

## An Assessment of Level of Compliance with Financial Memoranda by Local Government Councils in Taraba State

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### Abstract

This study examined the level of compliance with financial memoranda by Local Government Councils in Taraba State. The time frame for the study is five years, from 2012-2016. Secondary data was used for the research and was generated through content analysis design. The secondary data was generated from annual reports and accounts of the selected LGAs in Taraba State for the relevant years (2012-2016). Twelve (12) Local Government Areas (LGAs) in Taraba State were selected for the study. The techniques applied for data analyses was the Compliance Index tool using qualitative grading. Finding was made that relevant provisions of the Financial Memoranda is partially been complied with by Local Government Councils in Taraba State. Perhaps, one might conclude that the compliance index of 80.17% is not adequate because laws and statutory regulations are supposed to be complied with at 100%. Recommendation was made in a bid to enhance full compliance by Local Government Councils in Taraba State and Nigeria in general, that since the provisions of the Financial Memoranda are not fully complied with, regulatory authorities like the Financial Reporting Council of Nigeria (FRCN) should be re-strengthened and empowered to cater for enforcement of compliance and regulations on financial reporting not only by private sector entities but also by Local Government Councils in Nigeria.

**Keywords:** *Financial Memoranda, level of Compliance, Compliance Index tool, Qualitative grading, Local Government Councils, Taraba State*

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### **Background to the Study**

The Financial Memoranda is an embodiment of statute and provisions that prescribes the financial reporting process of local government councils in Nigeria. The Financial Memoranda is the official statute which is provided to guide local government financial reporting practice and also stipulate the judicious management of funds for the benefit of the entire community. Fosu, Krah and Obeng (2013) opined that Financial Memoranda is the legislative and regulatory framework which sets out the basic budgets and accountability structures in all public institutions including Metropolitan, Municipal and District Assemblies (MMDA). In Nigeria, the Financial Memoranda consists of multiple provisions which address financial duties and responsibilities, the framework and purpose of estimate and custody of local government funds, collection and receipt of revenue and other monies and preparation of annual financial statements. But this study is mainly concentrated on those aspects of the financial memoranda which deals with preparation of annual financial statements.

Local government councils are the third-tier level of government in Nigeria. The aim of creating local government council is to decentralize government activities so that the local council which is nearest to the people will enable the people to participate in development process of their area. Nwosu and Okafa (2013), Examine that governing body of the local government councils like the state and central governments are elected for a fixed tenure. The local government council discharges its responsibility under Financial Memoranda through its own finance and budget committee to which it issues instructions regarding the reports and other information it possesses in the collection and disbursement of funds.

In accordance to Nwosu and Okafa (2013), the local government Council, the Chairman, the Executive Committee and all members of the local government staff from the highest to the lowest, are involved in financial affairs and should in particular, be concerned with ensuring that within their field of operations and responsibility, proper value is obtained for money spent. However, the local governments' council, the chairman, the Executive committee and certain categories of officers do have special responsibilities for financial matters and these are set out in Financial Memoranda.

### **Problem Statement**

Financial Memoranda is the statutory framework that regulates financial reporting at the local government level, but whether this framework is complied with or not is not known because not too many researches have been conducted in this area. And also many researches have been conducted in the public sector especially with the reforms going on in the Nigerian public sector but only few centered on reforms in the local governments. By implication, states and the federal government in Nigeria has been received adequate research attention than local government councils. And some few studies conducted at the local government levels like those of Mathias and Uchenna (2012) and Buba (2006) failed to explore the level of compliance with financial memoranda in Nigeria. This creates a literature gap which this research seeks to fill. In another vein, with the review of

the financial Memoranda in 2001 by the Williams-led Committee, several reviews were followed up to 2009. And even with the enactment of other statutory laws like the fiscal responsibility Act 2007 and the public procurement Act 2007 which were expected to be domesticated by states and local government councils in Nigeria, the Financial Memoranda still remains the most valid statutory framework that regulates financial reporting at the local government level.

### **Objectives of the Study**

The aim of this study is to examine the level of compliance with financial memoranda by Local Government Councils in Taraba State. In line with the objective of the study, a research question was developed, thus; what is the level of Compliance with Financial Memoranda by Local Government Councils in Taraba State?

### **Scope of Study**

It is pertinent to note that there are 774 local government councils in Nigeria but this study cannot practically cover them all and it is therefore confined to the 16 local government councils in Taraba state. The choice of this study area is made with a view to make it possible for the researcher to generate the required data within reasonable time. The annual reports and accounts of the L.G.As selected as sample was used and the annual reports were obtained from office of the Auditor-General for local governments in Jalingo. The time frame for the study is five years, from 2012-2016.

### **Conceptual Review**

This section covered the review of related literature made in the study. The section covered the concept of financial memoranda, compliance with financial memoranda, the local government in Nigeria and so on. Hence, local and international journals were consulted including the work of Koholga, Abel, Adamu (2013), Okoye and Ezugwu (2011), Mahmoud (2013), Christopher and Christian (2014).

### **Concept of Financial Memoranda**

Local Government financial management and reporting practice is regulated by the Financial Memorandum. Therefore; one might posit that Financial Memorandum refers to a regulatory framework within which local government financial management is conducted. The accounting and internal control systems for the care and custody of public funds at the local government level are designed in the Financial Memoranda 1991, 1998 and revised 2009. The Financial Memorandum is a regulatory instrument provided to guide local governments in the management of their finances (Agu, 2007). Some of the systems of care and custody of funds are reviewed here under Section 1.5 of the Revised Financial Memoranda, states that the Executive Committee will meet at least once a week to consider all matters referred to it and all statements and reports which the committee will require should be brought before it. Okoye and Ezugwu (2011), the monthly reconciliation of accounts showing the position at the end of the previous month, the bank reconciliation statement as at the end of the previous month, the register of audit correspondence and a statement made in dealing with any outstanding matters raised by

the auditor general, Reports by the treasurer on any of the matters referred to in the Financial Memorandum 1.4 or any failure to reconcile departmental records with those of the treasury (Mathias & Uchenna, 2012).

According to Mathias and Uchenna (2012), the Financial Memoranda (Revised, 2009) specifies the duties and responsibilities of the treasurer. The Financial Memoranda authorizes the treasurer to be the chief accounts officer and head of the Finance Department of a Local Government. The treasurer, as the chief accounts officer, shall be in attendance at executive committee meetings and other committees to provide advice concerning the financial implication of the proposed policies. Section 1.14 also empowers the treasurer to be responsible for ensuring that there is strict compliance with financial memoranda in the Finance and other departments of the local government. Mathias and Uchenna (2012) also reiterated that section 7.1 requires the receipt book register on form LGT 24 to be kept by the treasury to record the receipt of all revenue earning books, the issuance of such books to the officials of local government, the ultimate returns of the books to the treasury and their final deposit. However FM third Edition (2009), section 7.12 noted that all revenue earning books unused, used, partly used or obsolete must be safeguarded from theft or misuse and kept in a secure place under lock and key. The books should be stored tidily in numerical order and each of the four categories of books (unused, used, partly used and obsolete) kept in a separate groups. Section 7.13 provides that the treasurer must ensure that checks of stocks of revenue earning books are carried out periodically and not less frequently than once in every two-month-period. Moreover, Ijeoma and Oghoghomeh (2014) posits that the officers carrying out the check will insert the date and his signature in column 10 of the Receipt Book Register, Section 14 (2-8) provides the following: No payment shall be made unless authorized funds are available, each payment must be supported by a properly authorized payment voucher prepared on one of the forms referred to. Table 1 below shows the relevant requirements of the Financial Memoranda examined.

**Table 1:** Relevant Requirements of the Financial Memoranda Examined in the Study

S/N	Specific Sections of Revised Financial Memoranda 2009	Requirements	Provision of the Requirements
1.	F.M No: 32.5	r.1	Cash Basis of Accounting for the preparation of financial statements
2.	F.M No: 32.6	r.2	Disclosure of Accounting policies used for the preparation of financial statements
3.	F.M No: 32.7(1)	r.3	Statement NO 1: Preparation of Cashflow Statement
4.	F.M No: 32.7(2)	r.4	Statement NO 2: Preparation of Statement of Asset and liabilities and
5.	F.M No: 32.7(3)	r.5	Statement NO 3: Preparation of Statement of Revenue and Expenditure.

**Source:** Developed from the Review of 2009 Revised Financial Memoranda

### **Key to Requirements of the Revised Financial Memoranda examined in this Study**

r.1 = Cash Basis of Accounting for the preparation of financial statements (F.M No: 32.5)

r.2 = Disclosure of accounting policies used for the preparation of financial statements (F.M No: 32.6)

r.3 = Statement No 1: Preparation of Cash Flow Statement (F.M No: 32.7 (1))

r.4 = Statement No 2: Preparation of Statement of Asset and liabilities (F.M No: 32.7(2))

r.5 = Statement No 3: Preparation of Statement of Revenue and Expenditure (F.M No: 32.7(3))

### **Legal Framework for Local Governments in Nigeria**

Nigeria as a federation has three tiers of government; the federal, states and local governments. The local government is the third-tier level of government in Nigeria which is located at the grass root and closest to the people. As cited in Mathias and Uchenna (2012) there are 774 local government authorities (LGAs) in Nigeria, an average of 21 per state. Local Government Areas may be established by the state houses of assembly, and over the years the same forces that have lobbied more states (i.e. demands by minority communities or sub-communities for their own homelands), have created similar pressures for additional LGAs (Mathias & Uchenna, 2012). However, the National Assembly is resisting this tendency and the number of LGAs may stabilize at not much higher than the current number. According to Shehu (2006), the functions, structure, composition and finance of local government are determined by state law within the parameters set forth in Section 7 and the Fourth Schedule of the 1999 Constitution.

### **Compliance with Financial Memoranda by Local Governments in Nigeria**

Several compliance studies conducted locally and internationally failed to provide a conceptual definitions or meaning of compliance; such studies in particular includes: Babatunde and Dandago (2014); Oluwaremi (2014); Mahmoud (2013); Chichi (2012); Ibhahulu (2012); Agu (2009); Abba and Muhammad (2009); Achua (2009); Barde (2009), Ekoja (2009) and Kantudu (2005) all explored the level of compliance with either accounting standards or statutory frameworks in accounting but failed to provide conceptual definitions of compliance. In this study, effort is made to provide the conceptual meaning of compliance as conceived by different authors.

Compliance is either a state of being in accordance with established guidelines, specifications, or legislation or the process of becoming so (Silveira, Rodriguez, Birukou, Casati, Clark, D'Andrea, Worledge & Zouhair, 2001 cited in Qian (2010). Financial reporting and information disclosure are developed in compliance with specifications created by some standards or established regulations (Kabir, 2012). In the legal system, compliance usually refers to behavior in accordance with legislation. Compliance in a regulatory context is a prevalent business concern, perhaps because of an ever-increasing number of regulations and a fairly widespread lack of understanding about what is required for an organization (profit and non-profit) to be in compliance with new legislation (Cohen, 1985). Kaufmann (1997) posits that compliance with regulatory requirements has increasingly become a concern of corporate management and public

sector management. In general, compliance means conforming to a rule, such as a specification, policy, standard or law.

Compliance in Nigerian context generally means keeping to the laws and regulations. It involves all issues belonging or pertaining to enterprise or included in the law, which can be used for the purpose of implementing or validating compliance (Shireen, Collette & Jamy, 2012; Abdullahi, 2014 & Coher, 2013). These laws can have criminal or civil penalties. The definition of what constitutes an effective compliance plan has been elusive. Important compliance issues for all organizations; large and small include and sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders

### **Methodology**

The methods and materials used are discussed under this heading. The method of data collection, population of the study, sample size, sampling techniques & validation of method of data collection and techniques for data analysis are therefore considered. This paper employed ex-post factor design. The necessity of this design is due to the fact this study utilized data collected from secondary source. Therefore; by ex-post factor design, it means a form of non-survey research design involving content analysis which was carried out in analyzing the data generated from secondary source. The secondary data collected included the annual reports and accounts of the selected Local Government Councils in Taraba State.

### **Population of the Study**

The population of the study included the 16 Local Government Councils in Taraba state, classified into 3 strata, according to the three (3) Senatorial Districts in the state. This study subsumed the entities of the population according to senatorial districts in the state because it is validly recognized in the Constitution of the Federal Republic of Nigeria 1999 as amended. The annual reports and accounts of the selected Local Government Councils in Taraba State were obtained from the Office of the Auditor-General for Local Governments in Jalingo. Table 2 shows the population of the study.

**Table 2:** Population of the Study

S/No:	L.G.A	Senatorial District
1.	Ardo-Kola	Taraba-North
2.	Jalingo	Taraba-North
3.	Karim-Lamido	Taraba-North
4.	Lau	Taraba-North
5.	Yorro	Taraba-North
6.	Zing	Taraba-North
7.	Bali	Taraba-Central
8.	Gashaka	Taraba-Central
9.	Gassol	Taraba-Central
10.	Kurmi	Taraba-Central
11.	Sardauna	Taraba-Central
12.	Donga	Taraba-South
13.	Ibbi	Taraba-South
14.	Takum	Taraba-South
15.	Ussa	Taraba-South
16.	Wukari	Taraba-South

**Source:** List of Local Governments in Taraba State (Gazetted in 1999 Constitution)

### **Sample Size of the Study**

Considering the classification of the population into strata, a sample of 12 out of 16 Local Government Councils was selected as sample size, consisting of 4 L.G.As from each Senatorial District. And the annual reports and accounts of the Local Government Councils available for the study period of 2012 to 2016 in the Office of the Auditor-General for Local Governments in Jalingo provided the basis for the selection of the 4 L.G.As from each of the Senatorial District. Table 3 shows the sample size of the study,

**Table 3:** Sample Size of the Study

S/No:	L.G.A	Senatorial District
1.	Jalingo	Taraba-North
2.	Karim-Lamido	Taraba-North
3.	Lau	Taraba-North
4.	Zing	Taraba-North
5.	Bali	Taraba-Central
6.	Gashaka	Taraba-Central
7.	Gassol	Taraba-Central
8.	Sardauna	Taraba-Central
9.	Donga	Taraba-South
10.	Ibbi	Taraba-South
11.	Takum	Taraba-South
12.	Wukari	Taraba-South

**Source:** Generated from Table 2 – Population of the Study

### Technique for Data Analysis

To determine the level of compliance with the provisions of financial memoranda at the local government level, qualitative grading using compliance index was applied. This method is suitable in compliance studies as applied by prior researches like Kantudu (2005), Barde (2009) and Adamu (2015). A compliance index was developed such that the relevant provisions of the financial memoranda (FM) were extracted and denoted r1, r2, r3,....r5. These requirements were used as the checklist on the annual reports and accounts of the selected Local Government Councils. A three scale rating (0, 0.5 and 1) was applied such that if the requirement is applied, a score of 1 will be assigned, otherwise 0 will be assigned and if the requirement is partly applied, a score of 0.5 will be given.. If all the five (5) requirements are made, a score of 1 + 1 + 1 + 1 + 1= 5 was assigned which constitute the total compliance index (TCI) for each year.

The scoring system for each requirement will be 1 if applied, 0,5 if partly applied and zero (0) if not applied. The index score will then be determined as:

$$TCI = \frac{\sum A}{B} \times 100\%$$

Where: TCI = Total Compliance Index

A = Actual Number Applied

B = Expected Number to be Applied

**Source:** Adopted and Modified from Barde (2009) and Adamu (2015).

The grading system was based on the application of decision rule in determining the results as shown in the Table 4.



**Table 4:** Decision Rule for Measuring the Level of Compliance in Percentage

Compliance index	Percentage score (%)	remark/decision rule
$A \div B \times 100\%$	0.00 ----- 0.25	No Compliance
$A \div B \times 100\%$	0.26 ----- 0.50	Weak Compliance
$A \div B \times 100\%$	0.51 ----- 0.80	Partial Compliance
$A \div B \times 100\%$	0.81 ----- 100	Full Compliance

**Source:** Adapted and Modified from Barde (2009) and Adamu (2015)

### Analysis and Interpretation

This section presents the results of the compliance index of the study data based on the research objective formulated in section one. The level of compliance with Financial Memoranda was collected from the annual reports, records and accounts of the selected Local Government Councils in Taraba State.

### Test of Compliance with provisions of the Financial Memoranda

A test of compliance with the requirements of the Financial Memoranda was conducted. Five relevant sections of the Financial Memoranda were extracted to provide the checklist which was used to determine the extent of their compliance on the annual reports and accounts in the twelve (12) selected Local Government Councils in Taraba State for a period of five years (2012 - 2016).

To achieve the research objective also to test the hypothesis, qualitative grading using the compliance index tool was applied. To determine the level of compliance with Financial Memoranda (Revised, 2009) among selected Local Government Councils in Taraba State, qualitative grading using Compliance index is applied. The annual reports and accounts of the selected Local Government Councils for 2012 – 2016 are used to determine the compliance index.

### Key to Requirements:

r1 = F.M No: 32.5: Cash Basis of Accounting for the preparation of financial statements

r2 = F.M No: 32.6: Disclosure of Accounting policies used in the financial statements,

r3 = F.M No: 32.7(1): Statement NO 1: Preparation of Cashflow Statement

r4 = F.M No: 32.7(2): Statement NO 2: Preparation of Statement of Asset and liabilities

r5 = F.M No: 32.7(3): Statement NO 3: Preparation of Statement of Revenue and Expenditure.

$$TCI = \sum A \div B \times 100\%$$

Where: TCI = Total Compliance Index =  $\sum A \div B \times 100\%$

A = Actual Number Applied

B = Expected Number to be Applied

Appendix I (Tables A to C) show the level of compliance with the relevant provisions of the Financial Memoranda by Local Government Councils in Taraba State from one year

to another. In 2012, Table A shows that the total compliance index score fluctuated between 70% to 90%, with local governments in Taraba Central senatorial district all scoring 90% and those in Taraba North and South senatorial districts scoring 70%. In 2013, Table A also shows that the total compliance index score fluctuated between 70% to 100%, with local governments scoring dispersedly in all the three senatorial district. In 2014, Appendix I Table B shows that the total compliance index score fluctuated between 70% to 100%, with local governments scoring dispersedly in all the three senatorial district. Similarly, in 2015; Table B shows that the total compliance index score fluctuated between 70% to 100%, with local governments scoring dispersedly in all the three senatorial district. Whereas in year 2016, Appendix I Table C reveals that all local governments in Taraba North Senatorial districts scored zero (0) due to the non-availability of their annual reports and accounts for that year as a result of its non-publication.

### **Descriptive Analysis of Results of Compliance Test**

A descriptive statistics of the summary of the compliance test are presented in Table 8 which shows the computed compliance indices generated from Appendix I Tables A to C. Table 8 shows that the level of compliance with the relevant provisions of Financial Memoranda by Local Government Councils in Taraba State. On perusal of the compliance index per Local Government Council, it shows that the compliance level for L.G.As in Taraba North all fluctuated between weak and partial compliance level, thus; between 56% and 64% with Zing local government council scoring the highest of 64% while Jalingo and Karim-Lamido local government councils scored the minimums of 56%. Local Government Councils in Taraba Central scored between 90% and 92% with Sardauna local government council scoring the highest of 92% while Bali, Gashaka and Gassol local government councils scored the minimums of 90%. Local Government Councils in Taraba South scored between 84% and 94% with Donga and Ibibi local government councils scoring the highest of 94% while Wukari local government council scored the minimums of 84%.

**Table 8:** Level of Compliance with Financial Memoranda by L.G.As in Taraba State

L.G.A	Year					Mean compliance
	2012	2013	2014	2015	2016	
Jalingo	70	70	70	70	0	56
K/Lamido	70	70	70	70	0	56
Lau	70	80	70	80	0	60
Zing	70	90	80	80	0	64
Bali	90	90	90	90	90	90
Gashaka	90	90	90	90	90	90
Gassol	90	90	90	90	90	90
Sardauna	90	90	90	100	90	92
Donga	70	100	100	100	100	94
Ibbi	70	100	100	100	100	94
Takum	70	90	100	100	100	92
Wukari	70	90	90	70	100	84
<b>Mean</b>	76.67	87.5	86.67	86.67	63.33	80.17
<b>Compliance</b>						
<b>Max.</b>	90	100	100	100	100	
<b>Min.</b>	70	70	70	70	0	
<b>Remark</b>	Partially Complied	Fully Complied	Fully Complied	Fully Complied	Partially Complied	

**Source:** Generated by the Researcher from Appendix I (Tables A to C)

### Results and Discussion

From the results of the compliance test which was made in achievement of the research objective, it is pertinent to say that the overall level of compliance with Financial Memoranda by Local Government Councils in Taraba State is 80.17% given by the mean compliance score on Table 8 (above), i.e; partial compliance category. The compliance index per Local Government Council shows that the compliance level for L.G.As in Taraba North fluctuated between weak and partial compliance level. Local Government Councils in Taraba Central scored between 90% and 92% which dovetailed with the full compliance level whereas Local Government Councils in Taraba South scored between 84% and 94% also falling under the full compliance level.

### Conclusion

From the discussion of results and findings of the study, the following conclusion is made: That the relevant provisions of the Financial Memoranda is partially been complied with by Local Government Councils in Taraba State at 80.17%, but this level of compliance may not significantly enhance full information disclosure by Local Government Councils in Taraba State. Perhaps, one might conclude that the compliance index of 80.17% is not adequate because laws and statutory regulations are supposed to be complied with at 100%. Similarly, the provisions of the Financial Memoranda which relates to information disclosure and financial reporting may not be addressing issues that direct affect information usefulness and information disclosure.

## Recommendations

Based on the finding and conclusion of the study, recommendation is made in a bid to enhance full compliance by Local Government Councils in Taraba State and Nigeria in general, that since the provisions of the Financial Memoranda relating to information disclosure is not fully complied with by Local Government Councils in Taraba State, regulatory authorities like the Financial Reporting Council of Nigeria (FRCN) should be re-strengthened and empowered to cater for enforcement of compliance and regulations of information disclosure and financial reporting by Local Government Councils in Nigeria, especially in terms of mandatory and voluntary information disclosure. Just like the way the Securities and Exchange Commission and the Corporate Affairs Commission enforces compliance with laws like the Companies and Allied Matters Act (CAMA) and the Securities and Investment Act in the private sector, the Financial Reporting Council of Nigeria (FRCN) should enforce compliance with regulations on financial reporting not only by private sector entities but also by Local Government Councils in Nigeria, which will also improve the information disclosure of Local Governments financial reports.

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## Appendix I

**Table A:** Test of Compliance with Financial Memoranda by L.G.As for 2012 & 2013

S/N	L.G.As	Relevant requirements of the financial memoranda					A	B	A ÷ B × 100%
		r1	r2	r3	r4	r5			
<b>Year 2012</b>									
1.	Jalingo	1	0	0.5	1	1	3.5	5	70
2.	Karim-Lamido	1	0	0.5	1	1	3.5	5	70
3.	Lau	1	0	0.5	1	1	3.5	5	70
4.	Zing	1	0	0.5	1	1	3.5	5	70
5.	Bali	1	0.5	1	1	1	4.5	5	90
6.	Gashaka	1	0.5	1	1	1	4.5	5	90
7.	Gassol	1	0.5	1	1	1	4.5	5	90
8.	Sardauna	1	0.5	1	1	1	4.5	5	90
9.	Donga	1	0	0.5	1	1	3.5	5	70
10.	Ibbi	1	0	0.5	1	1	3.5	5	70
11.	Takum	1	0	0.5	1	1	3.5	5	70
12	Wukari	1	0	0.5	1	1	3.5	5	70
<b>Year 2013</b>									
1.	Jalingo	1	0	0.5	1	1	3.5	5	70
2.	Karim-Lamido	1	0	0.5	1	1	3.5	5	70
3.	Lau	1	0	1	1	1	4.0	5	80
4.	Zing	1	0.5	1	1	1	4.5	5	90
5.	Bali	1	0.5	1	1	1	4.5	5	90
6.	Gashaka	1	0.5	1	1	1	4.5	5	90
7.	Gassol	1	0.5	1	1	1	4.5	5	90
8.	Sardauna	1	0.5	1	1	1	4.5	5	90
9.	Donga	1	1	1	1	1	5.0	5	100
10.	Ibbi	1	1	1	1	1	5.0	5	100
11.	Takum	1	1	0.5	1	1	4.5	5	90
12	Wukari	1	1	0.5	1	1	4.5	5	90

**Source:** Annual Reports and Account of Selected L.G.As in Taraba State (2012 & 2013)

**Table B: Test of Compliance with Financial Memoranda by L.G.As for 2014 & 2015**

S/N0	L.G.As	Relevant requirements of the financial memoranda					A	B	A ÷ B × 100%
	Year 2014	r1	r2	r3	r4	r5			
1.	Jalingo	1	0	0.5	1	1	3.5	5	70
2.	Karim-Lamido	1	0	0.5	1	1	3.5	5	70
3.	Lau	1	0	0.5	1	1	3.5	5	70
4.	Zing	1	0.5	0.5	1	1	4.0	5	80
5.	Bali	1	0.5	1	1	1	4.5	5	90
6.	Gashaka	1	0.5	1	1	1	4.5	5	90
7.	Gassol	1	0.5	1	1	1	4.5	5	90
8.	Sardauna	1	0.5	1	1	1	4.5	5	90
9.	Donga	1	1	1	1	1	5.0	5	100
10.	Ibbi	1	1	1	1	1	5.0	5	100
11.	Takum	1	1	I	1	1	5.0	5	100
12	Wukari	I	I	0.5	I	1	4.5	5	90
<b>Year 2015</b>		r1	r2	r3	r4	r5			
1.	Jalingo	1	0	0.5	1	1	3.5	5	70
2.	Karim-Lamido	1	0	0.5	1	1	3.5	5	70
3.	Lau	1	0.5	0.5	1	1	4.0	5	80
4.	Zing	1	0.5	0.5	1	1	4.0	5	80
5.	Bali	1	0.5	1	1	1	4.5	5	90
6.	Gashaka	1	0.5	1	1	1	4.5	5	90
7.	Gassol	1	0.5	1	1	1	4.5	5	90
8.	Sardauna	1	1	1	1	1	5.0	5	100
9.	Donga	1	1	1	1	1	5.0	5	100
10.	Ibbi	1	1	1	1	1	5.0	5	100
11.	Takum	1	1	1	1	1	5.0	5	100
12	Wukari	I	0	0.5	I	1	3.5	5	70

**Source:** Annual Reports and Account of Selected L.G.As in Taraba State (2014 & 2015)



**Table C: Test of Compliance with Financial Memoranda by L.G.As for 2016**

S/N0	L.G.As	Relevant requirements of the financial memoranda					A	B	A ÷ B × 100%
		r1	r2	r3	r4	r5			
1.	Jalingo	N/A	N/A	N/A	N/A	N/A	0	5	0
2.	Karim-Lamido	N/A	N/A	N/A	N/A	N/A	0	5	0
3.	Lau	N/A	N/A	N/A	N/A	N/A	0	5	0
4.	Zing	N/A	N/A	N/A	N/A	N/A	0	5	0
5.	Bali	1	0.5	1	1	1	4.5	5	90
6.	Gashaka	1	0.5	1	1	1	4.5	5	90
7.	Gassol	1	0.5	1	1	1	4.5	5	90
8.	Sardauna	1	0.5	1	1	1	4.5	5	90
9.	Donga	1	1	1	1	1	5.0	5	100
10.	Ibbi	1	1	1	1	1	5.0	5	100
11.	Takum	1	1	1	1	1	5.0	5	100
12.	Wukari	1	1	1	1	1	5.0	5	100

**Source:** Annual Reports and Account of Selected L.G.As in Taraba State (2016)

## Appendix II

### Compliance Index Table: Requirements of the Financial Memoranda

Requirements (r)	Relevant Section of FM	Index Score	Percentage level of Compliance (TCI)
R1: Cash Basis of Accounting for the preparation of financial statements	F.M No: 32.5	1	$A/B \times 100\%$
R2: Disclosure of Accounting policies used for the preparation of financial statements,	F.M No: 32.6	1	$A/B \times 100\%$
R3: Statement NO 1: Preparation of Cashflow Statement	F.M No: 32.7(1)	1	$A/B \times 100\%$
R4: Statement NO 2: Preparation of Statement of Asset and liabilities and	F.M No: 32.7(2)	1	$A/B \times 100\%$
R5: Statement NO 3: Preparation of Statement of Revenue and Expenditure.	F.M No: 32.7(3)	1	$A/B \times 100\%$

**Source:** Generated from Sections of the Revised Financial Memoranda (2009)

The compliance table (Appendix one) above shows four specific requirements of the Financial Memoranda to be examined and the total compliance index (TCI) will be determined using qualitative grading and will be computed as follows:

$$TCI = A/B \times 100\%$$

Where TCI = Total Compliance Index

A = Computed Compliance Index

B = Expected Compliance Index

**Appendix III:****Requirements of the Financial Memoranda and Their Financial Reports Components**

S/N	PFI/Study Requirements	Provision	Financial Report Component used for Compliance Check	Requirement No.
<b>A</b>	<b>The Financial Memoranda</b>			
1	F.M No: 32.5	Cash Basis of Accounting for the preparation of financial statements	Statement of Accounting Policies	r.1
2	F.M No: 32.6	Disclosure of Accounting policies used for the preparation of financial statements,	Statement of Accounting Policies	r.2
3	F.M No: 32.7(1)	Statement NO 1: Preparation of Cash flow Statement	Financial Statements (Statement No: 1)	r.3
4	F.M No: 32.7(2)	Statement NO 2: Preparation of Statement of Asset and liabilities and	Financial Statements (Statement No: 2)	r.4
5.	F.M No: 32.7(3)	Statement NO 3: Preparation of Statement of Revenue and Expenditure.	Financial Statements (Statement No: 3)	r.5

**Note:** This table provides the 5 requirements of the Financial Memoranda being examined and their financial report components