

**Financial Planning and Control in Local Government  
(A Case Study of Gweram L.G.A Ilgawe State)**

**BY**

**Maimuna Kabir  
ADD/11/BA/M/002A**

**AUGUST 2013**

FINANCIAL PLANNING AND CONTROL IN LOCAL GOVERNMENT  
(A CASE STUDY OF GWARAM L.G.A JIGAWA STATE )

BY

MAIMUNA KABIR  
REG.NO. ADBM/12/BAM/002A

BEING PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS  
ADMINISTRATION IN PARTIAL FULFILLMENT FOR THE AWARD OF  
ADVANCE DIPLOMAN IN BUSINESS MANAGEMENT

JIGAWA STATE POLYTECHNIC DUTSE

AUGUST, 2013

DECLARATION

I Maimuna Kabir Sulaiman Hereby Solemnly declare that  
this work was Conducted by me

Name/Signature:.....

APPROVAL PAGE

This project has and certified to have complied with the partial requirement for the award of advanced diploma in business administration (ADBAM) part time of the Jigawa state polytechnic, college of business and management studies Dutse.

Student name:..... Date: .....

Supervisor:

Name:..... Signature & Date :.....

Coordinator:.....Signature & Date:.....

Head of Department:

Name:.....Signature & Date:.....

## ACKNOWLEDGMENT

I wish in the first instance like to express my profound gratitude to almighty Allah for given me the opportunity to attend this course.

I give special credit to our supervisor Rabi'u Iliya for his expert tutorship, constructive criticisms, guidance and endurance.

I sincerely wish to express my gratitude to our course coordinator Ibrahim Umar Mohammed and wife of Adamu Ibrahim Garba Accountant Gwaram Local Government, Lami Lawan H.O.D. personnel and Binta Fara Wada Gwaram Cashier for the Local Government and others for their respective love, interest, encouragement and assistance in this project.

Finally I wish to express my gratefulness to my beloved parents, Brother, Sisters, and Friends who had contributed in one way or the other on the completion of this project.

## CHAPTER ONE

### **1.1 INTRODUCTION**

The amenities that should be provided by any local government include basic environmental sanitation, maternity centre, dispensaries and roads, drainages, electricity, Abattoirs, Burial Grounds, markets stores and motor-parks.

Other services expected to be provided by the local government includes, rural water supply, community development, agriculture and vetting any extension services maintenance of law and order, afforestation, slaughter slabs/ slaughter houses, registration of birth and death and marriage.

A part from the functions enumerated above, the local government is also expected to exercise concurrent with state government, the following functions or services to the populace:- these are information and public service/enlightenment, transition, control of beggars, prostitution and regulation of destitutes, public licensing programme, registration and control of building. It is pertinent to note that, in order to perform these duties effectively, the local government needs in addition to their adequate sources of revenue, proper financial planning and control in the local government authority.

### **1.2 STATEMENT OF THE PROBLEM**

In the process of fulfilling its obligation to the citizens, government often faces a lot of economic, political and social problems.

This study shall however examine the various responsibilities of a local government visa-vase available financial resource of the supposed to perform local governments. They are now saddled with numerous problems bothering on the welfare of the citizenry.

This requires more and more fulfillment of government obligations to the problems, more financial resources are required by local government to function properly.

But, the pertinent questions are there available sources of funds per the local government to finance its expenditure?

This aspect is even more vital because if it is not checked, a lot of abuses and crises could result. Other problems includes

- a. Lack of budgeting and budgetary control, as well as procedure of local government authorities.
- b. Lack of revenue generation potential and abilities to spend funds judiciously
- c. Lack of central controllable and non controllable sources of funds
- d. Lack of control on expenditure both capital and re-current.
- e. General accountability system

### **1.3 OBJECTIVE OF STUDY**

The objective of the study (financial planning and control in local government) is to find out how Gwaram local government is controlling its public revenue. The researcher is also trying to find out the process of budget and budgeting control in local government authority. Also the study would like to know the role or contribution of the third tier of government in the management of the Nigerian economy with emphasis on macro and micro economic policies, inter-governmental relationship, revenue allocation and domestic resources mobilization and management analysis. Management of rural development project and planning budgeting for efficient economic management at the local government level. In the light of the foregoing, effort shall be made to explore all the resources of revenue per local government finance, lapses in financial

planning and control, together with their solution for the benefit of the local government council.

#### **1.4 HYPOTHESIS**

Hypotheses are formulated from the stated problems, and can be either null or alternate. It's assumption is based on facts, and the questions are answered by respondents. When the facts are obtained, they may fall under null HO or alternate H1. In this research two of the alternate and null hypotheses are designed for the work.

Ho (1) financial planning and control is of great significance to the management of local government treasuries.

Ho (2) neither planning nor control help in managing local government treasuries.

#### **1.5 METHODOLOGY**

The writer used personal interview method in gathering the information in this project and their suitability for this project over others is that, the main aim is to appraise and analyze the financial planning and control of local government administration, identify areas of strength and weaknesses, after solution and recommendations in interpreting the result thereof. A recent definition in accounting is concerned with the administration of economic resources, since most productive resources are awarded or controlled by business enterprises. However, accounting has its greatest challenges.

It also suffice to say that, management needs to fulfill its responsibilities to owners, creditors, in turn these owners and creditors as well as government rely on accounting reports to assist them in determining and evaluating performances of management of business system.



### **CAPITAL EXPENDITURE**

Capital expenditure is an amount spent to acquire or upgrade machinery, etc. capital expenses are not used for daily spending.

### **RE-CURRENT EXPENDITURE**

These are expenses for items which are repeated such as salaries and wages, travelling allowances, office expenditure stationeries, refreshments, etc.

### **RE-CURRENT REVENUE**

This is the revenue raised by the local government to take care of its recurrent expenditure.

### **CAPITAL REVENUE**

This is the revenue raised by the local government to take care of its capital commitment.

Where possible. To this end, the writer considers this method more suitable.

## **1.6 SIGNIFICANCE OF THE STUDY**

This study will have the following significance. It will determine whether L.G. funds are weak or faulty and find remedies or solutions. It will also determine whether relationship exists between financial planning and control of local government. Also, another relationship exists between financial planning and control of local government and financial planning and control of the state and federal government.

No recent investigation was conducted in this area on the topic/issue. This study will therefore initiate a search for the true position. It will be significant that local government authorities be aware of the strength and or weakness of their

system. It is a device to test and prove to any quizzed statement made regarding the problems. To do this successfully, all the likely testable information that may be responsible for the problems are examined. The analysis is done in either of two ways, null hypothesis and alternative hypothesis.

### **AN OVERVIEW AND BACKGROUND INFORMATION OF THE LOCAL GOVERNMENT UNDER STUDY.**

Gwaram local government is located at south – east of Jigawa State, and it borders with Kano state from north, and west.

#### **LAND AREA**

Gwaram local government has an approximate total area of 5413 square kilometers; it is blessed with a vast veritable fertile land. The area record an average rain fall of 876mm annually, from 1991 census Gwaram local government has a total population of 500,000.00 (Five Hundred Thousand people) with total number of 67 villages.

The main languages spoken in the area include Hausa, and Fulani, which constituted the entire groups of area, traditionally ruled by an emir.

The local government is headed by an executive chairman as its leader.

The major occupations of the people are fishing and cattle rearing. The wawarafi and Tiga dams promote fishing activities in the area.

#### **GWARAM LOCAL GOVERNMENT BLESSED WITH NATURAL AND MINERAL RESOURCES**

The local government is blessed with both natural and human resources. The main cash crops found in the area include mangoes, guava (Goba) fish and

honey are existence while quate, mari koli and black clay (Yanba) which are lentil raw materials in the pottery available in commercial quantities.

### **CULTURAL AND TOURIST ATTRACTION**

Wresting, local boxing (Dambe) shero (Shadi) a Fulani annual festival, Dodo (Masoti) of marmare and annual marital display of the warjawa people are cultural activities performed yearly. Are of Tourist interested at Gwaram Dutse Mesa, and Mai Dodo and Dutse Habude.

### **EDUCATION**

Gwaram local government is not left behind in the field of education, the local government has a total number of 100 primary school, 30,000 pupils with an annual intake of over 15,000 pupils, here is also a nomadic primary school build and at located at Kudu and Arewa village. The schools are the first of its in Jigawa state, with a total and annual enrolment of over 300 pupils. There is an government Girls Unity School Gwaram while was located in Sabon Gwaram under federal exchange programme and other senior Secondary School old Gwaram in Jigawa state and also there is a Technical School and a scholarship board all located Gwaram in Jigawa State.

A part from these formal educational institutions there are also many Islamiyya and Qur'anic Schools which maintain by the people of the area.

### **EXISTING COMMERCIAL ACTIVITIES**

In the local government an industrial activities are a low at a low level, the few industries are banking, blas - smithing, weaving, calving, pottery and mat-making, and also of recent in its to beast industries activity at some local level,

the Jigawa state government awarded a contract of construction of a dairy processing plant at Gwaram, few market at Gwaram and furji and yankwashi attract people from neighboring local government area and states.

### **TRANSPORTATION, POWER SUPPLY AND COMMUNICATION NETWORK.**

Transportation in this local government is mainly by road, cattle and trucking. The local government is crossed by a truck "A" road which passes from Gwaram, this road covers a distance of about 40 – 60 kilometer in the local government area. Communication system is by telephone and also involved in the dissemination of information to all nooks and coners of the local government area (local government reform 1977).

### **ESTIMATE IN FINANCIAL PLANNING (PROJECTION)**

This include how much is to be spent and how much revenue is receivable under the series of main head and sub-heads, and the aggregate efforts on the accumulated financial position provided the expenditure and revenue proceeds, on the basis of the projection which have been made for the financial year concerned.

The following are examples of Head & subheads used in the L.G's estimate.

<b>HEADS</b>	<b>SUB-HEADS</b>
1001	1
1002	2
1003	3
1004	5
1005	5
1006	6

1	1
1	1
2001	11
2002	12
2003	13
1	1
1	1
3008	38
3009	39
400	40

THE LIBRARY  
 HIGAWA - OTSU PUBLIC  
 CIRCULATION SECTION  
 Date \_\_\_\_\_

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 INTRODUCTIONS

In the days of indirect rule, local government or native authority/administration as it then called command considerable respect because of the range of function it was performing. The Local government then, had wide functions which enable it to regulate every aspect of the economic and social life of the people in its area of jurisdiction. The need for financial planning & control in today's local government administration control is over emphasize local government finance like other public finances deal with the finance of the general public in an organized group under the institution of government at grass – root level. It includes raising as well as disbursement of the funds for development.

#### 2.2 SCOPE AND FUNCTION OF LOCAL GOVERNMENT

The scope and function of local government today have changed greatly. Responsibility for the provision of essential services to the people has now shifted from various settlements to local government areas.

Since the introduction of the local government authorities have been saddled with responsibilities for providing basis essential services to the citizenry, service that are being provided by local government includes provisions of dispensaries and health centers, provision and maintenance of road, drainages electricity Abattoirs, Burial grounds, stores and motor parks. Other services by local government authorities include provision of rural and urban water supply, community development, agriculture and maintenance of primary school building.

Also include the list are garden, maintenance of law and order, prostitution slaughter slabs/slaughter houses, registration of birth, death and married.

A part from the function enumerated above the local government is also expected to exercise con-currently with the state government for the following function and services to the populace. These are information and public enlightenment, service provision of public libraries control of beggars, prostitution and repatriation of restitutes public housing programmes and registration and control of building.

The local government authorities can not provide these services without inadequate funding.

### **2.3 NEED FOR FEDERAL / STATE GOVERNMENT TO FINANCE LOCAL GOVERNMENT IN THE PRE-AUTONOMOUS ERA.**

Following the 1976 reformation of local government, the federal government took a bold step to recognize the local government consists as third tier level of government. The responsibilities given to local government authorities as numerated above are clear evidences of this pact if resource utilization are to avoid failure. Financial provisions are usually made by the federal government council on a produce basis and these are:-

- a. Granting of statutory allocation of fund on a monthly basis from, the federal account to local government councils.
- b. Grants from the state government to local government council on a regular basis, these grants make it possible for the local government to carry out their various services in accordance with state policies.
- c. Local government authorities are also empowered to generate fund locally i.e. outside or within its area of jurisdiction. They may also obtain loans from either the state or financial institutions for capital projects such as construction of Motor Park, dispensaries, schools, etc.

## **2.4 WHY FEDERAL / STATE GOVERNMENT GIVE GRANTS TO LOCAL GOVERNMENT.**

The need to improve social and economic services within a locality has created great financial concern to every government world – wide.

For the purpose of equal development there is the need to realize the order of local government as a result of:-

- a. The provision of new projects including expansion of existing projects would without state help, place a serious burden upon local finance.
- b. Obligation of the state to set minimum standard in the provision of services at a local government level grants, help to achieve its objectives.

The independence of local government in providing social services depends on the magnitude of a central government grant.

## **2.5 FINANCIAL CONTROL BY THE STATE GOVERNMENT OVER THE LOCAL GOVERNMENT.**

Nigeria is operating a federal character/structure with a constitution which defined how power is exercised by both the federal and state governments. Certain powers are reserved as exclusive to the central government, while some are reserved for both the central and state governments, some are defined as residual power for the state. The control of Gwaram local government finance by the state government is to reduce wasteful expenditure and minimize the danger of inefficiency in the management of resources.

One can identify three main issues that require attention in Local Government planning and control.



- Making it possible to set standards in financial administration to be maintained.
- Secondly, it helps to maintain long term accountability and proper financial planning.
- Thirdly, such control informs the state on the financial estimate for the local government. The former Kano state local government edict of 1976 which is still applicable to Gwaram local government of Jigawa state defined the revenue source and general pattern of their expenditure. Further more, the local government accounting procedure are clearly defined in the financial memorandum.

Gwaram local government like all other governments engaged in long-term revenue and expenditure planning for capital project development. The need for control in this direction can not be over emphasized. The state government in essence has the power to approve or reject government estimates.

**OTHER METHOD OF CONTROLLING LOCAL GOVERNMENT  
FINANCE BY THE STATE INCLUDES: -**

- i. Control of all types of taxes and rates
- ii. Control of barrowing from government and financial institution
- iii. Auditing the local government account by external auditors.

## 2.6 LOCAL GOVERNMENTS AS AN AUTONOMOUS BODY.

With effect from 1991 financial year the then president of the Federal Republic Government Ibrahim Badamasi Babangida granted local government in the country an autonomous status, that is to say they are absolutely free to run their own affairs.

Since autonomous power was given to the local government financial management, it imply to proper handing of the property of local government. It is the responsibilities of every council's member and officials to be seriously concerned with how this is done. The council would required an up to date information on how it is fund are being administered how it is financial affairs are being transacted and how it is investment are accounted for financial management, it also the means by which the local government projects in development is maintained to the control and the means by which revenue collection can be improve.

The structure of the former local authorities and their measure financial resources did not allow them to render fully the services and function they were expected provide. Now that sufficient fund is being made available to the local government.

It is necessary to introduce a more meaningful system of financial management and control in the past local government council restricted the control and management of their finance by means of annual estimates.

For every local government councils to ensure the effective management of its financial resources, it has to require a trained treasurer. The treasury must be capable of interrupting financial trends. He will be feed the council with up to date information on its finances.

The treasurer most always be vigilant on how head of council departments spread fund allocated to them. He should be able to withstand all pressures that are capable of encouraging mismanagement of fund.

Another aspect of management of the local government council finances is the budget (Annual Estimate) which is expressed in financial terms. This is the proposed revenue sources and expenditure commitment and other activities of the council for a given year. The budget (Estimate) is in essence of the monetary anticipation of the council earning and expenses.

## CHAPTER THREE

### DATA ANALYSIS

#### 3.1 INTRODUCTION

The main purpose of this chapter is to analyze interpret and tabulates the data collected according to the accounting control structure measure of the local government under the study, i.e. Gwaram local government.

As mentioned earlier, the interview were divided into two different approaches, each approach designed to facilitate comparison of the two results so as to ensure accuracy and validity of data and find out whether there are proper compliance with the predetermined control adopted after critical policy analysis by the local government.

The analysis of this local government's financial planning and control will make rational statement about the laments. I shall relate the budget (estimate) expenditure with actual expenditure incurred during the accounting period and compare anticipated revenue with the actual revenue generated.

This approach is aimed at finding out whether annual budget is used as a tool of control in the local government or not. The analytical tool of test is null hypothesis and it is a preposition adopted by some group of people which there is no rational reason to support it vice - versa as an alternative which the management expected to be true based on its plans.

The test is to evaluate the control expected and to draw a line on whether control procedure is affective or not and to accept or reject the null hypothesis.

3.2 Local government staff qualification, job experience and strength within financial structural hierarchy.

#### **DISTRIBUTION OF TREASURERY PERSONNEL**

<b>SECTION</b>	<b>SENIOR</b>	<b>JUNIOR</b>	<b>TOTAL</b>
Account	14	34	48
Revenue	6	12	18
Store	4	5	11

From the above table 48 personnel are working in account section and 18 are working within division while only 11 are handling control of stories.

#### **SUMMARY OF REVENUE AND EXPENDITURE AS AT 1995**

<b>RE-CURRENT REVENUE</b>	<b>ESTIMATE</b>	<b>ACTUAL</b>	<b>SURPLUS</b>
Int. Revenue	1,309,000	1,453,269.06	-
Statutory allocation	36,450.00	32,709,246.62	-
Re- Current expenditure	26,489,972	22,702,972.00	-

From the above table local government chief accounting officer and other accounting officer as well as revenue collector had contribute toward the control expenditure and continuously the generation of revenue within the local government to under take capital development within the local government.

The analysis of the interview base on some question and related the research hypothesis.

*Below are questions and the analysis.*

**Question:** - What can you say about the condition of service in the deferent department. (Treasury)?

**Answers:** - Here about 20 respondents stated that here are too many responsibilities on a signed hand, however the rest say that the service is Ok.

**Question:** - Manpower planning is very important in revenue given generation aspect. How important is this to the local government revenue sources?

**Answers:** - The respondents that due to partial important of manpower planning toward co-operating of revenue sources, manpower has to be planned. But this local government has planned to distribution collectors to different collection center. Rather than the collectors to say is one collection center so as to enable them to know many type of collection.

**Question:** - What is the general attitude of financial and general purpose committee toward financial reports?

**Answers:** - All respondents answer that the committee is siting in every month to monitor the financial position of the local government.

**Question:** - How does the treasurer deal with excessive expenditure?

**Answers:** - Two raised that, accounting unit that excessive expenditure will be treating without the expresses authority of the chairman knows as chief accounting officer.

**Question:** - how do you know about the existence vacancy at the time you went to apply?

Here, those say they know from relative and friends or through announcement constitution the majority of the interview with 86% is while those posted from other areas represented 9% of them and other 5%.

An investigation carried out to gather some fact on vouching of financial section and payment procedure produce the result below:

Checking vouchers: -

All the department voucher send to the treasury are checked by 2 people, the bulk of the work dared them to speed to work.

Another means of control is that all cheques drawn by the cashier in respect of and certified voucher should also be scrutinized and signed by the treasury before the cheque is passed to D.P.M/Secretary for counter signing

Supplementary estimate is another sources of authority to use additional fund for new services, sum or in some circumstances to meet differences on the existing arrear with the local government are more to favoritism, a good light of the overall objective of the organization very important fro proper manpower planning, and since productivity can only be achieve though the effort of labour thus manpower is very essential toward effective and efficient productivity.

A part from the inadequate of staff as outlined which indicated that, there are only 21 staff in the accounts division and 4 in the stores, while 12 in the revenue and also, qualification prove that is no efficiently adequate from this, one can understand the out of 6 HND holders in local government administration, one the treasurer, Asst. treasurer, accountant and seven accountants while the rest are OND holders who are equally promoted on performance.

The resorts have been amounted with the job.

Another major point of view is this analysis is an answer to question 5 from which one can prove the maximum like hood of an unemployment policy. As a result of the foregoing analysis can have to accept the alternative.

## CHAPTER FOUR

### 4.1 DISCUSSION OF THE PROBLEMS :

The title of this study remains (financial planning and control in local government authorities with particular reference to Gwaram local government).

The statement of the general problems is finding out inter-alia how budgeting and budgetary control measurers are executed by the local government. It is revenue generating potential the finding of this study, has confirmed the first hypothesis mentioned in chapter one that there is no difference in the type of financial planning and control in the local government i.e. the state and federal government.

From the analysis of data collection, the accounting system and financial planning are governmental and some how incomplete the control theme of control of the local government finances in the annual estimates.

Because almost every thing done in the system is dependent direct or indirect upon it. The raising or revenue/fund goes through the process of annual estimate and the procedures involved for incurring expenditure goes round the estimate the accounting system adopted seems to be less complex despite the fact that there are many process and documents are involved, some weakness within the system can be attributed to the activities are checked through a monthly, progress report compiled and presented by each department, this ensures that any department not meeting requirement can be easily identified and necessary corrective measure taken on such department without delay.

Other attributable factors on the weaknesses within the system may be due to lack of critical examination by independent auditors of the accounting records. Internal and external control over local government finance is effectively needed through guidelines and regulation of the management of the local government.

#### 4.2 RECOMMENDATION

Based on the analysis and interpretation in the previous chapter, it is strongly recommended that Gwanun local government should incorporate the following point in order to ensure proper financial planning and control.

While the local government is maintaining its accounting through annual estimates and maintenance of *year-books*, it can still employ some aspects of modern accounting. The chance of introducing this does not mean that government accounting should be completely scrapped.

The annual statements, account and other financial records of the local government should be presented in a manner that will clearly identify the objectives and purpose for public fund received and expended also in allocation of duties it should be done in such way that internal checks on the job are effective.

This will help in preventing fund and minimize wastes based on supervision. The local government should also develop way effective management of that local government finance to achieve its desired objectives especially in the are of revenue generation. Another means of financing local government be solved which will minimize absolute dependence by local government on the state and federal government grants.



The introduction of some suitable form of property rates in the rural local government should see that local government but also as to accelerate socio-economic development in Gwaram local government.

It is also recommended that, qualified personnel be recruited to handle the financial affairs of the local government. In this respect adequate training should any be provided to staff through seminars, conference and other training at organized training institution.

Broadly speaking, one may say that, Gwaram local government has been efficient in its financial planning and control. It has carefully avoided running over spending of their resources, they keep a good trend of surplus budgets.

It is advised through this recommendation that further researches on this paper matters (i.e. financial planning and control) should carry out study clearly to meet the requirement level of widely organization This is used financial planning and control system from a vital in the function and national activities of all organizations.

## CONCLUSION

In a nut-shell, we have seen from the analysis in this project that, Gwaram local government relies heavily on revenue from federal and state governments for examination and implementation of its programmes. As a result of this they tend to request or give little consideration to their internal sources of revenue.