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FINANCIAL MANAGEMENT IN LOCAL GOVERNMENT: THE CHALLENGES AND PROSPECTS OF THE 21st CENTURY - NIGERIA PERSPECTIVE

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Abstract

Globally, government pursued various form of public Financial Management (FM) reforms to enhance Local Government (LG) performance. A poor FM has contributed to the failure and inefficiency of LG in achieving substantial development while most LG faces the problems of wide gap between citizens' needs and the financial resources. Therefore, this call for better understanding of the concept, challenges, steps and roles of FM in LG. It is against this background that the study examined FM in LG with a view to determining its contribution to the economy, efficiency and effectiveness of LG administration. The study employed an exploratory research design with focus on relevant literatures. The study concluded that LG administrators should act in the same manner as their counterparts in the private sectors based on modern FM practices, this will increase efficiency, financial capability, transparency and accountability in goods and services delivery. In addition, a sound internal control mechanism should be put in place to minimise the level of fraud, corruptions and wastages affecting LG system and its grassroots development. Besides, LG should always prepare accurate and reliable annual budget while financial planning and control should be seen as an important aspect of an effective FM.

Keywords: Accountability, Administration, Budget, Efficiency, Financial management, Local government, Transparency

INTRODUCTION

All over the world, government adopts various strategies and approach for good governance at the grassroots level. The government at the grassroots is called local government. Local government exist through the process of democratisation and full participation of citizens at the grassroots level in decision making. Its establishment is to serve two purposes, firstly, as administrative body for providing goods and services for the need of the citizens within the locality. Secondly, as a democratic set-up for full representation of community members in decision making at the local government level. Local government plays a vital role in socio-economic development of the grassroots, either rural or urban setting. It is the government that is closest to the grassroots by making governance and service delivery available to citizens at the community level. It also aid the development of the grassroots administratively and politically. According to Sikander (2015), social, political or economic development becomes meaningful and real when it comes from the grassroots which is the lowest society's level. Mbieli (2018) stated that no nation can be termed developed when its villages are lagging behind and its cities going ultra-modern. It is the local government that balance the equations between the cities and the villages through developmental programmes in order to achieve public policies. Globally, government has pursued various form of public financial management reforms to enhance local government performance in areas of accountability, transparency, rules of law compliance and service delivery to the generality of the citizens within the community.

Finance is the fuel of any form of administration, either private or public. At the local government level, it constitutes the lubricants for the wheel of good administration. According to Aborishade and Marshall (1981) cited in Hassan (2011), finance is a thread that runs round the cloth, if the thread is pulled wrongly at one end, it will affect the design of the cloth and destroy its beauty. Therefore, finance in any organization must be handled with care and must be disbursed according to laid down rules and regulations. A sound financial administration is the core of good efficient, effectives and equity which are the guiding principles of financial management. Efficiency is the ability to achieve maximum results at minimise cost, effectiveness deals with expenditure relevance in meeting the management objectives, while equity ensures justice and fair play in all management activities. The overriding factor in local government financial management is the basic operation of financial services in a competitive, efficient and cost effective manner. Besides, the efficient management of local government finances is constrained by the political impunity of state governors and this has undermined grassroots developments (Otinche, 2014). Financial administration which is the crux of financial management is the art and science of financial planning, coordinating, organising and evaluating of local government financial resources in order to achieve the best objectives, goals and performance targets. The objective of financial management in Local Government aligns with the three components highlighted above. Olowe (2011) defined financial management as the management of business finance in order to achieve business or organisation objectives. The word management connotes planning, coordinating, controlling and monitoring organizational financial resources. At the Local Government level, financial management is the appropriate steps taking to ensure proper revenues generation and further utilisation of such financial resources in line with Local Government objectives, goals and citizen's expectation.

In Nigeria, the major challenge to local government administration is funds, this has dwindle over times due to economic depression and financial melt-down while in the recent time, this has been aggravated by the event of COVID-19 pandemic that occurred all over the world. This financial meltdown has contributed to the low space of growth and development in local government in areas of socio-economic developments and provision of viable developmental projects. The number of abandon projects in local government due to lack of funds because of mismanagement, misallocation and inefficient uses of funds is enormous, thereby jeopardising the well-being of the citizens within the locality. This poor financial management approach has contributed to the basic failure and inefficiency of some local government in achieving substantial development of their locality, while in recent times, this had led to lack of trust, faith and confidence in local government administration. Besides, the persistent hijack and control of local government statutory allocation and financial resources by some state governors, has also negatively affects the performance of these local governments in carrying out their constitutional responsibilities. The introduction of state joint local government account has reduced the power of financial autonomy and strength to advanced sustainable development at the grassroots. In some instances, joint account is used to compel local government to engage in joint project(s) with little or no relevance to the citizens within the local government or projects that is outside the immediate needs of that locality. Wada and Aminu (2014) opined that state and local government joint account allocation committee coupled with much supervision of various ministries and agencies have made the financial autonomy of local government a mirage. At present, most local governments faces the problems of wide gap between citizens' needs in their locality and the financial resources required for meeting such needs or demands. This gap occurred at times due to population increases; misallocation of functions and revenues; the high cost of standard of service required in areas such as education, health, environment, water infrastructure and others; leakages in internally generated revenues through pilferages, corruption and lack of will of revenue officers; and inefficient machineries to produce and deliver good public goods and services.

As a key players in the provision of fundamental basic public services delivery, most local government in developing countries, faces rapid and chaotic urbanization due to impacts of frequent natural disasters caused by climate change (UN-Habitat, 2015). Also, there has been high level of negative perception of financial management in local governments. This at time, due to inadequate internal control system to checkmate the excessive fraudulent activities on revenue collections and insertion of ghost employees' names in the local government payroll system, this has resulted in loss and leakages of funds which is tailored towards mismanagement and corruption pertaining to local government administrations. This has resulted into local government failure in its responsibility of meeting citizens' demands in the provision of public goods and services.

Local Government needs to plan to ensure that enough financial resources are available at all time in order to meet the needs of the Local Government expenditure in achieving the set goals and objectives. Good financial management enhances an effective management and functioning of local government administration. Financial management are beneficial to the local government when financial resources are properly planned and executed in the best interest of the citizens. Finance is very important to any organization whether private or public sector as all expenditures in various department either capital or recurrent rest on the availability of required financial resources. Finance is an applied field of management and it differs from accounting. Accounting is concerned with measuring, recording and reporting of economic and social activities at the local government level, using double entry principles and control in keeping organisational financial data. Accounting data are historical in nature but could be a better pointer to the future. Accounting is all about timeliness, relevancy and quality of financial information while finance uses accounting information to make economic and social development decision that will achieve the desired objectives and goals. Financial management has become a things of interest to academician, financial managers and policy makers at the local government level, termed grassroots governance. To the academicians, the focus is how the practice of financial management can enhance financial resources planning and control at the local government level. To the financial managers and policy makers, since most decision at the local government relates to financial resources, better understanding of the theory of financial management along with its conceptual and analytical knowledge in decision making is required. Financial management in modern day approach has grown beyond revenue collection and payment of expenditure but includes the rigorous financial decision making in areas such as investment, capital budgeting, project management and sound financial control. Therefore, a sound financial management practices in local government will aid long term economic, social, and infrastructural sustainability of local government in Nigeria. The objective of this study is to assess financial management in local government with a view to determining its contribution to the economy, efficiency and effectiveness of local government administration. The theoretical implication of the study is the contribution to knowledge and literatures as financial management in local government and public sector in general is still an emerging issue with less related research.

REVIEW OF EXTANT LITERATURE

Conceptual review

Local government: Local government is that part of the government of a nation that deals with matters at the grassroots, administered by local representatives. It is the government at the bottom of a government institution pyramid with National/Central/Federal government at the top, this is the chief custodian of administration and supreme formulator of the broad national public policy. This is followed by the intermediate government called State/Region/Province, responsible for providing effective coordinating link between the central and local government, while the structure at the bottom is the third tier system called the local government, created by the central and state enactment. Nigeria is a sovereign, democratic, secular and federal republic. Federalism implies operation of three different political systems organized in hierarchical arrangement of central, state and local government (Mbieli, 2018). Local government is the lowest in the government hierarchy within the concept of federalism. Federal is the sovereign nations, state a quasi-sovereign, local government the intra-sovereign (Khalil & Salihu, 2011). In Nigeria, after 1976 local government reforms, local government was acknowledged as third tier of government as enshrined in 1979, 1989, 1999, and 2011 (amended) constitution of Federal Republic of Nigeria. Section 7(1) of Nigeria 1999 constitution stipulated and guarantee the system of democratically elected local government councils while section 8 provides for the establishment, structure, composition and finance in each state under the laws. Also, functions of local government are highlighted in the fourth schedule of the 1999 constitution. In Nigeria, there are 774 local government as enlisted in the fourth schedule of the 1999 constitution, although there are various Local Council Development Area (LCDA) established in some states according to individual state law. In Lagos state, there are 20 local government and 37 local council development area.

Local government as an institution at the grassroots, entrenched democracy and achieve a broader concepts of peoples' social and economic welfare for the provision of public goods and services. According to Sikander (2015), local government institution allowed effective participation and involvement of citizens at the grassroots in decision making, political affair and democratic process. It does not involve in decision making in areas such as taxation, international trade, national defence, financial institution and foreign policies. Local government is responsible for the management of local affairs by the local people within a given locality of village, town, district, city or specified jurisdiction. The word local government is derived from two words, local and government. Local relates to interaction of common group of people confined in the same area like village, district, cantonment, county or municipality. While the word government, means the autonomous nature self-taxation, self-direction, and legal entity (Mbieli, 2018). Government is the machinery put in place to regulate human conducts and behaviours in a particular locality through the means of laws enacted and enforceable (Adebayo, Dada & Olarewaju, 2014). Therefore, local government is the government of local communities within a particular geographical location, practicing self-government and managing their affairs with derived powers, roles and functions from a constituted documents or statutory laws. Looking from the political or democratic angle, it is a tier of government closest to the citizens, it has the constitutional responsibilities to guarantee political, social and economic developments of its geographical areas and the citizens.

Functions of local government

According to the fourth schedule of Nigeria 1999 constitution, the functions of local government are:

1. Formulating the economy planning and development of schemes for local government area.
2. Collection of rates and issuance of radio/television licences.
3. Establishment and maintenance of cemeteries and home for destitute.
4. Licensing of bicycles, trucks, canoes, and other articulated vehicles/cars.
5. Establishment, maintenance and regulation of slaughter house, slaughter slab, markets, motor parks and public convenience.
6. Construction and maintenance of road, streets, street lights, parks and gardens, open space or such public facilities.
7. Naming of roads, street and numbering of houses.
8. Registration of birth, death and marriage.
9. Promoting and maintenance of sewage and refuse disposal.
10. Control and regulation of outdoor advertising, movement and keeping of pets, shops and kiosks, restaurants, bakery and either places for sales of foods to the public.
11. Licensing, regulation and control of the sales of liquor.
12. Maintenance of primary educational schools and primary health care services.
13. Provision of recreational, provision and maintenance of amusement parks.

Financial Management- Financial management is the management of finance in order to achieve the objectives of management. It involves all functions concerned with revenue generation and use of such financial resources for the attainment of the local government objectives. Akinsulire (2019) stated that financial management involves the use of accounting knowledge, economics models, mathematical rules, systems analysis and behavioural science for assisting management in its management functions of financial planning, control and management. Financial management draws on related subjects such as financial accounting, management accounting, economics, law, quantitative techniques and behavioural science. According to Pandey (2005), financial management is the managerial activity concerned with planning and controlling of the firms or organization financial resources. Finance is the life blood of any organisation, this required to be managed for the success of an organisation. Therefore, Banerjee (2009) opined that financial management involves systematic efforts of management devoted to the management of finance needed for all organisational activities. This involves sources of fund and employment of such in various areas of organization for the attainment of organisation objectives. Hassan (2011) stated that financial management tends to be beneficial only when activities are properly planned and executed. It is a whole system to the extent that when a unit of it is defective, the whole structure becomes defective. Financial management in local government entails revenue generation, fund allocation, resources administration and treasury management.

Steps to financial management in local government

In order to achieve prudent and sound financial management at the local government level, the financial adviser at the local government needs to:

1. Determine the financial objectives of the local government
2. Outline the plans of action and select the policies for achieving these objectives
3. Carryout financial plans, input these in the local government overall plans.
4. Compare the actual with plans, evaluate any form of variances from the plans.
5. Establish causes of variances.
6. Review process/plan and redesign/revise the objectives where necessary.

Legal framework for financial management practices and standards in local government in Nigeria

The accounting practices and some standards addresses various financial management issues in respect of transparency, accountability, consistency, integrity, economy and value for money decision. In respect of financial reporting, financial management ensure that report are not only timely and reliable but also a useful document for decision making by the various interest groups or stakeholders. The legal framework for financial management in Nigeria involves the followings:

1. Constitution of the Federal Republic of Nigeria (hereafter called the 1999 constitution)

This provides the general framework for local government financial administration and controls of public funds. It outline the various types of government funds, revenues and expenditures patterns. It provides the basis for reporting financial transactions in government in terms of budgeting, accounting and auditing.

2. The Finance (Control and Management) Act 1958 as amended and now referred to as CAP F 26 LFN 2004

This outlines the management and general operation of public funds. It regulates the accounting systems, outline the various books of account to be maintained and the process and procedure to be followed in the preparation of government final account and financial statements.

3. The Annual Appropriation Acts as provided for by 1999 constitution.

This is an annual budget process of the revenues and expenditures to be embarked upon within a particular calendar year as approved by the appropriate legislative arms of local government.

4. The Public Procurements Act 2007 as amended.

The Act aimed to ensure transparency, probity, accountability, competitiveness, efficiency and effectiveness in local government procurements of goods, services and execution of works.

5. The Fiscal Responsibility Act 2007.

Financial control in government was re-affirmed through the passing into law in 2007, the Fiscal Responsibility Acts 2007. The Act aimed at installing the best practices in public financial management, thereby, enthralling transparency, accountability and good governance in public sector. The objectives of FRA Acts is to promote transparency in budget preparation, execution and reporting; strengthen accountability and sound financial management in government; ensure high standards in financial disclosure; ensure prudent management of financial resources; and ensure access to comprehensive information on government financial activities by the citizens.

6. The Treasury and Finance Circulars

These are various forms of directives and guidelines issued by ministry of finance to guides the conduct of public sector financial management.

7. The Financial Memoranda.

This is a third tier legal framework which serves as an instrument of accounting and financial control. It outlines rules on action acceptable and those deemed unacceptable in local government. It is a body of governing rules and record keeping. It covers areas and approaches to financial reporting, sources of funds, expenditure allocation patterns; and funds management.

8. International Public Sector Accounting Standards Board (IPSASB).
9. Local Government Administrative Laws
10. Local Government Bye Laws.
11. The Audit Act (1956)

This outlines the process and guidelines on the audit of local government financial statements.

Challenges of financial management in Nigeria local governments

In Nigeria, local governments face different challenges according to their peculiarities and status. Some of the common are:

1. Constitutional challenges – creation of state and local government joint account according to section 162(6) of 1999 constitution.
2. Lack of technical and managerial capacities for providing qualitative public goods and services delivery.
3. Shortage of funds for meeting the overgrowing expenditures.
4. Lack of bye laws and other legal guidelines.
5. Lack of operational vehicles for revenue collections and other administrative activities.
6. Political and traditional intervention on revenue drives, leading to loss of revenues.
7. Overbearing power of state governor on control of local government revenues and financial resources.
8. Corruption and political instability.
9. Lack of budget discipline
10. Lack of financial autonomy

National Financial Intelligent Unit (NFIU)

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

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

NFIU guidelines on local government

NFIU guidelines meant to protect the financial integrity of expenditures, ensure good financial management, fight corruption and address money laundering challenges at the local government level, and also to stop the state governor from tampering with local government money. It will also serve the purpose of freeing financial system from being flooded with cash which criminals use to escape transparency, accountability and criminal investigations. The guidelines stipulated that banks should not allow any form of transactions from any Local government joint account without first reaching the Local government account. If withdrawal takes place before the fund reaches the Local government account, such bank is to be surcharged and sanctioned locally and internationally. Joint local government allocation account will only exist for the receipt of allocation to be shared to only local governments in accordance with section 162(7) of the 1999 constitution as amended and not for any other transactions or purposes. It encourage local government to have a single salary account, single revenue account and single running cost account and not to maintain additional accounts for purpose of mitigating money laundering and helping investigation and accountability. Cash withdrawal from any local government accounts have cumulative withdrawal of ₦500,000 per day while other form of payment to be done through a valid crossed cheques or electronic funds transfer. All financial transactions by the Local government will be registered and monitored by NFIU through E-payment module.

Sanctions/ penalties

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

General impact of full implementation

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

Financial management decision in local government

There is need to match expenditure with revenue, this is one principle of financial management. Money plays a vital role in the management of an organization inclusive of local government. Finance (money in broader sense) is the lifeblood of any organization. In local government, financial management decision function can be broken down into three major areas of investment decision, financing decision and efficiency/value for money decision (efficiency divided). This is called the triangle of financial decision in public sector.

Investment decision – this involves the judicious utilization of financial resources on existing viable opportunity, with a view of earning good returns to the provider of fund or resources (Hassan, 2010). In local government, investment decision result from the utilization of (a) internally generated revenue and statutory allocation to finance projects (b) probably fund raised through loans or bonds from the money and capital market to finance projects and infrastructural developments. Investment decision on viable projects is arrived at after due project evaluation. This evaluation is not only based on financial benefits but also on the economic, social and sustainable benefits to the citizens. Investment decision making is a core managerial function by the executive committee of the local government. In public sector, the most prominent investment evaluation techniques is the Cost Benefit Analysis (CBA). CBA determined the viability of public sector projects in terms of multitude of benefits derivable from the project with the associated cost and along with externalities assessment. It is designed to assess economic viability of projects from the view point of the citizens and the society. It enhanced project appraisal in public sector with proper investment planning, communal policy and development policy being evaluated.

Financing decision – local government financing decision focus is on the traditional taxing power to generate revenue and the collection of statutory allocation. Local government in Nigeria has three sources of revenue, these are external, internally generated revenue and loan. The Nigeria 1999 constitution section 162 (10) defines revenue as any income or returns accruing to or derived by the government from any source and includes: any receipt however described arising from the operation of any law; any receipt however described from or in respect of any property held by the government; and any returns by way of interest on loans and dividends in respect of shares or interest held by government in any company or statutory body. The role of government finance is to link the cost of government's activity against a defined outputs.

Internally Generated Revenue (IGR)

These are the internally generated funds by the local government based on their economic, social and structural endowments of the local government.

Some of these revenues are:

1. Tenement Rate (Property tax) – This is a tax assessable on landed property of either commercial or residential buildings. It is a major sources of revenues to local government. The assessment is based on the types of building and structure.

2. Local license fees and fines – These are licenses approved for various commercial activities at the grassroots such as general licenses (bicycle licenses and hackney permit fees); food control (slaughter and bakery licenses fees); social (merriment, marriage, street naming, radio and television licenses fees); economic (tender fees and contract registration fees); hire of plants and sale of unserviceable equipment and goods.
3. Earning from commercial undertakings – This involves revenues from motor parks, markets, investments, agricultural produces and other commercial activities.
4. Rent – These are proceeds from government properties such as landed property, building either for commercial or residential, parks and events center.
5. Interest / Dividend – These are incomes from any form of financial investments such as fixed deposits, debenture and shares.
6. Miscellaneous Receipts – These are proceeds from any other forms of sources not classified under any of such heading above, such from hearse and cemetery, letter of identification, drug revolving fees, health services and miscellaneous activities.

In addition, other sources of revenues available to the local government with higher authorities approval for compliance and utilisation are the use of short term funds such as bank overdraft, money market instruments, invoice discounting, trade credits and factoring; the use of medium term sources such as venture capital, hire purchase, term loans and mortgage of property; while the third group is the use of long term sources such as bonds, debentures and investing in shares through the capital market.

Efficiency/ Value for money decision- measuring performance in public sector (inclusive local government) is a necessity, it is to ensure transparency, accountability and value for money in respect of public decision on the use of public funds, and effective performance at all levels of governance. Information on public sector performance is to enhance public interest and confidence on governance and opportunity for the government manager to assess their own performance and outputs. Performance measurement in the public sectors takes account of economy (whether specific inputs are acquired at the least cost and at appropriate time), efficiency (how productive inputs are translated into outputs), effectiveness (how output achieve the desired outcomes), quality of service and financial performance. Efficiency involves the relationship between the inputs and outputs, it is a vital factors that promote performance in public sector. It measures the citizens returns on the resources (taxes) invested in governance, it is based on the comprehensive assessment of outcomes and its longer term impacts on the citizens, communities and the nation at large. Citizens' expectation of public services performances dictates their level of satisfaction with the government and with its goods and services (James, 2009; Poister & Thomas, 2011). The more efficient service, the more citizens get value for money from government programmes and projects development while inefficient services represent resources wastages and loss to the communities and the nation. Efficiency dividend is a vital factor that dictate on ways and manner government manager makes use of public funds for the provision of goods and services for the citizens. The public expectation for public goods and services is rising on daily basis, this is seen in areas such as schools, hospitals, infrastructural development and high standard of services and programmes in terms of efficiency, productivity and effectiveness, fairness, trust in government, transparency and accountability. Value for money reflect transparency and accountability in the use of public funds for achieving the best maximum benefit from such funds that is available. Efficiency dividend/decision contributes towards the advancement of government programmes and policies with least cost, and by achieving best returns and performance on financial resources used.

Theoretical Review

Efficiency Theory: The efficiency theory of local government administration is justified on the utility of taxes for social and economic development, and enhancement of individual tax compliance behaviour to an increase in the revenue collection at local government level. A good financial management leads to fiscal efficiency and fiscal discipline. This acts as the basis for good governance at the local government level. Efficiency is the ratio of input to output, the theory posits that local government should be more efficient than other tiers of government in terms of service and public goods delivery at the grassroots. It also means the ratio of actual output to effective capacity. This is where the actual services compared with the effective capacity at local government level in order to show the level of efficiency achieved, when compared with other tiers of government. An efficient and effective financial management at the local government will reduce input and increase output of services. In Nigeria, the 1999 Constitution and Fiscal Responsibility Act (2007) as highlighted in the second schedule part 2 section 4 (1a and b) and the fourth schedule section 7 (1 and 2) stated the modalities for fiscal efficiency. According to Ezeani (2012) cited in Izueke, Anyadike and Nzekwe (2013), efficiency theory is justified as the basis for local government existence, to provide the required services to citizens at the grassroots. As an agent of services delivery and provision of public goods at the grassroots, it is an avenue to provide these services and public goods more efficiently than the other tiers of government. The ability to achieve good performance and efficiency service, good financial management is paramount in managing the resources of the local government. The efficient use of government funds is to increase government capacity, improves lives and wellbeing of the citizens and strengthen the foundation of country's economy by contributing to the sustainable development. This has profound impact on the citizens and local government communities at present and the future. It is in line with the objective of public sector to satisfy citizens' interest by providing goods and services beneficial to the communities and the citizens.

Empirical review

Uryszek (2013) studied financial management of local governments in Poland with selected problems. The study showed that public finance sector is decentralised whereas the financial autonomy at local government is low coupled with low revenue that are unable to covered expenditures. This resulted into huge local government debts. A system of equalizing grants was adopted to minimise the horizontal fiscal imbalances. In Nigeria, Eze and Harrison (2013) studied financial management in local government. The study revealed that lack of technical manpower and constitutional loopholes for the creation of state and local joint accounts hinders efficient financial management in local government. The study recommends full financial autonomy and improved technical personnel at the treasury department of the local government. While Adebayo, Dada and Olarewaju (2014) in their studied on effective financial management of local government funds using Ido-Osi local government areas, revealed that local government needs an urgent improvement on their financial control mechanism, thereby ensure rationalisation of expenditures patterns in order to achieve optimum performance at local government level. In addition, Izueke, Anyadike and Nzekwe (2013) studied the management of local government finance in Nigeria with the challenges and prospects. The study revealed that management of local government finance are characterize with problems such as lack of long term financial planning, inappropriate budgetary process and implementation, corruption and inefficiency in service delivery. The study further recommends that there should be removal of all forms of cogs in the wheel of local government administration in order to enhance efficiency in management, good financial planning and sound budgetary process and implementation.

Ohaka, Dagogo and Banyie (2016) studied international public sector accounting standards and local government financial management in Nigeria. The study reported that adoption of IPSAS has added value to transparency and accountability in local government financial management. It was recommended that full adoption of IPSAS in Local government will improve good governance and sound financial management practices. In the same vain, Ironkwe and Muenee (2016) studied treasury management and local government development in Nigeria. The study revealed a positive correlation between treasury management and local government development. It recommends that local government should ensure sound treasury management in order to safeguard financial resources required instituting development.

Management should also ensure more revenue are generated while a sound internal control system should be instituted to monitor and prevent fraud and misappropriation. Due process in the award of contract and budget implementation should be strictly adhere to. In addition, in the study carried out by Abdullahi and Ahmad (2018) on good governance and local government administration in Nigeria. The study revealed that local government performance was quite dismal due to poor financial management, lack of autonomy and inadequate local leadership. The study concluded that institutionalization of good governance in local government is the best strategy for local government sustainable development along with improvement in revenue collection and judicious utilization of financial resources.

METHODOLOGY

The study employed exploratory research design using relevant books, journals and other literatures in the field of public sector accounting, local government administration, finance, and Nigeria constitution. These were reviewed, conclusion drawn with appropriate recommendations for purpose of increasing the frontiers of knowledge.

CONCLUSION

The prospect of good financial management in local government starts with local government administrators. Local government administrators or management should act in the same manner as their counterparts in the private sectors act or work. The private sectors management put more emphasis on corporate growth, business viability and maximization of shareholders wealth, in the same vain, local government management should ensure efficient and effective management of financial resources of local government for sustainable growth and development; and maximization of citizens' needs and expectations. The introduction of modern financial management practices in local governments will increase efficiency in the management of financial resources and financial capability, improve debt management and capital investment decision, enhance budget and budgetary control, and also enhance quality of transparency and accountability in service delivery. A good financial management is vital to government to achieve value for money from all public expenditures, reduce government budget deficit and improve budget structure and reporting, and enhanced good quality of public services. The success of financial management at local government level depends on the vibrant, efficiency and effectiveness of the treasury department. The finance and treasury department is the pivot department for all financial administrations. Therefore, the success or failure of local government lies on the way and manner the financial management is being administers and maintained. Effective financial management will enhance rapid development at the local government level and ensure efficient allocation of scarce resources, in addition, a sound internal audit unit and control will add value to a good and sound financial management in revenues collections and expenditures disbursement. A good budget and budgetary control mechanism must be entrenched for a sound and effective financial management. In addition, effective financial management will minimize the level of fraud and corruptions affecting local government system and will contribute to development at the grassroots.

RECOMMENDATIONS

1. Financial planning and control should be seen as an important aspect for effective financial management.
2. Financial adviser (Council treasurer) should ensure adequate revenues are achieved for meeting the expected expenditure of the local government.
3. The local government should prepare accurate and reliable budget are prepared with good budget monitoring and budget plan, for effective implementation and enhancement of good financial management.
4. Good and sound internal control mechanism should be put in place to minimise fraud and wastages in financial resources and also to enhance performance in the provision of public goods and services.
5. Local government should have full financial and administrative autonomy by stopping of state joint local government allocation account in order to forestall financial resources and administrative independence.
6. Independent National Electoral Commission (INEC) should be in charge of conducting local government election, this is to guide against imposition by state governor that breed financial impropriety, indiscipline, corruption, and inefficiency in the administration of local government affairs.
7. Due process mechanism should be adopted in the procurement and award of contract at local government level.
8. The accounting system should be improved upon to assist management to plan operations, keep track of resources, enhance decision making and ensure proper accountability.
9. The finance of local government should be tightened with appropriate measures in minimizing loss of council's fund.

SCOPE FOR FURTHER STUDIES

The research shows that financial management is vital to local government efficiency and developments. In the future, researcher could consider study on the impact of financial management on economic and social development in local government, or empirical study of financial autonomy in local government and infrastructural development, or the impact of accountability and transparency on revenue generation in local government. Also other element of financial management such as budget and budgetary control, internal audit/external audit could be considered on efficiency, effectiveness and infrastructural developments in local government.

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