A Reflection on Planning and Budgeting at the Local Government Level in Nigeria

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Abstract

This paper reflects on planning and budgeting at the local government level in Nigeria. The data for this study were drawn from sources such local government publications, National Bureau of Statistics, and internet materials. The study reveals that inadequate executive capacity, toothless accountability structures, and indiscipline are some of the problems bedeviling plan and budgetary processes at the local government level. Some remedial measures such as attracting more professionals with the right attitudes to that level of government are therefore, recommended in an attempt to alleviate the situation.

Keywords: Planning, Budgeting, Local government, Revenue, policy.

Introduction

The sheer size and socio-cultural diversities of Nigeria, like most large countries of the world makes it difficult for either the central government or the state government to attempt to govern the people at the grassroots level directly. Even in the developed countries like the United States of America and Great Britain, there are local government councils or country councils which are created by the central government to cater for the administration of men and materials at the local level due largely to the relative distance of the central government or state government from the people at the grassroots.

Local government is positioned as the third tier of government in Nigeria and it is nearest to the people at the grassroots level. By this relative nearness it should be able to appreciate the yearnings and expectations of the people at this level. The government at this level is charged with the responsibility of service delivery in areas such as; primary healthcare, primary education, agricultural extension, and social welfare. Here lies the need for effective planning and budgeting.

It is against this backdrop that this paper attempts to reflect on planning and budgeting activities at the local government level in Nigeria.

Method to Data Collection

The data used in the study were collected from local government publications, audit reports, National Bureau of Statistics, internet materials and other relevant government publications.

Meanings of Planning and Budgeting

Planning

Planning, as a term in itself implies formulation of a strategy for the future. In economic parlance, it may mean the assessment of one's resources at present and its allocation among different uses so as to meet some specific goals in the future. For example, an individual might plan for a secure income in his old age by allocating his income between present consumption and saving in various schemes like taking an insurance policy or simply keeping his money in a bank.
A business firm might also plan to double production in, say, two years time in which case it has to decide how much resources it can raise internally, how much to borrow, what equipment to buy, etcetera. When a government plans its economy, it is more or less a similar exercise, though on a larger scale. The government has to assess its resources and allocate these resources among different competing uses, depending on the specific priority of each use [1]. Planning, therefore, is the determination of anything in advance of action. In other words, it is a systematic way of thinking ahead about what is to be achieved, how, when and by whom.

An operational and practical definition of planning can also be rendered as the economic constitution in which the goals of an economy are spelt out. Just as a constitution defines the organs of government by which democracy or theocracy or dictatorship is to be served, plans define the means by which economic welfare is to be improved. Furthermore, it is a purposeful human activity and for developing countries specifically it is the construction and authorization of economic, social and political programmes in the countries. According to Ganduje [2], planning bridges where we are, where we want to go, those involved, when to get to the various stages, and resources needed to get there. Plan process involves the following stages:

**Plan Formulation**

This stage involves the study and analysis of the environment of planning for effective planning, feasibility studies should be carried out to know the circumstances of that environment (prevailing conditions) such elements as the size, shape, and human composition. Unforeseen circumstances such as natural disasters should also be carefully studied including external relations. Lastly, studies of available resources needed to carry out the programme should also be made. Experts can analyze the technical elements of the situation in rational way while the prevailing opinion in the community should determine the less technical matters [2].

At the pre-planning phase, that is, when the planner is involved in situation analysis, the unforeseen circumstances such as natural disasters, external relations are carefully studied. Studies of available resources needed to carry out the programme should be made. While the planner can analyse the technical elements of the prevailing situation in a rational manner, opinion of the community should be sourced and incorporated in the planning exercise. It is important that adequate consultation be made with intended beneficiaries and other relevant stakeholders. Their buying in and becoming part owners of the project or programme can enhance proper formulation and implementation.

**Plan Implementation**

In this stage, the decision made towards achieving defined objectives is put into action. The project must be ranked with other projects competing for resources and found to scale the hurdle. Once a project has passed these tests and has funds properly allocated, approved and released for it, then it is ready for implementation. It is a common complaint in Nigeria that plans are usually well formulated but they fail to achieve their goals due poor implementation.

For an effective plan execution, adequate financial plan is required. The plan calls for the mobilization of resources. A decision must be taken as to how much resources are needed, what new taxes, savings, loans or grants are required. If these decisions are not made, the development programme may not be achieved. This reveals that programme execution is closely linked to budgeting.

**Monitoring and Evaluation of Plan Implementation**

Monitoring is a very important component of project implementation. Before embarking on project monitoring, there must be a clear understanding of the following:

- The objective of the exercise and what the results would be used for:
- The kind of information and data to be sought for or generated.
How to analyse, store and retrieve such data and build time series therefore as necessary;

Those to be involved in the exercise’timing of visits

Alerting those whose projects will be monitored and providing advance questionnaire for completion as necessary;

Logistics support such as transportation, funds, accommodation, report preparation etc.

Monitoring must not be regarded as a causal exercise, whereby one simply goes to a project site, looks at it and returns to the restaurant for refreshment. It requires careful planning and execution to be effective and meaningful. Monitoring may be done by project consultants who monitor and sign certificates of performance, as well as certificate of completion. Such certificates provide the basis for payments. Monitoring can be also be done by government official other than the technical staff. Monitoring may be undertaken to enable performance certificates to be raised to support payment vouchers; to keep contractors on their toes; to check on the quality of work done; to suggest mid-stream solutions to problems encountered during execution; and to ensure that implementation is on tracks in terms of structure, technical quality and timeliness [2].

Lack of proper arrangement for project execution often leads to project failure. At times also, plan/budget indiscipline meaning implementation of projects not included in the plan or the budget while neglecting or abandoning those in the plan/budget leads to project underfunding.

Budgeting

In different countries of the world, the concept of budget is known by various names such as the estimates, their appropriation, the finance bill or the finance act, and the vote. Budgeting lies at the foundation of every financial plan and when used in relation to local government administration, it is the circulatory system of the government making it possible to meet some of the diverse demands of the various community.

Budget involves formulating policies which will guide local government officials in accomplishing their primary duties. Budget is therefore, a key of financial management. What then is a budget?

Aboyade [3], defines budget as a kind of financial master plan of government deputing a unify view of the scope and character of its administration and policies while to Oshisami [4] a budget is a plan expressed in quantitative and usually in monetary terms, covering a specified period of time. Budget serves as an instrument of planning and control because limits are set on the amount of money specific departments can spend within a financial year. The departments are not expected to incur additional expenses without supplementary appropriation.

Budgetary Process

A call circular is usually issued by the state ministry of finance to each local government. Based on the call circular each local government allocates revenue to its programmes for onward submission to the state government house of assembly for approval. A meeting is usually scheduled for each local government to defend its budget proposals before the state house of assembly. The scheduled meetings are meant to ensure that each local government adheres strictly to the guidelines in the call circular. These meetings are also to ensure that local governments support the state government policies and programmes.

The chairman of each local government usually directs the councilors to go and meet with their stakeholders from their various wards to assess their needs which are later submitted to the chairman. A committee consisting of the chairman, the director of personal management (DPM) and the treasurer examines the expected expenditure (both capital and recurrent) and revenue. They deliberate and scrutinize the draft budget after which the draft is sent to an appropriate committee in the local
government for approval. After approval it is sent to the state house of assembly for examination. The local government chairman is then invited in writing to come with the DPM and the budget officer (Treasurer) to defend his budget (Budget Defence). If there is any need for adjustment, the appropriate committee in the state house of assembly will make the necessary adjustment before the final approval by the state house of assembly [4].

When the budget is approved by the state house of assembly the budget process moves into the implementation stage. Here funds are distributed for both recurrent and capital expenditures. The approved estimates are used as guides in disbursing funds as local government agencies are not allowed to exceed their monthly allocation of funds in their spending. The importance of monitoring is to undertake the verification of government funded projects in various locations in order to ascertain that there is value for money spent and that the disbursed funds are used effectively and efficiently for the approved projects. A committee established by each state house of assembly usually undertakes monitoring to ascertain the progress made on ongoing projects. The committee examines whether funds expended are commensurate with the actual achievements [5].

The local government chairman should ensure that disbursed funds are promptly and appropriately accounted for. The legislature is expected to use the budget to control the chief executive and its subordinates. Control is expected in various ways. The legislature is the ultimate watchdog over public funds and exercises powers over local government income and expenditure. When the budget is signed by the chief executive it becomes the Appropriation Act, that is, the financial law regulating all operations concerning the raising of revenue and incurring expenditure for the financial year. Once the budget estimates have been passed into law the ensuring Appropriation Act becomes an authorization to spend funds. The executive exercises some measures of control. There are rules and regulations to be followed in the Financial Memoranda.

A local government treasurer has power to withhold limit or suspend a warrant if he considers it irregular. A warrant is the Executive authorization of release of funds. Sometimes a department may find that the amount of money that the legislature has approved for it is sufficient to meet its total requirement but that it wishes to transfer funds from one subhead to another. Control is also exercised through various agencies. Internal check is done when work flows from one person to another. For example, in the payment of wages and salaries one clerk prepares the voucher while another enters the detail on the payroll computer. A senior clerk checks the posting made by these clerks. At both regular and irregular interval physical and book figures are checked.

For the purpose of effective control, proper lines of authority are established for dealing with the passing of invoices, authorization of expenditure, signing of cheques, issuing of materials and so on. Apart from routine internal checking there is internal auditing as a part of the management control system. The internal audit department examines all the relevant documents with a view to detecting frauds and errors. He is an independent official from ministry finance but he has only delegated power without authority. He is responsible to the local government chairman whom he is supposed to checkmate. The internal auditor could be removed within 24 hours on the request of the chairman if he decides to do his job professionally to the ‘dissatisfaction’ of the chief executive.

Also the director of local government audit conducts periodic examinations of the local government account. He examines if vouchers have been examined internally and certified correct and when he has evidence that wastes exist he makes report. This officer is in the governor’s office.

He the auditor receives a powerful support from the governor who has the power to discipline an erring local government. The director of audit is also the chairman of local
government audit alarm committee, which is a body set up to prevent any irregular or illegal payment in a local government. There is also the director of local government inspectorate who heads the monitoring division of the department of the local government. He is in the governor’s office and is a member of the local government audit alarm committee.

Another body responsible for controlling local government finance is the finance and general purpose committee consisting of local government chairman, deputy chairman, supervisory councilors, secretary and treasurer. The committee is expected to receive and consider the annual estimate proposal of all spending units and departments as collated by the treasurer and to consider awards of contracts. It also considers application for supplementary estimates. In addition to all these, the finance and general purpose committee is expected to meet at least once in a month to consider the following:

- Monthly reconciliation of accounts showing the financial situation at the end of previous month;
- The bank reconciliation statement at the end of the previous month;
- Revenue collection chart;
- A report on the cash flow situation;
- A statement showing progress in the revenue collection. Report by the treasurer.

The chairman of each local government is the accounting officer. Apart from safeguarding the public funds entrusted to him he is expected to ensure that such funds are used as approved by the local government council. He does not sign vouchers and cheques. In many local governments the secretary and treasurer to the local governments sign cheques. As the chief accounting officer he is accountable to the local government council which can impeach him. It should be noted that the basis of this detailed budget control is for rational use of resources of local government i.e ensuring that resources are used in a manner that ensures that optimum values are obtained for funds spent.

**Problems Associated with Plan and Budgetary Processes**

Some common problems associated with plan and budgetary processes at local government level in Nigeria are as follows:

- In some cases, the individuals who are the beneficiaries and end users of projects do not contribute to problem identification. In addition, sufficient need assessment is not done before planning is embarked upon. The consequences are that energy is wasted on programmes that are not related to the people problems and on programmes that cannot sustained;
- Necessary data for planning are largely lacking. These include baseline data, ethnographic information, demographic profile, etc. absence or insufficient data affect planning;
- Planning is a continuous process. Indeed it runs in a cycle, therefore, requires trained hands. The situation on the ground is that there few planning officers in state and local government. And even the ones available are not properly trained. In fact, many of the local governments are unable to assess the planning guidelines to know the implications for their areas and so the question of drawing up comprehensive documents encompassing details of local concerns do not arise. Consequently, most of the projects submitted to the state government by many local governments for inclusion in the state’s plan reach there most of the time as mere ideas lacking the necessary preliminary appraisals to establish not only their feasibility but also their scope and costs [6].
- The accounting frameworks and processes in financial memoranda are supposed to be adequate to ensure accountability in the local government system. In line with this expectation, after articulating the provisions of the memoranda, Admiral Augustus Aikhomu, the then Vice-President of The Federal Republic of Nigeria states: It is my hope that the provisions of the model financial
memoranda would be faithfully implemented in such a way as to foster national culture of public probity and accountability beginning from the grassroots.

This statement shows the expectations and encouragement of the government in respect of effective implementation of the provisions of the model financial memoranda to ensure, more particularly, adherence to the accounting frameworks [7]. However, in spite of these expectations, it appears there is apparent failure on the part of the existing rules in the model financial memoranda to achieve true public accountability in the local government to eliminate the possibility of corrupt practices, as well as to encourage adherence to accounting framework for achieving the best value for money spent. This is revealed in some of the reasons for the suspension of some local government staff in Anambra, Abia, Benue, Akwa-Ibom, Cross River, Enugu and Rivers states in 1994. The reasons include among others, reckless spending, fraud and flouting of official codes of conduct. This mismanagement of local government resources is also revealed on Aborishade’s account of the caption on page 24 of the Newswatch Magazine of December 20, 1993 “Fortress of Corruption”. According to him, the following issues were the major issues raised in a 74 page audit report:

- That all the chairman of seventeen local governments in a particular state (Enugu) were pronounced guilty of financial irresponsibility;
- That the local government councils had become fortresses of financial malpractice;
- That these malpractice include inability to produce payment vouchers for monies paid out, non-availability of revenue receipts, loss of public funds, irregularity in stores accounts, irregular payments and inflated contracts, non-retirement of imp-rest and advantages as well as non-refund of advantages collected by some local governments on behalf of other agencies [8].

This shows an unsatisfactory fiscal and financial operation of local governments. There is lack of control mechanism and non-adherence to the stipulation of financial memoranda, hence misappropriation and embezzlement are rampant. The poor attitude to financial rules and regulations manifest in various ways. One of this is the nonchalant attitude to audit queries. In some cases, the bulk of the audit queries remain unanswered more than a year after they are issued. The queries are usually issued because of irregular or wrong payments, shortage, and losses of cash. Many local governments are unable to account properly for large revenues collected from various sources because of mismanagement and corruption [4]. There are no serious sanctions or penalties. The revenue collection machinery at the local government level is not effective. The rather loose organizational structure and the multiplicity of revenue collectors often account for the problems associated with revenue collection. The mode of collection is poor. There are sharp practices, which cause loss of revenue.

**Conclusion and Recommendations**

It has been revealed that planning and budgeting at the local government level in Nigeria, though well-articulated, have been bedeviled with problems ranging from inadequate executive capacity, plan and budget indiscipline and the lack of accountability and transparency. There is therefore, the need to attract the right calibre of professional planners, accountants and auditors with the requisite qualifications, training and the right attitudes to strengthen the staffing at that level of government. Accountability structures should also be strengthened to perform their functions unhindered.

**References**


