



Addressing Revenue Leakages in the Nigerian Local Government System: An Overview

Nnamdi Didigwu

Department of Public Administration and Local Government

University of Nigeria, Nsukka, Nigeria

Nnamdi.didigwu@unn.edu.ng

ABSTRACT

It is obvious to speculate that there has been increased awareness and advocacy towards transparency in the management of revenue in the Nigerian local government. This is because despite the internal and external revenue accruing to the local governments, its citizens do not see the proper utilization of these revenues. This qualitative study discusses in real terms the revenue leakages in the Nigerian local governments and ways of addressing them. This study observed that Local governments in Nigeria suffer from revenue leakage due to various reasons such as complicated tax system which include too much discretionary power of tax officials, non-transparency leading to corruption and revenue leakage; inefficient and corrupt tax administration, lack of infrastructure, scarcity of qualified tax officers, low incentives for tax officers and low tax morale due to “culture of corruption”. To address these challenges, the study recommends among others that strengthening transparency and accountability mechanisms in the Nigerian local government provides an opportunity to reduce revenue leakage and stem corruption, firming the governance of the sector and thereby reducing the many incentives for the abuse of power and capture of revenues which distort policy and politics in Nigeria.

Keywords: Nigeria, Transparency and accountability, Revenue, Revenue Leakages, Local Government, Corruption

INTRODUCTION

One of the recurrent problems of the three-tier system in Nigeria is dwindling state of revenue in the Nigerian local governments. Local governments are the nearest government to the people at the grassroots in Nigeria, they are strategically located to play a pivotal role in national development. Since they are responsible for the governance of about 70 percent of the population of Nigeria, they are in vantage position to articulate the needs of the majority of Nigerians and formulate strategies for their realization, thus, phasing out leakages in the Nigerian local government. Studies in various developing countries such as Nigeria indicate that it is not uncommon that half or more of the taxes that should be collected cannot be traced by government treasuries due to corruption, revenue leakages and tax evasion. This tax-base erosion is particularly damaging since insufficient domestic revenue mobilisation is considered the root of the adjustment and growth problems faced by many developing countries, especially at its grassroots. These are some examples of the adverse effects of revenue leakages in a country’s revenue administration: Significant revenue leakages in the local governments, for example in Nsukka, impacts on the funding available for public service provision; reduction of voluntary compliance with tax laws and regulations through bribe-paying for tax evasion; resistance to reforming the tax structure and erosion of public trust and confidence in government institutions - undermining the legitimacy of government especially at the grassroots level.

According to Aryee (2003), statutory grant provisions and other central government financial support notwithstanding, the local governments in Nigeria and Nsukka in particular, are not able to manage, and as well, generate sufficient revenue at the local level for development. The low level of revenue

mobilization coupled with misapplication of funds by local authorities has been a source of concern especially the federal governments. Thus, scholars have been speculating on how the fund generated is managed. This study therefore is set to address the challenges of revenue leakages in the Nigerian local government system.

Conceptualizing Key concepts

Concept of Revenue

The term "revenue" refers to income generations, especially those that accrue to government. It collectively covers income generated from sources such as taxes, fees, duties, tariffs, sale of public goods and services, profits or dividends from public enterprises, interest on loans, among other sources (Taylor, 1984, Buchanan, 1960; Pigou, 1982).

According to the Oxford Advanced Learner 's Dictionary (2006), revenue is defined as the money that a government receives from taxes and other sources. In simple terms, revenue is income that a company receives from its normal business activities, usually from the sale of goods and services to customers.

Revenue refers to an increase in net worth resulting from a transaction. For general government units, there are four main sources of revenue: taxes and other compulsory transfers imposed by government units, property income derived from the ownership of assets, sales of goods and services, and voluntary transfers received from other units.

In many countries, such as the United Kingdom, revenue is referred to as turnover. Some companies receive revenue from interest, dividends or royalties paid to them by other companies (Carcello, 2008). Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time. Profits or net income generally imply total revenue minus total expenses in a given period. In accounting, revenue is often referred to as the "top line" due to its position on the income statement at the very top.

According to the US Department of the Treasury (2006), revenue, for non-profit organizations, may be referred to as gross receipts. This revenue includes donations from individuals and corporations, support from government agencies, income from activities related to the organization's mission, and income from fundraising activities, membership dues, and financial investments such as stock shares in companies.

The Australian Government (2010) identified revenue to include gross proceeds from taxes levied on companies and individuals, excise duties, customs duties, other taxes, sales of goods and services, dividends and interest received. In general usage, revenue is income received by an organization in the form of cash or cash equivalents. Sales revenue is income received from selling goods or services over a period of time. Tax revenue is income that a government receives from taxpayers. In more formal usage, revenue is a calculation or estimation of periodic income based on a particular standard accounting practice or the rules established by a government or government agency. Corporations that offer shares for sale to the public are usually required by law to report revenue based on generally accepted accounting principles or International Financial Reporting Standards.

In most developing countries, tax revenue from individual and corporate incomes, sales, Value Added Tax (VAT), customs duty, estate and capital gains form the main sources of government revenue, with VAT, customs, and corporate taxes emerging as high performing revenue sources (IMF, 2011; Keen & Mansour, 2010).

Local government revenue on the other hand is mainly user fees and charges, property tax, revenue from specific trade etc. accruing at the local level. Revenue mobilization is the act of marshaling, assembling, and organizing financial contributions from all incomes accruing from identifiable sources in an economic setting. The Nigerian local government revenue includes gross proceeds from taxes levied on companies and individuals, excise duties, other taxes, sales of goods and services, dividends and interest received. In general usage, revenue is income received by an organization in the form of cash or cash equivalents.

Concept of Local Government

Local governments in Nigeria have developed over a number of years. Historically, the development of revenue generation in local government in Nigeria can be traced to the period before the British pre-colonial period. Under this period, community taxes were levied on communities (Rabiu, 2004).

Recently, the revenue that accrues to local government is derived from two broad sources, viz: the external sources and the internal sources.

External sources of local government finance includes: Statutory allocation from the Federal Account in accordance with section 160 (2) of the constitution of the Federal Republic of Nigeria (Promulgation) Decree 1989. Statutory allocation from each state government to the local governments in its areas of jurisdiction, Federal Grants-in-aid, State-Grants-in-aid, Borrowing from state government and other financial institutions, Local Rates on markets and shops, while internally generated source of finance includes; local rates, markets taxes and levies excluding any market where state finance is involved, Bicycle, truck canoe, wheelbarrow and cart fees, other than a mechanical propelled truck, Permits and fines charged by Customary Courts Local Government Business Investment, Tenement Rate Fees from schools established by the local governments Shops and kiosks rate, on and off Liquor Licence fees, Slaughter slab fees, Marriage, birth and death registration fees.

Naming of street, registration fee, excluding any street in the state capital, Right of occupancy fees on lands in the rural areas, excluding those collectable by the federal and state governments excluding the state capital, Cattle tax payable by cattle farmers only, Merriment and road closure levy, Religious places establishment permit fees.

Signboard and advertisement permit fees, Radio and Television licence fees (other than radio and television transmitter), Vehicle radio licence fees (to be imposed by the local government of the state in which the car is registered), Wrong parking charges.

Public convenience, sewage and refuse disposal fees, Customary burial ground permits fees, Fees collected from amusement centres established and operated by the local authority and that of Tourist centres and Tourist attractions, Rents, Fees on Private Institution, Motor park levies, Domestic and licence fees etc. In spite of the above sources of revenues, Local government is faced with varieties of difficulties to source adequate revenue from federal government, state government and the internally generated revenue, such problems are cogwheel to the smooth running of local government administration.

There is the dishonesty on the part of officers collecting the revenues, such as cases of printing receipts by the officers had been the major problem in releasing the expected revenues.

The machinery put in place for collection of revenue is inadequate hence, most of the government money is not collected and this is in case of the internally generated funds.

Meanwhile, as government is the means by which the common problems and needs of a community constituting a country are economically catered for, so as local community revolves jointly those common problems and needs, which could have been difficulty to solve individually.

The very objective of having local representation is in order that those who have an interest in body of their countrymen may manage that joint interest by themselves. This is why every state finds it desirable to create local government councils to provide and deliver local public goods and services, hasten development and bring government closer to the people (Olaoye, 2006).

Hence, all over the world, various approaches and strategies have been adopted or used by Governments for the management of its rural Areas. But there is no rapport or congruence on the most appropriate strategy to the administration of the rural areas. This has resulted in the varied interpretations being ascribed to the concept of the local government by different scholars. Attempts to define local government have elicited various viewpoints. This could be due to the varied perspectives on the actual roles of local government, which differ from one environment to the other.

However, the meaning of local government becomes clearer when we explain critically its functions or roles and what it does not stand for. We shall at this point look at the various definitions of local government by some scholars.

According to Agagu (1997:18) local government involves a philosophical commitment to democratic participation in the governing process at the grassroots level. This implies legal and administrative decentralization of authority, power and personnel by a higher level of government to a community with a will of its own, performing specific functions as within the under national framework. Jinadu (1998:11) stressed that it is government at the grassroots level of administration "meant for meeting peculiar grassroots need of the people."

Appadorai (1975:287) defined local government as government by the popularly elected bodies charged with administrative and executive duties in matters concerning the inhabitants of a particular distinct or place. Looking at the existence, performance and relevance of local government, Laski (1982: 411) opines that; we cannot realize the full benefit of democratic government unless we begin by the admission that all problems are not central problems, and that the result of problems not central in their incidence requires decision at the place, and by the person, where and whom the incidence is most deeply felt.

Lawal (2000:60) opined that local government can also be defined as that tier of government closest to the people, which is vested with certain powers to exercise control over the affairs of people in its domain. According to Fadeyi (2001:2), a local government is expected to play the role of promoting the democratic ideals of a society and co-coordinating development programmed at the local level. It is also expected to serve as the basis of socio-economic development in the locality.

Oguonu (2012:12) stressed that local government system is best positioned to enhance development at the grassroots. As defined in the 1976 reform, it is the government at the local level exercised through representative council established by law to exercise specific powers within defined areas.

These powers should give the councils substantial control over local affair as well as the staff, the institutional and financial powers to initiate and direct the precision and implement projects so as to complement the activities of the state and federal government in their areas, and ensure through active participation of the people and their traditional institutions that local initiatives and resources to local needs are maximized. This implies that local government as the government at the grassroots has legal existence enshrined in the constitution. This existence is further strengthened by section 7 (1) of the 1979 constitution of the Federal Republic of Nigeria which states that the system of local government by democratically elected government council is under this constitution guaranteed and accordingly, the government of every state shall ensue their existence under a law which provides for the establishment of structure, composition and finance and function of such councils.

Furthermore, Mbah (2009:276) opined that local government are subordinated of administration vested with the authority to perform local functions. This has become necessary because too much concentration of power and government functions at one centre may not promote development and accountability. Though this way, the effect of government can be brought closer to the people and the national resources and service can be distributed to all parts of the country with great case of accountability to the people.

Ishiekwene (2004:16) defined local government simply as the government nearest to the local people. It is also, the third-tier government set up to meet the needs and aspirations of the local people. Izueke (2010:76) as seen in Awa (1981) defined local government as a political authority set up by a nation or state as a subordinate authority for the purpose at disposing or decentralizing political power. On the other hand, the United Nations office for public administration according to Nwagwu (2012:109) quoted in Igbuzor (1999:1) defined local government as ‘a political subdivision of a nation or (in a Federal system) state, which is constituted by law and has substantial control of local affairs including the powers to impose taxes or to exact labour for prescribed purpose. The governing body of such an entity is elected. According to Edemodu and Nwokoli (2002:3) the local government system in Nigeria has been mapped out with a number of roles in mind. The emphasis on the positive role local government could play in national development: is in terms of using local government as a strategic instrument for fostering, promoting rural development.

Eme (2011:351) opined that local government is an organization with limited powers exercises by a council usually formed by members of a small community, with approval from the central authority to make and enforce public decisions for the citizens of that community. Also, the United Nations Office for Public Administration quoted in Ola and Tonwe (2009:4) defines local government as thus:

A political subdivision of a nation or (in a federal system) state, which is constituted by law and has substantial control of local affairs, including the powers to impose taxes or to exact labour for prescribed purposes. The governing body of such as entity is elected or otherwise locally selected.

Along this dimension, the International Encyclopaedia of Social Sciences cited by Adeyemo (2010:7) defines it as:

A political subdivision of a Nation or Regional Government which performs functions which in nearly all cases receives its legal power from national or regional government but possesses some degree of discretion on the making of decisions and which normally has some taxing power.

Hence, the definition of local government was made more clear by Kirk Green in (Ola and Tonwe, 2009) who submitted thus:

Each unit of local government in any system is assumed to possess the following characteristics: a given territory and population, an institutional structure for legislative, executive and administrative purposes, a separate legal identity, a range of powers and functions authorized by delegation from the appropriate central or intermediate legislature and lastly, within the ambit of such delegation, autonomy, subject always, at least in Anglo-American tradition, to the limitation of common law such as the test of reasonableness.

The Guidelines for Local Government Reform of (1976:1) defines local government as: Government at the local level exercise through representative council established by law to exercise specific powers within defined area. These powers should give the council substantial control over local affairs as well as the staff and institutional and financial powers to initiate and direct the provision of services and determine activities of state and federal; government in their areas, and the ensure, through devolution of functions to these councils and through the active participation of the people and their traditional institutions, that local initiative and response to local needs and conditions are maximized. The aforementioned definitions by various scholars listed above clearly show that local government is a multi-dimensional concept.

Concept of Revenue Leakages

It is a clear fact to posit that there has been increased awareness and advocacy towards transparency in the management of revenue from the Nigerian local governments. This is because despite the allocations from the federal and state government, and as well the internal means of revenue generations available to them, its citizens do not get much benefits accruing from such enormous generations. Aderinokun (2010) also concluded that: *“Lack of transparency is seen as a major hindrance to the creation of a favourable investment climate, better management of public resources and poverty reduction”*.

In the words of Ugolor (2009),

Efficient, transparent governments, closely watched by citizens with access to accurate, timely information on spending can help restore trust in public institutions and strengthen democracy.

Transparency ensures that information available can be used to measure the authorities' performance and guard against any possible miss-use of power. In this sense, transparency seeks to achieve accountability. Without transparency, trust will be lacking therefore, adequate transparency is critical to ensuring that resources\wealth is managed for the benefit of the whole population (Nicholas, 2009). In Nigerian local governments, the lack of accountability and transparency in these revenues can exacerbate poor governance, leading to corruption and conflict and increasing inequality (Katsouris, 2009). Strengthen transparency and accountability in the Nigerian local government is an opportunity to reduce revenue leakage and stem corruption, firming the governance of the sector and thereby reducing the many incentives for the abuse of power and capture of revenues which distort policy and politics in Nigeria (Muller, 2010).

The world over, it is generally accepted that greater transparency is needed in the local governments to entrench accountability, curb corruption and strengthen good governance (NEITI, 2009). The Principle of transparency which goes with openness requires government to provide the citizen with a right to know what is going on in the governance. With regards to fiscal transparency, this includes clarity of roles and responsibilities; public availability of information; open budget preparation

execution and report and independent assurances on integrity. Davis (2009) said: Transparency in revenue is a forceful arrow in the quiver to combating corruption and fraud, improve productivity and output and also increase accountability in the oil industry.

According to El-Rufai (2003), revenue transparency will act to increase accountability in both the executive and legislative branches of government at all levels (Federal, State, and Local Govt.), reducing opportunities for corruption and the potential for waste of public funds. Revenues are sources of income for governments. When properly managed, these revenues should serve as a basis for poverty reduction and economic growth. Too often, though, these revenues are squandered, fueling corruption, conflict and social divisiveness. The benefits of revenue at the local level cannot be over emphasized. Transparency calls for mandatory disclosure of the revenues generated at the local level. Transparency is seen as a necessary step towards a more accountable system for management of revenue generation in the Nigerian local government. Furthermore according to Ezekwesili (2010), transparency in revenue leads to proper management and financial accounting, without which processes and cost cannot be mapped, reported, reviewed and benchmarked. In addition, transparency in revenue generation reduces waste of resources by its insistence on the utilization of minimum input, cost reduction and process improvement (El-Rufai, 2003). In Nigeria, the reverse is the case because of revenue leakages. Investopedia (2011) explains 'Leakage' as the exit of money from the economy through leakage results in a gap between what is supplied and what is demanded. If consumers spend their income outside of their community or country, then businesses must look elsewhere to make up for the loss of funds. In Keynesian economics, governments may have to inject cash into the system if leakage causes a shortage of capital.

Put differently, it is a situation in which capital, or income, exits an economy, or system, rather than remains within it. In economics, leakage refers to outflow from a circular flow of income model. In a two sector model, all individual income is sent back to employers when goods and services are purchased, and back to employees through wages and dividends. Leakage occurs when income is taken out through taxes, savings and imports. In retail, leakage refers to consumers who spend money outside of the local market.

According to Hariharan (2009), revenue leakage has been a universal phenomenon, gnawing up the profit margins of service and transaction-based industries. Service providers in industries such as telecom have effective revenue assurance solutions to counter this threat. Although executives and managers in the banking industry acknowledge the prevalence of revenue leakage, they are not able to pinpoint its source or quantity. Banks need help in identifying the sources/points of leakage, quantifying the volume of revenue loss and also in minimizing/avoiding revenue leakage. Establishing adequate control mechanisms and reporting facilities to predict potential leakage points is another critical requirement for them. Revenue Leakage can occur due to incorrect pricing, operational inefficiencies, missing transactions, unpriced transactions, uncollected revenues, etc. In various stages of the customer relationship life cycle, such as prospecting, on-boarding, transaction processing, billing and recovery, monitoring and service closure, there can be cracks that give rise to revenue leakage. However, there is no one-step solution to fix these cracks. Apart from regular revenue audits, system integration reviews, tracking of customer performance and eradication of manual processes, most importantly banks need a "Centralized Pricing and Billing Platform" to plug the leakage loopholes. This white paper proposes how banks can convert revenue assurance into a huge opportunity, by leveraging centralized relationship based pricing and billing solutions to ensure profitability, customer loyalty and fee revenue inflow. Hence, 'revenue leakage' is when a service is delivered but not billed yielding into non-collection of payments for the services not billed.

Unfortunately, many Nigerian local governments are finding more leakage in their day to day administration. Revenue leakage reflects the profit governments actually lose from their transactions. Effectively analysing revenue options enable local governments to identify the hidden sources of revenue leakage, hence, when these options are well explored, revenue leakages can be addressed.

METHODOLOGY

This study is a descriptive study. What the foregoing implies is that the recourse to the secondary sources of data is inevitable. Obasi (1999) submits that secondary data refers to any documented material (whether hand written, typed, printed or recorded audio and video) that was already in

existence, produced for some other purposes than the benefits of the researcher. Reliable and expressive documents are capable of bringing the significant information, which cannot be obtained through other methods. The issue is that where reliable documents exist, generalizations appear more reliable than those emanating from the limited data of other instruments. Finally, another justification is that this method will assist us to collect data stored in files, government archives, libraries, bookshelves/shops, the internet and other documents. This study, therefore, utilized secondary sources of data from the Federal Government and its agencies including Federal Ministry of Finance, National Planning, and International Agencies reports such as World Bank IMF among others. In addition, textbooks, journal articles, newspapers and magazines served as sources of data for the study.

The technique of content analysis is to be used for our analysis. It is used to describe events as they are recorded. Bodgan and Biklen (1982:p.145) defined qualitative data analysis as “working with data, organizing it, breaking it into manageable units synthesizing it, searching for patterns, discovering what is important and what is to be learned, and what to tell others”. Simon (2011) points that qualitative researchers tend to use inductive analysis of data, which means that critical themes emerge out of the data. Simon (2011) further points that qualitative analysis requires some creativity, since the challenges to place raw data into logical, meaningful categories; to examine them in holistic fashion; and to find a way to communicate this interpretation to others.

Theoretical Framework

Theoretical framework chosen for for this study is Efficiency-Service Theory. The leading advocate of the efficiency-service school was William Mackenzie, other advocates are Rudolf Gueist and Georges Langrod. The proponents of this theory justified the existence of local government on the ground that it is an efficient agent for providing services that are local in character. According to Mackenzie (1954:14) “local government exists to provide services and it must be judged ... by its success in providing services up to a standard measured by a national inspectorate”. It is argued that because of its closeness to an area, local government can provide certain services far more efficiently than the central government. He further stated that this could be achieved through accountability, and efficient and effective revenue management in the local government.

The Efficiency-Service Theory believe that the prime purpose of the local government system should ensure that social service such as law and order, municipal roads, health, primary education, sanitation etc are provided. To this end, it maintains that even if the democratic principle is not dominant in affecting the governance process, all is well if the local (grassroots) people feel satisfied that local government meet their social needs.

MacKenzie (1954) quoted in Adeymo (2010:1-2), notes that service delivery to the local people should preoccupy the resources, power and attention of local governments. The main proposition of the efficiency services theory is that local government is a veritable instrument for efficient service delivery at the grassroots through maximization. These can be achieved effective when revenue leakages in the local government are properly addressed. The purpose is to raise the required funds and put them into effective use to achieve specific national goals through service delivery at the grassroots.

Tenet of the Theory

1. To ensure “Efficiency and effectiveness” in service delivery
2. It regards service delivery as the strongest argument in favour of modern local government
3. That to be well-rounded, an efficient system in service delivery must involve the people
4. It outlining four major criteria for assessing the efficiency of service delivery to the grassroots; justice, fairness, equality and openness which emphasis “efficiency and effectiveness”.

The basic principle of the efficiency-service theory is that local government should perform some functions of providing social, economic and political service to the grassroots without waste of resources, leakages, mismanagement, embezzlement, corruption and misappropriation of funds. It emphasizes on addressing leakages in revenues and in-service delivery of the local people.

Application of the Theory

Mill (1991) quoted in Stoker (1996); scholars of this theory notes, local government is a relatively autonomous, multi-purpose institution providing a range of services with a tax-raising capacity, and is controlled through the election of representatives to oversee the work of full-time officials. Applying to the study, local government in addressing its revenue, there should be checks and balances, efficiency, accountability and honesty that are devoid of fraud and embezzlement. As a tier of government that shares from federal allocation, the huge revenue received should be addressed properly to ensure non-leakage, efficiency and effective utilization – avoiding waste, mismanagement and corruption in service delivery.

Causes of Revenue Leakages at Local Government Level

Actions and Inaction of Personnel in Revenue Department: It is no exaggeration or overstatement if we say, based on our experience and records available, that the actions and inaction of personnel of revenue departments have denied the local governments opportunity to raise reasonable amount of revenue from their different internal sources. This is because it is the revenue collectors that are directly responsible for most of the internal leakages in the local government because they collude with the members of the public (rate payers) to deprive the local governments of the revenue that should accrue to them. Although corruption in the local governments is not limited to personnel unit or revenue collectors; unfortunately, their own is more noticeable because they are directly or indirectly involved in local government funds.

Available records and experience shown that most revenue collectors in the various local governments often violate the approved rules and regulations to connive with some rate payers in order to deprive the local governments of the actual revenue that should occur to them for share personnel gains. The revenue collectors, for example, sometimes exempt their wives, children, relations, friends and church members from paying revenue to the local government, if they are, for instance occupying market stalls or hawking goods. They do this because of other personal gains they hope to enjoy from them in future. This behaviour of most revenue collector is a practical manifestation of corruption, which is of different dimension in the local governments, with its concomitant effect, which is revenue leakage. Some revenue collectors, apart from colluding with some property owners so that their tenants are under-assessed or they completely escape valuation and rating, also collect revenue without issuing receipts, while others issue fake receipts to the payers and the revenue to collected is not paid into the councils' confers.

Lack of Adequate and well-qualified Financial Officers: Most of the revenue officials like market managers, valuation officers and host of others lack professional training. The Finance Department of most local governments are not adequately staffed with well qualified and experienced financial managers, accountants, auditors and property valuation officers.

Lack of Adherence to financial Memorandum: The most crucial figure in the financial management of the local governments is the local government Chief financial officer, generally known as the treasurer. He is responsible for formulating plans and devising strategies for effective revenue generation and accounting. As the Chief Financial Officer of the local government, he is expected to ensure that all the financial transactions of the local government are made in accordance with laws and the Financial Memorandum (FM). A Financial Memorandum as the name implies is a body of financial rules and regulations which governs all financial transactions of the local government. A serious investigations reveals that these financial rules and regulations are violated with impunity. Lack of strict adherence to FM is a contributory factor to internal revenue leakage.

Irregular/Improper Auditing: Auditing of local government accounts is a crucial aspect of the financial management as well as an effective financial control mechanism. The final accounts which are given in annual statements of accounts of the local government are subject to audit. In Nigeria, in the past, this was carried out by the state government Auditor General and his staff but accounts of local government Auditor General and his staff but accounts of local government Auditing general of a state and his staff.

The auditors have duties and power of semi-judicial nature. They conduct audit of local government accounts, annually our investigations revealed that the process of careful examination of the local government accounts to ensure that all expenditures are made according to Law are no longer being

carried out satisfactorily. As a result of that, it has not been possible to detect embezzlement, irregular payments, loss of local government funds, fraud and general misappropriation of local government funds. The auditing of local government funds is powerful financial control mechanism which ensures that scarce financial resources are prudently and judiciously managed to effectiveness fulfil the functions allocated by the local governments.

Appropriate Supervision: Most revenue collectors are not closely supervised and controlled. They are allowed to be with the council's money longer than the law permits. There is temptation in money and such collectors will not know when he/she has crossed from personal to local government money. It is this failure to supervise, monitor closely and control effectively personnel of revenue department that has led to internal revenue leakage.

Obsolete Laws dealing with Perpetrators of Financial Fund: Law dealing with perpetrators of financial frauds are not harsh or not instil enough fear into the minds of such offenders. This has failed to prevent perpetration of atrocious financial frauds.

Attitude of Nigerians towards Wealth: In Nigeria, the tendency is for everyone to get rich quickly. The reason is that wealth is highly regarded and worship in the country. In fact, wealth in Nigeria is not only the basis for recognition and respect for an individual, but also an index for measuring his hard work and success. The attitude of Nigerians towards wealth is one of the reasons why most revenue collectors are not content with their job.

Addressing the Issue of Revenue Leakages in the Local Government

The Financial Memorandum for local governments has made adequate provision for financial transactions at the local government level, including revenue collection, disbursement and control of expenditure. These provisions are as follows:

- a) All revenue and other monies due to a local government shall be received either by the cashier in the treasury or by a Revenue Collector.
- b) A local government shall appoint, in writing, such employees as it thinks fit to be revenue collectors for the local government to discharge the duties and responsibilities set out in financial Memorandum 1.20 ; where appropriate local government may appoint a person other than an employee as a revenue collector and such person shall receive an appropriate proportion of the tax or fees he collects, as commission.
- c) At intervals prescribed by this Executive Committee, or immediately when the maximum sum prescribed by the executive committee is held by him, a revenue collector shall pay all local government monies he/she collected into the treasury, or if so authorized in writing by the treasurer, into the nearest branch of the local government's bankers.

Where such authority is given, it shall:

- i. Specify the name and branch of bank at which payment is to be made;
- ii. Direct the revenue collector;
 - a. to record separately on the bank paying in slips details of every cheque received by him as revenue;
 - b. to enter against each cheque to shown on paying in slips, the number of the receipt issued by him when the cheque was received.
- d) Payment to the bank revenue collector and the handling of the recipient bank paying slips to the treasurer or cashier for which a receipt must be obtained by him personally, or by his accredited representative by the revenue collector himself or and accredited representatives, so that the receipt issued by the cashier may be signed by the payer.
- e) The revenue collector shall record all collect made by him in a revenue collector's cash book (from LGT15A). The revenue collector's cash book shall:
 - i. be kept in a bound volume;
 - ii. have a separate page for each type of payment of revenue;
 - iii. show the date of receipt, receipt number, from whom received, amount and daily total.
- f) Before payment to the treasury at the revenue collector shall total the receipt under each type of revenue as shown in revenue collectors cash book and enter such totals in a revenue collector summary cash book (from LGT 16) recording the undermentioned information:
 - i. Date

- ii. Type of revenue
- iii. Number of receipts issued last payment (first and last receipts to be quoted for each type of revenue);
- iv. Total amount for each type of revenue;
- v. Grand total of all revenue collected.
- g) When making payments to the treasury or presenting to the treasury a paying in slips in respect of cash paid direct to a bank, the revenue collector shall produce all direct to banks, his revenue collectors cash book and revenue collector's summary book. The treasury cashier shall then.
 - i. Check the cash or paying in slips handed over by the revenue collector against the records so produced;
 - ii. When the cash or paying in slips has been reconciled with the records, date, stamp and sign the duplicate or counterfoil or at the last receipt issued in each receipt book;
 - iii. Prepare treasury summary revenue on form LGT 18, the original of which will be posted on the appropriate page of the revenue collector's summary book.
- h) The revenue collector shall record all collections made by him in a revenue collectors cash book on (form LGT 15A) or where more than one type or revenue is collected in a column revenue collector's cash book on form LGT 15B. The revenue collector's cash book shall:
 - i. be kept in original and duplicate
 - ii. be entered in indelible ink/pencil, using double-sided carbon to make the duplicate. When paying in cash to the treasury, or presenting to the treasury a paying in slip in respect of cash paid direct to a bank, a revenue collector shall hand his revenue collector's cash book ruled and cash after the last entry to the cashier. In this case of a revenue collector who is paying in more than one type of revenue, he shall also hand to the cashier, a completed revenue classification slip on form LGT 19.
- i) The Cashier in the treasury receiving a remittance from a revenue collector shall:
 - i. In the case of a direct payment, count amount shown to be paid in accordance with the revenue collector's cash book; or
 - ii. Where a bank teller's slip is presented, check that the amount shown on it agreed with the amount shown to be paid in accordance with the revenue collector's cash book, and that the number of the receipts issued have entered as required by financial memorandum 6.3 (b) (ii)
 - iii. Immediately issued a treasury receipt (from LGT 17) for the amount paid in and hand the original to the revenue collector;
 - iv. Where relevant, check the revenue classification slip (form LGT 19)
 - v. Detach and retain the original pages of the revenue collectors cash book'
 - vi. Where relevant, paste a copy of the revenue classification slip to his own copy of the receipt.

CONCLUSION

In this study, the need for Nigeria to raise tax revenue and ensure its judicious utilisation for accelerated development cannot be overemphasized, and devising efficient means of restricting revenue leakages and boosting its utilization remains a daunting challenge, especially in the Nigerian local governments. The findings of this research work have revealed that there are factors that constitute revenue leakage in the Nigerian local government, and that these leakages in the local government revenues has contributed to huge financial loss at local government councils in Nigeria. However, as was noted in the study, these challenges in revenue leakages in the Nigerian local government can be tackled. In other words, the Nigerian government should therefore explore the means available to them in addressing revenue leakages in the Nigerian local government as effectively analyzing revenue options will enable local governments to identify the hidden sources of revenue leakage, hence, when these options are well explored, revenue leakages can be addressed.

REFERENCES

Books

Appadorai, A. (1975) *The Substance of Politics*. New Delhi: Oxford University press.

- Aryee, J.A. (2003) *Decentralization for local development in Ghana*, Ghana: University of Ghana Press.
- Bodgan, R.C & Biklen, S.K. (1982). *Qualitative Research for Education: An introduction to theory and methods*. Boston: Allyn and Bacon Inc.
- Buchanan, J. (1960) *Public Finances: An Introductory*. Textbook Irwin: Illinois
- Eme, O.I. (2011) "2007-2008 Local Government Elections in Nigeria: History, Controversies and Challenges Ahead" In Onyishi, T, (ed) *Key Issues in Local Government and Development. A Nigerian Perspective*. Enugu : Praise House Publishers.
- Laski, H.J. (1982) *A Grammar of Politics*. London: Allen and Unwin.
- Lawal, S. (2000) 'Local Government Administration in Nigeria : A Practical Approach' In Ajayi, K.(ed) *Theory and Practice of Local Government*, Ado Ekiti: UNAD.
- Mackenzie, W.I.M. (1954) *Local Government in Parliament Public Administration*. London: Oxford Publishers.
- Nicholas, S (2009), *Nigeria's Extractive Industries Transparency Initiative: Just a Glorious Audit?* London: Chatham House.
- Obasi, N.I(1999), *Research Methods in Political Science*, Enugu: SNAPP
- Ola, R.O.F and Tonwe, D.A(2009) *Local Administration and Local Government in Nigeria*. Lagos: Amtitops Books.
- Pigou, A, C. (1982) *A Study in Public Finance*, McMillan Press: London.
- Simon, M.K. (2011). *Dissertation and Scholarly Research: Recipes for Success*. Seattle, W.A: Dissertation Success LLC.
- Taylor, (1984) *Public Finance and Budgeting*, McMillan and Company: London.

Journal Publications

- Elekwa, N. N & Eme, O. (2014). Internal Revenue Leakages Prevention and Control in the Local Government System. *Global Journal of Management and Business Research: A Administration and Management*, Vol. 14 (4), 50 – 57.
- Eme, O. I., Chukwurah, D. C. & Iheanacho, E.N. (2015). Addressing revenue leakages in Nigeria, *Arabian Journal of Business and Management Review*, Vol. 5 (4); 1-19.
- Izueke, E.M. (2010) "Local Government Administration and Good Governance in Nigeria". *Nigerian Journal of Public Administration and Local Government*. 15 (2):74-90
- Keen, M. & Mansour, M. (2010). "Revenue Mobilization in Sub-Saharan Africa: Challenges from Globalization and Trade Reform," *Development Policy Review*, Vol. 28(5), 553-571.
- Olaoye, C. O. (2006). Review of Revenue Generation in Nigeria Local Government. A case Study of Ekiti State. *International Business Management*, Vol. 3,(3)P.54.

Unpublished Articles

- Adeline, J. B. (1995). Essential feature of the Revised Financial Memoranda for the local government. A commissioned background paper for National Orientation Workshop on the use of the Revised Financial Memoranda for senior local government functionaries organized by the Ministry of State and Local Government Affairs, Abuja from Sept. 22nd – 23rd October, p. 1.
- Adeyemo, D.O. (2010) "Optimizing Local Government Finance through Public- Private- Partnership in Grassroots Development" A paper presented at National Workshop on the Local Government Structure and Potentials for Socio-Economic Development. Ibadan, 28th -30th July.
- Carcello, A. Z. (2008) Local Revenue Generation: Ugandan Experience. - A Paper presented at the ANSA-AFRICA Stakeholders conference, May 2008, Addis Ababa, Ethiopia.
- Ezekwesili, O. (2006), "Solid Minerals: A Strategic Sector for National Development", paper presented at the NEITI North Central Road Show at the Transcorp Hilton Hotel, Abuja, 11 April.
- Katsouris, C. (2009), "Nigeria extractive industries transparency initiative" audit of the period 1999-2008 (popular version).
- Mikesell, J. L. (2008). "State Sales Taxes in Fiscal 2007," *State Tax Notes*, May 26, 48, 647-652.

- Müller, M. (2010), *Revenue transparency to mitigate the Resource Curse in the Niger Delta? Potential and reality of NEITI*, Occasional Paper V, Bonn: Bonn International Centre for Conversion.
- Oguonu, C.N.(2012) *Fiscal Management and Grassroots Development: Issues and Concerns in the Nigerian Context*. An Inaugural Lecture of the University of Nigeria, delivered on November 29.
- Stoker, G. (1996) *Comparative Study of Local Governance: The need to go Global*. Manchester Hallsworth Conference 10-12 March at the University of Manchester.

Newspaper Materials

- Aderinokun, K. (2010), "Crisis Rocks NEITI over Allegation of Corruption", *This Day* (Lagos), Tuesday, 24 August.
- Fadeyi.R. (2001) "Local Government Chairmen Sue 36 Governors, Assemblies". *The Punch*, June.19
- Ishiekwene.A (2004) "Pay Lagos its Allocation". *The Punch*, December 23
- Jinadu.A. (1998) "How to save Federalism".*National Concord*, December 23

Internet Materials

- African Development Bank (2013). "New AfDB-GFI Joint Report: Africa a Net Creditor to the Rest of the World", 5 May 2013, <http://www.afdb.org/en/news-and-events/article/new-afdb-gfi-joint-report-africa-a-net-creditor-to-the-rest-of-the-world-11856/>
- Ugolor, D. (2009), "The Extractive Industries Transparency Initiative in Nigeria"http://www.eed.de/fix/files/doc/07-06_ugolor_eiti-nigeria.pdf U.S. Energy Information Administration (EIA), Nigeria country analysis brief, <http://205.254.135.7/countries/cab.cfm?fips=NI>

Government Publications

- Anambra State of Nigeria (1976). Financial Memoranda issued under Section 93 of the Anambra State Local Government Edict No. 9 of 1976, pp. A21-A28.
- IMF (2011) "Revenue Mobilization in Developing Countries", IMF: Washington