IJAAR PUBLISHING®

International Journal of Advanced Academic Research | ISSN: 2488-9849
Vol. 10, Issue 8 (August, 2024) | www.ijaar.org

ASSESSMENT OF FINANCIAL MANAGEMENT AND CONTROL IN NIGERIAN LOCAL GOVERNMENT ADMINISTRATION

Emmanuel, Adah John
Department of Banking and Finance, Benue State Polytechnic, Ugbokolo

Abstract
The paper attempts to present Nigerian local government executives with several options to consider as they deal with the complex and ever-changing issues of financial management and control at the local councils. Management of finances at the local government levels in Nigeria is a significant aspect of public governance. Thus, efficient financial management and control at all levels are necessary for the successful execution of projects and quality service delivery. Unfortunately, these efforts are being thwarted by the activities of some local government employees who collect revenue but do not remit the same to the coffers of the councils. The insertion of fictitious names on the payroll as well as the overwhelming influences of state governors who derive their powers to stifle the growth of local councils from the constitution have impacted negatively on the local government system in Nigeria. For perfect achievement of the results of this assessment, descriptive analysis and analytical tools such as the descriptive statistical tools involving the use the frequency distribution, percentages, tables, and means were used to analyze the data collected. Chi-square was used to test the hypothesis formulated for this research work. Findings after the application of the above-mentioned analytical tools showed that there is no proper management and control of the local government funds. The study recommends that financial autonomy as well as policy reforms in the areas of capacity-building initiatives, improved monitoring and evaluation of mechanisms, and the use of technology to enhance transparency and accountability must be instituted at the local government councils.

Keywords: Financial Management, Control, Local Government service delivery, policy reforms.

Emmanuel, A. J. (2024). Assessment of Financial Management and Control in Nigerian Local Government Administration. *International Journal of Advanced Academic Research. 10*(8), 51-70. DOI: 10.5281/zenodo.13766618

1. INTRODUCTION

Financial management and control as it applied to the wide field of local government initiatives has been seen as progressing, developing, and improving, for proper reporting and accountability. It raises problems similar in many respects to those arising from Treasury control in the administration of the state. Public sector emphasis on accounting and auditing is in terms of importance, scope, and on value for money, performance, and accountability. Local government financial management and control is concerned with safeguarding and reporting on the efficient utilization of the local government's resources, and how the source of funds is derived, collected, and expended. Because of its importance to the overall development of states and the country in general, local government's management and control of finances is expected to follow approved budgetary processes, via its preparation, approval, implementation, monitoring, and evaluation. Thus, local councils are required to prepare their budgets in line with guidelines issued by the state governments and the federal Ministry of Finance. Since the size of revenue meant for collection is limited, like any other resources, financial management is therefore relevant and very essential in local government administration. It has become an issue for discussion both in the national assembly and in the public service. This is because local government holds the channels to the overall development of the state and the country in general. The budget has therefore taken on several other functions including simple monitoring of the overall revenue and expenditure of the government.

In the early 20th century, a high proportion of economic and financial activities are carried out by the federal and state governments respectively, while the local government is left with nothing at all to manage the affairs of local authorities. During the administration of former President Olusegun Obasanjo, Local governments in the country were given prominence through autonomy and independence from state governments thereby increasing their share of funds from federation accounts. For this reason, there is a need to proffer suggestions as well as to make appropriate recommendations for proper monitoring, control, and accountability in local government administration. This is meant to bring about good management, and the assessment of financial resources will limit recurring deficits, misappropriation of funds, and embezzlement among local government administrators and financial officers.

The emphasis on budget and budgetary spending in the public sector includes local government as a third tier of government which is also an agent of development of the economy of a state. For these reasons, the financial procedure, control, and management for decision-making are been developed to check lapses such as fraudulent practices that by any means may reduce local government revenue and affect their development performance at the grassroots.

The basis of evaluating the effectiveness of the management of public sector accounts especially at the local government levels will depend largely on its accounting and control system in operation. Among other factors, public accountants have a responsibility of developing systematic arrangements to assist management in comparing and improving the performance of service delivery, while the public sector auditor has among his duties, the complimentary role of examining whether management performed the task efficiently and effectively.

Section 2 (b) of the 4th schedule of the 1999 Constitution of the Federal Republic of Nigeria as amended, allows local governments in addition to their share of funds from the federation account, to generate revenue and incur expenditure from the revenue derived. The success of

any local government will depend largely on the way its revenue is derived, expended, and managed. For any local government to appreciate this position, it has to understand not the only prevailing activities and plans but also the financial problems under which it operates. Local governments are saddled with many developmental functions and other statutory objectives, as such it requires *a* very sound and effective financial management to enable it to achieve the desired objective. However, efficient management and control of finances at the local government levels in Nigeria are constrained by many factors that have impeded quality service delivery.

Since revenue collectors are not regularly checked, the tendency for them to defraud the councils by not remitting enough to the coffers of the government is a possibility. Furthermore, names of non-existent workers are inserted in the payroll and these ghost workers collect humongous amounts of money monthly from the treasury. The personal staff of local government administrators and other highly placed politicians take undue advantage of the system by drawing their salaries from the treasury. Lastly, state governors under the guise of a joint account as enshrined in the constitution, have made the local government a drain pipe for siphoning of funds meant for developmental purposes at the grassroots.

All of these have turned the local governments into mere salary-paying points. Therefore, this research is concerned with issues of financial management and control in the local government administration in Nigeria and how they can utilize the available funds at their disposal to achieve the best result.

2. LITERATURE REVIEW

2.1 Conceptual framework

Prudent checks and balances of funds are essential to efficient service delivery in every organization. For this, it is imperative as establishing good governance requires local government officials to become more responsive to the demands of their environment, and to provide better, transparent, and accountable services (Kewo, 2017). This has become necessary to uphold the accounting discipline, as so much is demanded of its efficiency and effectiveness in the administration of the local government finances and some other organizations all over the world. Finance is the fuel of any form of administration, either private or public. At the local government level, it constitutes the lubricant for the wheel of good administration (Adekoya, 2020). Two areas of accounting, however, that have attracted the attention of several researchers are "accounting system and financial management" as they affect government accounting.

On this note, the guiding principles of financial management and control administration are efficiency or economy, effectiveness, and equity. Efficiency stresses the need to achieve maximum results at the least cost. While effectiveness ensures relevance of expenditure and equity focuses on justice and fair play.

2.2 Concept of Financial Management

Fundamentally, the principles of financial management and administration are anchored on the judicious application of funds to meet the expectations of the relevant stakeholders.
At the local government, the objectives of financial management and control align with their components stressed. Financial management is the management of finance to achieve the objectives of management. It involves all functions concerned with revenue generation and the use of such financial resources for the attainment of the local government objectives. Akinsulire (2019) stated that financial management involves the use of accounting knowledge, economics models, mathematical rules, systems analysis, and behavioral science

to assist management in its management functions of financial planning, control, and management. Financial management draws on related subjects such as financial accounting, management accounting, economics, law, quantitative techniques, and behavioral science. According to Pandey (2005), financial management is the managerial activity concerned with planning and controlling the firm or organization's financial resources. When related to local administration, it is the sourcing of funds and disbursement of the same to meet the needs of the people at the third tier of government adjudged to be the closest to the people, especially in Nigeria.

Olu (2009), envisages that financial management at the local government consists of a cycle of activities which he outlined as setting the financial objectives of the local government; preparation of a plan of action, selecting policies for the attainment of the objectives; developing financial plans and incorporating these into the overall plans of the local government; monitoring and evaluating the realization of the objectives; establishment and ascertainment of causes of deviation from the original plan, and effecting corrective actions. The cycle aims at ensuring that resources are allocated and monitored in such a way that they have the greatest beneficial impact on overall service delivery to the citizenry.

Nwosu (2013), thinks that the success or otherwise of local government councils in Nigeria depends on the efficiency of its treasury department. As money is the livewire of any government or organization, effective and efficient management of finances by the treasury department in the local government system becomes critical to the realization of providing dividends of democracy for the teeming populace at the third tier of government in Nigeria. Uremadu (2002), argues that the most commonly presumed objective of management is the maximization of the value of the firm, in this case, the maximization of the allocated funds to the accrual of dividends to the community. Hence, to him, an efficient system is one in which resources are used and services rendered equitably in such a way that it is impossible to make any member (citizen) in the system (local government) better off without making someone else worse off.

CIMA states that ‘strategic financial management is the identification of the possible strategies capable of maximizing an organization’s net present value, the allocation of scarce capital resources among competing opportunities and the implementation and monitoring of the chosen strategy to achieve stated objectives.

2.3 Local government system in Nigeria.

Local government is a government at the grassroots level. According to Ojofeitimi (2000), the word ‘local’ connotes that councils are meat for communities and the word ‘government’ means that they have certain attributes of government. Thus, local government can therefore be defined as a political sub-division of a nation (or in a federal system, a state) which is constituted by law and has substantial control of social affairs including the power to impose taxes or to demand labor for prescribed purposes.’ The governing council of such entity is elected or otherwise locally selected. Thus, an essential feature of local government is autonomy.

The basic characteristics of local government include;
a). It is a tier of government which is subordinate to central or regional government,
b). It involves both the administrative and political processes of governmental power,
c). Its area of authority is delimited by the statute establishing it,
d). It has constitutional or statutorily mandated power to perform certain legislative, administrative, and judicial functions,

e). Its council is made up of elected representatives who are responsible to the electorates in the discharge of the functions assigned to them,
f). Within the limit of its power, it has legal autonomy to make policies, to prepare its budget, to hire its staff and to execute its policies, and
g). It has a corporate personality.

2.4 Review of Concepts on Financial Management in Local Government Administration

Finance is the lifeblood of any organization. As such it is required to be managed for the success of an organization. Therefore, Banerjee (2009) opined that financial management involves systematic efforts of management devoted to the management of finance needed for all organizational activities. This involves sources of funds and employment of such in various areas of the organization for the attainment of organizational objectives. Hassan (2011) stated that financial management tends to be beneficial only when activities are properly planned and executed. It is a whole system to the extent that when a unit of it is defective, the whole structure becomes defective. Financial management in local government entails revenue generation, fund allocation, resources administration, and treasury management for the achievement of goals and the attainment of reasons for the establishment of local governments in Nigeria.

2.5 Functions of a local government in Nigeria

Local government is the third tier of government. Though the state government has considerable powers over the local government councils the functions of the local government council are recognized by the 1999 Constitution of the Federal Republic of Nigeria. Local governments can be said to perform both mandatory and concurrent functions. The mandatory functions are the ones they have to perform without the necessary assistance of the higher levels of government. The concurrent ones are shared between the other tiers of government, especially the state governments.

2.6 Mandatory functions

The mandatory functions of local government comprise the following.

- Consideration of economic planning and the making of recommendations to the State Economic Planning Commission.
- Collection of rates, radio and television licenses.
- Licensing of bicycles, Trucks and carts.
- Establishment and maintenance of markets, car parks, and other public conveniences and facilities as prescribed by the state government.
- Registration of births, deaths and marriages.
- Assessment for Concurrent functions

The functions that local government can perform with other governments, especially the state, are in respect of local government participation in the provision of primary education, development of agriculture and natural resources (other than exploitation of minerals), health services, and other matters to be determined by the state government.

Moreover, the system of local government by councils is guaranteed by the 1999 constitution as amended. Section 7 sub-section 1 as follows: ‘The system of administration is by a democratically elected local government council and, is under the constitution guaranteed and accordingly, the government of every state must ensure their existence under a law which provides for the establishment, structure, composition, finance, and functions of such

councils.'

2.7 Sources of financing available to local government councils in Nigeria

One distinct feature of the 1976 local reforms is a reorganization of the joint contribution of both the federal and state governments to local government funding.

Before this reorganization, the state government's contribution to the local government finance was in the form of a grant-in-aid.

In some cases, state governments defaulted on the payment of those grants. Federal and state governments' contribution after the 1976 re-organization is now the major source of local government finance throughout the country. The joint contribution of these two tiers of government is not less than 60% of the total local government revenue requirements. In addition, local government councils are authorized to raise revenue through the following sources:

- Monies derived from community tax and any rate imposed by the local government by a venture of the provision of an edict.
- Any monies payable to local government under the provisions of any by-laws or rules made by a local government.
- Receipts derived from any public utility, concern, or any service or undertaking, maintained by a local government either in whole or in part.
- Rates derived from the letting or lending of any building or land belonging to a local government.

2.8 Financial Management and Control at the Local Government Councils

Olisanmi (1994) defined accounting as the process of identifying and communicating economic information to permit informed judgment and decision by users of the information. He emphasized that the government has been in existence and has always maintained records of the collection of revenue and how these resources are being disposed of by their treasury (management). Financial information when timely released and judiciously applied can translate to efficient management of an organization leading to the realization of goals. Thus, the success of a local government council is largely dependent on the effectiveness of its management of funds.

Management of funds at the public level has been a constituent concern to the citizenry. Therefore, the need to monitor public spending is a matter of public choice. With the increase in the monetary value attached to local government administrative activities, there is an added demand for public officials and employees who manage such financial resources to be responsive, efficient, and accountable.

Aliu (2000), explained that the public is expected to monitor those officials entrusted with public funds. He said further that the need for financial management and its control is to facilitate government decisions on certain projects designed to uplift the living standard of the people. Etuk-Udoh (2018), is of the view that financial management is needed for management to plan to achieve and help financial authorities to locate errors, and prevent fraud and misappropriation of public funds. In a similar view, Hassan (2001) supported that financial management and administration are of paramount importance to council officials, noting further that in the absence of adequate management and efficient administration of funds, public officers will be involved in fraudulent practices that can retard government activities.

Olu (2009) said that financial management has to do with the efficient use of funds. To him, it is a method of showing and ascertaining the financial position of government or business from time to time. He insisted that it consists of a cycle of activities aimed at ensuring the efficient allocation of scarce resources with a view of having the greatest beneficial impact on the citizenry.

Nwosu (2013) opined that the 'statutory responsibilities of local government on revenue generation, disbursement, and control are virtually the responsibilities of the treasury department.' To ensure efficiency in the management and control of the resources of the local government, council officials are expected to be guided by the provisions of local government financial memoranda, and subsidiary laws governing the financial administration of local councils in Nigeria. The memoranda classified the duties into three (3); general duties, quarterly duties, and monthly duties.

The general duties are primarily to ensure that proper books of accounts are maintained so that annual estimates are prepared by the instructions of the financial memoranda. The import of this is to ensure that revenue is collected promptly and expenditure is incurred at a rate commensurate with the provisions contained in the already approved estimates.

The quarterly duties though intended to test the stock of the receipt books against the receipt register to prevent fraudulent practices, also aim to submit accounts for external audit.

The provisions of the extant laws as they relate to the monthly duties are mainly to examine the revenue and expenditure abstracts at the end of every month while directing public officials to ensure that all payment vouchers issued during the month are entered in the cash book and to examine and cast the trial balance for the previous month.

To enhance the efficiency of financial management and control in the local government system in Nigeria, certain techniques and tools need to be put in place. Generally speaking, several approaches for efficient management of the finances of the local councils are available.

Nwankwo (2004) is however of the assertion that the approach to be adopted must take into account the peculiar nature of the project, its environment, its purpose, and the public it is meant to serve.

The following approaches, if adapted efficiently and effectively can enhance financial management at the local councils.

2.9 The use of budget.

This is a short-term financial plan couched in figures that aid management in planning and control of its resources. It is also an authority to raise revenue and incur expenditure. Local councils are advised to use the budget effectively as it is a tool for efficient financial management. Furthermore, budgetary control through diligent monitoring of expenditures before and after the release of funds can prevent under-expenditure or over-expenditure. Since the process involves four distinct activities viz budget preparation, authorization, execution, monitoring, and evaluation, relevant agencies that are responsible for each activity must adhere to the provisions of the estimates made.

2.10 The rational approach.

Designed for application to enable effective and efficient allocation of scarce resources, the

rational approach has become a popular decision-making model. It is anchored in the firm belief that when properly applied, financial managers will be in a position to;
Determine the available resources,
Determine the objectives behind resource allocation,
Ensure alternative courses of action for the attainment of stated objectives,
Establish decision criteria,
Allocate resources seamlessly,
Put in place control measures and feedback mechanisms necessary for performance evaluation.

2.11 Incremental approach

This method or technique involves the introduction of gradual changes or adjustments in the allocation and control of financial resources to achieve the desired objectives. being a straightforward process, once a system of financial management and control is put in place, only minor changes or adjustments are required to put the system into perfect working condition.

2.12 Zero-based budgeting (ZBB)

This approach ensures that there is a remarkable link between budget and ad activity. Thus, it involves specifying objectives and considering cost-effective methods of achieving results. In this way, wastage, extravagance, and mismanagement of finances are minimized at the local government councils. The zero-based budgeting approach involves the preparation of a comprehensive budget from scratch.

2.13 Audit alarm.

When an irregularity is detected in the management of public funds, an audit alarm can be raised by either a government official or the general public. Since it is a precautionary method of alerting the appropriate quarters about the illegality of a financial transaction, misapplication, and misappropriation that may lead to loss of funds or revenue allocated to a project, it is also a warning signal to those entrusted with the responsibility of the finance of the local government councils.

2.14 Auditing approach.

It is a technique for ensuring a more effective internal check on financial management. As it ensures sanity, prudence, and probity in the use and management of funds, it is advisable to be a regular affair carried out by independent examiners of the books of accounts or certified and qualified auditors. Their work will represent a fair and realistic view of all the transactions for the period under investigation.

The fact must be recognized that the success of any organization is largely dependent upon the effectiveness of its financial management, especially in local government councils.

To effectively uphold prudent and sound financial management and control at the local government levels, Adekoya (2020) enlisted the following steps which the financial adviser at the local government must adhere to:
1. Determine the financial objectives of the local government
2. Outline the plans of action and select the policies for achieving these objectives
3. Carry out financial plans, and input these into the local government's overall plans.
4. Compare the actual with plans; evaluate any form of variances from the plans.
5. Establish causes of variances.
6. Review the process/plan and redesign/revise the objectives where necessary.

The steps above are important as the management of funds has been a consistent concern of the masses.

These accounting practices are standards and address the various financial management issues concerning transparency, accountability, consistency, integrity, economy, and value-for-money decisions. In respect of financial reporting, financial management ensures that reports are not only timely and reliable but also a useful document for decision-making by the various interest groups or stakeholders. The legal framework for financial management in Nigeria involves the following:

1. The Constitution of the Federal Republic of Nigeria (hereafter called the 1999 constitution), provides the general framework for local government financial administration and controls of public funds. It outlines the various types of government funds, revenues, and expenditure patterns. It provides the basis for reporting financial transactions in government in terms of budgeting, accounting, and auditing.
2. The Finance (Control and Management) Act 1958 as amended and now referred to as CAP F 26 LFN 2004 outlines the management and general operation of public funds. It regulates the accounting systems, outlines the various books of account to be maintained and the process and procedure to be followed in the preparation of government final account and financial statements.
3. The Annual Appropriation Acts as provided for by the 1999 constitution. This is an annual budget process of the revenues and expenditures to be embarked upon within a particular calendar year as approved by the appropriate legislative arms of the local government.
4. The Public Procurements Act 2007 as amended. The Act aimed to ensure transparency, probity, accountability, competitiveness, efficiency, and effectiveness in local government procurements of goods, services, and execution of works.
5. The Fiscal Responsibility Act 2007. Financial control in government was re-affirmed through the passing of the law of 2007, the Fiscal Responsibility Acts 2007. The Act aimed at installing the best practices in public financial management, thereby, enthralling transparency, accountability, and good governance in the public sector. The objectives of the FRA Act are to promote transparency in budget preparation, execution, and reporting; strengthen accountability and sound financial management in government; ensure high standards in financial disclosure; ensure prudent management of financial resources; and ensure access to comprehensive information on government financial activities by the citizens.
6. The Treasury and Finance Circulars These are various forms of directives and guidelines issued by the Ministry of Finance to guide the conduct of public sector financial management.
7. The Financial Memoranda. This is a third-tier legal framework that serves as an instrument of accounting and financial control. It outlines rules on actions acceptable and those deemed unacceptable in local government. It is a body of governing rules and record-keeping. It covers areas and approaches to financial reporting, sources of funds, expenditure allocation patterns; and funds management.
8. International Public Sector Accounting Standards Board (IPSASB).
9. Local Government Administrative Laws
10. Local Government Bye Laws.
11. The Audit Act (1956) outlines the process and guidelines for the audit of local government financial statements.

2.15 Challenges of managing the resources of the local governments

Financial management entails efficiency in financial matters. As local governments put measures in place to enhance efficiency, certain impediments try to undermine this management and control. Suffice it to mention here some of these challenges.

Inadequate revenue generation – local governments generate revenue from various sources, including taxes (such as property tax, tenement taxes, and business permits), grants from the federal and state governments, internally generated revenue (IGR) from markets, parks, and other services as well as statutory allocations from the federation account. Due to the increase in population, security challenges occasioned by the activities of bandits and kidnappers, low agricultural yield resulting from non-availability of modern methods and tools of farming, and some economic challenges like inflation, unemployment, etc, revenue accruable has diminished considerably. The result is how to apportion the meager resources to areas of competing needs in most councils.

O**ver-dependence on federation allocation** – most local government councils have not been able to snap out of this challenge. Even when internally generated revenue sources are contracted out, the problem has persisted. The activities of employees have left the councils groaning under a heavy debt burden.

Corruption – this perhaps is the major obstacle to efficient management of finances at the local government level. It has eaten so deep that it is seen as a misnomer for staff who do not indulge in it. This ranges from the insertion of names on the payroll, private employees of politicians drawing salaries from the treasury of local councils, refusal of some employees to remit collected revenue, budget padding to outright stealing of public funds.

Political interference – political bigwigs often see council funds as their private investments. The struggle for who is to be elected into office not minding the preparedness of the candidate lends credence to this. The conduct of local government elections by the state independent electoral commission where candidates of the ruling party at the state level are merely selected and handed power has impacted negatively on financial management. Worrisome too is the collaborative effort of the civil servants who are neck-deep in aiding and abetting the political class in selecting the leaders of the councils.

Weak institutional capacity – Nigeria operates a federal system of government where powers and resources are shared between the federal, state, and local governments. However, there have been debates and challenges regarding the adequacy and fairness of revenue allocation to the local governments. State governments have by their actions, reduced local governments to ‘mere salary paying clinics.’ The operation of joint accounts between state and local governments has been largely abused in favor of the state governments.

Inadequate infrastructure – most local councils lack the required infrastructure to manage and control their finances. The absence of e-procurement systems, electronic payment platforms, biometric identification systems, and online reporting portals to automate processes, and minimize fraud and errors, are all infrastructural defects that have not improved transparency and efficiency in financial transactions and reporting at the local government level.

Lack of skilled personnel – local governments especially in the rural areas are grappling with the adequacy or near absence of skilled personnel to automate processes at the councils. Even when funds are made available for capacity-building initiatives in the areas of training

programs, workshops, and seminars, staff seldom attend. They would collect the funds and raise fictitious payment vouchers to cover their presumed attendance. A worrisome scenario.

2.16 National Financial Intelligent Unit (NFIU)

Financial issues are of great significance to local government, this involves budgeting, sources of funds, accountability, transparency, and effective decision-making, reporting, and controls. This calls for financial autonomy on the sources and management of local government resources without undue controls or interference from the state and federal government. This is to ensure that the managers of local government carry out their duties efficiently, and effectively, and for the well-being of the people and the communities at large. To enhance the financial autonomy of local government finance, the Federal Government of Nigeria approved the overbearing control of NFIU on the local government finance, this approval and control is to ensure that the local government funds are no more under the control of state governments.

NFIU is the Nigeria arms of global financial intelligence units initially domiciled in the Economic and Financial Crime Commission (EFCC). It is meant to comply with international standards on combating money laundering and financing of terrorism and proliferation. It draws its power from the Money Laundering Prohibition Act 2011 as amended in 2012 and the EFCC Establishment Act 2004, it became fully operational in 2005. According to the NFIU Act 2018, NFIU is now domiciled in the Central Bank of Nigeria (CBN) but will remain autonomous in independent. On 6th May 2019, NFIU issued guidelines aimed at reducing vulnerabilities created by cash withdrawals from Local Governments funds throughout the country. These guidelines stopped the state governors, banks, other financial institutions, public officers, and other stakeholders from tampering with local government funds effective June 1, 2019. NFIU having realized through analysis, that cash withdrawal and transactions of the State and Local Government Joint Accounts (SLGJA) posethe biggest corruption, money laundering, and security threats at the grassroots levels and to the entire financial system in the country, decided to uphold the full provisions of section 162 (6) (8)of the 1999 Nigerian Constitution as amended which designated State Joint Local Government Account into which shall be paid allocations to the local government councils of the state from the federation account and the amount standing to the credit of local government councils of a state shall be distributed among the local government councils of that state and not for other purposes. This directive implies that each Local Government can now spend its funds freely without taking directives from governors who hijacked the monthly allocations of the third tier of government under the guise of State Joint Local Government Accounts. These guidelines for funds control had been released to the Governor of the Central Bank of Nigeria, Chief Executive Officers of all Banks and other financial institutions, the Chairman of, the Independent Corrupt Practices Commission (ICPC), and the Economic, and Financial Crimes Commission (EFCC).

2.17 NFIU guidelines on local government

NFIU guidelines are meant to protect the financial integrity of expenditures, ensure good financial management, fight corruption, and address money laundering challenges at the local government level, and also to stop the state governor from tampering with local government money. It will also serve the purpose of freeing the financial system from being flooded with cash which criminals use to escape transparency, accountability, and criminal investigations. The guidelines stipulated that banks should not allow any form of transaction from any Local government joint account without first reaching the Local government account. If the withdrawal takes place before the fund reaches the Local government account, such bank is

to be surcharged and sanctioned locally and internationally. A joint local government allocation account will only exist for the receipt of allocation to be shared with local governments by section 162(7) of the 1999 constitution as amended and not for any other transactions or purposes. It encourages local government to have a single salary account, single revenue account, and single running cost account and not to maintain additional accounts to mitigate money laundering and help investigation and accountability. Cash withdrawals from any local government account have a cumulative withdrawal of ₦500,000 per day while another form of payment is to be done through a valid crossed cheques or electronic funds transfer. All financial transactions by the Local government will be registered and monitored by NFIU through the E-payment module.

2.18 Sanctions/ penalties

Any withdrawal done in violation of all the provisions mentioned by any financial institutions or designated non-financial institution or their agent in whatever name or form will attract an instant penalty of one hundred percent (100%) refund of the amount withdrawn in contravention and this is to be effected by CBN, EFCC, ICPC or NFIU. Any public officer anywhere in the country or any private citizens found undermining or violating these guidelines will be investigated and prosecuted under the NFIU Act 2018, Money Laundering Act 2011 as amended, EFCC Act 2004, or ICPC Act 2000.

2.19 General impact of full implementation

The general impact of the implementation of NFIU guidelines on local government is to ensure that realistic budgets are prepared in anticipation of funds receipt and management of such. It will stimulate infrastructural development in all sectors within the local government. Salaries and other personnel emoluments shall be paid in due course while outstanding debts to contractors will be settled and new contracts awarded will be carried out fast and in good quality. Council managers shall be ready to account for all funds that flow into the council without any excuses.

3. RESEARCH METHODOLOGY

Local government is an atypical third arm of government in which financial transaction takes place after the share from federation accounts. The effectiveness and efficiency of the financial policies and procedures as well as strict adherence to the laid down rules and regulations needs to be ascertained hence the study of this research work. The methods used to collect the data in the project work were questionnaires and personal interviews, where it was necessary to use personal oral interviews to seek further clarification.

3.1 Questionnaire

The questionnaire was adopted to identify financial strategies planning, policies, and procedures adopted and practiced in local government. It was also used to gather the information that was later evaluated and analyzed for this research work. Over 80% of the data used in this research work was based on the questionnaire. Three types of questionnaires were used to gather comprehensive and compact information on the subject matter and these are the alternative category types that require yes or no answers. There is also the multiple-choice questions type. The other type is open-ended which requires free written answers. The last type is to grade the system in practice as Good/fair/weak. The question was framed in such a way as to highlight the degree of perfection in the financial procedure and the system. Functional areas and informed structures were the areas covered by the questionnaire.

3.2 Personal Interviews

The personal interview was carried out in stages. Both the Chairman and the Secretary were

interviewed, followed by the Director of General Service and Administration, then the Treasurer and their accountants as well as the Internal Auditor to obtain relevant statements and local government circulars and edicts on financial matters. Other departmental heads and some key officials including junior staff were interviewed to confirm whether or not procedures as stipulated in the guidelines and circular are strictly being followed and complied with. If there are derivations what measures are later to remedy such derivations?

3.3 Sampling Techniques and Respondent Selection

The researcher also used a sample random sampling technique on the entire population of the study. A total number of (60) sixty questionnaires were administered to the target population. At the end of the exercise (50), fifty questionnaires were returned and used for analyses in this research work.

3.4 Analytical Techniques

Simple descriptive statistics such as simple percentage was used to organize and summarize data involving financial administration in local government, the financial policies and procedures, and derivation from the norms. Chi-square (X^2) was used to test the hypothesis at a significant level of 5% or 0.05.

$$\chi^2 = \sum \frac{(F_o - F_e)^2}{F_e}$$

FE = Observed Frequency
FE = Expected Frequency

If AX^2 obtained or calculated exceeds the value of X^2 tabulated at a 5% level of significance, the null hypothesis is rejected hence it is significant that planning and controlling of financial resources is a yardstick for achieving success in local government administration. But where the X^2 result is less than X^2 tabulated at a 5% level of significance we fail to reject the hypothesis and accept the null hypothesis, the insignificance of these resources is not a yardstick of achieving success in a government administration.

3.5 Limitation of Methodology

Although the research methodology used in this study has many impressive and far-reaching advantages it is nevertheless faced with some impediments. Full detailed and vital information could not be obtained as the subject of study is a sensitive one and people involved were out to protect the local government for fear of being dismissed. They seem to maintain secrecy. However, the relevant information obtained was sufficient to make a headway in the study.

Furthermore, time was a major factor. It did not permit the use of a target population. Once again, the information obtained from local government to a high degree is reliable.

3.6 Data presentation and analysis

The result of the analysis of primary data collected from the local government response to the research questionnaire distributed. The result is analyzed in line with the stated hypothesis, which is either accepted or rejected. Data presentation and analysis are those techniques whereby the researcher extracted information from the raw data that was not apparent before and which would enable the researcher to have a summarized perception of the subject matter under study his analysis and interpretation of data are necessary to bring the result of a researcher to enable comments and afford conclusion to be drawn. The data presented,

analyzed, and interpreted below is made of primary data obtained from the staff of local government authority and it is based on the 83.3% questionnaire administered.

4. Results and Discussions

4.1 Results

The questionnaire was administered to members of local government authority to find out whether planning and controlling of financial resources are effectively being carried out or not and whether staff training has improved performance in the local government authority.

The table below shows the total number of questionnaires distributed in their response.

Table 1. The total number of questionnaires distributed in their response

No sampled Staff	Responses	% of Responses
60	50	83.3%

Source: field survey 2007

Question 1

Please confirm your qualification as listed below by ticking the appropriate column. Is your qualification commensurate with your responsibilities?

BSC - Bachelor of Science
HND - Higher National Diploma
OND - National Diploma
SSCE - Senior School certificate of education

Table 2. Options and Responses

Option	Response	% of Response
Yes No I Don't Know	40 8 2	80% 16% 4%
Total	**50**	**100%**

The above table shows the analysis of respondents with qualifications and whether it is commensurate to their responsibilities 80% of the respondents confirmed that their qualification is commensurate to their responsibilities, while 16% said no and only 4% claimed ignorance.

Question 2

Please confirm by ticking any of the following as the sources of finance to local government authority. And in your view does local government authority have an adequate source of finance?

- Share from federation accounts and State government.
- Grant and levies and fines.
- Internal levies and fines.
- Investment income.
- Market stall and motor park fee.
- Clinic and dispensary fees.
- Public parks and recreation club fee.

Table 3: Options and Responses for Question 2

OPTIONS	**RESPONSE**	**% OF RESPONSE**
Yes No I don't know	35 10 5	56% 30% 14%
TOTAL	**50**	**100%**

From the table above 56% of the respondents think that the local government had enough sources of finance, while 30% had a contrary view, and 14% of the respondents claimed ignorance.

Question 3
Does the local government have enough sources of finance?

Table 4: Responses to Question 4

RESPONSE	NO OF RESPONDENTS	PERCENTAGE
Yes No I don't know	35 10 5	70% 20% 10%
Total	50	100%

From the above response, 70% believe, that the local government had enough sources of finance only 20% have a contrary opinion and 10% of the respondents claimed ignorance.

Question 4
Are the finances utilized effectively?

Table 5: Responses to Question 4

RESPONSE	**NO OF RESPONDENTS**	**PERCENTAGE**
Yes No I don’t know	16 32 2	32% 64% 4%
Total	**50**	**100%**

The above indicates that 32% of the local government authority (LGA) funds are effectively utilized. While 64% which is in the majority disagreed completely that funds are not effectively utilized.

Question 5
How many projects have the local government executed between 2021 and 2022?

Table 6: Responses to Question 5

PROJECT SECTOR	**RESP 2021**	**RESP 2022**	**PERCENTAGE**
Economic sector	14	14	28%
Social sector	12	12	24%
Regional Sector	12	12	24%
General Admin Sector	12	12	24%
Total	50	50	100%

The above table depicts the number of projects executed between 2021/2022 by the local government. The same project initiated in the year 2021 is also for the year 2022. This project was not completed in 2021 but completed and executed in 2022.

Decision tale

Here the stated hypothesis will be tested using the chi-square (X^2) test.

$$\chi^2 = \sum \frac{(F_o - F_e)^2}{F_e}$$

F_o = Observed frequency
F_e = expected frequency

To test each hypothesis, it will be written as Null and Alternative hypotheses. The decision will be to accept H_o and reject H_1 otherwise. The X^2 value obtained with the formula above will be referring to the X^2 table with the appropriate degree of freedom. The degree of freedom is defined as DF = (r-1) (c-1) where r = row c =column the chi-square table, for X^2 to be significance used with the degree of freedom will give the tabulated value, while the result we get through the use of the above formula for X^2 will be referred to as the calculated value. If it is of a greater value than the calculated value, you accept the Null hypothesis (H_o) otherwise you reject it.

Hypothesis

H_o: Planning and controlling of financial resources is not a yardstick of achieving success in local government Administration.
H_I: Planning and controlling of financial resources is a yardstick of achieving success in Local Government Administration.

Response

Yes 40
No 10

$X^2 = Kf\{(FO-Fe)^2)1$
Fe

Where: F_o= Observed freedom
Fe = Expected freedom in this case Fe 50/2=25

Table 7: Hypothesis parameters

OPTION	F_o	F_e	F_o-F_e	$(F_o-F_e)^2$	$\frac{(F_o-F_e)}{F_e}$
Yes No	40 10	25 25	15 -15	225 225	9 9
Total	50	50			18.0

Calculated value of X'=18.0
Degree of freedom V = (2-1) (2-1) = 1x1=1
Level of significance: The tabulated value of X^2 at 0.05 with 1 degree of freedom is 3.84 X2 cal = X^2 table 18.0>3.84.

4.2 Discussions

In this research work, efforts have been made to present in a logical sequence, financial management and control of local government administration. At the very beginning, particularly in a conceptual framework on local government, financial management developments in Nigeria were reviewed to bring out their relevance in this research work. The revenue drive of the local government and its expenditure pattern were examined. Efforts were made to reveal sources of revenue generation and areas for which such revenue can be expended. It went further to discuss militating factors against the smooth financial management and control of local government. It was observed that funds available to local governments were grossly inadequate but further outlined the efforts of the federal government in preventing the mismanagement of local government funds through the careful watch of the National Financial Intelligence Unit (NFIU) and outlined the sanctions and penalties on officials that goes against the guiding rules and regulations with a view of denying the governments at the grassroots from meeting their various responsibilities. It is based on these findings that conclusions and recommendations are made.

- There is no proper accountability and probity in local government expenditure.
- Money meant for a particular project is not properly utilized for that project.
- Misappropriation of funds is common and a frequent occurrence in local government administration.
- Motivation of local government staff is at zero level and most staff are not committed to their jobs.
- There is no regular checking of records in the treasury department of the local government where large chunks of money are being released and paid out.
- Various grants and allocations from the federation account are not properly appropriated, and the chairman often sees these funds as his money and therefore spends it at will and frivolously too.
- No people-orientated project is often embarked upon.
- Playing politics with the chairmanship position has made it difficult for local government to enthrone visionary leadership. This has led to disregard for proper revenue generation and appropriation and, consequently lack of development to meet the aspirations of the various communities.
- Grants and allocations to the local government should be reviewed upward and internal generation should be intensified. If this is done, local governments will be in a better position to provide adequate social amenities expected of the council. It is also noted that since the creation of Benue State, local governments have not benefited much from the State's internally generated funds.

5 Conclusion and Recommendations

5.1 Conclusions

Financial management and control in the Nigerian local government administration is a significant aspect of public governance. Local councils have a wide array of functions to implement with a view of making life more meaningful for the teeming populace. Based on this premise, its finances need efficient management and judicious application. Effective financial management and control of local government funds can be achieved through the determination of the council leadership to pursue excellent performance towards this, various financial management methods, tools, and techniques such as the use and application of the extant laws, institutions, and policies were discussed.

However, efforts by local government councils to attain some financial autonomy leading to improved service delivery are been disturbed by the corrupt activities of council employees and spurious interventions by state governments. Since the system aims to ensure transparency, accountability, and efficient utilization of scarce resources at the grassroots level, certain actions militating against these must be checked constantly by all stakeholders including the federal and state governments, local government authorities, civil society organizations, and the private sector.

The various levels of government are expected to play their constitutionally assigned role to the local governments. A review of federal government statutory allocation to the local governments is necessary as internal revenue and other sources of revenue are inadequate for the local government development efforts.

An important weapon of development is awareness and patriotism. A great majority of the rural people are not aware of their civic responsibility, and where they are aware, they seem not to understand their constitutional obligations in terms of payment of taxes and rates to the local government. The attitude to avoid payment of tax is a dishonest act of some people in the local government. Over the years, people have formed the habit of not declaring their total assets and liabilities for fear of heavy taxation. By so doing, the local governments are denied huge sums of revenue.

The low-level education of revenue collectors regarding the moral judgment of assets and liabilities created another loophole for loss of revenue. It is also common knowledge that revenue collectors are sometimes threatened, molested, and inflicted with physical injury. This unwholesome practice calls for maximum protection to enhance their performance because frightened revenue collectors are most unlikely to perform their best.

The NFIU, EFCC, and other financial regulatory agencies charged with various responsibilities have constantly and regularly checked the use of funds by local government officials in the administration of that level of government.

5.2 Recommendations

Nigeria operates a federal system of government, where powers and resources are shared between the federal, state, and local governments. Efforts to strengthen fiscal federalism and ensure equitable distribution of scarce resources are crucial for effective financial management at the local government levels.

The research therefore recommends that the adoption and implementation of robust public financial management systems are essential for enhancing transparency, efficiency, and accountability in local government finances. This includes the use of electronic financial

management systems, budget execution, and monitoring tools, and integrated financial information systems to streamline processes and improve data accuracy and integrity.

Strengthening anti-corruption measures, such as the enforcement of ethical standards, the establishment of anti-corruption agencies, and the implementation of a whistle-blower protection mechanism, is essential for combating financial mismanagement and embezzlement of public funds meant for the development of local areas.

Performance indicators, targets, and benchmarks should be established to measure the efficiency and effectiveness of service delivery and resource utilization thus facilitating informed decision-making and enhanced resource allocation at the local councils.

Leveraging technology and digital solutions can enhance financial management and control processes at the local governments. This includes the use of e-procurement systems, and online reporting portals to automate processes, minimize fraud and errors, and improve transparency and efficiency in financial transactions and reporting.

The financial activity of the local government depends on the treasury development which is otherwise known as the power house of the council. The treasury department should remain the custodian of the local government account where all expenditures are drawn. Regular checks on treasury records should always be taken as a task by the relevant officials.

Grants and statutory allocation from the state and federal government as well as internally generated revenue of the local government should be properly kept. Frequent auditing of council accounts will forestall misappropriation and embezzlement of funds. It is therefore hoped that the activities of internal and external auditors will reduce the reckless expenditure of the local government revenue. The department should be held responsible for any shortfall that may be detected by the auditors. This will enable proper accountability and probity to be maintained.

Staff training should meet the challenging needs of the revenue office, and is most necessary in other to acquaint the staff with new techniques of revenue generation. There is much benefit to be derived by staff from such training scheme as it is intended to educate them on an effective method of carrying out their assigned responsibilities.

Finally, it is recommended that any surplus arising from the available income for the year which is not for immediate use, should be invested in stocks and bonds at the capital market. This will be a source of revenue for the local government shortly.

REFERENCES

Adekoya, A. (2020). *Financial Management in Local Government: The challenges and prospect of the 21st Century – Nigeria Perspective.* International Journal of Economics, Commerce and Management, United Kingdom. ISSN 2348 0386 Vol. III, Issue 8.

Aliu, O., (2002). Local Government Administration in Nigeria. Retrieved from www.researchgate.net.

Akinsulire, O. (2019). *Financial management.* (10th ed.). Mushin, Lagos, Nigeria: EL-Toda Ventures Ltd.

Banerjee, B. (2009). *Fundamentals of financial management.* (Special ed.). New Delhi: PHI Learning Private Ltd.

Etuk- udoh, J., (2018). Financial Management in the Nigerian Local Government, The

Nigerian Journal of Local Government Studies, vol. 1, No. 1, 1983.

Federal Republic of Nigeria. (1999). *The Constitution of the Federal Republic of Nigeria.* Lagos, Nigeria: Government Printers.

Federal Republic of Nigeria. (1991). *Model Financial Memoranda for Local Government.* Lagos, Nigeria: Government Printers.

Fiscal Responsibility Act and Allocation (2007). *Due process handbook*. Abuja, Nigeria: National Planning Commission.

Hassan, M. M. (2011). *Financial management in Nigeria's local governments.* (Revised ed.). Ibadan, Nigeria: University Press Plc.

Kewo, C. L. (2017). *The Influence of Internal Control Implementation and Managerial Performance on Financial Accountability Local Government in Indonesia.* International Journal of Economics and Financial Issues, 7(1), 293-297.

Nwankwo, B.C., (2004). Efficient Financial Management Approach for Provision of Social Welfare at the Third Tier Level of Government in Nigeria, Nigeria Journal of Public Administration and Local Government, vol. XII, no. 1. 2004.

Nwosu, M. E & Okafor, O.H., (2013). Financial Management in Local Government: The Nigerian Experience, International Journal of Financial Research, Vol.4, No. 4

Ojoifeitimi, T., (2000). Managing at the Grassroots: Local Government and Rural Development in the 21st Century, Lagos: Centre for Management Development.

Olisanmi, E., (1994). Financial Management for Local Government in Nigeria, Nigerian Journal of Policy Development, Vol. 3, No. 4

Olu O., (2009). Efficient Financial Management for Local Governments: The Nigerian Experience, vol. LXI, No. 2, 2009.

Pandey, I. M. (2005). *Financial management.* (9th ed.). New Delhi: Vikas Publishing House PVT Ltd.

Uremadu, S.O., (2002). Introduction to Finance; Elements of business finance: Mindex Publishing Company, Benin City.