

# The Impact of Public Sector Accounting In Financial Control System (A Case Study of Geidam Local Government Area, Yobe State)

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## ABSTRACT

This research was aimed at finding out the impact of public sector accounting in Nigeria financial control system using Geidam Local Government Area of Yobe State as a case study. The purpose was to find out if the control of public fund adopted by the local government is appropriate, to determine whether the public sector accounting principle applied by the local government is appropriate and effective and also to investigate whether the source of revenue to the local government is enough for them etc. The population size used was the management and staff of Geidam local government area of Yobe state. A sample of 100 management staffs was selected as respondent using simple random sampling techniques. Out of the 100 questionnaire only 78 were returned for analysis. Data for this study were primarily and secondarily sourced. Data collected for the study were analyzed by means of descriptive statistics (Chi-square and simple percentage and frequencies) using SPSS version 20. The findings revealed that the public accounting principles applied by the said local government area and the control of public fund measures adopted were inappropriate and ineffective and also the source of revenue available to Geidam Local Government authority is enough for them. Revenue generated within the local government is not put into good use. The account of the local government is characterized by such inadequacies. Irregularities as regards to public fund in the local government affect the diverse activities of the local government to a very great extent. And finally it revealed that the sources of revenue available to the local government are those gotten from tax collected, license fees, and market fees. Recommendations

were also made based on the findings which are, an account committee should be set up to control the accounting system of the said local government and monitor their day to day activities.

**Keywords:** Public Sector Accounting, Financial Control System, Accounting Principles, Revenue generation

## I. INTRODUCTION

Nigeria's financial system is one of the most extensive and diverse in Sub-Saharan Africa. The policy environment, numbers of institutions, ownership structure, depth and breadth of markets, and regulatory framework have all changed significantly in recent years. The Nigerian society is rife with stories of wrongdoing, such as stories of ghost workers on the payroll of Ministries, Extra-ministerial Departments, and Parastatals, frauds, embezzlements, and the torching of offices housing sensitive documents, and corruption (Akwa ibomle, 2004). According to Bello 2001, a large amount of Naira is lost in Nigeria due to one or more financial malpractices, which, to put it mildly, drains the nation's meager resources through fraudulent means, with far-reaching and attendant consequences on the nation's development or even socio-economic or political programs. Every year, billions of Naira are lost in the public sector as a result of fraud. This is only the amount that has been discovered and made public. Indeed, much larger or much larger sums are lost in undetected frauds or those that are hushed up for one reason or another. According to Appah and Appiah (2010), cases of fraud are so prevalent in the Nigerian public sector that every segment of the public sector appears to be involved in one way or another in some of these heinous acts.

In many ways, the purpose and objectives of public sector organizations differ fundamentally from those of private sector businesses. Not the least of these differences is the provision of services essential to public welfare that the private sector would either be unable to provide or would only be able to provide at a cost that the recipients of the services could not bear. As a result, the focus of public sector financial statements should differ from that of the private sector, even if the accounting methodologies used to produce them can and should be nearly identical. According to Ifezue (2006) definition of public sector accounting, it is critical to distinguish between the accounting process and the presentation of information (reporting) from the accounting system. Both are significant, but they are distinct issues. Adoption of accrual accounting methodologies and IPSAS financial statements can help determine the need for improvements in the quantity and quality of services provided to the citizens of the adopting country, as well as provides a better understanding of the financial and fiscal condition of that country's governments. However, IPSAS should be adopted in the context of the overall priorities of the reform process, rather than solely on the basis of one accounting standard's perceived superiority over another. Accrual accounting is not a goal in and of itself; rather, it is a tool for improving good governance.

Most of the time, the transition to accrual accounting addresses the governments operational needs first, followed by the financial and fiscal reporting needs. Accrual accounting is used to measure the costs, effectiveness, and efficiency of service programs. This is the first area where the reforms will help realize cost savings as well as improved governmental accountability. Once the framework is in place and consistently used by public sector management, the quality of accrual-based data will allow for improved fiscal and financial reporting. However, in many countries, external reporting requirements necessitate immediate improvement in financial and fiscal reporting, while managerial use of accrual accounting is left to be resolved at some indefinite future date.

According to Afolabi (2004), rather than establishing a rigid set of rules, the principles allow for the application of fundamental principles to either large and small entities or municipalities. Smaller nations must also learn and adopt international accounting principles in order to improve their internal national accounting process. Most of the time, developing countries are unable or do not have the resources to create a framework

for their public sector accounting practices. Adopting an international set of accounting rules will assist them in overcoming this problem and, in most cases, will help them begin on the path to better infrastructure development. Another goal of public sector accounting is to establish a standard of ethics and accountability for a country's financial information. Standard public accounting principles will also make auditing a country easier. When countries use public sector accounting principles, it is also more difficult for them to conceal inappropriate financial transactions. As a result, the purpose of this research is to assess the impact of public sector accounting in the Nigerian financial control system, with a focus on the Geidam local government area of Yobe state.

#### **PROBLEM STATEMENT/JUSTIFICATION**

The researcher will investigate the problems inherent in this research study, which are as follows: insufficient revenue, that is, the source of revenue available to Geidam local government area is frequently insufficient for them, as this invariably affects diverse activities carried out in the local government area, poor administration of local government funds, the control of public funds adopted by the local government area As a result, there are still setbacks in the local government in terms of infrastructure development, the adoption of inappropriate and ineffective public sector accounting principles and guidelines, and another issue is that the local government's accounts are characterized by deficiencies such as improper account maintenance and bookkeeping, as well as other necessary records.

This research will be extremely beneficial to the Geidam local government area. It will go a long way toward enlightening them on the concept of public sector accounting as well as the best strategies to be used to monitor the funds generated. This research work will also benefit students and researchers because the information contained in it will broaden their scope. Finally, it will assist the entire nation in modifying the methods and approaches used by various ministries, parastatals, and other inter-ministerial departments in their financial control system, as well as in improving it.

#### **OBJECTIVES OF THE STUDY**

The main objective of this study will be to appraise the impact of public sector accounting in financial control system and also to aid Geidam local government improve on their revenue generation and collection to that point where all collectable revenue are actually collected and

safely paid into the local government treasury. However, the specific objectives of the study will be to:

- i. Investigate whether the sources of revenue available to Geidam local government is enough for them.
- ii. Find out whether the revenue generated within the local government is put into good use.
- iii. Ascertain whether the control of public fund adopted by the local government is appropriate.
- iv. Determine if the accounts of Geidam local government is characterized by inadequacies such as, improper maintenance and book keeping of accounts and other necessary records, embezzlement of public funds especially by the top officials.
- v. Examine if the public sector accounting principles applied by Geidam local government is appropriate, effective and also to recommend strategies by which the local government can use in detailing out funds and prevent revenue leakages.

#### RESEARCH QUESTIONS

The following research questions are formulated for the purpose of this research work:

- i. Are the sources of revenue available to Gaidam Local Government authority enough for them?
- ii. Are the revenues generated within the local government put into good use?
- iii. Is the control of public fund by the local government appropriate?
- iv. Are the accounts of the local government characterized by inadequacies such as improper book keeping and maintenance of other records etc?
- v. To what extent do the irregularities as regards to public fund in the local government affect the diverse activities of the local government?
- vi. Are the public sector accounting principles applied by the local government appropriate and effective?

#### HYPOTHESES

The following hypotheses are formulated for the purpose of this research work:

- H<sub>0</sub>: The public sector accounting principles applied by Geidam Local Government authority is inappropriate and ineffective
- H<sub>1</sub>: The public sector accounting principles applied by Geidam Local Government authority is appropriate and effective.
- H<sub>0</sub>: The sources of revenue available to Geidam Local Government authority is not enough for them.

H<sub>2</sub>: The sources of revenue available to Geidam Local Government authority is enough for them.

H<sub>0</sub>: The control of public fund by the local government is inappropriate.

H<sub>3</sub>: The control of public fund by the local government is appropriate.

## II. REVIEW OF LITERATURE THE THEORETICAL FRAMEWORK OF THE PUBLIC ACCOUNTING SECTOR

According to Ani (1994), public sector accounting is the aspect of financial statements that are recorded, analyzed, classified, summarized, and communicated to the government and other users by its agencies in order to show evidence of revenue disbursement of revenue expenditure to show evidence of government accountability serve as the basis for planning and control evaluate government performance take decision by the government which the results are meant for public consumption.

In other words, public sector accounting is the fundamental process and communication process used by non-profit organizations to report on their activities and make informed decisions. The financial statements kept in various government ministries and departments to show entities' financial and economic events and their impact in terms of both, the provision of information required by management and senior executives for planning, organizing, and control and, the preparation and provision of financial statements and fiscal reports under specific accounting standards. (Ifezue, 2016) According to the matching theory of government accounting, for each accounting period, earned revenue and incurred expenditure must be matched and reported in order to determine net income (Oshisam, 2015). This concept only applies to economic units in the public sector that determine profit or use the accord accounting basis (Adam, 2016) to put it another way, the matching concept or theory of government accounting states that costs and expenses should be tied or matched against revenue, and all associated costs, expenses, and revenue should be accounted for in the same accounting period. These concepts succinctly explain the impact of public sector accounting on the financial control system in Yobe state's Geidam local government area.

#### THE PUBLIC SECTOR CONCEPT

The term "public sector" refers to the portion of a country's economy that is dedicated to providing basic services to citizens through the framework of a governmental organization. Accounting, according to Frank, is frequently

referred to as the language of business. It is a term used in the business world to describe transactions entered into by various government parastatals. In any office where money is used as a medium of exchange, it is necessary to record all monetary transactions that occurred in the office, so that a reference can be made to fund the effect of all transactions at any time. Accounting is defined by users of information as the process of identifying, measuring, and communicating economic information to allow firm judgment and decision making, according to (Roger, 1990). This information is primarily financial in nature and is generally expressed in monetary terms. Accounting, on the other hand, is a fundamental measurement and communicable process used to report on the activity of profit-seeking business organizations, not non-profit organizations. Accounting system, according to (Omelehinwa, 1990), is a set of rules, regulations, and procedures that are anticipated by appropriate theoretical force into a system. This accounting system definition is quite instructive. He maintained that the accounting system converts data into information, which is then used as input in the organization's decision-making process.

According to Ani (1994) the public sector is that sector of the economy that is established and operated by the government and its agencies; this distinguishes the public sector from the private sector, and it is organized on behalf of all citizens, as they are expected to make a minimum profit from their operations. According to Orewa (1978), one of the main reasons why local government councils exist is to collect various forms of revenue from its citizens or the federal government and then use the collected revenue to provide social services in the most efficient way possible. A plan of expected costs for various services to be provided in the coming year must be prepared on a regular basis. According to Adedeji (1972), the various circles of poverty in Nigerian local governments included inadequate functions and powers, insufficient finances, low caliber and low paid staff, corruptions, and poor performance of employed staff and members of the local government council.

According to Ogunle (2004), the scope of services classified as public sector will vary slightly from country to country; most will include any services that are freely available to all citizens, including those who do not contribute to the upkeep and maintenance of those services. This means that services considered being in the public sector benefit almost everyone, including those who do not directly use the service. Law

enforcement is a common example of a service provided as part of the public sector. Municipalities, counties, and parishes run police departments, as do states, provinces, and even national governments in some cases. This type of protection is provided to everyone living within or visiting the jurisdiction, regardless of whether they participate in taxation or other means used by the government entity to fund the police force's function.

### **ACCOUNTING INTRICACIES IN THE PUBLIC SECTOR**

According to Onyeke and Nebo (2005) the following are the peculiarities of public sector accounting.

(1) Resource Acquisition Supremacy: One distinguishing feature of the public sector accounting system is the government's superiority in acquiring resources. In the world of neoclassical economics, all economic entities are expected to behave rationally and equally on the market in order to maximize profits and their effects. In reality, however, a hierarchical structure exists in the distribution of resources between a government and other entities. A government has the authority to levy and collect taxes, as well as the authority to issue bills and coins through the central bank. This enables a government to procure resources forcibly and other entities to submit resources involuntarily.

A central government, which has both taxation and monetary issuance authority, faces almost no external constraints in procuring economic resources. According to Olakunori (2008), even when the government's debts accumulate to enormous proportions, the government is still able to fulfill its debt obligations smoothly. Financial authorities, for example, can levy actual taxes. Alternatively, the government can have the central bank underwrite government bonds in order to increase money in circulation, thereby generating inflation and effectively reducing the burden of repaying its nominally fixed debts. (This is the same as offsetting government debts with inflation tax revenue.) Other public sector entities, such as local governments and quasi-governmental special corporations, are unique in that they are rarely subject to external constraints, with the exception of soft budget constraints imposed by the central government in the form of subsidies.

(2) Provision of goods and services through budget formation: Economic entities in the public sector, like those in the private sector, consume economic resources (input) to produce goods and services (output). However, in the world of public sector accounting, public-sector economic entities are

distinguished not only by their superiority in resource procurement on the input side, but also on the output side.

According to Edoga (2007), goods and services produced and supplied by economic entities in the public sector are not subject to the market mechanism in which prices are determined by the balance of supply and demand. In other words, optimal resource distribution and optimal supply of goods and services through the market mechanism cannot be achieved automatically in the public sector. As a result, the government is expected to provide public and semi-public goods and services that are excludable and noncompetitive in nature to its governed society in an optimal quantity, either by intervening in the market mechanism through subsidies and taxation or by directly providing such goods and services to the society. In this context, the distribution of economic resources and the transfer of goods and

services via budgetary planning, which is closely linked to various political processes, is critical.

### III. METHODOLOGY

The research design adopted for the study was survey research by means of questionnaire. The population of this research work consists of the management and staff of Geidam. A sample of 100 management staffs was selected as respondent using simple random sampling techniques. Data collected for the study were analyzed by means of descriptive using SPSS version 20.

### IV. RESULTS

#### Respondent profile

Table 1 Present the demographic data of the respondents. It highlighted the user of the research finding the characteristics of the respondents in terms of gender, marital status, working experience, qualification, age and rank.

**Table 1:** Summary of the Demographic Factors of the Respondents

Profile	Frequency( n = 78)	%
<b>Gender:</b>		
Male	43	55.6
Female	35	44.4
<b>Marital Status:</b>		
Married	48	61
Single	30	39
<b>Working experience:</b>		
15 years and above	44	56
15 years and below	34	44
<b>Qualification:</b>		
WAEC	17	22
NCE/ND	39	50
HND/B.SC/MA	22	28
<b>Ages:</b>		
25 years and above	43	5
25 years and below	35	44
<b>Ranks:</b>		
Top Management	33	42
Ordinary staff	45	58

**Table 2:** Responses to question one to five regard to accounting principle, revenue and public fund control.

S/N	Question	Options	Frequency	%
i.	Is the public sector accounting principles applied by Geidam Local Government authority appropriate and effective?	Yes	31	40
		No	47	60
		<b>Total</b>	78	100
ii.	Are the sources of revenue available to for Geidam Local Government authority enough them?	Yes	51	65
		No	27	35
		<b>Total</b>	78	100
iii.	Is the control of public fund adopted by Geidam Local Government appropriate?	Yes	33	42
		No	45	58
		<b>Total</b>	78	100
iv.	Are the revenue generated within the local Government put into good use?	Yes	28	36
		No	50	64
		<b>Total</b>	78	100
v.	Is the account of the local government characterized by inadequacies such as embezzlement and improper keeping of	Yes	56	72
		No	22	28
		<b>Total</b>	78	100

The question one in the table 2 shows that 31(40%) of the total respondents are of the opinion that the public sector accounting principles applied by Geidam Local Government authority is appropriate and effective while 47(60%) of the total respondents said the public sector accounting principle applied by the said local government is inappropriate and ineffective.

The question two in the table 2 shows that 51(65%) of the respondents are of the opinion that the sources of revenue available to Geidam Local Government authority is enough for them while 27(35%) of the total respondents said the sources of revenue available to the said local government is not enough for them

The question three in the table 2 shows that 33(42%) of the respondents are of the opinion that

the control of public fund adopted by the local government is appropriate while 45(58%) of the respondents said the control of public funds adopted by the local government is inappropriate.

The question four in the table 2 shows that 28(36%) of the respondents are of the opinion that the revenues generated within the local government put into good use while 50(64%) of the total respondents said the revenue generated within the local government is not put into good use.

The question five in the table 2 shows that 56(72%) of the respondents are of the opinion that the account of the local government is characterized by such inadequacies while 22(28%) of them said the account of the local government is not characterized by such inadequacies.

**Table 3:** Extent of irregularities as regards to public fund in the local government affects the diverse activities of the local government

Options	Frequency	%
To a very great extent	45	58
To a great extent	22	28
To an extent	10	14
Not at all	--	--
<b>Total</b>	<b>78</b>	<b>100%</b>

Table 3 shows that 45(58%) of the respondents are of the opinion that the irregularities as regards to public fund in the local government affect the

diverse activities of the local government to a very great extent, 22(28%) of them said to a great extent while 10(14%) of them said to an extent.

**Table 4:** Sources of revenue available to Geidam Local Government Area of Yobe State?

S/N	Options	Frequency	%
i.	Government grants only	-	-
ii.	Local government revenue generated within such as tax, license fees, market fees, etc	41	53
iii.	Local credit from the state government	22	28
iv.	All of the above	15	19
	<b>Total</b>	<b>78</b>	<b>100%</b>

From the table 4 shows 41(53%) of the respondents said the sources of revenue available to the local government are those gotten from tax collected, license fees, market fees, etc, while 22(28%) of the respondents are of the opinion that the source of revenue to the local government are those gotten from local credit from the state government while 15(19%) of the respondents said the source of revenue available to the local government are those gotten from all the above listed option.

The researcher at this point tests the hypothesis formed earlier in order to accept or reject hypotheses. In order to achieve this, the researcher used chi-square method that is chi-square ( $\chi^2$ ) test.

**Hypothesis One**

H<sub>0</sub>: The public sector accounting principles applied by Geidam Local Government authority is inappropriate and ineffective.

H<sub>1</sub>: The public sector accounting principles applied by Geidam Local Government authority is appropriate and effective.

**TESTING OF HYPOTHESES**

**Table 5:** Result of Hypothesis One

O <sub>i</sub>	Cross-tabulation		Statistics				
	Yes	No	X <sup>2</sup>	E <sub>i</sub>	Sig.	df	p-value
Top Management	13	20	3.28	39	0.05	1	3.84
Ordinary Staff	18	27					
<b>Total</b>	<b>31</b>	<b>47</b>					

**O<sub>i</sub> = Observed frequency**

**E<sub>i</sub> = Expected frequency**

Comparing the test statistic with critical value **3.28 < 3.84**

**DECISION RULE**

Since the calculated value of  $x^2$  is less than the critical value, we accept the null hypothesis and reject the alternative hypothesis. We therefore conclude that the public sector accounting principles applied by Geidam Local Government authority is inappropriate and ineffective.

**HYPOTHESIS TWO**

H<sub>0</sub>: The source of revenue available to Geidam Local Government authority is not enough for them.

H<sub>2</sub>: The source of revenue available to Geidam Local Government authority is enough for them.

**Table 6: Result of Hypothesis Two**

O <sub>i</sub>	Cross-tabulation		Statistics				
	Yes	No	X <sup>2</sup>	E <sub>i</sub>	Sig.	df	p-value
Top Management	21	11	7.38	39	0.05	1	3.84
Ordinary Staff	30	16					
<b>Total</b>	<b>51</b>	<b>27</b>					

**O<sub>i</sub> = Observed frequency**

**E<sub>i</sub> = Expected frequency**

Comparing the test statistic with critical value **7.38 > 3.84**

**DECISION RULE**

Since the calculated value of  $x^2$  is greater than the critical value, we reject the null hypothesis and accept the alternative hypothesis. We therefore concluded that the source of revenue available to Geidam Local Government authority is enough for them.

**HYPOTHESIS THREE**

H<sub>0</sub>: The control of public fund adopted by Geidam Local Government authority is inappropriate.

H<sub>3</sub>: The control of public fund adopted by Geidam Local Government authority is appropriate.

Same responses gotten in the hypothesis one so therefore table and calculations in hypothesis one was adopted.

**Table 7: Result of Hypothesis Three**

O <sub>i</sub>	Cross-tabulation		Statistics				
	Yes	No	X <sup>2</sup>	E <sub>i</sub>	Sig.	df	p-value
Top Management	14	29	1.85	39	0.05	1	3.84
Ordinary Staff	19	26					
<b>Total</b>	<b>33</b>	<b>45</b>					

**O<sub>i</sub> = Observed frequency**

**E<sub>i</sub> = Expected frequency**

Comparing the test statistic with critical value **1.85 < 3.84**

**DECISION RULE**

Since the calculated value of  $x^2$  is less than the critical value, we accept the null hypothesis and reject the alternative hypothesis. We therefore conclude that the control of public fund applied by Geidam Local Government authority is inappropriate.

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