

# LOCAL GOVERNMENT FINANCE AND THE ROLE OF STATE HOUSE OF ASSEMBLY IN NIGERIA

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**Abstract:** This study attempts to present a periscopic view of the management of local government finance in Nigeria. This is with a view to investigating the challenges of efficient and effective management of local government finance. Local Government, as it is presently known, was originally known as Indirect Rule System of Local Administration. It was first tried in the Northern Emirates, and upon the amalgamation of the Southern and Northern Provinces by Lord Lugard in 1914, the system came down to the Southern Provinces. It was assimilated in the Western Provinces but was not so easily in the Eastern Provinces. The Local Government Ordinance, patterned after the English system of Local Government, came into effect in 1950. The first Local Government Law was passed by Western Nigeria in 1952; followed by Lagos Local Council Law of 1953; Northern - 1954; and Eastern Nigeria - 1955. These Laws replaced the Local Government Ordinance in 1950. The 1979 Constitution of the Federal Republic of Nigeria, which has the same Provisions and Schedules as the 1999 Constitution, raised the status of Local Government Councils to the third tier of the government of the Federation, section 7 subsection 1. Section 7 subsection 6(a) and (b) provide for the sources of revenue to the Councils.

As Nigeria marks its tenth National Assembly, it becomes apposite that finances and functions of local governance become paramount in national discourse in order for it to take its pride of place. This is in response to the seemingly neglect that local governance has faced over the years, with the new canon of never again shall its finances be subjected to the whims and caprices of the state governments. The specific objective of this research is to provide crippling constraints on the freedom of the Councils to have direct access, without recourse to the State Governments, the funds allocated to them from the Federation Account. Since the meagre internally generated revenue of the Councils cannot sustain ten per cent of the development needs of the Councils, their inability to have direct access to their major source of revenue accounts for their ineffectiveness in most respects. The methodology adopted to achieve the objective of this paper was a combination of documentary, historical, and descriptive approaches Both primary and secondary data were collected, In the lucid preparation, resort was held to textbooks, journals, articles, and newspaper publications, opinions of essayists, case laws, and the constitution of the Federal Republic of Nigeria. The position of the article emphasized the fact that the importance of proper import of finance makes it sustainable, as it is not surprising that the finance and functions of local governments are next to each other in the Constitution, for both have a symbiotic relationship. Without the finance, the functions cannot be executed, and without function, finance would come to naught. Taken together, both are the main basis of the local government system; the *raison d'être* of the councils, which ab initio were established to give practical expression to local initiatives. The sources of finance for local government are three: Direct allocation from the Federal and State Governments; internally generated revenue; and loans, grants, donations, interests, etc. This study discovers whether indeed there are, first, enough sources of revenue for local government, second, whether the local governments themselves tap, or adequately tap these sources, and third, whether the accruable revenue is adequate for the execution of their functions. This paper recommends the removal of section 6, subsections 3, 5, and 6 from the Constitution. For the Councils to be responsive to the needs of their localities.

**Keywords:** local government, state house of assembly, finance, Nigeria.

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## INTRODUCTION

The origin and evolution of local government in Nigeria have been a long episode of trial and error. Attempts to reconcile participation in their administration for efficient service delivery on basic services are futile. Local government is faced with corrosive This is an open access article under the [CC BY-NC](https://creativecommons.org/licenses/by-nc/4.0/) license

abuse and serial legal violations within the system, especially at the hands of the fourth republic's political class in Nigeria (Ibrahim, 2012). The local government system is classified by the relationship between local and federal governments within a



country. In the case of Nigeria, the 1999 Constitution specifies the relationship between local governments and other levels of government (Wolman, 2008). Local governments are under the control of state governments in all ramifications. Section 7 (1-6) provides a system of local government by democratically elected local government councils. Accordingly, the government of every state shall ensure its existence under law which provides for the establishment, structure, composition, finance, and functions. Some provisions in sections 7 and 8 of the 1999 constitution recognize local government as a third tier of government but give the state the autonomy to lord over local government. This provides that local government officials shall be democratically elected; the state level, subject to this section, ensures establishment of structure, composition, finance, and functions of each council. The fourth schedule of the 1999 constitution provides the functions of local government to include participation in education, agricultural resources, health care, and any other function assigned by the state assembly (Asaju, 2010). The implication is that local government cannot exercise its assigned function unless the state assembly passes a law. Contrary to provisions 7 and 8 of the 1999 Constitution, state governors control local government with caretaker committees; this practice remains operational across Nigeria. The much-needed service delivery has not trickled down to the grassroots in Nigeria because leadership and resources of the council are hijacked by state governors (Akpa, personal communication, July 6, 2013). In explaining state interference in Nigeria local government from Anambra, where council elections have not been held since 1998, to Nasarawa where the governor is empowered by state law to appoint caretaker committees in place of elected officials to Imo where sacked elected council local government officials are in legal tussle for their reinstatement remained the same (Obeche, 2009). In Lagos state from 2000 to 2015, state government officials have been accused of imposing their candidates in local level elections to teleguide the activities of the council. This statement has shown that local governments in Nigeria are mere stooges of state governments by adopting every measure to stop councils from having elected leaders from the people instead of caretaker committees appointed by state governments (Davey, 1991). According to Ugwu (2001), the constitutional power to establish local government structure, composition, and functions belongs to the state level. There have been demands from the public to free local councils from the armpit of state governments and grant them full autonomy. The federal lawmakers resolved that the caretaker system in Nigeria's local government is alien to the 1999 Constitution (as amended), directed state governors in Nigeria to conduct polls and transfer power to elected officials, "what a contradiction" (Channels News on National Assembly Sessions). Some states in Nigeria used inordinate tricks and unlawful schemes to avoid local government elections in their state. The financial straits plague Nigeria as most governors resort to council allocation in funding their wage bills and development projects. The control of council funds enables them to wield power to secure future political ambitions and maintain their political structures (Obeche, 2009).

The parallel revenue board through the states erodes revenue-yielding areas of the local government; it is common to see markets, motor parks, building approvals, and forest royalty collection. This was as a result of changing and swinging of the political pendulum that oscillates between caretaker committee and elected government (Adeyemo, 2005). Most local governments

exist only for payment of salaries; they depend on 10% state internally generated revenue that is delayed or not forthcoming at all, and statutory allocations in most cases are deducted from sources for payment of primary school teachers. The overbearing roles of states over local government pose a threat to the autonomy of local government. Local government autonomy is misplaced in Nigeria due to the structure of federalism enshrined in the constitution. Nigerian federalism is difficult and unrealistic due to selfish interest among the political class. Some argue that powers of local government in Nigeria are subject to state approval, despite demand for local government autonomy to speed up development at the grassroots across Nigeria; state governments employ dishonest tricks to ensure that the third tier remains under their apron strings. This inordinate usurpation of local council powers by state governments is a problem that requires urgent attention for amendment in Nigeria's constitution (Adoke, personal communication, July 5, 2013). It is against this backdrop that the dwindling performance of local-level institutions in Nigeria is seen as a democratic grassroots institution for service delivery. This explains why the national assembly, in all efforts to amend the 1999 Constitution, focused on local government autonomy.

The functions of the local government are almost inexhaustible. Besides those enumerated in the fourth schedule to the Constitution, the State can and often delegate functions to local governments as a residual subject. Also, a dynamic local government leadership can initiate and/or expand local initiatives, developed *suo motu* or by the local inhabitants, groups, and organizations in the locality. In contemporary Nigeria, the payment of primary school teachers has criss-crossed from one tier of government to the other. While it was considered better to leave it with the local governments, the latter complained that corresponding revenue was not made available to meet that responsibility. There is a host of hybrid areas of functions in the Concurrent Legislative list<sup>1</sup>, which contains paragraphs A – L, divided into 30 items, over which the Federal (National Assembly) or the State (State House of Assembly) may deal. Other public functions not included in this list, and certainly not in the exclusive legislative list<sup>2</sup>, are regarded as residual issues over which the State Government may deal or the State House of Assembly may legislate.

## PROBLEM STATEMENT

In Nigeria, the local government is constitutionally mandated to provide services to the people and security for the citizenry and ensure participation of the citizenry in government. This requires that local governments have under their control a range of sources of funding to be able to perform the assigned functions. In Nigeria, the local governments have various sources of funds, such as statutory allocations from the federation accounts, local taxes and charges borne by residents of the jurisdiction, grants, returns on investments, etc. The effective performance of the assigned functions by the local governments depends on effective and prudent management of their financial resources. In recent times, local governments have always explained away their ineffective and dismal performance of their functions by inadequate funds. However, experience has shown that poor finance management, rather than inadequate finance, is the bane of local governments' inability to achieve substantial development in their domain (Ojo, 2009). Abubakar (1993) observed that the financial position of local governments in Nigeria has improved considerably due to enhanced allocation from the federation

account (See table 1). Kalawole (cited in Lawal, et. al. 2010:232) observed that the lack of funds was no longer a constraint on local government performance, but mismanagement and misappropriation of funds accruable to it. Management of local government finance entails the application of all the management functions of planning, organizing, controlling, etc., in the area of finance. Planning the finance of local governments includes budgeting, which specifies the sources and expenditure points. Organizing is the allocation and utilization of funds. While controlling is a measure to ensure that there is no deviation in the set budget during implementation, it also involves timely correction or adjustment to check any deviation. The paper, therefore, attempts a periscopic view of the management of local government finance in Nigeria, in the performance of the constitutionally assigned functions. This is with a view to highlighting its weaknesses and offering some suggestions on how to effectively manage local government finance. These functions, as earlier said, are provision of goods and services, security of citizens, achievement of MDGs, and training ground for political participation.

### SCOPE OF STUDY:

The study covers the constitutional provisions contained in Items 9 and 10 under paragraph D of the Concurrent Legislative list, which deal with the collection of taxes as follows:

- Items 9: A House of Assembly may, subject to such conditions as it may prescribe, make provisions for the collection of any tax, fee, or rate or the administration of the law providing for such collection by a local government council.
- Item 10: Where a Law of a House of Assembly provides for the collection of tax, fee or rate or the administration of such law by a local government council by the provisions hereof it shall regulate the liability of persons to the tax, fee or rate in such manner as to ensure that such tax, fee or rate is not levied on the same liability by more than one local government council.

Similarly, paragraph J of Section 1 of the Fourth Schedule, which deals with functions of a Local Government Council, provides as follows:

Assessment of privately owned houses or tenements to levy such rates as may be prescribed by the House of Assembly of a State. These rates are often collected by the Local Governments. In other words, these are areas where the Constitution specifically recognizes that both the State and Local Governments can jointly or separately handle. Oftentimes, these breed confusion, particularly on the part of the officials. It also puts hardship on the people. The constant complaint of local government functionaries is either that they have no enforcement machinery or that funds are not correspondingly released to march prescribed or ascribed functions.

This paper examines the constitutional, statutory, political, and other sources of council finances, and functions, their adequacy or inadequacy, challenges and crises, and possible solutions.

### OBJECTIVE OF STUDY

The primary objective of the Bill is to enhance service delivery and economic development at the Local Government level

by abolishing the State Joint Local Government Account and empowering Local Governments to maintain a special account into which all allocations due to the Local Government shall be paid directly from the Federation Account and the State Government.

It also seeks to provide for savings before any disbursement from the Federation Account and to empower the Revenue Mobilisation Allocation and Fiscal Commission to directly table before the National Assembly, proposals for revenue allocation.

As the closest level of governance to the people, Local Governments should enhance access to essential services and opportunities to improve lives and stimulate participation and accountability at local levels. As such, Section 7(1) of the 1999 Constitution guarantees the system of local government by democratically elected local government councils and accordingly obligates the Government of every State, subject to section 8 of the Constitution, to ensure their existence under a Law which provides for the establishment, structure, composition, finance, and functions of such councils.

The power to make decisions is nothing without the financial resources to make those decisions a reality. Unfortunately, the financial autonomy of local governments that would have enabled them to live up to the aspiration of the Constitution is contestable. Presently, the administration of local governments in Nigeria has been subject to the whims of State Governors. Local governments lack unfettered control over their statutory allocation from the Federation Account because State Governments abuse the "State Joint Local Government Account." State governments do not respect the authority and autonomy of local governments but rather consider them appendages of the states. Funding constraints have also hampered effective local audits to ensure transparency, accountability, and good local governance.

Since the return to democratic governance in 1999, the Legislature has made various efforts to strengthen the local government system in Nigeria. For example, the 7th, 8th, and 9th National Assemblies passed constitutional amendments granting financial autonomy to Local Governments. Yet, none of the amendments has been able to muster the approval of State Assemblies. The resistance to constitutional amendments granting financial autonomy to Local Governments is evidence that specific vested interests perceive Local Governments as avenues for personal monetary gains and instruments of political control rather than fostering local governance and accountability.

The ineffectiveness of Local Government continues to contribute to poor human development outcomes, rural-urban migration, violent crimes, conflicts, and unabated rise in poverty levels. These challenges impede effective service delivery, local economic development, poverty alleviation, and the consolidation of democracy. Hence, the Bill attempts to remove a significant financial impediment to effective and efficient service delivery and economic development at the grassroots level.

### OPERATIONAL CLARIFICATION OF TERMS

#### Local government:

Agba and Chukwurah (2013) describe local government as the third tier of government created to decentralize governance closer to people for service delivery and engender development. The creation of local government anywhere in the world stems

from the need to facilitate developments at the grassroots. All political systems seek to attain efficient and effective service delivery as it affects day-to-day activities of people. Local government articulates and facilitates the needs of the rural dwellers through the application of needed human resources for the purpose of efficient and effective service in the localities (Ugwu, 2000). They are mandated constitutionally in Nigeria to provide social and other basic services to the people and ensure participation of citizens in governance (Nzekwe & Izueke, 2012).

Local government is the prime mover of institutional development in Nigeria. Their importance on the well-being of its citizenry cannot be over-emphasized. The people are intimately affected by the activities of local government daily. The idea of creating local government allows people in the grassroots to promote democratic ideals and coordinate development programmes directly to rural areas.

According to Ezeani (2005), local government is an agent of development through prudent management of financial resources to justify participation in the democratic process for people within and outside government circles to transform the lives of rural dwellers and promote rural development.

#### **Local government finance:**

Local Government Finance is the comprehensive study of economic behaviour of Local Council and its financial management strategies. Local Government Finance is concerned with how money is procured in the local council to execute local projects, programs, and how it must be used to ensure effectiveness and efficient evaluation of projects for the benefit of the teeming rural population.

#### **State house of assembly:**

This is the legislative organ of government, a making body in Nigeria. Which operate strictly on the constitutional provisions, financial provisions, law-making, and orders directive within the state, local government council level.

## **REVIEW OF RELATED LITERATURE**

### **CONCEPTUAL CLARIFICATION**

#### **Local Government**

Local government is the system of political decentralization in which the power base of decision making is not national but local. In this system, functions are locally and directly executed by elected officials who have direct control over local affairs (Wunsch, 2008). This is the most critical level of government in which the momentum to sustain national development can be created.

According to 1976 guidelines, local government is a legally established representative council empowered to initiate and direct the provision of basic services, to determine and implement projects to complement the activities of state and federal levels in their areas. The council ensures that through devolution of functions, active participation of people and traditional institutions, such that local initiatives which respond to local needs are maximized. Local level is an avenue for rural people to participate in decision making within their area on issues for national development. It is at the local level that roads, water, electricity, health, sewage, education, and other facilities are provided.

Montague, cited in Adeyeye (2005), views local government as local bodies freely elected to superintend national or state government, endowed with power, discretion, and responsibility without control over their decisions by higher authority. They provide services and implement projects to complement state and federal level activities in rural areas through devolution of functions and active participation to maximize the needs of rural people (Awa, 2006).

Aransi (2000) sees local government as administrative units closer to people in the grassroots. They act as agents of local service delivery, community mobilization based on human and material resources, organize local initiatives in responding to 189 local needs and aspirations, and provide basic structures for grassroots participation in the democratic process. The ability of local level to attain the needs of rural dwellers in Nigeria is predicated on transparency and accountability of officials at the grassroots. The way to attain these positive variables from service delivery is to institutionalize the culture of accountability and transparency at the local level of Nigeria.

Agba and Chukwurah (2013) describe local government as the third tier of government created to decentralize governance closer to people for service delivery and engender development. The creation of local government anywhere in the world stems from the need to facilitate developments at the grassroots. All political systems seek to attain efficient and effective service delivery as it affects day-to-day activities of people. Local government articulates and facilitates the needs of the rural dwellers through the application of needed human resources for the purpose of efficient and effective service in the localities (Ugwu, 2000). They are mandated constitutionally in Nigeria to provide social and other basic services to the people and ensure participation of citizens in governance (Nzekwe & Izueke, 2012). Local government is the prime mover of institutional development in Nigeria. Their importance on the well-being of its citizenry cannot be over-emphasized. The people are intimately affected by the activities of local government daily. The idea of creating local government allows people in the grassroots to promote democratic ideals and coordinate development programmes directly to rural areas.

According to Ezeani (2005), local government is an agent of development through prudent management of financial resources to justify participation in the democratic process for people within and outside government circles to transform the lives of rural dwellers and promote rural development. The shortage of funds facing local government currently could be attributed to a lack of creativity on the part of the local level to seek alternative sources to complement revenue allocation from the federation account. Most local governments suffer from overdependence on central assistance, which was a norm during military governance. The well-being of most Nigerians, either in rural and urban areas, is inevitably affected by the activities of local government through the provision and non-provision of basic services like water, roads, health, and educational services. Local governments are the focal points for promoting development and cultural revival through community projects, mobilization of human and material resources for rural development.

Onah (2006) states that local government is a strategic position to integrate rural communities with efficient and effective utilization of financial resources to provide social services and

participate in governance to enhance rural development. Consequently, local government operates within the lowest level of society established by law. It is a level of government closer to rural dwellers with an assigned function to satisfy the needs and aspirations of the people. Mill (1921), cited in Ajayi (2000), views local government as one institution that provides political education, a vehicle that promotes political training and leadership qualities fostered in young politicians at the local level. The need to catalyze development, boost citizens' involvement, and government responsiveness compels the concept of local governments (Lawal & Oladunjoye, 2010). Local government constitutes an edifice that aids decentralization, national integration, competency in governance, and sense of belonging at the grassroots. It is a mechanism that transmits ideas and elevates grassroots to a superior level of government (Adejo, 2003; Agagu, 2004).

According to Ikelegbe (2005), local government is a segment of a constituent State of a nation established by law to provide service delivery and regulate public affairs within its jurisdiction for the interest of rural people by local representatives. Local government is a political sub-division in a federal state which is constituted by law to have substantial control of local affairs, including the power to impose taxes or exact labour for prescribed purposes.

The 1999 Constitution of the Federal Republic of Nigeria established local government as the lens through which higher levels of government view people at the grassroots to feel the impact of governance (FRN, 1999).

#### **Local Government Finance:**

Local Government Finance is the study of economic behavior of Local Council. Local Government Finance is concerned with how money is procured in the local council to execute projects, and how it must be used to ensure effectiveness and efficient evaluation of projects for the benefit of the teeming rural population. It is therefore an inquiry into the facts, techniques, principles, theories, rules and policies shaping, directing, influencing and governing the use of scarce resources of the local governments, (Sharp & Slinger, 1970: 6). The study of Local Government Finance is an examination of its generating, spending, taxing, borrowing and managing.

The fourth Schedule of the 1999 Constitution listed main functions of a Local Council in Nigeria. In carrying out these functions, the Local Government Councils need finance. There are three principal sources of finance to local government. First is the Statutory Allocation from the Federation Account, which is the major source; second is the Non-Statutory Allocation, including project grants from the State and Federal governments or donor agencies, while the third is the Internally Generated Revenue. Other sources include external non-official sources, such as loan credits from banks and other financial institutions; dividends and profits from private companies and interests from bank deposits.

### **CONCEPTUAL DISCUSSION ON NIGERIA LOCAL GOVERNMENT FINANCE AND CONSTITUTIONAL CLARIFICATION OF IT PROVISIONS**

#### **Local Government Finance**

Constitutional and Statutory Allocations: Section 162 of the Constitution establishes the Federation Account —into which shall

be paid all revenue collected by the Government of the Federation. It also provides that the president shall propose the allocation of such revenue to the National Assembly. Specifically, sub-sections (3), (5), (6), (7), and (8) of S. 162 provide, about the local government, as follows:

- S. 162 (3) Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the Local Government Councils in each State on such terms and in such manner as may be prescribed by the National Assembly.
- S. 162(5): The amount standing to the credit of local government councils<sup>3</sup> in the Federation Account shall be allocated to the States for the benefit of their local government councils on such terms and in such manner as may be prescribed by the National Assembly.
- S.162(6): Each State shall maintain a special account to be called —State Joint Local Government Account, into which shall be paid all allocations to the local government councils<sup>4</sup> of the State from the Federation Account and from the Government of the State.
- 5 S.162(7): Each State shall pay to local government councils in its jurisdiction such proportion of its total revenue on such terms and in such manner as may be prescribed by the National Assembly.
- 6 S. 162(8): The amount standing to the credit of local government councils of a State shall be distributed among the local government councils of that State on such terms and in such manner as may be prescribed by the House of Assembly of the State.

It is thus clear that local government constitutionally receives allocation from both the Federal and State Governments. Today, these allocations constitute between 80 – 95% of the total revenue of the councils, depending on each council's location and ability to generate internal revenue. It is now commonplace to hear of —zero-allocation<sup>l</sup> from council leaders. What they mean by this is that all they receive from statutory allocations goes into recurrent expenditure, leaving nothing for capital.

But it has not always been so. The opposite obtained during the Native Authority/Indirect Rule regime, when revenue was generated at the local level and remitted to the Regional and/or Central Governments. Native authorities were known to be self-sufficient, able to generate revenue for administrative costs, maintain their Police and Prisons, build and maintain infrastructures, and provide other local public services.

The greatest assistance they received from the Regional Governments was in the form of cooperation or joint undertakings to run public schools, hospitals, agricultural extensions, etc. The transformation of the native authority system to the local government system and the vast reforms of the latter, particularly the reforms of 1976, could thus be said to be more of forms and symbols and less of contents and substance. Instructively, the operators of the system, and their State and Federal superintendents, in the post-1976 era, were not as keen on the autonomy and fiscal responsibility of the councils as they were on the control and exploitation of their finances.

For example, from 301 councils in 1976, the number proliferated to about 900 during the second republic (1979 to

1983). Councils that could not pay their wage bills, much less implement any social service, were created. It is worth noting that while the Military Government, known for its anti-democratic tendencies, worked for the democratization of the local government, strengthened and funded it, the civilians that took over in 1979 imposed unelected structures, underfunded and generally undermined the councils! It is curious that while the Military tended to circumscribe the powers of the State Governments, they worked for the strengthening of the local governments. On the other hand, while the State Governments, particularly the Civilian Governors, rose to protect and advance their powers, they moved to circumscribe the powers of local governments! Be that as it may, the departing Military Government of Gen. Obasanjo introduced guaranteed funding of the local government into the 1979 Constitution, and also approved a model national financial memorandum for local government.

When the Military returned in 1984, 10 steps were also taken to revitalize the local government system. These included the abolition of the new local governments created by the politicians between 1979 and 1983, which the Military described as —mushroom; establishment of a Training Fund for Local Government Staff; introduction of uniform budgetary format for all local governments; introduction of management audits in the local government system; etc. Similarly, the succeeding Military Government of Gen. Ibrahim Babangida boldly reformed and strengthened the local government system in many areas, including:

- Increasing the statutory allocation to local government from 10% to 15% and again to 20%.
- Direct payment of allocation to the local government (to stop or reduce the spate of diversion of local government funds by State Governments).
- States were directed to promptly pay to local governments their share of the internally generated revenue in the State otherwise the Federal Government would deduct same at source from the States share in the Federation Account before disbursement.
- Federal Government undertook to pay 52% of primary school staff salaries, (teaching and non-teaching), leaving the State to pay 28% and local government 20%.
- Local Government Chairmen were made both the Chief Executive and Accounting Officers.
- The Local Government Service Commission was given increased responsibility in the management of human resources while the Ministry of Local Government in the State was abolished.
- Office of Auditor General for Local Governments in the State was created as well as an internal audit department in each local government, headed by a qualified accountant.
- Establishment of a Local Government Audit Alarm Committee, etc.

These bold measures – though some have been amended and/or reversed – have not translated into a strong, autonomous, viable, and successful local government. As Bamidele Ayo noted, 13 since 1977, the Federal Government has tried with good intention to stabilize the financial position of local governments across the country, through a fairly constant upward review of the statutory allocation accruing to the local governments from the federation

account. But ironically, rather than strengthen the financial position of local governments, the statutory allocation has made local governments financially irresponsible and solely dependent on Federal subventions, thus dampening incentives for local governments to actively generate their sources of revenue with a view to making them more self-reliant. It is the same federal subvention that was designed to shore up the financial viability of the local governments, which have fuelled pandemic corruption among officials of the local government. What we see, in the circumstances, are local governments that do not take seriously their internally-generated revenue drive.

## **SOURCES OF FINANCE FOR LOCAL GOVERNMENT IN NIGERIA LOCAL COUNCIL**

This is the first issue that readily comes to mind. By definition, Revenue generation implies the amount of money that gets into the coffers of the Local Government from time to time. They come from two major sources, and these are:

- Internal Sources

### **External Sources**

#### **Internal Sources**

The Internal Sources are those sources from which the Local Governments can raise or generate funds for their use internally. Funds raised through these sources are generally referred to as Internally Generated Revenue (IGR). The 1999 constitution of the Federal Republic of Nigeria and others before it vests some exclusive rights on the Local Governments to generate funds from these sources for its various tasks. These can be classified into the following eight Heads as outlined by the local governments themselves.

- Various Taxes (Head 1001) They include:
- Community poll tax (flat rate)

#### **Development levy**

- Taxes on Special Services such as (Electricity, Water, Night guards among others as provided from time to time

#### **Rate (Head 1002) This includes:**

- Tenement
- Penalty
- Ground Rent
- Government (Federal and States) grants in lieu of tenement rates
- Local Licence Fees and Fines (Head 1003)

Under this Head, the revenue sources are as much as 100 (one hundred) and they are grouped under the following subheadings:

### **General Licence**

Bicycle licence fee, Canoe licence fee, Dog licence fee, cart/Truck licence fee, Hackney permit fees, Bus/Commercial vehicles fees, Taxi/Motor-cycle fees, liquor licence fees, palm wine Taper/Sellers licence fees, Native liquor fees, Beka cigarette licence fees, Staughters Hawker permit fees, Wart landing fees, Alternative medicine fees, etc.

### **Food Control**

Slaughter fees, Abattoir fees, Eating House fees, kiosk

licence fees, Bakery House licence fees, Registration of meat van fees, Cattle Dealers licence fees, Dried fish/meat licence fees, Cold room licence fees, Batches licence fees, etc.

### **Security**

Auction licence fees, Gold Smith and Gold Seller licence fees, Hunting licence fees, Social Marriage registration fees, entertainment, drumming and temporary boot fees, control of noise permit fees, Cinema graph licence fees, Naming of Streets/House registration fees, Tent of sea/Beach permit fees, mobile sales promotion licence fees, Radio/Television fees, Beggars ministrations fees, Open Air preaching permit fees, social organisation registration fees, etc.

### **Health**

Dislodging of Septic tank charges, Night soil Disposal/Depot fees, Registration of Septic tank dislodging licence fees, Registration of Night soil contractors fees, Impounding of animal fees, pest control and disinfectant charges, Birth and Death registration fees, Burial fees, vault fees, dispensary and Maternity fees, Laboratory test fees, Earning from

### **Environmental Sanitation services, etc. Others include:**

General contractor registration fees, Tender Fees, Sand dredging fees, Minor industry licence fees, Trade licence fees, Petty Licence fees, Sand Granite, Iron rod and seller licence fees, pit sewing licence fees forestry and fuel exploitation fees, sawmill licence fees, felling of three fees, Produce biuoyoing fees, Rice/Mill Cassava grinding licence fees, Ingredient grinding mill licence fees, corn grinding Mill licence fees, Brown sugar machine licence fees, painting, spraying and sign writing workshop fees, workshop licence fees, photo studio licence fees, welding machine licence fees, Electric Radio and TV workshop licence fees, Wood making/Carpentry workshop licence fees, Blacksmith workshop licence fees, Battery charges licence fees, printing press licence fees, panel beater licence fees, Vulcanizers licence fees, Vehicle spare parts licence fees, Cloth driver licence fees, clock-watch repairer's licence fees, Registration of laundries and dry cleaner fees, Motor Mechanic and Car Wash Depot licence fees, Building materials licence fees, Photostat typing institute fees, Block making machine licence fees, sewing institute licence fees, Hair Dressing/ Barbing salon licence fees Advertisement licence fees, miscellaneous.

### **Housing/Works Engineering and Services**

Workshop receipt, Sale of unserviceable store Hire charges, Sales of market Store, Survey and plot fees, Mortgage sublease approval, Customary sight of occupancy fees, commission on transfer of plots, approval of Building plans, etc.

### **Fines**

This includes fines as a result of vehicle/car parking violations, vehicle/cars towed among others.

### **Earning from Commercial undertakings (Head 1004)**

This includes: Market fees, Motor park fees, shops and shopping centre fees, cattle market fees, Abattoirs slaughter house fees, proceeds from sales of consumer Agric, Transport services, etc.

### **Rent on Local Government Property (Head 1005)**

This includes: Rent on Local Government Chairs and Canopies,

Rent on other Local Government Buildings etc.

### **Interest payment and Dividend on Investments (Head 1006)**

This includes Interest on Vehicles and Bicycle Advances, Interest on Loans to other Local governments, Interest on Loans to Parastatals and other limited liability companies, Dividends and Interest from other Investments, Interest on Staff Housing and other Loans.

### **Grants/Donations**

This can come from wealthy Individuals, groups, or industries within the Local Government. It could be specific or general, and it is meant to assist the Local Government as the Donors deem fit.

### **Miscellaneous (Head 1008)**

This entails other avenues/opportunities open to the Local Councils from which they can derive some revenue within the local Government. Examples are: Gains from the sale of blocks, Recovery of losses or overpayments, payment instead of notice of resignation, etc.

The above items are the various sources through which the local governments in Nigeria can raise or generate funds or revenues internally, and there is no gainsaying the fact that they are enormous. However, generating funds internally has remained low and become one of the biggest problems plaguing Nigeria's Local Governments over the years.

### **External Sources**

- Statutory allocations from the federation account
- Statutory allocations from the State governments (10% of their internally generated revenue).
- Foreign Aids and Grants.
- Loans from financial Institutions.
- Donations

The statutory allocations from the federation account to the local governments are 20% of the total amount distributed monthly, and this has remained so since 1st June 1992. Similarly, in addition to the above, the local governments of a State are to receive 10% of the internally generated revenues of the State Government. Further to this, Local governments are entitled to 30% of the total amount accrued to the value-added Tax (VAT) pool account, with the States and Federal government having 50% and 20% respectively. Other revenues, which are shared with the local governments, include: Privatization proceeds, GSM proceeds, Fertilizer subsidy, Stabilization fund, and General ecology.

The local governments also have foreign aid and Grants, which help a great deal in Developmental projects, social services, and security, among others. The councils can also seek to obtain loans for specific projects which they must pay back before the expiry of their tenure. Donations also get to the councils as the Donors may deem fit or are persuaded to do. These are the various external sources of local government revenues for now in Nigeria.

### **OTHER SOURCES OF LOCAL GOVERNMENT FINANCE/INTERNALLY GENERATED.**

Revenue Before the 1976 reforms, local governments were able to generate between 78% to 96% of their total revenue internally.



This was considered good when compared with subsequent developments, but poor when compared with the prior situation when Native Authorities were able not only to be self-sufficient but also remitted money to the central and Regional Governments. Today, however, the internally generated revenue of most local governments is less than 10% of their total revenue.

While it is true that the advent of crude oil income generally discouraged government from internal revenue drive, there are few discernible areas of local government income, which, regrettably, have also failed or have not been able to exploit due to attenuating circumstances.

General or flat rate tax was easily the most potent source of local government internal revenue. It constituted between 55% to 85% of their total income in the early 70s but was abolished in 1980 by the new political leaders in the various States, except Kaduna State (under Alh. Balarabe Musa) and Lagos State (under Alh. Lateef Jakande), in the build-up to the imminent local government elections. The local government functionaries had neither input nor say in this action as they were, at this time, appointed officials of the State Government, the elected leadership having been dissolved after the 1979 elections. Although it remains an avenue of huge council finances, succeeding administrations did not or could not re-introduce these rates/taxes for fear of political repercussions.

Tenement rates are also good avenues for council revenue, but their collection is usually resisted by Landlords. Other areas include:

- Rates from market stalls, motor parks, slaughter houses and slabs, public conveniences; cemeteries, etc.
- Fees from licencing motor cycles, bicycles, trucks (not mechanically propelled trucks) carts, canoes, wheel barrow, radio, television, etc.
- Fees for naming of Streets, use of parks, sewage and refuse disposal, etc
- Fees from registration of births, deaths and marriage;
- Fees from outdoor advertising, shops kiosks, restaurants, bakeries, laundries, etc.
- Profits from commercial ventures
- Development Levies
- Donations and Grants.

## **LOCAL GOVERNMENTS BUDGETING, FINANCIAL MANAGEMENT AND CONTROL**

Budgeting, or local government annual estimates, was once a coherent system of planning but has, in contemporary times, been reduced practically to cash budgeting to meet salaries and allowances and thereafter, claims on a most-urgent-case basis. Local government budgeting varies from State to State. Generally, draft estimates are submitted to the State and are defended by the designated local government functionary. This provides for some uniformity. But the craving for autonomy and demands of democracy have made this approach to budgeting different from one State to another. At the end of the financial year, the finance department prepares the accounts, processes and forwards them to the Auditor General of Local Governments, who prepares and sends the Account to the Public Accounts Committee.

## **IN PRACTICE, BUDGETING AND FINANCE MANagements AND CONTROL, AT THE LOCAL GOVERNMENT LEVEL IS FRAUGHT WITH A LOT OF CHALLENGES.**

First, the Chairman of the Council is not only the Chief Executive but also the Accounting Officer. He most probably campaigned around the entire local government area and attracted huge political followership, responsibilities, and dependents whom he has to serve after assumption of office. These push him to search for ways and means of exploiting council resources. The most popular device has been the sponsorship of workshops and seminars, which are largely not provided for in the annual estimates. Using this device, huge sums of money, being extra budgetary expenditures, are carted away as advances. All the Chairman needs is the support of at least 3 of the Supervisors (who, in any case, are his appointees and often co-beneficiaries) and the connivance of the Director of Personnel Management, to get the expenditure through the local government executive council. Under the old order, the Secretary to the local government, who was a career officer, controlled the votes and ensured compliance with extant rules.

Budgets are treated more as a formality, an annual ritual to fulfill all righteousness, while in practice, every step is taken, often consciously, to obviate or undermine the budget. Here, the use of virement warrants is constantly resorted to, whereby monies are transferred from one vote to the other at the pleasure of the Chairman.

Since the annual financial statement and annual budget are the principal documents which form the basis for auditing the receipts, payments vouchers, and other accounting records of the local governments, it is impossible for the Auditor-General of Local Governments in such a State to perform his functions effectively. It is now clear that the auditing of local government accounts for the State is running into arrears for two years. In the prevailing circumstance, the Auditor-General Reports on each Local Government to the State's Public Account Committee will serve no useful purpose in enforcing accountability on the part of the accounting officers, if the reports become post-mortem exercises in respect of local government chairmen who have probably left office two or three years earlier.

In a paper, Prof. Oyovbaire added to the problems constraining service delivery by local governments. He spoke. The third category of constraint is the phenomenon of moral turpitude of local government functionaries. It is perhaps unfair to isolate local government for the practices of corruption. Corruption, which used to be an aberration, is now almost being erected as a normalcy and an objective and directive principle of government business. What indeed could earn condemnation is increasingly being elevated into a moral plenitude such that the bigger the corruption takes home, the more thanksgiving is arranged in the Church! Corruption is a major constraint to fulfilling electoral promises and delivery of services to the people.

### **Functions of a Local Government Council**

**The main functions of a local government council are as follows—**

The consideration and the making of recommendations to a state commission on economic planning or any similar body on –the economic development of the State, particularly in so far as the



areas of authority of the council and of the State are affected, and proposals made by the said commission or body;

- Collection of rates, radio and television licences;
- Establishment and maintenance of cemeteries, burial ground and homes for the destitute or infirm;
- Licensing of bicycles, trucks (other than mechanically propelled trucks) canoes, wheel barrows and carts;
- Establishment, maintenance and regulation of slaughter houses, slaughter slabs, markets, motor parks and public conveniences;
- construction and maintenance of roads, streets, street lightings, drains and other public highways, parks, gardens, open spaces, or such public facilities as may be prescribed from time to time by the House of Assembly of a State;
- Naming of roads and streets and numbering of houses;
- Provision and maintenance of public conveniences, sewage and refuse disposal;
- Registration of all births, deaths and marriages;

assessment of privately owned houses or tenements for the purpose of levying such rates as may be prescribed by the House of Assembly of a State; and control and regulation of-out-door advertising and hoarding, movement and keeping of pets of all description, shops and kiosks, restaurants, bakeries and other places for sale of food to the public, laundries, and licensing, regulation and control of the sale of liquor.

The functions of a local government council shall include participation of council in the Government of a State as respects the following matters-

- The provision and maintenance of primary, adult and vocational education;
- The development of agriculture and natural resources, other than the exploitation of minerals;
- The provision and maintenance of health services; and
- Such other functions as may be conferred on a local government council by the House of Assembly of the State.

**Subject to the provisions of the Constitution, the main functions of a Local Government Council shall be as follows:**

- Formulation of economic plan and development schemes for a local Government Area;
- Collection of rates and issuance of radio and television licences;
- Establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirm;
- Licensing of bicycles, trucks (other than mechanical propelled trucks) canoes, wheel barrows and carts;
- Establishment, maintenance and regulation of slaughter houses, slaughter slabs, markets, motor parks and public convenience;
- Construction and maintenance of roads, street lightings, drains, parks, gardens, open spaces or such public facilities as may be prescribed from time to time by a Law of the State House;
- Naming of roads and streets and numbering of houses;
- Provision and maintenance of public conveniences, sewage and refuse disposal;

- Assessment of privately owned house or tenement for the purpose of levying such rates as may be prescribed by a law of the House

#### **Control and regulation of:**

- Out-door advertising and boarding;
- Movement and keeping of pets of all description;
- Shops and kiosks;
- Restaurant, bakeries and other places for sale of food to the public;
- Laundries and
- Licensing, regulation and control of the sale of
- Liquor removal of broken down or accidented vehicles from the highways;
- Imposing of levy on owners of broken-down vehicles abandoned in the roads within the local government area for more than twenty- four hours;
- Removal of human corpses and animal corpses from street and or roads within the local government to appropriate places designated for such bodies within twenty-four hours.

**The other functions of a Local Government Council shall include participation of such Council in the Government of a State as respects the following matters, that is-**

- Provision and maintenance of primary, adult and vocational education;
- Development of agriculture and natural resources, other than the exploitation of minerals;
- Provision and maintenance of health services; and
- Such other functions as may be conferred on a Local Government Council by a Law of the House. The main instrument for execution of local government functions is local government Bye-laws and to lesser extent, motion and resolutions. Local Government Bye-Laws comprise rule, regulations, resolutions and other statutory undertakings that have successfully undergone the legislative processes of a Local Government and are assented to by the Local Government Chairman.

#### **EMPIRICAL REVIEW ON THE BASIS OF LOCAL GOVERNMENT FINANCE IN NIGERIA**

The existence and functioning of local government at the grassroots level have many advantages. This primarily lies in the convenience for the range of activities, and the jurisdiction of work of officials is not as vast as in a district or a state. Some community effort and citizen participation in decision-making are higher, and since citizens have a stake, solutions for the subjects handled are likely to be relevant and more pragmatic.

**Grass-root Democracy:** local government provides scope for democracy at the grassroots level. If direct democracy can still be practicable, it is the only level to democratize at the state or national level for an indirect or representative type. It is the only way that less privileged and clamorous voices can be heard.

**Serves as a training school:** local government serves not only as a training ground for the politicians to function at the state and national levels. It provides an outlet for competent and public-spirited persons of the locality to render social service to the community. It is from such a group of experienced and tested persons that leaders emerge to take up responsibilities at state and

national levels. Local government ensures a regular flow of talent to higher levels. It is for these reasons that local self-government is the best school of democracy that guarantees its success.

**Encourages participation in public affairs:** local government affords opportunity to the people to participate in public affairs. Democracy means government of the people, but it has become impracticable for common people to participate in public affairs at the state or national level. The affairs of modern states are too complex to understand for an ordinary citizen, and the affairs at the national level are too far removed to be of much interest for them. The affairs of village, town, or borough are his affairs in which he is interested. Moreover, these are too simple for an ordinary citizen. The sanitation and educational needs for rural dwellers, maintenance of roads, street light, and management of local markets are subjects they understand.

**More competent to solve local problems:** it is competent to deal with the problems which are common to people or national, like defence, foreign affairs, currency, communications, and international trade. It is neither competent nor does it have the knowledge to deal with the local problems of the people. The local problems vary so much that no single agency can manage them. The problems of the villages are different from those of the towns. The problems of desert regions are different from those of mountainous areas. Even the needs and problems of one village or town will be different from those of the other village or town. Local government is for locally elected institutions that employ their specialist staff better placed to interpret both the conditions and the needs of local communities.

**Local government is economical:** it costs the taxpayer much less if his local affairs are managed by local government. If these affairs were to be managed by the central government, that means that the central government would have to keep a large bureaucracy. It will be a big administrative state; its agents or employees, who serve at the local level, have to be paid at the central rates, which are very high. Local government knows that the money spent is their money raised through local sources; it will be economized to avoid wastage. The people in the rural area keep watch on the work done by the local government to hold them accountable for misuse of funds or financial lapses. The central government is not accountable to local people; there is a risk of misuse of funds or wastage at the local level.

**Reduced the burden of Central Government:** local government acts supplementary to the central government. No doubt, historically, the local government is before the state or national government, but with time, many important functions have been transferred to the central government. This resulted in division of functions and affairs of national importance, such as defence, foreign affairs, currency, and communications, which began to be performed by the latter, leaving affairs of local interest and importance which required local knowledge in the hands of the former. Since local functions are performed by local government, the central government is freed from the responsibility and burden; it concentrates on affairs of national importance.

**Serves as a channel of communication:** local government serves as a two-way channel of communication between itself and the central government, desires and aspirations of the local community are articulated and carried upward to the state government, and plans and programs of the state and central governments flow in the reverse direction. In national emergency,

local government acts as the field post of the distant centre, transmits national decisions to far-flung corners, mobilizes the people for national tasks, and keeps the centre informed about happenings in the locality.

**Vital for national progress:** local government is a third-tier government in Nigeria as well as the closest tier of government to the people. The guidelines for 1976 Local government reform in Nigeria describe it as government at the local level exercised through representative councils established by law to exercise specific powers over local areas. The role of local government is to bring government closer to people for the purpose of maximum participation of rural dwellers, and utilize local resources for rapid and even development of local communities.

## 1999 CONSTITUTIONAL PROVISIONS IN NIGERIA

Local government did not have any definite constitutional recognition until it was enshrined in the 1979 constitution, which provides a legal framework to implement 1976 reforms. The goal is to ensure that every state government provides for establishment, structure, composition, finance, and functions of local councils (Diejomoah and Ebo, 2010).

The degree of autonomy local councils enjoy in decision-making and relevance is determined by state governments, and they take advantage of the lacuna created by this constitutional framework to dictate financial and operational structures of local government. The 1979 constitution spelt out the functions and responsibilities of local government. This fall in the areas where local government shares responsibility with higher levels of government, and areas of responsibility that state or federal government from time to time assign to local authorities (Oviasuyi et al, 2010). The constitution guaranteed democratically elected government councils all over the country, but a system of local government by democratically elected government councils is guaranteed under this constitution." Chapter 1, Part 2, Section 7(1). The 1979 constitution allowed the local level to receive federal allocations. Section 149 prescribed that states should provide funds for local governments in their areas (Bamidele, 2013).

The 1999 constitution takes almost the same position on local government as in the 1979 constitution, with some modifications. The fourth schedule, Section 7(2) of the 1999 constitution sets out functions of local government in Nigeria. In theory, not in practice, local government is a unit of government with defined powers and authority and relative autonomy. The functional areas for local government in the constitution are provision and maintenance of health services; primary, adult, and vocational education, and other functions as may be conferred on it by the state assembly. Section 7(1) guarantees democratically elected governments in Nigeria on the strength of these provision that the 1999 constitution acknowledged the powers of local government councils as articulated in 1976 local government reform that these powers should 192 give the council substantial authority on local affairs as well as staff, institutional and financial powers to direct the provision of services, determine and implement projects to complement the activities of state and federal level (Ibeto and Chinyeaka, 2012). Section 162 (5, 6, 7, 8) provides for the funding of local councils through the federation account, paragraph 6 provides that each state shall maintain a special account to be called the state-local government joint account into which should be paid all allocations made to local government councils from the federation account and the

government of the state. This is a reversal of the reform introduced by the federal government in 1988 (Abutundu, 2011).

The 1999 constitution, by Khalil and Adelabu (2011) in Sec. 4, provides that the government of a state shall ensure that every person is entitled to vote or be voted for in an election to the local government council. The 1999 constitution empowers Revenue Mobilization Allocation and Fiscal Commission (RMAFC) to allocate revenue to three tiers of government. The constitutional basis for this allocation of revenue is set out in Section 160, sub-section (2) to (8). Any amount standing to the credit of the federation account shall be distributed among the federal, state, and local government councils in each state, in such manner as may be prescribed by the National Assembly of Nigeria. The 1999 constitution states that the government of every state shall, subject to Section 8, ensure their existence, which provides for establishment, structure, composition, finance, and functions of such council (FRN, 1999). These provisions constitute the legal framework for the local level system in Nigeria, and this constitutional foundation is for functional council administration.

### **THE 1976 LOCAL GOVERNMENT REFORM AND OTHER REFORM IN NIGERIA**

Local government system has passed through a circuitous path in terms of reforms and reorganizations aimed at evolving a viable system that could serve the purpose for which it was created in Nigeria (Ogunna, 1996; Olatunji, 2009). The history of local government in Nigeria can be traced back to the traditional local administration system that existed in various parts of the country before the advent of British colonial administration. The fortunes of local governments in Nigeria were tied to the apron strings of pre-colonial, colonial, and post-colonial 193 successes or failures in Nigeria (Mill, 1994). Before the coming of the white men (Europeans), what existed were relatively autonomous villages, towns, and ethnic groups, each existing on its own with minimal contacts limited to trade, social transactions, and little political relationships with others (Okoli, 2000). In the West, the traditional institutions did not recognize traditional rulers as absolute rulers; in the East, the institutions were more of republican-consensus. In the North, the indirect rule system was accepted due to the existing traditional system that regarded the emir as the sole authority (Imuetinyan, 2002). This necessitated reforms in the 1930s and 1940s that culminated in the establishment of chiefs-in-council to replace sole native authority. The federal system marked another stage of local government in Nigeria with three regions; each region decides its system, but the regional system of local government collapsed in the first republic. The military intervention of 1966 brought a radical change to accommodate the hierarchy of military structure and redress the abuse in local government (Akinola, 2006; Ina, 2002). The regions and their successors took over the control of local government and carried out reforms that were appropriate to the circumstances with mixed results. The 1976 reform was a turning point in the development of local government administration in Nigeria.

Ugwu (2000) states that the reform brought a watershed in local government of Nigeria, and institutionalized the structure, role, funding, and streamlined state-local relations. Orewa and Adewumi (1983) state that the major thrust of 1976 reform benefited from political responsibility for efficient service, due consultation by federating units, legalized local level as third level of government, and unified framework with defined functions.

Local government was funded from the federation account and had control over its spending (Guideline, 1976 Reform). The second republic was turbulent for local government; this was the time the state and the federal levels contested over the control of the local level with each other. Some governors abused some provisions of the 1979 Constitution to suit their desires; they voided some aspects of the reforms (Gboyega, 2001). Between 1979 and 1983, sole administrators were appointed to render inoperative local government elections; this changed the structure of local government from state to federal level (Iyoha, 1997). The Babangida regime of 1985 and 1993 abolished local government autonomy and created the Ministry of Local Government. The executive-legislative arms were established at the local level with direct statutory allocations of 20% in 1992. The Abacha regime of 1993 to 1997 revisited and revised some reforms by the Babangida administration (Igbuzor, 2003).

### **INDICES OF 1999 CONSTITUTION AND LOCAL GOVERNMENT FINANCIAL AUTONOMY IN NIGERIA**

The reality of contemporary local government administration in Nigeria is a lack of autonomy at the grassroots level, on which other challenges bedeviling rural development hinge. Local government election during Abudusalam regime was held on 5th December, 1998. The electoral law through which local government officials were elected (Decree No. 36 of 1998) provides a 3-year term. In May 2002, the state governors dissolved and reconstituted caretaker committee chairmen in 774 councils pending the date of election (Obikeze, 2004). The Association of Local Government of Nigeria (ALGON) proceeded to the Supreme Court for a 4-year term, but the apex court ruled that the National Assembly had no powers to alter the tenure of local government officials. The election was postponed twice due to a power tussle between the Independent National Electoral Commission (INEC) and the State Independent Electoral Commission (SIEC). Although the SIEC was empowered by law to conduct local government elections, the INEC had to update the voters' register and make it available. The election was postponed to 21st June, 2003, a few days after the general elections. On 17th June, 2003, ALGON pushed for constitutional amendment which would empower state governors to conduct elections for chairmen and councilors. The Nigeria Governors Forum (NGF) met President Obasanjo in a meeting, and a 194 technical committee was set up to review local government structure in Nigeria (Obasanjo, 2003). In 2006, the committee recommended that local government elections in development centres like Kogi, Lagos, Niger, Enugu, and Oyo are illegal in line with some provisions in the 1999 constitution. The new council generated a rift between the Federal and the State levels, especially in Lagos state. The revenue allocations that accrued to the Lagos state government during the Tinubu Administration were seized (Nwabueze, 1983). The Lagos State Government dragged the Federal Government to the Supreme Court. The apex court pronounced judgment in favour of the State and other States affected across Nigeria. The Supreme Court ordered the federal Government to pay statutory allocations accrued to the Lagos state government and other states from 1999 to 2007 since the power to manage at the local level is within the ambit of the state government (Otabor, 2004).

The fourth schedule (9) of the 1999 constitution outlines the functions and responsibilities of the local government, but was silent regarding any mechanism that guarantees the financial autonomy of local government. There was no clear-cut guideline

on election timeline for elected officials and their tenure. Most decisions were at the whims and caprices of state governors who hijacked their funds in various states to dispense patronage for political allies (Decree 36 of 1998). It is not surprising that an election conducted by State Independent Electoral Commission (SIEC) was a mockery of democracy because the state electoral bodies comprised card-carrying members of the ruling party in the state (Nkwocha, 2009). Most states in Nigeria run local governments with caretaker committees, and this has been declared illegal by 10 judicial verdicts (Jega, 2011). According to Musa (2011), local government has turned into a caretaker imposed by state governments. In some cases, caretaker ship is perpetuated if the outright denial of democratic local level through caretaker committees demonstrates an increase in authoritarian hold on the councils by state governors. In such cases, the case of where elections are held does not give cause for cheers. Each time a governor assumes office in Nigeria, his first function is to dissolve and reconstitute council officials, whether elected or appointed, to secure grassroots support by hook or crook (Otabor, 2012). This behaviour of the state government is founded on the urge to recontest and desperation to have local government in their firm grip. Section 7 of the 1999 constitution stipulates that state governments shall contribute to state joint local government account for development, but the reverse is the case in Nigeria (Abbas, 2012; Aransi, 2000). Many argued that poor performance of local government officials in Nigeria is anchored on the state and local government joint account. They always complain that allocations accrued to them from the federation account are not remitted due to state government interference (FRN, 1999). The challenge of true federalism is on course, where every level will be accountable to the people. It is possible in the grassroots if there is autonomy at the local level; the elected official will be accountable to the electorate for socioeconomic development. Consequently, our votes and voice matter; there cannot be good governance at the grassroots without autonomy at the local level.

### THE 1999 CONSTITUTIONAL PROVISIONS

The provisions of the 1999 Constitution define the relationship between states and local governments. The main aspects in Section 7(1) of the 1999 Constitution state that the system of local government by democratically elected local councils under this Constitution is guaranteed, and accordingly, the government of every state shall ensure their existence under a law which provides for the establishment, structure, composition, finance, and functions of such councils. Whilst this section guarantees the existence of democratically elected local government areas, it does so effectively with the provision that the local government is a creation of the state to which they belong. The state defines the structure, composition, finance, and functions of local government, and gives the state-wide powers to control the functions of the councils.

Section 7 (6a & 6b) provides for the funding of local government councils by stating that the national assembly shall make provisions for statutory allocation of public revenue to local councils in the federation, and that the state assembly of a state shall make provisions for statutory allocation of public revenue to local councils within the state. These provisions appear contradictory and seem to reverse the previous arrangement under the military administration that guaranteed payment of resources to local government areas from the federation account. While paragraph (a) provides for the allocation of funds from the

federation account to local government areas, paragraph (b) provides for this payment to be determined by individual states. It is possible, therefore, for states to re-interpret the criteria for allocation within a state.

Section 162 establishes the federation account. Subsection (5) of this states that the amount standing to the credit of local government councils in the federation account shall be allocated to the state for the benefit of their councils on such terms and in such manner as may be prescribed by the National Assembly. This implies that the revenue sharing formula for allocations to the local governments from the federation account, as is the case with the other tiers of government in the federation, should be determined by the National Assembly on the recommendation of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). Unlike the other tiers of government, federal-states-local governments' share of the federation account, instead of being paid directly to them, is paid to the state governments for subsequent distribution to the local governments. This justifies the creation of the state joint local government accounts as stated in Sub-section (6) of Section 162, which serves as the receptacle for the revenues allocated to the local governments. The joint account may have been conceived by the drafters of the Constitution as a means to ensure better management of the finances of the local governments as well as the fiscal management and planning in the states, particularly to fulfill the objective of Section 7(3) of the Constitution. The account was to serve as a pool where state governments contribute 10% of their revenues to the local councils as provided in sub-section (7) of Section 162. Since these accounts are established under the control of the state governments, local government loses a degree of autonomy and control over its financial management. This arrangement has been vulnerable to abuse by state governments, and this has a significant impact on the ability of local government areas to manage their resources, especially where adequate provisions, institutions, and planning environment are not in place for actualization of Section 7(3) of the Constitution. Sub-section (8) of Section 162, however, states that the amount standing to the credit of local governments of a state shall be distributed among the local government councils of that state on such terms and in such manner as may be prescribed by the state House of Assembly. This means that the state Assembly of each state shall pass a law on the horizontal revenue sharing formula for the local governments in the state, thus justifying the pooling of local governments' allocations in the joint account. There is no need for another revenue sharing formula at the state level for local governments after the allocations have been made at the national level.

The 1976 local government reforms gave great hopes for the future of local governments. In line with that reform, the military regime of 1988 introduced a presidential system of government at the local level, gave room for elected councilors to constitute the legislative arm of local government. The administration introduced direct disbursement of statutory allocations to local governments as one of the outcomes of the Alhaji Ibrahim Dasuki Commission of inquiry, 1986. Since the inception of 1999 Constitution, the operation of state-local councils joint account as created by provisions of Sections 162 (6 & 8) of the constitution, the powers and independence of local government have been compromised as they are subjugated and subsumed in the hands of state governments, and some state governors use the

resources that belong to local level for purposes that may not be directly related to those the resources were meant for.

## STATE CONTROL OF LOCAL GOVERNMENT FINANCE

The instrument of state control over local government revenues is the joint state-local governments account allocation committee under the commissioner for local government or an officer appointed by the state governor. Though Constitutional creation, was rightly intended to achieve some measure of coordinated fiscal planning, discipline and efficiency at the local level by giving state governments a supervisory role over local government federation revenue particularly to fulfill the objective of Section 7(3) of the Constitution which states that the duty of local council within a state to participate in socio-economic planning and development of the area in sub section (2) of this section and to this end shall be established by a law enacted by the state assembly. In order to give them legitimacy to control revenues accruing to local governments, states are required to make laws that regulate the operation of Joint Allocation and Accounts Committee (JAAC). Some states enacted laws that gave them power to make spurious deductions from Joint Allocation and Accounts Committee (JAAC) at the detriment of local governments. In these states, the local governments, after various deductions at the Joint Allocation and Accounts Committee, are left with monies for operational costs and payment of staff salaries. Some of these deductions include for the payment of primary school teachers' salaries, 1% training fund deduction given to the local government service commission, deduction of varying degrees for traditional rulers, deductions for state-local government joint projects, which in most cases are not under the control of local governments, and other sundry deductions for state political events. Besides controls of Joint Allocation and Accounts Committee (JAAC), some state government exercise control over local government fund through various state government Ministries Department and Agencies (MDAs) like ministry of local government, local government steering committee (LGSC), ministry of health and education.

States have limits to the amounts that the local councils can approve without recourse to the state governor for concurrence. These limits are contained in local government administration law of the state. Any amount above such a limit must be referred to the state governor, his deputy, or commissioner in charge of local governments, as the case may be, for approval.

The state government's interference in local governments' revenue-generating jurisdiction is another way the state government controls the local government funds. Some state governments have taken over completely from local governments' revenue-generating sources that are to be viable. Some state governments claim to enter into some sharing formula arrangements with the local governments for monies collected from those sources that were supposed to be under the local governments' jurisdiction, like motor parks, markets, property tax, waste disposal, forestry, agricultural produce, and tax. This revenue-sharing formula arrangements collapse after commencement; the state government takes over the entire money collected through these sources.

## MANAGEMENT AND ACCOUNT OF LOCAL GOVERNMENT FUNDS BY STATES-LOCAL GOVERNMENTS

The financial memorandum (FM) for local government spells out guidelines for local government financial management and controls; and entrusts the duty on everyone holding office in local government. Local government executive committee is responsible for the management and control of local government finances. The legislative council plays the role of oversight function to the local government financial management systems to ensure compliance and adherence to rules and regulations guiding the management of finances. The routine financial management and accounting functions of local governments are to be carried out by the finance department of the council, often headed by the treasurer or director of finance as the case may be. The finance department is charged with the responsibility to take care of and have custody of local government finances. The treasurer is chief finance adviser to local government, the head of personnel management or its equivalent, and the signatories to the council's accounts, while the finance and general purposes committee (F&G), headed by the chief executive of the council, is the approving authority. The chairman of council is the accounting officer of local governments. Besides, state government agencies have varying roles in the management of local government finance. These agencies include the Ministry of Local Government, State Accountant General and Auditor General for Local Governments, the state local government Joint Account and allocation committee (JAAC), the office of the deputy governor, and the state assembly. This role of council financial management sometimes brings conflicts; and to ensure probity and accountability in managing the financial affairs of the local governments, the finance management documents every necessary financial control that is required to ensure proper management of local government financial transactions. A review of financial management shows that adequate measures do exist for accountability and control, so far as they are intended to make provisions for:

- The financial duties of each of the key offices and office holders within LG;
- The process for budget preparation, inclusive of budget timetable;
- The budget classification system;
- Examples of forms to use in the preparation of budget estimates;
- Procedures for authorized virement of appropriated funds of budget heads;
- Procedures for the care and custody of local government funds example treasury operations, procedures for utilizing and safeguarding treasury cash.
- Procedures for collection of local government revenues;
- Procedures for dealing with loss of funds for dealing with counter-feit;
- Procedures for expenditure control;
- Tendering procedures;
- The management of accounts; and
- Internal audit procedures.

It makes some other far-reaching provisions on external audit as well as audit alarm committee. These various organs are meant to ensure that the necessary checks and balances in the local government, especially in its financial management system, are kept.

It has been noted that the historical antecedent of local government is how it evolved from the native authority to the stage of being a third tier of government. Through various legal

enactments from the 1976 reforms, Ibrahim Dasuki report, 1979 Constitution, the 1988 civil service reforms as applicable to local government, among others, governance at the grassroots has become mature to such a level that, at one time, agitation to scrap local government almost assumed national acceptance. However, it is disheartening to note that the hitherto autonomy and pride of place enjoyed have been rubbished by the combined Sections 7 and 8 of the 1999 Constitution and other state government-enacted laws in pursuance of the two sections above. By this provision, Sections 7 & 8 of the Constitution, the state governments are thus given the license to determine the fate of local government as it pleases them. No wonder, the structure and operation of the local level since 1999 seemed bastardized everywhere. In addition, the 1999 Constitution which was to be an improvement on the various enactments glossed over some important items on local government, which include but not limited to the establishment of office of local government chairman, qualification, removal from office, creation of local government, tenure of office, election of councillors, local government service commission and a host of others.

### **Types of Financial Control**

#### ***External Control:***

It is a control system operating independently of an organization or a system. It focuses on accountability and stewardship. At the local government level, the external controls are the State Auditor General, the Public Accounts Committee of the state house of assembly, the office of the governor of the state, and the president, who issue circulars from time to time to the local governments.

The State Auditor General is empowered to audit the accounts of the local governments in their states. This is a constitutional mandate given to the Auditor General of States. Public Accounts Committee (IAC) of the state house of assembly receives financial statement of local governments and reports of the Auditor General. PAC reviews the statements and reports and can call any officer found wanting to appear before it to explain themselves.

The office in the governor's office or the president's office on local government matters, from time to time, issues circulars to local government on how to utilize financial resources.

#### ***Internal Control:***

This refers to a whole system of controls, financial or otherwise, established by management to assist it in carrying out its functions in an orderly manner, safeguard its assets, secure as far as possible the accuracy and reliability of its records; promote operational efficiency and encourage adherence to policies. (Oshisami, 1992). It focuses on controllability, orderliness of operations, protection of assets, and assurance of accuracy and reliability of records.

Its tools include internal audit, internal check, and other accounting techniques. Every local government has an internal audit unit saddled with the responsibility of objectively examining, evaluating, and reporting on the adequacy of internal control to ensure the proper, efficient, and effective use of resources. The internal audit is a management service. It is established by the management.

**Budgetary Control** As we have seen that budgets are plans for sourcing and utilization of financial resources, the process has to be controlled to ensure that the process is strictly adhered to and any deviations corrected. It should be noted that any deviations from the budget cycle will have spiral effect on the effectiveness of the budget and its implementation.

### **THE OBSTACLES TO LOCAL GOVERNMENT FINANCIAL REVENUE GENERATION, ALLOCATION AND SERVICE DELIVERY IN NIGERIA LOCAL GOVERNMENT**

Akindele (2002), Pavini (2009), and Akwara (2013) et al. identified quite a number of factors militating against the ability of local governments to deliver services in Nigeria. They are: corruption, lack of suitable qualified professional staff, poor work attitude, undue political interference, mismanagement and misappropriation of funds, over-dependent syndrome, tax avoidance and tax evasion, etc. In the views of Akwara et al. (2013:278), since the 1976 local government reforms in Nigeria, a significant amount of money has been sunk into the activities of local government, with the expectation that these funds will enhance their performance in rendering services to the rural people. Unfortunately, the achievements of the lower-tier governments have continued to fall below expectation. The identified obstacles associated with revenue generation and service delivery, among others, are: corruption, lack of suitable and qualified professional staff, undue political interference, and poor work attitude.

**Corruption:** The ability of local governments to provide services to standard, demanded by SERVICOM, has been linked to high levels of corruption among local government officials. In February 2010, the Chairman of Ijebu East Local Government Council in Ogun State was suspended from office on account of various financial misdeeds. Similarly, in Benue State (2010), the House of

Assembly suspended 12 council chairmen in the state and directed that the chairmen should refund a total of 150 million naira, being financial misdeeds associated with the excess crude funds received by local governments in the state (National Mail, Issue 12). In Kogi State, the chairman of Ibaji and Ogori Mangongo Local Government Area was suspended over what was described as non-performance and misappropriation of resources. It was alleged that the statutory allocation of 75 million naira received by Ibaji Local Government for December 2008 was neither used for payment of salaries nor implementation of any meaningful project. More so, the loan of 200 million naira or the excess crude fund of 380 million collected or received by the Ibaji Local Government was not judiciously used. The illustration in explaining the issue of corruption as an impediment in the non-performance of local governments in Nigeria led to the arrest and prosecution by the Economic and Financial Crimes Commission (EFCC) of former Enugu State Government, Chimaroke Nnamani, on the allegation of diverting local government funds in the state (<http://www.articlesbase.com/leadership-articles>).

**Lack of Suitable and Qualified Professional Staff:** Local governments have lost a lot of staff to state and federal governments and private organizations. The creation of more states by both Babangida and Abacha galvanized a lot of local government public servants to seek positions in the newly established state governments. More so, the politics of political

patronage has led to the recruitment of thugs and uneducated men into services of local government as a means of compensating them for political support during elections. Local governments lack skilled technical and professional staff like qualified engineers, medical doctors, accountants, statisticians, economists, lawyers, town-planners, etc (<http://www.articlesbase.com/leadership-articles>).

**Poor Work Attitude:** The Nigerian civil servants have been described as exhibiting poor work attitude detrimental to productivity. Poor work attitude could take the form of absenteeism, lying, indiscipline, laziness, lack of work commitment, lateness to work, etc. **Undue Political Interference:** Local government administrations in Nigeria lack financial autonomy and are often considered as an extension of state ministries. Decisions are taken by state governors and imposed on local governments in their state for implementation. The federal allocations to local government are first deposited into a particular ad hoc account before being disbursed. This undue interference has incapacitated local government from effective functioning on one hand, and alienated grassroots people from enjoying social service delivery expected of local governments in Nigeria. Local government in Nigeria has improved revenue from 1976 to date due to reforms introduced by different regimes, all aimed at making local government effective and efficient in discharging statutory responsibilities to the people. The obstacles ravaging the revenue of local government in Nigeria are multifarious, ranging from over-dependency of local government on statutory allocation of federal and state government, borrowing capacity, corruption, mismanagement and misappropriation of local government funds, ineffective strategies for enhancing internally generated revenue, and lack of skilled and technical personnel. According to Pavini (2009:67), the obstacles facing most of the local governments throughout the country are a lack of financial capacity to execute the functions assigned to them. This obstacle derives partly from the lack of creativity and imagination on the part of the local government to identify and explore new sources of revenues and the increasing dependence syndrome of local government on statutory allocations from the Federation Account. In this regard, local government cannot generate enough revenue internally but rather keeps depending on external sources. Akindele (2002:30) highlighted some obstacles militating against the effective revenue of Nigeria's local governments, to enable the provision for sustainable services:

**Mismanagement and Misappropriation of Local Government Funds:** This is one major obstacle to revenue generation in local government; in most cases, local government funds have been mismanaged. Tax collectors that are charged with responsibility to collect revenue do not adequately exercise the official authority to collect and exploit other sources of revenue available to local government. In addition, many local government officials embezzle local government funds through all sorts of manner like inflating contracts, embarking on white elephant projects, and outright siphoning of funds, which has affected the development process of local government.

**Corruption:** The internally generated revenue is hoped to accelerate the finance of local government, but corrupt practices have bedevilled the Internally Generated Revenue of local governments. On the part of revenue collectors, it has been observed that revenue collectors have in possession unofficial receipts, enabling them to divert local government funds into

private uses. Besides, corruption is the locust that has eaten local government revenue; this manifests in the distorting of revenue return receipts, embezzlement, and misappropriation of funds. **Problem of Tax Avoidance and Tax Evasion:** Tax avoidance is a phenomenon that occurs when a taxpayer utilizes the provisions of the tax laws and identifies the loopholes. On the other hand, tax evasion is a phenomenon where taxpayers practically neglect to pay tax, which is a criminal offence.

**Over Dependency of Local Government on Federal and State Government**

**Allocation:** The local governments are overly dependent on federal and state governments, statutory allocation in financing both recurrent and capital expenditure. The over-dependency of local government on statutory allocation of federal and state government has contributed to the financial crisis or delay in disbursement of statutory allocation and led to a crisis in payment of salaries and other recurrent expenditure. The greatest impact of this over-dependency on the part of the local government has neglected the initiative to establish independent sources of revenue. In addition, inadequate transportation and poor communication networks to reach the community areas, lack of motivational incentives in boosting the morale of revenue collectors, thereby leading to diversion of revenue collected for private uses.

## OVERVIEW OF LOCAL GOVERNMENT FINANCE AND SERVICES IN NIGERIA

The 1999 constitution has outlined the revenue profile of each tier of government; the major areas of revenue generation in the country, which are made up of import, export, and excise duties, mineral royalties, value added tax, and so on, are all within the jurisdiction of the federal government. While sources such as personal income tax (PAYE) and sales taxes that generate considerable revenue are assigned to the state governments. The layout of local government revenue sources consists of community tax, rents, and licenses such as bicycle, wheelbarrow, radio, and television licenses. The revenue sources of local government only generate a paltry amount of revenue that is inconsequential. The overview of local government revenue structure indicates that they heavily depend on statutory allocation for their survival since the internal revenue sources are insignificant (Angahar 2013:112).

Furthermore, these statutory allocations are not paid directly to the local governments but rather to state-local government joint accounts, leaving local government at the mercy of the state government. In reality, most states are reluctant to release funds due to local government councils; the state governments find all sorts of excuses not to channel funds to local governments. Moreover, there is a clear mismatch between responsibilities and revenue powers at the lower tier of government, and this has greatly impaired the ability of local governments to deliver services at the grassroots. In the views of Usman and Erunke (2012:319), the issue of inadequate funds in financing local government services has remained endemic with all local government councils in the country. Since the 1979 constitution delineated a three-tiered federal structure in which each tier, particularly the federal and state governments, has considerable jurisdiction to raise funds. Coming into existence of the 1999 constitution, which ushered in the Fourth Republic, much controversy has been generated with respect to state-local government relations. The state governors not only exercised their



powers under section 7 (1) of the 1979 constitution to dissolve, elect, and replace local government councils with sole administrators or caretaker committees but also created new local government areas. The 1999 constitution entitles state governments to pay 10 percent of the grant to local government councils; very few states honored the provision. Additionally, statutory allocations from the federal account to local government councils, paid into State-Joint Local Government Account (SJLGA), are often diverted by the state government, emasculating local government services. The local government system in Nigeria is problematic, viewing the law establishing its structure and the kind of autonomy both federal and state governments devolve over local government as the third tier of government. The federation allocations to local government are controlled by the state governor, even though the fund does not pass through the office of the governor. As a puppet, the council chairmen are expected to willingly sign off a percentage of their allocation to the state Governor. Any chairman who refuses to abide by this contraption has the State House of Assembly to contend with. A case of Diamen Okon, the former chairman of Akpabuyo local government area in Cross River State, vs. Donald Duke, the former Governor of the state, is an example. Diamen Okon was kicked out of office by the State House of Assembly ingeniously for refusing to comply with the state Governor's instruction over local government allocation from the federal account; other examples abound across (Felix and Okonette 2013:196). Consequently, local governments hardly get the total sum of the statutory allocation from the state-joint local government account in financing their services due to the following reasons. Firstly, what each local government gets depends on the support they give to the ruling party in the election that brought them to power.

Secondly, local governments controlled by the opposing party to the one in government get less than the local governments controlled by the party in government. And thirdly, local government whose state governor is perceived to be disloyal to the President, not minding that they belong to the same party, also gets less intervention grant from the federal government. This is the state of local governments in River State under Governor Ameachi, who is currently at loggerheads with President Goodluck Jonathan, leaving local governments in a perpetual situation (Felix and Okonette 2013:197). According to Otinche (2014:122), federalism in Nigeria creates dependable fiscal relations between the federal, state, and local government. The federal government controls high-yielding revenue heads and allocates the average and low-yielding revenue heads to the state and local government, respectively. Among the low yield sources of revenue to the local governments are taxes and rates, licenses and fees, revenue from commercial ventures, and miscellaneous sources. The miscellaneous sources of revenue, like bicycle and radio licences, are not viable sources of revenue for local government councils in Nigeria in this modern era compared with the scope of their responsibility.

Admittedly, Local Government Authorities in Nigeria are empowered by law to impose and collect certain defined taxes, levies, and other charges within their jurisdiction, among other reasons, to provide the local government authorities with necessary funds or revenue needed for effectiveness and smooth running of the affairs of the local governments. In most cases, local government authorities engage the services of tax contractors

who impose and subsequently collect these taxes and levies through their employed agents for and on behalf of the local government. The personnel sometimes mount road blocks or cause road blocks to be mounted for the purposes of collecting taxes and levies in gross contravention of the extant laws. Many Nigerians, and indeed other foreigners resident in Nigeria, have been victimized by these agents, who sometimes act thuggishly and resort to violent measures in collecting taxes/ levies from unsuspecting citizens (Otinche 2014:124).

## THEORETICAL FRAMEWORK

The paper adopted Development theory as its framework as propounded by theorists like Lele (1975), Zamani (2000), Ola (1984), and Adamolekun (1983). The theories originated from developing countries in an attempt to position local government as a developmental agent. For example, in Nigeria, part of the 1976 local government reforms was to ensure development at the grassroots. The theory is criticized on the basis that after many years, local areas in the developing countries remained underdeveloped. The theory is also biased because it is not concerned with the development of the people in the rural areas. As a result, the benefits and the purpose for establishing local government for the development of the people at the grassroots are defeated. These theories provided explanations on what local government ought to be to ensure the development of the local areas. However, local governments in developed countries serve the purpose of these theories because they are created by the local people themselves to develop their local areas. They are outcomes of concerted efforts of the people at the local level to have governments that can serve the interest of the local people. This cannot be said of developing countries, especially in Nigeria, where local government is created through partitioning of local areas to serve the interest of the political or military elites that created them. Using such local governments as agents of development is impossible. The inconsistencies in local government creation in Nigeria from the colonial era to the present make it difficult for the adaptation of the various theories to explain how local government is operated in Nigeria.

## METHODOLOGY

This methodology deals with data presentation, findings, and discussion collected from the primary and secondary sources, which were presented on a hypothesis formulated to guide the paper presented. The research design for this study is a sample survey design, due to the large population size of the two area councils of study. The 1999 constitutional provisions, which authorized state governments to receive local government funds from the federation account, undermined financial accountability at the grassroots in Nigeria's fourth republic.

### Primary Data

The primary data are obtained directly by the researcher from the field of Study. The primary data types collected from respondents are both qualitative and quantitative. For the qualitative type, the researcher conducted oral interviews with targeted respondents who are staff of both area councils. For the quantitative data type, the researcher administered questionnaires with the aid of a research assistant to sampled beneficiaries of the two area councils (residents in selected communities of the area councils). Also, we used the observation method to collect some data qualitatively.

## Secondary Data

The secondary data was sourced from official documents of Finance. These data are in quantitative form, assessed using the council's budget officers and internet service to retrieve the data of the Federal Ministry of Finance. Also, the use of published and unpublished master's theses was used for the study.

## Administration of Instrument

The administration of the instrument includes systematic and standard procedures for collection of data. It includes questionnaire, interview, and observation.

**Questionnaire:** The questionnaire, as an instrument for data collection, is used to elicit responses from the respondents (beneficiaries of service delivery in local area councils) because of the large number involved. The questionnaire was administered face-to-face to the respondents, comprising both open and closed questions.

**Interview:** An oral interview was conducted by the researcher with departmental heads of Account, Health, and Environmental Sanitation in area councils. The interview conducted provides supplementary information on the responses that are not clear using the questionnaire and verification of open-ended questions.

**Observation:** Non-participant observation of service delivery in local area council was employed due to time constraint. The objective is to comprehend the responses of the questionnaire and interview collected.

## Method of Data Analysis

In this study, a quantitative method of data analysis was used for data collected through a questionnaire and narrative of qualitative data (interview). This is to reduce the large amount of data from primary and secondary sources into sizes for easy analysis.

## SUMMARY OF DISCUSSION OF FINDINGS

This study was set out to assess local government financial and revenue generation and service delivery in the Local Area Council of Nigeria Federation. Seeing variation in health care and environmental sanitation services provided by the councils, area council services in rural areas are at low ebb when compared with Area Council in urban centres. The study tries to understand factors responsible for this variation. Either level of funding or the council's revenue sources is responsible for the differences. In achieving this objective, the study assessed sources of revenue generation, i.e., external and internal, and the viability of internal revenue stated in financial memoranda for local government finances and how it has affected health care and environmental sanitation services, specifically, in Nigeria Area Councils from 2008 – 2025. For aiding the research study, literature on revenue sources and service delivery is reviewed. Empirical studies of the relationship between the three tiers of governments (Federal, State, and Local Government) revenue sources, specifically local government in provisions of the constitutional responsibilities stated in the Fourth Schedule of the 1999 Constitution of Federal Republic of Nigeria, were also reviewed. Thus, the research is guided by the theoretical framework of the theories of local government by Gboyega (1987).

The research methodology for this study was collected from primary and secondary sources of data with the use of questionnaires, interviews, academic journals and articles, published and unpublished master's theses. In Nigeria, Area Councils are clustered into communities due to the large population size of the councils for questionnaire administration. Interviews were also purposively conducted with selected heads of department to comprehend the responses to the questionnaire from sample respondents of the study and observation of the selected services. Subsequently, the data were presented and analyzed to enable the researcher to test for hypothetical statements using chi-square statistical tools. However, the first hypothesis testing reviewed there is a significant relationship between the level of funding and quality service delivery; the second hypothesis also reviewed there is a significant relationship between the revenue sources and quality service delivery in Area Council. On this ground, the major findings, summary, conclusion, and recommendations of the study were drawn.

## CONCLUSION

In conclusion, the failure of local governments in socio-economic development was expressed by former President Obasanjo in 2003 that it is on record that at no time in history of Nigeria had there been the level of funding accrued to local level from federation account, yet the hope for rapid development had been a mirage as successive councils grossly under-performed in their assigned responsibilities. Constitutional provisions which authorize the state government to receive local government funds from the federation account impeded service delivery at the grassroots, and excessive empowerment of the state to oversee local-level affairs. These constitutional provisions undermine financial accountability at the grassroots in Nigeria, and if amended, will enhance transparency and accountability. Based on the findings, the paper recommends as follows: There is a need to include local government in provision of chapter (1) part 1, sub-section (2) as one of the federating units of Nigerian federation with its establishment, composition, powers, functions, and tenure all spelled out. This will put a halt to the humiliating status local government has been subjected to over the years.

Section (7) of the 1999 constitution is full of contradictions and confusion. It is under this ambiguity that state-level governments hide to manipulate the council system by aborting democratic governance and impose caretaker administration to usurp statutory functions of the local level and plunder its resources.

## RECOMMENDATION

Local government should be provided for their financial autonomy and guarantee its status as the third tier of government with power to exercise all executive, legislative, and administrative functions.

Amendment of section 162 of the 1999 constitution will scrap state-local government joint account and stop state governments from tampering with local government funds of statutory allocation from the federation account, which gets to the local level due to illegal and sundry deductions.

All lawful methods to stop this fraud, as pronounced by the apex court and other courts of competent jurisdiction, have been frustrated at state level. This will guarantee direct remittance of

local government funds with necessary checks to guard against mismanagement of public funds. This will go a long way to broaden revenue generation capacity of local level and forbid higher levels of governments from encroaching on the statutory role of local level as listed in the fourth schedule of the 1999 Constitution.

Expunging the state independence electoral commission in section 197 (1) (a) and part II of the 3rd schedule is a factor. The state independent electoral commission withholds, delays, and frustrates elections into local government through all manner of gimmicks both legal and political. The repeal of the 1999 Constitution will transfer responsibility of grassroots elections to the federal election management body (INEC), as obtained in the 1979 Constitution, in the electoral process to checkmate 'win all' syndrome by the ruling party at the state level.

The omission of local government service commission in the 1999 Constitution makes them inferior among their federal and state counterparts, with all forms of discriminatory practices. This commission needs constitutional recognition as quasi-judicial bodies to enjoy its funding from the federation account and draws its entire staff from service. This will save the commission from the current spate of dissolution and muzzling by state government.

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