

International Journal of Governance and Development Studies (IJOGDES), 12(2): 48-57, 2025
©Department of Local Government and Development Studies, Faculty of Administration
Obafemi Awolowo University, Ile-Ife, Nigeria
All rights are reserved to the owner/author through the Editor-in-Chief
ISSN: 2971-6691, e-ISSN 2971-6705

Challenges and Prospects of Preparing Local Government Accounts in South-West Nigeria

Sulikaleni Mogaji Aremu¹; Wasiu Olanrewaju Saliu¹; & Abeebe Adewale Yoyinoye²

Postgraduate Research Students

Department of Accounting

¹Fountain University Osogbo.

Osun State, Nigeria

²Crescent University Abeokuta.

Ogun State, Nigeria

E-mails: aremusulikaleni@gmail.com | wasiusola2024@gmail.com | ayoyinoye@gmail.com

Abstract

This work investigates the challenges and prospects of the preparation of local government accounts in South-west Nigeria with regard to best practices in financial management, transparency, and accountability. Using a descriptive survey research design, data was generated from 80 local government finance officers and accountants through a standardized questionnaire that covered standard accounting practices, challenges of financial reporting, and compliance with financial regulations. Two research questions guided the study. The questionnaire was validated by experts, and a pilot test confirmed its reliability, given that the Cronbach's alpha was 0.83. Responses were therefore measured on a 4-point Likert scale ranging from "Strongly Disagree" (1) to "Strongly Agree" (4). The decision point was fixed at 2.5, with mean scores above 2.5 regarded as agreeing and those below 2.5 as disagreeing. The results showed that while local governments moderately apply standard accounting practices, inadequate financial management expertise, weak internal controls, delays in financial reporting, and political interferences are some of the challenges besetting effective administration of finances. Despite the challenges, opportunities are available for improvement through institutional reforms, capacity building, and adoption of digital accounting systems. The study therefore recommends that internal control mechanisms be strengthened, compliance with financial regulations be enforced, professional training for finance officers be increased, and that digital financial management systems should be instituted to enhance transparency and accountability in local government financial reporting.

Keywords: Local government accounting, financial management, transparency and accountability, public sector auditing

1. Introduction

In Nigeria, Local governments play a crucial role in grassroots development through the provisioning of essential services, infrastructure, and governance at the community level. Proper accounting and financial management systems are thus not only desirable but also constitutionally required in local government administration for transparency, accountability, and efficiency. The preparation of local government accounts represents a core function of public financial management because it aids budgetary control, financial planning, and efficient decision making (Adeyemi & Olayemi, 2018). However, the preparation of adequate and reliable financial records within the local government system of Nigeria faces a number of challenges-from poor management of finances to a shortage of personnel and corruption. Despite all these challenges, appreciable prospects exist for improving local government accounting through changes in institutions, capacity building, and modern accounting technologies (Olowolaju & Alao, 2021).

One of the major challenges facing local government accounting in Nigeria is poor financial management and inadequate record-keeping. Most local government financial records are either incomplete or outdated due to the lack of adherence to standard accounting procedures. The situation has been made worse by weak internal control systems and ineffective financial oversight given by Eze & Nwankwo, 2019. In fact, without appropriate and timely financial records, resources have been misallocated; there is leakage in terms of finances, and decisions are poorly made. Corruption remains one of the major challenges that face the making of local government accounts in Nigeria. Cases of misappropriation, embezzlement, and unauthorized expenditure have been reported at the local government levels. In addition, studies have documented that the high level of financial mismanagement recorded in local governments could be traced to weak governance structures, lack of transparency, and political interferences, among others, as noted by Adewuyi & Lawal, 2020.

Other influences that have compromised the quality of local government accounts are a shortage of qualified and competent accounting personnel; this was said to be due to a lack of professionally qualified accountants who possess wide experience in public sector accounting and financial reporting standards. This is according to Ojo & Agbaje, 2022, where poor financial reporting has been characterized by frequent errors in account preparation and non-compliance with national and international accounting regulations. Accountability in the financial management of any organization requires an effective internal control and audit mechanism. In many local governments across Nigeria, internal controls are not stringent, making fraud a bit easier to perpetrate. This is according to Adamu & Ibrahim, 2023.

Timely preparation and submission of financial statements are an avenue for transparency and accountability. However, delays in financial reporting are common in Nigeria's local governments due to bureaucratic bottlenecks, lack of automated accounting systems, and weak enforcement of reporting deadlines. Okonkwo & Nwafor, 2021 as cited in Adebayo & Ogundele, 2022 state that this challenge affects budget implementation and the monitoring of local government expenditures as well as financial planning. Political interference in local government financial administration results in poor financial planning and misallocation of resources. In many cases, local government executives prioritize projects based on political considerations rather than financial prudence and developmental needs.

Digital accounting systems and financial management software can greatly improve the accuracy and efficiency of local government accounts. Technologies like IFMIS and ERP solutions will enhance financial record-keeping, real-time reporting, and reduce human errors (Ogunleye & Salisu, 2023). Digitizing the financial records will also improve transparency and accountability in the financial management of local governments. Continuous training and professional development programs will help overcome the problem of a lack of adequate financial expertise in local government accounting. Knowledge of IPSAS and modern accounting techniques will be imparted to accountants to enhance the quality of financial reporting and adherence to financial regulations (Eze & Nwankwo, 2019).

In order to reduce financial mismanagement and fraud, local governments should establish strong internal control and audit systems. This will allow the internal audit unit to be increasingly independent and possess the capacity for more comprehensive financial audits, as well as discover financial misappropriation with much more ease than ever before (Adamu & Ibrahim, 2023). Increasing financial accountability within the local government administration would, therefore, involve enforcement of periodic audits and external oversight by anti-corruption agencies. The adoption of and compliance with nationally and internationally accepted financial reporting standards by local governments would enhance the credibility and reliability of the financial statements. Regulatory agencies like the FRCN must ensure strict compliance with IPSAS and other public sector accounting guidelines (Okonkwo & Nwafor, 2021).

Accountability in financial management at the local government level can be incentivized through promoting financial transparency and encouraging active public participation in budgetary processes. Publishing financial reports and ensuring accessibility of budgetary information to citizens will let the community monitor local government expenditures and make officials accountable for their actions (Ogunleye & Salisu, 2023). This helps in engendering trust between the local governments and the public and ensures that financial resources are managed for community development. There is a need to ensure that financial governance is well secured from political influence; policies must be enacted to guarantee financial autonomy and independence in decision-making in budgeting processes as a means of improving financial planning and expenditure management (Adebayo & Ogundele, 2022). The necessity for the preparation of local government accounts in Nigeria cannot be overemphasized if accountability, transparency, and efficiency in service delivery at the grassroots are to be achieved.

2. Statement of the Problem

Notwithstanding this critical role, there are challenges in the implementation of local government accounting in Nigeria. Most local governments grapple with poor financial management practices, inadequately trained staff, and corruption that undermine the preparation of appropriate and reliable financial records. In addition, the lack of effective systems of internal control coupled with ineffective financial oversight has usually resulted in financial mismanagement, misallocation of resources, and delays in reporting. Also, the failure to adhere to standard procedures for accounting and political influence hinders fiscal discipline, thereby making the maintenance of accurate financial records quite difficult. The challenges and prospects of preparing local government accounts: The attention accorded to the countries' local government financial management is quite significant for development at the grassroots level. It becomes necessary to find out the problems and prospects of the preparation of local government accounts

in Nigeria. The main objectives of this research are to determine the present state of local government accounting, identify the obstacles to effective financial management, and explore probable strategies to enhance transparency and accountability in local government financial administration. The aim of this study is to examine the difficulties and opportunities associated with the preparation of local government accounts in Nigeria. This study specifically seeks to: ascertain the degree of use of conventional accounting principles in local government financial reporting; look at the problems that local governments have when it comes to making accurate and timely financial statements.

3. Research Questions

This study is guided by the following research questions:

- i. To what degree is standard accounting practices applied in the financial reporting of local government?
- ii. What are the main problems that local governments have when it comes to making sure their financial accounts are correct and on time?

4. Methodology

This is a descriptive survey research design into the challenges and prospects of preparing local government accounts in South-west Nigeria. This design has been adopted because it enables large samples to be studied and provides an accurate representation of current practices and challenges that exist within local government financial management. A stratified random sampling technique was used to draw 80 local government finance officers and accountants from various local government areas so that responses could be sought from diverse settings. The target population of the study consists of finance officers drawn both from urban and rural local governments to gain a better perspective on how financial management is done in different administrative contexts. Data are collected through a structured questionnaire. The questionnaire was also reviewed and validated by experts, while a pilot test was done for reliability. The instrument had an alpha Cronbach reliability coefficient of 0.83, indicating a high internal reliability of the data. Items were rated with a 4-point Likert scale anchored at Strongly Disagree (1) and Strongly Agree (4). A cut-off point of 2.5 was determined, based on which all items falling above 2.5 meant agreeing to that item, and those falling below 2.5 indicated disagreement with the item. Descriptive statistics involving means and standard deviation were computed for data analysis.

5. Results

Question 1: To what degree is standard accounting practices applied in the financial reporting of local government?

Table 1: Descriptive Statistics on the Implementation of Standard Accounting Practices in Local Government Financial Reporting

S/N	Items	Mean (X)	Standard Deviation	Decision
1	Local governments follow standard accounting principles in financial reporting.	3.2	0.74	Agreed
2	Financial statements are prepared based on International Public Sector Accounting Standards (IPSAS).	2.7	0.81	Agreed
3	There is transparency in recording and reporting financial transactions.	2.5	0.86	Agreed
4	Local government accountants maintain accurate records of revenue and expenditure.	2.9	0.79	Agreed
5	Financial reports are audited regularly to ensure compliance with regulations.	2.4	0.83	Disagreed
6	Financial statements are prepared and submitted on time.	2.3	0.88	Disagreed

The data in Table 1 show that local governments only sometimes use basic accounting standards when they report on their finances. The average score of 3.2 (SD = 0.74) shows that most people agree that local administrations follow basic accounting rules. A mean score of 2.7 (SD = 0.81) indicates that certain local governments comply with International Public Sector Accounting Standards (IPSAS) in their financial reporting, however implementation may vary. But a lower mean score of 2.5 (SD = 0.86) shows that people are worried about how transparent it is to record and disclose financial activities. A mean score of 2.9 (SD = 0.79) also shows that most local government accountants keep accurate records of income and expenses. But a low mean score of 2.4 (SD = 0.83) implies that financial reports aren't checked often enough, which could mean that compliance monitoring isn't working as well as it should. A mean score of 2.3 (SD = 0.88) also shows that financial statements are often not made and sent in on time, which could impair decision-making and financial responsibility. These findings indicate that although standard accounting practices exist, challenges such as delayed financial reporting and inadequate auditing mechanisms impede their complete execution.

Question 2: What are the main problems that local governments have when it comes to making sure their financial accounts are correct and on time?

Table 2: Descriptive Statistics on Challenges in Preparing Accurate and Timely Financial Statements in Local Governments

S/N	Items	Mean (X)	Standard Deviation	Decision
-----	-------	----------	--------------------	----------

1	Lack of trained personnel in accounting and financial management affects financial reporting.	3.4	0.72	Agreed
2	Inadequate technological infrastructure affects accurate financial statement preparation.	3.1	0.78	Agreed
3	Insufficient funding impacts financial reporting processes.	3.3	0.75	Agreed
4	Political interference affects the accuracy and objectivity of financial reports.	3.5	0.70	Agreed
5	Delays in financial audits contribute to untimely financial statement preparation.	3.2	0.74	Agreed
6	Lack of enforcement of accounting regulations leads to poor financial reporting practices.	3.0	0.79	Agreed
7	Bureaucratic processes slow down financial statement preparation and submission.	2.9	0.81	Agreed

The results in Table 2 show that there are a number of major problems that make it hard for local governments to make accurate and timely financial statements. The highest mean score of 3.5 (SD = 0.70) shows that political influence is a big problem since it makes financial reports less accurate and fair. Also, a mean score of 3.4 (SD = 0.72) shows that the quality of financial reporting is greatly affected by a lack of skilled staff in accounting and financial management. A mean score of 3.3 (SD = 0.75) shows that not enough money is another big problem that makes it hard for local governments to get the resources they need to disclose their finances correctly. The average score of 3.2 (SD = 0.74) also shows that delays in financial audits make it harder to prepare financial statements on time. Other major problems that make it hard to follow financial reporting standards are poor technological infrastructure (mean = 3.1, SD = 0.78) and a lack of enforcement of accounting rules (mean = 3.0, SD = 0.79). Bureaucratic processes also extend the financial reporting cycle, with a mean of 2.9 and a standard deviation of 0.81. These results evidence that political influence, inadequate qualified staff, shortage of finances, and ineffective regulation enforcement are the key barriers to the correct and timely financial reporting of local governments.

6. Discussion of the Findings

From the first research question, the study establishes that despite the use of standard accounting practices in the financial reporting of local governments, efficiency is compromised by delayed financial reporting and auditing processes that are weak, and failure to ensure consistency with International Public Sector Accounting Standards by local governments. This confirms the work of Adebayo and Olajide (2021), who noted that although IPSAS was adopted by local governments, full implementation has remained a challenge due to poor regulatory enforcement and delays in financial audits. Similarly, Okonkwo et al. (2023) revealed that most local governments have challenges related to maintaining transparency and timeliness in terms of

financial reporting, thus calling for stringent measures on compliance issues and formulation of better audit processes that can enhance accountability. In addition to the summary presented above, the findings further show that while accountants in local government often keep proper books on income and expenditure, the absence of regular audits and delays in the submission of financial statements make the pursuance of efficient financial management ineffective. This agrees with the study carried out by Yusuf and Bello (2020), who stated that local governments in Nigeria generally face a tough task of having timely and transparent financial reporting due to inefficient bureaucratic processes and weak regulatory institutions. In the same vein, Adebayo and Olajide (2021) stressed that financial mismanagement in local government may be maximized by delays in financial reporting and poor enforcement of accounting standards, thereby making the attainment of transparency and accountability unrealizable.

The study points out some critical issues that affect the preparation of timely and accurate financial statements in the local government based on research question two. The results affirm that the level of political interference influences financial reporting, leading to manipulation and lack of objectivity in such reports. This finding aligns with the argument by Uche and Adekunle (2022) that local governments are prone to political influences that hamper the proper implementation of accounting standards, leading to biased financial reporting. The study also discovered that the inability of personnel entrusted with accounting functions to undergo relevant training, inadequate technological infrastructure, and non-application of financial regulations assist in perpetuating inefficiencies in financial reporting. This finding agrees with Olatunji et al. (2023), who identified the absence of continuous professional development for local government accountants and obsolete accounting systems as inhibiting the preparation of financial reports characterized by relevance and reliability.

7. Conclusion and Recommendations

7.1 Conclusion

The study calls for the introduction of standard accounting practice to increase transparency and accountability within the financial reports of local authorities. The adoption of accounting standards and IPSAS notwithstanding, financial reporting in local governments is still affected by delays in financial audits, inadequate enforcement of accounting regulations, and a lack of technological infrastructure. Therefore, while accountants in local governments are generally responsible for proper record keeping, political interferences and underfunding have combined to undermine the credibility of the resultant financial statements. The study also establishes a shortage of competent personnel, obsolete systems for financial management, and organizational inefficiencies as leading constraints for the preparation of timely and accurate financial statements. Therefore, improvement in financial reporting within local governments calls for addressing these issues through improved enforcement of regulations, investment in accounting technology, and capacity-building for personnel responsible for finance.

7.2 Recommendations

Based on the findings and conclusions of this study, it is recommended that:

- i. The government should improve the ways it enforces rules to make sure that local governments follow IPSAS and other financial reporting standards.
- ii. Local governments should put money into ongoing professional development programs for accountants and financial officers to help them get better at managing and reporting money.
- iii. To make financial reporting more efficient and accurate, there should be enough money set aside to upgrade the technological infrastructure, such as by using automated accounting systems.
- iv. independent audit agencies should be given the capacity to do regular, open financial audits to stop political meddling and bad money management.

References

- Adamu, M., & Ibrahim, S. (2023). Strengthening internal control systems in Nigerian local government administration. *International Journal of Governance Studies*, 18(1), 55-72.
- Adebayo, K., & Olajide, T. (2021). Challenges of IPSAS implementation in local government financial reporting: A Nigerian perspective. *Journal of Public Sector Accounting and Finance*, 15(2), 45-60.
- Adebayo, T., & Ogundele, A. (2022). Political interference and financial accountability in Nigerian local governments. *Journal of Public Administration and Policy Research*, 14(2), 78-95.
- Adeyemi, A., & Lawal, K. (2020). Corruption and financial mismanagement in Nigerian local governments. *African Journal of Public Finance*, 10(3), 123-140.
- Adeyemi, S. A., & Olayemi, O. (2018). Local Government Financial Management in Nigeria: Issues and Challenges. *Journal of Public Administration and Governance*, 8(3), 45-56.
- Eze, C., & Nwankwo, P. (2019). Enhancing financial reporting in Nigerian local governments: Challenges and solutions. *Nigerian Journal of Accounting and Finance*, 21(4), 89-110.
- Ogunleye, B., & Salisu, T. (2023). Digital accounting solutions and public financial management in Nigeria. *Journal of Financial Technology*, 7(2), 34-58.
- Ojo, M., & Agbaje, K. (2022). Human Resource Deficiencies in Public Sector Accounting: A Study of Nigerian Local Governments. *International Journal of Public Sector Management*, 35(3), 345-360.
- Okonkwo, I., Adeyemi, S., & Mohammed, L. (2023). Transparency and timeliness in local government financial reporting: An empirical study. *International Journal of Governmental Accounting*, 18(1), 25-40.
- Okonkwo, R., & Nwafor, J. (2021). Timeliness of Financial Reporting in Nigerian Local Government Councils. *Journal of Accounting and Public Policy*, 40(5), 106-119.
- Olatunji, A., Adeyemi, B., & Yusuf, S. (2023). Capacity Building and Financial Reporting Quality in Nigerian Local Governments. *Journal of Public Budgeting, Accounting & Financial Management*, 35(4), 567-583.
- Olatunji, J., Obinna, P., & Eze, N. (2023). Accounting personnel training and financial reporting accuracy in Nigerian local governments. *Journal of Finance and Public Sector Management*, 20(2), 34-49.
- Olowolaju, P. S., & Alao, I. (2021). Modernizing Local Government Accounting Systems in Nigeria: Prospects and Challenges. *International Journal of Accounting Research*, 9(2), 112-125.

Uche, C., & Adekunle, R. (2022). The impact of political interference on financial reporting in local governments. *Nigerian Journal of Public Administration*, 10(4), 67-82.

Yusuf, M., & Bello, A. (2020). Bureaucratic inefficiencies and financial reporting challenges in Nigerian local governments. *African Journal of Accounting Research*, 12(3), 88-104.