

# Financial Accountability in the Administration of Area Council Revenues in Nigeria

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## Abstract

This research paper carried out a critical and in-depth investigation and analysis of problematic issues of accountability and non-adherence to financial management that has characterized the administration of the Abuja municipal area council system. It also looked at the perennial problems of poor management, lack of probity, and accountability on the part of both career and political officials, which result in dwindling finances. Finally, the findings of this research lead to a logical conclusion and recommendations for improved accountability and service delivery in the Abuja municipal area council system.

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## Keywords

Revenue Mobilization, FCT, area councils, AMAC, Nigeria

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## Introduction

Finance is the bedrock of any successful organization, including the area council system in Nigeria. The level at which the services are rendered are not only inextricably linked with financial resources available to it, but the ability of managers of such funds to exhibit a sense of probity, prudence, transparency, and accountability in management of the financial resources entrusted in its care.

What the above implies is that it is not enough to identify potential sources of area council revenues, and concerted efforts are needed to ensure that the collected funds are properly recorded and remitted to the area council treasury as soon as possible to avoid possible embezzlement and misappropriation. The role of the accounting department in any organization, including the area council, is of great importance, bearing in mind the fact that the life span of any organization depends largely on how carefully its transaction is handled. In this regard, emphasis is placed on the accounting system that provides a detailed analysis of revenues and expenditures so that, at any point in time, it would be possible to evaluate or assess the extent to which an area council delivers their statutory functions to its constituents. Any area council that is worth its salt designs a well-articulated mobilization strategy aimed at improving its internal revenue base. However, the internal revenue capability of any area council can greatly enhance its share of statutory allocation from the federation account. This is so because some reasonable percentage is allocated to internally-generated revenue in the sharing formula to encourage area councils to generate more funds.

However, what vexes many people is that, despite efforts that are put in place to improve revenue generation in area councils, the actual collection is always a caricature of what is expected. The reason is that revenue collection, especially by the Abuja Municipal Area Council (AMAC) is characterized by institutional and functional difficulties that make monitoring and supervision impossible. It is also quite clear that despite all the legal statutory and accounting frameworks aimed at instilling financial discipline in the operators of AMAC, the resources so collected are next to nothing as they are either mismanaged or embezzled by the officials who are supposed to protect them. The establishment of these in-built checks and balances of property, if observed, would have encouraged efficiency, effectiveness, and accountability since the measures are tailored toward democratic principles that observe the separation of powers at the area council level. The financial memoranda (FM) provide specific functions required of the executives, the political officials, career officials, and the legislative (the councilors). Other important documents that guide the operators in area councils are the implementation guidelines on the application of civil service reforms in the area council, and the handbook on area council administration, which were used during military regimes. These documents dealt

specifically with responsibilities expected of each career official and/or political appointee, in the management of the fund to avoid waste, embezzlement, fraud, etc.

## **Statement of the problem**

AMAC has revenue potential, but because they are not properly managed, they remain financially insolvent. There is no doubt the fact that the low development profile that characterized the area council system since its reforms is not unrelated to revenue management and accountability problems. The writing of this paper has then become imperative now, more so when this third tier of government entity most directly touches the lives of a greater percentage of the Nigerian populace. Secondly, there is a consensus among people that area councils are established, not only as a representative organ of the people, but also as a channel through which goods and services (that will touch the lives of the grassroots) can be channeled to them within the ambit of the law that established them.

However, things still differ in AMAC because there have been complaints of inefficiency, low development profile, and mismanagement of area council revenue. Given the above, this research paper is going to identify and analyze the following:

- Why has the area council, as the third tier of the government, not been able to provide the much-expected goods and services that are meant to touch the lives of the grassroots?
- What are the problematic issues of accountability that limit the development profile of the area council system?
- What are the causes of the financial mismanagement that has characterized the administration of the area council system, especially the AMAC?

## **Objectives of Study**

Simply put, research is the process of arriving at a dependable solution to problems. Ani, (2021a) has also observed that research arises when there are problems to be solved. A lot of reasons could therefore be said to be responsible for research works. One could attribute the purpose of research to a way of finding solutions to practical problems, improving the quality of social life, or purely for academic exercise.

The objectives of the study are summarized thus:

- 1) To find out why the area council system as the third tier of the government has not been able to provide the much-expected goods and services to the people at the grassroots level.
- 2) To identify the problematic issues of accountability that limit the development profile of the area council system, especially as it concerns AMAC.

- 3) To identify the causes of financial mismanagement that has characterized the administration of the area council system, especially the AMAC.

## **Significance of the study**

There is a general belief that no one can solve a problem effectively unless s/he knows the cause of the problem. Therefore, identification of revenue sources and accountability problems in the AMAC system will enable academicians and members of the area council to appreciate such problems and look for ways of improvement. The research becomes significant in that it seeks to identify the revenue sources and accountability to proffer solutions to those problems which we believe will go a long way in alleviating the suffering of the rural dwellers.

## **Scope and limitations of the study**

The study is restricted to the identification and analysis of problematic issues of accountability and non-adherence to financial management in the AMAC system to proffer solutions for improvement.

## **Literature review**

A good numbers of persons have written articles, books, and or given talks and public lectures on financial accountability and revenue sources in the area council system. Moreover, they have tried to highlight some salient points on problems and recommendations for improvement. However, it is quite regrettable to note that, despite all the efforts by scholars and practitioners of the area council administration, the realization of the objective has yielded no appreciable result.

Nigeria has been organized as a federal country since 1954 with the responsibility for providing most public goods being concurrently shared between the federal and state governments (Adedokun, 2004). In 1976, Local Government Authorities (LGAs) were established and recognized as the third tier of government, responsible for participating in the delivery of most local public services along with state governments, and entitled to statutory revenue allocations from both the federal and state governments for the discharge of their responsibilities (Nwabuisi, 2005). Adebayo & Rowland (1979:33) argued that, without effective financial management, the policies adopted by area council authority in a variety of fields may not be capable of being implemented. Similarly, Ani, (2000) maintained that finance entered into every realm of government. Consequently, financing is the principal means of procuring resources to carry out governments' operations and, at the end of the day, it measures a government's performance and results, both in detail and globally.

In government, financial accounting entails recording, communicating, summarizing, analyzing, and interpreting financial statements in aggregate and in detail (Onuarah & Appah, 2012). Public Expenditure and Financial Accountability (2016) emphasizes that the goal of any social service organization is to improve the results of the target population in some way by providing the right type of services and by providing them in an appropriate and adequate way. Local government entities are assumed to be performing if the projects and services meet the demands of the citizens in the local areas (Agwor & Akani, 2017). In ideal situations, the public empowers (through taxpaying) government officials to promote public welfare using public resources. However, more often than not, government officials (politicians and civil servants) serve their own interests, which jeopardize service to the public (Eton et al, 2020; Shah, 2007; Agwor & Akani, 2017; Gailmardy, 2012; Birskyte, 2013).

Financial resources are among the most important elements needed to ensure the process of development in any country (Basri & Nabiha, 2014). In the same vein, Ozor (2000:20) writes that *“The principle of public accountability in governments throughout the world works based on the fact that any public office-holder, especially an elected public office-holder, holds his official duties and responsibilities in trust for the people. He agrees that the issue of public accountability in practice has often revolved around financial appropriation and expenditure.”*

Agu (2004), while writing on funds and finance was able to assert that for any organization or society to function well, it must be financially viable. This is because finance is required for the establishment of infrastructure, equipment, salaries, etc. To operate any system of the project without adequate finance is quite an uphill task that could lead to either non-accomplishment or frustration on the job.

This study was proposed based on the problematic issues of accountability and non-adherence to the financial management of the AMAC. The novelty of the study is that it has not been done before in the context of the AMAC, and it is similar enough to be able to be scaled up to apply to the rest of the area councils of the Federal Capital Territory (FCT).

## **Theoretical framework**

Structural-functionalism theory sets out to interpret society as a structure with interrelated parts with each structure performing a role-function. The failure of one structure leads to dysfunctional or disorderliness in the system (Agba, et al, 2013). Varma (2013), corroborated by Nwaorgu (2009), noted that the analytical framework of structural functionalism revolves around two concepts, namely, structures and functions. According to Varma (2013), structures are the arrangement within the administrative system which performs specific responsibilities; while Merton (1958) defined functions as those observed consequences which make for adaptation or adjustment of a given system (cited in Nnamani et al, 2016:70). In this context, ‘*structure*’ primarily refers to a normative pattern of behavior (regularized patterns of

action in accordance with norms), while ‘*function*’ explains how such patterns operate as systems. A “*system*” refers to an organized whole with interdependent parts, regular patterns of interaction, with known boundaries, structures, and functions. What this means is that a ‘*political system*’ refers to an entity to provide security that helps to maintain domestic order in a society.

The theoretical framework of analysis for this study took its form from the structural-functionalism theory. The work of identification and collection of revenue sources and accountability problems have to do with the performance of various structures in area council treasury departments. In other words, functions cannot be performed in a vacuum. The theory also divorces norms and behavioral patterns from structure, yet the peculiarities in revenue sources, collections, and accountability in the area council system seem to emphasize structures and functions. This goes to show the connectivity of the theory with the study in question (i.e. subject of discussion). It is against this backdrop that this research work entitled "*Financial Accountability in the Administration of Area Council Revenues in Nigeria*" is being weighed.

Furthermore, the idea of dysfunctional or disorderliness advanced by structural functionalists could be used in explaining why the area council, as the third tier of the government not been able to provide the much-expected goods and services that are meant to touch the lives of the grassroots. As a system consisting of interrelated parts or components, area councils cannot exist in isolation. Put differently, area councils in Nigeria consist of departments, e.g., administration, finance, education, health, works, and agriculture. These departments must interact to keep the area council moving and effective.

Three departments (Administration, Finance, and Audit) are inevitable as Almond aptly stated, wherever there are functions, there must be structures to perform them (cited in Okoli, 2000:33). To justify the reasons for creating area councils, area council spending, functions performed by area council workers, and interactions between/among its parts, projects executed by area councils should be aimed at “providing the basic services to which each citizen is entitled in a timely, fair, honest, effective and transparent manner” (‘Servicom and the citizen’, [www.servicenigeria.com](http://www.servicenigeria.com)). So, ‘*dysfunction*’ in the administration of area council system in Nigeria can be corrected through identifying factors that have hampered accountability and making appropriate prescriptions (recommendations) based on the findings of the study.

## **Description of the Study Area**

### **Area Councils of the Federal Capital Territory (FCT)**

Area councils of the FCT are the third tier of government at the local level and are excised through a representative council established by law to exercise specific powers within defined areas. These powers gave the council substantial control and financial powers to initiate and direct the provision of services, and to determine and implement projects to complement the

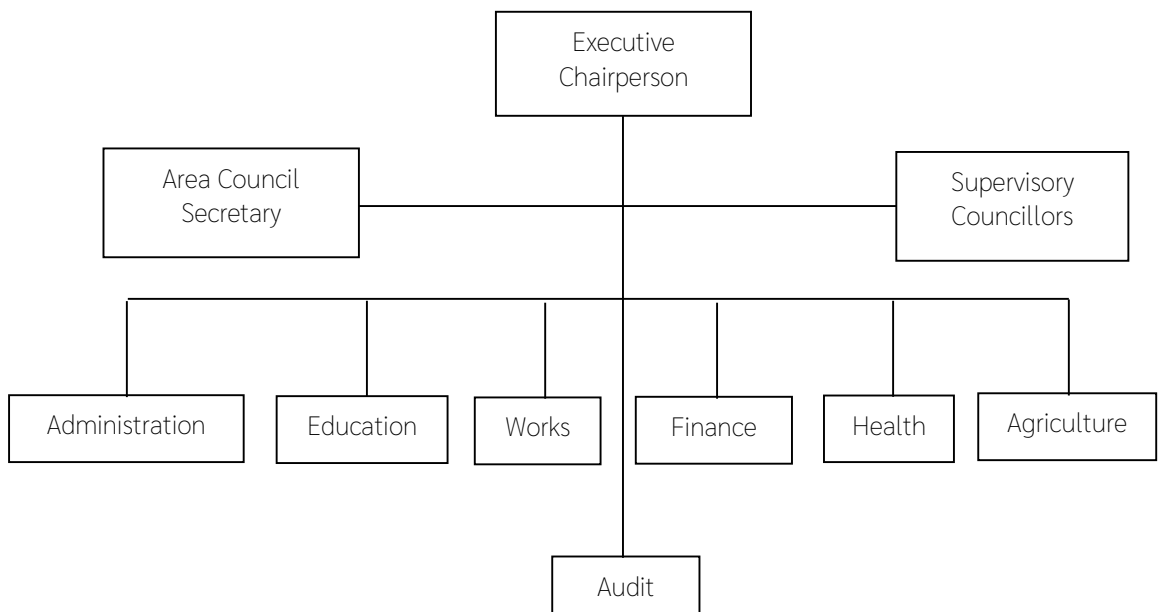
efforts of state and federal government in their areas through the active participation of the people (Anayochukwu & Ani, 2021). The cardinal functions of the area councils are like any local government entity in Nigeria. This is spelled out in Chapter III page 28 of the Guidelines on Local Government Administration in Nigeria (Federal Government of Nigeria, 1976). There are six area councils in the FCT with the status, rights, and privileged of Local Governments of States in the Federation, including Abaji, AMAC, Bwari, Gwagwalada, Kuje, and Kwali (Ani & Anayochukwu, 2021; Ani, 2021b). Each of the six area councils has an elected Executive Chairperson who administers the Council. The area councils were created to enhance rural development through the provision of basic social amenities (Adah, 2014).

The AMAC is located on the Eastern wing of the FCT. It is bounded on the East by Nasarawa State, on the West, by Kuje area Council, North - West by Gwagwalada and on the North, by Bwari Area Council. AMAC comprises 12 electoral wards namely, City Centre, Garki, Gui, Gwagwa, Gwarimpa, Jiwa, Karshi, Kabusa, Karu, Nyanya, Orozo, and Wuse. Each of these wards is represented by an elected 'councillor.' The councillors form the legislative arm of the area council (<http://amac.knowfct.com/about-amac/>).

#### Structural Pattern/Function of Area Council Administration

The structure of the area council system in Nigeria reflects single-tier institution that could have subordinate units to which it could delegate its power. The administrative structure of the area council is usually arranged in order of hierarchy, specifically organized to make use of the concept of a unit of command. The figure below illustrates the administrative structure as well as the functions performed by these structures as reflected in the AMAC system organization. Top on the list of the organization is the chairperson, as the chief executive, with an appointed secretary of the area council as his immediate subordinate. Other subordinates who are also directly responsible to the chairperson are the Supervisory Councillors and Audit Unit. Others that fall under the seven broad purviews of the area council administration include (Anayochukwu & Ani, 2021):

- 1) The Head of Administration
- 2) The Finance Department
- 3) The Education Department
- 4) The Health Department
- 5) The Works Department
- 6) The Agriculture Department
- 7) Audit Unit



**Figure 1. Administrative Organogram of AMAC**

Source: Field Survey (2021)

**The Executive Chairperson:** The responsibility of the Council's Chairperson is to direct and oversee the functions of departments and units for effective management and control as well as good governance, accountability, and transparency. Among other functions of the chairperson of the area council is the following which has to do with the management of the funds of the council.

- (a) Ensure strict compliance with the provisions of the financial memoranda
- (b) Serve as the chief accounting officer
- (c) At the beginning of each financial year, the chairperson submits to the executive council committee, the list of each department in the area council that may exercise authority to approve expenditure within the specified limit

**The Area Council Secretary:** The area council secretary assumes the role of the political and administrative functions in the management of the area council. S/he is directly responsible to the chairperson who appointed him/her and, as such, performs all duties that may be assigned to him/her by his superior (i.e., the chairperson) as is stipulated in the current guideline on application of civil service reform in the area council services. S/he receives all necessary reports, information, reforms, and data concerning transactions of the area council and puts them before the appropriate committee or body to ensure proper control of the finances of the area council.

**The Supervisory Councilors:** The supervisory councillors, who are normally appointed from the outside legislatures, are assigned to the various departments of the area council where



they function as political-departmental heads. They are appointed to deliberate on issues affecting the council at the Finance and General Purpose Committee (F&GPC) in collaboration with the legal unit of the council. They are responsible to the chairperson, just like the secretary of the area council. Their functions include:

- (a) Giving directions to the heads of area council departments on the general policy issues only, but not on the internal management department.
- (b) Assisting the chairperson to supervise the execution of area council projects within their respective departments.
- (c) Carrying out such other functions as the area council chairperson may assign to them from time to time.

**Internal Audit:** The internal audit unit, usually headed by an accountant, provides complete and continuous audit accounts and records of revenues, and expenditures. S/he is directly responsible to the area council executive chairperson. The auditor takes necessary steps to prevent any irregular expenditures before they are made. This is referred to as a pre-auditing exercise. Also, s/he may employ a post-audit method whereby s/he scrutinizes all payment vouchers and receipts in the area council at any given period.

#### The Head of Administration

The head of administration is responsible for ensuring that there is an authorized signature all contractual agreements, local purchase orders, supplies, etc., but only after appropriate approval has been made to that effect. S/he must advise the approving authority in case of any irregularity in the transaction. But if the authority insists on having its way, then s/he shall raise an audit alarm. The head of administration signs all cheques in conjunction with the treasurer. Above all, the control of staff, etc. is the responsibility of the head of administration.

#### Head of Department (HOD)

The head of the department in the area council has the following responsibilities:

- (a) Ensuring that there is satisfactory financial control in their department
- (b) Controlling the vote and authority (subunits) to incur expenditure to discharge the duties in line with the laid down procedures.

The following were put in place to provide a check on the management and control of the council's finances:

**The Elected Councilors (Legislatures):** The elected councilors of the area council (which is the legislative arm of this third tier of government) is responsible for the following functions in respect of the management of council finances: Approving local annual budgets, subject to the chairperson's vetting, which could be over-ruled by a two-thirds majority of the council. Monitoring the implementation of projects and programs in the area council's annual budget.

The Executive Council Committee (EXCO): The executive council has a responsibility for the management and control of the finances of the area council. The following includes some duties and functions of the executive council committee:

- (a) Recommendation to the council, the policy to be followed by committees and departments which is, in other words, the financing of estimate for the following fiscal year
- (b) Overseeing the preparation of annual estimates of revenue and expenditure of the government etc.

## Method of data collection

This study used qualitative data collection methods, such as review of the literature from various publications, extraction of statistical information from area councils, and in-depth interviews. The purpose of the key informant interview is to gain an in-depth understanding regarding their general view of AMAC, specifically regarding issues of financial accountability and sources of area council revenue.

Population sample and sample procedure

The subjects of study are the staff of the Area Council, and drawn from various departments/sections/units within the organization. Twenty (20) respondents were chosen from each of the seven departments/sections/units of the council, giving a total of one hundred and forty (140) respondents. One hundred and twenty-three (123) were successfully interviewed, and 17 were not. The analysis is based on the 123 valid interview transcripts shown in Table 1 below.

**Table 1: Population Sample**

Department	Number of Interviews	Percentage
Administration	20	16.3
Finance	20	16.3
Health	15	12.2
Education	19	15.4
Agric	15	12.2
Works	16	13.0
Audit	18	14.6
Total	123	100.0

Respondents from the administration department constitute 16.3% of the sample; finance accounts for another 16.3%, health 12.2%, education 15.4%, Agric 12.2%, works 13.0%, and Audit 14.6%.

## Data Presentation

Data presentation involves the arrangement and simplification of the data collected into various tabular forms in conjunction with comprehensive percentage calculations performed to arrive at the answer that will justify the result of the research. In presenting the data, response from the in-depth interviews for discrete variables are tabulated and computed as percentages (Table 2).

**Table 2: Lack of seriousness in the mobilization of revenue limits the scope of grassroots development in the area council system**

Options	Responses	Percentages
Strongly agree	60	48.8
Agree	54	43.9
Undecided	1	0.8
Disagree	5	4.1
Strongly disagree	3	2.4
Total	123	100

About half the sample strongly agreed with the statement (48.8%), 43.9% agreed, 2.4%, strongly disagreed, 4.1% disagreed, and 0.8% were undecided. Based on the analysis in Table 2, the key informants seem to perceive that a lack of seriousness in the mobilization of revenue limits the scope of grassroots development in the area council system.

**Table 3: Contracting out the area council revenue mobilization affects financial accountability**

Options	Responses	Percentages
Strongly agree	56	45.5
Agree	64	52.1
Undecided	0	0
Disagree	3	2.4
Strongly disagree	0	0
Total	123	100

The data in Table 3 show that 45.5% strongly agreed with the statement, 52.1% agreed, none strongly disagreed, 2.4% disagreed, and none was undecided. The data implies that contracting out the area council revenue mobilization affects financial accountability

**Table 4: Revenue collectors do not remit the entire amount collected to the area council treasury**

Options	Responses	Percentages
Strongly agree	22	17.9
Agree	43	35.0
Undecided	45	36.5
Disagree	7	5.7
Strongly disagree	6	4.9
Total	123	100

Table 4 above presents the responses of the respondents on the question of whether revenue collectors remit the entire amount collected to the area council treasury. As shown in the table, 17.9% strongly agreed, 35.0% agreed, 4.9% strongly disagreed, 5.7% disagreed, and 36.5% were undecided. The large portion of the sample who were ‘undecided’ suggest that they are not aware whether revenue collectors remit the entire amount collected to the council or not. It should be noted that those individuals not work in any of the relevant departments (i.e., Administration, Finance, or Audit) that are directly responsible for revenue mobilization.

**Table 5: Poor educational background affects a revenue collector’s performance and accountability**

Options	Responses	Percentages
Strongly agree	36	29.3
Agree	49	39.8
Undecided	5	4.1
Disagree	18	14.6
Strongly disagree	15	12.2
Total	123	100

Table 5 shows opinion whether poor educational background affects a revenue collector’s performance and accountability. As can be seen in the table, 29.3% strongly agreed, 39.8% agreed, 12.2% strongly disagreed, 14.6% disagreed, and 4.1% were undecided.

**Table 6: Lack of working materials/equipment affect revenue mobilization and accountability**

Options	Responses	Percentages
Strongly agree	52	42.3
Agree	34	27.6
Undecided	7	5.7
Disagree	17	13.8
Strongly disagree	13	10.6
Total	123	100

This table above presents the opinion of respondents on the issue of whether lack of working materials/equipment affects revenue mobilization and accountability. As can be seen, 42.3% strongly agreed, 27.6% agreed, 10.6% strongly disagreed, 13.8% disagreed, and 5.7% were undecided.

**Table 7: Tax evasion and avoidance affect internal revenue generation of the area council**

Options	Responses	Percentages
Strongly agree	69	56.1
Agree	51	41.5
Undecided	0	0
Disagree	3	2.4
Strongly disagree	0	0
Total	123	100

The above table shows that 56.1% of the sample strongly agreed with the statement, 41.5% agreed, none strongly disagreed, 2.4% disagreed, and none was undecided. The data indicate that a majority of the key informants in the study strongly agreed that tax evasion and avoidance affect the internal revenue generation of the area council.

**Table 8: Unfriendly relationships between elected officials and revenue personnel affect revenue mobilization and accountability**

Options	Responses	Percentages
Strongly agree	32	26.0
Agree	35	28.5
Undecided	3	2.4
Disagree	53	43.1
Strongly disagree	0	0
Total	123	100

In Table 8 above, 26.0% strongly agreed that unfriendly relationships between elected officials and revenue personnel affect revenue mobilization and accountability, while 28.5% agreed, none strongly disagreed, 43.1% disagreed, and 2.4% were undecided.

**Table 9: Which one of these alternative issues of accountability is responsible for the low development profile of the area council system?**

Alternative	Responses	Percentages
Contracting out the revenue mobilization process	14	11.4
Remittance of some, rather than the entire amount collected	3	2.4
Poor educational background of the revenue collectors	9	7.3
Lack of working materials/equipment	12	9.8
Tax evasion and avoidance	15	12.2
Unfriendly relationship between elected officials and revenue personnel	5	4.1
All of the above	65	52.8
Total	123	100

Table 9 above shows that 11.4% of respondents chose ‘contracting out the revenue mobilization process’ as responsible for the low development profile of the area council system, 2.4% chose ‘remittance of some, rather than the entire amount collected,’ 7.3% chose ‘a poor educational background of the revenue collectors,’ 9.8% chose ‘lack of working materials/equipment,’ 12.2% chose ‘tax evasion and avoidance,’ 4.1% chose ‘unfriendly relationship between elected officials and revenue personnel,’ while 52.8% chose all the problematic issues of accountability mentioned. This implies that all the above-mentioned problematic issues of accountability are responsible in one way or another for the low development profile of the area council system.

**Table 10: Non-adherence to the principle of prudent financial management and accountability dwindles the area council finances**

Options	Responses	Percentages
Strongly agree	43	35.0
Agree	68	55.3
Undecided	3	2.4
Disagree	6	4.9
Strongly disagree	3	2.4
Total	123	100

The table above shows the respondent perception on non-adherence to the principle of prudent financial management and accountability as a factor behind dwindling area council finances. About one-third of the sample (35.0%) strongly agreed, 55.3% agreed, 2.4% strongly disagreed, 4.9% disagreed, and 2.4% were undecided.

## Findings and Discussion

### 1) Sources of Area Council Revenues

Area council revenue refers to funds received by the area council, as collected from outside or by inside sources through statutory powers. The funds received from outside is called external revenue source while those received from within the area council area by statutory powers are called internal revenue sources.

*Internal Revenue Sources:* Internal revenue sources are those revenue sources that area councils are empowered by law to administer and collect, within their areas of jurisdiction. Some of the internal revenue sources of the area council are:

(a) *Capital rate:* This is a flat rate usually imposed by area councils on the citizens living within the locality. The rate used in calculating this tax is usually to the extent that most indigent individuals can afford it.

(b) *Special rate:* Special rate, on the other hand, is imposed on the citizens for the provision of specific services or projects. The amount to be imposed depends on the nature of the project or the expected cost of the services to be provided. The rate is payable by all-males age 18 years or above.

(c) *Local licenses, fees permit:* Both licenses and fees are used interchangeably depending on the area council concerned. While licenses (e.g., automobile, bakery house, beer parlor, block moulding industry, cigarette dealers, liquor dealer, motor/tricycle/motorcycle spare-parts, building material dealers, hotel/restaurant, printing press, etc.) are granted per annum, a permit (e.g., advertising, animal grazing, gambling, haulage, motor park gate fee, photograph studio, open-air preaching, timber lumbering, cinema, etc.) could be granted per day or per annum for a particular item.

Although the constitution of state Joint Tax Board law provided the general framework for area council revenue generation, by-laws are very important in providing the enabling environment for proper revenue generation in area councils. This is because experience has shown that the constitution, no matter how elaborate, cannot provide for everything in society. The importance of revenue sources cannot be over-emphasized since the price of oil (at the time of this research), as the country's main source of revenue, is suffering from fluctuations in the world market. Research Question #1 asks: *Why has the area council as the third tier of the government not been able to provide the much-expected goods and services that are meant to touch the lives of the grassroots?* It was noted that lack of seriousness in the mobilization of revenue limits the scope of grassroots development, especially if the chairperson of the area council is a greedy type who only cares for his purse against the development needs of the masses.

*External Revenue Sources:* The statutory allocation available to area councils from the federation account is 20%, and it has become the largest revenue item for area councils. VAT is levied on goods and services and at the point of each transaction. The proceeds are shared on an actual basis among the area councils, and not subject to the formula applied in the case of statutory allocation. The reason why it is given special attention here is that each successive regime, whether military or civilian, directs that (though not in writing) the VAT proceeds are meant for capital projects. Yet there is practically nothing on the ground throughout the six area councils to show or justify that claim. It then appears like all the area councils in the FCT have entered into a secret arrangement with the FCT Administration, with the claim of pocketing this money to the extent that the money would neither be used for projects nor the payment of staff salaries and allowances. This is because the Minister of FCT who claims to be supervising area councils has never demanded an explanation on the use of VAT money by these area councils. Furthermore, in addition to the federal account, the FCT is required by law to contribute 10% of its monthly, internally-generated revenue to area councils. Moreover, Grants-in-Aid refers to monetary allocations given by non-governmental organizations (NGOs), to enable area councils to carry out specific projects. The main objective of such a grant is to help the area councils so that they may be able to promote the provision and execution of services within their areas of jurisdiction. Furthermore, area councils can also raise revenue through a loan from financial institutions, but only with approval from the FCT Administration when the need arises, to finance special projects, especially commercially-viable projects such as markets, parks, recreation centers, and other industrial undertakings.

## **2) Accountability**

Accountability refers to the most prudent use of materials and financial resources, plus the ability to keep accurate and clear records of income and expenditure of allocated resources. It could equally be seen as the act of being able to give an explanation for use of funds or being answerable to an auditor. While the explanation can be for actions taken or about to be taken, ‘*accountability*’ means being able to give a concise and comprehensive explanation to another person or group of persons. In this case, the word ‘*accountability*’ is based on the giving of correct or accurate information concerning something. There are several problematic issues of accountability of the AMAC, such as non-adherence to the revenue mobilization process, the problem of accounting and accountability on the revenue collectors, the status of revenue collectors, lack of facilities for revenue generation, tax evasion, tax avoidance, and the attitude of elected officials.



### ***Non-adherence to the Revenue Mobilization Process***

The revenue mobilization process refers to the methods through which revenue collections are made possible in the area council. Mobilization also involves the collection, recording, and remittance of area council revenue to the appropriate authority. Statutorily, the Finance Department, headed by the treasurer, is charged with the responsibility of mobilization in the area councils. However, interviews conducted in this research show that some area council chairpersons, out of pecuniary interest, contract out this function to their political associates, thereby rendering the area council revenue collectors redundant. An example is a tricycle (popularly known as KEKE NAPEP), the motorcycle emblem, and the motor (taxi, bus, truck) emblems. The production and sale of these emblems are usually contracted out to political associates or top business magnates by some chairpersons of the area councils, thereby leaving the revenue collectors at the area council with no work. They do this in complete defiance of provisions in the financial memoranda, which states that the finance department is to see that all revenues due to the area council are collected promptly and properly, and are remitted promptly into the area council treasury. In the course of this research, it was discovered that engaged services of revenue consultants find it difficult if not impossible to monitor, supervise, control, or manage revenue collections. This is because the goals/objectives of the consultants are normally different from that of the area council and, as the saying goes, “*He who pays the piper, dictates the tune*”. The consultant owes allegiance to the chairperson who appointed him/her and not the treasurer.

### ***Problem of Accounting and Accountability on the Revenue Collectors***

It is stated clearly in the financial memoranda that the finance department is to see that all revenue due to the area council is collected and promptly remitted into the area council funds. The finance department consists of the following sections: finance, payroll, planning, research/statistics, supplies, and cash. Each revenue office in the finance section has a group of junior workers who are put in charge of a major revenue source such as licenses and rates. The cash office on the other hand is headed by a cashier who is a nonprofessional staff, appointed by the head of the finance department. S/he receives all monies coming into the treasury and receipts to that effect. Accountability is very necessary for any organization because it enables staff to know what they are doing. Accountability in any organization makes the organization to be financially solvent. Accountability on the side of the collector is at times difficult because the amount remitted to the person in charge of the section may not be the exact amount to be remitted to the treasurer.

Most revenue collectors fail to remit the entire amount collected to the area council, thereby keeping the balance to themselves. The revenue collectors obtain receipts from the store which they use in collecting money. The collector is also supposed to keep the revenue cash book where s/he records or posts collections against treasury receipts obtained from the cashier after payment. However, investigations conducted by the researcher showed that those most affected in this study are those area councils with a history of non-payment of salaries (i.e., the area council claimed they received zero allocation from the federation account). These revenue collectors use this as a device for survival at the detriment of the area council concerned. For instance, after collecting revenue books from the area councils, these duplicitous collectors would move to the printers where they print their receipts which also retain the same serial number, security marks, etc., as the genuine ones. Many a time, they collaborate with the area council storekeepers who supply them with obsolete receipts that have been written off and dumped over a period of years. After perfecting their fraudulent plans with their supervisors (who are their accomplices and who take a cut), they quickly distribute those fake receipts in the field, after which (toward the end of the year) the genuine receipts would be distributed. Many unsuspecting loyal citizens have oftentimes purchased these fake receipts after which they discovered that they have been tricked by these fraudsters who could not be traced. While the collection is going on, the cashbook is usually left unspotted since the receipts in use are fake ones. It is usually very difficult for the auditor to find out about this since virtually everybody involved plays along, from the store-keeper down to the toll collectors.

The revenue collectors also evade correct accounting for their collection by leaving out the carbon paper when writing out receipts so that, later on, an amount of money lower than what is written on the original is impressed on the duplicate and, thus, less revenue is paid into the treasury. Even when suspected members of the public insist that a carbon paper be inserted behind the original receipt, revenue collectors have resorted to inserting a piece of paper behind the carbon sheet to block the writing on the original copy from the duplicate copy. They even go as far as washing the carbon sheet neatly dry to render them blunt. Most cashiers are also involved in this fraud. Some cashiers refuse to post treasury receipts into the treasury's main cash-book thereby making it impossible for auditors to detect the fraud.

### ***Status of Revenue Collectors***

Having a poor educational background seriously affects some revenue collectors' performance. They are very poorly remunerated with a pitiable condition of services. All these factors contribute to their poor economic base, making them vulnerable to pilfering, embezzlement, and other fraudulent activities just to make ends meet. Many revenue collectors lack the skill necessary for proper and accurate recording of revenue transactions. This creates problems of accounting and accountability. This is why some of them engage in physical threats

to collect revenue as they lack human relations and diplomacy in approaching taxpayers. This has made them very notorious among the members of the public and, consequently, created room for evasion of revenue payment by those concerned. Over 90% of revenue collectors in the AMAC interviewed are illiterate; only a few are supervisors, and they possess a maximum qualification of between GCE, OND, or its equivalent.

### ***Lack of facilities for revenue generation***

Revenue collection and accountability are always faced with such problems as shortage of working materials, equipment, motor vehicles, communication devices, etc. The area council sometimes runs out of official receipts and other important stationery needed for revenue collection. The dire situation is usually exploited by fraudulent revenue officials who print their receipts or use obsolete ones to collect money. The fact that revenue collectors do not have enough facilities makes it hard for them to reach the remotest parts of the area council to work. For instance, sometime in the year prior to this research, some revenue officials from AMAC were confronted by angry youths at Karshi. The youth complained that, though the revenue collectors always come to collect sanitation rates, they had never come to collect waste that accumulated along the roads and that are almost blocking the roads. Sometimes, the revenue officials have no option other than to charter private vehicles for revenue drives at an exorbitant amount that, at the end of the day, what may have been realized may not be enough to settle with the drivers. No meaningful achievement can be made in revenue collection without the use of vehicles. Apart from conveying revenue collectors to and fro, various revenue points, defaulters, and their seized properties have to be conveyed to the area council headquarters or police for prosecution.

### ***Tax Evasion and Avoidance***

Tax 'evasion' refers to a calculated and deliberate attempt not to pay tax. 'Avoidance' on the other hand refers to a planned effort to exploit loopholes in the tax law with a view to not paying the required amount of tax. The fundamental difference between the two is that, while tax evasion is an act punishable under the law, tax avoidance is not illegal, despite being considered unpatriotic. Since the general public has realized that Nigeria's government is nothing but a clique of people who are only after their selfish interest, they dodge paying taxes. Accordingly, the government is insensitive to their plight, and a vicious cycle is born. The Nigerian government, under one pretext or another, often refuses to honor its public contract with the people. There is indeed no 'quid pro quo' relationship in taxation. Nonetheless, taxpayers expect improvement in their areas for the taxes they pay.

### ***Attitude of Elected Officials***

The relationship between elected officials and revenue personnel in the area council has always been that of “*Cat and Rat*.” The mutual understanding is not there and no effort is made by the management to study group and individual behavior, which is essential for creating and maintaining an effective work team in the area council system. For instance, some council members and chairpersons unilaterally and often without seeking professional advice, abolish some local taxes, rates, fines, fees, etc., with the misleading excuse that they are “*reducing tax burdens on members of their wards*”. The effect of this type of action portrays the revenue collectors in a very bad light to the members of the public. Furthermore, the same elected officials do everything to frustrate the activities of revenue collectors to the extent that they (the revenue collectors) find it extremely difficult if not impossible to prosecute a revenue defaulter that happens to come from the same ward with these influential officials or political boards in the area council. Evidence abounds that even where there is a glaring case of serious default pending in court against any relation of these powerful officials, they would use their position to thwart the judgment against the revenue collector, thereby ridding or ridiculing him before the public. In like manner, even the illiterate councilors, while acting as “vanguard of their people,” openly challenge, slap, and mobilize their people against these helpless revenue officials in their respective marketplaces. These confrontational attitudes no doubt demoralize these workers and reduce their influence before the public, and consequently lead to poor revenue generation in the area council. The most vexing aspect of this is that these same ‘political lords’ who employ all kinds of barriers against the revenue collector are the same people enjoying the proceeds from these collections alone. They regard the internally-generated revenue as their “personal” money.

Interviews conducted during this research work show that most treasurers are not in control of internally generated revenue in their area councils. They complained that most chairpersons, up on the assumption of office, impose a cashier on the treasurer. They do this in an attempt to defraud the council without the knowledge of the treasurer. The chairperson often directs the cashier to always render the account of internally-generated revenue direct to him/her for the settlement of some fictional seminar/workshops or other allowances. Even the head of administration who is also a signatory to the council’s funds is sidetracked in this shady and illegal deal. This is the reason why most chairpersons object to advice by the two signatories – the treasurer and the head of administration, for the opening of revenue account in the bank. Chairpersons prefer to deal directly with the politically-appointed cashier than with the two statutory officials.

The above issues raised are very relevant to Research Question # 2 which asks: “What are the problematic issues of accountability that limit the development profile of the area council system?”

### **3) Non-adherence to Financial Management/Accountability**

The legal or statutory framework for financial management in area council refers to those financial rules, regulations, and laws, including constitutional provisions enacted to enable the area council to implement their financial transactions within certain stipulations. Despite the existence of all these nicely-packaged regulatory and legal documents for fund acquisition utilization and asset protection in the area council system, AMAC is still in a financial quagmire. Instead of the area council using these allocations (federal/state) to better the condition of its subjects, the poor communities are now taxed, upon the rates they pay to be given the much-needed dividends of democracy. AMAC is still in a financial quagmire as a result of corruption, embezzlement, and outright stealing by those who are charged with the responsibility of protecting area council funds, who are busy converting the fund into their bottomless private pockets.

In an organized institution or organization, embezzlement should not be an open secret as is the case with area councils. It is an open secret in the sense that everyone does it, from the highest to the lowest echelon, yet everyone frowns pretentiously at the mere mention of it. The treasurer cannot direct any amount of money into any private purse without the help of the top officials, i.e., the people that matter in the area council. The rules are, more often than not, misinterpreted to suit their selfish desires. It is only in this part of the world that the payment of workers’ salaries is laudably proclaimed as an achievement. This is because some past administrators owned workers several months’ arrears of salaries, resulting in the deaths of many of these workers, while these corrupt administrators were busy siphoning money to settle their political office holders, and godfathers. Some illegal deductions are made from the area council share of the federation account without due regard to the reputations of the financial capability of the respective government. A situation where some cliques hijack and determine what should be deducted or shared among themselves from the statutory allocation with due consultation with the councilors and other appropriate statutory functionaries of the area council is illegal and against the principle of the statutory framework for accountability in the area council system.

In any case of stolen money, those in high authority are supposed to ask and demand the statement of accounts. However, because they have shared in the embezzlement, they keep mute whenever money is missing. It is also expected that the mobilized resources should be put into effective use. However, because nobody questions it, the money is used anyhow, mostly for selfish interest. The Finance and General-purpose Committee, which is the highest committee in

any area council, does not know the correct amount of income of the area council and, if asked, the chairperson and treasurer will shun them, leaving no one accountable.

Many heads of administration interviewed in the course of this research were beside themselves in anger when this issue was raised. They bitterly lamented that even the Nigerian Union of Local Government Employees (NULGE) is better equipped, as an organized labor union, to fight anomalies that are suspected to be benefiting from somewhere, as they keep quiet in the face of such illegal and dangerous issues. The big question now is, *“Who guards the guard?”* The above fact answers Research Question #3: *“What are the causes of the financial mismanagement that have characterized the administration of the area council system, especially the AMAC?”*

As explained above, the result of the key informant interviews held with the staff of the area council as well as personal observation by the researcher confirm that all the factors mentioned in this study (and others unmentioned) limit the development profile of the area council system. The importance is that, if the money meant for the development of these rural areas is judiciously utilized for the purpose intended, there will be tremendous development that will touch the lives of the grassroots. Unfortunately, however, the allocations meant for these people are diverted into a personal purse.

## **Conclusions and Recommendations**

The study examined the problematic issues of accountability that limit the development profile of the area council system, and the causes of the financial mismanagement that have characterized the administration of the area council system in Nigeria. It sought to answer why the area council, as the third tier of the government, has not been able to provide the much-expected goods and services that are meant to touch the lives of the grassroots. In doing this research, structural-functionalism was employed as the analytical guide, while relying on the primary source of data collection. However, to accomplish the intent of the study, the responses elicited from the in-depth interviews were analysed and revealed a strong relationship between the problematic issues of accountability and financial indiscipline in area council administration, which rendered the government unable to provide the much-expected goods and services that are meant to touch the lives of the grassroots.

In view of this conclusion, and based on the research findings, the following recommendations are made:

- 1) The revenue collectors should be equipped with vehicles and should also be sent on training (courses) where they can be able to learn more about their work and so be able to deliver and discharge their duties effectively.

- 2) To minimize the problem of tax evasion, it is recommended that the masses must be educated on the importance of their adherence to the principle of the social contract theory by making them see the connection.
- 3) The involvement of consultants in the collection of revenues in the AMAC should be seriously discouraged as it breeds fraud and embezzlement of the area council fund by the chairperson, their superior.
- 4) The (NULGE) as a trade union should sit up and do their job, by questioning the activities of these political office holders who abuse their offices as a result of their quest for materialism.
- 5) An anti-corruption tribunal should be established in FCT to promptly handle offences connected with tax/revenue offenses, including its management, embezzlement, etc. Those found guilty, even if it is the area council chairperson, should face prosecution as a deterrent to others. This will guarantee accountability in the AMAC system.

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