

Accounting System as A Tool for Effective Management of Finance of Local Governments in Benue State

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1. Introduction

Accounting is a systematic process of identifying, recording, measuring, classifying, verifying, summarizing, interpreting and communicating financial information that reveals the profit or loss, the value and nature of assets, liabilities and owners equity to end users. To Azende (2014), accounting is the reservoir of financial information about the economic activities of a nation. The end users of accounting information can be tax authorities, shareholders, financial institutions, government agencies, public, employees and creditors. Local government councils in Benue state as an arm of government generate and expend monies for the smooth and effective administration of the system. This requires that financial records must be kept for all transactions as it is expedient and also required by law.

2. Literature review

2.1 Accounting systems

Accounting system is a system used to manage income, expenses and other financial activities of business organizations, institutions, ministries, departments, agencies and nations. The place of sound accounting and internal control systems in any business, irrespective of its scale, cannot be overemphasized because, accounting system provide the opportunity for organizations, institutions, ministries, departments, agencies and nations to keep track of all types of financial transactions (Ezeagba, 2017). Accounting system also assist in generating comprehensive quantitative and qualitative reports that enable management or interested parties to make informed decisions.

Accounting system in local governments of Benue State is used in managing the revenue, expenditures, assets, and liabilities of local governments by the managers of local governments. It also enable managers and other users (local government employees, financial institutions, Benue State Internal Revenue Service) of local government accounting information to make informed decisions.

There are basically two types of accounting systems in use worldwide; the manual and computerized accounting system (Amahalu, Abiahu & Obi, 2017). Computerized accounting system is a system that involves the use of computers and computer capabilities in the performance of accounting functions in an organization (Abiahu, 2014). In the same vein, Marivic (2009) view a computerized accounting system as a method or scheme by which financial information on business transactions are recorded, organized, summarized, analyzed, interpreted and communicated to stakeholders through the use of computers and computer based systems such as accounting packages.

A manual accounting system is a system in which an accountant or the book-keeper is required to post business transactions to the general journal, general ledger and worksheet by hand (Amahalu, Abiahu & Obi 2017). Ama (2004) opined that, a Manual Accounting System is a system that uses special journals to stream line the journalizing and posting procedures. It is a complex series of manual calculations using books of accounts to determine balances.

Though manual maintenance of accounts is quite tedious and consumes a lot of time, it is the system used in local government councils of Benue State to manage, classify and summarize transactions relating to expenses, assets, liabilities and revenue.

2.2 Expenses

Expenses are money spent in exchange for goods and services provided by other persons or organizations to local government councils. To Akpa (2016), they are spending for government administration, production of goods and services, transfer payments and capital projects. These spending can either be capital or recurrent in nature. In the case of local government councils in Benue State, money spent on fuel, transportation, electricity, stationeries, hotel/accommodation, security, public relations, protocol, maintenance of offices, equipment and vehicles, printing, and media are all legalized and recognized as expenses. With a manual accounting system in use by local government councils in Benue State, all the expenses would be manually entered to the various expenses accounts, balances determined and the expenses categorized and classified as a total figure quarterly or yearly.

2.3 Liabilities

A liability is a debt owed by a local government council to contractors, banks and other suppliers of goods and

services. Liabilities are found in the statement of financial position and are normally listed from short to long term. Current liabilities are so classified because they are expected to be repaid by a local government council within one year. They include bank overdrafts, unpaid electricity bills, monthly unremitted Pay As You Earn tax amount.

Long term liabilities are all liabilities that are not due or expected to be repaid in full within a year. This include loans, bonds, contracts/projects claims, accumulated unremitted pay as you earn tax, staff litigations and claims. Liabilities generally represent creditors claim on the assets of the local Government.

2.4 Assets

Assets are items of value or rights purchased by local governments that are expressed in cash value and are expected to be useful. Assets, depending on their purpose and lifespan can be classified as short term or long term.

Short term assets are assets with useful life of less than one year. For local government councils in Benue state, short term assets are items like drugs and vaccines in health stores, treasury bills, cash at hand with the local government cashier, local government bank account credit balances, outstanding revenue receipts in the hands of revenue collectors, outstanding interest on fixed deposits with financial institutions, and outstanding dividend on shares.

Long term/Fixed assets are assets with useful life of more than one year. Fixed assets for local government councils in Benue State include items like buildings (offices, staff quarters, market stores, guest houses, primary health care centers, comprehensive health care centers, traditional ruler chambers), Vehicles (cars, commercial buses, tractors, bulldozers, ambulances, moving construction equipment), equipment (desktop, laptops, printers, photocopiers, air conditioners, fans television sets, decoders and receivers, satellite dishes, cookers, refrigerators/freezers) fixtures,(office tables, chairs, trays, waste-baskets, curtains, rugs, safe boxes, pictures, wall clocks) royalties (mining rights, certificates of occupancy for state and federal government lands) and investment (shares, Federal Government of Nigeria Development Bonds, joint State and Local Governments projects)..

Most assets especially fixed assets by time and usage, wear and tear hence the need to provide for depreciation of fixed assets. Depreciation of fixed assets helps keep track of asset maintenance and asset value. Depreciation also helps in determining when assets will need to be replaced and when the local governments will be in a position to purchase new assets.

2.5 Revenue

Revenue for local government councils in Benue state, is a calculation or estimation of monetary income from stipulated sources as provided for by the relevant sections of the Constitution of the Federal Republic Of Nigeria 1999 as amended, and laws made by the Benue State House of Assembly in connection with Local Government revenue and also income generated from the course of their mandate.

2.5.1 Revenue Sources for Local Governments in Benue State

Akpa (2014), itemized community tax, Rents, Licenses, fees and rents, Investment revenues, Commercial service revenue, Statutory allocation, Special departmental revenue, grants and support from other local governments as the major sources of revenue to a local government. Other sources of revenue for local governments in Benue state include;

1. Statutory allocation from the federation account. It is 20.6% of federally collected revenue from the federal government. The 20.6% of the allocation to the 774 local governments in Nigeria in block is then shared on the Basis of the following criteria;

Criteria	%
Equality	40
Population	30
Internal Revenue Generation Efforts	10
Landmass and Terrain	10
Education	4
Health	3
Water	3
Total	100

Note that population statistics used is the 2006 National Population Census figures of Nigeria. States with smaller landmass and terrain are disadvantaged irrespective of their population size.

2. 10% of Benue State internally generated revenue. Section 4 of the allocation of Revenue (Federation Account Etc) Act LFN provides that;
 - a. In addition to the allocation made from the federation account under section 1 of this Act to Local Government Council, there shall be paid by each State in the Federation to the State Joint Local

- Government Account (as specified in subsection (5) of section 162 of the Constitution of the Federal Republic of Nigeria in each quarter of the financial year, a sum representing 10 percent of the internally generated revenue of that quarter of the state concerned.
- b. The 10 per cent of each State's internally-generated revenue payable to the local government councils in the state under the provisions of subsection (1) of this section shall be distributed among the local governments in that State on such term and in such manner as the State House of Assembly may prescribe.
 3. Fees and other charges imposed by the Local Government Councils under instructions of its mandate or Act of the Benue State House of Assembly.
 4. Taxes and Levies approved by the relevant laws of Nigeria that Local Government councils in Nigeria are authorized to collect.
 5. Proceeds from economic projects undertaken by the Local Government Councils (Markets stalls, Primary/Comprehensive Health Care clinics).
 6. Income from investments such as interest on Local Government Money with Banks, and dividend paid for investments on the Nigerian Stock Exchange.
 7. Donations to Local Government Councils by individuals, government (Federal, State and Local Government Councils) ministries, departments, agencies, foreign bodies and institutions.

3. Finance

Finance is money and other assets of material value or usefulness owned by local Government Councils in Benue State. Owing to the usefulness of finance, John, Solomon & Juma (2014) opined that, it must be efficiently managed to bring about the needed change and results from the activities for which the funds have been made available. Finance is concerned with resource acquisition, allocation, investment and management.

Effective management is the execution of management function of planning, organizing directing and controlling local government councils' money and other assets of material value so as to provide the right public service to the right people at the right time, with right quantity and quality of human and material resources.

The Executive and Legislative structure of local government councils in Benue State are the managers of the local government councils. They are empowered by the relevant sections and laws of the Federal Republic of Nigeria and Acts of the Benue State House of Assembly to do all that is necessary to ensure that the local government councils in Benue State fulfill their stated mandates. Local Government Councils' managers are saddled with the enormous task of using the least volume of resources to ensure that local governments are seen and felt as providing the relevant and required services at the local community level. This requires the managers of the local government council in Benue State to acquire, allocate, invest and manage effectively and efficiently the money and other assets of local government councils in Benue State.

3.1 Effective management of local government councils finances

Padilla, Staplefoote & Morganti (2012) asserts that, effective financial management practice is essential in enhancing transparency, efficiency, accuracy and accountability which enables an organization to achieve its objectives. This is to say, financial management should include keeping an accurate record of all financial transactions, linking the budget to the firms strategic and operational plans.

Mathias (2004), opined that government agencies and municipalities need to track funds generated from tax revenues and expenditures related to projects or appropriations. Effective management of local government council's finances entails managers of local government councils addressing four basic issues of acquisition, allocation, investment and management of money and other assets of material value owned by local government councils in Benue State.

3.1.1 Acquisition

Managers of local government councils in Benue State are expected to acquire money and other assets of material value so as to fulfill local government council's mandates. Acquisition entails buying or procuring. Managers should buy or acquire the money and other valuable assets from reputable and reliable sources using the most effective accounting practices by verifying and confirming the price, discounts, quality, quantity, reliability, conformability and value for money of the required assets. This may involve the use of tender committees, purchasing, stores, accounting, and audit functions of the local governments.

3.1.2 Allocation

The allocation of resources among programs, projects and activities within these strategic areas requires both appropriate arrangements within line ministries for sector policy formulation and adequate technical capacities within spending agencies to select the most cost-effective projects and activities (Jadranka 2009). Managers of local government councils in addition to acquiring assets must also ensure that the acquired assets are judiciously and prudentially allocated to local government council units that require them for effective provision of public service by local government councils in Benue State. Allocation of assets and money to departments, units and

arms of local governments should be based on need assessment and contribution to the provision of good governance in the local government. It is in line with this that Akpa (2014) outlined economy, authorization, social benefit and surplus budgeting as the Canons of government spending

Accounting system ensures that the acquired resources are appropriately allocated to deserving departments, structures and units of local government councils in Benue State. Accounting system through budgets, availability of financial information on the state of units, departments and arms of local governments in Benue State assist managers of local government councils to effectively and efficiently allocate the money and other assets of material value.

3.1.3 Investment

No matter the situation and times, it is advisable that a little portion of the money earned by local governments in Benue State be invested. The investment may come in handy one day. With a paradigm to invest on the Nigerian Stock Exchange, Managers of local government councils in Benue State can use the accounting system to facilitate investment of local government councils' funds on the Nigerian Stock Exchange. A budgetary provision, schedule officer, accounting records, bank tellers, auditors, and share purchase contract papers would give value to the paradigm of local governments investing on the Nigerian Stock Exchange.

3.1.4 Management

This entails the managers of local government councils in Benue State planning (budgeting), organizing (identifying the assets), directing (inducing and encouraging) and controlling (set quantitative and qualitative limits) the money and other assets of material value of local governments so that the capacity and capability of local governments in Benue State to provide or achieve their mandate is realized at the least cost. Accounting system can be used to enhance the effective and efficient management of local government resources. The accounting system specifically would identify needs, budget, allocate, verify, invest, account, audit, and provide financial information on the financial state of the local governments to enable managers of resources achieve the mandates of local governments in Benue State.

4. Conclusion

Accounting system practiced by the local governments of Benue State is the manual accounting system in which an accountant or the book-keeper is required to post business transactions to the general journal, general ledger and worksheet by hand. This accounting system can be used to enhance effective management of local governments' finances through proper planning, organizing, directing and controlling of the acquisition, allocation, investment, and management of local government money and other assets of material value. The effective management of the finances of local government by managers of local government would translate to accomplishment of realistic and verifiable targets, goals, projects, and mandate of local government councils in Benue State.

5. Recommendations

It is generally and specifically recommended that:

Accounting system should be practiced by its letters and principles. That is, doing the right thing, at the right time, with the right people.

Managers of local government councils in Benue State should set aside a minimum of 200,000 Naira for the purpose of investing monthly on the Nigerian Stock Exchange. An accessible stock broking firm can be engaged for the purpose of assisting in purchasing shares and advising on the right type and mix of shares to buy. The shares bought cannot be sold without approval from the Benue State Bureau for Local Government and Chieftaincy Affairs. With time, the dividend from the investments will be reasonable enough to use in realizing the mandate of the local governments in Benue State. The value of the shares would also be reasonable enough to be used as collateral for bank loans and part sold to embark on revenue generating projects by the local governments in the future.

Managers of local governments should be taught basic management principles to equip them to effectively and efficiently manage the resources of local governments in Benue State so that optimal benefits can be realized.

Managers of local government councils should endeavour to embark on projects and expenditures that can bring about significant improvement in the living conditions of the citizenry at the local level. Such projects should be properly captured in the budget, funds appropriately allocated, accounted for and managed effectively. Professionals should be used accordingly to assess the feasibility and viability of existing projects and new projects.

Benue State Government should as a principle and practice allocate 10% of its internally generated revenue to local governments for sharing.

Local governments should embark on viable economic investment activities like operating commercial mass transit buses, commercialized guest houses, piggery, orchard (fruits) farms, poultry, fish ponds, day care centres, and viewing centres. This would assist in curbing unemployment and providing needed services to the

local communities.

Benue State Bureau for Local government and Chieftaincy Affairs should carry out a survey to ascertain the feasibility and cost involved in switching from manual accounting system to computerized accounting system. This is in preparation for migrating from manual to computerized accounting system in the local governments of Benue State.

Managers of local government councils in Benue State should adequately manage depreciation account of assets as this would assist in monitoring the maintenance cost of assets, determine when assets should be scrapped, and when assets should be bought.

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Biography

Dr. Saasongu Ezekiel Nongo, became a Member of Nigerian Institute of Management (NIM) in 2005 and an Associate Professor of Management in 2015. He is a Nigerian, born in Agasha (Benue State) on the 21st January, 1969. His educational background, include;

Secondary School Education: Government College, Makurdi - 1986

Post-secondary education and degrees:

BSU Makurdi, Benue State, Makurdi. Nigeria – Ph.D. Management - 2011

ABU Zaria, Kaduna State, Zaria, Nigeria – Master of Business Administration – 1999

ABU Zaria, Kaduna State, Zaria, Nigeria – B.Sc. Busines Administration – 1991

ABU Zaria, Kaduna State, Zaria, Nigeria – Diploma in Accounting - 1988