

The State Joint Local Government Account System: Challenge on Rural Development in Nigeria

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Abstract

The creation of the State Joint Local Government Account System (SJLGAS) by section 162 of the 1999 Federal Constitution of Nigeria was meant to facilitate rural development of the local Communities through effective supervision of the distribution and efficient management of revenue accruing to the local government councils from the federation account. The research study through historical approach and survey method discovered that, rather than being a vehicle that should drive rural development, the State Joint Local Government Account system has served as a means of making unnecessary deductions from revenue accruing to the local government councils from federation Account to the coffers of state governments in Nigeria. It was in the light of huge cry by local government administrators in Nigeria that this research was carried out. The sample size consist of four hundred and eighty (480) employees (Treasurers and Heads of Personnel Management) of Local Government Councils drawn from 240 local government councils inside 24 out of 36 States in Nigeria. The Study utilizes both primary and secondary data. Tables and percentages were used for the analysis. The Chi-Square test was used to analyse the hypotheses. The research finding shows that excessive and unwanted deductions of fund from the Local Government Statutory allocations from Federation Account by State Governments in Nigeria through the Joint Account Allocation Committee (JAAC), improper management of finance and endemic corruption in the local government administration in Nigeria, have made rural sustainable development a mirage. The study therefore concluded that the present method adopted in the JAAC system in Nigeria encourages deduction of funds by State Government. Hence the Local Government do not have as much resources as they are given from Federation Account for rural development. The research therefore recommended the granting of financial autonomy to the local government councils through the amendment of conflicting clauses or provisions in the Constitution that created the Joint Account System and the empowerment of the anti-graft agencies in Nigeria to supervise the administrators of Local government councils and financial managers on monthly basis. This will bring about responsibility accounting and thus rural development will be enhanced.

Keywords: State/Local Government Joint Account Allocation (JAAC) system, challenges of Local Government Councils, Concept of Rural Developments.

1. INTRODUCTION

The Nigeria Economy is currently and largely driven by the Public Sector. As a result, the pace of economic and social development at both the urban and rural areas is dictated by the government. The State and Local Government Councils in their Jurisdictions are expected to be a vehicle for rural development and transformation since they are closer to the grassroots than the Federal Government. Based on this reason, the 1999 Constitution of Federal Republic of Nigeria made provision for the Operation of State and Local Government Councils Joint Account System. **Section 7(1)** states that “ the system of Local Government by democratically elected Local Government Councils is under this Constitution guaranteed; and accordingly the Government of every State shall, subject to **section 8** of the Constitution ensure their existence under a law which provides for the establishment, structure, composition, and finance of such councils.” **Section 7(6B)** makes provision for statutory allocation of revenue to the Local Government Councils in a State, from the Federation Account. Furthermore, **Section 162(6)** establishes the State Joint Local Government Account System “into which shall be paid all Allocations to the Local Government Councils of the State from Federation Account and Revenue from the State Grant. **Section 162(7)** stipulates clearly that “Each State shall pay to Local Government Councils in its area of Jurisdiction such proportion of its total revenue on such manner as may be prescribed by National Assembly.” **Section 162(8)** states that” the amount standing to the credit of local Government Councils of a State shall be distributed among the Local Government Councils of that State on such terms and in such manner as may be prescribed by the House of Assembly of the State.”

The essence of the above Constitutional provisions is to make the local government council a tool for rural development in Nigeria, since it is very close to the grassroots. The state Governments are supposed to be supervising the activities of the Local Government Councils in their various areas of jurisdictions, to ensure probity and accountability in the management of Local Government revenue for effective rural development and transformation. This, if effectively done is expected to drive Nigeria economy towards the achievements of her Vision 2020. The extent to which lofty goal has been realized since Nigeria came back into democratic rule in 1999 is still debatable.

However, the report of Amnesty International (2012) placed Nigeria Public Sector as among the most

corrupt in the world with high rate of poverty and low per capita income prevalent in both urban and rural areas. Again it is palpable that the practice of Public Sector Accounting in Nigeria has created leakages for corruption and looting of public funds as most accounting system is based on Cash Basis System of Accounting. This poses a great challenge to sustainable development of the rural areas in Nigeria. The operation of State Joint Local Government Account System as provided by the 1999 Constitution leaves much to be desired, as State Governments in Nigeria have seen this as an opportunity for diverting the local government statutory allocations from federation account into their own uses carefully hidden under special deductions. Instead of acting as a check to the efficient management of the funds accruing to the local government councils from Federation Account, the states are rather deducting local government council funds recklessly through the Joint Allocation Account Committee (JAAC) system.

According to Nigerian Union of Local Government (NULGE) in their Memorandum to National Assembly Constitutional Review Committee (2012), "*Section 7 of the 1999 Constitution is full of contradictions. It is under this ambiguity that State Governments hide to manipulate the Local government councils by aborting democratic government through the suspension of elections and imposing Care-Taker administration, thereby usurping the statutory functions of the local government council, as well as plundering and tampering with the statutory allocation due the local government from the federation Account, to the extent that only 20-25 per cent of statutory Allocation gets to the local government councils, due to illegal and sundry deductions by state governments*" (www.allafrican.com/nigeria_constitutional_review/NULGE). This constitutes a major challenge and problem to rural development in Nigeria.

In the light of the foregoing, this paper sets and tests two hypotheses as follows: that the JAAC does not significantly encourage illegal deductions of local government funds accruing from the Federation Account by state governments; and that there is no significant relationship between the deductions of funds due to local governments in Rivers State and the degree of poor rural development in that state.

2. REVIEW OF LITERATURE

2.1 CONCEPTUAL FRAMEWORK

2.1.1 THE LOCAL GOVERNMENT SYSTEM

The local Government is simply the government that is responsible for the management of the public affairs of the people of a locality. The word locality means a restricted area like a group of villages, towns or a city. A government at this level is permitted by law to take charge of local services such as maintenance of law and order, municipal services, provision of basic social and economic infrastructure among others. Agboko (2004:2) says the local government is "a political administrative unit that is empowered by law to administer a specific locality", while Awofeso (2005:98) adds that it is "the governing body of such an entity elected or otherwise selected to take care of the local affairs and needs of their locality". The inclusiveness of the people in the administration of local governments is stressed by Akpan (1967:50) when he says, "a Local Government implies the breaking down of a country into small units or localities for the purpose of administration in which the inhabitants of the different units or localities concerned play a direct and full part through their elected representatives". Thus the local government is a tier of government with assigned legislative and executive powers to execute and make policies covering a particular local government area. This implies the existence of a relationship between this and other tiers of government since the same people that live in council areas inhabit states and the federation. The constitution of Nigeria clearly spells out such relationships, assigns responsibilities and fiscal powers to each tier of government, and recognises the local government as a third tier of government in the country.

2.1.2 CONCEPT OF RURAL DEVELOPMENT:

According to Lele (1975:20) in Okey (2010), rural development means improving the living standards of the masses of low income earners residing in rural areas, and making the process of their development self-sustaining. Also, Ugwu (2009:130) in Okey(2010) defined it as "the articulation, provision and stimulation of economic activities, health and educational advancement facilities, and utilities for rural dwellers." He further argued that, rural development is a venture towards urbanizing the rural environment by way of encouraging rural dwellers to participate in activities that will promote economic and social development, and enhance their standard of living. Thus rural development represents proactive measures put in place to enhance the well-being of the local people. Hence the local government as the government that is closer to the grass-root is saddled with the duties and roles of enhancing this rural development.

2.2 HISTORICAL FRAMEWORK

The history of modern Local Government system in Nigeria could be traced to the Colonial era when Sir Lord Lugard introduced the system of Indirect Rule in 1914 in Nigeria. During this era or dispensation, the British Colonial Officers were compelled by circumstances to rule through the use of the existing traditional institutions. They made use of traditional Chiefs, Emirs and Obas, and where there are none; they appoint Warrant Chiefs as

was the case in Ibo-Land (Eastern Nigeria). The traditional Rulers were charged with the duties of running the Local or Native Authorities and provision of local needs of the people (Gboyega, 1990:12-14).

The Society is dynamic in nature, so also has the Local Government witnessed tremendous changes that are necessary to keep her current with pace of societal development. In 1955 there was an enactment of ‘Local Government Ordinances of 1955.’ This supersedes the 1950s Ordinances. The new ordinance granted small local financial autonomy to native authorities at the Regional and Local levels. What this implies was that, the Local authorities are empowered to collect certain taxes for the development of the local areas.

In 1960, there was another reform. This reform did not however specify the arrangement for proper financing of the Local Government, until major reforms were carried out in 1973, and 1976. Among all the reforms, the landmark of a modern local Government in Nigeria came into being through the 1976 Local Government of 1976. It was from then we have Local Government as a third tier level of Government with a clear call charge to develop the local areas in Nigeria (Agbakoba, 2004).

2.3 Functions of Local Government Councils:

The functions of the Local Government are expressively provided for in fourth Schedule of the 1999 Federal Constitution of Nigeria. The functions are as listed below:

1. Formulation of economic planning and development of areas of authority and be actively involved in the economic planning process of the State.
2. Provide Health Services to the people through the effective establishment and running of health centres and organization of immunization programmes to eradicate some dreaded diseases noticed in their localities.
3. Establishment and maintenance of cemeteries, burial grounds and home for destitute and disabled persons.
4. Assist in the implementation of National Agricultural development programmes that will enhance massive food production in their localities.
5. Embark on infrastructural development such as construction of roads, street, drainages, motor parks and recreational centres in their localities.
6. Collect taxes and rates for the running of their councils, subject to the taxes approved by State House of Assembly.
7. Make Bye Laws that will enhance peace and tranquillity in their localities or domains.

The above functions which are not exhaustive are expected if properly performed by the local governments to provide economic and social development to the local areas. However the above functions sounds very well on paper, but practically, it has not been performed in Nigeria. The Nigerian Local Government Councils are unable to play the above constitutional roles given to her by the provisions of 1999 Federal Constitution of Nigeria. The challenge faced by Local Government Councils is what this paper intend to discourse.

2.4 FINANCIAL MANAGEMENT IN LOCAL GOVERNMENT SYSTEM:

According to Pandey (2004:3) “financial management is that managerial activity which is concerned with planning and controlling of financial resources of an entity or establishment.” Okigbo (1981) sees financial management as “the family of rules and regulations guiding financial arrangements of an institution, agency and mechanism whereby they relate to each other within the financial sector and the rest of the world.”

In the words of Adebayo (1972:33) “the importance of sound and stressed; without effective financial management, the policies adopted by local government in a great variety of fields may not be capable of being successfully implemented.” Samuel and Wilfred (2009:838) said that “financial management in local government like other levels of government generally consist of (1) Budgeting; which involves the process of resource generation, allocation and managements; (2) Accountability: which aims at honesty and judicious use of public funds, and(3) control: which provides organizational structures for effective implementation.” From the above discussions, it is very clear that the desired rural development and transformation of the economy can only be achieved if funds meant or allocated to the local government councils from the federation account and state internally generated revenue are properly utilized by financial managers in the local government system.

2.5. THE ROLE OF LOCAL GOVERNMENT IN RURAL DEVELOPMENT

The functions which are constitutionally assigned to the Local Governments in Nigeria are focused on the enhancement of rural development of our local communities. These functions, according to Nnabuko (1998:4) in Okey (2010), were itemized under the following headings:

Protection Roles: These seek to make for an ordered, peaceful, and secured life for the people living in the rural communities. They include maintenance of law and order, fire services, control of traffic and parking of vehicles,

food inspection and control of abattoirs, registration of birth, death and marriage, land allocation and others.

Convenience Roles: These are generally regarded as those extra amenities which make for improvement of lives in rural communities. These roles consist of provision of feeder roads and water transport, electricity and gas supply, building of markets, libraries, recreation parks, naming of streets and house numbering.

Welfare Roles: These are primarily concerned with the control of diseases in order to keep the people healthy. They include also sanitary inspection, control of sewage systems, slaughter houses and slabs, baking, eating houses, health centres, ambulances, provision and control of public conveniences.

Having looked at these issues discussed above, the questions one may ask are: can the current operation of State joint Local Government Account System guarantee rural development in Nigeria? Do the local government Administrators ensure prudent financial management of local government finances to ensure rural development? Are there challenges militating against the functioning of local government system in Nigeria? To answer the above questions, two null hypotheses are proposed as shown below.

1. There is no significant relationship between the management of State Joint Local Government Account system and non- performance of Local Government in Nigeria.
2. There is no significant relationship between Poor financial management by Local Government administration and lack of rural development in Nigeria.

2.6 SOURCES OF REVENUE TO LOCAL GOVERNMENT COUNCILS

The 1976 Local Government reform did not provide a sound financial backing for local government funding in the constitution. This gave rise to so many reforms later on local government financial sources and management. At present, the 1999 constitution provided for two sources through which, the local government can derive its revenues. These are:

1. Internal Source: The internal source of revenue comprises several miscellaneous items put together to provide the needed fund to finance the enormous functions allotted to the Local Government. This includes rates, taxes, fine, and fees. Ideally, the internally generated revenue is supposed to be the most viable tool for the Local Government to effectively discharge its constitutional roles and functions for rural development and transformation, but over reliance on oil revenue and grants from federation account by all levels of government in Nigeria for survival militated against their expected performance.

2. External Source: The external source comprises federal and state allocations to the local government. The current revenue sharing formula in Nigeria operated by the Fiscal and Revenue Mobilization Commission requires 20% allocations from Federation Account and 10% from internally generated revenue of the state should be paid into The State Joint Local Government Account for distribution to various local governments within a state.

Different revenue allocation formulae have prevailed in the country at different times. According to Ugwoke (2005) the allocation formula from federation account of the country at as 1st January 1992 was as follows:

I. Federal Government	50%
II. State Government	25%
III. Local Government	20%
IV. Basis of derivation	<u>5%</u>
TOTAL	<u>100%</u>

From 1st June 1992, the formula was changed as follows:

Federal Government	48.5%
State Government	24%
Local Government	20%
Fund for ecological amelioration	2%
Basis of derivation	1%
Value of minerals extracted	1%
Minerals producing areas	3%
Stabilization account	<u>0.5%</u>
Total	<u>100%</u>

However, the current revenue sharing formula which became effective from October, 2013 is shown below:

Federal Government	52.68%
States/FCT	26.72%
Local Governments	<u>20.60%</u>
Total	<u>100%</u>

Sources: "Federal Allocation....The Nightmare is not over" *The Nation Newspaper, Monday October14, 2013.*)

It should be noted that, in sharing the federal grants, the states governments receive their grants directly from the centre, while that of the local government passes through the state and then it is paid to the various Local Government Councils by the Joint Allocation Account Committee (JAAC) of the States in the Federation and each State in Nigeria designs the basis for the deductions in the JAAC system.

3 METHODOLOGY

The study adopted the survey research design and data were drawn from both primary and secondary sources. Judgemental sampling was adopted. The primary data were collected from respondents drawn from the employees who serves as Treasurers and Heads of Personnel Management of the selected Local Government Areas from sampled 24 States out of 36 States in the Six Geo-political zones of Nigeria, while the secondary data consist of actual earnings and subsequent deductions of local government funds of the River State local councils from 2007 to 2013 sourced from the Memorandum submitted by National Union of local government Employees (NULGE) to National Assembly Constitutional Review Committee on deductions made by Joint Account Allocation Committee (JAAC) of State governments in Nigeria and Joint Account Allocation Committee (JAAC) Report. The population consists of the treasurers and heads of personnel management in the 776 local councils in Nigeria. A sample size consists of 500 respondents (Treasurers and Heads of Personnel Management) from 250 local government councils. The States covered in this survey are, Adamawa, Abia, Anambra, Bauchi, Benue, Bayelsa, Cross-River, Edo, Ekiti, Enugu, Gombe, Jigawa, Imo, Kaduna, Kano, Kogi, Kebbi, Lagos, Niger, Ogun, Oyo, Plateau, Rivers and Zamfara States. Data collected were analysed using Chi-Square Statistical tool at 95% level of confidence. The Chi-Square is denoted as:

$$X^2 = \frac{\sum (O - E)^2}{E}$$

Where:

X^2 = Chi-Square

O = Actual Observed Frequency

E = Expected frequency

This expected frequency is computed by the formula

$$E = \frac{TC \times TC}{OT}$$

Where:

TR = Total Rows

TC = Total Columns

OT = Overall Total

4 PRESENTATIONS OF FINDINGS, ANALYSIS AND DISCUSSION

4.1 PRESENTATION OF PRIMARY DATA

Table 1. QUESTIONIONNAIRE RESPONSES

CATEGORY	COPIES OF QUESTIONNAIRE ISSUED	COPIES QUESTIONNAIRE RETURNED
TREASURERS OF L.G.A'S	250	240
H.P.M OF L.G.A'S	250	240
TOTAL	500	480

Source: Field Survey 2014

Table 1 above shows that 96% out of 100% were returned from the completed questionnaires issued to the sampled population of respondents who are Principal Officers of the Local Government Councils and members of the Joint Account Allocation Committees' (JAAC) of the various States in Nigeria. They are also members of NULGE (Nigeria Union of Local Government Employees). These are Treasurers and Heads of Personnel Management.

TABLE 2: PERCENTAGE OF QUESTIONNAIRE RESPONSES.

S/NO	QUESTIONS	YES RESP.	YES %	NO RESP.	NO %
1	DO YOUR STATE JAAC SYSTEM MAKE DEDUCTIONS FROM THE STATUTORY ALLOCATINS DUE COUNCILS FRO FEDERATION ACCOUNT?	400	83%	80	17%
2	DO YOU THINK THE OPERATIONS OF THE JAAC SYSTEM ENHANCES THE DEDUCTION OF LOCAL GOVERNMENT FUNDS BY STATE GOVERNMENTS INSTEAD OF MONITORING THEIR EFFICIENT FINANCIAL MANAGEMENT?	470	98%	10	2%
3	DOES THE STATE GOVERNMENT UTILIZE ANY FUND DEDUCTED FROM THE LOCAL GOVERNMENT FOR THE RURAL DEVELOPMENT OF THE LOCAL GOVERNMENT AREAS?	300	63%	180	37%
4	DO YOU ATTRIBUTE THE POOR PERFORMANCE OF OUR CURRENT LOCAL COUNCILS ON RURAL DEVELOPMENT TO EXCESSIVE DEDUCTION	345	72%	135	28%

Source: Field Survey 2014

TESTING OF HYPOTHESIS (1)

TABLE 4: JAAC SYSTEM AND LOCAL GOVERNMENT FUND DEDUCTION BY STATE GOVERNMENT

QUESTIONS	A(YES ANSWER)		B(NO ANSWER)		TOTAL
	OBSERVED(O)	EXPECTED (E)	OBSERVED(O)	EXPECTED(E)	
Q1	400	435	80	45	480
Q2	470	435	10	45	480
	870			90	960

Source: Field survey 2014

Expected frequency for A:

$$E = \frac{TC \times TC}{OT}$$

Where: TR = Total Rows, TC = Total Columns, OT = Overall Total

$$\frac{480 \times 870}{960} = 435$$

$$\frac{480 \times 90}{960} = 45$$

TABLE 5: COMPUTATION OF X² FOR Ho1

O	E	O-E	(O-E) ²	(O-E) ² /E
400	435	-35	1225	2.82
80	45	35	1225	27.22
470	435	35	1225	2.82
10	45	-35	1225	27.22
TOTAL				60.08

X² Calculated =60.08,

Where df = (R-1)(C-1) =(2-1)(2-1)

df=1X1=1.

DECISION RULE: The X² Critical value @ df= 1 and 0.05 level of significance =3.84 less than the calculated value of X²= 60.08 Hence H₀1, is rejected.

TESTING OF HYPOTHESIS 2:
 TABLE 6: JAAC SYSTEM AND RURAL DEVELOPMENT.

QUESTIONS	A(YES ANSWER)		B(NO ANSWER)		TOTAL
	OBSERVED(O)	EXPECTED (E)	OBSERVED(O)	EXPECTED(E)	
Q3	180	262.5	300	217.5	480
Q4	345	262.5	135	217.5	480
	525		435		960

TABLE 7: COMPUTATION OF X^2 FOR H_01

O	E	O-E	$(O-E)^2$	$(O-E)^2/E$
180	262.5	-82.5	6806.25	25.9
300	217.5	82.5	6806.25	31.3
345	262.5	82.5	6806.25	25.9
135	217.5	-82.5	6806.25	31.3
TOTAL				114.4

X^2 Calculated = 114.4,

Where $df = (R-1)(C-1) = (2-1)(2-1)$

$df = 1 \times 1 = 1$.

DECISION RULE: The X^2 Critical value @ $df = 1$ and 0.05 level of significance = 3.84 less than the calculated value of $X^2 = 114.4$. Hence H_02 , is rejected.

4.2 PRESENTATION OF SECONDARY DATA

The research collected secondary data on Rivers State JAAC deductions since that was the only available data. This shows the actual total earnings from the Federation Account and deductions there-from on the basis specified below. The source is the Management of the Joint Account Allocation Committee Report from 2007 to 2013 in Rivers State.

RIVERS STATE GOVERNMENT BASIS FOR THE DEDUCTIONS: NOVEMBER, 2007 to JULY 2008.

1. RIVERS STATE UBE BOARD (RSUBEB)
2. 1% TRAINING FUND LOCAL GOVERNMENT SERVICE COMMISSION
3. 15% LOCAL GOVERNMENT PENSION BOARD
4. 5% COUNCIL OF TRADITIONAL RULERS
5. COMMISSION ON TURNOVER(COT)

AUGUST, 2008 TO FEBRUARY, 2012

1. 1% TRAINING FUND TO LGSC
2. 15% LOCAL GOVERNMENT PENSION BOARD
3. 5% RIVERS STATE COUNCIL OF TRADITIONAL RULERS
4. COMMISSION ON TURNOVER (COT)

MARCH, 2012 TO SEPTEMBER, 2013

1. 1% TRAINING FUND FOR LGSC
2. 1% OVERHEAD COST TO LGSC
3. 5% RIVERS STATE COUNCIL OF TRADITIONAL RULER
4. 15% LOCAL GOVT PENSION BOARD
5. 3% PRIMARY HELATH CARE BOARD
6. 0.3% LOCAL GOVT. AUDITOR GENERAL
7. COMMISSION ON TURNOVER (COT)

It is important to state here that, each State in Nigeria, enact Local Government Administrative Laws which enable them to determine their basis for fund deductions from the Statutory Allocation derived or due to the Local Government Councils from the Federation Account. It is observed however, that while some heads do not have any fixed percentage deductions such as the Rivers State UBE Board and COT, the percentages in other heads are varied at the whims and caprices of the state government. This makes effective planning and budgeting for the receipt and utilization of funds at the local governments practically difficult.

Table 8 Earnings and Deductions from JAAC in Rivers State 2007 to 2013

S/NO	NAMES OF LOCAL GOVERNMENT COUNCILS IN RIVERS STATE	GROSS EARNINGS FROM STATUTORY ALLOCATIONS/FA (GEFA) 2007-2013	TOTAL DEDUCTIONS FROM FA(DFA) 2007 TO 2013	NET EARNINGS FROM JAAC(NEFA) 2007 TO 2013
1	ABUA/ODUAL	11,150,109,127.33	1,500,074,258.14	9,650,034,869.19
2	AHOADA WEST	8,829,188,476.01	1,208,187,450.30	7,621,001,025.71
3	AHOADA EAST	10,503,160,931.20	1,327,954,536.23	9,175,206,394.97
4	AKUKU TORU	9,512,678,491.83	1,114,157,764.47	8,398,520,727.36
5	ANDONI	10,213,926,101.37	1,286,788,700.11	8,927,137,401.26
6	ASARI TORU	9,672,565,075.80	1,205,615,920.52	8,466,949,155.28
7	BONNY	9,734,548,916.14	1,032,015,658.46	8,702,533,257.68
8	DEGEMA	10,641,745,574.58	1,285,691,347.52	9,356,054,227.06
9	ELEME	9,759,246,804.83	1,133,364,879.61	8,625,881,925.22
10	EMOHUA	9,709,139.93	1,506,312,263.75	8,202,827,491.18
11	ETCHE	10,926,888,975.99	1,667,629,506.22	9,259,259,369.77
12	GOKANA	10,237,777,952.84	1,485,291,141.83	8,752,486,811.01
13	IKWERRE	9,535,626,464.33	1,406,634,952.94	8,128,991,511.39
14	KHANA	11,640,753,811.98	1,772,245,848.24	9,868,507,963.74
15	OBIO/AKPOR	13,745,818,989.20	1,958,563,198.48	11,787,255,790.72
16	OGBA/EGBEMA/NDO	11,517,279,946.50	1,583,367,943.68	9,933,912,002.82
17	OGU/BOLO	7,541,554,320.12	878,631,916.74	6,662,922,403.38
18	OKRIKA	10,243,792,427.12	1,362,804,654.20	8,880,987,772.92
19	OMUMA	8,022,236,244.74	951,593,684.32	7,070,642,560.42
20	OPOBO/NKORO	8,619,622,996.08	861,627,703.79	7,757,995,292.29
21	OYIGBO	8,166,951,375.51	1,128,677,058.28	7,038,274,317.23
22	PORT HARCOURT	15,349,981,683.54	2,487,778,941.21	12,862,202,742.33
23	TAI	8,780,845,745.19	1,065,835,411.47	7,715,010,333.72
	TOTAL	234,055,440,087.16	31,210,844,740.51	202,844,595,346.65

SOURCES: Rivers State Joint Account Allocation Committee report (2013), Ministry of Finance, Port Harcourt.

4.1 DISCUSSION OF FINDINGS:

The interest of this research work has been to determine the extent the State/Local Government Joint Account system as created by section 162 of 1999 Constitution of the Federal Republic of Nigeria has promoted efficient management and utilization of public funds accruing to the Local Governments Councils from the Federation Accounts for Rural Developments and transformation. The research instruments used were made up of interview and distribution of questionnaire for the survey in the sampled States in Nigeria. The Respondents were Principal and Accounting Officers of the Local Government Councils (Head of Personnel Management and Treasurers) who represent the Councils in the Joint Accounts Allocation Committees (JAAC) in the various states of the Federation, and they are members of the Nigeria Union of Local Government Employees (NULUGE).

In the result of question 1 as shown in table 3, 83%, which formed majority of the sampled population, agreed that State Governments deduct funds from the allocation due to Local Government Councils in Nigeria from the Federation Allocation through the Joint Allocation Account Committee (JAAC) system. The available secondary data from Rivers state JAAC succinctly collaborate this opinion poll. A total of N31, 210,844,740.51 was deducted from the revenues accruing to the local governments in Rivers state alone between 2007 and 2013. This represents 15% of the total accruals. Curiously too, the deductions are largely arbitrary as the local governments do not suffer equal amounts or percentage of deductions. The variation in deductions is rather huge. Percentage deductions range from less than 10% to more than 16% across local governments and do not have rural developmental need bias. Whereas Port Harcourt local government suffered 16.2% deduction, Bonny local government suffered only 10.6%. Others suffered differing percentage deductions such as: Etche, 15.3%; Khana, 15.2%; Emohua, 15.5%; Ahoada West, 13.7%; Ogba, 13.7%; Gokana, 14.5%; Oyigbo, 13.8%; Eleme, 11.6% Asari Toru, 12.5% et cetera. The local government councils have nearly the same rural development challenges. Therefore it is the arbitrariness of the state governments that dictates the amount or percentage of deductions. Little wonder then that most local government council elections in Nigeria are huge scam. The state chief executives use the state independent electoral commissions to select the governors' political loyalists and give chairmanships and councillorship positions as political patronages. Funny enough the people are cowed down and generally co tow this arrangement since they know that if they force their way into such elective posts, the governors will automatically use the JAAC deductions to frustrate any 'deviant' local government chairman.

In like manner, the result of question 2, shows that 98% of the respondents affirmed that the Joint Allocation Account Committee System empowers and encourages the State Government to design arbitrary basis for the deduction of money from the local government funds. These results were further subjected to hypothetical test in hypothesis 1 (one) as seen in table 4 and 5 above using the Chi-square in table 5. The Calculated value of X^2 is 60.08, while the critical value of X^2 is 3.84 at 0.05 level of significance. Hence the null hypothesis was rejected. This therefore implies that the Joint Allocation Account Committee (JAAC) system created by section 162 of 1999 Constitution of Nigeria, gave room for State government to make significant deductions on Local government funds due to them from the Federation account.

In the result of question 3, 180 which form 37% of the respondents opined that, the funds deducted were utilized to develop the State and the rural areas, while 63% disagreed that, funds deducted from the Local Government by State government are used by the state to develop the local council areas from where the funds were deducted.

Also in question 4, we seek to find out whether the deductions of local government funds by state affected rural development. The answer is unequivocally no. As much as 72% of the respondents opined that the deduction of funds from local government allocation by state government is responsible for poor financial management and lack of rural developments in Nigeria. Only 28% of the respondents disagreed. The basic fact is that once the states get away with arbitrary deductions from the JAAC, the local governments administrators have a field day in squandering the remaining amount. The result is monumental corruption, ineptitude, waste, misappropriation and outright theft of local government funds. Almost all the local areas as a result remain underdeveloped in spite of huge sums accruing to the third tier of government from the federation account.

This result of question 3 and 4 were further put into hypothetical test in hypothesis 2 (Ho2) above as shown in table 7. The calculated value of X^2 is 114.4, while critical value of X^2 @ 0.05 level of Significance is 3.84. Hence the null hypothesis which states that, there is no significant relationship between the deduction of local government funds from Federal Account Allocation by State government, and poor rural development in Nigeria was rejected. This throws up a possible conclusion that poor management of Local Government Finances and poor development of rural areas in Nigeria could be traced to the manner in which the Joint Account Allocation (JAAC) System created by section 162 of the 1999 Constitution of Nigeria is operated and managed by the State Governments in Nigeria.

4.2 IMPLICATIONS OF FINDINGS:

There are critical challenges bedeviling the Local Government Councils in Nigeria to effectively perform their constitutional and statutory roles which should enhance the rural development of their localities and thus make citizens at the grass root to enjoy the dividends of good governance and democracy. Some of these challenges and problems militating against the effective running of the local system in Nigeria are:

- 1. Corruption and Mismanagement of Fund:** Corruption is one of the major problems facing the local government administration and rural development in Nigeria. In fact, a mere mention of the local government exudes corruption. The council officials are always in the manner of crying about short of funds to execute meaningful developmental projects, but are in the habit of buying most expensive cars, live flamboyant and ostentatious live style at the expense of the people welfare. Every month billions of Naira is located to the Local Government from the federation account and state/local government Joint account, but there seems to be no impact on rural developments. It has been observed from personal interviews conducted with some personnel staff of some local governments visited in course of writing this research work that joint account allocation system created room for corruptions, as administrators of local government councils hide under complaint of deductions of funds by State government, to loot their own funds.
- 2. Lack of Skilled Manpower:** Majority of both administrators and financial managers in the local government are not academically qualified to man such positions. Nigeria politicians have seen local government as a place for political patronage to their loyal followers. Elections are never conducted to allow the grass-root people choose who should govern them and ensure the needed rural developments are guaranteed. More so, appointments as Treasurers are based on favouritism and not on professionalism or merit. This encourage mediocrity and poor performance, thereby hindering rural development
- 3. Lack of Civil Society Participation:** The participation by the well-meaning public is highly limited especially, the organized civil society and non-governmental organizations to monitor the use of local government funds. This may have been due to high level of rural illiteracy and poverty rate. There are no laws that encourage civil society to get involved in the participation, and even when they want to be involved, the local government administrators hide information that may be needed.
- 4. State Government Interference:** The provisions of the 1999 constitution on State/joint local Government Account System and its financial management relegated and undermined the powers of the local government councils to enhance rural developments. The councils are not given the needed financial autonomy and independence as practiced in true federalism. Most state in the federation has refused to conduct elections and

thus their local government are run as an extension of Governors' Offices in the Local Government Areas. The Governors appoints what they called Care-Taker Committees or Transition Members Committee to administer the local government council for over eight years (8) years e.g. Anambra State (from 2005-2013).

5. Inability to Generate Internal Revenue Source: The inability of most local government councils to development and enhanced their internal means of generating revenue also plagued their role in rural development. All the local government councils in Nigeria depend on Federal Allocation for payment of staff salaries and development. This cannot promote the required atmosphere for rural developments.

5.CONCLUSION AND RECOMMENDATIONS.

Irrespective of any system of governance adopted at the local government councils, the basic issue critical to the rural development in Nigeria is the efficient and effective management of local government revenues. Nigeria economic and transformational agenda embarked by this present government and the millennium goal development programmes will not yield the desired rural development, if proper attention is not put in place to monitor what comes to the local Governments from the Federation Account and how are they been utilized. The operation of State Joint Local Government Account System as provided by the 1999 Constitution lives much to be desired, as State Government in Nigeria have seen this as an opportunity for manipulating and tampering with the local Government allocations from federation accounts in the name of special deductions in the JAAC system. Instead of acting as a check to the efficient financial management of Funds accruing to the Local Government councils from Federation Account, they are rather engaging in the deduction of the local Government Council Funds through their Joint Allocation Account Committee (JAAC) system. Most States government in Nigeria have resorted to appointing Care-Taker or Transition Committee members into their local government council, thereby negating and contradicting the provision of section 8 of 1999 Federal Republican Constitution of Nigeria which states that, the administration of the councils shall be headed by a democratically elected body, which shall perform the executive and the legislative functions, allotted to the Local Government in the Constitution, for the enhancement of rural development in Nigeria. Thus most Council in Nigeria function as the extension of the Governor's Office in the Local Areas. This is indeed interference in effective running and administration of the Local Government Council as the State Governor's appoint their loyalists and political favourites who sometimes are not good Public Administrators. Hence, the poor rural development in Nigeria. This does not guarantee social security which is responsible for the numerous security challenges the Nation is facing at present, because most rural dwellers see governance as a failed Institution, which cannot provide the basic social amenities for the survival of the rural people, despite the huge of fund coming to the States and Local Governments in Nigeria from the Federation Account.

The research work therefore recommended the development of Sound accounting basis or system to be put in place that will guarantee responsibility accounting and this will make provision for safeguarding assets as well as ensure a good internal control system.

The anti-graft agencies should be empowered by law to monitor the spending of local government funds by public office holders on monthly basis as they collect their allocations from Federation Account. This will enhance the needed rural development in our local government areas and good governance that will deliver the dividend of democracy to the grass-root people and thus rural development will be enhanced.

The Internal audit department should be empowered to work effectively, and their quarterly report should be assessed by independent auditors. This will help to bring about responsibility accounting and needed rural development.

The provision of section 162(6-7) of the 1999 Constitution which created the Joint Account Allocation Committee (JAAC) system operated by the State and Local Governments in Nigeria should be amended to grant financial autonomy to Local Government as the third tier level of Government to make them more responsible to rural developments.

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