf sees it as an organizational, instrumental and programme related change of government and the fabric sector to meet environmental demands and requirements. He also adds that, reforms take into account the role of the modern administrative state to shape and reshape society and to guide, regulate and control economic and special developments. This therefore means that, reforms are guided by certain values and aimed at achieving certain objectives, of which the broader one is development of the institution and its activities.

2.7.2 Essential Feature of the Financial Memoranda(FM)

Central to the development of an efficient and viable local government is a system of prudent financial management. The Financial Memoranda provides, elaborate

arrangements to ensure that public funds are handled by local government functionaries with high sense of probity and accountability, (Adewumi, 1995:75).

Therefore, the FM as variously used among local governments in the federation has inter alia following essential features:

Definition of financial duties and responsibilities.

The FM (1990:4) clearly states that financial management is not exclusive concern of any one part of the organization of a local government or any one person or category of person, rather it is a collective effort and responsibilities of all stakeholders to ensure that within their field of operation and responsibility, proper value is obtained for money spent.

Therefore, the local government councils, the chairman, the executive committee and certain categories of officers are charged with special responsibilities to ensure small operation of financial matters of the council.

(i) The Local Government Council

The local government council being the legislative arm of the local government shall be responsible for the following functions:

(i) Law making, debating and passing local government legislation

(ii) Debating, approving and amending local government annual budget, subject to the chairman's veto which could be over-ridden by a two-third majority.

(iii) Monitoring the implementation of projects and programmes in the local government annual budgets.

(iv) That there is compliance with the provision of the FM.

(v) That financial direction under the law and any other financed instructions issued by the government of a state are strictly observed.

(vi) Requesting for information concerning the collection disbursement of funds and making recommendation about the general financial management of the council.

(vii) Ensuring that the executive committee effectively discharge its responsibilities under the law and the provision of the FM.

(ii) Duties of the Executive Committee

The executive committee is the executive arms of the local government. According to the 1991 reforms, the executive arm of the local government consists of chairman, vice-chairman, secretary and supervisors. This is in-line with the presidential system of government introduced in to the local government system.

The executive committee is responsible for the management and control of the finances of the local government. Within these general responsibilities, it is the duty of the executive committee:

(i) To make recommendation concerning policy to be followed by committee and departments in the framing of estimate proposals.

(ii) To receive and consider the annual estimate proposals of all departments as collected by the treasurer,

(iii) To amended the draft estimate submitted by the treasurer and submit agreed draft for the consideration of local government councils.

(iv) To examine all applications for supplementary estimates or the reallocation of funds and as may be appropriate, approve or recommend then or otherwise to local government council.

(v) To consider and award contract according to standing order as contained in the FM.

(vi) To take disciplinary action against any officer who has been found negligent in the performance of his duties.

(vii) To check the proper collection and disbursement of local government revenue.

(viii) To exercise general supervision over financial management of local government affairs.

(iii) The Chairman

The chairman of local governments shall be the chief executive and accounting officer of the local government provided his role as accounting officer shall exclude signing vouchers and cheques. He shall perform inter alia the following financial responsibilities:

(i) He shall ensure strict compliance with the provision of the FM throughout the local government organization.

(ii) He shall observe and fully comply with checks and balances concerning receipts and disbursement of public funds and other assists entrusted.

(iii) As the accounting officer, he shall have sole responsibility for the organization of financial accounting function in the local government.

(iv) He shall establish and maintain internal audit unit to provide a compete and continuous audit of accounts and records of revenue, expenditure, plant allocation and unallocated stores.

(iv) The Local Government Treasurer

The treasurer is the chief account officer and head of the finance department of a local government. The treasurer inter-alia shall:-

(i) Be responsible for the administrative control of the finance department of the local government.

(ii) Perform duties as chief account officer of the receipts and payments of the local government.

(iii) Be a signatory to local government cheques and vouchers.

(iv) Ensure that all accounting system as laid down in the FM is complied with.

(v) Ensure all accounts and other records prescribed by the FM to be kept by the treasurer of the local government.

(vi) Collect all revenues promptly and pay into local government funds.

Consequently, the viability of financial management among Nigerian local government ultimately depends on strict compliance and implementation of the Financial Memoranda(FM). Therefore, both political and career officers of the local government have to acquaint themselves with the relevant provision of the Financial Memoranda FM, especially as it related to their duties and responsibilities.

2.8 Accounting System in Local Government

Accounting system has been severally defined by the different scholars. According to Ejisun (1995:1), "Accounting is the identification, selection, analysis, measurement, processing, evaluation and communication of financial information to facilitate decisions regarding activities and resources. Johnson (1999) opined that the underlying purpose of accounting is to provide information about entity which would influence positive decision making.

Generally speaking, there are two branches of accounting: enterprise accounting and social or government accounting systems. The former may be visualized as the measurement of economic events and conditions with a view to determining profit or loss of a given organization. On the other hand, the later measures all social activities in the public sector with a view to determining the effective and efficient utilization of resources in the provision of social services for members of the society focuses on accounting system at the local government level. It becomes imperative to consider further definition of government accounting. Hassan (2001:84) defines

accounting as the process of recognizing and reflecting in the appropriate books of accounts and records government generated revenue and disbursed expenditure in such a way as to extract with ease relevant financial information vital for appropriate decision making from time to time, and in compliance with the laws regulating government finance.Oshisami(1995:101) opined that government accounting is an essential factor which ensures the good conduct of government activities. The National Council on Government Accounting, USA, in its report on Government Accounting and Financial Reporting and Principles, stated that the objectives of government accounting include provision of financial information useful in making economic political and social decisions and demonstrating accountability and stewardship and the provision of information useful for evaluating managerial and organization performance. In similar vein, the committee on concepts of accounting applicable to public sector of American Accountants Association stated when enumerating on objective of accounting in public sector that:

(a) Accounting provides the information necessary for faithful, efficient, effective and economic management of an operation and of the resources entrusted to it. This objective relates to management control.

(b) Accounting provides information to enable managers reports on the discharge of their responsibilities to administer faithfully and effectively the program and use of resources under their direction and to permit all public official to report to the public on the results of government operations and use public funds. This objectives relates to accountability.

The peculiar nature of government accounting or "social" transactions makes it desirable and indeed, mandatory to treat them in accordance with specific but cohesive and standardized measurement theorems and rules, e.g. the budgeting system and applicable procedures, fiscal accounting procedures, nature of sources of revenue etc.

Another peculiarity of government accounting is that the accounting system is maintained on cash basis. This system provides a satisfactory approach on matters of stewardship accountability and cash programming.

However, government accounting system at all levels of government (federal, state Local) in Nigeria is designed to conform to the financial (control and management) ordinance of 1958 and audit of 1956. The provisions of the two ordinances were entrenched in the 1960, 1963, and 1979 constitutions of Nigeria as amended by the subsequent constitutional provision from 1985 to date, (Ejisun: 1993.10). The system of accounting used by all levels of government in Nigeria conform to the world conventional principle of accounting i.e double entry principles. This principles require that every debit entry, should be matched by a corresponding credit entry of similar amount and every credit entry should be matched by corresponding debit entry of similar amount. Arising from the use of double entry principle of book keeping, the FM (18.1:145) states that a local government shall:

i. Keep a daily record of the receipt and disbursement of local government monies, thus providing ready check on the amounts. This should be in the hand of officials of the local government or local government bankers;

ii. Keep records in prescribed form of receipt and payment of local government analyzed over the various heads and subheads contained in the approved annual estimate of the local government, thus providing information on the progress of the collection of taxes, rates and other revenues, and of expenditure, as compared with the target figures appearing in the annual estimates.

iii. Prepare monthly summaries, in prescribed form of the main ledger accounts and cash book balances to show the financial position of the local government.

iv. Prepare on prescribed forms summary accounts and financial statement at the end of the year.

Accounting system in any organization is an essential arrangement which seeks to ensure prudence and accountability in the management of financial resources. Thus, it becomes imperative to highlight various objectives of the accounting system in the local government, the effect of reforms on the system, the based of accounting adopted in the government sector especially in the local government and how accounting system enhances internal control objective of the councils.

2.8.1 Objective of Accounting System in Local Governments

In order to guide government on the application of fund and ensure financial prudence and accountability, the government published what is referred to as financial instructions and financial regulations which are use at federal and state government levels. At the local government level, it is referred to as the Financial Memoranda (FM). The FM sets out the basic accounting and reporting principles which is aimed at achieving the following:

(i) To provide management accounting service to the council, its committees and department in order to facilitate the reaching of prompt policy and management decisions on the basis of accurate and comparative financial information.

(ii) To provide a financial accounting service by means of accurate and appropriately analyzed records of funds lawfully received by the local government and a detailed analysis of how these funds have been expended in discharging the function of the local government.

(iii) To provide monthly statements at the end of the year statement and period and indicating the financial situation at the end of the period.

(iv) To provide detailed costs of individual establishments services and projects to enable the cost so ascertained to be used for central purposes with a view, inter-alia, to eliminating excessive expenditure losses and wastage.

2.8.2 Local Government Reform and the Accounting System

Reforms have become a household name common to the government sectors. Apparently, the reforms so far made in the Nigerianlocal governmentsas it affects the accounting system have neither affected the main objectives of the accounting system nor alter any accounting procedure (Ejisien: 1995:8).

The Financial Memoranda (FM) which contained the basic principles and procedure guiding accounting system in the local government has accepted in totality:

a. The principle of double entry accounting system;

b. The cash basis accounting system

c. The main books of accounting which shall continue to be those already in existence i.e.

(i) Cash book

(ii) Daily and monthly abstract of revenue

(iii) Daily and monthly abstract of expedition

(iv) Deposit ledger

(v) Advance ledger

(vi) Investment ledger (Generate Renewal)

(vii) Suspense ledger

(viii) Main ledger

(xi) Surplus and deficit statement and the statement of assets and liabilities (Balance Sheet)

(d) The main book of account mentioned in (c) above shall have entries ported into them through any of the following vouches:

i. Payment vouchers

ii. Receipt voucher

iii. Journal voucher

(e) Items (i)-(ii) in (d) above can interplay in any of the main books of account save the fact item (iii) "Journal Voucher cannot be posted into the cash book.

(f) The procedure for balancing the accounts monthly or yearly remain unchanged. In short, the innovations introduced by the revised FM according to Ejisem (1995:10) are more of financial and management control rather than the accounting system. Such innovations or reforms include:

i. The coding of estimates heads and subheads to provide for uniformity, in order to enhance efficiency and effectiveness in data collection, analysis, and reporting among local governments in Nigeria.

ii. Establishing audit alarm committee which are charged with the responsibility of preventing and the making of irregular and illegal payment in government. Though committees according to Daniel (1999:40) have not been functional since its inception in 1988.

iii. Granting the legislative arm of the local government the power to approve annual estimates.

iv. Spending limits for individual key office-holders and

v. Introduction of the rolling/perspective plan.

2.8.3 The Role of Government Accounting

According to Oshisami (2004:205) the role government accounting should play can best be appreciated if the role of government itself is first understood. Prior to independence, government was concerned with the maintenance of law and order and facilitation of the colonial trade arrangement in extracting the resources of the country for the development of the metropolitan power. After independence, government in addition to the maintenance of law and order had to engage in the provision of certain goods and services for the welfare and overall benefit of the society. It had many options available as instruments of achieving this but the two extreme roles derived from a continuation of options are:

i. Provide the infrastructure and developmental finance and allow private initiative and market forces to determine the level of economic activity; or

ii. Take direct part in the production process in addition to the provision of infrastructure and developmental finance and also central aspects of the economic activity left to private initiative.

2.8.4 Basis of Government Accounting

Oshisami (2004:140) described the basis of Government Accounting viz, federal, state and local government as the methods employed in recording financial transactions and events and for the compilation of the financial accounts. There are generally three different bases which may be used: Cash basis, Accruals Basis and Commitment or Obligation Basis. In Government Accounting, any of these may be used. It is also possible to employ a hybrid of any two or all of the three. Hence we

can have “modified accruals basis” which in essence is a cash basis which is modified at the end of each period with adjustments to give it the same results as in accruals basis.

(a) Cash Basis

The cash basis records economic events according to the movement of cash. Here revenues are recorded and accounted for when cash is received and expenditure when cash is paid irrespective of accounting period in which the service is rendered or the benefits received. Budget appropriations are made under the assumption of cash receipts and disbursements and all unspent appropriations are expected to lapse into their respective funds at the end of each period. Cash based accounting has the following advantages:

i. It is simple, cheap to administer and likely to yield end year results relatively quickly;

ii. It promotes accountability and control because of its ease of comparism of budgeted with actual expenditures and the ease of comparison of budget and actual cash flows;

iii. It is unambiguous and strically factual in the presentation of financial information and

iv. It concentrates on the crucially important disbursement of money and consistent with the importance attached to cash movement in and out of the government sector as influence on the economy as a whole.

On the other hand, the cash basis of accounting also suffers, from some serious deficiencies which include:

i. It does not capture data on the various stages of a financial transaction.

ii. It makes no allowance for the usage of assets;

iii. It makes no allowance for stocks held at period ends;

iv. It produces a very imperfect measure of economic cost;

v. It does not reveal an accurate picture of the state of affairs at period end;

vi. It is bad for decision making concerning costs, efficiency andresources usage and

vii. It often distorts current years, cost because of consumption paid for in precious or subsequent years.

All these are related and derived from the inadequacy of the cash basis of accounting to capture more than one of the stages in a typical financial transaction. A spending transaction can be separated into five distinctive stages:

i. Management decision to spend or act;

ii. Issue of order or contract for the supply of goods or services;

iii. Supply of goods and services and the acknowledgement of liability when they have been satisfactorily supplied;

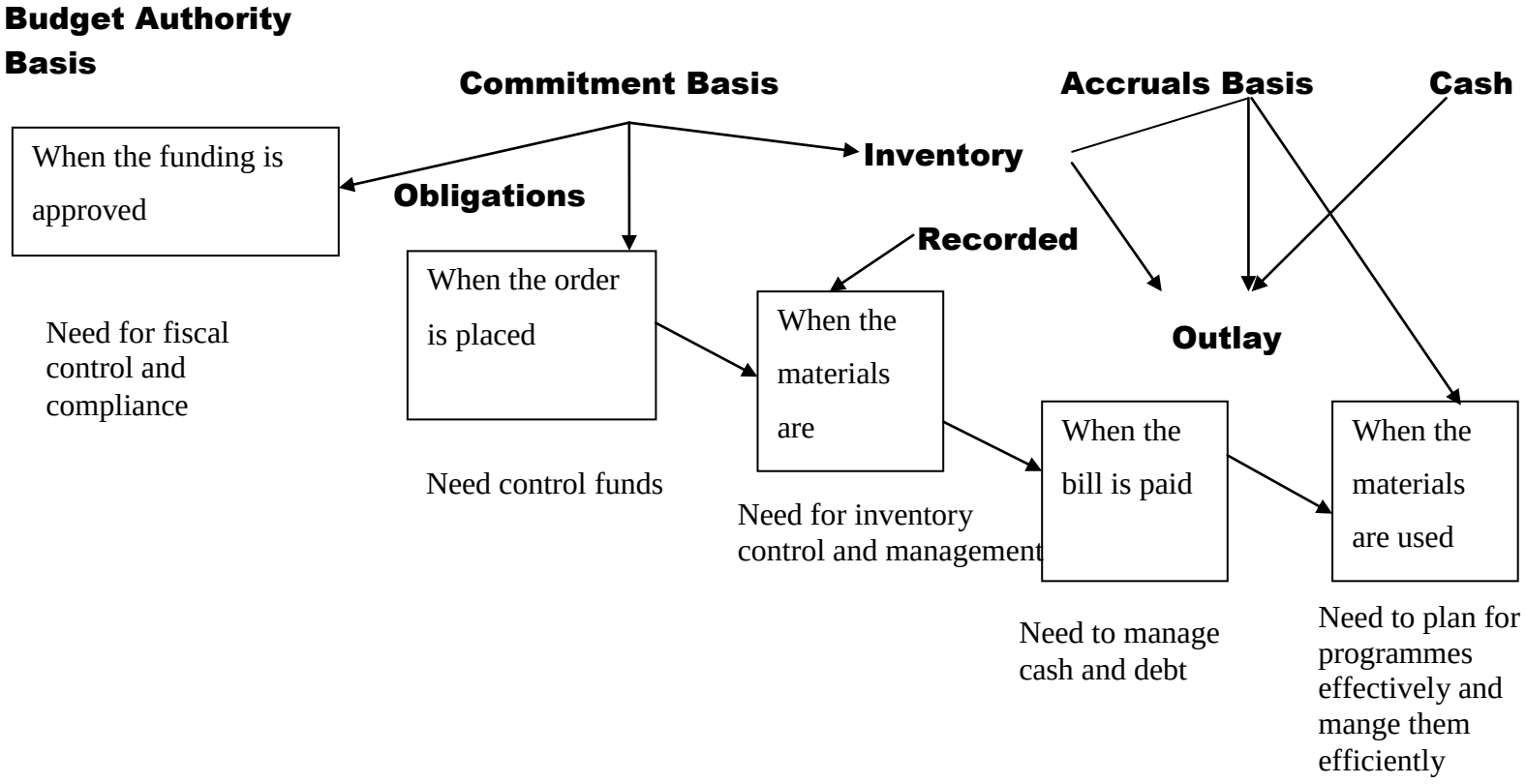
iv. Settlement when liability is due for payment and

5. Consumption of value

A. FINANCIAL INFORMATION AND ACCOUNTING BASIS:

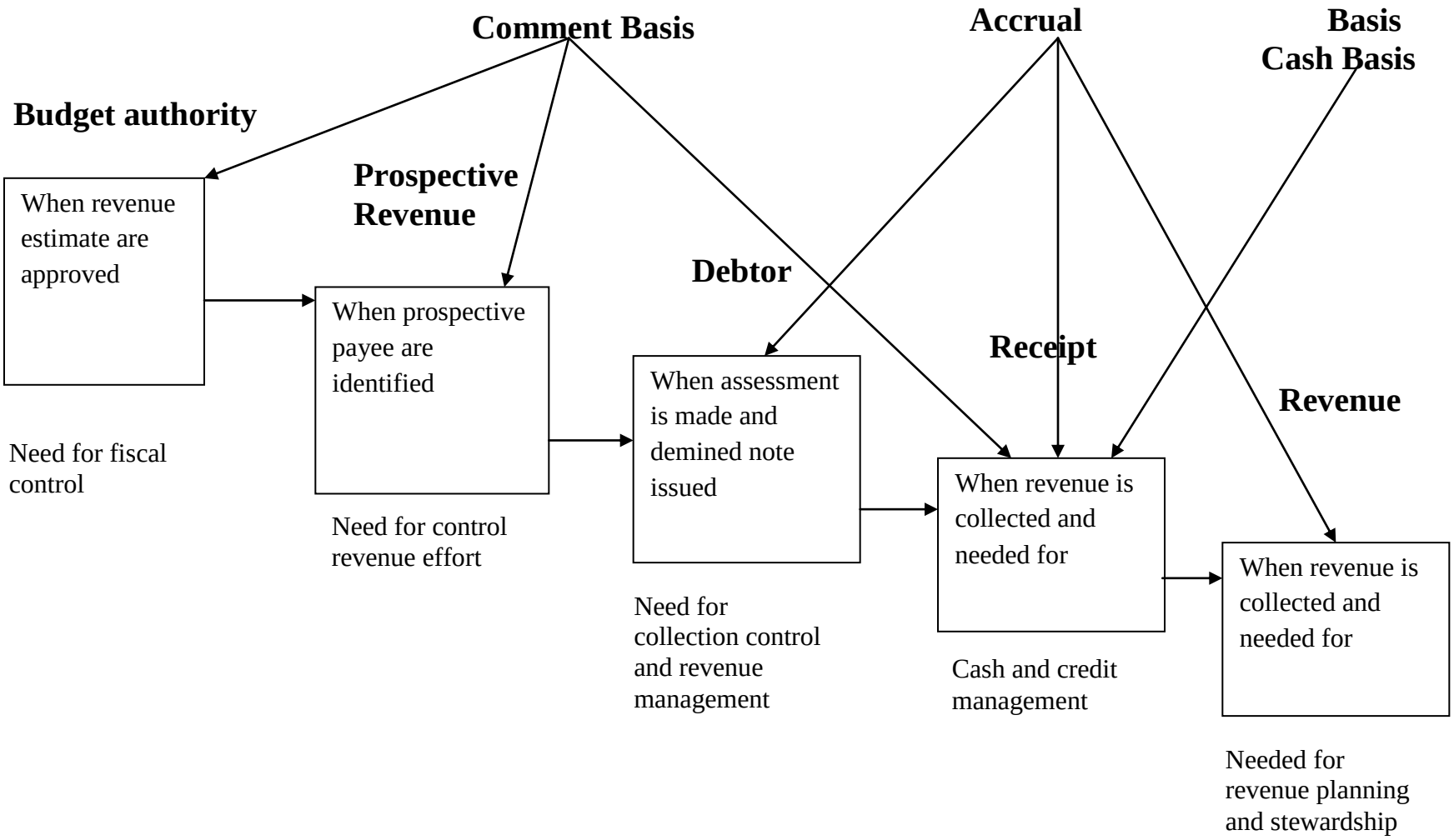
EXPENDITURE TABLE

Fig. 1 (a) Financial Information and Accounting Basis: (expenditure)



Source: Adapted from: Managing the Cost of Government United States General Accounting Office

Fig. 2: FINANCIAL INFORMATION AND ACCOUNTING BASIC REVENUE



Source: Adapted from: Managing the cost of Government United State General Accounting Office February 1985

These five stages are pictorially depicted in figure 5.1 (a) showing the type of information captured at each stage and the need for such information. As shown in the two diagrams (figure 5.1 9a) and 5.1 (b), the cash basis of accounting captures data on cash disbursement (outlay) and cash receipts (in flow on receipt) respectively, which represent the financial measure of resources paid for and received during the period. It does not capture data relating to cost (expense) or revenue (income) which are very important for management and stewardship purposes.

At the operational level, the cash basis of accounting has been identified as the major cause for the necessary operational rush at year end to carry out procurement transactions and process payments. Such side tracking of normal administrative procedures is aimed at exhausting budgetary allocation or reducing the level of unspent balance which would otherwise lapse at the period end.

Despite the heavy criticisms leveled against the CASH BASIS for the compilation of accounts in government, many government, both in developed and developing countries continue to employ it. This seems to suggest that the fiscal relevance argument in favour of cash accounting has more weight than erstwhile recognized on the other hand, it may be an attestation to the fact that one accounting basis could not be expected to satisfy the reporting requirements in government i.e. there is the reporting requirement which requires the cash basis accounting while there are others which demand the commitment basis and/or accrual basis. Hence

some people advocate a modified accrual basis as a compromised which will fully satisfy the cash inflow/outflow needs and with supplementary information enable information which would allow for more accurate cost and revenue management while not disturbing the cash basis for control purposes.

(B) Accrual Basis

Under the accrual basis of accounting, revenue are recognized when earned or due for collection and costs when resources consumed or delivered or benefits are received notwithstanding, that the receipt or payment of cash may take place wholly or party in another accounting period. As shown in figure 5:1(b) it captures data on revenue due, and revenue earned or attributable to the period. The accruals basis had three major benefits over and above the two other basis being discussed:

1. It measures input in terms of resources consumed to provide an output and therefore, enables comparisons between budgeted and actual results.
2. It makes possible the identification of economic cost i.e. the consumption of resources either paid for in prior years or to be paid for in the future are both considered in the annual result of operation in the relevant year.
3. It enables a more accurate version of the financial position than that given by the cash basis of accounting.

(c) Commitment Basis

The commitment basis of accounting which is referred to as the obligation basis in the U.S.A and it is also known as the encumbrance basis. In Government transactions,

financial commitment occurs when an order is signed or an activity or administrative action is embarked upon which will result in the consumption of resources when carried out. The commitment records anticipated expenditure which has been formally authorized and which commits resources towards its discharge. In theory, it records the expenditure side of obligations alone. In practice however, it captures not only the details of commitments but information on authorized budget or amount available as well as the details outlay or cash payment. (Figure 5(a) commitment basis is not often used as a basis for recognizing revenue but in principles, its application covers four out of the five stages in figure 5.1 (b). Apart from its usefulness in monitoring, on a continuous basis, the position of appropriation, it also allows spending Ministries/Departments greater flexibility in fund management. In a full system, once a commitment has entered into, the fear of the vote lapsing into revenue does not arise. In some situations there is however, a time limit (usually ending with budget year plus one) for the spending discretion. In Nigeria, the commitment basis is not used as an inherent part of financial accounting but for vote as aid to vote control.

This is done through the use of a memorandum book account known as the Departmental Vote Expenditure Analysis or Account (DVEA) Book. Nor is the accruals basis used either by the Ministries and Department or the compilation of the final accounts of the Federal Government, State Government and Local Government, Oshasami (2004:140).

2.9 Accounting System and Local Government Internal Control System

Central to any system of financial management is the mechanism for enforcing control and accountability in the conduct of financial activities, Ejisun (1995:14).

A cohesive system of accounting is imperative for ensuring control in the administration of public fund. This for a system of accounting to be meaningful, it has to be complemented and support a sound system of internal control.

Hassan (2001:122) opined that the internal control system is the most important element in any efficient system of financial management. The statement No.1 of the institution of chartered in England and Wales defined internal control as one consisting in not only internal check and internal audit but the whole system of controls, financial or other-wise, established by the management in order to carry on the business in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of its record. Thus, this study will review issues on the effectiveness of auditors in order to proffer a background for answering one of the stated hypotheses (1.5a). According to Oshisami and Dean (1985:143), factors that contribute to an effective audit relate to the states, powers, qualities and recourses of the auditor in particular to:

(a) The independence of the auditor's status

(b) The adequacy and scope of his power

(c) The expertise and professionalism of himself and his staff

(d) The resources at his disposals

(e) The freedom of reporting and the nature of his reports

Besides, to Adam (2005:191) the factors to be taken into consideration in his assessment are as follows:

(i) Degree of independence

(ii) The scope and objectives of the internal audit functions

(iii) Technical competence

(v) The exercise of the professional care by the internal audit staff.

a. Degree of independence: Although the internal auditor is an employee of the organization and cannot therefore, be independent on his own should be free to plan and execute his work and should have access to the highest level of management. His appointment, promotion and remuneration should not be determined by those officers whose work is reviewing and repot upon. The internal auditor should not have any operating responsibility, which could give rise to conflict of interest. He should be in a position to discuss and communicate freely with the external auditor. The external auditors should be able to obtain all internal audit report that he may require for the purpose of his audit. Where any restriction has been placed upon the internal auditors, the external auditors must carefully evaluate its effect, Adams (2005:90). In order for the auditor to carry out his duties effectively, he must be completely free of any impediments. To avoid such impediments, various methods were indentified such as the prohibition of certain categories of persons from acting as external auditors, where their close relationship with the audited entity might interfere with their independence

rotation, remuneration and appointment of auditors by supervisory bodies and prohibition of auditors conducting business activities other than auditing. Also, prevention of an auditor becoming too dependent for his income on one client, and compulsory disclosure by auditors of their financial and business interest, so that any potential conflicts of interest will be apparent. These are some of the methods identified in order to avoid any impediment with respect to auditor's independence, Oshisami and Dean (1985:96).

b. Scope and Objective of the Internal Audit Functions:

The reliance that can be place upon the work carried out by the internal auditors will depend on the relevance of the internal auditor's scope and objectives. Accordingly, external auditors should obtain the terms of reference of the Internal Auditor's scope and objectives. Accordingly, External Auditors should obtain the terms of reference of the internal audit function to determine whether or not their scope and objectives are relevant to his work, Adams (2005:92).

Scope of audit may be limited in several ways, by the type of audit to be conducted by the category of institution subject to a particular, type of audit and by the extent of information to which an auditor has access for the purpose of his audit. Normally, legislation defines the types of audit and the institutions to which it is to apply, leaving to the auditor a general power of deciding what information and explanations are necessary for the purpose of his audit, Oshisami and Dean (1985:146)

c. Technical, competences: It should ascertain whether technically competent staff performs the work of the internal audit functions. This can be seen in the professional competence which may include the membership of an appropriate professional body or possessing of relevant practical experience, Adams (2005:146).

d. Exercise if due professional care: This involves the consideration whether the work of the internal audit department generally appears to be properly planned, controlled, recorded and reviewed. Example of the professional care by the internal audit staff it the existence of an adequate audit programme, general internal audit plans, procedure for coordinating individual assignment and satisfactory provisions for reporting and follow up, Adams (2005:150).

Auditing has been recognized as constituting a profession, like any other profession, they are expected to exercise responsible care in carrying out their assignments. The standard of care expected is that of good professional, that he is aware of his legal and other responsibilities, that he is competent in the knowledge and techniques that his profession expects and the job demands, that he is capable of exercising judgment deciding the techniques appropriate to a particular task, in interpreting evidence presented to him, and in presenting his finding to those who employ him. Also, those who work on behalf of the auditor must also exercise similar care and skill, (Oshisami and Dean (1985:148).

Besides, for an auditor to discharge his responsibility, he must possess the necessary qualities required of an auditor such as honesty, integrity, competency and he must applied these qualities with diligence and without any negligence of duty, whether he

is an internal or external auditor. The question here is that do auditors of Kaduna State Local Government possess these qualities? If yes, are they applying them in discharging their responsibilities?

e. Auditor's Report: The auditor's right to report his findings is perhaps the most powerful guarantee of his independence. His report is a crucial contribution to the process of accountability. In practice, auditors issue a number of different types of reports not all are made public (Oshisami and Dean 1985:148).

An internal or external auditor can never be effective if he is not independent, scope of his powers are not adequately defined, he has no expertise and professionalism to discharge his responsibility. Also, Audit can never be effective if there are no adequate resources at the disposal of the auditor in terms of his remuneration and other benefits.

Finally, freedom of reporting and the nature of the report add to the independence of the auditor and its what makes audit to be effective. Therefore, to achieve an efficient and viable accounting system, internal control system has to be instituted within the local government councils that will ensure completeness of transactions, avoidance of error and irregularities.

2.10 An Overview of the Accounting System, Accounting Books and Records.

"Cash Basis" Accounting recognizes revenue when cash is received. All monies collected by the treasury cashier or revenue collector in the accounting period are

regarded as revenue for that period. However, recording of capital revenue such as loans and contributions from other local governments for capital projects transfers from revenue accounts to deposit accounts at the end of the financial year if moneys is left in the capital account.Similarly, all payments are expenditure of the current year or current accounting period. These payments reduce the receipts of the current period. There are no adjustments for accrued expenses of receipts over payment (bank payments inclusive) or vice-versa.

From the above view point, it is clear that instead of using the profit and loss accounts, local government (just like any other non-profit oriented organizations) makes use of receipt and payments accounts. It is a little bit different from "income" and "expenditure" accounts which consist of actual accrual figures.

Local Government Revenue and Expenditure are classified under "recurrent" and "expenditure" recurrent revenue is made up of heads 1001-1009 while capital revenue is made of 3001-3004. Recurrent expenditure consists of heads 2001-2013 while capital expenditure has sectorial and head classifications ranging from social sector (Heads 5001-5004) to repayment of capital loan sector (Head 8001). Recurrent expenditure is further classified into two groups:

a. Personnel cost, and

ii. Overhead cost

In order that local government may be able to discharge its duties and responsibilities to the local communities (i.e providing social services),

expenditure on personnel and overhead costs should not exceed 55% of recurrent revenue.

Beside using the money for the purpose intended accurate financial returns at the appropriate time are some of the accounting system such as bank reconciliation, preparation of final accounts, internal and external auditing, etc, will enable local government to meet the compliance requirements on the bellow listed accounting forms:

A list of Accounting Forms that are Commonly Used:

There is no doubt that certain forms are commonly used in local government treasures and as such both the treasurer and other senior accounting staff in the finance section of the local government must be conversant with accurate computation and or balancing of such forms. Below is a list of some of the form:

i.	Estimate forms	(LGT1-11)
ii.	Cash Book	(LGT 12A-12B)
iii.	Cash order form	(LGT 14)
iv.	Revenue collectors cash book	(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 book or cash order form	(LGT. 51)
xi.	Register of Un-receipted voucher	(LGT. 52)
xii.	Register of outstanding vouchers	(LGT. 52A)
xiii.	A. V. A. E.	(LGT. 54)
xiv.	Monthly statement of stores accounts register	(LGT 100)
xv.	Cash flow record	(LGT 117)
xvi.	Advance/deposit ledger	(LGT 62)
xvii.	Project Date sheet	(LGT 121)
xviii	Bank reconciliation statement	(LGT 70)
xix.	D.V.E.A	(LGT 73B)
xx.	Trial Balance	(LGT 77AUB)
xxi.	Monthly reconciliation of account	(LGT 78)

Most important of all the forms stated above.

An accurate monthly computation of form 70 (Bank Reconciliation) and form 78 (Monthly Reconciliation of Accounts) are very crucial because the forms (duly completed) are expected to be presented to the executive committee of the local government every month.

2.11 Treasury Operation

Similar to the ministry of finance in the federal and state government, the finance (treasury) department of the local government (headed by the treasurer) serves as the

nerve centre of all accounting operations in the local government. This does not however, mean that there is no other unit or section performing some aspects of accounting functions, but the treasury or finance department serves as a general coordinating centre.

(a) The section which exist in the finance (treasury) department of local government;

(b) The functions which each section is expected to perform and the sequential order of such functions;

(c) The accounting relationship that should exist between the finance department and other department units of the local government; and

(d) The checks and balances mechanism to prevent fraud and or embezzlement.

Sections/Units of Finance Department

The finance (Treasury) department is expected to consist of the following section:

1. Revenue section
2. Expenditure section
3. Supply section
4. Commerce and industries (where feasible)
5. Final accounts section

Beside the above mentioned sections found in the finance departments, the following units or departments have accounting roles to play in the local government:

(1) The audit unit of the office of the chairman

(2) The planning and research department

(3) The office of the clerk to the council

(4) All the operational departments of local government.

Beside the above mentioned section all other units are important in bring up and maintenance of accounting records and installing sound check and balances. But the most crucial section of all is the "Final Accounts section which centered around the area of this study. The section is responsible for compiling all the financial information and making regular reconciliation of all the accounts for the preparation of monthly local government balance sheets and annual financial statement for the year ending as stated below function of the final account section:

B. Final Accounts Section of the Finance (Treasury) Department:

This section which is expected to be the largest section in the finance department and should normally be subdivided into two or more sub-sections e.gbelow-the-line of accounts sub-section and financial return sub-section.

(a) Bellow-the-line accounts sub-section

This section will control accounts like advances ledger, deposit ledger, investment ledger, suspense account ledger, etc. The sub-section will be responsible for keeping the appropriate ledger on forms (LGT 61, 62, 63, 63A, 64, 79, 80, 85, 87, 87A, and 88).

(b) Financial Returns/Adjustments Sub-section Examples:

(i) Bank Reconciliation (Form LGT 70)

(ii) Journal vouchers (form LG71, 72, 72A)

(iii) Trail balance (form LGT 77A, 77B)

(iv) Monthly reconciliation of accounts (form 78)

The above mentioned returns are expected to be prepared monthly or even in some cases at various internals within the month. Annual returns consist of form (LGT 98, 90, 91, 92, and 93)

(c) Checks and Balances:

Considering, the functions specified above, it is clear that under normal circumstances, the sectional functions will be performed by different officials. For instance, an officer charged with the responsibility of allocating revenue cannot at the same time be the local government colier. The executive arm of the local government that is responsible for preparing annual budgets is not allowed to embark on disbursement of funds without the prior approval of the legislative arm of the local government.

The work of the internal auditor is subsequently re-examined by the external auditor just as the case where examination papers marked by subject lecturers in higher institutions are subject to moderation by external examiners.

(d) Balancing the main ledger, trial balance and the monthly reconciliation of accounts LGT '78' (Balance Sheet).

Financial Memoranda chapter 18 provide the main purpose of the local government treasury balance sheet which is to show at a glance the actual financial position of the local government treasury and to give a comprehensive picture of the financial position (in greater detail) of the local government at the end of each month and at the end of the financial year. It is a great pity that the balance sheet has been among the most neglected financial statement in the treasury for it is usually not up-to-date or just "cooked" and full of errors. In Kaduna State, the twenty three local governments' financial statement and monthly financial statement are prepared by a consultant appointed by the Kaduna State government with the recommendation of the auditor general and ministry of local government. This is the main reason for this research work.

The balance sheet which has two parts, each with two sides.The top part shows the opening balance at the beginning of the current financial year and the cumulative figures of recurrent and capital revenue and expenditure so far (for the period concerned). These will give the closing balance, representing the actual financial position at the end of the month or year in question. The opinion and closing balance should be declared as either "credit" or "debit" and referred to as surplus (R/E) and A/L) or deficit (E/R and L/A) and a special payment can be approved by relevant authority under certain circumstances.

The top part of the form is therefore, called the revenue and expenditure part or the statement of revenue and expenditure. In the case of the bottom part which has also two sides, showing on the left details of summarized balances assets, while the other on the right is for detailed of liability balances at the end of the period concerned.

In compiling the balance sheet "LGT form 78" (as reflected on the structure of local government treasure accounts) it will be necessary to refer to the accounts in the main books of accounts and ledgers (cumulative total of revenue and expenditure and closing balances, case should be taken to include all outstanding balances of assets and liabilities. In most local government treasuries, the investment ledger was never established/maintained, which would have reflected the details of any investment item held by the local government (now beastly known as purchase of shares).

Company shares purchased, declared stabilization fund balances, special funds with Federal Government of Nigeria/State Government (FGN/SG and their agencies, external/local investment stocks, industrial privatization shares, etc. must fully accounted for as well as accurate details of long term loans secured from external sources must be fully reflected on the balance sheet. Similarly, full details of all loans and advances granted by the local government directly or indirectly must also continue to be fully reflected including the actual balance outstanding.

(a) Balancing the main ledger which comprises accounts mentioned in FM 22.2 (1)-(4).

(b) Drawing up a Trial Balance from the net balances of main ledger.

(c) Using the figures in the trial balance to prepare a monthly reconciliation of accounts which comprises the surplus and deficit statement and the statement of assets and liabilities (Form LGT "78").

2.12 The Theoretical Framework of the Study

Every major research work needs a theoretical framework. A theoretical framework, according to Obasi (1999:43) is "a device or scheme for adopting or applying the assumptions, postulations and principles of a theory in the description and analysis of research problems. The main reason behind the use of the theoretical framework in the view of Oguonu and Anugavon (2006:32-33) is the study findings or organizations to enable a validation of the theory at the end of the study. The theoretical framework links the study with the state of knowledge in the area and gives the study the much needed theoretical context".

The theoretical framework underlining the present study is derived with following considerations in mind; first the study is in the area of public financial administration, public accountability and financial management and thus any theoretical framework to support the study must be one they can be located within the broad area of public financial management and accounting and public accountability. Second major consideration for proposing a theoretical framework for the study deals with the issue of accounting determining and measuring the input and outputs within the system. In

view of the forgoing one have found the financial management theory as the most appropriate framework on which to base out study.

2.12.1 Efficient Financial Management for Local Government

According to Olu (2009:36-44) any organization that is given the responsibility of ensuring human welfare, development and creation of wealth for the citizens, protection of life and property and promotion of societal good through coordinated and cooperative efforts requires enough finances in order to achieve its target goals and objectives. One of such organization is local government which does not only require capital but it also needs knowledgeable and skilled personnel to manage efficiently the money which is always insufficient to meet the needs.

Finance and its prudent management are the bedrock of effective function of local government. No one can doubt the need for efficient financial management in any modern system. According to Tonwe (1995:36-40) local government requires finance to perform their statutory provisions which border on provision of services and bringing about development in their delimited areas. Availability of adequate fund, coupled with efficient financial management constitutes the required catalyst necessary for timely execution and completion of development projects by local government.

In recent time, lack of funds has often attributed as the major problem which had hindered effective and successful execution and completion of many public projects at

the local government level. However, experience has shown the contrary that poor finance management rather than inadequate finance is the bane of local governments' inability to achieve substantial development in their domain.

Tonwe (1995) applies a theoretical and modernizing system to examine the various methods and techniques that could be applied for effective and efficient finance management in the local government system. In other words, the theory attempts to give decision makers in local government options to consider as they deal with the complex and even changing questions of financing for the local community. Financial management encompasses many aspects. When guide gives local government officials quick access to a framework of ideas and suggestions that work within the hierarchy of financial management, however, the study utilized financial management theory. The theory is found useful in explaining the fiscal behavior of organization in which local government is one of them.

1.12.2 Financial Management

The funds of the local government councils are managed by the officers of respective councils. Financial management has to do with efficient use of funds. It is a method of showing and ascertaining the financial position of local government business from time to time.Financial management can be envisaged as consisting of a cycle of activities to ensure that resources are allocated and monitored in such a way that they have the greatest beneficial impact on overall services objectives.

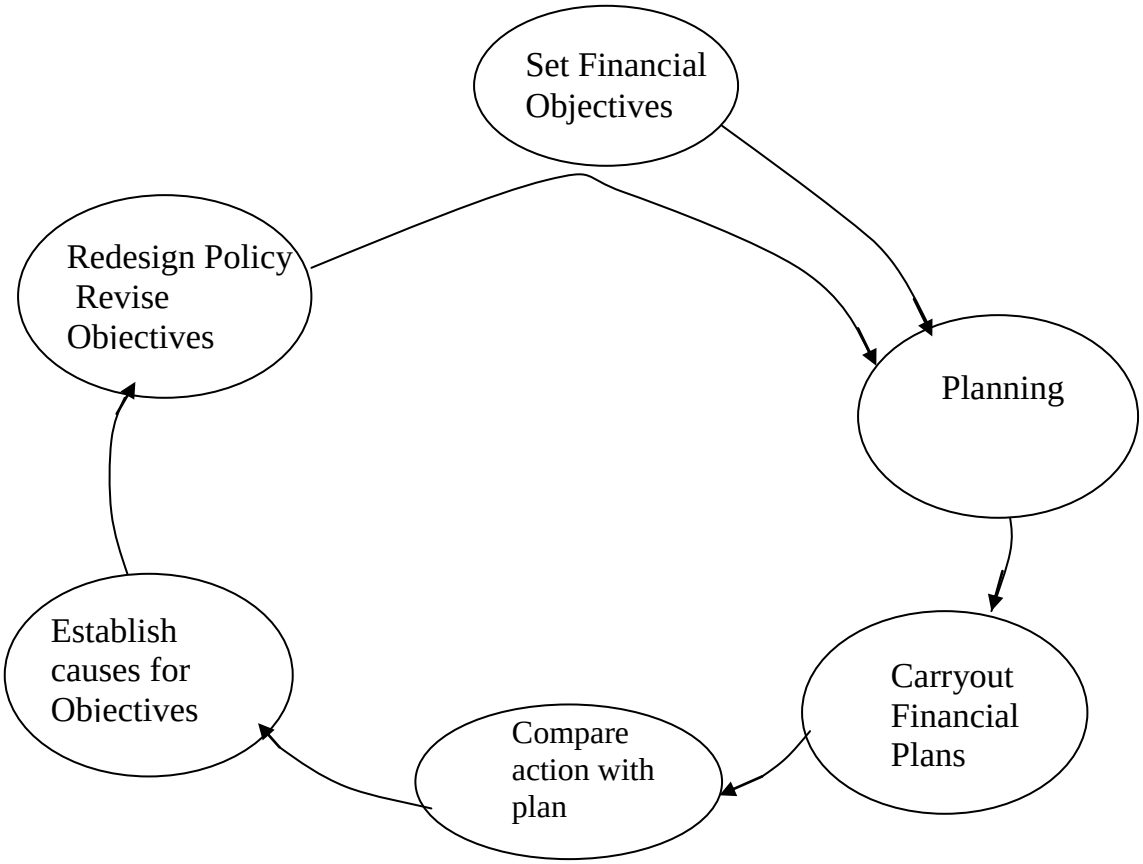


Fig. 3: The Financial Management Cycle
Sources: Adapted from Omoparida (1983)
"Financial Management in the Nigerian Local Government".*The Journal of Local Government Studies*, Vol. 8 No.3 of1983.

In order to perform finance functions efficiently, the financial managers of the local government have to:

1. Set the financial objectives of the local government.
2. Prepare plans of action and select policies for achieving the objective.
3. Develop financial plans and incorporate these into the overall plans of the local government.
4. Check the achievement of the objectives and evaluate deviation from the plans.
5. Establish courses derivations.

6. Tale corrective acting and/or redesign policy or revise the objectives to a start a new cycle as illustrated in the figure 1 above.

According to Uchendu (1996) that seems necessary to stress that accounting is only a part of financial management since government financial management cuts across departmental frontiers, it is proper to discuss other aspects. The financial management phases include:

i. Planning

ii. Budgeting

iii. Funding

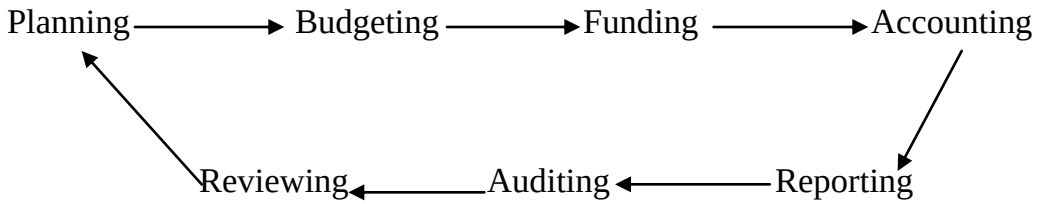
iv. Accounting

v. Reporting

vi. Auditing

vii. Reviewing.

The above phases of financial management can be presented inform of a cycle, thus:



(Financial Management Cycle)

Sources: The Nigerian Accounting Standard Board (1996).

2.12.3 The Institutional Framework for Financial Management in Local Government.

According to Abubakar (1983) the one single document that has traditionally provided support and guidance in the administration of local government finances is the popular Financial Memoranda (FM). Among other things, the F.M. have traditionally provided detailed guidance and instructions on the financial and accounting procedures to be followed in the government. Specifically, the FM is designed to, among other things, do the following:

a. Define the precise duties and responsibilities of the local government, its executive and legislative councils as well as those of other service officials with regard to funds, stores, and general financial management;

b. Set out the processes to be followed in the preparation and approval of annual and supplementary estimates;

c. Prescribe certain financial organizational arrangement of local government and procedure in respect of collection and accounting for revenue and controlling and accounting for expenditure;

d. Statement of the accounting objectives and the accounting principles and practices to be followed;

e. Prescribe the main subsidiary accounting records to be maintained and the statement of accounts to be prepared each month and at the end of the financial year.

f. State the arrangements for internal audit of the accounts of the local government.

g. Prescribe the procedures to be followed in the preparation of local government development plans, and;

h. Prescribe the procedure to be followed in regard to a number of ancillary matters.

In recent years, a number of supplemental documents have been issued many of which have change certain provisions of the F.M. Most of those changed being necessary themselves as a result of changes in structure and operations of the local governments. These include the guidelines on the application of the civil service reforms to local government service and the handbook on local government administration issued by the presidency in 1992. It is important to note that, these new documents have introduced major changes in relation to which offices know what responsibility is to undertake, but they have in no way changed the financial management provisions for accounting and financial statements and procedures to be used in the local government. In order to emphasize this fact, the handbook caution that "the provision of the financial management should scrupulously adhered with particularly, those relating to the control of the expenditure, as well as contacts, purchases, payments, and personal advances procedures.

2.12.4 Budgeting and Accounting Context of Financial Management

By and large, financial management finds operational expression in some form of budgeting and accounting systems. In this section, we shall briefly examine the place of budgeting, accounting and auditing in overall theoretical framework of financial management in local government. In the empirical investigation of the relationship between accounting procedure and compliance with set out procedures in the Financial Memoranda in local governments as a case under this study. Therefore, the peculiar nature of 'Social' or government accounting transactions makes it desirable and indeed mandatory to treat them in accordance with specific but cohesive and standardized measurement e.g. The budgeting system and application procedures.

i. The Budgeting: The accounting cannot at best procedure a state of local government financial information, without a budget. A budget involved two sides of the same coin: revenue and expenditure. It is a statement of intentions: intentions above spending and raising of revenue. The Financial Memoranda (FM) states the purposes which budgets (estimates) are expected to achieve in the financial management process in a local government. These are:

a. To provide a plan of action.

b. To provide a legal authority for incurring expenditure.

c. To provide a mechanism for ensuring that adequate control are maintained over revenue and expenditure.

d. To established the financial position of the local government.

ii. Accounting Framework: Accounting records and techniques are central to any system of financial management. Accounting deals with the collection, control and accountability for receipts, expenditures and related activities. A cohesive system of accounting is necessary in order to achieve the following among other objectives:

a. Greater accountability, for example compliance with legal provisions and budgetary commitment; and

b. Greater efficiency in management, planning and policy. According to the financial management, the objectives of the local government accounting system are as follows:

a. To provide a management accounting to the councils its committees and the departments in order to facilitate reading of prompt policy and management decisions on basis of accurate and comparative financial information.

b. To provide a financial accounting service by means of accurate and appropriately analysis of funds, lawfully received by the local government and a detailed analysis of how these funds have been expended in discharging the functions of the local government.

c. To provide monthly statements, the end of the years' statement and periodic statements for specific purposes, summarizing the financial transactions of the local government for the appropriate situation at the end of the period; and

d. To provide detailed costs of individual establishments, services and projects to enable the costs so ascertained to be used for control purposes with a view, inter alia to eliminate excessive expenditure, losses and wastage. The financial

management provide detailed system of accounting procedures to be adopted, for such type of transaction, and books (of accounts) to be maintained.

iii. Auditing: Auditing is a systematic examination of financial statements, records and related operation in order to determine adherence to generally accepted accounting principles, management policies and statutory requirements. The FM chapters 39 and 40 deals extensively with the audit function in the local government. Among the roles which auditing, through the office of the internal audit, is expected to serve in the local government financial system include:

i. Assisting in protecting the assets and interest of the local government by carrying out a continuous examination of activities in order to detect fraud, misappropriation, irregular expenditure and losses due to waste, extravagance and maladministration, and

ii. Secure the continued of a soundly based system of control within each area of departmental responsibility.

iv. Control and Accountability: Control to any system of financial management is the mechanism for enforcing prudence and accountability in the conduct of financial activities in an organization. as we have seen earlier in the (FM), a cohesive system of accounting is an imperative for ensuring central in the administration of public funds. However, for a system of accounting to be of any effect, it has to be complemented and supported by an equally cohesive system of auditing.

Within the context of local government in Nigeria, various measures are put in place, both internally and accountability. One of these is the requirement that each local government shall establish and maintain an internal audit unit "to provide a complete and continuous audit of the accounts and records of revenue, expenditure, plant, allocated and unallocated stores".

To prevent irregular or illegal payments before they are made, an Audit Alarm Committee shall be established comprising:

i. The state audit general for local government as chairman.

ii. The director of local government inspectorate (representing the ministry for local government or governors (office).

The committee shall examine all access of alarm raised by internal auditor the treasurer, head of personnel management department or any other head of department, but over-rules by the chief executive, to be referred to the audit alarm committee. It shall be deemed an offence for any further, except with an audit certificate issued by the state auditor general for local government once a prepayment audit alarm has been raised.

v. Roles and Responsibilities of the chairmen and councilors/officials in financial management: The financial of financial responsibility of public officers of the local government councils in ensuring check and balance in conduct of financial affairs. The roles and responsibilities of the chairman and other key functionaries of the local government and discussed in chapter one if the Financial Memoranda (FM) but suffice it

to say that the chairman is the chief executive and the account officer with full responsibility of men, money and materials. The hand book (on local government administration), has stressed, for the audience of doubt, that the chairman's role as accounting officer shall exclude the signing of vouchers and cheque. These shall be signed by the head of personnel management department and the treasurer of the local government.However, the chairman shall among other things, observe and comply fully with the checks and balances spelt out in the existing guidelines and financial regulation governing receipts and disbursement of public funds and other assets entrusted on his care and shall be liable for any breach thereof.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

For any meaningful and reliable knowledge to be derived from the study of any given phenomenon, it must be subjected to research procedures. Broadly speaking, research is an organized system of inquiry that uses statistical tools aimed at providing information for solving identified problem.Local government financial management has been a recurring problem among local governments in Nigeria. Thus calls for urgent attention.

This study essentially focused on financial management problem as it affects accounting system and its effect on the fiscal performance of the local governments and their mandate of engendering development in the grassroots.

Thus, this study poses some research questions, hypotheses as seen in section (1.4) and (1.5) respectively. Relevant research methods and statistical tools would be adopted in testing the stated hypotheses.To this end, this chapter is structured to describe and discuss the research design adopted; the necessary sources of data, methods used in generating and collection of data, the population of the study, sampling techniques, and data analysis techniques including their justifications.

3.2 Research Design

According to Asika (2004), research designed can be described as the structuring of an investigation aimed at identifying various and other relationship to another. Tuckman (1972:36) outlines the essential elements of research design to include the following:

i. Spelling out the problems;

ii. Examining selected variable relevant to the problems;

iii. Proposing tentative answers (hypothesis or research questions that will be answered by completing the study)

iv. The strategy or action plan, for investigating the problem or more appropriately selected methods and techniques of data collection and analysis, respectably.

v. Conclusions about the relationship between the variables based on outcomes of the analysis of the data collected.

The research design for this study follows generally the elements enumerated in the foregoing. The study will be based largely on the survey, method and some form of content analysis.

3.3 Survey Method

Survey based research according to Osuala (2001:49) "… studies both large and small groups of population by selecting and studying samples chosen from the population to cover the relative incidence, distribution and interrelationship of the independent and

dependent variables". The present study is essentially survey based. The survey covered both officials views of aspects of the financial accounting operation and relationship of the compliance of the provision of the financial memoranda. The survey also captured the perception of key officials in the state government that are related with local government financial management and accounting. Finally, it involved some detailed examination of historical data and content analysis.

3.4 Sources of Data

Adequate and reliable data is an essential ingredient in the conduct and conclusion of any scientific research inquiry. In any research endeavor, one of the important tasks of the researcher is to identify first, is data requirement, and second, is sources. The data requirement in any study will depend mainly on the type of the research, its purpose and depth of the research. As for the data sources, there are two broad sources of data available to the researcher. These are the primary and the secondary sources.

3.4.1 Primary Sources of Data

According to Ebvorakhai (2003:4) "Primary data represents the raw materials (data) needed for processing in order to arrive at some findings relevant to the research problem". It is generally agreed that primary data, which is essentially data collected by the researcher himself to address a particular research end, is the best and most reliable source of data since the data is collected and analysed by the researcher. The usefulness of primary data will however, depend on its quality which depends on the

appropriateness of the instruments used in gathering the data, as well as in the techniques used in analyzing the data.

For the present study, our primary data consist mainly of information about assessment of the accounting procedure and the extent compliance with the financial memoranda provisions on account in local governments. It also includes information or views of the perceptions of various official from the state government that have relationship with the financial management and accounting of local governments. They include Auditor General for Local Government, Resident Auditors, Director Local Government of the Ministry for Local Government, Resident and Zonal Inspectors. Most of our primary data was collected through structured questionnaires.

3.4.2 Secondary Data

A secondary source of data is related data that was collected by other researcher or compiled by government and non-governmental agencies. Secondary data is usually in documentation. For this study a wide range of data were collected from secondary sources. These includes:

(i) Financial Memoranda

(ii) Annual Estimates of the Local Governments (2006-2012)

(iii) Main leger accounts Balances

(iv) Trial Balances

(v) Monthly Reconciliation of theorists LGT 78' (Balance Sheet) 2006-2012

(vi) Monthly Bank Reconciliation Statements

(vii) Annual Audit Reports

(viii) Annual Financial Statements

(ix) Annual Statement of Assets and Liabilities

(x) Ministry for Local Government Financial and Account annual reports for local governments

3.5 Instrument of Data Collection

The main instruments used in collecting the primary data was through questionnaires.

3.5.1 Questionnaire

A structured questionnaire was designed and administered to the respondents. The questionnaire was designed and administered to the local government officials, including the following:

i. Local Government Council

ii. Secretary to the Local Government

iii. Director of Personnel Management

iv. Director of Finance and Supply

v. Head of Departments of the Local Government

vi. Director of Budget research and Statistic

vii. Internal Auditor

viii. Area Auditor (Office of the Auditor General Local Government)

ix. Assistant Director (Finance)

x. Head of Financial Accounts

xi. Local Government Resident Inspector.

3.6 Population of the Study

According to Abdulmalik (2006:129), population in this context has been defined as all conceivable elements, objects or observations relating to a particular phenomenon of interest to research, i.e. it is the totality of items, object, persons, issue or observation who share at least a common attribute or characteristic on which the research in centered. This could be people, objects, cities, countries etc".

Going by the above definition, we have two types of population which is of interest to us in this study. The first is the population of the local government areas, while the second is the population of the respondents – Local government officials. Since it is practically almost impossible to include entire populations in our survey, we choose what is universally conventional, i.e. the selection of samples.

The populations of Lere Local Government Kaura Local Government and Kaduna South Local Government Staff of Finance Department and other Departments under study are presented in table 3:1 below.

Table 3:1 Staff Distribution into Category

Local Governments	Departments	Number of Staff
1. Lere Local Government	Finance Department Others	10 5
2. Kaura Local Government	Finance Department Others	12 04
3. Kaduna South Local Government	Finance Department Others	20 07
4. Total		58

Source: Compiled from Report of Field Survey (2015).

3.6.1 Sampling

A sample is usually considered a true representative of the population. A good sample must therefore, embody the key features or characteristics of the entire population, it is necessary that a sample must truly represent the entire population because generalizations are usually made about entire populations on the basis of samples. This also strongly suggested that the size and the process of determining samples (i.e. sampling techniques) is very important in any study. In sampling the researcher can use either probability sampling techniques or non-probability techniques. The later non-probability sampling techniques was used and include:

i. Convenience sampling in which the investigator may simply select sample size based on his convenience.

ii. Quota sampling, in which samples can be drawn from various strata or sub-groups making up the entire populations in any manner the researcher deems fit.

iii. **Judgement Sampling**:- The investigator selects the members to undecided in the sample using his individual judgement as regards their suitability to the researcher (See Oguonu and Anugwon, (2006):62).

Selecting the correct samples irrespective of the techniques depend to a large extent on a prior knowledge, the researcher will have a much clearer and focused idea of what exactly has is looking for in selecting the samples. A knowledge of the problem to be solved, the hypothesis to be tested, and the theoretical framework to be used, all guide the researcher in making quality judgments as to the samples to be used. The other problem however is the size of sample that is supposed to be most representative of the entire population. We had all these in mind when it is decided on the samples and their sizes which is used in this study.

3.6.2 Samples/Sample Size for the Study

As mentioned earlier, the three types of samples used in this study are:

(a) Sample of Local government councils

(b) Sample of local government personnel

(c) Sample of officials of the Ministry for Local Government and office of the Auditor General Local Governments

(a) Sample of Local Government Council

This study has adopted the probability sampling techniques using stratified and random sampling techniques. Thus, 3 local governments were selected from three senatorial zones in Kaduna state. The senatorial zones are:

(i) Kaduna North Senatorial Zone

(ii) Kaduna Central Senatorial Zone

(iii) Kaduna South Senatorial Zone

The senatorial zones are viewed as strata, whereby one local government were selected using random sampling techniques from each stratum. The local governments selected under stratum (senatorial zone) are as shown below

(i) Kaduna Northern Senatorial Zone

Lere Local Government

(ii) Kaduna Central Senatorial Zone

Kaduna South Local Government

(iii) Kaduna South Senatorial Zone

Kaura Local Government

(b) Samples of Local Government Functionaries

As mentioned earlier, the staffing structure in all the LGAs is basically the same and the quality of staffing is also basically similar. The major interest with population is to

find out the quality of personnel, their experience and their understanding of the responsibilities of financial management accounting. We also want to verify some of the documentary data like record keeping of abstract and ledgers, ledger balances, trial balances, financial statement (monthly financial statement balance sheet) and annual statement of revenue and expenditure and its relation with approved budget. Because of the role which our sampled respondents play in managing and preparation of local government financial and accounting report. The following officials where included in the sample:

(i) Treasurer/Director of Finance and Supply

(ii) Director of personnel Management

(iii) Assistant Director of Finance/Supplies

(iv) Accountant I and II in charge with records and accounting books

(v) Head of Departments and their respective accountants

(vi) Director of Budget research and statistics.

(vii) Internal Auditor

(viii) External Auditor

(c) Samples of the Officials of the Ministry for Local Government and Office of the Auditor General Local Government

There are twenty three (LGAs) in Kaduna State and each local government has two officials representing the Ministry for Local Government as resident Local Government Inspectors and Area Auditor representing the office of the Auditor

General Local Government. For the purpose of these study, three resident inspectors and three Area auditors are selected from each Zonal Areas of the state and one director Local Government Inspectorate Division of the Ministry for Local Government and a Director Operation of Office of Auditor General Local Government, interview on Local Government accounting procedures practice and the extent compliance with financial memoranda provision on Local Government accounts on production of financial accounting and reports and preparation of monthly and annual financial statement of Local Government.

3.6.3 The Questionnaire Administration

The questionnaires were administered by selected research assistants who were accordingly tutored on the principles of questionnaire administration. Out of the 60 questionnaires administered, 58 (94%) were duly completed and returned.

In most cases, the research assistants conducted the interview, while a more senior research assistant conducted the interviews/interactions at the level of the ministry for local government and office of the Auditor general for Local Governments were guided by a check-list of which guided them.

3.7 Methods of Data Presentation and Analysis

For a reasonable and reliable empirical result to be achieved in any study and to the hypothesis of a research, appropriate statistical techniques have to be adopted.

According to Osuala (2001), data analysis involves the ordering and breaking down of data into constituent parts. Akogun (2000) also opined that the aim of statistical analysis is to test hypothesis, draw a general conclusion and make a prediction. Hence, the analysis of the data is the means by which the research problems are answered.

However, this study has adopted descriptive and inferential statistical techniques for the purpose of testing the hypotheses.

3.7.1 Descriptive Statistical Techniques

This involves the use of numerical values to describe some features of a distribution, (Gupter (1996). These numerical values can also be used to describe qualitative features. Also, descriptive techniques bring data into order, which according to Asika (2000) involves data preparation, tabulation and summarization.

Therefore, the descriptive tool used in data presentation and analysis of this study includes tables and simple percentages. This is due to its simplicity and explicit approach in research work.

3.7.2 Inferential Statistical Techniques

This technique is used to infer from statistical measures certain meaningful and important relationships which lie hidden within a data, Asika (2000). In the real of statistical testing, inferential statistical tool can be divided into two namely: parametric and nonparametric statistics. Parametric statistical test are probabilistic test

of significance and they are only applicable where the samples are drawn from a normally distributed population. Non-parametric techniques on the other hand are valid under general statistical assumption i.e. they are not concerned about population parameters.

However, non-parametric statistical techniques were adopted for the purpose of data analysis. This is due to it suitability in most phenomena or variables in the behavioral science, (Asika 2000). It is also applicable under distribution-free situation.

Although, there are various nonparametric statistical techniques, but in this study we have adopted tow (2) techniques: the chi-square (X^2) and Kendall's Coefficient of concordance (W).

The justifications for the adoption of these techniques are as follows:

i. They are use with minimum assumptions.

ii. They are easy to compute and interpret

iii. They are used for testing hypothesis which does not involve population parameters and no assumption of normality about the distribution is required.

iv. They help in studies (e.g. the W) where study involves inter-judge or interest reliability.

v. They are used when data are generated from weaker measures or subjective measurements etc.

Therefore, the tools are used through the following procedures:

3.7.3 Chi-Square (X^2)

The Chi-Square data analysis techniques can be represented using the following formula:

$$X^2 = \frac{\sum(O - E)}{E}$$

Where X^2 = Chi-Square

O = Observed value

E = Expected value

Decision Rule:

The decision rule in the application of the Chi-Square in research study involves rejecting the null hypothesis when the calculated Chi-Square is less than the critical value (table value). While the null hypothesis will be accepted when the calculated value of the Chi-Square is grater than the table value (see appendix III). i.e. when $X^2 <$ $X +^2$ reject the Ho. But when $X^2 >$ $x +^2$ accept the Ho. This however based on a stated level of significance and degree of freedom.

3.7.4 Kendall's Coefficient of concordance (W):

This study adopted Kendall's Coefficient of concordance (W) to further test experts opinion on the extent compliance with the accounting activities of the local government. Even though numerous studies were carried out on the performance of internal control system of the government sectors, but studies on exports' opinion on accounting system particularly, among the local government is very scanty. Thus,

justifies the use of this statistical tool in this study. The application will be in two stages. The first stage involves the identification of the factors which according to this study are seen to militate against compliance with accounting procedures. For the study the variables identified in section 3.2.1 would be used. These include effectiveness in checking relevant accounting records and financial documents, the effects of non-rendering the monthly and annual financial reports, political affiliation, and adequacy of the accounting procedures and guideline stated in the Financial Memoranda (FM). At the second stage, questionnaires would issuedto ten (10) carefully selected, well experienced local government financial experts for the purpose of objective ranking.

The steps involved in the use of the Kendall's Coefficient of concordance to test the hypothesis include:

i. Let N = The number of entities to be ranked and let K = Number of judges financial experts assigning ranks (the ranking according to this study is within the range of marks of (1-10) observed ranks are then casted in a K X N table.

ii. For each entity, determines the sum of the ranks assigned to that entity by judges (Expert) Rj

iii. Determine the means of the Rj. Express each Rj as a deviation from that mean square the deviation and sum the square to obtain S.

iv. Compute the value of W using

$$W = \frac{S}{1/12k^2(N^3 - N)}$$

Where S = Sum of square of the observed deviation from the mean of Rj.

K = number of sets of ranking e.g the number of judge/experts

N = Number of entities (objects or individuals) ranked.

½ K^2 (N^3-N) = Maximum possible sum of the square deviation.

Decision Rule

The decision rule based on the application of this formula (W) in relation to the concerned hypothesis is stated according Siegal (1960) as thus, if an observed S is equal to or greater than the critical value (see appendix 2) for a particular level of significance, then the null hypothesis (Ho) may be rejected at that level of significance.

Note: This applies were K is from 3 to 20 and N from 3 to 7. But if the value of N is greater than 7, we than substitute into X^2 = K (N-1) W and check the value of W from the Chi-Square table.

3.8 Summary

In this chapter, we examined the various research methods, historical, descriptive, and survey approach. The research design was broxught to focus in order to indentify the variables necessary for generating data to test the tentative hypotheses stated. The population of the study which consist of the twenty three (23) local governments was also identified, from this, samples of three (3) local governments were selected from the three (3) senatorial zones, using satisfied random sampling techniques.

The sources of data generated were mainly the primary and secondary sources through the use of questionnaires, on statement of monthly and annual financial statements, annual estimates, financial memoranda, journals and seminar papers etc. Finally, the techniques of data analysis were adequately stated and the justifications for their adoption were brought to limelight.

CHAPTER FOUR

BACKGROUND ON STRUCTURE FUNCTIONS AND ACCOUNTING PROCEDURES OF LOCAL GOVERNMENT COUNCILS IN KADUNASTATE.

4.1 Introduction

In this chapter, we provide the necessary background information and analysis on different aspects of local governments in Kaduna State. This is necessary in order to put our discussions, analysis and conclusions in their proper perspective.

4.2 Brief Background of Kaduna State

Kaduna is one of the major towns in Nigeria, a town created by the colonial administration within the region of the traditional cities of Kano, Katsina and Zaria without being under the control of any traditional authorities.

Sir, Frederick Lugard (Later Lord Lugard) founded Kaduna just after the term of last century as an administrative and military headquarters of the Northern territories of Nigeria. By 1911 Lugard fixed the site for his new capital from which he could govern the protectorate through an administration that arose out of his concept of indirect rule. His capital city was strategically placed in the centre of the region.

However, the government reforms in the North central region which Kaduna State belongs to witnessed tremendous changes in the political and administrative structure of the state. In order to expedite government activities and bring about an even

development throughout the state, the then military governor of North Central State, Lieutenant Colonel Abba Kyari established fourteen (14) administrative areas and their respective districts as follows:

1.	Katsina	Administrative	Area
2.	Dutsinma	Administrative	Area
3.	Funtua	Administrative	Area
4.	Daura	Administrative	Area
5.	Mani	Administrative	Area
6.	Kankiya	Administrative	Area
7.	Malumfashi	Administrative	Area
8.	Zaria	Administrative	Area
9.	Kaduna	Administrative	Area
10.	Ikara	Administrative	Area
11.	Kachia	Administrative	Area
12.	Jamma'a	Administrative	Area
13.	Saminaka	Administrative	Area
14.	BrininGwari	Administrative	Area

However, the present local system was ushered in the political and administrative structure of Nigeria Government in 1976 by the regime of Late General Murtala Mohammed /Obsanjo on Local Government.

4.2.1 Local Governments in Kaduna State

Consequently, Local Government of the Federal were provided with all administrative structure to ensure grassroots development. Thus, modern governments were however, brought closer to people. In the light of this development in Kaduna State, the then Military Government Group captain Late UsmanJibrin in 1976 created the following Local Government Councils.

S/N	Local Governments	Areas	Capital
1.	Katsina	Jibiya, Kaita, Katsina, Batagarawa, Tsegero	Katsina
2.	Dutsinma	Safana, Dutsenma, Batsari, Danmusa, Kurfi	Dutsinma
3.	Funtua	Bakori, Funtua, Danja, Faskari	Funtua
4.	Mani	Bindawa, Mani, Dutsi, Mashi	Mani
5.	Kankiya	Mashi, Kankiya, Musawa	Kankiya
6.	Daura	Daure, Zango, Maiaduwa, Sandamu, Daura	Daura
7.	Malunfashi	Malunfashi, Kankara, Kafur	Malunfashi
8.	Zaria	Zaria, S/Gari, Giwa, Soba, Igabi	Zaria
9.	Kachia	Kachia, Kujama, Kajuru, Kagarko, ZangonKatab	Kachia
10.	Saminaka	Lere, Saminaka, Kauru, Chawai	Saminaka
11.	Ikara	Makarfi, Ikara, Kudan, Kubau	Ikara
12.	Jamma'a	Marwa, Kagoro, Kwai, GodoGodo, Kagoma, Nizam, Ayu, Gwanto, Kafanchan	Kafanchan
13.	Kaduna	Doka, T/wada, Kawo, Kakuri, Gabasawa, Makera	Doka
14.	BirninGwari	Kakangi, Dogondawa, Kuyeo, Randagi, BirninGwari	doka

The Babangida major administrative reforms did a lot of changes to the number of States and Local Government Councils in Nigeria in which Kaduna State is one of them. In 1987 North Central State were divided in two States, Katsina and Kaduna, the administration made seven local governments each out of the fourteen local governments into Katsina and Kaduna State respectably.

In 1991 the total number of local government councils in Kaduna was made of 19 local governments. In 1996/1997 the administration of General Late SaniAbacha creates more four Local Governments in Kaduna State which bring the total of twenty three local governments as presented in 3.1 section 3.2.2 and appendix v of this study and as provided below:

S/N	**Local Government Area**	**Headquarter**
1.	Zaria	Zaria City
2.	Sobo	Maigana
3.	Kubau	Anchau
4.	Ikara	Ikara
5.	Makarfi	Makarfi
6.	Kudan	Hunkuyi
7.	Giwa	Giwa
8.	BirninGwari	BirninGwari
9.	Kaduna North	Doka
10.	Kaduna South	Makera
11.	Chikaun	Kujama
12.	Kajuru	Kajuru
13.	Kachia	Kachia

14	Kagarko	Kagarko
15.	Jaba	Kwai
16.	Jamma'a	Kafanchan
17.	Sanga	Gwanto
18.	Kaura	Kaura
19.	ZangoKatab	Zankwa
20.	Lere	Saminaka
21.	Kauru	Kauru
22.	Igabi	Turunku
23	SabonGari	SabonGari

4.2.2 Structure of Local Government in Kaduna State

Local Government is a single tier multipurpose unit whose existence is guaranteed in the country's constitution, and whose governance shall be based on democratically elected representatives. Local governments are headed by elected chairmen and councilors who have three years tenure (where applicable). The council is administered under a "parliamentary system" as the law of the each state stipulates that supervisory councilors shall be appointed from among the elected councilors. This is unlike in other states which run the "Presidential system", where the political heads of departments, known as supervisory councilors are appointed outside the council. There are between three and five supervisory councilors.

The organizational structure of each local government is within seven departments namely:

- Personnel Management Department;

- Finance and Supply Department;
- Education and Social Development Department
- Agriculture and Natural Resources Department
- Medical and Health Department
- Works and Housing Department
- Budget, Planning, Research and Statistic Department.

4.2.3 Functions of Local Government in Kaduna State

However, the ultimate functions of these local government in Kaduna State are as stipulated in schedule 4 of the 1999 constitution an as interalia enumerated in Section 2.2.2 of this study, the Kaduna State law of 2003 essentially adopts the functions stipulated in the constitution. Odoh (2010: 28-29) regards the functions as basically mandatory/exclusive: He summarized these functions a follows:

i. **Planning Functions:** Including consideration and making of recommendations to the state on economic planning matters for the economic development of the local governments authorities.

ii. **Revenue Raising Functions:** These include collection of rates, license, fines and fees on basic items such as radio and television, bicycles, wheel barrows and carts, establishment of markets and parks and revenue there from, property rates outdoor advertising and hawking, shops and kiosk, restaurants, bakeries, laundries, regulation and control of liquor.

iii. Other basic service exclusive to local government includes:public conveniences, construction and maintenance of roads, streets and houses; birth, death and marriage registration.

iii. Concurrent functions including participation of councils in the government of a state with respect, to the matter of the provision of primary adult, and vocational education, development of agriculture and natural resources, the provision and maintenance of health services and any other functions as may be conferred on a local government councils by the State House of Assembly.

Most of the functions enumerated by the Kaduna State Local Government law of (2003) are captured in Odoh's (2010) categorization of functions above. We may need to, however, add that local government councils in Kaduna State are specifically charged with the responsibility of the Kaduna State Emirate Councils on capital projects. Also, the section of the law of the state law enumerated, a fairly long list of functions which are considered additional responsibilities to the local governments. These include, agriculture, forestry, veterinary, extension, community development control of land under land tenure, curative health centres and leprosy clinics, rural and semi-urban water supplies etc. The law essentially gives a strong development role to local government in the state.

The state'sLocal Government Law also identified other functions which every local government in the state can perform with the specific approval of the state

government, “provided that the approval shall not prevent the appropriate state government, MDG’s from providing similar concurrent service”. These services include:

a. Ambulance Service;

b. Control and amenity Nurseries;

c. Grazing grounds;

d. Provision of Scholarship and Bursaries;

e. Public Housing Programme;

f. Public Libraries;

g. Town and Country Planning; and

h. Vocation and Innovation.

From the foregoing, it is obvious that local governments in Kaduna State are entrusted with a lot of responsibilities, almost in excess of what the Nigerian constitution envisaged to their role in services delivery. The importance of this is that the people in the state look up to Local Government for a variety of services beyond the average role of local governments in the country in general. This may not be surprising giving the role the Native Authority played in the early years up to the attainment of independence in 1960 and beyond. Indeed there is a very strong and long tradition of local governance in the state.

4.2.4 Personnel

Local Governments in Kaduna State like their counterparts in other parts of the country have career staff who fall within the employment of the individual LGC (i.e

those on grade 1-6), and those who are under the employment of the Local Government Service Commission the establishment and membership of which is provided for in section 27 of the State Government Law (2003).All local government secretaries are, according to the law, to be appointed by the local government chairman subject to the approval of the state governor. Importantly, this means that secretaries are to some extent career staff and to some extent not.

4.2.5 Local Government Committees and Special Bodies

The law provides for the setting up of committees to facilitate the work of the local governments. The committees and bodies so stipulated in the law are:

i. Finance and General Purpose Committee which consists of:

a. The Chairman (who shall be the Chairman).

b. The Supervisory Councillors.

c. The Secretary to the Local Government.

d. The Director of Personnel Management.

e. The Director of Finance and Supply.

Section 28 (1) of the law further stipulated that:

Subject to the provision of this (part iv), a local government may in addition to the committees specified, appoint other committees for the purpose of exercising any functions as the local government may specify:

ii. Security Committee: The committee consists of:

a. The Chairman of the council who shall be the chairman

b. The most senior police officer in the area of authority or such other police officer as may be specifically designed as the liaison officer in that behalf.

c. The district heads in the local government.

d. The customs officer attached to the local government area.

e. The immigration officer attached to the local government area.

f. The Civil Defense Corp. Officer

g. NDLEA officer in the area

h. The secretary to the council

i. Three other persons to be nominated by the council.

iii. Section 27 of the law also provides for the establishment of a state economic planning board whose membership will include representatives of both the state and local governments.

iv. The establishment of state Audit Alarm Committee, which has the following membership:

a. The state Local Government Auditor General who shall be the chairman.

b. The representative of the Ministry for Local Government representing governor's office.

c. The Accountant General of the state as a member.

Facilitator in local government

a. The chairman of the council (Chairman)

b. The Director of Personnel Management (Member)

c. The Director of Finance and Supply (Member)

d. The Internal Auditor of the local government (Member)

4.3 Local Government Accounting System

The system of accounting adopted in local governments in Nigeria conforms to the world conventional principle of accounting i.e double entry book-keeping system. This system requires that every debit entry should be matched by a corresponding credit entry of the same amount or similar amount, and every credit entry should be matched by a corresponding debit entry of the same amount or similar amount.

Indeed government accounting or public sector accounting in Nigeria (Federal/State/ Local Governments) is rooted in the Nigerian Finance (Control and Management) ordinance of 1958 and Audit Ordinance of 1956 as entrenched in the 1960, 1963, 1979, 1989 and 1999 as amended 2010 Nigerian constitutions.

What people misconstrue as a different accounting principle in a local government is the type of accounting operation adopted as explained below:

There are two type of accounting operation:

1. Enterprise accounting and
2. Social accounting

The former may be visualized as the measurement of economic events and conditions with a view to determining profit or loss of a given organization. On the other hand, the later, i.e social accounting, measures all social activities in the public sector with a view to determining the efficient and effective utilization of resources in the provision

of social services for members of the society. Therefore, "social accounting" otherwise referred to as "Government Accounting" or "Public Sector Accounting" deals mainly with the control and stewardship of receipts, payments and related activities in the public sector.

The peculiar nature of "social or government accounting transactions make it desirable and indeed mandatory to treat them in accordance with specific but cohesive and standardized measurement theorems e.g the budgeting system and application procedures, fiscal accounting procedures, nature of sources of revenue, etc because of the need to get formal approval on estimates of revenue and expenditure before they are collected or incurred.Budgeting largely determines the structure of government accounting or local government accounting.

4.3.1 The Structure of Local Government Account

The structure of local government accounts can best be explained by means of a diagram showing where the entries in its books originate and where they finally end. Suffice it to say here that every accounting entry originates from one of the following sources:

i. Receipt voucher

ii. Payment voucher

iii. Journal voucher

i. **Receipt Voucher:** This is a form (LGT form 17) used to account for all kinds of money received in the local government treasury or money lodged into the

bank accounts of the local government, whether the money belongs to local government or it is received on behalf of the others.

ii. **Payment Voucher:** This is a form (LGT Form 45,46,48,49 etc) used to accounts for all disbursement of funds out of the local government treasury or its bank accounts or through an impress account either made by the local government itself or made on behalf of others.

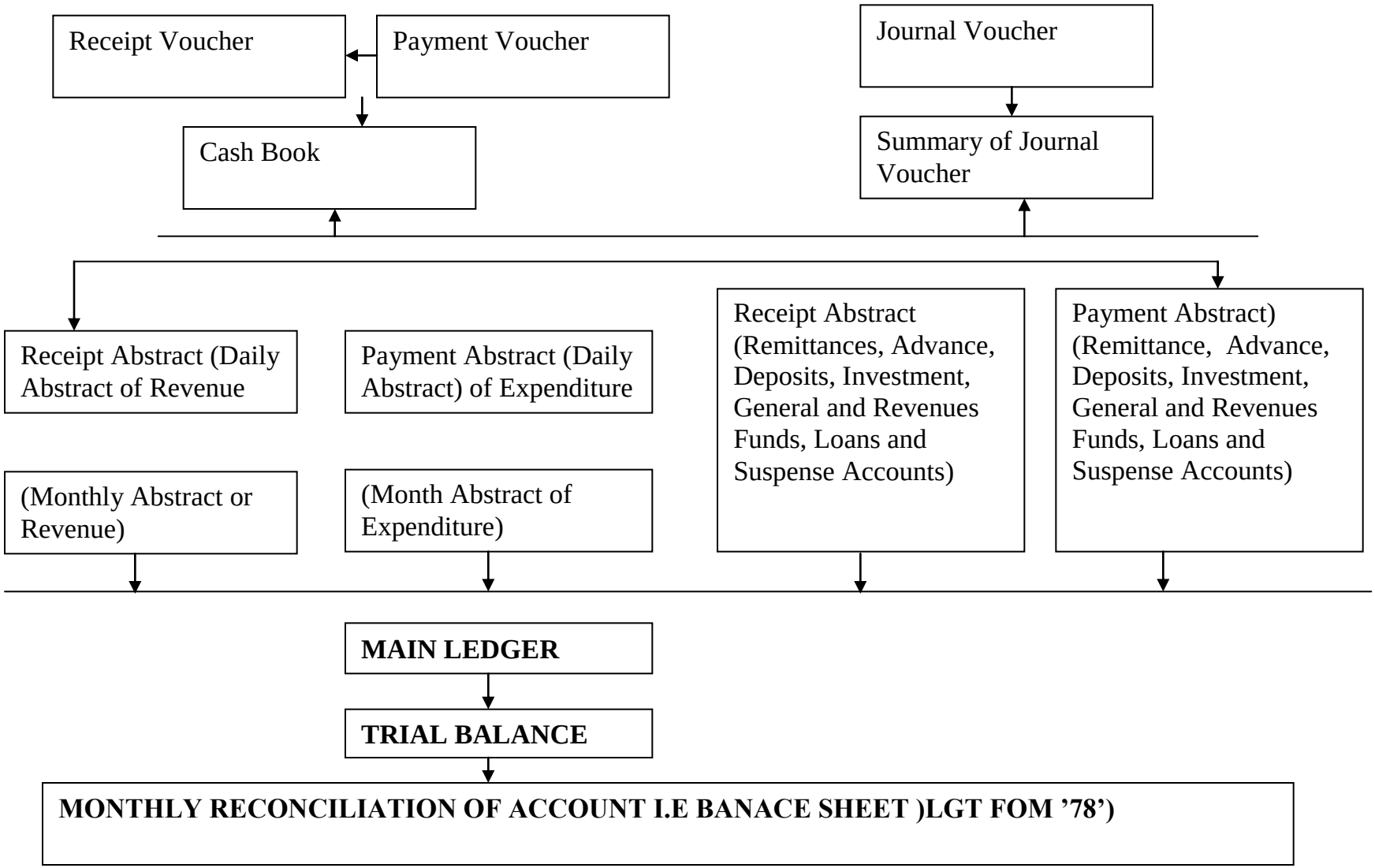
iii. Journal Voucher: A journal voucher is used in two major ways:

i. To transfer fund from one account to another or from one head or subhead to the other in the same account.

ii. To correct errors in accounting entries, e.g. errors of commission, omission and compensation.

NB: A journal voucher shall however not be posted in the cash book.

Fig. 4 Structure of Local Government Account



4.3.2 The Main Books of Account in Local Government Treasury

The main books of accounts in a local government are as follows:

i. Cash Book L.G.T Form 12A-12B

ii. Daily and Monthly Abstract of Revenue

iii. Daily and Monthly Abstract of Expenditure

iv. Remittance Ledger

v. Advances Ledger

vi. Deposit Ledger

vii. Loans Ledger

viii. Investment ledger (e.g. purchase of shares)

ix. Renewals funds ledger

x. Suspense ledger

xii. Trial balances.

Surplus and deficit of accounts i.e. surplus and deficit statement/assets and liabilities (balance sheet) LGT Form 78.

The purpose of the main books of accounts in the local government is to provide all necessary information required on the running of the organization properly and in the case of the local government adequate details of the following:

i. The approved estimates for the year from the approved sources under recurrent and capital revenue heads and sub-heads, daily monthly and annual collections as well as over and under collections recorded: This involves the information provided by the

cashbook daily receipt of the approved revenue heads both recurrent and capital receipts, etc. The information so far revealed would go to the following essential records.

a. Daily abstract of revenue recurrent and capital.

b. Monthly abstract of revenue recurrent and capital.

c. Annual summary of revenue receipts and capital.

ii. The approved annual expenditures under recurrent and capital for services planned during the current year on the legal functions of the local government;amount spent daily, monthly and annually under the approved votes of expenditure; Head and sub-heads and items saving or excesses recorded under the votes at the financial year;any supplementary expenditure approved (AISE and AVAE approved during the year) will also reflect in the accounts. The above must have information form the cashbook under the expenditure and capital (keeping records of payment vouchers) for the services legally provided by the local government. The information provided has to go through the following essential records:

a. Daily abstract of expenditure recurrent and capital.

b. Monthly abstract of expenditure recurrent and capital.

c. Annual summary of expenditure, recurrent and capital.

iii. Other details of all transactions under the below the line accounts (assets and liabilities) one recorded in both the abstract and ledgers and summary accounting ledgers as:

i. (a) Advances ledger (individual ledgers)

(b) Summary of advances monthly accounts

(c) Annual summary of advances.

ii. (a) Deposit ledger (individual ledger)

(b) Summary of deposit monthly accounts

(c) Annual summary of deposit accounts.

iii. (a) Individual investment account ledger.

(b) Monthly summary of investment ledger

(c) Annual summary of investment ledger

iv. (a) Individual remittance ledger

(b) Monthly summary of remittance ledger

(c) Annual summary of remittance ledger.

v. (a) Loan account (Individual Ledger_

(b) Monthly summary of loan account

(c) Annual summary of loan account

vi. (a) Fixed deposit account ledger

(b) Monthly fixed deposit ledger

(c) Annual summary of fixed deposit account ledger.

vii. (a) Short-term deposit account ledger

(b) Monthly summary of short-term account ledger

(c) Annual summary of short-term account ledger

While the main books of account supply the essential information as mentioned above, the essential records and subsidiary books of account and records mentioned will be needed to complement and supplement them in order to ensure proper accountability through efficient and effective financial control. For example, while daily abstract or the cashbook will show how much was collected or spent, it will reflect whether or not the receipt or payment was legally justified. The absence of these important records in the local government or their improper maintenance has done a great or more harm to the treasury operations of the local government than anything else. A few examples, examples are considered below:

a. **Personnel Emoluments Register:** If established and properly maintained, there will be no fear of introducing ghost workers.

b. **Register of Retiring Benefits:** Which would also eliminate ghost pensioners, even as pensions are paid out by the pension board.

c. **The Revenue Register:** Would greatly reduce corrupt practices including the illegal use of "Fake Receipt" as well as improve revenue control.

d. **The Receipt Book Register:** If properly utilized, it will improve control revenue earning receipts book and security documents.

e. **Tax Register for Community Tax, Rates etc:** World also ensure better control.

f. **The Revenue Collectors'Charts:** If established and properly maintained, revenues collector's checks and control of revenue collection should be more efficient and effective.

In a local government where the essential records are properly established, the elements of internal control checks become much easier and supervisory control checks made are more efficient and effective. People have not been aware that lack of these records had cost the local governments about 80% of the total funds daily going down the drain, which is much more destructive than the so much discussed corruption. As far as the structure of local government was concerned, only over uniformity and over establishment could be easily identified as the two major causes of their under utilization of manpower and available resources and these should have been among the sensitive areas requiring attention during reforms and re-organizations. In many local governments, about half the total staff could only be usefully engaged for about two weeks.

4.3.3 Balancing The Main Ledger, Trial Balance and the Monthly Reconciliation of Accounts (Balance Sheet) LGT Form '78'

The main purpose of the Local Government Treasury Balance Sheet (LGT FORM 78) was to show at a glance the actual financial position of the local government treasury and to give a comprehensive picture of the financial position (in greater details) of the local government at the end of each month and at the end of the financial year. It is a great pity that the balance sheet has been among the most neglected financial statement in the treasury for it was usually not up-to-date or just "cooked" and full of errors. The balance sheet which has two parts, each with two sides the top part shows the opening balance at the beginning of the current year and the cumulative figures of recurrent and capital revenue and expenditure so far (for the period concerned). These

will give the closing balance, representing the actual financial position at the end of the month or year in question. The opinion and closing balance should be cleared as either “Credit” or “Debit” and referred to as Surplus (R/E) and (A/L) or Deficit. (E/R) and a special expenditure item or other special payment can be approved by the relevant authority under certain circumstances.

The top part of the form is therefore called the revenue and expenditure part or the statement of revenue and expenditure, (above the line account). The bottom part (Below the line Accounts) has also two sides showing on the left, details of summarized balances of assets: while the other on the right is for details of liability balances at the end of the period concerned.

In compiling the balance sheet, ‘LGT FORM ‘78’ has reflected on the structure of local government treasure accounts. It is necessary to refer to the accounts in the main book of accounts and ledgers (cumulative totals of revenue and expenditure and closing balance).Care should be taken to include all outstanding balances of assets and liabilities. In most local government treasuries, the investment ledger was never established/maintained, which would have reflected the details of any investment item held by the local government (now bestly known as purchase of shares). Company shares, purchases, special funds with federal government of Nigeria/States Government (FGN/SG) and their agencies, external/local investment stocks, industrial privatization shares, etc must be fully accounted for as well as accurate details of long term loans secured from (FGN/SG) development agencies, commercial, industrial and

other banks or from external sources must fully account and reflected on the balance sheet. Similarly fully details of all loans and advanced granted by the local government directly or indirectly must also continue to be fully reflected (including the actual balances outstanding or brought forward.

a. Balancing the main ledger which comprise of all accounts stated and listed in FM 22.2(1)-(4).

b. Drawing up a trial balance from the net balance of the main ledger accounts, debit and credits.

c. Using the figures in the trial balance to prepare a monthly reconciliation of accounts which comprises of the surplus and deficit statement and the statement of assets and liabilities "Balance sheet" or "form LGT "78".

4.3.4 Local Governments Accounts Structure in Kaduna State

Tables "A" below is a production of local government account statement of assets and liabilities as at 1st January, 2006, while table 'B' shows the transactions that took place in the treasury up to the end of April, 2006 using the details obtained from the two tables, balance up the local government main ledger and draw up a trial balance (FORM "77 A" as preparing for the surplus and deficit statement and the statement of assets and liabilities (Form "78") balance sheet for the month ending 3rd April 2006.

Table A: Balancing the Main Ledger Accounts

1. Finding the reserve funds as at 1st January, 2006.

(A) Balancing the main ledger

1. Finding the reserve funds as at----------

ASSETS	**AMOUNT (₦)**	**LIABILITIES**	**AMOUNT (₦)**
Cash on Hand	100,00	Paye Deposit	400:00
Current Account	400,00	R.F Deposit	500:00
Inv. (General Nigeria)	1,000,00		
R.F Inv. Nigeria	500,00		
Adv. Loss of Funds	50:00		
Adv. M. Farming	40:00	To Balance	1,190:00
Total	**2,090:00**	**Total**	**2,090:00**

2. Cash Book (Cash Columns)

DR	**AMOUNT (₦)**	**CR**	**AMOUNT (₦)**
Balance B/F	500:00	Expenditure	340:00
Revenue	430:00	Paye Payment	60:00
Advance Repay	10:00	Farming	40:00
Inv. Gen. Nigeria	250:00	Net (DR)	750:00
Total	**1190:00**	**Total**	**1190:00**
BALANCE B/D	750:00		

3. **Abstract of Revenue**

DR	**AMOUNT (₦)**	**CR**	**AMOUNT (₦)**
		Various Heads	430:00
			430:00

4. Abstract of Expenditure

DR	AMOUNT (₦)	CR	AMOUNT (₦)
Various Heads	340:00		
	340:00		

5. Deposit Ledger

A. PAYE

DR	AMOUNT (₦)	CR	AMOUNT (₦)
Cash Paid	60:00		400:00
Net CR:	340		
	400:00		400:00
		NET CR.	340:00

B. Renewals Funds Deposit

DR	AMOUNT (₦)	CR	AMOUNT (₦)

4. Advance

A. Mixed Farming

DR	AMOUNT (₦)	CR	AMOUNT (₦)
B/F	40:00		
New Advance	40:00		
	80:00		
Net Balance	80:00		

B. Loss of Funds

DR	AMOUNT (₦)	CR	AMOUNT (₦)
Balance B/F	50:00	Cash Repayment	10:00
		Net Balance	40:00
	50:00		50:00
DR: Balance	40:00		

7. Investment

A. General Nigeria

DR	**(₦)**	**CR**	**(₦)**
Balance B/F	1000:00	Repayment	250:00
		Net DR.	750:00
	1000:00		1000:00
Net Balance	750:00		

B. Renewals Funds Nigeria

DR	**(₦)**	**CR**	**(₦)**
Balance B/F	500:00		
Total	500:00	Total	

FORM LGT 77A

8. Trial Balance as at----------

S/N	**Accounts in main ledger**	**Debit balance (N)**	**Credit balance (N)**
1.	Reserve Funds at 1/12006	-	1,190:00
2.	Cash Book; Cash on hand	750:00	-
3.	Cash at Bank	-	-
4.	Revenue Abstract (Recurrent)	-	430:00
5.	Revenue Abstract (Capital)		
6.	Expenditure Abstract (Recurrent)	340:00	-
7.	Expenditure (Capital)	-	-
8.	Deposits: P.A.Y.E	-	340:00
9.	Renewals Funds	-	500:00
10.	Advances: Mixed Farming	60:00	-
11.	Advances: Loss of Funds	40:00	-
12.	Investments: General: Nigeria	750:00	-
13.	Renewals Funds	500:00	-
14.	Total	2,460:00	2460

9. Above the line account, Financial year 2006 monthly reconciliation of accounts (balance sheet) form '78' for the month of 30/4/2006 assessed working capital N 800:00k

S/N	Surplus/Deficit Statement and Progress of Revenue & Expenditure	₦	₦	₦	₦	₦
1.	Recurrent Expenditure from 1-11-2006 to 30/4/2006	-	340	-	Reserve Funds as at 1/1/06	1,190
2.	Capital Expenditure from 1-1-2006 to 30/4/2006	-	-			
3.	Capital Revenue from 1/1/06 to 30/04/06	-	-	-		
4.	Capital Exp. To be met from Rec. Rev.	-	-	-		
5.	Total Expenditure (1 +2)	-	340	-		90
6.	Recurrent Revenue from 1/1/06 to 30/4/06	430	-	-	Add surplus	
7.	Total Revenue (3 + 6)	-	430	-		
8.	Surplus (7-5) or (5-7)	-	-	90	Or Subtract	1,280
					Total Reserve at 30/4/06	

10. Below the line account

Assets	₦	₦	Liabilities	₦	₦
Liquid Assets Cash on hand	750	-	Short term loans Bank Overdraft	-	-
Current A/C Bank	-	-		-	-
Credit in L.G Fund	-	-	Others		
Fixed Deposit (Bank)	-	-	Total short term loans	-	-
(others)	-	-			
Total Liquid Asset	-	750	Deposits	-	-
Investments General: Nigeria	750	-	Deposits Government NPE/PAYE	340	-
External	-	-	Others	-	-
Renewals Funds Inv: Nigeria	500	-	Total Deposit	-	-
: External	-	-	Renewals Funds Deposit	-	340
Total Investments	-	1250	Nigeria	500	-
Advances Losses of Funds Store	40	-	External Total Renewals Funds Deposit	-	-
Govt. Other L.GS	-	-			
Motor Vehicles	-	-	Loan Outstanding	-	-
Others	80	-	Total Loans O/s	-	500
Total Advance	-	120	Balance of Assets over Liabilities		
Capital Expenditure from Loan not yet charge to rec. Exp.	-	-		1280	
Balance of Liabilities over Assets	-	-			
Total	**-**	**2120**	**Total**	**-**	**2120**

4.3.5 Analysis of Tables 1-10 4.3.4

The data in the tables shows how local government councils in Kaduna State prepare their monthly reconciliation of accounts (Balance Sheet form LGT "78" showing the entries from main ledgers to other accounting books, abstract and legers).

Table 1: shows how the main ledger is balanced at the end of the financial year as closing balance and also an opening balance at the preceding year which would be replacing each month of the year as refunds for the year to add or subtract in the above the line accounts.

Table 2: shows how the cash book transaction for the month in question balances and obtains balances between debit and credit.

Table 3: shows the balances of abstract of revenue with credit balances. These balances are directly part of the above line account for determining surplus/deficit for the particular month.

Table 4: shows the total expenditure for the month from expenditure abstracts as debit balance, balance also to be replaced in the above the line accounts for measurement between revenue and expenditure to determine the surplus or deficits.

Table 5,6,7: show the ledgers of deposit, advances, renewal funds and investment, all are balances with credit balances and debit balances respectively which form part of the accounts of the balance sheet (term 78) for the month under review.

Table 8: shows the trial balances for the month carrying all the accounts in the abstracts and ledgers with credit balances and debit balances. The trial balance is an accounting instrument used to test the accuracy of all accounting entries in the legers

and abstracts both debit and credit. It also provides accounting information to use in compiling the balance sheet (form LGT ‘78’) both below and above the line accounts.

Table 9: shows the part of the balance sheet (form LGT 78) best known as above the line accounts carrying the information and progress report of revenue and expenditure for a particular month and determine the statement of surplus and deficit to be added or subtracted in order to ascertain the total reserve funds for the month including the reserve funds carried forward as an opening balance. The total reserve funds if surplus will be added in the below line accounts liability side as balance of assets over liabilities.

Table 10: shows the statement of assets and liabilities of the local government, which include the state of liquidity assets in terms of balance on cash on hand, current accounts with banks, deposit accounts, credit in local government funds, fixed deposits etc and also included as part of assets and the advances in term of losses, funds, stores, vehicle advances, and other advances. Also included are investments both external and internal investment, such as purchase of share forms, the banks and other company for the purpose of saving and earning interest.

Aung liabilities are short term loans, overdraft, and other loans, government deposit, such as PAYE and other deposit maintained on behalf of the government, individuals and other deposits such as deduction made on behalf of the unions and other bodies and associations for staff welfare. In order to ascertain true position of the total assets

over liabilities reserve funds transferred from the above the line account are added to the liability, so that it will give picture of the liabilities that can be settled without affecting the local government to be indebted from other sources.

4.4 Annual Financial Statement of Local Government Council in Kaduna State

A Section of the law requires each local government to balance its accounts, update its books after the end of the financial year (31st December) and prepare relevant financial statements (chapter, 32:199) financial memoranda 2009).

4.4.1 Balance of Accounts

Because the accounts of a local government prepared at the end of a financial year are the culmination of its accounting activities for the year and are designed to demonstrate the prompt, full and accurate public accountability of the local government, the accounts shall be balanced as soon as possible after the end of the year, and in case, not later than 31st March of the following year. If, exceptionality, the accounts are not balanced by the date, the treasurer shall submit a report immediately to the executive committee explaining the reason for the delay. A copy of such report shall be submitted to the Auditor General of the local government.

4.4.2 The Annual Financial Statement

The statement of abstract of the accounts and the balance sheet of the local government shall be integrated as part of an annual financial statement which shall be

submitted to the next meeting of the executive committee which shall forward the annual financial statement together with its report thereon to the council. After scrutiny and formal acceptance of the financial statement, relevant copies each shall be sent to the governor's office and that of the Auditor General. The annual financial statement shall consist of the final accounts of a local government for the financial year and supporting schedules.

The final accounts shall comprise:-

Statement No.1: Statement of financial responsibility

Statement No.2: Statement of opinion of Auditor General for local government

Statement No.3: Cash flow statement

Statement No.4: Statement of assets and liabilities.

Statement No.5:Statement of revenue and expenditure.

Statement No.6:Notes to the financial statements

Justification for the New Financial Statement

As part of effort to ensure that the financial statements of the entity called Nigeria is prepared as at when due, appropriate arrangements and strategies were put in place to harmonise the accounts of the Federal, State and Local Government.

In this light and by the resolution of federal account allocation committee, meeting of 15th June, 2001 and adhoc committee was constituted to achieve the objectives with the following terms of reference:

(a) To examine and appraise the existing public sector records and their relevance to the public annual accounts.

(b) To study the current structure of public accounting in relation to international standards with IFAC Exposure papers.

(c) To determine the relevance of current public sector records to the proposed standard models.

(d) To determine various uses of public sector financial statements and their financial information.

(e) To harmonise the Federal, States and Local Government Financial Reporting Systems.

(f) To recommend appropriate financial reporting standard that is compatible with modern information technology.

(g) To set an accounting standard that is capable of generating accurate financial information on a timely manner and

(h) To make any other recommendations as may be.

Past Financial Statements Of Local Government Councils

Close and critical review of past financial statements of local government councils reveals the following negative feature of the statements.

- They are Voluminous in size
- Disjointed
- Cumbersome
- Very difficult to understand

- Non reference of sub-statement both in formats and contents to end users.

It is expected that the present financial statements will address the above inadequacies and satisfy the following qualitative character of financial statements.

- Relevance
- Materiality
- Reliability
- Faithfully representation
- Prudence
- Comparability
- Compatibility with modern information technology.

4.4.3 New Formats of the Financial Statements of Local Government Council

Chapter 32 of the third edition of model financial memoranda for local governments (2009), provides the new formats of the financial statements to be used in all local governments in compiling the end-of-the-year financial report statements as stated below:

(A) StatementNo1: Statement of Financial Responsibility by Local government:

These financial statements have been prepared by the treasurer of local government council ……..in accordance with the provisions of the finance (council and management) act 1958 as amended. The financial statements comply with general accepted accounting practice. The treasurer is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the transactions recorded are within statutory authority and properly record the use of all pubic financial resources by the local government council. To the best of my knowledge, this system of an internal control has operated adequately throughout the reporting period.

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Treasurer's Sign **Date**

We accept responsibility for the integrity of these financial statements, the information they contain and their compliance with the finance (control and management) act 1958 as amended.

In our opinion, these financial statement fairly reflect the financial position of local government as at 31st December 2*** and its operations for the year ended on that date.

---------- ----------

Treasurer Date

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Chairman Date

(B) Statement No.2: Statement of Opinion of Auditor-General Local Government: In this statement, the Auditor-General should confirm that he has examined and audited the financial statement on page …….which has been prepared under the accounting policies set out on page……. His report should cover the following key areas.

Responsibility of Treasurer and Auditor General

(i) Here, the Auditor-General should state categorically that the treasurer is responsible for the completion and supervision of the accounts of the local government council in accordance with the appropriate section of the finance (control and management) Act 1958 as amended. He should equally state that it is his responsibility to audit and form an independent opinion on the financial statement he has audited.

(ii) The Auditor General should state clearly that he has conducted audit in accordance with generally accepted auditing standard. The approach and methodology adopted for the audit should also be stated.

(iii) Opinion: The Auditor General should certify whether the financial statements present fairly the financial position of the local government council as at 31st December 2XXX in accordance with appropriate section of the audit act as amended.

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Auditor General for Local Government Date

(C) Statement No. 3: Local Government Council
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2XXX

NOTES		**CURRENT Year Nm**	**PREVIOUS Year Nm**
Cash flows from operating activities			
Receipts			
Internally Generated Revenue	3	(x)	(x)
Grants/Subventions	4	(x)	(x)
Vat	5	(x)	(x)
Statutory Allocations	6	(x)	(x)
Miscellaneous		(x)	(x)
Total Receipts			
Payments			
Personal Emoluments	8	(x)	(x)
Education Services		(x)	(x)
Transport Services		(x)	(x)
Health Services		(x)	(x)
Mining and petro-chemical Services		(x)	(x)
Agricultural Services		(x)	(x)
Other of general nature	9	(x)	(x)
Total Payments		(x)	(x)
Net cash flow from operation activities		(x)	(x)
Cash flow from investing activities			
Purchase/constructions of assets	10	(x)	(x)
Purchase of financial market instruments		(x)	(x)
Proceeds flow sales of assets		(x)	(x)
Net cash flow from investing activities		(x)	(x)
Cash flow from financing activities			
Proceeds from loan & other borrowing		(x)	(x)
Dividends received	12	(x)	(x)
Repayment of loans	13	(x)	(x)
Net cash flow from investing activities		(x)	(x)
Net increases/Decrease in cash and its equivalent		(x)	(x)
Cash & its equivalent at 1/1/2xxx		(x)	(x)
Cash &its equivalent at 31/12/2xxx		(x)	(x)

The accompanying notes are an integral part of this statement

(D) Statement No 4: Local Government Council

STATEMENT OF ASSETS AND LIABILITIES FOR THE YEAR ENDED 31ST DECEMBER, 2XXX

Actual

	Notes	current year	previous year
		Nm	**Nm**
Assets			
Cash and Bank balance	14	(x)	(x)
Investments	15	(x)	(x)
Advances	16	(x)	(x)
Others	17	(x)	(x)
		(x)	(x)
Liabilities			
Deposits	18	(x)	(x)
Loans	19	(x)	(x)
General revenue	20	(x)	(x)

The accompanying notes are an integral part of these statements

(E) Statement No 5: Local Government Council,

STATEMENT OF REVENUE AND EXPENDITURE OF THE YEAR ENDED 31ST DECEMBER, 2XXX

Actual Previous Year Nm		Notes	budget Current Year Nm	actual Current Year Nm	Variance Current
xx	Opening balance		xx	xx	x
ADD: REVENUE					
xx	Rates	21	xx	xx	x
xx	Fines, fees &licence	22	xx	xx	x
xx	Earnings and sales	23	xx	xx	x
xx	Rent on Government property		xx	xx	x
xx	Interest and Dividend	24	xx	xx	x
xx	Taxes	25	xx	xx	x
xx	Statutory Allocation	26	xx	xx	x
xx	Miscellaneous Revenue	27	xx	xx	x
xxx	Total revenue (a)		xxx	xxx	x
LESS EXPENDITURE					
xx	General Administration	28	xx	xx	xx
xx	Health and Environment	29	xx	xx	xx
xx	Works and Housing	30	xx	xx	xx
xx	Education	31	xx	xx	xx
xx	Agric and Social Development	32	xx	xx	xx
xx	Grants and Subsidies	33	xx	xx	xx
xx	Capital project	34	xx	xx	xx
xx	Miscellaneous expenses	35	xx	xx	xx
xx	Total revenue (b)		xxx	xxx	x
xxx	Operating balance (a-b)		xxx	xxx	x

The accompanying notes are an integral part of these statement.

(F) Statement No. 6:

Notes to the Financial Statements

The notes to the financial statements should include stating clearly the accounting policies adopted in the preparation of financial statements. For purpose of user's understandability, notes to the accounts are normally presented in the following order.

Statement of compliance with any known statements

Statement of accounting policies applied

Supporting information for items presented on the face of the financial statements in the order in which each line is presented, and

Other disclosures or relevant supporting which may include all of the following:

i. Statement of revenue analysis by head.

ii. Statement of expenditure analysis by head

iii. Statement of project payments summary

iv. Statement of grants and subsidies, and

v. A year end manpower statement.

4.4.4 Preparation of Local Government Bank Reconciliation Statement

Another serious area of financial reporting which is neglected in most cases deliberately has been the bank reconciliation statement which must be prepared and presented to any responsible finance committee (Exactive Committee or F and GPC) for each must at the beginning of the month following. The lapse and undesirable development and had led to a great amount of loses which could have easily been

avoided if the F and GPC and the treasury officials had done their duty responsibly. (FM Chapter 19:2009:151).

The sensitive areas on the bank reconciliation statement are items 2(a) remittances in transit and 2(b) bank charges and commissions etc. In the case of item 2(a) which contained outstanding remittances to the bank (treasury cash book outstanding bank column DR side) which were sent to the bank but not acknowledged (not credited to the local government bank current account) on the bank statement as a credit item as well as other remittance to the bank which were under credit (not fully credited O/S remittance (not credited) or not fully credited should be closely examined. This area has proved to be an easy shelter or a convenient way to defraud. On the other hand, item 2(b) contained outstanding bank statement debit items, representing direct payment by the bank which have not yet been taken into account in the cash book (Bank column, direct credit side). There are four types:

(i) Deduction from the current account of local government made by the bank for services rendered by it, e.g. bank charges, commission on cheques, bank over draft fee etc.

(ii) Standing order which represents direct payment (debits to the current account) on their verbal or written instruction of the local government for which no local government cheques were issued, e.g payment to the FGN or state government for investment or other matters, high court, NNDC, universities or polytechnics etc.

(iii) Wrong debits (errors by the bank)

(iv) Wrong payment which should have been debited against other bank accounts belonging to other individuals, other LGC or other organizations etc.

Bank Reconciliation Techniques

It is important to cite the practical exercise and reconciliation techniques as contained in the financial memoranda and its practical application cited in *Local Government Accounting in Nigeria* by Ejisun (2008:27) as follows:-

1. If the bank's balance as per certificate at the end of the month is wrong e.g N1,550 "CR" the differences of ₦50 should be accounted as a credit to current account in the bank not yet brought to account in the treasury cash book.
2. If a cheque for N50:50 as mistakenly honoured in bank as N50:00k the difference of 50k should be accounted for as un-presented cheques; however, if for instance the cheque is posted in the bank as N50:75 the difference of 25k should be accounted for as charges.
3. If N10,000 is remitted to credit current account and is mistakenly recorded in the bank statement as N1,000 the difference of N9,000 should be accounted for as remittance in transit, if on the other hand it is shown as N100,000 the difference of N90,000:00 should be accounted for as credit to current account in the bank not yet brought to account in the treasury cash book.
4. Before making an item as "O/S" One must verify whether such item should have passed through the two accounts. For instance, an item appearing in the

bank statement in the current month might have passed through the cash book in the previous month(s) and vice versa.

Some Important Items to note in Reconciliation

i. Bank charges can never stand as “O/S” in the cash book.

ii. Cheque drawn by the local government or cash paid in by the local government can never stand as “O/S” in the bank statement.

iii. Interest on fixed deposit account or realization adjustments or grant paid through bank loan never stands as “O/S” in the cash book.

iv. Bank paying-in-slip can never stand as “O/S” in the cash book.

v. Balance brought forward should be ticked.

5. If the banks’ balance as per bank certificate or bank statement is “DR” i.e (overdraft),the following charges shall be effected in the bank reconciliation proformat or format.

i. Entries in item 2 shall be subtracted instead of being added.

ii. Entries in item 3 shall be added instead of being subtracted.

6. Using the bank reconciliation proformat adopt the following techniques while reconciling.

i. Link cash book debt with item 2(a) (remittance in transit to bank but not yet credited in bank statement).

ii. Link cash book credit with item 3(a) (cheques issued but not yet presented in bank)

iii. Link bank (statement) debt with item 2(b) (Bank charges not yet brought to account in the treasury cash book).

iv. Link bank certificate credit with item 3(c) (credit to bank account (eg interest) but not yet brought to account in the treasury cash book.

7. Bank reconciliation statement

Local Government ----------

1. Bank Balance at----------according to the bank certificate

₦…….

Add

2. Remittances in transits to bank not yet credited in
   Bank statement ₦……..
3. Bank charges not yet brought to account in
   The cash book
   ……. ₦…….
   ……. ₦…….
4. Bank charges still o/s from the previous
   Month…… ₦…….
   ₦…….

   ₦…….

Subtract

5. Cheque issue but not yet presented

   To bank ……. ₦…….

6. Cheque issued but still o/s from

   Previous moth …… ₦…….

7. Credit to bank account but not yet

   Brought to account in the

   The cash book…… ₦…….

8. Total credits previously o/s

…….. ₦…… ₦…….

9. Cash book balance at ……

₦…….

Bank reconciliation statement preparation is equally important with keeping up to date local government treasury cash book. Bank reconciliation statement is not the work of a cashier, because it would not provide enough information since the cahier plays an active role in banking transactions between the local government treasury and the bank in many areas.

The preparation should be made by the most senior officer in the local government treasury for providing enough and certify chedk and balances to be submitted to the local government treasury for F and GPC or any committee charge with finance. In most local governments the exercise (Bank reconciliation statement) is totally absent, which is very saddening in the financial control.

4.4.5 Application of Financial Memoranda Chapters by 19,22,32 Of Selected Local Government Councils In Kaduna State

Despite the unreliability of keeping accounting records and presentation of balance sheets, LGT form '78' month reconciliation of accounts, the annual financial statement and bank reconciliation in Kaduna State, we are constrained to use the financial accounting and reporting structure being produced by selected local governments in the state. This is because actual structure of financial accounting set out in chapter 19, bank reconciliation statement, chapter 22, monthly reconciliation of

accounts Balance Financial Statement were found out by this study as very difficult to come by and the reliability of balancing the statements is suspected because, according to the records from the Ministry for Local Government,that the preparation of financial accounting and reporting is being contracted out to consultant firm for the 23 twenty three local governments in the state. The role of the local government are to give out their cash books only and some available banks statement and reports of the chairman and the treasurer at the end of the financial year for compilation and subject to the report of the Auditor General for local government.

However, in using the financial accounting and reports of the selected local governmentsi.eLere Local Government, Kaura Local Government and Kaduna South Local Government whereby each local government representsa geo-political zone of the state for this research, some key features of local government financial accounting and reporting production were determined ab-initio.

From the scanty records of such actual financial accounting and reporting made available to us and returns, obtained from field survey, it was confirmed that actual production of the financial accounting reporting statement, i.e bank reconciliation statement, LGT '78' balance sheet and annual financial statement often fell far from what is stated in the revised financial memoranda. Infact the main books of accounts and other subsidiary ledgers and records are not being maintained in the local government treasury not even production of the trail balances. The Auditor General

for local government on 2006, 2007, 2008-10 made some observations/comments on the production of below selected local governments on table 4.

Table 4.1: Structure of Lere Local Government Capital Development Fund.

The provision of the Finance (control and management) Act 1958 as amended provides that all funds received for the capital project are to be credited to this fund. During the year total capital receipts amounted to N0.361 Billion and total capital expenditure charged to the fund amounted to N0.361 billion.

Details	**2008**		**2007**	
	₦	₦	₦	₦
Opening Balance	-	-		-
Capital Receipts	361,075,835.18		501,072,862.73	
Expenditure	361,075,835.18		501,072,862.73	
Net capital surplus				
Deficit		-		
Closing Balance		-		-

Source: Report of Treasurer for the year ended 31st December, 2008.

Table 4.2: Structure of Lere Local Government

During the year total receipts by the local government was N1.855,394.32k and total payment was N1,877,753,457.58k. An overall net deficit cash flow of N22,185, 063.26k was recorded during the year. The liquidity position as at 31st December, 2008 was N29,722, 011.80k.

Details	**2008**		**2007**	
	₦	₦	₦	₦
Opening Balance		51,907,075.06		21,105,605.88
Total Receipts	1,855,568,394.32		1,478,867,381.19	
Total payments	1,877,753,457.58		1,448,065,912.01	
Net cash increase/decrease				
Closing cash/bank/balance		22,185,063.26		30,801,469.18
		29,722,011.80		51,907,075.06
Represented by:				
Consolidated revenue	29,722,011.80			
Funds	-		51,907,075.06	
Capital development funds				
Total public funds			-	
		29,722,011.80		51,907,075.06

Source: Report of the Treasurer for the Year Ended 31st December, 2008.

The Auditor General for local government commenting on the report of the Treasurer Lere, Local Government Annual Financial Account and Report for the year 2008 with reference to the state of the record keeping and production of bank reconciliation statement each month, the monthly balance sheet LGT 78 and annual financial statement of the local government was generally good. The only grey area was non-accountability of revenue earning books on high total sums. Receipts for the year were to the tune of one billion eight hundred and fifty-four million, six hundred and nineteen thousand, six hundred and sixty-eight naira eleven kobo (₦1,854, 619,668.11). Vat and statutory allocation amounted to ₦1, 676,145,261.22 thereby

accounting for 90.38% of the total receipts and internally generated revenue of ₦112,250,572.00 accounted for 6.05% of the total receipts. This is an indication that there is overdependence on the federation account. The total payments for the year amounted to one billion eight hundred and seventy-seven million four hundred and ninety-three thousand, eight hundred and eighty five Naira sixty-one Kobo (₦1, 877,493,885.6k). This made up of the recurrent expenditure of ₦1,516,418.050.43k and capital expenditure of ₦361,075,835.18k. The local government had a deficit of ₦22,185,063.26k which was financed from the surplus of the preceding year.

Missing payment vouchers to the tune of N469,500:00k were not made available for the inspection. These vouchers should be presented for inspection and certification to the Auditor General accordingly.

Deposit and Advances:The management of deposits and advances was good as all deposits had been remitted and advances retired.

Investments (Purchase of Shares): The total investment of the local government as at year end amounted to N11,500.000.00. These however, did not generate any return because most of the enterprises invested in were either dead or struggling to survive.The financial statement prepared and presented did not provide the reliable financial information because it was not compiled according to provision of the Financial Memoranda chapters, 19,22,32 due to the following shortcomings and absence of some vital records that accompany the financial statements.

(a) Chapter 32 of the Financial Memoranda stated clearly the format of the financial statement and other schedules and annual summary form 64 which showed the total individual's advances granted, the repayment or retirement, the annual summary of deposit also carrying individual deposits, repayments and outstanding; the annual summary of investment showing the individual investment, face value and accumulative interest/dividends.

(b) Chapter 19 Bank Reconciliation Statement of the Year under Research. Available records of Lere Local Government shows that bank reconciliation was not being conducted; however, no comments were made by the Auditor General regarding this important financial report.

(c) Chapter 22 of the financial memoranda (balancing the main ledgers, trial balance and monthly reconciliation of accounts LGT form 78) gives the information surplus/deficit, but the statement of assets and liabilities was absent even though it is a yardstick of measuring performances of revenue and expenditure and also the actual assets processed and accumulated liabilities of deposits internal and external.

However, the financial statements (a), (b), (c) aresupposed to be attached or reflected in the annual accounts each year, so that the financial statements are intended to meet the need of users which include taxpayers, members of the legislature, policy analysts, the media, investors, creditors and international financial agencies.

For any reliable and comprehensive annual financial statement, figures are not supposed to be given in block without nevation attached to it. The case of Missing vouchers pointed out shows that the statement provided was incomplete since vital financial information was totally left out. The abstract of the financial reports for the local government is in the appendix …….of the research work.

4.3 Structure of Kaura Local Government Capital Development Fund 31st December, 2009

The provision of the Finance (Control and Management) Act 1958 as amended provides that all funds received for the capital projects are to be credited to this funds. During the year total capital receipts amounted to ₦0.251 million and total capital expenditure charged to the fund amounted to ₦0.251 million.

	2009		2008	
	₦	₦	₦	₦
Opening Balances				
Capital Receipts	251,877,616.42		539,763,744.91	
Capital Expenditure	251,877,616.42		539,763,744.91	
Net capital Surplus, Deficit				
Closing Balance		-		-

Source: Report of the Treasurer for the Year Ended 31st December, 2009.

4.4 Structure of Kaura Local Government Cash Flows and Liquidity Position 31/12/30

During The year statutory allocation received by the Local Government from the Federation Accounts Constituted the major revenue. Total receipt in the year was ₦1,393,688,295.91 and total payment was ₦1,404,120,287.90. An overall negative cash flow of ₦10,431,991.99 was recorded during the year. -the liquidity position was as at 31st December, 2009 was ₦179,163.86

	2009		2008	
	₦	₦	₦	₦
Opening Balances	-		-	10,535,394.93
Total Receipts	1,393,688,295.91		1,798,571,832.83	
Total Payments	1,404,120,287.90		1,798,496,071.91	
Net Cash Surplus		(10,431,991.90)		75,760.92
Closing Cash/bank Below		179,163.86		10,611,155.81
Represented by Consolidated Revenue Fund	179,163.86		10,611,135.55	
Capital Development Fund				
Total		179,163.86		10,611,155.85

Source:Report of the Treasurer for the Year Ended 31st December, 2009.

4.5 The Restructure of Consolidated Revenue Funds Kaura Local Government 31st December, 2009

All the revenue received by the Local Government except these specifically provided to be treated otherwise had been credited to the Consolidated Revenue Fund. During the year Local Government total recurrent receipt credited to the consolidated Revenue Fund was ₦1,209 million. The total recurrent payments charged to the fund in line with the Kaura Local Government Appropriation Act 2009 was ₦1,219 billion.

The operation of the fund resulted in a net recurrent deficit of ₦10,431,991.99 for the year. The closing balance of the fund as at 31st December, 2009 was ₦0.179 million.

	2009		2008	
	₦	₦	₦	₦
Opening Balances		10,611,155.85		10,535,394.93
Recurrent Receipts	1,209,142,205.10		1,627,271.488.81	
Recurrent Expenditure	1,219,574,174.09		1,627,195,727.89	
Net Recurrent Surplus/Deficit		(10,431,991.99)		75,760.92
Closing Balance		179,163.86		10,611,155.85

Source:Report of the Treasurer for the Year Ended 31st December, 2009.

Report of the Auditor General Local Government on the Accounts of Kaura Local Government Annual financial statements prepared by the Treasurer on the Structure of Consolidated Revenue and expenditure is stated as follows:

1. **Record Keeping:-**

   The record keeping was generally good, however, Bank Reconciliation was not done promptly, and daily abstracts of income and expenditure were not kept up to date.

2. **Receipts**

   The total receipts for the year amounted to one billion, three hundred and ninety three million, three hundred and ninety-nine thousand and thirty seven Naira Ten kobo (1,393,399,037.10). This was made up of ₦368,627,282.00 from the federation account and ₦45,654,650.00 form internally generated revenue. The federation account accounted for over 93% of the total receipts, while internally generated revenue accounted for only 3.23% of the total revenue. This indicates

the local government's over dependence on the federation account which calls for concerted efforts by management to improve the local revenue base.

3. **Payments:-**

The total payments for the year amounted to one billion, four hundred and four million. One hundred and twenty thousand two hundred and eighty-seven Naira ninety kobo (₦1,404,1280,287.90). This is made up of recurrent expenditure of ₦1,152,242,671.48 and capital expenditure of ₦251,877,616.42. There is need for the improvement of the capital content of the expenditure, so as to improve the lot of the rural masses. There was a deficit of ₦10,431,991.99 which was financed from the preceding years surplus of ₦10,011,155.85 and an overdraft of ₦289,258.81. Caution should be exercised to avoid high costs of borrowing.

Vising Payment Vouchers ₦9,132,754.00 19 payment vouchers to the tune of ₦9,132,754.00 were not presented for consideration. The signatories to the accounts should be surcharged for spending public funds without supporting documents. The structures of financial statement are contained in the Appendix.

CHAPTER FIVE
DATA PRESENTATION AND ANALYSIS

5.1 Introduction

This section deals with the presentation and analysis of data collected through questionnaire administered. A total of 60 copies of the questionnaire were purposefully administered to senior officers in the Treasury Department, Heads of Departments and Accounting Staff of respective local governments under discussion. The sensitivity of the study informed the decision for choosing these categories of respondents. This is due to the fact that they possess independent views and the technical experience necessary for objective responses. Also, the interview conducted was primarily adopted to complement the questionnaire to enhance quality of findings.

The responses in returned questionnaires were scrutinized for completeness and errors. At the end of the exercise only fifty eight 58 respondents which account about 58% passed the test and were accepted for analysis.

As earlier stated, the chi-square techniques and Kendall's Coefficient of Concordance (W); constituted the statistical tools adopted for the purpose of testing the hypotheses developed.

5.2 Background of Respondents (Officials)

The table below provides a profile of relevant background information on the respondents of the questionnaire.

Table 5.2.1 Distribution of Respondents by Gender

S/N	LG AREA	Male	Female	Total	Percentage (%)
1.	K/South	24	5	29	50.00
2.	Lere	14	3	17	29.31
3.	Kaura	10	2	12	20.69
	Total	**48**	**10**	**58**	**100.00**

Source: Compiled from Report of Field Survey (2015).

Table 5.2.1 shows that the local government services at the management level was dominated by males, Kaduna South has 50% of the total while Kaura had the list of 20.31 percent. This is to be expected given the social structure at the local governments in the state. The next table (5.2.2) provides the age structure of the above respondents.

Table 5.2.2 Distribution of Respondents by Age

S/N	Age Bracket	K/South L.G.	Lere L.G	Kaura L.G	Total	Percentage (%)
1	18-30 years	01	02	01	04	6.90
2	31-40 years	07	05	06	18	31.03
3	41-50 years	10	13	07	30	51.72
4	51-60 years	03	01	02	06	10.35
5	61 and above	00	00	00	00	0.00
	Total	**21**	**21**	**16**	**58**	**100.00**

Source: Compiled from Report of Field Study, (2015).

Table 5.2.2 shows that the bulk of the staff at the senior levels of the Local Government Service Councils in the three local government councils were aged between 18 and 40 years. Those whose ages fall between 18 and 30 years

accountedfor 6.78%,while those between 31 and 40 years account for 31.03%. Those between 40 years and 50 years accounted for 51.72%, while 51-60 years stood at 10.35%. Next examination is on the educational, professional and experiential status of the officials.

Table 5.2.3 Distribution of Respondents by Educational/Professional Qualifications

S/N	Qualification	K/South L.G.	Lere L.G	Kaura L.G	Total	Percentage (%)
1	Below SSCE/Equivalent	00	00	00	00	00.00
2	SSCE/GCE	00	02	00	02	03.45
3	Diploma/OND	10	07	06	23	39.65
4	HDLG/HND	10	04	02	16	27.59
5	BA/B.Sc. etc	04	04	05	13	22.41
6	Postgraduate	01	01	00	02	02.45
7.	Master Degree	01	00	01	02	03.45
	Total	**26**	**18**	**14**	**58**	**100**

Source: Compiled from Report of Field Study,(2015).

Table 5.2.3 Shows that the majority of the respondents held either the Diploma/OND or HDLG/HND as their highest qualifications, as those two qualifications accounted for about 39.65 percent of the qualifications.Of all the officials surveyed only 13 or 22 percent held university degrees. While 2 or 3.45 percent held postgraduate qualifications and masters respectably.

Table 5.2.4 Distribution of Career Staff with Relevant or Professional Training in Local Governments

Type of Training	Diploma/OND	HDLG/HND	BA/B.Sc	PGD	Masters	Total	Percentage (%)
1. Local Government Administration	10	07	0	0	0	17	20.52
2. Local Government Account/Finance	20	14	1	1	1	37	44.66
3. Others	0	2	1	1	0	04	4.82
Total	**30**	**23**	**2**	**2**	**1**	**58**	**70.00**

Source: Compiled from Report of Field Survey, (2015).

Table 5.2.4 reveals that about 70 percent of officials in the 3 Local Government Councils surveyed had some training or qualification in Local Government administration and accounting/finance. 20.52 percent had training in administration, 44.66 percent in Accounting and Finance, while 4.82 percent had training related to local government outside the areas of administration and accounting. Across all categories, the highest qualification was HDLG or HND.About five respondents had training beyond HDLG/HND in local government under study.

Finally,work experience of the respondents in local government was viewed. Table 5.5 below shows the profile of service years of the officials.

Table 5.2.5 Length of Service of Officers

S/No	Length of Service	K/South L.G.	Lere L.G	Kaura L.G	Total	Percentage (%)
1.	1-10 years	12	4	2	1 8	31.03
2.	11-20 years	5	3	6	15	25.87
3.	21-30 years	4	5	3	12	20.69
4.	31-35 years	5	4	4	13	22.41
5.	**Total**	**27**	**16**	**15**	**58**	**100.00**

Source: Compiled from Report of Field Survey,(2015).

The majority of respondents (25.87%)had in the three local government service between 11 and 30 years according to the distribution made in the table above, while 31.03 percent have had served for between 1 and 10 years. It should be noted that this number did not include the elected chairman and councilors whose tenure is three years. Overall, one can say that the officers included in the survey had had long experience in local government service.

Table 5.2.6 Respondents' Perception on Accounting System Operaitonal in Local Governments

S/N	Type of Accounting System	K/South LG	Lere LG	Kaura LG	Total	Percentage (%)
1.	Double Entry Accounting System	22	18	22	52	89.66
2.	Single Entry Accounting System	01	03	02	06	10.34
3.	**Total**	**21**	**21**	**14**	**58**	**100.00**

Source: Compiled from Report of Field Survey, (2015).

Table 5.2.6 reveals respondents' views on whether the Local Governments operated the double entry accounting system or single entry accounting system. 52 respondents (89.66 of the total respondents expressed that the local government under study operated double entry accounting system, which is very common to all the local government in the country by double entry accounting system which operates in the public sector organisations mean that for every debit entry there must be a correspondent credit entry while for every credit entry there must be a corresponding debit entry in the same amount or in the similar amount. While six respondents (10.34%) of the total respondents subscribed to the other side of the accounting

system (single entry accounting system) which is usually operated in the enterprises,organisations or private/commercial organisations.

Table 5.2.7 Perception on the Accounting System Use in Local Government as per provision of the Financial Memoranda

S/N	Options	K/South LG	Lere LG	Kaura LG	Total	Percentage (%)
1.	Satisfactory	18	14	10	42	72.41
2.	Fair	04	06	04	14	24.14
3.	Unsatisfactory	00	00	02	02	02
4.	**Total**	**22**	**20**	**10**	**58**	**100.00**

Source: Compiled from Report of Field Survey, (2015)

In the table above it will be seen that 42 (72.41%) of the total respondents responded in the affirmative that the accounting system was satisfactorily used according to the provision of the financial memoranda, while 14 (24.14 percent) respondents had a contrary view that accounting system was unsatisfactorily used. But it is stipulated in the provision of the F.M. (18-34(4) that the system of booking should be used in each and every book of accounts maintained in the Local government. In fact the interview conducted with some officials of some local governments revealed that the accounting entry in the accounting books and ledgers are often done when notice of external auditors or inspector from the state ministry for Local Governments are served.

Table 5.2.8 Respondents' opinion on the effectiveness of Local Government Accounting System as per as financial management is concern

S/N	Options	K/South LG	Lere LG	Kaura LG	Total	Percentage (%)
1.	Very Effective	3	2	4	09	15.52
2.	Effective	15	13	17	45	77.59
3.	Fairly effective	01	01	02	04	06.89
4.	**Total**	**19**	**16**	**23**	**58**	**100.00**

Source: Compiled from Report of Field Survey,(2015).

Table 5.2.8 above reveals the aggregate picture of accounting pattern relating to the financial control of local government under study. It is evident from the table that nine respondents (15.52%) expressed that the accounting pattern of the local government was very effective and provide financial control over finances of the local government, while 45 respondents (77.59) opined that accounting pattern and financial control was effective. 04 (08.89) percent had the opinion that the accounting system was fairly effective.

According to Bello-Imam (2000) and Hassan (2001) the ideal relationship between accounting and financial management is 70:30. They opined that where accounting pattern or system of financial memoranda declines to any figure below 30% no substantial financial control and accountability in local government would be achieved.

Table 5.9; The Overall Assessment of Local Government Treasury Regarding Record Keeping.

S/N	Options	K/South LG	Lere LG	Kaura LG	Total	Percentage (%)
1.	Very Effective	02	02	4	08	13.80
2.	Effective	18	11	15	44	75.86
3.	Fairly effective	03	03	00	06	10.34
4.	**Total**	**23**	**16**	**19**	**58**	**100.00**

Source: Compiled from Field Survey Report, (2015).

The table above, shows the respondents' assessment. 44 respondents (75.86) assessed as effective the Local Government Treasury Operation regarding the general record keeping and maintenance of all accounting book according to the provision of financial memoranda, while eight (8) respondents accounting to 13.8% 10 percent of the total respondent while 44 of the respondents accounting to 75.86% and 6 respondents accounting for 10.34%, the above responses would be utilized in testing the hypothesis stated in chapter 1.5a of this study.

Table 5.2.10 Responses on whether keeping of Accounting Records, Books and Ledgers, Production of Ledger Balances are Effectively Done?

S/N	Options	K/South LG	Lere LG	Kaura LG	Total	Percentage (%)
1.	Yes	19	20	17	56	95.55
2.	No	02	00	00	07	3.45
3.	**Total**	**23**	**16**	**19**	**58**	**100.00**

Source: Compiled from Field Survey Report, (2015).

From Table 5.2.10 one can see that the respondents' assessment of keeping and maintenance of accounting books and ledgers was positive. The table shows that 56 respondents accounting to 95.55 percent of the total respondents chose the "yes" option, while two (2) respondents accounting for 3.45 percent selected "No". Equally, the above responses would be utilized in testing the hypothesis stated in Section 1.5(a) of this study.

Table 5.11: Response on due balances and summary of ledgers, abstracts, both revenue and expenditure, deposit, advances, investment, suspense loans, remittance cash book, main ledger and summaries, trial balance as per FM

S/N	Options	K/South LG	Lere LG	Kaura LG	Total	Percentage (%)
1.	Yes	15	14	17	51	87.93
2.	No	02	04	01	07	12.07
3.	**Total**	**23**	**16**	**19**	**58**	**100.00**

Source: Compiled from Field Survey Report, (2015).

From table 5.11 the majority of respondents (51) accounting to 87.93 percent were of the opinion that there was due production of accounting balances, summaries of the main ledger and trial balances of all the books and ledgers of accounts in the Local Government, while seven (7) respondents accounting for 12.07 percent of the total respondents rejected the above statement. When interviewed, some officials confirmed that the only books of accounts maintained in the local government was only cash book.

Table 5.2.12Response of Effective Local Government Treasury on Production of Adequate Timely Financial Statements such as Monthly Bank Reconciliation, Monthly Reconciliation of Accounts (LGT Form 78/Balance Sheet) Annual Financial Statements as Set out in Financial Memoranda Chapter 18-32.

S/N	Options	K/South LG	Lere LG	Kaura LG	Total	Percentage (%)
1.	Very Effective	04	03	04	11	18.97
2.	Effective	10	16	26	42	71.41
3.	Fairly effective	03	02	00	05	08.62
4.	**Total**	**17**	**21**	**30**	**58**	**100.00**

Source: Compiled from Field Survey Report, (2015).

Table 5.2.12 clearly shows that most of the respondents were in agreement with effective production of timely financial accounting and annual statements. This is evident in 42 of the total respondents which accounted for 71.41 percent responded as effective while five (5) respondents accounting 08.62 percent responded that production of the timely financial accounting and statements was fairly effective. Above all, eleven (11) respondents accounting for 18.97% agreed that the production of financial statements was very effectively produced under the Local Governments of this study.

According to the interview and records visited, the production of these financial statements were not done in the Local Governments since 2005. It was revealed that productions was done by a consultant firm agreed upon on contract between Kaduna

State Government on behalf of the 23 Local Governments and the firm, namely Malt Consultant Limited for the production of Monthly Reconciliation of Accounts LGT 78, Monthly Bank Reconciliation and Annual Financial Statement.

The Local Government Treasury Departmentswere to go to the Ministry for Local Government at regular intervals according to the date scheduled for each Local Government, Ascompanied with them were only the cash book and bank statements to the consultant firm mentioned above. Such reports or statements are attached as Appendix of this study.

Table 5.2.13 Responses on the provisions for Accounting System are adequate as provided in the F.M

S/N	Options	K/South LG	Lere LG	Kaura LG	Total	Percentage (%)
1.	Adequate	10	11	09	30	51.73
2.	Fairly adequate	06	05	06	11	29.31
3.	Inadequate	00	01	00	01	01.72
4.	Undecided	40	03	03	10	17.24
5.	**Total**	**23**	**16**	**19**	**58**	**100.00**

Source: Compiled from Field Survey Report, (2015).

In the above table 30 respondents (51.73 percent) confirmed to the adequacy of the F.M. provision. One (1.72 percent) respondents affirmed on the inadequacy,while 10 respondents (17.24 percent)were undecided claiming ignorance of the contents of the provisions of the Financial Memoranda (FM)

Table 5.2.14 Respondents perception on the level of adherence to accounting principles in the financial memoranda for reconciliation between the main books of accounting and subsidiary books of accounts and preparation of financial statement

S/N	Options	K/South LG	Lere LG	Kaura LG	Total	Percentage (%)
1.	Very significant	06	08	06	20	34.48
2.	Significant	03	05	06	14	24.14
3.	Insignificant	05	04	07	16	27.59
4.	Undecided	01	01	06	08	13.79
5.	**Total**	**20**	**20**	**18**	**58**	**100.00**

Source: Compiled from Field Survey Report, (2015).

In the above table 8 respondents from Lere Local Government, 6 from Kaura Local Government and 06 from Kaduna South Local Government totaling 20 (34.48 percent) confirmed the very significant adherence to accounting principles in the financial memoranda for reconciliation between the main books of accounts and subsidiary books of accounts and financial statement of Local Government. Five (5) response from Kaduna South, four (4) from Lere L.G and Seven (7) from Kaura Local Government, Kaura L.G 07 totaling to 16 (27.59%) affirmed the significance while Kaduna South Local Government 01, Lere Local Government 01, Kaura L.G – Six (6) respondents totaling to 08 (13.79 percent) were undecided claiming ignorance. The claim ignorant of the contents of the provisions of the financial memoranda (FM).

Table 5.2.15Response on Ranking of Effectiveness of Accounting System of Local Governments

Judges	Effective Records Keeping	Effective Production of Summary and Balances	Production of Financial and Accounting Statements	Adequacy of FM Provisions	Scores	Marks Obtained	Percentage (%)
A	6	7	6	7	40	26	6.5
B	0	5	3	1	40	09	2.2
C	5	6	7	7	40	25	6.3
D	0	5	6	7	40	18	4.5
E	1	2	8	4	40	15	3.1
F	2	6	1	3	40	12	3.0
G	4	0	7	4	40	15	3.7
H	1	2	6	5	40	14	3.5
I	7	0	2	4	40	13	3.3
J	8	2	1	2	40	13	3.3
Total	**34**	**34**	**47**	**44**	**400**	**160**	**40.00**

Source: Compiled from Field Survey Report (2015).

In the table above efforts were made to generate data through the administration of questionnaire to respondents which comprised mainly experienced local government career officers who were very conversant with accounting issues of local governments. The profile of the respondents confirm their expertise in local government accounting system. Out of the total of 10 respondents (judges), five (5) were graduates of accounting, Local Governments and Development studies and Public Administration with Masters Degree. Eight (8) had been working with Local government for more than 15 years. 16-22 had risen to grade level 13-15 in the Local Government Service. Two (2) were Former Treasurers of their respective Local Government.

The opinions of these respondents were sought on the features which enhanceeffectiveness in accounting and records keeping in relation to the variables enumerated in Section 3.2.1 of this study.

Furthermore, the table reveals the respondents' view on the variables. A general overview of the scores respondents shows an under score of the judgments provided by each judge on variables under consideration. This is because, out of a maximum of 400 marks expected from respondents only 160 marks were met, which is about 40% of the total marks. Also, the individual judge's views indicate some unsatisfactory scoring pattern of the accounting and record keeping,as only three judges (A,C, and D)scored the features above 20%, while the remaining 7 judges scored the features below 20%.

However, the analysis above reveals ineffectiveness in the record keeping and production of the abstracts and ledger summaries for the productions of Accounting Statements and Financial Reports procedures as viewed by the Local Government accounting experts. To this end, to test the assertion of the hypothesis formulated in Section 1.5(b) of this study, the Kendall's Concordance Coefficient of Concordance will be applied to date in table, as would be seen in the hypotheses testing section below (hypothesis testing number 2).

Table 5.2.16 Relationship Between Effective Records Keeping, Production of Ledger/Abstract Balances, Production of Financial Statements and Adequacy of F.M. Provisions

Year	Effective Records Keeping	Satisfactory Production of Ledger/Abstract Balances	Production of Financial Statements	Adequacy of FM Provisions	Total	Percentage (%)
2006	6	7	6	7	26	25.00
2007	2	5	3	1	11	10.58
2008	5	6	7	7	25	24.04
2009	1	5	6	7	19	18.27
2010	1	2	8	4	15	14.42
2011	2	1	0	0	3	2.;88
2012	3	2	0	0	5	4.81
Total	**20**	**28**	**30**	**26**	**104**	**100.00**

Source: Compiled from Field Survey Report (2015).

The table above reveals the aggregate picture of records keeping of books of accounts, production of Satisfactory Ledger balances and production of Financial Statements both monthly and annual in relation with adequacy of financial memoranda (FM) provisions of local governments under the study. It is evident from the table that over the period of seven years, the average score on both the records keeping production of satisfactory ledger and Abstract balances, and production of financial statements was about 49.04% of the total score,while 50.96% was only on inadequacy of financial memoranda provisions. This result is obviously in variance with the ideal relationship between record keeping extraction of ledger balances, production monthly and annual financial statements and adequacy of provision of financial memoranda by public experts. According to Ejisun (2008) the ideal relationship between production of Financial Accounting Statements and adequacy of

FM is 70.30. He opined that where records keeping and production of Timely Financial Statements declines to any figure below 30% no substantial progress would be made on achieving efficient financial position of the local governments.

Based on the average ratio as depicted in the table above (about 60:40) one may be tempted to think that the local governments were doing well in respect of record keeping. But a more dispassionate examination of the trend of production of summary balances and abstract and compiling of financial accounting statement that existed in local governments reveals several inconsistencies in the accounting pattern (See appendix).

For instance in the year 2008 Lere Local Government Annual Report of the Treasurer regarding responsibility for the financial statements that efforts were made to ensure that the financial statements reflect the financial position of the Local government as at the 31st December, 2008 and its operation for the year ended on that date and efforts of all officers of the final account units and other operational units in the Finance and Supply Department are worthy of mention and recognition in the preparation of the Reports. The highest score of the state affairs of the record keeping and production for the annual statement for Lere Local government was (75.06%) while adequacy of FM provision and State affairs of the total accounts is (24.04%).

This is because cash book and other subsidiary accounting records were maintained in the local government treasury but other insertion records and ledger were balanced by

computer consultants i.e. Mold Computer and Communication Ltd for local governments following the inadequacy of the FM provision, which resulted in the poor state of financial position of the local government such as non rendering of Bank Reconciliation Statement, many outstanding payment vouchers, unaccounted internal revenue, non-retirement of advances etc.

The situation above reveals a great inconsistency in the accounting pattern in local governments in Kaduna state. Consequently, this indicates the improper foresightedness of the match necessary for proper financial position of the public resources for meaningful financial policy to be used for sustainable development to take place. In fact it would not be out of place to the state that, the accounting pattern of the Local Government in Kaduna state is arbitrarily done or being carried out.

5.2.17 Perception of Officials of the Ministry for Local Government and Office of the Auditor General for Local Government on Record Keeeping etc.

In this section the study presents the respondents' views on the effective records keeping, effective production of summary and balances, financial accounting statements and the extent compliance with provision of the financial memoranda on accounting system. The interview questions were designed to elicit such information from both the Local Government inspectors and External Auditors attached to the Local Governments and their respective directors in the headquarters. Three local government resident inspectors and three external auditors from the local

governments under study were selected and two directors each from the Ministry for Local Government and Office of the Auditor General of the Local Government.

To respondents view on adequate compliance with the provision of the Financial Memoranda on the record keeping and production of the monthly and annual financial statement became the same with other respondents of the officials of the local government, that there is no inadequacy on the compliance of the provision of the financial memoranda on keeping accounting books and ledger and the production of the monthly and annual financial statement of local government. For that reason, both the Ministry for Local Government and Office of the Auditor General came into agreement and sought for approval from the Governor of the state to invite consultants to work out and provide monthly financial statement/annual financial statement of 23 Local Government in the State. Schedule were provided for each Local government to appeal for submission of their main cash book for compilation of the accounting indices and reconciliation for the production of the various statement stated above.

5.4 Hypothesis Testing:

(1) Hypothesis One

H_o: There is no significant compliance with accounting procedure and guidelines in the Financial Memoranda (FM) for Local Governments in Kaduna State.

H_i: There issignificantcompliance with accounting procedure and guidelines stated in the Financial Memoranda (FM) for Local Governments in Kaduna State.

In testing this hypothesis, the chi-square techniques was used. The observed and the expected frequencies are presented thus:

Table 5.2.18 Observed and Expected Frequencies

Options	**Observed Frequencies (O)**	**Expected Frequencies (E)**
Very Adequate	04	11.06
Adequate	03	11.06
Undecided	08	11.06
Very Inadequate	17	11.06
Total	58	

Source: SPSS Output using Data from Field Survey

To calculate the chi-square value, the formula is re-stated thus:

$$X^2 = \frac{\sum(O-E)^2}{E}$$

Table 5.2.19: Calculation of the Variables in the Chi-square Formula

Observed (O)	**Expected**	$\boldsymbol{\lvert O-E \rvert}$	$\boldsymbol{(O-E)^2}$	$\boldsymbol{(O-E)^2/E}$
04	11.6	7.56	57.76	4.979
03	11.6	8.6	73.96	6.376
08	11.6	3.6	12.96	1.117
26	11.6	14.4	207.36	17.876
17	11.6	5.4	29.16	2.514
X^2				$X^2 = 32.862$

Source: Extracted from Table 5.13

Degrees of Freedom = 4

Level of Significance = 0.01(1%)

x^2t (critical value) = 13.277 (See appendix 3).

RESULTS

If $X^2 > X^2t$ accept Ho

But if $X^2 < X^2t$ Reject Ho.

Therefore, since the calculated value of chi-square is greater than the critical value (table value), we accept the null hypothesis (Ho) i.e. 32.862 >13,277 meaning that there is inadequate compliance with accounting practice and the provisions of the Financial Memoranda (FM) in local governments in Kaduna State.

2. Hypothesis Two:

H_i: There is no significant relationship between perception of finance experts and adherence to accounting principles in the Financial Memoranda for reconciliation of the main books of account and subsidiary books in the Financial Statement of local government.

The second hypothesis will be tested using Kendall's Coefficient of Concordance as stated in the formula below:

$$W = \frac{S}{\frac{1}{12}k^2(N^2 - N)}$$

Where $S = \sum\left[R_j - \left(\sum\frac{R_j}{N}\right)\right]^2$

K = Number of sets of ranking (judges i.e. Local Government financial experts).

N= Number of entities ranked (i.e. challenges for effective Records keeping, effective production of accounting summaries and balances and production of financial statement).

R_j= The scores assigned by all judges for each responses.

Table 5.2.20: Calculation of the Value $\left(\sum\left[R_j-\left(\sum\frac{R_j}{N}\right)\right]^2\right)$

Judges	**Effective Records Keeping**	**Effective Production of Summary and Balances**	**Production of Financial and Accounting Statements**	**Adequacy**
A	6	7	6	7
B	0	5	3	1
C	5	6	7	7
D	0	5	6	7
E	1	2	8	4
F	2	6	1	3
G	4	0	7	4
H	1	2	6	5
1	7	0	2	4
J	8	2	1	2
R_j	**34**	**34**	**47**	**44**
$\sum\left[R_j-\left(\sum\frac{R_j}{N}\right)\right]$	**-5.75**	**-5.75**	**7.25**	**4.25**
$\sum\left[R_j-\left(\sum\frac{R_j}{N}\right)\right]^2$	**33.06**	**33.06**	**52.56**	**18.06**

Sources: Computation based on Data table 5.16

Since $S = \sum \left[R_j - \left(\sum \frac{R_j}{N}\right)\right]^2$

R_j = 159

R_j/N = 159/4 = 30.75

S = 33.06 + 33.06 + 52.76 +18.06

S = 136.74

W = $\frac{136.74}{\frac{1}{12}(10)^2[(4)^3-4]}$

= $\frac{136.74}{\frac{1}{12}(10)^2[(4)^3-4]}$

W= $\frac{136.74}{500}$

W = 0.273

Since N is not greater than 7, we consider only the value of S(136.75) for decision making.

Result:

At 1% (.01) level of significance, the table value (critical value) of S is 175.3 (See Appendix II).Comparing this value with the computed value S which is 146.74, it was discovered that the table value is greater than the computed value i.e. 173.5 > 136.74.

Therefore, based on the decision rule as stated in Section 3.5.22,we accept the null hypothesis (Ho) which states that there is no direct relationship between the perception of financial experts ranking and accounting practices and production financial statement in the local governments in Kaduna State.

5.4 Research Findings

From the presentation, analysis of generated data and the techniques utilized for testing the stated hypothesis, this section reveals the findings of the study and resultant implications. The study therefore finds that;

1. There is no proper compliance with the Financial Memoranda (FM) as relates to accounting system of local government in Kaduna State. This is holdings to the fact that mechanisms and procedures necessary to ensure proper financial accounting and reporting are not adequately adhered to.

   It is pertinent to note that the Financial Memoranda (FM) is one single document which traditionally provides guidance in the financial administration of the local government. Thus, unless and until there is proper and adequate compliance with the FM as it affects Financial transaction especially accounting system of the local governments, no judicious utilization of local government Fund can be achieved. Consequently,funds and resources management which constitute cogs in the wheel of local government progress will continuously remain unsolved.

2. State government and other political interest groups interfere with the financial accounting and reporting system of local governments in Kaduna State,the implication of which results in non-rendering of timely financial accounting statements of the local governments. It becomes evident from our findings that at the period of this study the State government imposed the preparation of financial

accounting statement through consultancy service to Mold Computer and Communication Ltd, based its head office in the Ministry for Local Government, as highlighted in the analysis section of this study. These made the local government unable to prepare satisfactory financial statements of accounts as at when due in accordance with accounting procedure and guidelines of the financial memoranda.

All these interferences have implication for making the local government not to maintain both essential and subsidiary records i.e. abstracts and ledgers, summaries of accounts, bank statements and monthly and annual financial statements. This in turn hindered satisfactory annual position monthly and annually for local government to make meaningful financial policy for developments.

3. It is also found from this study that the state government committed expenditure on behalf of the local government which affected their accounting system.This is because the local governments could not properly account for such expenditure in all their books of accounts.
4. There are unsatisfactory judgments from financial experts in the pattern of the local governments' accounts. This stems from the challenges which in their perception continuously undermined the effectiveness in the accounting procedures of the local governments. This however, had the implication of lack of credibility and reliability of the financial accounting system of the local government councils.

5. Based on the perception of the majority this study finds that the provision of the FM as regards to accounting procedure are adequate to enhance effective records keeping. This is a good indication that the FM is still relevant as a document for effective management and control of local government financial resources.

5.5 Summary

In this chapter efforts were made to examine the historical background of selected Local government in Kaduna state. The study noted that Kaduna state stood out as the major town created since colonial administration within the northern region because of its centrality within the region. The present political structure in the state which gave birth to the 23 local governments was met as a result of the need to get development and governance closer to its residents. This however, took systematic and gradual process initiated from one government to another. This section also brought to focus how the generated data was presented and analyzed using the aforementioned statistical tools i.e. the chi-square and Kendall's coefficient of concordance.

This section finally brought to limelight the major findings of the study, which indicate that there is no adequate compliance with the provisions of the FM as it relates to accounting procedures. This stems from the variables identified in this study as constraints that continuously affect proper compliance with the guidelines provided. The constraints include lack of proper checking of accounting records, non-satisfactory production of ledger/abstract balances, and non-production of timely financial accounting and statements etc.

CHAPTER SIX
SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Summary of Research Findings

In the past two decades particularly since the 1976 Local Government Reforms and up to the present time, government had sent enormous sum of money into the local government and to some extent had accentuated local government autonomy with the primary aim of providing the local populace with basic infrastructures and efficient performance. One would have expected that after these years, the investments would have started yielding impressive return. But, instead, the return so for shield leaves much to design. This study however, had argued that more than any other reasons, poor resources controls and management, non accountable for both the input and output of the local government and non-presentation of timely financial accounting and report coupled with inadequate compliance with provision of the Financial Memoranda (FM) as it affects their accounting and financial operation constituted logs in the wheel of the progress of local governments in Nigeria.

Among other objective of this study was to assess the causes and the effects of non compliance with financial which had been standing in the path of the grassroots development.

In order to enrich the study, literatures were reviewed to focus on the accounting operations of the local governments ranging from their collections of funds with implication for various transfers, expenditures, accounting mechanisms necessary for

an effective management and utilization of funds, the essentialities of the Financial memoranda (FM) in relation to the accounting operation of local government. The dimensions to the accounting procedure and control were also brought on board while the various procedures control necessary for proper presentation of accounting statements at any given interval were reviewed.

However, the bottom line of these issues as it affects finance is a sound and well coordinated accounting system which be extension is an implication for the nature of the internal control system of an organization.

Furthermore, the methodology adopted revealed the empirical nature of the study. The population of the study involved 23 local governments in Kaduna State out of which three (3) local governments were sampled, each from 3 Senatorial Zones of the state representing urban Semi-Urban and rural local governments. The three local governments were sampled using Stratified Sample method. Both primary and secondary sources were exploited for the purpose of data generation. Statistical tools such as the chi-square were utilized for data analysis.

However, the study found that there is inadequate compliance with the provisions of the Financial Memoranda (FM) as it relates to the accounting procedures, and timely presentation of financial statements. Also, the study found that there was arbitrary presentation of Financial Accounting and Reports of the Local Governments both

monthly and annually by the Mold Computer and Communication Ltd a private consultant firm appointed by Ministry for Local Government of Kaduna State.

6.2 Conclusion

The local governments are the third tier of government in Nigeria saddled with the responsibility of taking development to the grassroots in orderto better the lives of its peoples. To achieve such objective, proper management of finance must be upheld. However, records have it that the trend of non-accountability in local governments had continuously been on the increase, but it becomes became disturbing when nothing much could really be seen of meaningful development at the grassroots. Even though some argued that the local governments had not been adequately funded, this study has affirmed that the problem of the local governments was that of management, utilization and non-accountable through keeping proper records.

The primary objective of this study was to evaluate the degree of compliance with the Financial Memorandum (FM) among local governments as it affects accounting procedures. Other objectives include assessing the courses and effects of the non compliance.

Based on the objectives of this study, the research questions, problem statement, testing of hypotheses and the findings revealed,this study concludes that the problem faced by the local governments with regards to the level of development was largely caused by lack of significant compliance with the accounting procedure and

guidelines for control as stated in the Financial Memoranda (FM) and lack of stated financial accounting and reports and statements as at when due.

6.3 Recommendations

Based on the findings and conclusion of the study, the following are some recommendations which if considered, can assist in improving the management of financial resources and accounting of the Local Governments.

i. The State Assembly should enact laws that will enhance and strengthen proper compliance with the provisions of the Financial Memoranda (FM) in the areas of financial accounting and reporting of the local governments. In addition, the state House of Assembly should give legal backing and jurisdictional effect to the Financial Memoranda (FM).

ii. There is the need to generally evolve a system of training of political office holders immediately they assume office, so that they should give proper respect to rules and regulations to enable the professionals discharge their duties according to the guidelines and procedure of the Financial Memoranda (FM). The findings of the study indicates that there was an adequate response by the professionals on adhering to the FM Provisions but they were only frustrated by the political office holders.

iii. There is need for the local governments in Kaduna State to adhere to and give sustainable system of application of Financial Memorandum. The system should ensure good governance and accountability in the fiscal operation of the

local government treasury. Accountability should be expended beyond the boundary and scope of the existing practices. Local governments'treasuries should not be seen as the only organ to improve accountability, Financial Management (FM),it should also be the responsibility of all councils and their its committees. This study therefore recommends that head of departments who are central to local government financial management have to ensure adherence to the basic principles of Financial Memoranda outlined below.

a. Ensure satisfactory overall control of finances of his Department including strict compliance with FM.
b. Perform all duties and responsibilities as Departmental Heads (OCVs) and Persons with AIEs as described in Chapter 13 of the FM.
c. Keep accounts and records (FM 38) and adequately safeguard for Local government's physical assets
d. Keep all accounting books, accounting records and vouchers, cash books and store records and making them available for inspection, check or audit by approval persons.
e. Monthly reconcile department accounts books with the treasury records
f. dealt with queries promptly.
g. Make available all departmental information required by chairman, secretary and treasurer.
h. Record all commitments and liabilities immediately they are incurred (in the OVEA books).

iv. In order to improve the level of accountability and control of Local Government Treasuries in Kaduna State, a comprehensive review of final accounts units must be made with a view to ensuring inefficiency in record keeping and to discontinue with unscheduled production of financial statements most especially monthly reconciliation of accounts (LGT 78), Monthly Bank Reconciliation Statement which give basis for financial policies of local government councils.

v. State governmentsshould strictly adhere to section (162) sub-section 7,8 of the Constitution of 1999 as amended in 2010 which provides for "*Each State shall maintain a special account to be called, State Joint Local Government Account" i*nto which shall be paid all allocation to the Local Government Councils of the State from the Federation Account and from the State Government". The top-down approaches on Local Government financial activities need to replace by Hom-up Compacts to enable Local government accounts for the balance.

vi. There is need for local governments in Kaduna State to attach importance to adequate accounting for movable properties purchased from public funds. This is in view of the fact that the public funds are invested in such properties. This investment creates the management's need to be account able for these resources, and to use all appropriate techniques including financial information to procure use hold and manage them promptly, efficiently and effectively and moreover, in compliance with the provision of revised Financial Memoranda

vii. Computerization of local government's account should be revisited in order to reduce the expensive paper work and minimize ghost workers. It should be programmed to apply the provisions of Financial Memoranda, in view of the fact that the computerisation system in use at that moment had omitted vital accounting issues that had made the Financial Accounting Department an ineffectual.

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APPENDIX I

2.3 PUBLICATION OF THE ANNUAL ACCOUNTS OF THE LOCAL GOVERNMENT AND REPORT OF THE TREASURER

Section 87 of the Local Government Administration Law 2003 of Kaduna State requires every Local Government to render Annual Financial Statements to the Legislature and to publish such Annual Financial Statements together with the Report of the Auditor General for the Local Government on the Financial Statements. The Annual Accounts and Financial Statements of Lere Local Government are contained on pages 14 to 41 of this Report and consist of the following financial statements prepared in the format approved and adopted by the Federation Accounts Allocation Committee (FAAC) under the framework of the standardized accounts reporting format of the Federal, States and Local Governments in Nigeria:

(a) Cash Flow Statements;

(b) Statement of Assets and Liabilities;

(c) Statement of Consolidated Revenue Fund;

(d) Statement of Capital Development Fund; and

(e) Notes to the Financial Statements.

This Report together with the Financial Statements and the Notes to the Accounts are available on request from my office. Extracts of the annual accounts and reports would also be published in reputable national newspapers and magazines to make the financial information available to the general public.

2.3.1 CONSOLIDATED REVENUE FUND

All the revenues received by the Local Government except those specifically provided to be treated otherwise have been credited to the Consolidated Revenue Fund. During the year total recurrent receipt credited to the Consolidated Revenue Fund was N1.662 Billion. The total recurrent payment charged to the Fund in line with Lere Local Government Appropriation Act 2008 was N1.684Billion. The operation of the Fund resulted into a Net Recurrent Deficit of N0.022 Billion for the year. The closing balance of the fund as at 31st December, 2008 was N0.029 Billion.

	2008		2007	
	=N=	=N=	=N=	=N=
Opening Balance		51,907,075.06		21,105,605.88
Recurrent Receipts	1,662,767,750.03		1,344,681,462.77	
Recurrent Payments	1,684,952,813.29		1,313,879,993.59	
Net Recurrent surplus/(Deficit)		(22,185,063.26)		30,801,469.18
Closing Balance		**29,722,011.80**		**51,907,075.06**

2.3.2 CAPITAL DEVELOPMENT FUND

The Provisions of the Finance (Control and Management) Act 1958 as amended provides that all funds received for capital project are to be credited to this fund. During the year total capital receipts amounted to N0.361 Billion and total capital expenditure charged to the fund amounted to N0.361Billion.

	2008		2007	
	=N=	=N=	=N=	=N=
Opening Balance		-		-
Capital Receipts	361,075,835.18		501,072,862.75	
Capital Expenditure	361,075,835.18		501,072,862.75	
Net Capital Surplus/(Deficit)		-		-
Closing Balance		-		-

2.3.3 CASH FLOWS AND LIQUIDITY POSITION

During the year total receipt by the Local Government was N 1,855,568,394.32 and total payment was N1,877#,753,457.58. An overall net deficit cash flow of N22,185,063.26 was recorded during the year. The liquidity position as at 31st December, 2008 was N29,722,011.80:

	2008		2007	
	=N=	=N=	=N=	=N=
Opening Balance		51,907,075.06		21,105,605.88
Total Receipts	1,855,568,394.32		1,478,867,381.19	
Total Payments	1,877,753,457.58		1,448,065,912.01	
Net Cash Increase/(Decrease)		(22,185,063.26)		30,801,469.18
Closing Cash/Bank Balance		**29,722,011.80**		**51,907,075.06**
Represented by:				
Consolidated Revenue Fund	29,722,011.80		51,907,075.06	
Capital Development Fund	-		-	
Total Public Funds		**29,722,011.80**		**51,907,075.06**

3.0 BUDGET SIZE AND PERFORMANCE

	Actual 2008	Original Budget 2008	Revised Budget 2008	Variance 2008	Variance Amount 08
	₦	₦	₦	%	₦
RECEIPTS:					
Statutory Allocation	1,484,293,343.14	2,324,794,802.00	2,324,794,802.00	36.15%-	840,501,458.86-
VAT	191,851,918.08	143,199,910.00	143,199,910.00	33.97%+	48,652,008.08+
Internally Generated Revenue	112,250,572.00	248,211,416.00	248,211,416.00	54.78%-	135,960,844.00-
Other Capital Receipts	948,726.21	121,043,478.00	121,043,478.00	99.22%-	120,094,751.79-
Transfer from CRF	168,534,762.86	708,386,740.00	708,386,740.00	76.21%-	539,851,977.14-
BTL Receipts - Deposits	66,223,834.89				66,223,834.89+
Total Receipts	**2,024,103,157.18**	**3,545,636,346.00**	**3,545,636,346.00**	**42.91%-**	**1,521,533,188.82-**
Less: Recurrent Payments:					
Personnel Costs	600,684,547.62	757,575,451.00	772,997,862.00	22.29%+	172,313,314.38+
Overhead Costs	844,443,082.00	1,103,436,652.00	1,151,971,665.00	26.70%+	307,528,583.00+
BTL Payments - Deposits	71,290,420.81				71,290,420.81-
Public Debt Charges	259,571.97				259,571.97-
Transfer to Capital Dev Fund	168,534,762.86	780,386,740.00	780,386,740.00	78.40%+	611,851,977.14+
Sub-Total: Recurrent Exp.	**1,685,212,385.26**	**2,641,398,843.00**	**2,705,356,267.00**	**37.71%+**	**1,020,143,881.74+**
Capital Expenditure:					
Economic Sector	102,486,125.38	272,083,580.00	272,083,578.00	62.33%+	169,597,452.62+
Social Services Sector	129,881,987.91	215,977,274.00	223,977,270.00	42.01%+	94,095,282.09+
Area Development Sector	26,066,697.41	105,162,500.00	79,162,500.00	67.07%+	53,095,802.59+
Administration	86,948,790.01	133,627,635.00	121,727,635.00	28.57%+	34,778,844.99+
Development Areas:					
Economic Sector	712,000.00	44,544,696.00	40,044,696.00	98.22%+	39,332,696.00+
Social Sector	5,851,958.34	11,532,918.00	12,532,918.00	53.31%+	6,680,959.66+
Environmental Sector	9,128,276.13	6,200,011.00	12,100,010.00	24.56%+	2,971,733.87+
Sub-Total: Capital Exp.	**361,075,835.18**	**789,128,614.00**	**761,628,607.00**	**52.59%+**	**400,552,771.82+**
Budget Size -Total Payments	**2,046,288,220.44**	**3,430,527,457.00**	**3,466,984,874.00**	**40.98%+**	**1,420,696,653.56+**
Net Budget Surplus/(Deficit)	22,185,063.26	115,108,889.00	78,651,472.00	128.21%-	100,836,535.26-
Opening Cash and Bank Balance	51,907,075.06	101,642,747.00	70,066,574.00	174.08%-	121,973,649.06-
Closing Cash and Bank Balance	**29,722,011.80**	**13,466,142.00**	**8,584,898.00**	**246.21%+**	**21,137,113.80+**
REPRESENTED BY:					
Cash and Bank Balances	29,722,011.80				29,722,011.80-
Total	**29,722,011.80**				**29,722,011.80-**

The Overall Budget Size for the year was N3.5 Billion. However, about 60% of the budget was implemented even though the budget was revised during the year; the original budget was not totally expended.

2.3 PUBLICATION OF THE ANNUAL ACCOUNTS OF THE LOCAL GOVERNMENT AND REPORT OF THE TREASURER

Section 87 of the Local Government Administration Law 2003 of Kaduna State requires every Local Government to render Annual Financial Statements to the Legislature and to publish such Annual Financial Statements together with the Report of the Auditor General for the Local Government on the Financial Statements. The Annual Accounts and Financial Statements of Kaura Local Government are contained on pages 14 to 41 of this Report and consist of the following financial statements prepared in the format recently adopted by the Federation Accounts Allocation Committee (FAAC) under the framework of the standardized accounts reporting format of the Federal, States and Local Governments in Nigeria:

(a) Cash Flow Statements;
(b) Statement of Assets and Liabilities;
(c) Statement of Consolidated Revenue Fund;
(d) Statement of Capital Development Fund; and
(e) Notes to the Financial Statements.

This Report together with the Financial Statements and the Notes to the Accounts are available on request from my office. Extracts of the annual accounts and reports would also be published in reputable national newspapers and magazines to make the financial information available to the general public.

2.3.1 CONSOLIDATED REVENUE FUND

All the revenues received by the Local Government except those specifically provided to be treated otherwise have been credited to the Consolidated Revenue Fund. During the year total recurrent receipt credited to the Consolidated Revenue Fund was ₦1.209 Billion. The total recurrent payments charged to the fund in line with the Kaura Local Government Appropriation Act 2009 was ₦1.219 Billion. The operation of the fund resulted in a net recurrent deficit of ₦10,431,991.99 for the year. The closing balance of the fund as at 31st December, 2009 was ₦0.179 Million.

	2009		2008	
	=N=	=N=	=N=	=N=
Opening Balance		10,611,155.85		10,535,394.93
Recurrent Receipts	1,209,142,205.10		1,627,271,488.81	
Recurrent Expenditure	1,219,574,197.09		1,627,195,727.89	
Net Recurrent Surplus/(Deficit)		***(10,431,991.99)***		***75,760.92***
Closing Balance		**179,163.86**		**10,611,155.85**

2.3.2 CAPITAL DEVELOPMENT FUND

The Provisions of the Finance (Control and Management) Act 1958 as amended provides that all funds received for capital projects are to be credited to this fund. During the year total capital receipts amounted to ₦0.251 Billion and total capital expenditure charged to the fund amounted to ₦0.251 Billion.

	2009		2008	
	=N=	=N=	=N=	=N=
Opening Balance		-		-
Capital Receipts	251,877,616.42		539,763,744.91	
Capital Expenditure	251,877,616.42		539,763,744.91	
Net Capital Surplus/(Deficit)		-		-
Closing Balance		-		-

2.3.3 CASH FLOWS AND LIQUDITY POSITION

During the year Statutory Allocation received by the Local Government from the Federation Accounts constitutes the major revenue. Total receipt in the year was ₦1,393,688,295.91 and total payment was ₦1,404,120,287.90. An overall net negative cash flow of ₦10,431,991.99 was recorded during the year. The liquidity position as at 31st December, 2009 was ₦179,163.86:

	2009		2008	
	=N=	=N=	=N=	=N=
Opening Balance		10,611,155.85		10,535,394.93
Total Receipts	1,393,688,295.91		1,798,571,832.83	
Total Payments	1,404,120,287.90		1,798,496,071.91	
Net Cash Surplus		***(10,431,991.99)***		***75,760.92***
Closing Cash/Bank Balance		**179,163.86**		**10,611,155.85**
Represented by:				
Consolidated Revenue Fund	179,163.86		10,611,155.85	
Capital Development Fund	-		-	
Total Public Funds		**179,163.86**		**10,611,155.85**

3.0 BUDGET SIZE AND PERFORMANCE

	Actual 2009	Original Budget 2009	Revised Budget 2009	Variance Amount 2009	Actual 2008
RECEIPTS:	₦	₦	₦	%	₦
Statutory Allocation	1,124,370,450.00	1,571,905,202.00	1,571,905,202.00	28.47%-	447,534,752.00
VAT	184,256,832.00	155,985,841.00	155,985,841.00	18.12%+	28,270,991.00
Internally Generated Revenue	45,654,650.00	245,488,264.00	245,488,264.00	81.40%-	199,833,614.00
Other Capital Receipts	289,258.81				289,258.81
Transfer from Consolidated Revenue Fund	67,331,525.61	727,400,618.00	727,400,618.00	90.74%-	660,069,092.39
BTL Receipts - Deposits	39,117,105.10				39,117,105.10
Total Receipts	**1,461,019,821.52**	**2,700,779,925.00**	**2,700,779,925.00**	**45.90%-**	**1,239,760,103.48**
Less: Recurrent Payments:					
Personnel Costs	214,865,335.79	255,749,656.00	255,749,656.00	15.99%+	40,884,320.21
Contribution to Primary Education Fund	413,976,295.74	411,069,063.00	411,069,063.00	0.71%-	2,907,232.74
Overhead Costs	484,283,934.85	656,682,125.00	656,682,125.00	26.25%+	172,398,190.15
BTL Payments - Deposits	39,117,105.10				39,117,105.10
Transfer to Capital Dev Fund	67,331,525.61	727,400,618.00	727,400,618.00	90.74%+	660,069,092.39
Sub-Total: Recurrent Expenditure	**1,219,574,197.09**	**2,050,901,462.00**	**2,050,901,462.00**	**40.53%+**	**831,327,264.91**
Capital Expenditure:					
Economic Sector	108,053,738.89	317,662,508.00	317,662,508.00	65.98%+	209,608,769.11
Social Services Sector	800,000.00	149,100,000.00	149,100,000.00	99.46%+	148,300,000.00
Area Development Sector	21,739,130.50	80,100,000.00	80,100,000.00	72.86%+	58,360,869.50
Administration	109,584,747.03	156,538,110.00	156,538,110.00	29.99%+	46,953,362.97
Development Areas:					
Economic Sector	4,700,000.00	12,000,000.00	12,000,000.00	60.83%+	7,300,000.00
Social Sector	2,000,000.00	2,000,000.00	2,000,000.00		
Environmental Sector	5,000,000.00	8,200,000.00	8,200,000.00	39.02%+	3,200,000.00
General Administration		1,800,000.00	1,800,000.00	100.00%+	1,800,000.00
Sub-Total: Capital Expenditure	**251,877,616.42**	**727,400,618.00**	**727,400,618.00**	**65.37%+**	**475,523,001.58**
Budget Size -Total Payments	**1,471,451,813.51**	**2,778,302,080.00**	**2,778,302,080.00**	**47.04%+**	**1,306,850,266.49**
Net Budget Surplus/(Deficit)	***10,431,991.99***				***67,090,163.01***
Opening Cash and Bank Balance	10,611,155.85				66,910,999.15
Closing Cash and Bank Balance	**179,163.86**				**179,163.86**
REPRESENTED BY:					
Cash and Bank Balances	179,163.86				179,163.86
Total	**179,163.86**				**179,163.86**

The Overall Budget Size for the year was N2.778 Billion. However, over 50% of the budget was implemented even though the budget was revised during the year, the original budget was not totally expended.

APPENDIX II

Table of critical values of s in the Kendal Coefficient of concordance

K	N					Additional value for N=3	
	3+	4	5	6	7	K	S
Values at the 0.05 level of significance							
3			61.4	103.9	157.3	9	54.0
4		49.5	88.4	143.3	217.0	12	71.9
5		62.6	112.3	182.4	276.2	14	83.8
6		75.7	136.1	221.4	335.2	16	95.8
8	48.1	101.7	183.7	299.0	453.1	18	107.7
10	60.0	127.8 '	231.2	376.7	571.0		
15	89.8	192.9	349.8	570.5	864.9		
20	1 19.1	258.0	468.5	764.4	1,158.7		
Values at the .01 level of significance							
3			75.6	122.8	185.6	9	75.9
4		61.4	109.3	176.2	265.0	12	103.5
5		80.5	142.8	229.4	343.8	14	121.9
6		99.5	176.1	282.4	422.6	16	140.2
8	66.8	137.4	242.7	388.3	579.9	18	158.6
10	85.1	175.3	309.1	494.0	737.0		
	131.0	269.8	475.2	758.2	1,129.5		
20	177.0	364.2	641.2	1,022.2	1,521.9		

Sources: Adapted from Friedman, M. 1940. A comparison of alternative tests of significance for problem of m rankings.

APPENDIX III

The Chi-square Distribution (Values of X^2)

d.r	X^2.995	X^2.99	X^2.'75	X^2.95	X^2..05	X^2.025	X^2.01	X^2.005	d.F
I.	.0000393	.000157	.000982	.00393	3.341	5.024	6.635	7.879	i
2.	.0100	.0201	.0506	.103	5.991	7.378	9.210	10.597	2
3.	.0717	.115	.216	.352	7.815	9.348	11.345	12.838	3
4.	.207	.297	.484	.711	9.488	11.143	13.277	14.860	4
5.	.412	.554	.831	1.145	11.070	12.832	15.086	16.750	5
6.	.676	.872	1.237	1.635	12.592	14.449	16.812	18.548	6
7.	.989	1.239	1.690	2.167	14.067	16.013	18.475	20.278	7
8.	1.344	1.646	2.180	2.733	15.507	17.535	20.090	21.955	8
9.	1.735	2.088	2.700	3.325	16.919	19.023	21.666	23.589	9
10.	2.156	2.558	3.247	3.940	18.307	20.483	23.209	25.188	10
11.	2.603	3.053	3.816	4.575	19.675	21.220	24.725	26.757	11
12.	3.074	3.571	4.404	5.226	21.026	23.337	26.217	28.800	12
13.	3.565	4.107	5.009	5.892	22.362	24.736	27.688	29.819	13
14.	4.075	4.680	5.629	6.571	23.685	26.119	29.14130	31.319	14
15.	4.601	5.229	6.262	7.261	24.996	27.488	30.578	32.801	15
16.	5.142	5.812	6.908	7.962	26.296	28.845	32.000	"34.267	16
17.	5.697	6.403	7.564	8.672	27.587	30.191	33.409	35.718	17
IS.	6.263	7.015	8.231	9.390	28.860	31.526	34.805	37.156	18
19.	6.844	7.633	8.907	10.117	30.144	32.852	36.191	38.582	19
20.	7.434	8.260	8.501	10.851	31.410	34.170	37.566	39.997	20
21.	8.034	8.897	10.283	11.591	32.671	35.479	38.932	41.401	21
nn	8.643	9.542	10.882	12.338	33.924	36.781	40.289	42.796	22
23.	9.260	10.196	11.689	13.091	35.172	38.076	41.638	44.181	23
24.	9.886	10.856	12.401	13.848	36.415	39.364	42.980	45.558	24
25.	10.520	11.524	13.120	14.611	37.652	40.646	44.314	463928" ’	25
26.	11.160	12.198	13.844	15.379	38.885	41923	45.642	48.290	26
27.	11.808	12.879	14.573	15.151	40.113	43.194	46.963	49.645	27
28.	12.461	13.565	15.308	16.928	41.337	44.461	48.278	50.993	28
29.	13.121	14.256	16.047	17.708	42.557	45.722	49.588	52.336	29
30.	13.787	14.953	16.791	18.493	43.773	46.979	50.892'	53.672	30

Source: Biometrika tables For Statistics, Volume 1, 3rd Ed, Cambridge: University Press, 1966.

APPENDIX IV

RESEARCH QUESTIONAIRE FOR LOCAL GOVERNMENT OFFICALS

This questionnaire is an impersonal requisition for data, from Local Government staff in Kaduna State on strategies for strengthening existing, accounting system. It is hoped that you will cooperate to supply information as requested.

All the information collected will be used for only academic purpose, hence names of respondents are not required.

SECTION 'A' RESPONDENTS BACKGROUND

1. Gender: Male ( ) Female ( )
2. Age bracket: (tick one)

i. 18 – 30 years ( )
ii. 31 – 40 years ( )
iv. 41 – 50 years ( )
v. 51 – 60 years ( )
vi. 61 and above ( )

3. Local Government (where you are presently working----------
   ----
4. Rank ----------
5. Highest Educational/Professional Qualification (Tick the highest obtained)

i. Below SSCE or Equivalent ( )
ii. SSCE/GCE ( )
iii. Diploma/OND ( )
iv. HDLG/HND ( )
v. BA/BSC etc ( )
vi. Post Graduate Diploma ( )
vii. Masters Degree ( )

6. Special or professional qualification in local government (Tick as Appropriate)

TYPE OF TRAINING	**LEVEL OF TRAINING PROGRAMME**					
S/NO		DIP/OND	HDLG/HND	BA/BSC	PGD	MASTER
i.	Local government administration					
ii.	Local government finance and accounting					
iii.	Others (NLS SPECIFY)					

7. Length of service (Tick as appropriate)
   i. 1 – 10 years ( )
   ii. 11 – 20 years ( )
   iii. 21 – 30 years ( )
   iv. 31 – 35 years ( )

B. RESPONDENTS PERCEPTION ON STRATEGIES FOR STRENGTHENING EXISTING ACCOUNTING SYSTEM OF LOCAL GOVERNMENT

8. What are the accounting system operational in your local government (Tick only one)
   a. Double entry accounting system ( )
   b. Sing entry accounting system ( )
9. How would you describe the accounting system in use in your local government (Tick only one)
   a. Satisfactory ( )
   b. Fair ( )
   c. Unsatisfactory ( )

10. In your opinion how would you describe the level of effectiveness of local government accounting system (Tick one)

a. Very effective ( )
b. Effective ( )
c. Fairly effective ( )

11. How effectiveness is your local government treasury in applying the accounting strategies set out in the model financial memoranda

a. Very effective ( )
b. Effective ( )
c. Fairy effective e ( )

12. What is your overall assessment of your local government treasury operation (Tick one)

a. Every effective ( )
b. Effective ( )
c. fairly effective ( )

13. Keeping of accounting records in accounting books and ledgers are effectively done (Tick one)

a. Yes ( )
b. No ( )

14. If your answer is No in about question, what do you think is the reason for this----------

15. Is t here due balances and summary of ledgers abstracts, both Revenue, Expenditure Deposit, Advances, Investment, suspense loans, Remittance cash book “trial balance (Tick one)

a. Yes ( )
b. No ( )

If your answer is no, in the above question, what do you think is the reason for this.

16. How effectiveness is your local government treasury on the production of adequate timely financial information, such as LGT 78 monthly balance sheet, annual financial statement (Annual Account) and Balance sheet. (tick one)

a. Very effective ( )
b. Effective ( )
c. Fairly effective ( )

17. Is there due sound of management system of budgeting, the budgetary cycle which help tract funds to various level of responsibility, which determine the structure of local government accounting.

a. Yes ( )
b. No ( )

If your answer is No in the above question, what do you think is the reason for this

---

18. How would you describe the effective organizational arrangement of your local government of which is a function of central and requires a clear control in term of check and balance.

a. Satisfactory ( )
b. Fair ( )
c. Unsatisfactory ( )

APPENDIX V

S/N	LOCAL GOVT. AREAS	HEAQUARTERS
1	BirninGwari	BirninGwari
2	Chikun	Kajuru
3	Giwa	Giwa
4	Igabi	Turunku
5	Ikara	Ikara
6	Jaba	Kwoi
7	Jema'a	Kafanchan
8	Kachia	Kachia
9	Kaduna north	Doka
10	Kaduna south	Makera
11	Kagarko	Kagarko
12	Kajuru	Kajuru
13	Kaura	Kaura
14	Kubau	Anchau
15	Kudan	Hunkuyi
16	Kauru	Kauru
17	Lere	Saminaka
18	Makarfi	Makarfi
19	SabonGari	Dogarawa
20	Soba	Maigana
21	Sanga	Sanga
22	Zangonkataf	Zankwa
23	Zaria	Zaria

Source: Unpublished M.sc thesis, Hassan (2006: 57)