

Impact of Financial Control Mechanisms on Nigerian Local Government Accounting, Transparency and Accountability

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Abstract

This study examined the impact of financial control mechanisms on local government accounting, transparency, and accountability within five selected local government areas (LGAs) in North-Central Nigeria. Using a descriptive survey design, primary data were obtained from 125 respondents comprising treasury, audit, and planning officials. Data were analysed using descriptive statistics and regression analysis to test three hypotheses on the relationship between financial control mechanisms and accountability outcomes. The findings revealed that although statutory control structures such as budgeting, internal audit, and external oversight exist in Nigerian local government areas, their effectiveness is constrained by weak enforcement, manpower shortages, and limited transparency. Weak financial control significantly undermines service delivery and citizen trust. The study recommended automation of revenue processes, capacity building, and stronger audit enforcement as sustainable reforms for transparent local governance.

Keywords: Financial control, local government, accountability, transparency, audit, Nigeria

1. Introduction

Financial control refers to the process of monitoring, directing, and regulating the use of financial resources to ensure efficiency, accountability, and transparency in the management of public funds. In the context of local governments

in Nigeria, financial control is vital for effective governance, service delivery, and sustainable development. It is a fundamental requirement for good governance and accountability at the local government level. While there are statutory provisions for budgetary processes, audits, and internal controls, in the Nigerian local government councils, the implementation often falls short. Challenges such as lack of transparency in revenue collection, diversion of funds, weak monitoring systems, and political interference have created gaps in financial accountability (Ademola, 2017; Usman, 2021; Ojo, 2016; Akin & Olusola, 2023). The consequences of these challenges are evident in poor infrastructural development, delayed staff salaries, limited provision of social amenities, and public distrust in the council's management. If financial control in the Nigerian local government councils is not strengthened, it may continue to undermine socio-economic development and the confidence of citizens in local governance (Olorunfunmi & Chima, 2022).

Effective financial control is fundamental to the sustainability of public sector accountability and transparency, especially at the local government level where governance interfaces directly with the citizens. In Nigeria, the local government system serves as the third tier of government and is expected to drive grassroots development through prudent financial management and transparent reporting (Ofoegbu, 2020). However,

persistent challenges such as corruption, weak internal control, and poor financial oversight have eroded public confidence in local councils (Anetor, 2019).

Financial control mechanisms refer to statutory instruments and institutional processes designed to regulate and ensure that public funds are applied for intended purposes. These mechanisms include budgetary processes, internal and external auditing, expenditure control, and financial reporting systems (Omolehinwa & Naiyeju, 2015). This mechanism has been seen as a fundamental requirement for good governance and accountability at the local government level. In many local authorities, in Nigeria, while there are statutory provisions for budgetary processes, audits, and internal controls, the implementation often falls short. Challenges such as lack of transparency in revenue collection, diversion of funds, weak monitoring systems, and political interference have created gaps in financial accountability (Ademola, 2017; Usman, 2021). Some of the mechanisms commonly used in public sector financial control to include:

1. **Budgetary Control:** Monitoring expenditures against approved budgets to check, prevent and detect extra-budgetary expenditure; thereby reducing financial misappropriations.
2. **Internal Control Systems:** Rules and checks to prevent fraud and ensure compliance to established regulations and corporate governance.
3. **Auditing (Internal and External):** Independent examination of financial records by internal auditors and assigned external assessors whose expert opinions add to the credibility of financial reporting.
4. **Financial Reporting:** Periodic and regular preparation of statements to show transparent accountability.
5. **Oversight by Legislative Councils:** Local legislatures (through its Public Accounts Committee) scrutinize financial activities and the auditor's report to ensure

accountability, transparency and value for money.

Accountability and transparency are two distinctive but interrelated traits of which government as agents of the general citizens are expected to uphold. Accountability involves taking responsibility and giving stewardship reports to relevant stakeholders as timely and promptly as possible. Such accounts should be free from bias, fairly presented with no material misstatement. Transparency requires that public officials must act openly, make their stewardship with all openness. That means, whatever the action, decision, records, etc undertaken by the public official on behalf of its agents, they must be with absolute degree of transparency, integrity and probity.

Local government area is the third tier of government, which plays a critical role in grassroots development by providing essential services such as healthcare, sanitation, education, and rural infrastructure but continue to struggle with financial leakages, uncompleted projects, and inadequate service delivery (Eze & Onyekwelu, 2019; Olorunfunmi & Chima, 2022). According to Emmanuel (2024), the statutory functions of local government include:

- a) Consideration of economic planning and the making of recommendations to the State
- b) Economic Planning Commission.
- c) Collection of rates, radio and television licenses.
- d) Licensing of bicycles, Trucks and carts.
- e) Establishment and maintenance of markets, car parks, and other public conveniences and facilities as prescribed by the state government.
- f) Registration of births, deaths and marriages.
- g) Assessment for Concurrent functions.

The Nigerian Constitution in Section 2 (b) of the 4th Schedule (1999 Constitution of the Federal Republic of Nigeria as amended), empowers local governments in

addition to their share of funds from the federation account, to generate revenue and incur expenditure from the revenue derived. Besides, local government councils are authorised to raise revenue through the following sources:

- a) Monies derived from community taxes, levies and any rate imposed by the local government by a venture of the provision of an edict.
- b) Any monies payable to local government under the provisions of any bye-laws or rules made by a local government.
- c) Receipts derived from any public utility, concern, or any service or undertaking, maintained by a local government either in whole or in part.
- d) Rates derived from the letting or lending of any building or land belonging to a local government such as tenement rates, etc (Emmanuel, 2024).

The success of any local government will depend extensively on how its revenue is derived, expended, and managed. It should be noted that while local government financial autonomy had been a contending issue, the judgement of the Supreme Court in August 2024 allowed for total autonomy of the finances of democratic governance structure at the local government level, and being that local government is the closest level of governance to the people, it holds a pivotal role in the development of any nation. Local governments are charged with many developmental functions and other statutory objectives, hence it requires a very sound and effective financial control mechanisms and financial management system to enable it to achieve the desired objective (Obadijah, *et al*, 2022; Ihenyen, *et al*, 2023; Emmanuel, 2024).

More so, for any local government to appreciate its position, it must also understand the prevailing activities and plans as well as the financial problems under which it operates. This therefore calls for efficient management and control of finances at the local government levels in Nigeria to checkmate financial

irregularities that have impeded quality service delivery. Besides, most revenue collectors in some local government councils are not regularly checked, this increased the tendency for them to engage into defrauding the councils by not remitting enough to the coffers of the government.

The basis of evaluating how effective the management of public sector accounts at the local government levels will largely depend on its accounting and control system in operation. Accounting can be defined as the information system that involves identifying, recording processing and communicating economic information to permit informed judgment and decision by users of such information (Udomette, 2024). Government is a continuum, which has been in existence and has always kept records of revenue collected and how these resources have been disposed of by managers of its funds. It therefore means that sound government accounting system is essential as when financial information has been made available very timely and judiciously applied it can translate to efficient management of an organisation and would eventually result in realisation of set goals. Thus, the success of a local government council is largely dependent on the effectiveness of its accounting system and financial control mechanisms as well as the management of funds (Emmanuel, 2024).

To effectively uphold prudent and sound financial management and control at the local government levels, Adekoya (2020) enlisted the following steps which the financial adviser at the local government areas (LGAs) must adhere to, namely:

1. Determine the financial objectives of the local government
2. Outline the plans of action and select the policies for achieving these objectives
3. Carry out financial plans, and input these into the local government's overall plans.
4. Compare the actual with plans; evaluate any form of variances from the plans.

5. Establish causes of variances; and
6. Review the process/plan and redesign/revise the objectives where necessary

Emmanuel (2024) posited that these accounting practices are standards and do address the various financial management issues bordering around transparency, accountability, consistency, integrity, economy, and value-for-money decisions. Furthermore, the public accountants have an obligation to develop logical arrangements that would assist management in comparing and enhancing the performance of service delivery, while the public sector auditor as an oversight watchdog has among his duties, the complimentary role of assessing and appraising to extent to which the management had performed the task efficiently and effectively.

Related studies had shown that despite reforms aimed at improving financial accountability—such as the introduction of the Treasury Single Account (TSA), financial regulations, and audit practices—many local government councils continue to struggle with financial leakages, uncompleted projects, and inadequate service delivery and that upon the provision of the legal framework by Nigerian Constitution and Financial Regulations for these controls, yet, empirical evidence has shown a significant implementation gap across local councils (Eze & Onyekwelu, 2019; Olorunfunmi & Chima, 2022; Ayodele & Odunlade, 2025). However, these empirical studies revealed mixed findings. Generally, many local government councils in Nigeria keep facing persistent challenges in implementing adequate financial control systems. Issues such as poor revenue generation, mismanagement of funds, weak internal control mechanisms, political interference, corruption, and lack of skilled manpower undermine the ability of the council to operate effectively. This has raised the question of how effective financial control mechanisms are within

local government area councils and what prospects exist for improvement (Ucherwuhe, 2021).

Emmanuel (2024) had posited that management of finances at the local government levels in Nigeria is a significant aspect of public governance raising concerns as progressing, developing, and improving initiative for proper reporting and accountability and that there is the necessity for efficient financial management and control at all levels for the successful execution of projects and quality service delivery. Unfortunately, these efforts had been thwarted by the activities of some local government employees and officials who collect revenue but do not remit the same to the coffers of the councils or even those ones remitted had been diverted into personal purses.

Obadiah, et al (2022) identified a number of challenges facing local government councils in Nigeria to include leakages in internally generated revenues through pilferages, corruption and lack of will by the revenue officers; and inefficient machineries to produce and deliver satisfactory public goods and services and posited, amongst other things, that the accounting system should be improved upon to assist managers to plan operations, keep track of resources, enhance decision making and ensure proper accountability while the finance of local government should be tightened with appropriate measures in minimising loss of council's fund.

Abdullahi (2025) in his study had found that leadership and state–local joint account interference undermine financial accountability in the North-East. Oni and Adejuwon (2025) observed that effective internal audit enhances service delivery in Oyo State. Similarly, Obisanya and Hassan (2022) noted that financial autonomy improves local government performance in Lagos. Ihenyen, et al (2023) had focused also on financial management in local governments in Nigeria and found that

financial management challenges have a significant impact on local government development and that although weak financial system may not have a significant effect on local government development, mismanagement of funds has a substantial effect on local government development and that corruption has a substantial effect on local government development, hence the need to strengthen the financial systems within local government institutions.

However, there are only few studies that have examined how existing financial control mechanisms affect transparency and accountability across local government councils in Nigeria. It is against this backdrop that this study is undertaken.

This study is designed to examine the impact of financial control mechanisms on Nigerian local government accounting, transparency and accountability. Specifically, the study aimed at achieving the objectives:

1. To identify financial control mechanisms currently in place in selected LGAs in North-Central Nigeria.
2. To examine challenges affecting effective financial control in these LGAs.
3. To evaluate the impact of weak financial control on accounting transparency and service delivery.
4. To determine prospects for improving financial control practices in the councils.

H₁: Financial control mechanisms have no significant impact on accountability in local government.

H₂: Weak financial control does not significantly affect transparency and service delivery.

H₃: Strengthening audit and enforcement mechanisms has no significant effect on improving financial accountability.

2. Materials and Methods

The study adopted a descriptive survey design. Five local government areas were purposively selected from North-Central Nigeria: Abuja Municipal Area Council and Bwari (FCT), Tafa and Suleja (Niger State), and Karu (Nasarawa State). These councils were chosen for their administrative or fiscal relevance and accessibility.

The target population comprised finance, audit, treasury, and planning officers in the selected councils. A total of 125 respondents were sampled (25 from each LGA) using purposive sampling to ensure inclusion of key financial personnel. Copies of structured questionnaire were administered, containing items on control mechanisms, challenges, and effects of financial control. Reliability was tested using Cronbach's alpha, which yielded a coefficient of 0.84, confirming internal consistency. Data were analysed using descriptive statistics (means, percentages) and regression analysis to test relationships between financial control mechanisms (independent) and accountability and transparency indicators (dependent).

3. Results and Findings

Table 1. Financial Control Mechanisms in Local Governments

Research Hypotheses:

Item	Control Mechanism	Yes	No	Total
1	Budgetary processes	95	30	125
2	Internal audits	100	25	125
3	External auditing procedures	97	28	125
4	External oversight (state/federal)	110	15	125
Total		402	98	
Mean		101	25	
	Percentage (%)	80.4	19.6	

Source: Field survey (2025)

The result indicates that 80.4% of respondents affirmed the existence of

statutory financial control mechanisms across the selected LGAs.

Table 2 Challenges of Financial Control

Item	Description	Yes	No	Total
1	Weak control and oversight	75	50	125
2	Poor enforcement	90	35	125
3	Corruption and limited audit independence	60	65	125
4	Inadequate manpower	95	30	125
5	Lack of transparency and access to reports	65	60	125
Total		385	240	
Mean		77	48	
	Percentage (%)	61.6	38.4	

Source: Field survey (2025)

Table 2 above signified that the major challenges facing financial control in the local government councils in Nigerian include poor enforcement (72%), manpower inadequacy (76%), and weak

oversight (60%). The responses on the issue of corruption, auditors' independence and lack of transparency and access to reports were relatively slim although there were still agreements of the presence of these elements in the system.

Table 3. Regression Analysis: Financial Control and Accountability

Predictor	Coefficient (β)	t-value	p-value	Decision
Constant	1.215	—	—	—
Financial Control Mechanisms	0.63	5.94	0.000	Significant
Weak Enforcement	-0.42	-3.87	0.001	Significant
Audit Strength	0.58	4.13	0.000	Significant
$R^2 = 0.71$, $\text{Adj } R^2 = 0.68$, $F = 27.41$, $p < 0.01$				

Interpretation

Table 3 is the result of the regression analysis conducted on the data collected to examine the impact of financial control mechanisms on accountability within Nigerian local governments. The relationship between the dependent and independent variables was tested. The predictors included financial control mechanisms, weak enforcement, and audit strength, while accountability and transparency served as the dependent variable. The overall regression model was statistically significant, $F(3, xx) = 27.41$, $p < .01$, indicating that the predictors collectively explained a substantial

proportion of the variance in local government accountability.

The result revealed that financial control mechanisms significantly predict accountability and transparency ($R^2 = 0.71$), indicating that 71% of variation in accountability and transparency is explained by financial control variables. However, the adjusted $R^2 = 0.68$ show that approximately 68% of the variation in accountability can be attributed to variations in financial control, enforcement strength, and audit practices.

As presented in Table 3, the regression coefficients demonstrate that financial control mechanisms ($\beta = 0.63$, $t = 5.94$, $p < .001$) had a positive and statistically

significant effect on accountability. This suggests that improved internal financial control systems contribute meaningfully to enhanced transparency and responsible governance practices. Conversely, weak enforcement exhibited a negative and significant relationship with accountability ($\beta = -0.42$, $t = -3.87$, $p = .001$), indicating that lapses in enforcement mechanisms undermine financial discipline and oversight effectiveness. In addition, audit strength positively predicted accountability ($\beta = 0.58$, $t = 4.13$, $p < .001$), showing that robust audit systems and compliance reviews significantly improve accountability outcomes among local government executives.

Hence, based on this outcome, the null hypotheses 1 to three were rejected, confirming that financial control mechanisms, enforcement rigor, and audit strength significantly affect accountability and transparency within Nigerian local governments.

4. Discussion

The finding had confirmed that statutory control structures are present but inconsistently implemented. The findings align with statutory public sector financial control provisions which emphasise budgetary discipline, internal and external audit procedures, and oversight institutions as critical safeguards (Anetor, 2019). The finding also aligned with Omolehinwa and Naiyeju (2015) who argued that weak institutional enforcement limits compliance with financial regulations, as well as Abdullahi (2025) who had observed leadership interference as a barrier to local fiscal autonomy.

Study further showed that poor enforcement and manpower shortage emerged as key impediments. These findings corroborate Ayodele and Odunlade (2025), who reported that lack of technical expertise and weak IPSAS compliance reduce accountability at the local level. These challenges point to systemic weaknesses that limit the

enforcement of existing control mechanisms. In line with Omolehinwa and Naiyeju (2015), such inefficiencies undermine accountability and make councils vulnerable to resource leakages.

Regression results demonstrated a strong positive relationship between effective financial control and accountability ($\beta = 0.63$, $p < 0.01$). This supported Ofoegbu (2020) and Oni and Adejuwon (2025) who noted that internal audit practices promote transparency and performance. It also affirmed prior empirical observations that effective financial control enhances accountability and transparency in public financial management (e.g., Adegite, 2010; Ekeocha & Okoye, 2019). Strong audit institutions ensure proper monitoring of public expenditure, while weak enforcement mechanisms tend to erode public confidence and foster mismanagement (Okafor, 2021). The model's high explanatory power (Adj $R^2 = 0.68$) reinforces the notion that a well-structured financial control framework—including internal audits, compliance checks, and sanction mechanisms—is central to promoting fiscal discipline and service delivery in local governments.

Overall, the study emphasises that financial control reforms must extend beyond institutional frameworks to operational efficiency through automation, training, and sanctions against misconduct. Besides, these results underscore the need for strengthening internal audit units, enforcing compliance with financial regulations, and adopting modern accountability frameworks consistent with International Public Sector Accounting Standards (IPSAS).

5. Conclusion and Recommendations

The study concludes that although most LGAs have financial control mechanisms in line with statutory requirements, their effectiveness is constrained by poor enforcement, manpower gaps, and weak transparency. It is further stressed that

weak control has negative effect on service delivery, leading to poor infrastructure, delays in salaries, and diminished public trust which eventually discourages external investment and development partnerships. In other words, weak controls significantly reduce accountability and service delivery outcomes. However, despite these weaknesses, there are prospects for improvement through automation of revenue collection to reduce leakages, stronger audit enforcement, civic engagement, and capacity building for financial staff to improve compliance with best practices. There is also need for legislative reforms and strict sanctions against financial mismanagement. These measures, if adopted, could reposition Nigerian local government councils for more efficient financial control and improved service delivery.

Recommendations:

1. **Institutionalise Strong Internal Financial Controls:** Local governments should design and implement standardised internal control frameworks [covering budgeting, expenditure authorisation, and reporting] to strengthen accountability. The positive and significant relationship between financial control mechanisms and accountability ($\beta = 0.63$, $p < .001$) demonstrated that robust control systems directly enhance transparency and governance quality (Ekeocha & Okoye, 2019).
2. **Automation of Revenue Processes:** Local governments should introduce digital platforms for revenue collection to minimise resource or fund leakages.
3. **Capacity Building:** Regular training for finance and audit personnel on IPSAS and control procedures.
4. **Strengthen Enforcement and Sanction Mechanisms:** Since weak enforcement negatively affects accountability ($\beta = -0.42$, $p = .001$), state and federal oversight bodies should reinforce compliance monitoring and apply

appropriate sanctions for financial misconduct. Consistent enforcement deters abuse of public funds and promotes ethical financial practices (Okafor, 2021).

5. Enhance Audit Capacity

and Independence: Strengthen internal audit units with operational autonomy. Given the significant positive impact of audit strength on accountability ($\beta = 0.58$, $p < .001$), local governments should improve audit units' technical competence, autonomy, and resource availability. Independent and well-trained auditors can identify irregularities early and ensure proper financial reporting (Adegite, 2010).

6. Legislative Reforms:

Update local government financial laws to enforce stricter sanctions against non-compliance.

7. Public Participation:

Promote civic oversight through citizen budget tracking and open financial reporting.

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