Journal of Policy and Development Studies Vol. 9, No. 1 November 2014

ISSN: 157-9385
Website: www.arabianjbmr.com/JPDS_index.php

THE JOINT ACCOUNT SYSTEM IN NIGERIA:PROBLEMS AND PROSPECTS

F.A. OJUGBELI
DELTA STATE SCHOOL OF MARINE TECHNOLOGY, BURUTU, WARRI

OJOH JAMES
DELTA STATE POLYTECHNIC
P.M.B 5 OZORO ISOKO NORTH

Abstract

The joint account system is the focus of this paper. It is expediently the focal point of the paper due mainly to the precarious and prater-natural implementation of the well formulated financial policy. Though the joint account system as a financial policy of the local government was given birth to in 1979 constitution following the nation-wide local government reforms of 1976. The system was subsequently abolished in 1989 by the General Ibrahim Babangida administration due to its wrong implementation by the state governments. It later in 1999 following the restoration of civil rule in Nigeria finds its way back into the constitution. The implementation became problematic as various hawks i.e. state Governments turned it into money making venture. This attitude, therefore, became pathological as local government productivity and performance lowered tremendously. The paper, however, considers the problematic aspects of the joint account system and its prospects and finds out that the joint account was made though to forestall possible manipulation, misappropriation and security of fund for the local government, the state governments had turned it into a goldmine for themselves through various illegal deductions, diversion and delay of the statutory allocation of the councils. The paper concludes by maintaining that the good intention of the formulators of the joint account has been defeated due to wrong implementation by the state governments. However, the paper made some plausible recommendations which if judiciously adhered to would check the so many incursions by the state government into council's allocation.

Introduction

The introduction and the subsequent implementation of the state joint Local Government account system in Nigeria following the restoration of civil rule in 1999 had largely constituted and generated a lot of controversies in the polity such as the allegation of indiscriminate deductions from the statutory allocation of the Local Government by the State Government and its

ISSN: 157-9385
Website: www.arabianjbmr.com/JPDS_index.php

concomitant effect on Local Councils productivity. All these had in the main painted an ugly, hideous and parlous picture of the system of financial administration as it affects the local council's administration in Nigeria.

Since the majority of the local councils lack the capacity to raise Internally Generated Revenue (IGR) to a reasonable level she has to depend upon the federal allocation for her performance. The inability of the councils therefore to general revenue meant for its continued functioning and operation had largely contributed to its total reliance and dependence upon the federal statutory allocation to remain relevant as a tier of Government in the Nigeria federal.

Local Government is the Government closet to the people. Infact, it is grassroots government in Nigeria. For effective performance, the Local Government will not only be assigned functions but fund enough to enhance its service delivery to the clientele. The lack of adequate fund affects the operation of the local councils invariable painting a very ugly picture of the system. This is probably why Nwaka (2006:20) argued that

> *"The provision of 20% for Local Governments in the revenue allocation formula of the federations account remains a tragic reminder of the lack of political will to appropriately address the problem of local representations and effective delivery of services. As the Government that has the most direct and immediate impact on the people, it stands to reason that adequate funding should ordinarily be guaranteed for this tier of Government". "Many Local Governments are rural based and naturally has limited capacity for internally generated revenue. We expect that Local Government should actually be the engine of growth for Local economics regrettably the hegemonic central of the revenue from the federation account by the State Government and Federal Government is not indicate of a genuine desire to strengthen the Local Government to meet the high expectation of the mass of our people".*

The argument above supports adequate funding for the Local Government which is a positive step towards improving the poor financial base of the local councils in the Federation. It is, however, to be noted that the State Government interferes tremendously with the allocation of the local councils thereby depriving them of a vital financial position. This, however, affects the performance and development of the councils. Onah (2004:12) observed "that the Local Governments are heavily deprived of funds which they could use in developments pursuits is no longer news. The skewed administration of the State Local Government account in favour of the state totally explains the deprivation. The Local Government due of the federal allocation are tampered with by the State, and in some states the revenue yielding resources are also taken over by the State".

The above assertion indicates to a very reasonable extent that the joint account remains a conduit pipe for the draining of Local Government allocation by the State Government. The State Government statutory allocation is highly parasitic. This parasitic relations manifest in the deduction of local council's allocation. These deductions are done under cover in strong connivance with most of the corrupt executives of some Local Governments. There are avalanche of allegations on the pages of newspapers over the parlous, dangerous and pernicious deduction of local councils fund by State Governments and their collaborative greedy chairmen of local councils in the state.

ISSN: 157-9385
Website: www.arabianjbmr.com/JPDS_index.php

Sobechi (2009:8) informed us of how Igberi, the Ebonyi State Chairman of the Association of Local Government of Nigeria (ALGON) called "for the amendment of the constitutional provision that legalizes the State Local Government Joint Account Committee (JAC) arguing that the structure hinders proper funding and autonomy for councils in the country". He maintained further "that the issue of Joint Account had facilitated all manner of deductions from council in allocation".

The major issues to be addressed in this work are therefore the Joint Account System in Nigeria, the problems of the Joint Account System and the prospects of the joint Account System, if any.

THE JOINT ACCOUNT SYSTEM

The Joint Account System was reintroduced into the constitution of the Federal Republic of Nigeria in 1999. Section 162 (5) of the constitution provides inter-alia. "The amount standing to the credit of Local Government Councils in the Federal Account shall also be allocated to the State for the benefit of their Local Government councils on such terms and in such manner as may be prescribed by the National Assembly". Also, section 162(6) provides as follows. "Each state shall maintain a specific account to be called "State Joint Local Government Account" into which shall be paid all allocations to the Local Government Councils of the State from the Federation Account and from the Government of the State".

These sections of the constitution proscribed direct allocation to the councils and put it under the supervision of every State Government. Due from that, direct allocation to the councils was no longer possible as money allocated to the local authorities and now paid into the State Joint Account.

It is, however, worthy to note that the issue of a Joint Account was given birth to in 1979 via the 1976 Local Government reforms. It is in this regard that Professor Bello-Imam (1996:43) asserted that "The first major attempt of comprehensively looking at the finances of Nigeria Local Governments took place in 1976, during the nation-wide Local Government reforms. The reform measures and the 1979 constitution identify reasonably adequate sources of revenue for the Local Government to Local Governments". In the light of the above Oguona (2004:26) argued "due to the persisted problem of inadequate revenue to the Local Government System, the Federal Government have been reviewing the revue grant to this third tier of government from time to time. Hence, between 1973 and 1975 during the oil revolutions of the seventies, Local Governments received grants and loans from the Federal Government. Then from 1976, Local Government through a statute were being granted varying amount of loans. However, during the second republic, based on the Okigbo's report, a revenue allocation act of 10% of the Federation Account was guaranteed to Local Governments. This was later adjusted to 15% and 20%.

Earlier Omoruyi (1985:190 cited in Ladipo Adamolekun (Ed) 1985) informed us that "in an attempt to look for a better way of improving the finances to the Local councils, the then permanent secretary, Federal Ministry of Finance, Mr. Alison Ayida was asked if it would "be normal in a federal System for the Central Government to deal directly with the local authorities in revenue allocation. He said, he did not think that the Federal Government should relate directly to the Local Governments arguing that the essence of the 1976 reforms "was to make State Governments have statutory allocation relationship with their respective State Governments. He maintained further, that the State Government should administer the Local

ISSN: 157-9385
Website: www.arabianjbmr.com/JPDS_index.php

Government Account and warned that there would be need for statutory guarantee written into the constitution against possible manipulations by the State Governments. The foregoing depicts the genesis of the joint account. It is clear that the 1976 Local Government reforms were responsible for the introduction of the joint account system in Nigeria. Its introduction into the 1979 constitution may have occurred to assist in improving the sorry financial condition of the local councils and protect the allocation of the councils against possible manipulations by the State authorities.

The issue of Joint Account was clearly mentioned first by the technical committee set up by the Federal Government on revenue allocation in 1976. The technical committee on revenue allocation was headed by Prof. Ojetunji Aboyade. During the first meeting of the technical committee Dr. Omoruyi was assigned the responsibility to look into the Local Government financing and relate this to the distribution of political powers and functional responsibilities within the three tier system… government should disburse funds directly to the Local Governments and the other was whether the Federal Government grants to Local Government should be made through the State Government. These two questions dominated the meeting of the technical committee. However, the committee observed two things as they embarked on the tour of the states in 1976.

1. That the Local Government was not adequately provided with funds.
2. That many State Government were not providing fund for the Local Governments (Omoruyi (1985:196).

The articulation of all the financial problems of the Local Government precipitated the idea of having a Joint Account System for the Unified Local Government system in Nigeria under the supervision of the State Government.

The major reason according to Omoruyi (1985) for the Joint Account System and its subsequent inclusion into the 1979 constitution was to forestall possible manipulation of the Local Government Finances by the various State Governments.

It is worthy to note that contrary to the protection of Local Government allocation as envisaged by the constitution it was still embarrassingly subjected to various kinds of manipulation by the State Governments. The illegal deduction, diversions and delay in the release of council's allocation from the Joint Account System attest adequately to this. This deduction made its abolition in 1985 possible. Agu (2007:82) writes "In 1985, General Badamosi Babangida took over power from Buhari Tunde Idiagbon. He funded Local Government directly. He gave allocation direct to the Chairmen and not through the State Joint Account". Agbayere (1997:116) given credence to the above information said "The financial relationship between all the levels of Government finds expression under section 160 of the 1989 Nigerian constitution. The constitution provides that share of Local Government be allocated directly to Local Governments whereas it has to pass through the state in the past. The Joint Account System was surely abrogated in 1989 due to its defectiveness. The various State Government over manipulated the Joint Account to the utter detriment of the Local Governments. The Joint Account finds its way again into the 1999 constitution. Agu (2007:83) observed "In 1999, Abdusalami Abubakar came into power and drafted the 1999 constitution. The process of direct funding to local government was changed and it was incorporated into state joint account. The statutory allocation of 20% goes to the state joint account".

ISSN: 157-9385
Website: www.arabianjbmr.com/JPDS_index.php

We have to agree with the fact that the formulators of the state joint local government account system have good intention for its establishment. However, this financial policy played into the hands of hawks such that the objective of the joint account became defeated as the supervision of the account by the state governments provided a vent for manipulation of the account through deduction, delay in the release of allocation to councils and diversion of funds into private use.
This therefore leads us to the problems of the joint account system in Nigeria.

THE PROBLEMS OF THE JOINT ACCOUNT SYSTEM

The Joint Account System is a financial policy meant to check the manipulation and misappropriation of council fund by Hawks i.e. state government and their corrupt minded local government executives. The intention of the policy formulators was laudable but the implementation of the policy became parlous. The wrong implementation largely renders the Joint Account System problematic. The problems associated with the joint account system includes but not restricted to the following: -

- Illegal deduction from local government statutory allocation
- Delay in the release of local government statutory allocation
- Diversion of local government statutory allocation

DEDUCTION AND MISAPPROPRIATION OF LOCAL GOVERNMENT ALLOCATION

Bello-Imam (1996:50) while commenting on the anomalous deduction and misappropriation of council fund by the state government opined that "there is the fact that because the federal government was statutorily obliged to pass the allocation for the local government units to the supervising state government for distribution to them, most of the states often misappropriated the allocation fro their respective local government unit".
Agu (2007:89) argued that... "Local government is well funded, but unfortunately these resources do not get to them. The problem is the issue of indirect funding and this confirms the extent of exploitation by the state government" Bello-Imam observed clearly that local government fund is often misappropriated by the supervising state government. Also, Agu submitted same unfortunate analysis as he rightly pointed out that local government resources do not get to them because of exploitation by the state government. The exploitation and misappropriation of councils fund is made easier due to its lack of financial autonomy. Local government has no real control over her resources as a result of the lack of autonomy. This is probably why Agu (2007:94) argued that "This practical denial of autonomy to local government councils affected local government resources and therefore created problems in the local government system in Nigeria as much of the resources from the central authority are siphoned by the state governors". Deductions from the allocation of the local councils constitute major hindrance to performance. Acba (2009:7) while capturing the feelings of council executives in Abia State said "Analyst, however, contend that nothing seem to be working at the councils because they are either starved of funds or shortchanged by state governments through the joint Allocation committees. In Abia, while some council Chief Executive cry over illegal deductions from their allocation by the state government, others describe such an act as statutory". In Edo state, Otabor (2009:11) informed us thus, "Edo state chapter of the Nigeria Union of Local

ISSN: 157-9385
Website: www.arabianjbmr.com/JPDS_index.php

Government Employees (NULGE) has backed the 18 council chairmen's decision to reject last mouths (May) allocation from the federation account to protest an alleged over-deduction by the state government".

The analysis of the above scholar's submission shows that the joint account system is absolutely problematic due to its unhindered vulnerability to deductions by the state government. This explains why the local council's performance has not been encouraging in Nigeria.

- **DELAY IN THE RELEASE OF COUNCILS ALLOCATION.**

  The join account leads to delay in the release of the statutory allocation of the local government by the state government. This indicates further that the joint account is wrongly implemented by the supervising body. The delay in the release of fund, therefore, has adverse effect on the productivity of the local councils in Nigeria. Agu (2007: 89) while reacting to this ugly trend maintained thus,

  > *"The 1999 constitution provides for t he state joint account*
  > *Into which state and local governments statutory allocations*
  > *are to be paid. The state Joint account was established but*
  > *It did not operate as it was supposed to; hence there is "delay"*
  > *In the release of the statutory allocation by the state*
  > *Government ……… we understood that most times, the*
  > *statutory allocation is not released by the government"*

Bello-Imam (1996:50) in a similar observation opined that "those that even managed to pay 10 percent of their internally generated revenue to their respective local governments units, most often, never paid as and when due"

The delay in the release of allocation to the local governments affects planning and, so affects performance. Productivity of any organization most times had been retarded by lack of or inadequate finance at the coffer of that organization. Since effective planning cannot be carried out outside finance, delay, therefore, in the release of local government allocation affects planning and execution.

- **DIVERSION OF COUNCILS ALLOCATION**

  The adverse effect of the diversion of local government monthly statutory allocation by state government is better captured by professor Aghayere (1997:90) when he said "….. State governments have compounded the financial problem of local governments by failing to pas on to local governments the federal allocation that has been passed through them as provided for by section 149(5) of the Nigerian constitution ……." In addition to "diversion" of local government funds, state governments have also failed to contribute their own share to the local governments as required by section 149(6) of the same document. Agu (2007:89) in an earlier interview on funding and financial management in Enugu State Local Governments opined thus "when interviewed about the other sources of revenue like value added tax, and crude oil, excess proceed, the principal officers of Nsukka, Enugu North, Enugu South and Udenu local governments purported that these resources were hijacked by the state governments. They admit that they release a certain

ISSN: 157-9385
Website: www.arabianjbmr.com/JPDS_index.php

percentage but not the total figure. This therefore, make a negative impact on the performance of local governments, hence they also find it difficult to pay personal emoluments to their worker." Also, Ojo (2008:6) in a newspaper caption

"ICPC summons commissioners, two others" informed us of how the Ondo state Commissioner for finance, the Accountant- General, Commissioner for Local Government and Chieftaincy Affairs Were invited by the ICPC in "connection with the alleged Diversion of N1.2billion belonging to the 18 local governments Councils in the state"

Ojo further maintained that the petition had alleged that statutory allocations to the 18 local government councils in the state for between six and nine months since 2005 were diverted to private pockets".

It is clear therefore, from the above submission that the problems of the state joint local government account system to local government administration in Nigeria are caused by the state governments. This actually is a total negation and contradiction to the intention of the policy formulators which have the objective of preventing possible manipulation of the account by state governors. So far, we have seen that the major problems affecting the joint account system in Nigeria are: -

1) Illegal deduction from the statutory allocation of the local government by the state government.
2) Delay in the release of the statutory allocation to local government by the state government, and
3) Diversion of the statutory of the local government.

These three problems are better regarded as problem three D^s. This means: -

(i). Deduction
(ii). Delay and
(iii). Diversion.

These problem three D^S have constituted enormous operational problems to the joint account system making it a defective financial policy in Nigerian local government.

PROSPECTS OF THE JOINT ACCOUNT

It is not doubtful that the intention of those who formulated the joint account system as a financial policy for the local government was good. The joint account system was established to avoid any possible manipulation of the account by the state government. The system would have assisted in no small measure to extenuating the incessant corruption inherent in the local government system aptly perpetuated by the council's executives. Bringing the supervision of the account under the state government was a plan well made to check and instill fear in the mind and mentality of the council executives. Unknown to the policy makers, this system was converted to a gold mine by many state predators. Their interference became abysmal and detrimental to local government productivity. The frequent deductions, diversions and delays of the local government allocation brought untold anguish and outright frustration to the managers of the local government. All these are highly pathological and should be discouraged. To this end, therefore, it is certain that the joint account system has failed and as a result has no better prospect for the management of local government allocation.

ISSN: 157-9385
Website: www.arabianjbmr.com/JPDS_index.php

CONCLUSION

The joint account system was given birth to in 1979 following the 1976 nationwide local government reforms. The system operated with some anomalies anchoring on virulent deductions and diversion of the local council's allocation from federation account by the state governments. Due to the anomalies it was abolished in 1989 by General Ibrahim Babangida who allowed direct allocation to the local governments.

In 1999, the joint account system finds its way back again into the constitution following the restoration of civil rule in 1999. The paper showed that the operation of the joint account has been highly problematic. Problematic in the sense that the state government whose responsibility it is to supervise the joint account has turned it into a money making venture by deducting, diverting and delaying statutory allocation of the local government. The good intention of the policy formulators because inclement in the sense that the system has more problems than any prospects.

RECOMMENDATIONS

The state joint local government account system has not lived up to expectation. From the way it has operated it has failed to achieve its objectives. It has been over manipulated, over-deducted and over diverted to the favour of the state government and to the detriment of the local government councils. It is no longer useful. .To this end, an alternative is needed. This, however, lead us to the following recommendation.

- ❖ The state joint account system should be abolished. The abrogation is important as a result of the problem it has caused to local councils. These problems are deduction, diversion and delay in the statutory allocations of the local councils.
- ❖ Direct allocation from the federation account to the local government should be instituted. This plan will assist in no small measure to improving the sorry financial position of the councils. It will also emancipate the local councils from manipulation by the state.
- ❖ Since the anti-corruption outfits have been compromised and since the statutory allocation of the local government does not belong to the chairman of the local government, the chairman should, therefore, be made accountable to the electorate in the local government. The chairman should be made to convene a congress of the electorate at the beginning of every new month to give account of the usage of the previous month's allocations. This congress can be convened by any indigene of the local government through a letter written to the chairman of the local government, the leader of the legislative arm through the clerk, prominent chiefs from every community making up the local government, two persons from every community in the local government appointed or elected by the head of those communities, the police and where there is a paramount traditional ruler, the traditional ruler presides over the congress.
- ❖ Any chairman who corruptly diverts public fund into private pocket can be removed by the congress after ordering the arrest of the chairman, reporting the chairman to the state governor and the state House of Assembly. In all, the decision of the congress supersedes any other decision as they are the ones whose money was stolen. This will bring probity and accountability by the chairman.

ISSN: 157-9385
Website: www.arabianjbmr.com/JPDS_index.php

- The congress should be ad-hoc in nature as any attempt to make it a standing congress leads to corruption.
- On the alternative, if it is proven that the local government chairman has corruptly diverted public fund into private use, the congress can use the legislative arm of the local government to remove him by impeachment.

If these recommendations are followed, there would be probity in the expenditure pattern of the local government and this will enormously lead to improved productivity and performance.

References

Acba, E (2008) "Vision 2020 and Local Government Autonomy" The Pointer, Friday, August, 15, Vol 9, No. 2406

Aghayere, V.O. (1997) Dominant Issues in the Nigeria Local Government System: A Contemporary Focus. Benin-City: Imprint Services

Agu, S.U. (2007) "Funding and Financial Management in Enugu State Local Government: Problems and prospects". Nigeria Journal of Public Administration and Local Government Vol Xiii, No. 1, May.

Agweda, T. (1995) "Social Change" in F.I. Agbonlahor and A.O. Olutayo (ed), Issues and Perspectives in Sociology. Ibadan: Sam Bookman Educational and Communication Services

Bello-Imam, I.B (1996) Local Government in Nigeria: Evolving a third Tier of Government-Ibadan: Heinemam Educational Books (Nig) Plc.

Federal Republic of Nigeria: Constitution of the Federal Republic of Nigeria, 1999. Federal Government Press: Lagos P.66.

Nwaka, T.F. (2006) "Bridging the Gap between Mass Expectation and Local Government Performance". The Pointer, Thursday, September 14.

Oguonu, C. (20024) " Fiscal Jurisdiction and Administration Among the three Tiers of Government: A case of local Government System" Nigeria Journal of public Administration and Local Government Vol xii, No. 1 May.

Ojo, D (2008) "ICPC Summons Commissioners, two others" The Nation, Wednesday, August 20, Vol. 3 No. 0761 P.6.

Omoruyi, O. (1985) "Beyond the Local Government Reforms of 1976" in L. Adamolekun (ed). Nigeria Public Administration 1960-1980: Perspectives and Prospects. Ibadan: Heinemann Educational Books (Nig.) Ltd.

Onah, F.O. (2004) "Inter-Governmental Relations and the Survival of the Local Government in the 21st Century, Nigeria". Nigeria Journal of Public Administration and Local Government. Vol. XII No.1, May.

Otabor, O. (2009) "Edo NULGE Backs Council Chiefs for Rejecting Allocation". The Nation, Thursday June 11, Vol. 3, No. 1056

Sobechi, L (2009)"Ebonyi Council Chief Faults joint Account". The Guardian, Thursday, May 7.