Assessment of Budget and Budgeting Control of Nigerian Local Government Administration

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Abstract
(Times New Roman 12p Itilized) This paper is to critically examine the assessment of budget and budgeting control of Nigerian local government administration. The objectives of the paper is to identify budgetary process, types of budgets and objectives of a budget in a local government administration. Secondary sources of data was mainly used for the study. The study find out that State and Local Government Joint Account of the local government in Nigeria has a great effect on the financial operations of the local government administration which lead to delay/withholding the release of local government allocation, lack of accountability and transparency and poor budgeting process and control. Problems of revenue collection in the local government was also identified such as tax evasion and avoidance. It was recommended that there is need for the abolition of the State Joint Local Government Account. This should be done by amending some of the sections of the 1999 Constitution (most especially Section 162 sub-Sections 1 to 6). The issues of delay and withholding the funds of local government should be stop and effective tax administration should be imposed, this will go a long way in improving the economic growth and development of Nigerian local government administration.

Key words: assessment, budget, budgeting, control, local government and administration

I. Introduction

Government at every level (Federal, State, or Local Government), exploit various avenues of generating revenue with a view to financing both its recurrent and capital expenditure programmes, Hannatu (2014). Preparing a good budget always depends on the sources of revenue of every government.

Budgeting in both developed and developing nations is very strategic in nature and all-encompassing as it is through it that government's scarce resources are allocated to programs and services. Budgets must be well designed, and implemented using appropriate budgeting techniques. To this end, targets and strategies of a budget must be based on the needs and aspirations of the people, through a realistic assessment of the financial resources, capacity, institutional framework as well as application of appropriate budgeting techniques/systems.

However, the quality of decisions resulting from the budget process and the level of its acceptance depend on the characteristics of the budget process that is in use. This brings the idea of good and bad budget process. One of such characteristics of a good budget process is that it must be inclusive and open in order to achieve the objectives of the social inclusion, probity and accountability as core elements of a good budget. This can be achieved through active participation by all stake holders, Abdulrahman , Abubakar and Rabiyatu (2018).

The term budget has been defined in several ways, each emphasizing on the issue of planning and control of future activities. This clearly underscores the essence of good decision-making at the beginning and end of an accounting period. Hence, budgeting has been identified as a process of setting performance standards for future activities so as to engender the exercise of full control (of costs, revenues and other activities) over expenditure. It has also been defined as a means of obtaining accountability and control over the use of money or over all activities (Dandago 2014).

Budget is the most important instrument for managing scarcity, which is an economic fact of life. Both revenue and expenditure sources of individuals, firms and governments are known and they need to be effectively estimated and pursued for actualization. Budget is to serve as a guide towards ensuring this, (Dandago 2014).

Budgeting in government encompasses two phases of financial management cycle. The first consists of the expression, in monetary terms, of the short-term and long-term plans of government in term of policies, programmers, projects, and activities as the yardsticks against which the numerous actual programs, projects and activities of government are to be measured. The second consists of practical execution, internal control, accounting and auditing in such a way that all the plans could be well executed, internally controlled and accounted for. In public governance, the citizens are expected to be vigilant on the way budget is formulated, prepared approved implemented monitored and accounted for (Dandago 2014).

The fact that budget is an important instrument in managing scarcity is enough for any serious government to ensure its effectiveness in all its ramifications Budgeting exercise demands thorough scrutiny of the sources of funds and expenditures a critical evaluation of all claims/proposals, prudent spending of realized revenues to minimize costs and maximize savings timely reporting of actual results at the end of the budget period and rigorous variance analysis, so that reliable feedbacks for future budgeting could be obtained. All the three arms of government in legislative and judiciary- are to ensure that government financial management is caned out with effective budgeting exercise serving as the foundation, especially at the local government level being the grassroots level for all citizens (Dandago 2014).

Where a local government fails to be responsible to its role on budgeting and effective financial management, the citizens are expected take their “whistle”/their right and blow it as loud as possible so that those in government could be made to return to their senses. Whistle blowing is becoming a vital right of the citizens, all over the world, deserving all necessary legal protections and incentives, including monetary. It is needed in ensuring the effectiveness of public budget cycle (Dandago 2014).

According to Kabir (2014) stated that budgetary control refers to the process of comparing budgeted standard with the actual results, with a view to taking necessary actions to address any deviation (variance) if any, which could affect the achievement of the objectives enshrined in the budget, which aims at improving the general wellbeing of the citizenry. Effectuate budgetary control, will therefore, helps to ensure adequate and sustained Provision of social goods and services enhanced public performance, provide the necessary Social capital to support entrepreneurial development, provide educational facilities to enhance the quality of education, improves sanitary conditions and health facilities, meaningfully energy the restless youths in productive activities and generally improves the overall wellbeing of the citizen by bringing about Socio-economic growth and development.

According to Ogunna, Adeola and Amuwo (2008), a local government is a government at the grassroot level. It is a political authority which is created for the local communities for the purpose of providing local services and promoting local democracy. The primary purpose of the local government system is to bring government to the local level where the people will be fully involved in providing essential services which include; even and rapid development, full exploitation of local recourses for development, collections of taxes among others.

II. Conceptual Issues

A budget may be defined as a financial or quantitative statement showing planned income and expenditure of an organization for a period of time, usually one year. In other words, budget may be viewed as a means of obtaining accountability and control over the use of money or overall activities of an organization. Therefore, a budget could be seen as a 'financial map" or "operational guide for an organization". Simply put a budget is a detailed financial plan that quantifies future expectations and actions relative to acquiring and using resources. Budgeting is said to apply in all kinds of organizations, government or private, profit-making or not for-profit, service or trading, big or small. This is simply because all resources are said to be scarce based on the demand for them. Therefore, the scarce resources of organizations need proper utilization, so as to minimize cost, control activities, enhance efficiency and effectiveness, motivate workers, enhance the achievement of desired objectives and avoid cash disappointments. Although, budgets do not guarantee success, the certainly help to avoid failure, (Kabir 2014).

ICMA defined the term budget as "a plan quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing planned incomes to be generated and or expenditure to be incurred during that period and the capital to be employed to attain a given objective".

Budgeting Process/Steps

The steps that are noticeable in the budgeting process are as follows:

Step 1: Goals Identification

Step 2: Collection and Analysis of data

Step 3: Develop Yardsticks for decision-making

Step 4: Ranking of alternative causes of action

Step 5: Make Decisions and state expected outcome

Step 6: Monitoring Actions to Ensure Results

Step 7: Measurement and Reporting of Actual Results

Types of Budget

Budgets may be classified either based on period or based on activity as follows:

(I) Classification Based on Period (this comprise of short-term budget, which covers a period of one year or less; long term budget, which covers a period of between three to ten years; and medium-term budget, which covers a period of between one to five years).

(ii) Classification Based on Activity (this comprise of operational budget, a budget of revenue and expenditure; cash budget, showing expected cash in-flows and cash out-flows; capital budget, which are directed towards proposed expenditures capital projects and often require special financing; and administrative overheads budget, covering the administrative expenses of an organization) kabir (2014).

III. Budget Improvement Techniques

Every budget starts at a particular stage, hence the use of noticeable four improvement techniques in budget preparations; kabir (2014) identified the following budget techniques;

1. **Incremental Budgeting** (a technique which presumed that established levels from previous year's budget are an acceptable baseline, and changes are made based on new information, usually leading to incremental increase in the budgeted amounts).

2. **Zero Base Budgeting** (a technique which assumes that current operations start from zero level, requiring every expenditure to be justified for the new budget period, irrespective of where it is new or continuing ones. No expenditure is presumed to be acceptable because it is reflective of the status quo).

3. **Continuous (Rolling) Budgeting** (this budget is formulated initially for a period say 1 year broken down into monthly or quarterly budget, and as each month or quarter passes, a budget the corresponding period of the following period is prepared ensuring that a budget is always existence for the immediate future of I month or quarterly. For example the 1st 3 months will be planned in greater detail and the remaining 9 months in lesser detail because of the greater uncertainty about longer future term).

4. **Planning, Programming Budgeting System** (a technique which requires the analysis of purposes and objectives for which funds are requested, the costs of programs for achieving objectives, the work perform Under each program and alternative courses of action with a view to finding the most effective means of reaching basic program objectives) kabir (2014).

Objectives of Budget

kabir (2014) provided the following objectives of a budget, which are as follows:

i. Plan policies to be pursued over a defined period of time.
ii. Coordinate all the functions of an organization.
iii. Enables performance evaluation and control.

iv. Control activities by clearly defining targets of outputs, input and expenditure of each Program, activity or department.
v. Provides formal way of translating objectives into specific plans.
vi. Serves as a medium of communication for organizational plans, programs and activities.
vii. Reduces fire brigade approaches to decision making.
viii. Reduces the problem of uncertainty about organizational objectives.
ix. It is a way or motivating managers to achieve the goals set for their units.
x. It serves as a benchmark for controlling on-going operations.
xi. It helps in developing a team spirit among personnel
xii. It brings about efficiency and improvement in the working of the organization.

IV. The Concept of Budgetary Control

According to Kabir. (2014) who believed that every rational economic agent, especially government, at whatever level prepares a Spending profile. This profile may be yearly, monthly, weekly, daily or even for any other specific period or occasion.

The spending profile also specifies the expected revenue and expenditure of the government during the fiscal period. The aim of budgets, therefore, is to guide an organization in future operation. Budgets are there're controlled once put into use. Budgetary control may be defined as the process of comparing budged standard with the actual results, with a view to taking necessary actions to address any deviation .Corrective actions may involve re-adjusting the budget or investigating reasons why events are different from plan. Mathematical deviations from actual and expected results are termed variance. Variance analysis is therefore the logical examination of deviations in an attempt to identify areas for improvement.

Steps of Budgetary Control

According to kabir (2014) for a budget to attain a good budgetary control, the following steps should be followed: -

i. Preparation of budgets based on specific objectives.
ii. Actual results are then computed at the end of the budget period and recorded.
iii. Actual results in (ii) is compared against standard in (i) above
iv. The variation is investigated in order to know its causes or reasons, before an appropriate action is taken.
v. Revision of budgets in the light of changed circumstances

Budgetary Control in Nigeria

A number of studies have shown that in the past three decades there has been a progressive increase in the total expenditure of the 3 tiers of governments in Nigeria with a corresponding decrease in revenue. This has led to fiscal operational deficits and Government has been faced with the problem of not possessing the wherewithal and the financial discipline to adequately control her budgetary expenditure in order to sustain and achieve economic growth and development. Studies have shown that the fiscal operations of the government are negatively affected when budgets are inadequately controlled resulting to deficits and escalation in the level of borrowings. Escalation national debt stock brings about greater challenges to effective debt management and availability of resources to finance welfare enhancing programs, in the long run, which could thwart economic growth and development, kabir (2014).

V. Internal Sources of Revenue to the Local Governments (Decree No.21 of 1998)

(a) Tenancy rates; (b) Shops and kiosk rates; (c) Fees for on-off liquor licenses: (d) Fees for butcher slabs; (e) Fees for marriage, birth and death registrations: (f) Fees for street name registration (except in the state capital); (g) Motor park fees; (h) Market taxes and levies (except in any market where state finance is involved); (i) Fees for domestic animal licenses; (j) Fees for bicycles, trucks, canoes, wheelbarrows, carts and canoes; (k) Fees for right of occupancy on land in rural areas (except those of federal and state governments); (m) Cattle tax, applies to cattle farmers only; (n) Entertainment levy (o) Fees for radio and television licenses: (p) Vehicle parking and radio license fees; (q) Charges for wrongful parking; (r) Fees for public convenience, sewage and refuse disposal; (s) Customary ground permit fees; (t) Fees for permits for religious establishments; and (u) Fees for permits form signboards, bill boards and advertisements.

VI. Problems of Revenue Generation at State and Local Governments Levels.

From the works of Mukhtar (1996), Isyaku (1997), Abdulkadir (1998), Ibrahim (2002), lshaq (2002) and Williams (2002) the problems of internal revenue generation at State and Local government levels are: [1] tax evasion; [iii] lack of trained, effective and motivated revenue staff [iii] Nonchalant attitude of some tax officials; [iv] problem of assessment; [v] lack of effective tax administration; [vi]slowness of legal proceedings; [vii] lack of up-to-date statistics on tax payers; [viii] lack of commitment to pursue IGR sources available to the state and local governments; [ix] non-collection of development level from taxable persons.

VII. Local Government Joint Account

The local government revenue generation for its performance is mainly based on its statutory allocation from Federation account. Therefore, this statutory allocation serves as the main base of local government fund in Nigeria. This statutory allocation is not paid directly to the LGA rather through the mechanism of State Joint Local Government Account with the intention to ensure transparency and accountability in Local government system. The State Joint Local Government Account emerged as a result of 1976 Local Government Reforms which was later enshrined in the 1979 constitution (Section 149 (4-5).

During the Babangida"s regime, the State Joint Local Government Account was abolished and which ordered for direct payment of federal allocation to the LGs account (Ogunna, 1996). However, the emergence of democratic governance in 1999 re-introduced the State Joint Local Government Account in Nigeria which is stipulated in section 162 subs - section 5 - 8 of 1999 Constitution. The controversies or debates on the issue of State Joint Local Government Account led to the bill sponsored by the former President Goodluck Jonathan for abolition of State Joint Local Government Account which was approved by the House of Representatives by altering Section 162 and recommended for replacement of the State

Joint Local Government Account with special federal account known as Local Government Council Allocation Account. However, the House of Senate rejected the proposed bill. This work is set to critically examine the effect of State Joint Local Government Account on local government system and the reasons for the continuous abuse of State Joint Local Government Account in Nigeria.

Okafor (2010) examines the local government financial autonomy in Nigeria with focus on state joint local government account in Borno State. He viewed that "the operation of the State Joint Local Government Account as provided for in the constitution should contribute to cooperative administration, accountability and transparency in local governance within the principles of separation of powers and

the rule of law." He further observed that in reality the operation of State Joint Local Government Account is the opposite and that the Borno State governments interfere with the financial autonomy of local government with the mechanism of State Joint Local Government Account which undermines development. He advocated for direct allocation to the LGA and establishment of an independent audit agency to inspect statutory allocations.

VIII. Empirical Review

Adebayo, Adenle and Ojeleye (2021) in their study examined the influence of budget and budgetary control on planning and decision making in selected Osun state government ministries in Nigeria. Questionnaire method was utilized to gather the data used for the study and the outcome of the research was analyzed using frequency, Standard deviation, mean, percentages, and multiple regression analysis. The questionnaire was administered on 100 respondents out of the total of 120 circulated. The data collected were analysed using simple regression analysis and all hypotheses tested at 0.05 level of significance. The result showed that that there is a functional significant relationship between the service provided by the ministries and level of satisfaction derived by the populace with R=0.842 and p-value = .000, which lies below the α (alpha) values of 0.05. It also showed that there is a significant relationship between adequate funding of ministries and the achievement of ministries targeted goal with R= 0.495 and p-value = .000, which obviously lies below the α (alpha) values of 0.05. The study concluded that the populace is satisfied with the services provided by each ministries and the expectation of the populace is that the ministries will do better in meeting their needs better if they were well funded.

Empirical study conducted by Olurankinse, Yabugbe and Ibadir (2008) states that budget as a control tool for evaluating performance in the State Ministries was found to be poor and ineffective. Nickson and Mears (2012) examined the relationship between budgetary control and performance of state ministries in Boston Massachusetts, a sample of five ministries were examined to test the relationship between budgetary control and performance of state ministries, secondary data was used and a review of 10 years was used, a regression model was used for data analysis and a statistical positive relationship was found between budgetary control and performance of state ministries. The results of the regression analysis concluded that proper budgetary control measures led to performance of state ministries. Malgwi and Unegbu. (2012) in a similar view, find out that budget success cannot be achieved without adequate provision of financial resources. Report of budget process should inform stakeholders the direction a ministry is going.

Marcormick and Hardcastle (2011) carried out a study on budgetary control and organisational performance in government parastatals in Europe. A sample of 40 government parastatals were used for establishing the relationship between budgetary control and organisational performance, secondary data was used and a period of ten years was reviewed. A regression model was used for data analysis and the results of data analysis revealed a positive relationship between budgetary control and organisational performance of government parastatals.

A study by Serem (2013) examined the budgetary control in Non-Governmental Organisations and its effects on their performance. The research target population consisted of 7,127 Non-Governmental Organisations as provided in the Non-Governmental Organisation Board of Kenya. 30 NGO's were selected using convenience judgmental sampling technique for this study, both local and international organizations with headquarters in Nairobi and its environs. The study findings established a weak positive effect of budgetary control on performance of NGO' s in Kenya and suggested the need of sensitizing employees on budgetary controls so as to improve its consequent effect of performance.

IX. **Theoretical review**

Different theories have been developed on government budgeting. The bottom-up theory and the top down theory are used for the purpose of this research work.

Bottom-up theory is a normative theory of budgeting propounded, according to Trucker (1985), by the early studies of Pyhrr in the early 1970s. It involves the collection of all needs or request of the different units of an organisation presented in form of estimates of funds required for their proposed activities which are summed up by the central authority to obtain the total budget for the coming fiscal year. In other words, the approach adopted in bottom-up budget best explain by zero-based budgeting method that starts with basis of zero and calculate cost of running each programme from the scratch. While using the approach, each programmes must be extensively reviewed to justify its inclusions in the budget.

Top down theory emerged in 1990s as a response to fiscal crisis encountered in budgeting formulation. Under this theory the central authority or top management echelon places ceiling on the resources to be made available to the units. However, efforts are made to meet the need of units so as to obtain a better performance from their operation, some of the benefits of this theory are ease of development, challenging the accounting officer of each units to formulate efficient budget by setting optimum priorities, providing early guidance to the budget planner thereby reducing or eliminating the need to cut budget.

X. Effects of the Operation of State Joint Local Government Account (SJLGA) on Local Government in Nigeria

The following are the effects of state Joint Local Government Account on Local Government in Nigeria include the following;

1. Loss of local government autonomy
2. Excessive deduction of local government allocation:

3. Poor budgeting

4. Lack accountability and transparency

5. Diversion of local government allocation

6. Delay/withholding the release of local government allocation

7. Challenges of development and economic growth

8. Poor performance of local government constitutional functions

9. Emergence of local government as a mere administrative than a tier of the state.

10. Leading to mismanagement of local government financial allocation

XI. Recommendation

The following recommendations are given base on this writing;

i. There is need for the abolition of the State Joint Local Government Account. This should be done by amending some of the sections of the constitution (most especially section 162 sub-sections 1 to 6).2.

ii. An independent agency should be established to oversee, inspect, and monitor the allocation of revenue /spending of the local government expenditure so as to give effective accountability and transparency.

iii. Training and re-training of personnel of Finance and Account Department should be done regularly, so as to update their skills and techniques of accounting principles and standard, this will go a long way in preventing fraud and other financial vices in the local government.

iv. Proper planning of the budget should be done accordingly so as to avoid poor budgeting making or poor performance of local government constitutional functions.

v. The issues of diversion or delay/withholding the release of local government allocation must be stop by the States Government, this will go a long way in improving the financial or administrative functions in the local governments councils.

vi. Conclusion

The paper is to examined the budget and budgeting in Nigeria`s Local Government: An overview. With regards to Nigeria's budgets over the years, the budget process of Federal, State or Local Government has always been fraught with monumental abuses. The most visible bottlenecks are associated with budget implementation. With all the budgets appropriated in the last decades in Nigeria, the growth rate of the GDP has been below the 7% bound suggested for breaking the shackles of poverty in any developing and less developed economy (Center for Justice, 2014). Efficient public service delivery system has collapsed to the extent that people are deprived of the basic needs of life. This problem of poor service delivery can be traced to lack of social inclusion in the budget process. Consequently, there has been increased interest in participatory budgeting experiences in recent years in order to address the problems of lack of social inclusion in the governments' budget process, which are reflected in the institutional and financial support for the development of participatory mechanisms. Institutions such as the World Bank, UNESCO, the United Nations, and the UK Department for International Development (DFID) have been deeply involved in several phases of the participatory processes.

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