LOCAL GOVERNMENT ACCOUNTING SYSTEM IN NIGERIA: FINANCE, BUDGET MANAGEMENT AND REFORMS IN PURSUIT OF EFFECTIVENESS

1.0 INTRODUCTION

The government of any nation is saddled with the responsibility of ensuring that its citizens get the best of social and developmental facilities available. They are responsible for setting macroeconomic policy; seek to promote equity by aiding the poor and the disadvantaged.

According Shamsuddin et.al (2012), Local government administration in Nigeria has been inexistence since 1972 but its inefficiency and ineffectiveness in addressing the primary needs and wants of the people at the grass root has made this third tier of government irrelevant in its administration to the people. Reasons for this evolving problem include issues around accountability, value for money, transparency, indiscipline and financial challenges.

In response to solving this prevalent problem many countries, both developing and developed, have adopted various accounting reforms or practices since the genesis of neo-liberal agenda discourses (Boex et .al, 2000; Pollitt and Bouckaert, 2000; Lapsley and Mussari, 2008; Bogt, 2008.

These budget reforms are usually responses to internal and external pressures to ensure efficient and effective allocation of scarce resources and to foster “good governance” through democratic participation in decision-making, budget transparency and accountability (the Danida, 2003; the World Bank, 2000, 2006; Economic Commission for Africa, 2003, 2005; Lapsley and Mussari, 2008, Alnesafi et. al,2015).

In developing countries, external pressures have been the major driving force for accounting reforms and this is as a result the level of dependence of these countries to supranational aid or financial support from institutions, such as IMF, the World Bank, and others. Hopper, 2003).

Another very key factor that as influenced accounting reforms is the practice of the private sector in the form of the New Public Management (NPM) reforms and its relationship with organisational operations (Hood, 1991, 1995) which generally modernized the Local Government councils by adopting practices such as benchmarking, balanced score cards, and
competitive tendering (Ball, Bowerman, and Hawksworth, 2000; Bowerman, Ball, and Francis, 2001; Bowerman, Francis, Ball, & Fry, 2002).

New Public Management (NPM), which derived its basis in management theory and new institutional economics, has been a global movement in many countries since the 1980s (Hood, 1991; Humphrey et al., 1993; and OECD, 1995). Its belief is that private sector management and commercial business practices are superior to public management and practices. Although many variations exist, the common set of reform prescriptions is characterized by a greater focus on results, devolution of authority, strengthened accountability and control, client or customer orientation, and introduction of market elements (Hood, 1995a; and Cheung, 1997, as cited in Yamamoto, 1999).

Accounting plays a central role in NPM; indeed, Power and Laughlin (1992) describe the change in modes of public management as a shift towards accountability. The change from cash based accounting or budgetary accounting to accrual accounting is part of a broader public sector reform process in the Anglo-Saxon democracies (Robinson, 1998). A notable example is the New Zealand government which has prepared its annual report on a full accrual basis since 1992 (Pallot, 1994). The aims of the introduction of accrual accounting are to facilitate more transparency in agency performance and to improve efficiency and effectiveness. It is argued that a full accrual accounting system is able to provide more information in terms of quantity and quality.

Accountability in the financial management of any district must be held in high esteem if the district is expected to develop. This role is nonetheless, generally seen as the sole responsibility of the local government core staff but the government made of government representatives on the management of the public financial resources.

Therefore this study seeks to examine the accounting system of Local governments’ councils in Nigeria evaluating the problems existing in the system and how various reforms have aided the provision of a lasting solution to the poverty and hardship experienced at the local level by citizens.
1.1 STATEMENT OF PROBLEM

Organizations whether private or the public sector can only achieve its objectives with the presence of committed management and workers who always consider it vital to carry out activities that will lead to goal attainment. A major problem that exist presently in government accounting system is not only as a result of lack of standards in place but can be traced to the attitudes of the individuals in various government offices which has led to lack of accountability and abuse of delegated authority by the officers in authority, fraud and misappropriation of government funds, no proper knowledge update on the part of the officers, lack of management of non-monetary assets, poor control of human resources, political culture, political competition priority misplacement of government and indiscipline. This is majorly as a result of the fact that government operations have been termed “Non-profit oriented operations” no pressure on the part of these government officers to perform up to optimum expectation hence the need for evaluating accounting reforms and how it affects local government councils in Nigeria.

Therefore this study will be examining the local government accounting system of Nigeria, assess the extent to which proper accounts are kept and to providing solutions to the inherent problems identified.

1.2 AIM AND OBJECTIVES OF THE STUDY

This study is aimed examining the effectiveness of Local Government accounting systems in Nigeria.

In order to achieve this aim, the research sets out to:

1) Understand the extent to which local government councils have been able to generate and manage their funds with the sole aim of meeting the needs of their people and attaining value for money.

2) Evaluate the effectiveness of accrual based accounting system - Its effect and possible challenges.

3) Examine the effectiveness of the control mechanism put in place (budget), if any and how fraud cases relating to the misappropriation of funds are managed at the local government.
4) Assess how actual undertaking of accounting practices differ among the Local government

5) Analyze influences of the external bodies such as the Nigeria government and donors, on the accounting practices as implemented in the local government.

1.3 RESEARCH QUESTIONS

The following questions were raised in order to achieve the objective of the study

1) To what extent have local governments in Nigeria been autonomous to generate and manage their funds with the sole aim of meeting the needs of their people and attaining value for money?
2) How effective as the accrual based accounting system had been put into good use in management of public funds and provision of useful information for the citizen?
3) How effective are the control mechanism put in place if any and how is fraud cases relating to the misappropriation of funds managed at the local government?
4) Does actual undertaking of accounting practices differ among the Local government councils?
6) What influences of the external bodies such as the Nigeria government and donors have, on the accounting practices as implemented in the local government?

1.4 RESEARCH HYPOTHESES

The following hypotheses were formulated for the study.

1) $H_0$: Local government councils in Nigeria are not autonomous enough to generate and manage their funds with the sole aim of meeting the needs of their people and attaining value for money.
2) $H_0$: Accrual based accounting system is not effective in the management of public funds and provision of useful information for the citizen.
3) $H_0$: Control mechanisms are not in place in the management of public funds.
4) $H_0$: Actual undertaking of accounting practices do not differ among the Local government councils
5) $H_0$: External bodies and donors do not have any influence on the accounting practice as implemented in the local government.

1.5 SIGNIFICANCE OF THE STUDY

This study is largely significant because it sought to find empirical answers to questions on the effectiveness of the accounting system of the closet tier of government to the people which are the local government councils. The research paper will be of interest and useful to the general public’s, the government as well as the governed and also to future researchers in taking a stand on what is prevalent in the country.

1.6 SCOPE AND LIMITATION OF STUDY

This study is on the appraisal of effective accounting system of government. Therefore, data of local councils will be sought in providing answers to the problems and questions that have been raised in this research work. The study focuses on Local government areas in Lagos state.

The research therefore is confronted with the following constraints or limitations which includes time, resources or funds available for the execution of the project. However, despite its limitations, shall meet its objectives and become a resource tool to contemporary public sector management.

1.7 STRUCTURE OF THE RESEARCH WORK.

This research work will be divided into eight chapters in total, the chapter 1 doing the introduction. Chapter 2 reviews New Public Management (NPM) practices its application and implications on the accounting practices of local government. Chapter 3 provides descriptions of the Nigerian Local Government Authorities as it relates to accounting-its evolution, policies, processes and practices, while the methodology employed in this research will be discussed in Chapter 4 with the intention of conducting personal interviews, verbal interrogation (interview), use of questionnaires, library, textbooks, observation inspection of document as instrument in
gathering the necessary data on which conclusions will be generated. Chapters 5, 6 will report the empirical findings of the current study, through a grounded theory approach, Chapter 7 integrate the empirical findings within the extant literature, while the last chapter (Chapter 8), will offer the summary, conclusions and recommendations of the research.
REFERENCES


