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Sources And Application Of Funds In
Local Governments
(A Case Study Of Dukku Local Government)
Gombe State

BY

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Department Of Accountancy And Finance
The Federal Polytechnic Damaturu

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(A CASE STUDY OF DUKKU LOCAL
GOVERNMENT) GOMBE STATE

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MUHAMMAD ABUBAKAR MALALA.
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BEING A PROJECT SUBMITTED TO THE
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APPROVAL PAGE

This project has been read and approved for meeting with part of requirement for the award of Higher National Diploma (H.N.D.) in Accountancy of the Department of Accountancy and Finance Federal Polytechnic Damatu, Yobe State.

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DEDICATION:

This project works was dedicated to my parents, Brothers, Sisters, Wife and beloved children, Nafisatu Muhammad Abubakar and Maryam Muhammad Abubakar.

ABSTRACT

The purpose of this study or project is to provide on insight into the tape of contribution the revenue workers and the top management of the local government responsible for the application of funds efforts to the development of the local government and also to find ways in rehabilitating those places that are not functioning. The techniques and mode of the study undertaking in writing this project depend on how details were being collected, which range from verbal interviews with the local government staff, text books and consulting top management of the local government. Since the researcher himself could not involve the whole of Gombe State, but limit to a specific local government in order to achieve the basic aims easily.

Further more, I wish to thank the lecturers of Accountancy and Finance Department and the entire lecturers of the polytechnic for their support through out in my course in the institution.

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CHAPTER ONE

1.1. INTRODUCTION:

The Government revenue or source of fund as a matter of fact have been developed in a simple structure change during the economic development period, since the amalgamation of Nigeria in 1914.

Local Governments get their money from local people, obviously most of them get most of their revenues from property taxes – usually levies on houses, land and business properties. You can collect money but limit amount of money with property taxes.

In the early 1900s local governments were collecting more than half of the taxes, mostly property taxes. Today local governments still get most of their revenues from property taxes but those taxes only collect less than 10% of the total tax revenue.

Apart from locally generated revenues collected by the local governments, they have another sources of funds, such as Federal allocation, State allocation, special grant as well as value added tax (VAT).

Source of fund or revenue serve as a back bone of any organisation because it enable the organisation to solve its financial problems.

The major taxes in Nigeria in order of the relative importance as a revenue source are import duties, personal income tax and the company income tax.

Despite economic development which is essentially upliftment of man standard of living has been the major concern and all government of the world.

In this regard this research work set out to investigate the possible ways of getting revenue as a source and use of it to promote economic development project by the means of expenditure. Government is the highest spender in most countries especially the under develop countries since the government provide other social community.

It is obviously that local governments have been successful in getting the state and federal governments to carry a lot of the cost of providing services to the people. Local governments are still spending a lot of money, of course for transportation, education, low cost housing, urban and renewals. Others are Health facilities and hospitals, communication system, good roads, police and fire protection as well as adequate water supply. But most of this direct spending by local governments in indirect spending by the state and the federal governments, mostly by grants in aid, even though local expenditures are small as compared with the state and federal expenditures.

Government expenditures necessarily involves a consideration of priorities. Inevitably and especially in developing countries, the various branches of governments will have for more proposals for expenditure than the available finance will permit.

The actual allocation of local governments expenditure will depend upon government policy. A considerable portion of expenditure will result from decision made by the top management of the local government in the past. Salaries of civil servants will be annual charge to local government and the total sum involved is not likely fluctuate each year, but to increase fairly steady.

Additional of local governments expenditure in any direction involves an opportunity cost. With limit funds available, expenditure on one project means the finance is not available for another, so that local governments has to determine its priorities.

In any government, especially local governments the expenditure can be divided into current and non current expenditure. Current expenditure is that which is repeated each year such as salaries of civil servants, cost of stationary and maintenance of roads. Non current or capital expenditure is once for all expenditure on such item, like school building construction of new roads, building of new houses and the rest of them.

The efficiency in providing the above social amenities to the people generally indicate concrete achievement in economic development. These services which are not revenue yielding ventures requires continuous funding from the government.

In deed the importance of revenue as a source of funds to local governments cannot be over emphasized especially in the developing countries where the rate of development is closely tied to ability of generating revenue.

In fact the world Bank appraised the developing countries for attractive great importance to the ability of such governments in Nigeria is always faced with the problems of finance because of the huge capital projects it embark upon. Those the Nigeria revenue system has generally been able to achieve its primary objectives of revenue maximization.

Apart from these functions, the overall sources and application of funds in local governments may be choosen in an attempt to stabilize the level of employment and balance of payment. Local governments may also try to influence the distribution of income/wealth. Therefore, in the course of this study various ways which will be bring appreciable revenue to the local governments and the ways of spending it will be discussed thoroughly with the aim of seeing that the local government functions well to meets the yearnings as its people.

1.1. BACKGROUND:

Dukku local government was created in 1976 among the 16 (sixteen) local governments areas by the former Bauchi State government edict of 1976. Dukku local government is located in the north western part of present Gombe State at about eighty kilometers (80) from the state Headquarters (Gombe). The local government shares boundaries with Kwami local government in the south east, Kirfi local government in the south west, Akko local government in the south. Others are Funakaye local government in the east and Darazo local government in the west.

The local government has an area about one thousand six hundred and thirty four (1,634) square kilometers approximately, with estimated population of about one hundred and fifty eight thousand, six hundred and seventy (158,670) people according to 1991 population census.

The local government is made up one District Head quarter. The district comprises of eleven (11) village heads areas, the leader of the district is popularly known as the "HAKIMI" while the villages are headed by village heads called "DIGACT".

The local government is mostly dominated by the Fulani because over three quarter of the inhabitants are Fulani by tribe, while the rest consist mainly of Bolewa, Kanuri, Hausa and Kare-kare which are very minor and are found mostly in the eastern part of the local government. The main economic activities of the people in the area is farming. About 70% of the rural population are present farming, cultivating both food and cash crops during the raining season. The main food crops include millet, maize, in the sandy areas are guinea corn and surgum in the clay areas. The main cash crops include groundnuts, beans and with the introduction of Gongola -Jama'are River Basin Development in the area wheat and rice are mainly grown more especially now that the present political government encourage farmers living in the river bank to plant wheat.

Other economic activities in the area are petty trading and fishing with regard to the social structure, you tend to find that people residing in the villages come together to help one another whenever there need for assistance and this indicate that there is a mutual understanding between the villagers. They also share boundaries of hospitality in respective of any member of their villages and there is also inter-marriages within the community.

Finally Dukka local government is one of the district that make up present Gombe Emirate Council.

1.2. AIMS AND OBJECTIVES OF THE RESEARCH:

The aims and objectives of this research is to identify and define the problems of sources and applications of funds in local governments and more attention can be paid on Dukku Local Government as a case of study, such as revenue collection and other sources for improving them.

In the course of the study the factors that are responsible for low revenue generation to the local government will be identified and discussed.

Further more another purpose of the research is to examine the performance of Dukku Local Government revenue generation committee, as well as the performance of the management of the local government in case of spending the generated sources of funds.

It is also intended to provide a sufficient information on sources of funds in Dukku local government and also to determine the extend to which the local government uses its sources in order to provide social services to the people.

1.1. STATEMENT OF PROBLEMS:

This research dwells on the problems of sources and application of funds, particularly in Dukku local government, that is to determine the problems of sources and applications of funds and to improve them. To determine the extend to which Dukku local government to generates it

revenue sources of funds and at the same time to spend it in appropriate way. As a researcher therefore most attention is to used problems encountered by the local government on mobilising and generating income and spending the generated income and spending the generated income, also suggestion are offered on how these problems could be based eliminated or reduced to the rest of minimum where necessary.

In fact there has been an increasing pressure on Dukku Local Government to provide adequate supply of social amenities to its rural community which will raised the standard of living of the people in the communities to the high esteem. The efficiency of any tax system is just a matter or appropriate laws and functions of an integrity of its administration.

In almost every state of local government low revenue yield from taxation can be attributed to the fact that the tax provision are not properly enforced either on account of the inability of the government to cope with other reasons are inadequate of manpower, lack of dedication of staff, lack of co-operation by tax payers and corruption as well dishonesty from the revenue collectors, and also delays in receiving grant from the federal government. All these problems will be used to anlylised and finding why the sources of funds are poor.



Apart from spending the accumulated source of funds, some time even if there is availability of the funds, the management of the local government council cannot utilise the funds for the benefit of the citizens, they are just doing it for their own sake, therefore all the problems should be put into consideration, as regard to this research and see what are the main possible solutions to the problems.

1.2. IMPORTANCE OF THE STUDY:

It is intended to provide sufficient information on problems that local governments are affected on sources and application of funds and proper solution to their problems and research will be made usually on the importance of sources and application of funds in the local governments and hope to get its useful to the local government in getting sources of funds and spending it to the citizen in an appropriate ways.

1.3. RESEARCH QUESTIONS:

For the purpose of this research work the following questions are to be considered.

- (a) Does improving sources and applications of funds in local governments will provide adequate financial stand to the local government?

- (b) Did adequate financial stand to the local governments will be a key of providing social services to people?
- (c) What are the main sources of local government revenue?
- (d) Did sources and applications of funds in local governments are properly manage?
- (e) How proper is the local governments expenditure is?

1.4. SCOPE AND LIMITATION:

As a researcher of this nature cannot look into all the activities of the local government, attention will be paid on local government sources and applications of funds, that is the ability of the local government to improves its revenue sources capacity and to improves it nature of expenditure. In addition to broad frame work of revenue generating and method of spending it will be treated.

Moreover there is a time constraint especially in data collection

since this is the first time to study this aspect of local government and will be conducted in the local government and more than 60% of the whole data will be collected from the field. The study be limited within the period from 1998 – 2001. Even though other period targeted scoring, but bearing in mind that the time limited for conducting the research is

very short further more the study is limited to Dukku local government area of home state for easy attainment of goals.

1.7 PLANS OF THE RESEARCH: TWO

As regard to this research work is plan by the used of data collection through oral interviews the staff of the local government, particularly Treasury Department for the sources of revenue and general public within the local government area for the expenditure. Also by consulting text books, daily abstracts of revenue as well as daily abstracts of expenditure of the local government. Another source of information of the research work is by distributing questionnaires.

Therefore both primary and secondary data were used in this research work.. Questions about the sources and application of funds can be easily answered by everybody in the local government. Generally speaking most of the information obtained in the course of this research work were mainly through discussing with the top management of the local government. The secondary data also obtained by consulting text books, daily abstract of revenue and the daily abstract of expenditure of the local government.



CHAPTER TWO

REVIEW OF RELATED LITERATURE:

In compiling this research work opinion of others was considered as shown in this chapter as a reviewing chapter, therefore, the meaning of sources and application of funds in local governments, the problems and solutions to the problems should be put into consideration in this chapter. As it was discussed by other people, in book pamphlet journal, Revenue generation in local government have been operating and functioning in Nigeria for many individuals contribution and many related text books.

As it was mentioned earlier that Revenue is the backbone of every organisation or parastatals because without sources of revenue no organisation will function effectively, more especially local government where they highly depend on generated revenue. As we have been almost all spending is carried on at the three main levels of governments, that is the Federal, State and Local Governments, some similarities exist in the nature and procedures of spending at all levels. However, the three levels of governments differ significantly in what they spend their money on.

In the early 1900s, any services which needed governments to provide for the people were provided by the local governments, that is by the cities, villages, township and others. That is the way it has been since

the beginning. Education, roads, streets, law and orders were all local governments functions. There were a few state police of course.

In those days the federal government was concerned with national defense, money and banking, some regulations of big and banking, some regulations of big businesses, keeping on eye on interstate and foreign commerce and a few other big things. These was not much immediate contact with people.

According to J.L. Hanson (1977) who describe the necessity of tax as source of revenue for the payment of public expenditure, for along period of time government imposed taxes in order to generate money only to cover the cost of administration, defense, health facilities, good roads, public utility services, payment of salaries, pension and other social services.

LOCAL GOVERNMENT REVENUE LAW:

The constitution of the federal government of Nigeria (FGN) stated the functions of local government in fourth schedules (section 7) the functions are:-

- Collection of treatment rate and radio television licenses;
- Fees from market shops, mini trades in the market and motor park;
- Licenses by bicycles, trucks, canoes and wheel borrows. Fees from birth, death and marriages as well as registration of shops.

Most local governments in the country are only concerned with the collection of community tax (section 21 Income tax management Act 1996 I.T.M.A). Taxation can also be considered as source of revenue to the local governments.

According to Are Oye Bula (1970) Revenue taxation is the money raised by the government in order to raised public services and basic needs inform of expenditure such as health services, free Education, adequate water supply, communication and others.

The power to generate source of revenue is of great importance which differentiate state from any other organisation whether in an economically advance country like U.S.A. or under develop state like Chad it is very vital for government to generate source of revenue in order to have funds with which provide basic needs to civil servants, and other categories of the workers employed by the governments must be paid for example police and all armed forces, they require to maintain law and order. Apart from these reasons or the essentials services are provided by the state therefore it was a policy by the government to generate revenue in order to provide the above mentioned to the society efficiently and effectively.

BRIEF HISTORY OF SOURCE OF REVENUE:

Prior to the introduction of British rule, revenue were paid in Nigeria by towns and villages groups. Tax were in form of yearly tribute of crops and animals and others as well as properties of war battles and court fines. When Nigeria was divided into protectorate for easy and effective administration by the colonial masters, the protectorate has native cultisities which were effectively monitored and control through the direct rule system introduce by Lord Lugard, however, the success of the rule depend on the generated revenue to sustain both the native authority and the central government. At that time the major sources of government revenue which was ordinarily available to the government was taxation in some parts of Northern Nigeria traditional system of taxation were fully developed. The laid tax, Jangali or cattle tax, development levy were collected by emirs.

The basis of tax was communal rather than personal which the native authority playing an important role in it assessment and final collection. (Are Oye Bula 1970). In Ghana attempt to introduce tax was opposed by the early nationalist, in Tanzania a direct tax was introduced in July, 1082 for the first time and since colonial days.



In southern part of Nigeria (southern protectorate) custom duties were first introduced as source of revenue.

Generally speaking the system may be said to have worked good result in the North because of the people of the area were instructed to pay tax under the administration of emirs. Accordingly, direct taxation was introduced in the area in 1904. It was a complete success there were no incentive to introduce tax in the Southern part of the country (Nigeria), the Southern part have enough sources of revenue from custom duties, however, it is due to amalgamation of the two protectorates to make Nigeria one in 1914, the government began to experience financial problems. Hence after considerable work by the British officials in explaining the new tax system to the emirs, chiefs and entire people of the society, all previous dues and labour were considered to make a single cash payment.

All the above mentioned sources of revenue including other sources were utilised for the benefit of citizen in form public expenditure, from the native authorities up to the protectorates in those days and from local level up to the federal level at now, because government functions for the people were performed at the local level and for the nation as a whole were performed at the federal level. The local governments were

creatures of the states, so the state had something to say about what the local governments could do or could not to do. Also localities derive their taxing and spending powers from the states.

LOCAL GOVERNMENT SPENDING:

The purpose of local government spending is to provide services and amenities for local needs. Originally spending was limited to absolute essentials, such as poor relief and roads. Gradually the range of local government activity has widened and the spending has increase with it.

The scope of activity for any local authority depends on the limits laid down by the parliament. In some cases local authorities are compelled to provide certain services and with education, police, fire and welfare. In other cases they are permitted to spend money on certain things if they so choose, as with parks, summing both and markets.

The central government position is to lay down which services must be provided to set certain standards which must be met and to help towards these ends by providing guidance and financial help.

It is not possible therefore, to generalise about local government spending. A look at the rate demand note for your own local council will show what is happening in our locality.

Under the fragmented system of local governments, most large metropolitan areas have dozens of local governments including

municipalities, school districts and special districts. These local governments provide a wide variety of goods, including transportation systems, education and crime protection.

2.2. DEFINATION OF TERMS

1. EXPENDITURE:

The word expenditure means spending of money by the Government in the course of providing social and community services to its people. The government expenditure can be divided into current and non current expenditure.

Current expenditure is that which is repeated each year such as salaries of civil servants, cost of stationary and maintenance of roads as well as maintenance of houses. While non current or capital expenditure is once for all expenditure on such items, as school building, construction of new roads, building of housing estate and the rest of them.

2. FINANCE:

The term finance can be defined as the management of the flows of funds through an organisation. It deals with the general institutions and procedures involved in payment either within a firm or government.

3. **REVENUE:**

This is the increase in owners equity from the sale of goods or the performance of services. It measured by the amount of cash or other assets received. Although revenue often consists of cash, it may consist of any asset received, such as customers promise to pay in the future can account receivable or the receipt of property from a customer.

When we talk of government revenue we means the money received by the government for the payment of public expenses.

4. **TAXATION:**

This is the system by which taxes are imposed and it is a source of revenue imposed on individual income, wealth and organisation or company, either directly or indirectly. indirect tax is a tax levied on someone other than the person on whom its burden falls in the long run, for example a tax on goods which is ultimately paid, in the form of price increase by the consumer. While direct tax is a tax levied directly upon the person who is to pay the tax for example income tax.

5. **ECONOMY:**

Economy is the means of saving money or avoidance of waste, it also seen as the part of a system that deals with man's material needs. Therefore, economy is the control and management of money, goods and other resources of a community or society.

6. **FUNDS:**

Funds are defined as a working capital, cash or cash and readily marketable securities. Apart from that funds can be seen as an accumulation of money especially one set aside for a certain purpose.

7. **EMBEZZLEMENT:**

This is the act of misappropriation of money fraudulently to one's own use, to divert money in his or her care in a wrong way or for his own benefits.

8. **STABILIZATION FUND:**

This is an additional amount of money apart from the statutory allocation from the federal government to either state or local government, for the purpose of settling its liabilities and some time it can be for a specific purpose, that is for operating a certain project.

The above are the related terms to this study are defined within the context of the research work. Thus the meaning attached to any term is deliberately due to totally with the research work in the project.

CHAPTER THREE

3.1. RESEARCH METHODOLOGY:

In the process of carrying out this study there are so many various methods of data collection will be used in order to extract recount information and the methodology involved in data collection in order to enhance the reliability of the research.

The important of this research work to the chapter is to know the actual method or data collection in order to print-point, the reliability and accuracy of the method used in the chapter.

3.2. RESEARCH POPULATION AND SAMPLING PROCEDURE:

The research population was conducted under the Fulani Welfare Association in Dukku, (the Headquarters of the Local Government) the total population of the fulani here in Dukku is being estimated to be around thirty thousand (30,000) people and among about 50% were interviewed in the association in relation to their views about their occupation and the majority of their occupation they were farmers and almost 60% of the people living there were below 40 years.

In-terms of their literacy level the majority of the people were illiterates because they all depend on their occupation that is farming.

SAMPLING METHOD:

The researcher used random sampling procedure that is picked few People from each division and generalised as a result with the few population. Because of time limit the researcher used accidental sampling.

3.3. METHOD OF DATA COLLECTION:

The researcher used different methods in collecting information in this research work, the method include the primary and secondary sources of data, that is through oral interview and consulting the accounts books of the local government as well as consulting text books.

PRIMARY SOURCE OF DATA:

This is where the researcher gathered information directly from Dukku Local Government Staff through interviews. In this regard questions application of funds in the Local Governments and can be easily answered by the staff in the local government.

Another way of collecting primary data is through discussion with the top management of the local government.

SECONDARY SOURCE:

The researcher also relied upon and collection the relevant account books and documents of the Local Government, such as daily abstracts of

expenditure, daily abstract of revenue and other relevant documents for reference. An addition was made to the authentic work of some writers (text books).

In this research work, among the various methods of data collection is more suitable to my own need because many people responds through oral interviews.

CHAPTER FOUR:

4.1. DATA PRESENTATION AND ANALYSIS

This chapter is one of the most important part of the whole research work. As a result of this with extensively analysed the data collected in the manner most appropriate.

Moreover the analysis will be mainly on the sources and application of funds in local government, in order to understand this chapter adequate attention will be given to it. I will like to discuss the sources of the revenue to the local government, both internal and external sources and later see the expenditures of the local government (application of funds).

In this effort toward boosting revenue the local government has the following as a source of revenue. First of all Dukku Local Government generated its revenue from Dukku main market, Malala, Dukkuyel, Gadum, Dokoro main markets and Motor parks respectively.

Other sources of income include general contracts registration fees, tractor hiring units and others are some of the sources, a part from internal generated revenue or grant from both Federal and State Governments.



DUKKU LOCAL GOVERNMENT REVENUE GENERATION

Dukku Local Government as a third tier of government can translate its government status into some credibility through the provision of social services to the people. Normally, this came through the appropriate effort of the council. Such effort could come through good leadership and management policy and very importantly a said financial background which is the backbone of every organisation whether private or public.

Finance is the bedrock of any talked of autonomy viability or credibility of any local government get involved in huge and gigantic project. The Nigerian situation has been gloomy because of the confident over dependence on statutory allocation and inelastic available to these unit.

Moreover, the attention paid internal revenue generation effort in terms of effective organisation has been luck warm over the years. This is because either the organisational machinery has not been well constituted and utilised or the local government has been badly chart charged by revenue collectors and poor organisation of revenue unit in the local government.

The local government has abundant sources of revenue though the staff are trying their possible best to see that they achieved their aims of generating revenue for the local government, but due to some factors of revenue is declining at an alarming rate.

In march, 1991, the Department of local government studies ABU Zaria sent out its advanced and post graduate diploma students to six states in Northern Nigeria to carry out investigation into the course of continuous decline in generation internal revenue of the local government. The students carried out the exercise through interview, administering of questions, direct observation and extraction of data from existing records in the local governments.

At the end of the exercise these were recorded.

1. Revenue collectors and officers deliberately falsify their record in order to cheat.
2. Revenue collectors failed or refused to pay in local government revenue generated internally to either banks or for the cashier of the local government treasury.
3. A large number of revenue collectors print their receipts which they collected revenue and convert it to their personal use.



4. Revenue officers and cashier failed to keep up to date record of revenue and expenditure in their cash books and so there were no monthly trail balance for many months back.
5. Supervisors officers in the local government treasury never carried out regular supervising of revenue collection in the markets, motor parks, cattle markets, and villages.
6. There was no board of survey to carry out physical checking of cash in local government safe and cash tasks.

SOURCES OF LOCAL GOVERNMENT REVENUE:

The local governments derive their revenue from two broad sources that is internal and external sources. The sources can be seen as follows:

INTERNAL SOURCES OF REVENUE:

The internal sources are those areas or activities in which local government are empowered to legislate upon, these sources include community taxes or tenement rates, others are bicycles license, hawkers permits as well as forestry exploitation fees and tractor hiring unit fees and rest of them put together. Internal revenue constitute only a small proportion of total revenue of local governments in Nigeria, this however, not always be the case in some situations.

Local government generate the bulk of their recurrent revenue requirement from internal sources.

Political justification and administrative development have over the years combined to adversely effects on local government internal capacities. These some factors have however, and the other hand imposed greater responsibilities on the local government. This has invariably shown in the processing need for local government to more than ever before. Put in greater efforts and initiatives in internal revenue mobilization and management. Indeed these Twice responsibilities for mobilization and management has become a central issue not on the fiscal, but also on the political and administrative agenda of local governments in Nigeria today.

Apart from that let me explain in brief some of the internal sources of revenue to the local governments as follows:

1. **FEES AND LICENCES:-** Apart from external sources in Dukku

Local government. These types of revenue private substantial find to the local government annually, weekly or daily. These includes:-

- (a) **MARKET FEES:-** This fees is charged weekly on trade displaying their goods for sales within the local government and markets days, Dukku local government has the following markets in (5) five days of the week which are Friday Malala,

Sunday Dukkuyel, Tuesday Dokoro, Wednesday Dukku and Thursday Gadum. The amount chargeable depend on the nature of goods displayed.

(b) **MOTOR PARK FEES:-** This is a fee that is charged on commercial vehicles entering the various motor parks within the local government. The amount charge depend on the type of the vehicles, passengers cars pay #5:00 while lorries pay #10:00 per entrance.

(c) **PRODUCE BUYING FEES:-** This license sold to farm produce in marshals who purchase farm products in bulk for re-sale in the neighboring local governments as well as states.

The amount chargeable is two hundred naira (#200:00) per annum for every individual.

(d) **CATTLE FEES:-** This fees is charge from people who bring cattle and goats and sheep in the market. The amount charge is five (#5:00) per goat, sheep and ram while Ten naira (10:00) per cow and bull brought to the market and vi-versa for cattle dealers who take the animals out of the local government for re-sales.



(e) **FISHING LICENCE:-** This licence is sold to people who engage in fishing and only those who pursue the licence allowed to fish within the local government. The amount charge is hundred naira (#100:00) per annum.

(f) **PLOT TAX:-** This tax is payable to the local government by the owners of plot of land in respect of whether the land is developed or not. The amount payable is proportionate to the potential value of the plot, but the amount charge range from fifty naira (#50:00) and above annually.

(g) **ENTERTAINMENT TAX:-** This tax is charge on admission ticket for entertainment places like cinema, dancing places, clubs and other type of entertainment places.

EXTERNAL SOURCES OF REVENUE:

External sources of revenue to the local government comprises of statutory contribution from the Federation account, State government, variety of specific and general grants from both the federal and state governments and donation from donor agencies. By far the most important among these external sources is statutory allocation from the federation account from which most of the local government in the country (Nigeria), including Dukku derive the bulk of their recurrent

expenditure revenues. Because of the importance it will be worth while to briefly discuss statutory allocation in Nigeria particularly as they relate for local government finance.

1. **STATUTORY ALLOCATION:** The constitutional recognition of Local Government by the 1976 reform brought the local governments of Nigeria into the main stream of Inter-governments fiscal relation in the federation in fact, statutory allocation is the fixed amount of money that is allocated to local authorities as their shares from the Federation account like the other levels of governments.

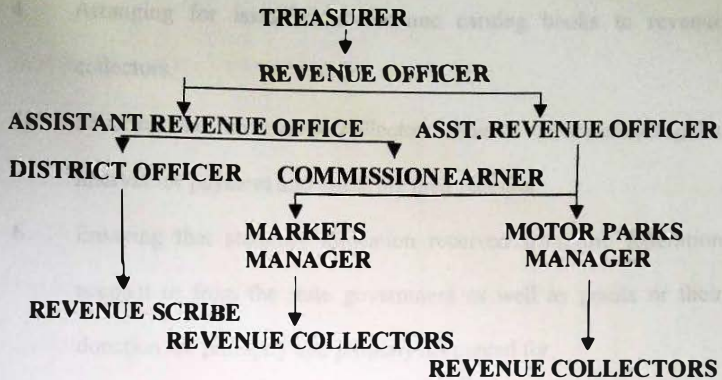
The allocation will be according to the population, size and other factors to be considered.

2. **GRANTS:-** This is normally a gift the federal government will grant the local governments a sum of money in order to embark on their specific projects.

THE STRUCTURE AND FUNCTION OF THE REVENUE

SECTION:

The revenue section is normally under the finance department. It is directly accountable to the treasurer as head of department and it is department that boils with activities. In fact it is the nerve centre or backbone of the local government, its structure works as follows:-



As can be seen from the above chart the hierarchy is from the Treasurer to Revenue Officer, Assistant Revenue Officer and various names and some time district scribe and revenue collectors.

This structure as it can only be meaningful depending on the quantity and quality of personal their commitment and supervision and control to breath efficiency, effectiveness and prevention of round.

In terms of function the financial memoranda stipulate the followings:-

1. Participating in the annual estimates.
2. Ensuring the receipts and custody of all revenue earning books.
3. Ensuring that all revenue due to local government are collected and brought to account.



4. Arranging for issuance of revenue earning books to revenue collectors.
5. Ensuring that the revenue collectors come to the treasury regular interval for payment and checking their receipts.
6. Ensuring that statutory allocation received from the federation account or from the state government as well as grants or their donation are promptly and properly accounted for.
7. Ensuring that action is taken where there is a delay in receiving revenue due from the local government or other statutory organization.
8. Cheques drawn by chairman, councilor state or local at a local government treasury.
9. Where treasury issued a cheque payable to the state or local government to a commercial firm or to a person who right reasonably be expected to have a bank cheque must be crossed.

ANANTICAL TOOLS:

The following tables shows the generated revenue from all sources of the local government, it shows the generated sources of revenue from the year 1998 – 2001 as well as the total expenditure of the same year respectively.

APPLICATION OF THE FUNDS FROM 1998 - 2001

SOURCES OF REVENUE FROM 1998 - 2001

| SOURCE | 1998 | 1999 | 2000 | 2001 |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| | # | # | # | # |
| Federal allocation | 84,524,041 | 134,841,552 | 303,815,820 | 283,480,038 |
| Special grant | 3,000,000 | - | 16,484,671 | 81,248,272 |
| State allocation | 638,500 | 700,000 | - | - |
| Value added tax | 14,860,045 | 22,879,679 | 28,078,798 | 43,092,539 |
| Locally gen. Rev. | 2,467,703 | 2,840,605 | 5,485,967 | 8,069,215 |
| Total:- | 105,540,284 | 161,261,836 | 353,865,256 | 415,886,064 |

SUMMARY:

1998 - #105,540,289

1999 - 161,261,836

2000 - 353,865,256

2001 - 415,886,064

TOTAL:= 1,036,553,445

APPLICATION OF THE FUNDS FROM 1998 - 2001:

| AREA | 1998 | 1999 | 2000 | 2001 |
|----------------|--------------------|--------------------|--------------------|--------------------|
| | # | # | # | # |
| Personnel cost | 22,211,301 | 70,342,144 | 123,636,699 | 200,543,150 |
| Overhead cost | 59,832,213 | 69,286,683 | 134,254,345 | 138,642,058 |
| Capital cost | 23,853,865 | 21,077,184 | 90,156,326 | 88,898,043 |
| TOTAL:- | 105,897,379 | 160,666,011 | 352,047,570 | 428,083,251 |

SUMMARY:-

| | | |
|----------------|----------|------------------------------|
| 1999 | - | 160,666,011 |
| 2000 | - | 352,047,370 |
| 2001 | - | 428,083,251 |
| TOTAL:- | - | <u>#1,046,694,011</u> |

SOURCES OF REVENUE BY DEPARTMENTS:

Having seen the total generated source of revenue for four years as well as the expenditure of the same years let us see where these sources of revenue are coming from, that is both the internal and external sources.

The local government sources its revenue from the various departments under its operations. All revenues collections are centrally



controlled by the finance department at the treasury, notable among the departments which generate substantial revenue to the local government are: Central Administration, Primary Health Care, Finance, Agriculture and Natural Resources and Works and Housing Departments. The external sources are Grants and Statutory allocation. The tables are as follows:-

TABLE ONE

CENTRAL ADMIN SOURCES:

| S/NO. | HEADS/SUB-HEADS | DETAILS OF SOURCES |
|-------|-----------------|---------------------------------|
| 1. | 1003/2 | Fines and overdue library books |
| 2. | 1003B/6 | Bicycles licenses |
| 3. | 1003E/21 | Naming of streets |
| 4. | 1003/E/20 | Control of noise |
| 5. | 1003/23 | Beggar permit |
| 6. | 1003/63 | Commission on sales of houses |
| 7. | 1003/124 | Impounding of animals |

TABLE TWO

HEALTH DEPARTMENT SOURCES:

1. 1003B/7 Native labour licence
2. 1003C/10 Renting of Houses Fees
3. 1003C/12 Bake houses licence
4. 1003C/13 Registration of meat sellers licence
5. 1003/5 Fish and meat sellers fees
6. 1003E/26 Birth Registration fees
7. 1003E/28 Dispensary and maternity fees
8. 1003E/29 Laboratory fees

The above tables shows some of the sources of revenue from central administration and Primary Health Care Departments respectively.

TABLE THREE

FINANCE DEPARTMENT REVENUE SOURCES:

| S/NO. | HEAD/S/HEAD | PARTICULARS |
|-------|-------------|----------------------------------|
| 1. | 1003/8 | Howkers licenses |
| 2. | 1003B/30 | General Contractors registration |
| 3. | 1003B/34 | Petty traders fees |
| 4. | 1003E/1 | Main receipts |
| 5. | 1003E/2 | Motor park receipt |

| | | |
|----|----------|--------------------------------|
| 6. | 1003E/3 | Shop and shopping licenses |
| 7. | 1003E/34 | Petty traders fees |
| 8. | 1003E/57 | Miscellaneous |
| 9. | 1003E/58 | Sales of unserviceable stores. |

TABLE FOUR

DEPARTMENT OF AGRICULTURE SOURCES:

| | | |
|-----|----------|------------------------------|
| 1. | 1003A/3 | Tractor hiring units |
| 2. | 1003A/4 | Game licences |
| 3. | 1003/5 | Dog licences |
| 4. | 1003/9 | Slaughter licence |
| 5. | 1003C/4 | Abateour/Slaughter |
| 6. | 1003C/14 | Cattle dealers fees |
| 7. | 1003C/16 | Skin and hide dealers fees |
| 8. | 1003C/18 | Dane gun license |
| 9. | 1003C/36 | Forest exploitation licenses |
| 10. | 1003C/39 | Hire charges |

The tables three and four above shows the sources of revenue in Finance and Agriculture departments in the local government. All the generated sources of revenue of the local governments are under care and custody of finance department.



TABLE FIVE**WORKS AND HOUSING DEPARTMENT SOURCE OF REVENUE**

| S/NO. | HEAD/S/HEAD | PARTICULARS |
|-------|-------------|---------------------------------|
| 1. | 1003E/22 | Radio and Telephones |
| 2. | 1003E/33 | Minor industries |
| 3. | 1003E/41 | Printing spraying sign boards |
| 4. | 1003E/42 | Photo studios |
| 5. | 1003E/43 | Welding machines fees. |
| 6. | 1003E/44 | Electronics fees |
| 7. | 1003E/46 | Wood making & Carpenters fees |
| 8. | 1003E/49 | Vulcanize license |
| 9. | 1003E/50 | Vehicle spare parts fees |
| 10. | 1003E/51 | Motor Mechanics & car wash fees |
| 11. | 1003E/52 | Photo start & Typing licenses |
| 12. | 1003E/53 | Block making licenses |
| 13. | 1003E/54 | Sewing machine |
| 14. | 1003E/55 | Advertisement fees |
| 15. | 1003E/56 | Survey fees |
| 16. | 1003E/60 | Approve of building plan fees |

This is another table that is a table five which shows works department sources of revenue.

Apart from the five tables showed the internal sources of revenue within the local government, let us see the table that can show the external sources of revenue to the local government that is table six.

TABLE SIX

| HEAD/SUB-HEAD | PARTICULARS |
|---------------|------------------------------------|
| 1007/1 | Grant from State government |
| 1007/2 | Grant from Federal Government |
| 1007/3 | Other grants |
| 1009/1 | Allocation from Federation Account |
| 1009/2 | Allocation from State Government |
| 1009/3 | Value Added Tax |

KEY

1007/1-3 GRANTS

1009/1-3 STATUTORY ALLOCATIONS

Table six showed us the sources of revenue from various grants and allocations with their heads and sub-heads respectively.

The next table that is table seven is the table that can shows us the places where local government spending its generated sources of revenue.

TABLE SEVEN

LOCAL GOVERNMENT EXPENDITURE

| HEADS | PARTICULARS |
|--------------|-------------------------|
| 4001 – 4008 | Economic sector |
| 4009 – 4013 | Social sector |
| 4014 – 4016 | Area Development sector |
| 4017 – 4021 | Administrative sector |

COLLECTION OF REVENUE

According to financial Memoranda (FM) the principal local government officials concerned with revenue collection.

- Employed revenue collectors such as those in the markets, motor parks and village heads and their scribes who are on the local government pay rolls;
- Local government cashier
- Persons other than employees who shall receive appropriate proportion of taxes or fees collection as commission;

The duties and responsibilities of those officers includes:-

1. Keeping all such books and other records prescribed by the financial memoranda (FM) and the Treasurer as a head to ensure

that accurance and other monies due to the local government and for which he is responsible are collected in full.

2. Collecting promptly all sums due to the local government;
3. Reporting to his immediate superior and entrance or default if in payment of any sum due to the local government;
4. Issuing immediately on payment receipts or licenses in the prescribed form for all payments made to him;
5. Recording in his cash books, details of all receipts of revenue and payments of such revenue collected to the treasury or bank;
6. Safe guarding all revenue collected by placing in it safe or cash provided by the local government before taking such to the bank;
7. Keeping all his revenue earning books under lock and key when not in use;
8. Presenting all his revenue earning books, accounts books to persons responsible for checking his account and records;
9. Returning all exhausted revenue earning books to the officials from whom they were received.

These are some of the duties and responsibilities of the person who concerned with collecting revenue in the local government.

CONTROL OF RECEIPTS AND OTHER EARNING BOOKS:

Monies collected by revenue collectors and cashiers are received on the following receipts revenue earning records:-

1. LGT 17 -Treasury receipts
2. LGT 18 -Treasury summary receipts
3. LGT 19A -Departmental receipts
4. LGT 20 -Departmental summary receipts
5. Special receipt (Machine summary receipts)
6. Fixed fees receipts.

The treasury receipts (LGT 17) is used for collection of such revenue remitted to the treasury collected by revenue collectors advances and other monies collected directly by the cashier. Monies on (LGT 19A) includes slaughter slap fees, workshop fees, licenses and entertainment fees. Sometime it is not economical to use the departmental receipts for the collection of certain types of revenue of large number of receipts and small amount involve. In this case, the best things is to use fixed fees receipts, example of such fees are markets stall fees motor park fees and so on.

The treasury summary receipts (LGT 18) is used for payment made by revenue collectors to the treasury and departmental summary receipts (LGT 20) is issued by revenue collectors.

Tax receipts of various types are issues for taxes and rates. Other records for local government revenue includes:-

- The cash books for which all the monies receives and paid out must be posted;
- Receipt book register showing receipt book issued to revenue collector and what date and what quantity other wise store ledger;
- Revenue collectors chart showing the picture of revenue collection in term of total amount collected from each sources and period of collection;
- Registration of recurring revenue (Monthly and annually payments);
- Tax register and tenant rate payers ledger.

All these and other revenue related record must be kept under lock and key when they are not in used.

According to the financial memoranda every revenue collector should keep a cash book and such books of accounts as may ease collection and the checking of revenue. He should issue receipts for every payment made to him and record the particulars on a side of the cash book giving the data, the particulars of the payer, the number of the receipts issued and the amount. He should pay in to the local

government treasury, the total amount he has collected at such time appointed by the local government and should always take his cash book, receipt book and other records to the treasury each time he make such payment. He should take his books and all revenue earning books and records to the treasury at fixed interval for checking whether or not he has any payment to make such interval should not exceed a week or two.

When the treasurer or his assistant examine the cash book and records of the revenue collectors he verifies that:-

1. The receipt books produced by the revenue collector are those shown in the receipt register as having been used to him.
2. The amount and numbers on the duplicate of the receipt issued by the revenue collector agrees with those written in his cash book.
3. Each payment to the treasury receipt issued as records in his cash book agrees with those in the local government treasury accounts.

CARE AND CUSTODY OF LOCAL GOVERNMENT

GENERATED REVENUE :

All monies received and all payment made by the treasury whether by cash or cheque, must be recorded in the cash book which will be kept on from LGT 124 or form 12B in accordance with the procedures set out in chapter 19 of the financial memoranda.

The cash book and control of receipts and payments of monies shall be responsibility of an official of the treasury to be designated as cashier.

In no circumstances shall the treasurer himself hold the office of the cashier, further the work of handling monies and keeping the cash book must be kept separate from the other accounting work and cashier must not be required to act as an accountant as well as undertaking his duty.

Every local government shall maintain a bank account with the nearest convenient bank. No local government should maintain bank account with more than one bank except with approval of the executive committee.

A regulation of the executive committee is necessary before a bank account be opened or closed. The bank account must be in the name of the local government and under the control of the treasurer and head of personnel management (Secretary) and the chairman of the local government.

The treasurer and the head of personnel management shall be the authorised by the executive committee to sign cheque and requisition for cheques. A file shall be kept in the treasury containing authorities to sign cheques and specific signature of the persons authorised to do so.

Cheques shall not be signed until all the details on them have been completed and they are about to be collected and transmitted to the payee.

WHAT GOVERNMENT SPENT FOR?

As we have seen, almost all spending is carried on at the three levels of governments that is the Federal, State and the Local Governments, some similarities existing the nature and procedures of spending at all levels. However, the three levels of government differ significantly in what they spend their money on.

There are several objectives or aims which the local government want to achieve by spending money on different items.

1. **General Administration of the local government.** The local government spends money in maintaining a civil services and various government departments. Money is also spent in maintaining chairman, councillors and others. Money spent on these to enable them to carry out one of the most fundamental functions of the government that is administration.
2. **Social welfare:** This aim at maintaining a minimum standard of living and providing greater equality of opportunity for all citizens.

3. To achieve this the government provides social welfare services and social infrastructures. Social welfare services includes employment benefits, old age allowances and pensions. Social infrastructure facilities include public housing, water supply, re-creation centres and others.
4. Economic development. To achieve this economic infrastructure facilities are provided. These includes all forms of transportation and communication network, electricity, water supply and other facilities.

REASON FOR GOVERNMENT EXPENDITURE

INCREASE.

1. There have been increases in recurrent expenditure especially with regard to wages and salaries paid to public servants. The increasing cost of living and a consequent demands for higher wages have led to increased payments to workers so as to enable them to maintain a reasonable standard of living.
2. There have been increase in capital expenditure especially in relation to the provision of social services. With increase in population size, the demand for social facilities has increased.
3. There has been increasing financial commitments with respect to defence and security.

What are the problems that the government is facing in respect of collection and mobilisation of revenue as well as spending the generated revenue?

Any way the problems we are facing in the collection and mobilisation of revenue are that, overall revenue department is ill-equipped with potentials staff and working materials and also the fraud by revenue collectors. Some of them are diverting the money they collected to their personal use.

Another problem is that the tax payers are not paying the prescribed taxes as expected, some of them may refuse to pay the tax diligently by taking unreasonable excuses, unless the local government could take a serious action on them or else the local government revenue will decline tremendously. More so, we are in short of good trained staff and the number of staff required to carry out the activities of revenue generation and mobilisation efficiently and effectively in the local government are very low.

As regard to the local government expenditure the following problems are en-counted:-

1. Bribery and corruption: Rampant cases of bribery and corruption among officials of local government authorities hamper the effective performance of these councils.

2. **Embezzlement:** The financial problems of local government are exacerbated by high rate of embezzlement and misappropriation of funds.
3. **Political interference:** Frequent and unnecessary political interference from state governments is one of the constant problem plaguing local government activities.
4. **The size of the local government councils:** Some of the local government areas are too large in size which prevent them from being relatively economically viable.
5. **The corrupt officials of these councils divert money meant for some projects to their personal purse.**

These are some of the problems that facing local governments. In order to minimise the above problems there should be regular auditing the accounts of the local government to prevent embezzlement and misappropriation of funds. Also local government should embark upon more revenue yielding commercial projects to avoid political interference by the state government all grants of local government should be paid directly to them. Grants should be increase to the large size local government area.

CHAPTER FIVE

5.1 SUMMARY OF MAJOR FINDING

Attempt have been made in the course of this research to investigate and highlight the issues of sources and application of funds in local governments, particularly in Dukku Local Government of Gombe State. However, it is a fact that the local government assigns the revenue collectors to the various community in the local government to discharge this task.

The money accumulated from the revenue and other task is used in the provision of social amenities and other infrastructures and super structures like improvement in rural roads, provision of adequate electricity supply to all part of rural and other social amenities, as a means of public expenditure. In fact discussion in the chapter reveal that revenue in the local government is playing a vital role in terms of developing small project and even some large projects, normally finance by the money generated from revenue. The revenue section is poorly started both in terms of quality and number of staff required, but does not have complement of trained staff in economic, accountancy and other social science like business.

The local government should take proper care and action against those hostile revenue collectors that are violating the government rules

and regulations on revenue generation. According to the government studies ABU Zaria by the students discover that many of these rules were regulated by revenue collectors so that they defraud their local government. This regulate accounted between 50 – 60% of decline of internal revenue to the local government for instance it was discovered that a high as 73% of the revenue collectors did not pay revenue collected to neither treasury not the banks as prescribed by the local government in time. What happen was that those revenue collectors would keep part of the revenue collected for their personal use until they were compelled to pay either by external auditors or commission of inquiry. Many of such collectors were either sacked or jailed.

To eliminate course of failure to remit local government revenue due, the revised financial memoranda says at intervals prescribed by the executive committee or immediately when the maximum sum prescribe by the executive committee is held by the revenue collector shall pay all local government money he has collected into the treasury or if so authorised by the treasurer to pay into the nearest bank in the area.

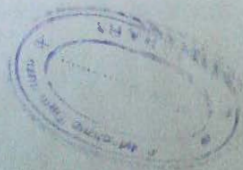
As it was mentioned earlier that the objectives of public expenditure is to maintain civil services and various government departments, others are for social welfare services as well as economic development.

RECOMMENDATIONS:

Having viewed critically improving sources and applications of funds in local governments, the researcher recommend in order to improve sources and application of funds, various methods can be adopted.

First a lot of political education and public enlightenment is needed to notify the people and the need for payment of taxes. These days every body knows that the resources of government is over consume by high population of the nation as a means of public expenditure and so more co-operation is needed from the public. The rate should be well defined and the public has to be told the repercussion for not performing such as civic responsibility. A part from the public enlightenment machinery of the local government including the use of traditional rulers and their oral system of communication. This is also needed to employ the mass media in such activity especially for viable revenue sources such as land and property.

Secondly constant review of re-sources in terms of continuous fusibility studies of revenue sources and items which can help identifying the viable sources and where greater efforts of generation need to be directed. Such exercise can also lead to the discovery of new source and charge of strategy.



Thirdly fraud is the serious set back in revenue generation and the application of funds this could affect the revenue generated or collected.

Adequate strategies needs to be recommend the following:

1. As a matter of fact, Dukku Local government should embark on training it revenue administration by organising seminars and workshops on regular basis so that the staff of the finance department could share their experience.
2. The researcher have to recommend that the local government should increase the existing revenue rate which is very low. For example the local government should increase the rate in the following sources, motor parks, markets, cattle markets and others.
3. Reducing the cost of administration and this increase the revenue accruing to the local government in the sense that the government should low the revenue collectors their place of work instead of going there on market days. By this the government eliminate the cost of transportation of the revenue collectors and this increase it revenue also the government should curtail expenditure to available resources.

4. As regard to the application of funds, political interference by the state government should be eliminated in local government spending of money, also the accounts of the local government should be audited regularly to prevent embezzlement and misappropriation of funds by the local government councils.
5. Any body found fraudly with government money both the revenue collectors and the officials to the council must be punish according to law.
6. Identification of person and object this include the self employed persons such as traders, farmers and the rest of them can be easily identified and in most cases some of these people refuse and escape paying the prescribed tax. So that the researcher is calling the attention of the local government more especially revenue section to try as much as possible to know the persons and objects responsible for the payment of such taxes and more should be proper accountability when assessing revenue collected to the government.

CONCLUSION:

Since the local government has attached greater importance to the utilisation of the revenue generated from the available sources in the area.

Which there is need for effective and efficient control of the revenue collected. However, the government should intensify its efforts to look in to the over all management in the revenue section to identify where there are low fall or problems and find solution to the problems. Because no matter what financial arrangement are eventually work out, there are some administrators who are very bad and in responsible to their attached duties, these administration will try to direct or manipulate the revenue generated for their selfish use. The government should try as much as possible to make strong suggestion towards checking such officers.

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