



To cite this article: Folayan, Oluwadare, David, Amusa, Amidu Ajani and Dosumu, Adeolu Modupe (2023). ANALYSIS OF PUBLIC FUND MANAGEMENT IN IFE CENTRAL LOCAL GOVERNMENT, OSUN STATE, NIGERIA., International Journal of Research in Commerce and Management Studies (IJRCMS) 5 (2): 159-171

ANALYSIS OF PUBLIC FUND MANAGEMENT IN IFE CENTRAL LOCAL GOVERNMENT, OSUN STATE, NIGERIA.

Folayan, Oluwadare, David¹, Amusa, Amidu Ajani² and Dosumu, Adeolu Modupe³

¹Department of Accountancy, Osun State College of Technology Esa Oke

^{2,3}Internal Audit Department, Osun State College of Technology Esa Oke

DOI: <https://doi.org/10.38193/IJRCMS.2023.5210>

ABSTRACT

The current financial predicament of Local Government Councils and constant pressure for increase in allocation has been in the front burner of Local Governments Administration in Nigeria. The focus of this research paper examined Local Government Finance in Nigeria using Ife Central Local Government. Data for the study were gathered from face-to-face interview and available records in Ife Central Local Government. The data collected were subjected to descriptive statistics (simple percentage) and content analysis. The study explored various sources of financing local governments in Nigeria. It also explained financial relationship of Nigerian local government vis-à-vis State and Federal Government using theory of decentralization. The study went further to explain financial management in Ife Central L.G. Result obtained from the analysis shows that financial transfers from federal government (Statutory Federal Allocation) are the most viable and reliable source of local government revenue and that without Federal Allocation no capital project can be embarked on. Therefore, to arrest this financial situation that local government find itself, that is over dependence on federal allocation, this work submitted that local government should increase their revenue base by laying more emphasis on the internal revenue sources, especially those areas that are hitherto neglected or not been fully exploited.

KEYWORDS: Allocation, Capital Project, Federal Government, Local Government, Finance.

1. INTRODUCTION

The success of any government is largely dependent on the availability of efficient fund. Since the available fund can never be sufficient, fund should be well managed objectively. Management involves the process of controlling and coordination of all the resources of the organization to meet organizational targets. Man, Money and Machine often referred to as 3M's of management and should be properly coordinated. The importance of management has been discovered a long time ago, this gave rise to the works of the classical, human relative and environmental schools of management,



Fredrick Taylor, Henry Fayol, Elton Mayo and a host of other all gave commendable contributions in this field.

Effort to formulate the criteria for assessing the efficient conduct of local government in particular (i.e. the department of finance) addressed two concerns. Government use of resources should reflect the valuation of the people who constitute the society secondly, government should act equitable and justify the education need of people at various levels. Therefore, this assignment reaches its peak when it comes to the management of public fund. As the effectiveness of financial management of public fund form an important area in modern economy, more attention would be exercised to this aspect in this study.

Fajobi (2010 p. 146) argued that the acute dearth of fund currently facing the local government could be squarely attributed to lack of creativity on the part of the local government in seeking alternative sources to complement the allocation from the Federation Account. Most local governments are suffering from hang-over of overdependence on the centre assistance, a norm during the military governance. They are yet to break away from the practice of relying almost entirely on hand-out from the Federal Government. The Federal Government, in turn also depended entirely on revenue from oil and its apportionment of the lion's share of the Federation Account to itself. Local government will continue to be one of the prime institutional movers of development in Nigeria and their importance and impact on the daily life of citizens cannot be over-emphasized. People are intimately affected by the activities of local government on a day-to-day basis and Nigeria, in particular, local governments, have historically provided services of importance to citizens, literally from cradle to grave. The standard of living of Nigerians either in rural or urban areas are inevitably affected by local government activities through the provision or non-provision of basic services such as; water supply, roads, health and educational services etc. Local governments also remain the focal point of promotion of development and cultural revival through community development projects and mobilization of human and material resources for developments.

In view of the above, finance has remained the most critical policy issue in the local government administration in Nigeria. None of the local government councils in the polity can as a matter of fact survive without a sound financial base. Owing therefore to the development responsibilities place on local governments, there is need for adequate financing of this tier of government. As Adamolekun (1983) had noted, a dominant theme in inter-governmental relation studies is the different attempt made to administer federal finance to the satisfaction of each level of government. Danjuma (1994) also noted that the existence of a federal system with its accompany political units necessitate a revenue sharing arrangement to enable its units to carry out its constitutionally assigned responsibilities.



2. LITERATURE REVIEW

It has become a universal phenomenon in social sciences for facts to be investigated or examined precisely within a framework, rather than in an isolated manner, it is necessary to develop a sound theory, which is capable of explaining the wide concepts and relationships in the study. The importance of theoretical framework in a study lies in the fact that social science research is theory based and its operations are guided by relevant principles of human behavior (Goode and Hatt, 1952). Therefore, this paper seeks to understand the 'Local Government Finance' within the ambit of the Decentralization Theory.

The fact that the theory of decentralization explains the transfer of authority and responsibility for public functions from the central government to the subordinates make the decentralization theory more suitable and appropriate for this paper. Thus, Nigeria operates political as well as fiscal federalism. It follows therefore that many developed and developing economies that particularly operates the federal system of governments tend to decentralize some aspect of their public finance. Browsing through the concept of fiscal federalism is important for a fair understanding of the financing sources and options available to the local government especially in a tripartite presidential system. The philosophy behind decentralization is that sub-national government (which local government is part of) must be given power over their own life and development (Nyerere, 1972). Thus, decentralization by definition implies that sub national governments or entities take over functions from federal government and thus come to manage their own financial resources than would be the case under a centralized government (Tanzi, 1995).

Efficient management of public funds is a topic which interests every individual of the community. Everyone is interested in the way any money invested into the public is spent or expended. Management of public fund is therefore essential to the local government, as proper accountability should be made to the public to encourage them in paying their dues and other emoluments. When there is efficient managements of public funds there can be project making form the investments of the local government and the evaluation of the local probability is also carried out with different techniques later discussed in the chapter of this project.

Source of local government finance implies the various means through which local governments generate financial resources to meet their financial obligations in the course of discharging their constitutional functions and duties. There are two major sources of local government finance in Nigeria, namely; internally generated revenue (which is revenue generated within the local government area of administration and it entails local tax or community tax, poll tax, or tenement rates, user fees and loans); and externally generated revenue which refers to the local government funds generated outside the local government area of administration (Alo, 2012 p.23).



Internally generated revenue is a strategic source of financing local governments operation and which can be explored given the enabling environment and political will. The level of internally generated revenue by each local government depends on the size of the local government, nature of business activities, urban or rural nature of the council, rate to be charged, instruments used in the collection of revenue, political will and acceptability by the people to pay based on the legitimacy of the council and the socio-cultural beliefs of the citizens regarding the issue of taxation (Anifowose and Enemu, 1999 cited in Sunday et al p. 87). Local governments are constitutionally empowered to control and regulate certain activities in their jurisdiction, and in so doing; they impose some taxes and rates on these economic activities as a way of generating funds for their operations.

The various ways local government generate revenue internally are community tax and rates; property (tenement) rates; general/development rates; licenses, fees and charges like marriage registration fees, car/truck licenses; interest on revenues such as deposits, investments, profits from the sale of stocks, shares, etc; departmental recurrent revenues from survey fees, repayment of personal advances, nursery and day-care centers' fees, rents on local government quarters, etc (Atakpa, Ocheni, and Nwankwo, 2012 p. 94). From the foregoing, tax is an imperative ingredient of revenue generation, development and transformation. Olaoye (2008), put it as compulsory levy imposed by the government on individuals, companies for their various legitimate functions of the State and Local Government.

Roles Of Auditing

The verification of the correctness and reliability of accounting information is an essential process of lending creditability to accounts. This function is performed by both internal and external audit system. Internal audit is an appraisal of the information flow for its quality and completeness. It is mainly concerned with the reliability and adequate of the accounting system through

- (a) Evaluation of compliance with procedures and regulations.
- (b) Protection of assets
- (c) Detection of waste
- (d) Operation of fraud

Aim: This paper is designed to access the need of making efficient management of public fund into the appropriate quarters in Ife Central Local Government, Osun State, Nigeria.

Objectives: The objectives designed for this research paper are to;

- (a) Know the impact of the local government in educational development at the grass-root.
- (b) know the contribution of the local government to the socio-cultural and economic development of their area.



- (c) know whether the resources of the area are efficiently allocated to all sectors of the economics of Ife central Local Government.
- (d) know all sources of their income and their expenditure.

3. METHODS AND MATERIALS

The Study Area

Ife central LGA is found in Osun State, Southwest Nigeria with its headquarters in the Ajebandele area of Ile Ife. Ife central LGA shares boundaries with Ife East, Ife North and Ife south LGAs and is made up of several towns and villages/ districts such as Ile ife, Ifetedo, Ilare, Oke-Ake, and Elefon. The estimated population of Ife central is 167,254 (at the 2006 census) inhabitants with the predominant tribe being the Yoruba ethnic group. The Yoruba language is commonly spoken in the area while Christianity and Islam are the widely practiced religions in the LGA. Ife central LGA covers a total area of 111 square kilometres and has an average temperature of 28 degrees centigrade. The LGA falls under the Tropical Savannah Climate and witnesses two major seasons which are the dry and the rainy seasons. The average humidity level of Ife central LGA is 59 percent. The LGA is administered under the distinguished Executive Chairman and one of its collective resolutions is to serve the people and the communities at large. And as well functions in accordance with the responsibility for the third-tier government in Nigeria which is at the grass root level.

Population Study.

The staff in the administrative department of accounting and other department of Ife Central local government councils under investigation formed the population of the study since it would be impossible for the researcher to study and investigate all the staff and officials responsible for the information sort for. About 108 staff were involved in the various places since the research cannot reach to all the people concerned. A stratified random sampling technique is used. Sample of seventy administrative management and thirty-eight internal auditing staff of the departments were studied. The population was selected as follows:

Table 1.0: Sampling table of Ife Central Local Government Area

Administrative management	70
Internal auditing	38
Total	108

Data Analysis Method

Data related to this research work were analyzed using percentage and content descriptive statistical

analysis as referred to the information collected from respondents through research questionnaire.

DISCUSSION OF RESULTS

The residual legislative powers of local governments to raise revenue are generally codified under the following local government revenue heads: 1001 (taxes); 1002 (rates); 1003 (local licenses, fees and fines); 1004 (earnings from commercial undertakings); 1005 (rent on local government property); 1006 (interest payments and dividends); 1007(Grants from Federal, State Governments and Others); 1008 (miscellaneous); and 1009(Allocation from Federation Account and 10% of the state IGR). The first three heads and the last two heads (i.e.1001-1003; 1008; 1009) can be said to constitute the mainstay of local governments' 'own' or internal revenues Ife Central local government inclusive. The important characteristic of all these sources, however, is their low revenue yield. Head 1003, for instance, covers an extensive range of items or subheads, 101 in all. Interestingly however, revenues from these internal sources amount to less than 4% of Ife Central local government total revenue as shown in the table 2 - 14 below:

Table 2.0: Ife Central Local Government Revenue from 2003-2015

S/NO	YEAR	FEDERAL ALLOCATION	VAT	10% STATE I.G.R	I.G.R (LOCAL GOVT.)	EXCESS CRUDE OIL	TOTAL
1	2003	34,213,545.43	15,760,550.25	-----	1,838,760.73	-----	51,812,856.41
2	2004	78,504,684.13	15,815,190.49	821,028.60	2,312,400.03	26,882,134.58	124,335,437.83
3	2005	71,652,705.87	-----	-----	3,136,491.35	-----	74,789,197.22
4	2006	140,273,530.28	19,730,937.50	104,902.51	2,256,476.81	-----	162,365,847.22
5	2007	238,578,839.63	16,773,633.83	9,394,538.96	3,785,550.81	-----	268,532563.28
6	2008	278,244,921.91	21,956,670.93	775,000.00	3,600,628.30	6,666,666.66	311,243,887.81
7	2009	307,194,189.09	67,018,784.81	9,614,935.93	10,467,672.41	15,076,075.57	409,371,657.81
8	2010	334,564,387.73	79,779,112.24	9,977,441.91	6,434,701.83	95,533,950.78	526,289,594.49
9	2011	263,395,218.61	95,985,983.22	9,675,515.75	2,618,055.27	85,097,068.94	456,771,841.79
10	2012	95,985,983.22	114,025,408.60	94,516,799.71	26,477,277.91	322,741,747.71	910,574,357.57
11	2013	392,088,100.44	11,398,977.02	18,821,269.65	8,119,707.12	133,320,408.49	563,748,462.72
12	2014	391,422,881.86	210,000.00	11,967,423.13	158,831,965.13	-----	562,432,270.12
13	2015	577,849,591.39	52,012,414.52	781,515.51	14,283,388.80	-----	644,926,910.22

SOURCE: Field Survey 2022

Table 3.0: Analysis of 2003 Revenue, Using Descriptive Statistics (Simple Percentage)

FEDERAL ALLOCATION	34,213,545.43	66.03292658%
VAT	15,760,550.25	30.41822309%
10% STATE I.G.R.		
I.G.R. LOCAL	1,838,760.73	3.548850338%
EXCESS CRUDE OIL		
TOTAL	51,812,856.41	100%

Table 3.0, above shows that **66%** of the total revenue in 2003 is statutory allocation from the Federal Government and **30.5%** is from Value Added Tax (VAT) while the IGR effort of Ife Central Local Government is **3.5%**. There was no record for both State I.G.R. and Excess Crude Oil for that year 2003.

TABLE 4.0: Analysis of year 2004 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	78,504,684.13	63.13942791%
VAT	15,815,190.49	12.71977705%
10% STATE I.G.R.	821,028.60	0.660333542%
I.G.R. LOCAL	2,312,400.03	1.859807687%
EXCESS CRUDE OIL	26,882,134.58	21.62065381%
TOTAL	124,335,437.83	100%

Table 4.0, above shows that **63%** of total revenue comes from Statutory Allocation from Federal Government, **12.7%** from VAT, **0.66%** from State IGR, **1.9%** from Local Government IGR while the remaining **21.6%** is from the Excess Crude Oil.

TABLE 5.0: Analysis of 2005 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	71,652,705.87	95.80622407%
VAT		
10% STATE I.G.R.		
I.G.R. LOCAL	3,136,491.35	4.193775928%
EXCESS CRUDE OIL		
TOTAL	74,789,197.22	100%

In Table 5.0, there is no record for VAT and 10% State IGR and Excess Crude Oil. The available

record shows that Federal Allocation takes **96%** of the Total Revenue while the Local Government IGR is **4%**.

TABLE 6.0: Analysis of 2006 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	140,273,530.28	86.39349511%
VAT	19,730,937.50	12.15214766%
10% STATE I.G.R.	104,902.51	9.706813668%
I.G.R. LOCAL	2,256,476.81	1.389748428%
EXCESS CRUDE OIL		
TOTAL	162,365,847.22	100%

In Table 6.0, there was no revenue from Excess Crude Oil. The Federal Allocation, VAT, 10% State IGR and Local Government IGR were: **86%, 12%, 10% and 1%** respectively.

TABLE 7.0: Analysis of 2007 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	238,578,839.63	88.84540359%
VAT	16,773,633.83	6.246405884%
10% STATE I.G.R.	9,394,538.96	3.498472902%
I.G.R. LOCAL	3,785,550.81	1.409717601%
EXCESS CRUDE OIL		
TOTAL	268,532,563.28	100%

Table 7.0, also revealed that there was no Excess Crude Oil in 2007. Federal Allocation, VAT, 10% State IGR and Local Government IGR were: **89%, 6%, 3.5% and 1.4%** respectively.

TABLE 8.0: Analysis of 2008 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	278,244,921.91	89.3977144
VAT	21,956,670.93	7.054490639
10% STATE I.G.R.	775,000.00	0.249000874
I.G.R. LOCAL	3,600,628.30	1.156851087
EXCESS CRUDE OIL	6,666,666.66	2.141942998
TOTAL	311,243,887.80	100%

Table 8: just like the information in table 4, the record was completed and all the revenue featured in

both Tables 8 and 4. Federal Allocation as usual took the lion share of the total revenue and it was **89%** while others were: VAT **7%**, State IGR **0.25%**, Local Govt. IGR **1.2%** and Excess Crude Oil **2.14%**.

TABLE 9.0: Analysis of 2009 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	307,194,189.09	75.04041455%
VAT	67,018,784.81	16.37113453%
10% STATE I.G.R.	9,614,935.93	2.348705815%
I.G.R. LOCAL	10,467,672.41	2.557009556%
EXCESS CRUDE OIL	15,076,075.57	3.682735549%
TOTAL	409,371,657.81	100%

Table 9, shows that **75%** of total revenue comes from Federal Allocation, others are as follow:
 VAT – **16%**
 10% State IGR – **2.35%**
 IGR LG – **2.56%**
 Excess Crude Oil – **3.68%**

TABLE 10.0: Analysis of 2010 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	334,564,387.73	63.5703976%
VAT	79,779,112.24	15.15878579%
10% STATE I.G.R.	9,977,441.91	1.895808318%
I.G.R. LOCAL	2,618,055.27	0.49745526%
EXCESS CRUDE OIL	95,533,950.78	18.1523541%
TOTAL	526,289,594.49	100%

In the Table 10 above, it was shown that:
 Federal Allocation is **63.57%** of total revenue in 2010
 VAT is**15.16%** „
 10% State IGR is**1.90%** „
 IGR Local Govt. is**0.50%** „
 Excess Crude Oil is....**18.15%** „

TABLE 11.0: Analysis of 2011 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	263,395,218.61	57.66450436%
VAT	95,985,983.22	21.0139887%
10% STATE I.G.R.	9,675,515.75	2.118238224%
I.G.R. LOCAL	2,618,055.27	0.573164769%
EXCESS CRUDE OIL	85,097,068.94	18.63010395%
TOTAL	456,771,841.79	100%

Table 11 shows that:

Federal Allocation is **57.66%** of total revenue in 2011

VAT is **21.01%** „

10% of State IGR is... **2.12%** „

IGR Local Govt. is ... **0.57%** „

Excess Crude Oil is ...**18.63%** „

TABLE 12.0: Analysis of 2012 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	352,813,123.64	38.74621778
VAT	114,025,408.60	12.52236104
10% STATE I.G.R.	94,516,799.71	10.3799101
I.G.R. LOCAL	26,477,277.91	2.907755714
EXCESS CRUDE OIL	322,741,747.71	35.44375536
TOTAL	910,574,357.57	100%

In the Table 12 above, it is shown that:

Federal Allocation is **38.75%** of the total revenue in 2012

VAT is**12.52%** „

10% State IGR is**10.38%** „

IGR Local Govt. is**2.91%** „

Excess Crude Oil is ...**35.44%** „

TABLE 13: Analysis of 2013 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	392,088,100.44	69.71294523
VAT	11,398,977.02	2.026728839
10% STATE I.G.R.	18,821,269.65	3.34640643
I.G.R. LOCAL	8,119,707.12	1.443677319
EXCESS CRUDE OIL	133,320,408.49	23.70426015
TOTAL	562,432,270.12	100%

In the Table 13 above, it is shown that:

Federal Allocation is **69.71%** of the total revenue in 2013

VAT is**2.03%** „

10% State IGR is**3.35%** „

IGR Local Govt. is**1.44%** „

Excess Crude Oil is ...**23.70%** „

TABLE 14: Analysis of 2014 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	391,422,881.86	69.59466991
VAT	210,000.00	0.037337829
10% STATE I.G.R.	11,967,423.13	2.127798095
I.G.R. LOCAL	158,831,965.13	28.24019417
EXCESS CRUDE OIL		
TOTAL	562,432,270.12	100%

In the Table 14 above, it is shown that:

Federal Allocation is **69.59%** of the total revenue in 2014

VAT is**0.04%** „

10% State IGR is**2.13%** „

IGR Local Govt. is**28.24%** „

Excess Crude Oil is ...**0.00%** „



TABLE 15: Analysis of 2015 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	577,849,591.39	89.5992371
VAT	52,012,414.52	8.064854125
10% STATE I.G.R.	781,515.51	0.121178927
I.G.R. LOCAL	14,283,388.80	2.214729851
EXCESS CRUDE OIL		
TOTAL	644,926,910.22	100%

In the Table 15 above, it is shown that:

Federal Allocation is **89.60%** of the total revenue in 2015

VAT is**8.06%** „

10% State IGR is**0.12%** „

IGR Local Govt. is**2.21%** „

Excess Crude Oil is ...**0.00%** „

SUMMARY OF FINDINGS

Efficient financial management of public resources must emphasize on internal control system so as to aid efficiency of operations, safety of assets, and accuracy of records and economy public accountability of government funds must be based in a statutory responsibility combined with a system of social trust. It is necessary for audit satisfaction as well as for social confidence, that public account be free from errors and fraud. An effective system of internal and external auditing is a process of examination of accounting operations for the purposes of lending reliability and credibility to their financial results.

In conclusion, here we demonstrated that, the financial management of public operations in developing economy is of national importance perhaps the expectation from the system depends upon the manner in which the problems are identified, challenges are faced, situations are deal with and decision are made as an integral process of management. This makes all the difference between the financial management of private section operations and that of public money.

Acknowledgements:

The research of Adegite, (2010), all the referees used in this paper and the Audit personnel in Ife Central Local Government, Osun State were all acknowledged.



REFERENCES

- Aborinade, O. (1980): Nigeria Local Government Accounting methods. Osun: Ile Ife Press.
- Adam, R. A. (2001): Public sector Accounting and finance. Yaba-Lagos: Corporate Publishers Ventures.
- Adegite, E.O (2010): Accounting Accountability and Nation Development. Nigeria Accountant,
- Ama, G. A. N. (2003): Fundamentals of Public Sector Accounting and Finance. Abia State: Amason Publications Ventures.
- Anyanwu, J. C. (1997): Nigerian Public Finance. Onitsha: Joanee Educational Publishers Ltd.
- Appah, E. (2008): Financial Management: Theory Strategy and Practice. Port Harcourt: Ezevin Printing and Publishing Company.
- Azubuike, J.U.B. (2002): Auditing and Investigations Civil Service and Local Government reform decree 43 of 1998. Constitution of Federal Republic of Nigeria.
- Coker, O. (2010): Accountability in Third Sector Organizations: what role for Accounting. Lagos: Sammy Press Ltd.
- Fayemi, O. (1991): Principle of Local Government Accounting. Yaba Lagos: Chapter Ten Publication Ltd.
- Johnson, I. E. (2004): Public Sector Accounting and Financial Control. Lagos: Financial Institutions Training Centre.
- Millichamp, A. H. (1993): Auditing, an Instruction Mandate For Accounting Student. London: D. P. Publication.
- Ojiakor, N. (2009): Nigerian Socio-Political Development Issues and Problem Enugu: John Jacobs Classic Publishers.
- Okpara, G. C. (2002): Public Finance: A theoretical and practical survey. Abakilliki: Willyrose & Appressed Publishing Company.
- Ozor, E. (1991): Public Accountability: Financial Management in Local Government Administration. Nsukka: Lizz Ibon Publishers