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ACCOUNTING FOR INFLUENCE OF EXECUTION OF FINANCIAL CONVENTIONS ON REVENUE UTILIZATION IN LOCAL GOVERNMENT AREAS: NIGERIA'S EXPERIENCE OF LEVEL OF VOLUNTARY COMPLIANCE

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ABSTRACT: *This study was carried out on accounting for influence of execution of financial conventions on revenue utilization in local government areas: Nigeria's experience of level of voluntary compliance. It was aimed at assessing the level of compliance to the execution of financial conventions and how this affects revenue utilization in local government areas in Nigeria with particular reference to Cross River State. Data were collected through well developed survey instruments. The data collected were analyzed using both Karl Pearson correlation coefficient and regression analyses. The analyses revealed that the execution of financial conventions has significant influence on financial control efficacy and revenue utilization. The study concluded that if there is proper compliance to a higher level of execution of financial conventions, there will be effective financial management and control, as well as proper revenue utilization in local government areas in Cross River State-Nigeria. Consequently, the accomplishment of set goals and objectives of formulating and executing financial conventions. Therefore, the applicable authorities in local government areas should make tangible effort to ensure that staffs adheres strictly to financial conventions when handling financial and economic matters*.

KEYWORDS: Financial Conventions, Level of Voluntary Compliance, Revenue Utilization, Financial Management, Public Goods.

INTRODUCTION

The worth of the local government area is determined by the quality and quantity of services which are made available to its people at the grassroots. For the council to make available meaningful services, in form of provision of basic amenities, rehabilitation, construction and maintenance of roads, creation of employment opportunities for the masses and payment of staff salaries as and when due, money is undoubtedly needed. Hence, for the local government area to perform its constitutional functions effectively and efficiently it should not only be well funded but such fund should be judiciously applied. This implies that, for the local government areas to function well there is need for proper management and accountability of available human and material resources. This could be made possible through proper execution of financial conventions with appropriate control measures such as budgetary control, financial control, etc. Some of the basic problems in local government financial administration and controls are poor or non-execution of financial conventions, ineffective utilization of revenue available to the local government as well as delay in payment of Federal and State government grants to the local governments. It is a clear fact that the success or failure of any organization be it private or public, depends upon the availability of funds, the management and control of such funds towards the achievement of the organization's goals and objectives. Thus, no organization can boost of its existence and execution of its functions without proper control of funds that is available for the daily running of its operations and activities.

The need for planning and control of funds cannot be over-emphasized. One would readily accept the fact that it is almost impossible to do without control measure such as budgeting. Budgetary control is associated with performance, legal and regulatory constraints whether it be student with upkeep allowances, the housewife with housekeeping allowance, industrialist with responsibility to shareholders or government with the management of funds towards provision of service to its citizens; budgetary controls are vital for the achievement of these individual goals. Budgetary control is an indispensable factor in both our business and private lives; failure of most businesses is due to lack of consideration of prudent budgetary control measures that are instituted. Therefore, budgetary control measures employed create influence on the level of its compliance with the financial conventions of local governments considered with the aim of highlighting the significance of budgeting as an instrument of control in local government administration and possible offer recommendations for remedial actions.

The re-organization and reform of local government System in the federation introduced by the Military government in 1976 lifted local government areas to the status of third tier of government, which is government at the grassroots. It should be emphasized however, that local government autonomy carries with it some implications, one of such being the ability to fend for themselves while exercising autonomy so that some degree of controls that accompany external financing from the Federal and State governments will be cut off. It also signifies the re-introduction of elective principles at the local level – chairmen and councilors thereby giving the local people opportunity to express their mind through the ballot box, thus bringing down the incidence of imposition, bigotry, tyranny and other vices at the grassroots level. Strict budgetary control is the most effective level of budgetary control. These councils are endowed with financial autonomy defined boundaries, clearly stated functions and some powers to take and execute decisions at the "Local Level". Prior to this period, local government councils were seen as agencies of State Government established to provide simple facilities and amenities at the local level with limited autonomy. In short, they were regarded as extension of the State administration. Presently, emphasis is on development as each local government is expected to mobilize all resources at the local level and embark on the development of the areas under its jurisdiction. As such, their successes depend on how well the Councils can plan and control their available resources, assess its financial position to comply with and file reports. One of the most important financial monitoring activities is budgetary control, assets which are put in place; need to be monitored to ensure that their ability are put into effective utilization. Budgetary control is a means of controlling business, money and otherwise by forecasting future levels of activities and converting these into quantitative and ultimately monetary terms. Budgetary control helps to break the plans into numerical financial terms. It can be seen as a list of items needed for carrying out some planned activities; it can be also used for planning, coordinating and controlling both the activities and cost towards the attainment of set goals and objectives, usually within one year.

Hypothetical Structure.

Local government management is aimed at accelerating development at the local level and this is the fundamental reason that local government has been given increased autonomy to function efficiently and effectively as the third tier of government. However, some basic problems hindered this purpose. These problems include though not limited to; constitutional problems, political, managerial and operational problems. These problems could be properly handled or solved if financial resources are adequately managed and controlled. Hence the need for the implementation of financial regulations and the under listed theories explained how public finance could be expended or controlled.

In obvious reaction to general opinion that government ought to intervene in cases of failure of market system to efficiently provide public goods, the public choice theory emerged as an explanation of the behavior of politicians and government officials as mostly "interested" agents and their interactions in the social system as either such or under alternative constitutional rules. In other words, the theory views government from the perspective of bureaucrats and politicians who act based on a budget maximizing model for the purpose of maximizing their economic benefits or personal wealth. Public choice theory is known to have roots in positive analysis (what is) but is often used for normative purposes (what ought to be) to identify a problem or suggest how a system could be improved. Self-interested agents of government can be represented in a number of ways including constrained utility maximization, game theory or decision theory. Holcombe (1997) identifies the following political outcomes in an economy with government intervention that do not result in efficiency but rather in economic distortions and Special interest. Political theory is often used to explain how political decision making results in outcomes that conflict with preferences of the general public. Decision making process and the state: this relates to the emergence of government and its agents as well as the underlying decision making by government agents, such as legislators along constitutional constraints. Bureaucracy: The typical image of the bureau chief is to seek to please those who appointed him, as the power to hire and fire remains their exclusive preserve. This is often the case in local government, where the state government determines who gets elected or appointed. Rent seeking: The basic thesis of rent seeking says that when both the market economy and government are present, government agents provide numerous special market privileges so as to partake in the resulting monopoly, thus creating inefficiency.

The theory of public goods and externalities are connected to "the pure theory of public expenditure", which defined public good or collective goods as "… (goods) which all enjoy in common in the sense that each individual consumption of such goods leads to no subtractions from any other individual's consumption of that good…." This properly has become known as non-rivalry (Holcombe, 1997). Public goods are defined in terms of their economic rather than their administrative, physical, normative or financing characteristics. Samuelson identified two key characteristics of public goods, namely non-excludability and non-rivalry. Other characteristics are non-reject ability, indivisibility and inexhaustibility (Agiobenebo, 1999). The above characteristics are not applicable to private goods that are both excludable and rival in consumption; for example, commodities that are physically consumed or where property rights confer exclusive use. Example of public goods are national defense, lighthouses, street lighting, public health benefits of safe disposal of industrial, domestic and commercial wastes. In all these examples, potentially infinite number of people could simultaneously benefit even as it is not possible to prevent others from benefiting (Agiobenebo, 1999). The market mechanism fails to make consumers reveal their preferences for a public good due to its non-excludability and non-rivalry. Hence, the demand curve of a public good is not known. Because the consumer knows he cannot be excluded from consuming a public good, he has no incentive to pay for it. Expecting such consumer to pay would be inconsistent with the assumption that he seeks to maximize his welfare. In fact, such consumer would apply the income that could have been used to pay for public good in the consumption of more private goods and therefore arrive at a better level of welfare. The above phenomenon is referred to as the free rider problem. This is inconsistent with the Samuelson's rule for the optimal production of public goods, which can say that the sum of marginal benefits generated by a good must equal the marginal cost (Holcombe, 1997). Because of the distribution caused by the free rider problem, the free market would have no incentive to allocate sufficient resources to the production of the public good or not produce at all, since producers would be unable to recover their costs of production. This inability of the market system to produce some goods also known as failure is the justification for government intervention in the economy by way of providing public goods to ensure allocation efficiency. The government can finance such public goods provision by levying taxes and using its coercive power to enforce collection. However, Ekaette (2001) cautions that Government intervention is only worthwhile in terms of efficiency to the extent that it reduces rather than increases distortions caused by market failure. She posits that the concept cannot be used to justify the free position of public services, simply because few of them are public goods. They argued that charges may recover all or part of production cost of some public goods for example lighthouse.

Correspondingly, Holcombe (1997) warns that the mere identification of good as public is not sufficient requirement that it must be produced by the public sector. He posits that the theory of public goods is both inadequate and inappropriate as an explanation of public expenditure. The economic argument for the existence of multi-level government is the existence of public goods and services with differing geographical spread of benefits. Because of spatial incidence of benefits, the function of government can be classified into the provision of national, regional (state) and local public goods and services. This spatial limitation of benefits incidence is a condition that justifies the definition of public goods and services as non-excludable and non-rival in consumption (Agiobenebo, 1999). The foregoing derives from the theoretical basis for fiscal decentralization, which is predicated on the argument that the Central Government would be in a better position to perform distribution and stabilization functions would be inefficiently performed by the local government level because of difficulty in appropriating the benefits of the programs at that level and opportunity allowed residents of other jurisdiction to "fore ride".

In the same way, provision of a local public good by the central government results in their consumption and under consumption of the good by the central government results in over consumption and under consumption by different localities, depending on preferences for use by the central government and the central government may sometimes, not be disposed to use such information where available, it is better to allow each locality to cater for its own tastes. At the practical level, decentralization promotes competition among localities, by encouraging each of them to provide a different set of choices of public goods; encourage experimentation and innovations since the various local jurisdictions are not likely to utilize same techniques of production and since localities would want to share in the gains of the development, and promote accountability and responsiveness. Agiobenebo (1999) enunciated the following principles to be considered in assignment of public sector expenditure (Public goods/services) to different tiers of governments. Efficient provision of public services: Public services are most efficiently provided by the jurisdiction having control over the minimum geographical area that would internalize the benefits and cost of the provision. This is because local governments understand concerns/preferences of local residents; local decision making is responsive to the people to whom the services are intended; unnecessary layers are eliminated and inter-jurisdiction completion and innovation are enhanced. Fiscal efficiency: decentralization decision making in a federalism result in differential net fiscal benefits (imputed benefits from public services less tax burden) being realized by citizens depending on their place of residence. This will encourage people to move to resource rich areas, a situation it is argued, the central government has a role in correcting. Regional (horizontal) equity: differential net benefits across jurisdiction also lead to unequal treatment of citizens with identical net income depending on place of residence. This calls for central government's role in dealing with the inequalities. Provision of quasi-private goods: apparently private goods e.g. education, health, social insurance and public provision of these goods and factor mobility. Thus, regulation of trade and investment is generally best left for the central government. Preservation of internal common market: this remains an important area of concern to most countries undertaking decentralization. Sub-national government may in their pursuit for factor input erect barriers to goods and factor mobility. Thus, regulation of trade and investment is generally best left for the central government. Economic stabilization: it is customarily argued that the central government should be responsible for stabilization polices, which leads too much of the gains being lost to outside jurisdiction. Monetary policies have little scope for being executed by local governments. Spending power: there is always some degree of conflict among priorities established by different tiers of government in federalism. The above discussion has focused essentially on allocation of expenditure to lower level government without mention of revenue. The assignment of items of public expenditure to local jurisdictions needs to be matched with commensurate liquid resources (Public Revenues). The link between the two arises from the fact that is in the volume, variety and scope of responsibilities, as well as functions and powers assigned, that determine the volume and variety of resources required, relative to inputs requirements and input prices (Agiobenebo, 1999). Therefore each tier of government within the framework of a decentralized public choice is entitled to adequate funds or means of resources mobilization to efficiently and effectively discharge its assigned responsibilities and functions.

MANAGEMENT AND CONTROL OF LOCAL GOVERNMENT FINANCIAL RESOURCES

Financial management as opines by Pandey (2005) is that managerial activity which is concerned with the planning and controlling of the entity's financial resources. In applying management techniques on local government financial resources therefore, there is needed to take cognizance of the specific managerial activities of planning, organizing, directing, and controlling. Financial resources include financial inputs used in the achievement of goals and differ from organization to organization depending on the objectives of the individual organization. Financial resources for local government therefore include all those financial inputs that would be used in providing services at the local level. In the context of autonomy, leaders in local government must be examined in the context of what it draws as inputs, its resources not merely in terms of men and money, but of values and ideas. To that environment still, they must be examined as to what they give as output not merely in terms of goods and services but of the needs met and problems solved. Obviously, financial management as applicable to local government deals with local government expenditure, budget and budgetary control as management tools, local government auditing, a general review of internal control system, investment decision making in the local government as well as cash management (Van and James, 1988; Moak and Hillhouse, 1975).

Rationale of Budgetary Control in Local Government Areas.

Budgetary control in the local government areas is indispensable since there is always the need for purposeful planning of the resources used or intended to be used and the expected result explicitly stated (Awoyemi, 1989). Budgetary control is an important aspect that helps the management; this will help to improve performance. The purposes of budgetary control are as follows: To state the organization's expectations in clear formal terms so as to avoid confusion and facilitate the attainment of these expectations (goals); To provide detailed plan of action for the purpose of reducing uncertainties and for all the proper direction of individual and group efforts to achieve the goals envisaged; To coordinate the activities and efforts in such a way that the use of resources is maximized; To provide a means of measuring and controlling the performances of individuals and units and to supply information on the basis on which necessary corrective actions can be taken; and to communicate expectations to those concerned with the management so that they can be understood, supported and implemented.

Categories of Controls and Their Influences on Expenditures

There are two types of controls namely, Budgetary and Financial. Budgetary is expected to serve as a mechanism for setting goals and objectives, identifying weaknesses or inadequacies in organizations and for controlling and integrating the diverse activities that are carried out by numerous sub units of these organizations. Of all activities in the local government council, budgeting is one of the most important and therefore requires detailed attention (Agiobenebo, 1999). Budgetary control is defined by the Institute of Cost and Management Accountants as "the establishment of budgets relating the responsibilities of executives to the requirement of a policy and the continuous comparison of actual with budgeted results either to secure by individual action the objective of that policy or to provide a basis for its revision. Budgetary control creates an influence; if the technique is to be used to its fullest advantage, because of all business activities. Budgetary control promotes coordination and communication, budgetary control compels management to think about the future, which is probably the most important feature of a budgetary control system. Budget is expected to serve as a mechanism for setting goals and objectives, identifying weaknesses or inadequacies in organizations and for controlling and integrating the diverse activities that are carried out by numerous sub units of these organizations (Pandey, 2005; Morelos, 1992). For the purpose of this study, the following types of budgets are identified: cash or financial budget, capital budget, flexible budget and master budget. On the other hand, financial controls are all the measures which are established by management to ensure proper utilization of financial resources of the organization towards achievement of set goals.

Legal and Constitutional Basis of Local Government

According to Awoyemi (1989) and Adams (2002), Local Governments, the world over, are creation of the law. Consequently, the structure, functions, finance and powers of Local Government is established by Special Charters to particular Local Governments, general codes regulating localities, constitutional provisions, and general legislations or statutes. In Nigeria, the local government evolved from the native administration established during the period of Colonial Rule for the purpose of administrative convenience. Although the running of the native administration was allowed to be in consonance with local values, in the part of the country concerned. This allowance was to the extent of its conformity with ordinances passed by the Colonial government from time to time. The 1951, 1952 and 1955 Local government Laws of the Eastern, Western and Northern Regions of Nigeria, marked the beginning of specific legislation to guide the operations of the local governments (CBN, 2000). Some re-organization took place in 1960, and a further, more spectacular reorganization and harmonization of the Local Government Reforms in Nigeria."

Requirements on Formation and Configuration of Local Government

Section 7(i) of the 1999 Constitution of the Federal Republic of Nigeria provides for the creation of the local government in the following words;"The system of local government by democratically elected local Government councils is under this constitution guaranteed, accordingly, the government of every state shall subject to Section 8 of this Constitution, ensure their existence under a law which provides for the establishment, structure, composition, finance and functions of such councils." Accordingly, Section 8(3) of the same Constitution prescribes the processes to be followed by the House of Assembly of each state in creating local governments; A request supported by at least two-thirds majority of members (representing those who are demanding the creation of the new local government area) in each of the following: The House of Assembly in respect of the area, and the Local Government Councils in respect of the area, is received by the House of Assembly; a proposal for the creation of the Local Government is thereafter approved in a referendum by at least two-thirds majority of the Local Government Area originated. The result of the referendum is approved by a resolution passed by two-thirds majority of members of the House of Assembly. It must be noted that although the processes of creation are to be legislated upon by the State Government.

Roles and Responsibilities of Local Government Areas.

The fiscal federalism approach treats local government area as a subordinate order in a multi-tiered system and outlines principles for defining the functions or responsibilities of the different tiers of government. Available literature provides a normative framework for assigning responsibilities to local governments. The assignment of public services to local, metropolitan or regional governments can be based on considerations such as economies of scale, economies of scope, cost benefit spill over, proximity to beneficiaries, consumer preferences, and budgetary choices about the composition of spending. In Nigeria, the roles and responsibilities of local government areas as enshrined under Section 7(5) of the 1999 Constitution of Nigeria provides as follows; "the functions to be conferred by Law upon Local Government Councils shall include those set out in the fourth schedule to this Constitution".

The fourth schedule of the Nigerian Constitution spells out the following main functions of the local government area; The economic development of the State, particularly in so far as the areas of authority of the Council and of the State are affected, and proposals made by the said commission or body; collection of rates, radio and television licenses; establishment and maintenance of cemeteries; burial grounds and homes for the destitute or infirm; licensing of bicycles, trucks (other than mechanically propelled trucks), Canoes, wheel barrows and carts; establishment, maintenance of roads, street lightings, drains, and other public facilities as may be prescribed from time to time by the House of Assembly of a State; construction and maintenance of public conveniences, sewages and refuse disposal; registration of all births, deaths and marriages; assessment of privately owned houses or tenements for the purposes of levying such rates as may be prescribed by the House of Assembly of a State; and control and regulation of outdoor advertising and hoarding, movement and keeping of pits of all description, shops and kiosks, restaurants, bakeries and other places for sale of food to the public, laundries and licensing, regulation and control of sale of liquor. The functions of Local Government Councils shall include participation of such Council in the government of a State as respects the following matters. The provision and maintenance of primary, adult and vocational education, the development of agricultural and natural resources, other than the exploitation of minerals; the provision and maintenance of health services; and such other functions as may be conferred on local government councils.

However, it is necessary to comment that in spite of the functions spelt out in the Constitution, the Local Government has, over the years been unable to perform these functions to the fullest. Several factors including fraud and misappropriation of funds, weak institutional controls, high incidence of tax evasion and lack of foresight on the part of the local government officials negate adequate performance of these functions. In Cross River State, the evident is in the provision of the Cross River State Local Government Amendment Law (2004). The law has dramatically reduced the level of discretion to be exercised by the local government chairman and council making them a mere sub-ordination of the State Government.

Local Government Revenue Base and Sources.

For Local Government to be successful or effective in the execution of the multitude of functions, it requires enormous amount of resources at its disposal. In spite of this, the problem of inadequate funding of the local government as a militating factor against the performance of the local government continues to frequently feature in public sector literatures. However, the revenue base of the local government can be examined in terms of the revenue sources of local government revenue; external and internal (Asuquo, 2013 and Ida, 1994).

External revenue sources generally refer to revenue accruing to the local government from outside its boundaries. Adams (2002) outlines statutory allocation, grants in and by the Federal and State Governments and loans as main external sources of revenue available to the local governments. In examining the concept of revenue, Pandey (2005) notes thus “more specifically, revenue is the gross inflow of assets or the gross decrease in liabilities that can change owner’s equity on its balance sheet (statement of assets and liabilities) is the surplus fund. Applying Pandey’s argument, therefore, revenue for the purpose of public accounting may be used to refer to inflow of assets or decrease in liabilities that cause changes in the surplus fund. Pandey’s concept of revenue and its relationship is unduly accepted in the private sector, but importing Pandey’s conception of revenue into the Public sector is capable of causing its own misunderstanding. A case in point is the fact that an established inverse relationship exist between surplus funds and loans in the public sector. This is because government deficits are conventionally financed by loans and grants.

Internal revenue sources refer to revenues accruing to the local government from sources within its boundaries. This forms an important aspect of the revenue base of the local government in view of problems associated with reliance on external sources of revenue and how they impact on the performance of the local government. In contrast to the tendency to rely on external revenue sources (Adams, 2002) advances three benefits to be derived from development of and reliance on the internal revenue base; namely; the strengthening of local government autonomy; the ability of the local government to fulfill their financial obligations, thus, enhancing their credibility; and the capability of local governments to meet their pressing needs which otherwise could have been abandoned with dependence on external revenue sources. Johnson (1999) highlights the following sources of local government internal revenue, shops and kiosks rates, tenement rates, On and off liquor license fees, slaughter slab fees, marriage, births and death registration fees, naming of street registration fee, excluding any street in the state capital, rights of occupancy fees on land in rural areas, excluding those collectable by the Federal and State Governments, motor park levies, domestic animal license fees, bicycle, truck, canoe, wheel barrow and cart fees, other than mechanically propelled truck, Cattle tax payable by cattle farmers only, Wrong parking charges, Religious places establishment fees, customary burial ground permit fees, signboard and advertisement permit fees, radio and television, Merriment and road closure levy, Public convenience, sewage and refuse disposal, etc.

Every human activity involves the committing of resources. Resources acquired by Local Government are expended in the discharge of their assigned functions. Adams (2002) classified government expenditure into two main groups: Recurrent and capital expenditure. However, an examination of Section 2 of the model financial conventions (1991) shows that expenditure can be classified into recurrent expenditure, with sub-divisions for; (a) personnel cost and (b) overhead cost; and capital expenditure.

Capital Revenue Allocation in Local Government

Anyanwu (1997) maintains that all expenditure incurred by an entity lead to the creation of assets. However, the distinction between which one is capital expenditure depends on the life span of assets. In this connection, Anyanwu further contends that capital expenditure creates capital (or fixed assets) which are meant to be used for more than one year. Flowing from this, it then follows that revenue expenditure refers to resources expended in the procurement of assets which are meant to be used within one year. Examples include stationery, fuel, insurance, electricity, etc. In distinguishing revenue from capital expenditure, Anyanwu (1997) cites the Chartered Institute of Public Finance and Accountancy's Publication, Local Authority ; Accounting Principles (1985) which proposes a rule for the identification of capital expenditure as follows. "Any outlay which is of value to the authority in the provision of services beyond the end of the year of account should be recorded as capital assets, provided there is no legal constraint." A major noticeable flaw in the above rule, is the tendency to classify prepayments, for instance as a capital asset for the mere reason that its usefulness extends beyond the year of account. Similarly, stationeries in stock may also be classified as Capital for the mere reason that they could not be exhausted in the accounting year under consideration. Capital expenditure creates assets whose useful lives exceed one operating year. Johnson (1999) however, notes that in practice, only assets with at least five years working life span qualify to be classified as capital expenditure, and are hence recorded in the permanent capital expenditure register in the local governments.

Revised financial conventions document spells out two types of capital expenditure; expenditure on Construction and Extension of projects, acquisition of land and buildings and purchase of plant and equipment, and which produces assets estimate to have a useful working life of five years or more; expenditure which though not directly increasing the capital assets of a local government, increase the social and economic potential of the local community, these include roads, hospitals etc. These two types of capital expenditure correspond to the categories of operating and social assets (Johnson, 1999). Operating assets are held for the purpose of running the local government. Social assets on the other hand, consist of assets that are intended for use by the generality of people and organizations, including the providing government. They are public capital goods and may also be labeled as community assets.

Measurement of Local Government Performance

Frequently, the bottom-line for the measurement of performance in the private sector, over a given period of time is the profit figure. However, such indicators of performance are not available in the public sector, as it does not undertake profit-directed activities. More so, government activities are undertaken to impact on the lives of the people, and are organized by means of formulating programs and policies. The measurement of the performance of government centre on program or policy impacts and their related costs. A major problem however, stems from the determination of programs impact (Johnson, 1999). In spite of the difficulties associated with performance measurement in the public sector, the gains of the performance measurement cannot be compromised (Johnson, 1999; Mueller, 2008; Lekarchman, 2007 and Asuquo, 2013).

Regulatory Structure for the Management and Control of Financial Resources in Local Governments

It has been earlier argued that local governments require adequate funds in order to accomplish their enormous grass root development objectively. However, the generation of adequate funds is not an end in itself, but the proper management of the funds to achieve objectives. Daniel (1999) amplifies this view in the following words "the success or failure and the effectiveness or ineffectiveness of local government depends on the financial resources available to the local authorities and the way the resources are utilized." Hence, the performance of local government is a function of resources available and the manner in which the resources are utilized. This brings to limelight, the relevance of prudent financial management to the success of the local government.

Financial Duties and Responsibilities in Local Governments

The responsibility for management of local government finances lies collectively with all members of staff, the elected representatives and their appointees, according to the model financial conventions (1991). The Local Government Council, the Chairman, the Executive Committee, and all members of the local government staff from the highest to the lowest, are involved in financial affairs and should, in particular, be concerned with ensuring that within their field of operations and responsibility, proper value is obtained for money spent.

Section 1(1) of the revised financial conventions provides that it is the responsibility of the Council to approved, debate and when necessary, amend local government annual budget, subject to the Chairman's veto, which could be overridden by a two-third majority of the Council. It also monitor's the execution of projects and programs in the local government annual budgets and ensures that there is compliance with provisions of the financial conventions documents. The Council is also required to consider report received from the Auditor-General and take necessary action. The Chairman of Local Government is the Accounting Officer and Chief Executive.

Section 1(10) of the model financial conventions provides the following financial functions of the Local Government Chairman: Presides over the meeting of the Executive Committee to the

Council; ensures strict compliance with the provisions of the financial conventions documents throughout the local government organization; observing fully, and complying with checks and balances as stated in the guidelines and financial conventions governing receipts and disbursements of public funds and other assets entrusted to his care and shall be held responsible for any breach thereof. Other financial responsibilities include; ensuring prompt answer to Audit queries addressed to him within the stipulated time limit; exercising sole responsibility for the organization of the financial or accounting function with the Treasurer performing day-to-day operations of the function in consultation with the Secretary; establishing and maintaining an Internal Audit and to provide a complete and continuous audit of accounts and records of revenue; expenditure, plant and allocated and unallocated stores; ensuring that the recommendations of the Internal Auditor are promptly considered and appropriate action taken thereon; and ensuring proper and prompt execution of any directive issued by the Local Government Council or the State Government with regards to any aspect of financial management of the local government or any decision of the Auditor-General pertaining to matters of allowance and disallowance and surcharge.

The financial responsibilities of the Executive Committee are spelt out in Section (4) of the model financial conventions documents. Broadly, it is the responsibility of the Executive Committee to manage and control the finances of the Local Government. The Executive Committee is expected to recommend the policy to be followed in the framing of estimates by the Committee and departments, and to receive estimate proposals of all departments submitted to it by the Treasurer. The Committee is also to examine proposals and make recommendations to the Local Government Council on: The amendment of revenue earning bye-laws or rules providing for the raising of revenue; the level of local tax or rate to be levied; the raising of a loan; the manner in which investment should be made, and such others. Other financial responsibilities include: Ensuring that all revenues are promptly collected and brought to the Accounts Unit, and all that is expenditure is properly approved to achieve the intended objectives; considering and awarding contracts according to relevant standing orders; and ensuring that Officers found to be negligent are disciplined.

The Financial Department is under Section 1(8) of the financial conventions documents responsible for: Care and custody of local government funds; ensuring that all revenues due to the local government is collected promptly and properly and promptly paid into Local Government Financial transactions; maintaining an up-to-date prescribed accounts and records of Local Government financial transactions; making all payments and ensuring that such payment estimates and development plans in accordance with the form and manner prescribed; preparing all financial returns as and when they are required so as to ensure that they are due; taking immediate action with regards to queries arising from Inspections or audits and keeping records of such queries and the disposal action(s) and, taking immediate action with regards to all correspondence pertaining to financial affairs of the local government. The financial duties of this Officer are laid down in Section 1(12) of the financial conventions documents. His duties include; the signing, in conjunction with the local government Treasurer, of all cheques, Local Purchase Order (LPOs), Job Order Forms, or such other documents relating to contracts, supplies etc. after the necessary approval would have been given by the appropriate approving authority.

Section 1(19) spells out the following financial responsibilities of a Head of Department as: Ensuring satisfactory overall control of the finances of the department; making sure that there is strict compliance with the provisions of the financial conventions documents throughout the organization; ensuring that there is accurate record and adequate safe guarding of all the local government physical assets in use in the Department; making prompt response or reply to queries from the Auditor-General or Internal Auditor concerning financial transactions or accounting or financial system in the department; promptly providing all departmental financial information requested by the Chairman, the Secretary or Treasurer. Sections 1(21) of the financial conventions documents assigns Revenue Officers the responsibility to collect, account and render returns of all revenue collected to the Local Government Treasurer in accordance with the financial conventions.

Revenue Collectors: Section 1(27) deals with the financial responsibilities of Revenue Collectors, set out as follows: To keep such books of accounts and other records prescribed by the financial conventions document and the Treasurer as are needed to ensure that all revenues and other monies due to the local government and which he is responsible are collected in full; to collect promptly all sums due to the local governments; to issue immediately on payment, receipts or licenses in the prescribed form for payments made to him; to report to his immediate superior, any instances of default in payment of any sums due to the local government; and to keep all his revenue-earning books under lock and key when not in use.

Financial Management and Control Instrument in the Local Government

The main financial management activities have been established to be the planning and controlling of organizational finances towards the attainment of stated objectives (Pandey, 2005). In line with this, Anyanwu (1997) points out two main instruments of financial management in the local government as (1) Budgeting; and (2) Auditing. Budgeting: This is achieved in the local government by means of annual estimates which are attainable. The model financial conventions document (1991) provides that every department shall in each year; prepare a detailed estimate of its revenue and expenditure for the next ensuing financial year, in accordance with the Executive Committee. The estimate should be submitted to the Executive Committee which shall ensure that it is consistent with the budgetary measures adopted by the local government and the state for the succeeding financial year. Local Government estimates are usually prepared on a planned programming budgeting basis with homogenous activities grouped together into programs. From the standing point of Section 2 of the model financial conventions document (1991), the objectives of the local government estimates or budget are as follows: To provide financial plan or action; to provide legal authority for incurring expenditure; to provide mechanism for ensuring that adequate controls are maintained over expenditure and revenue, and to establish the financial position of the local government and a basis for measuring performance against plans. In synopsis, they limit the resources to be used by the department and establish standards against which actual performance can be compared (Awoyemi, 1989).

Budgetary control can be said to be the process of comparing results with budgeted or planned results and reporting on the variations. Budgetary control is concerned with the establishment of responsibilities with set targets to achieve and at the end of the day comparing the actual achievement with set target with the aim of putting in place corrective measures that will ensure the actual result achieved are in conformity with the planned or budgeted results (Lekarchman, 2007 and Mueller, 2008).

Auditing**:** To ascertain the extent of accountability and transparency of the financial operations of the local government, it is necessary to employ the auditing function. "Auditing is an activity involving the gathering and evaluation of evidence relating to the validity of statement of performance conduct made by the agent in respect of their stewardship to their absentee principal (Johnson, 1999). In the same way, Akpakpan (2002) defines auditing as "the independent examination of the financial statement of an organization with a view to expressing an opinion as to whether these statements give a true and fair view and comply with the relevant statutes." Such opinion is expressed by means of a report (Udoayang, 2001). In government circles, auditing is usually done on an annual basis. However, special circumstances may demand for an ad hoc or special audit (Awoyemi, 1989). Auditing in the local government is governed by three main bodes of law; the Constitution of the Federal Republic of Nigeria 1999, the model financial conventions document for Local Governments and the Audit Ordinance 195 Auditor-General of local governments. Section 126 of the 1999 Constitution of the Federal Republic of Nigeria, provides for the appointment of the Auditor-General. Similarly, Section 39(1) of the revised model financial conventions document provides for the establishment of the Office of the Auditor-General for Local Governments by the State Governor. Under this section, the Auditor-General has the following responsibilities: To carry out, on a regular basis, the auditing of local government accounts; to sanction and surcharge an Officer as in financial conventions document 39.3: To be Chairman of the Local Government Audit Alarm Committee; to have access to the State Governor through the Governor's representative on the Audit Alarm Committee; notify the Public Account Committee and the Local Government Council of audit alarms of the significance and seriousness of the prepayment audit queries for which the Accounting Officer of the local government is liable; to inform both the Public Account committee, the Local Government Council, and the Governor in writing where a local government Accounting Officer does not respond within a stipulated time to a query that affect his office; and to have access to sites for purposes of auditing or monitoring contract performance.

Audit Alarm Committe**e:** This Committee is also one of the bodies rested with the responsibility to checkmate the management of finances by the Local Government. According to Adams (2002) the following are the functions of the Audit Alarm Committee: To sit and deliberate on any audit alarm brought before their notice; to ensure that fraudulent or irregular payments are not made, especially, where they have been put upon enquiry; impose sanctions on any erring officers in accordance with the guidelines; to notify the Public Account Committee of Alarm significant importance and serious payment audit queries for which the Accounting Officer of the Local Government is responsible; to have access to the Governor through Governor's representative on the Audit Alarm Committee. Section 39(2) of the model financial conventions document provides for the composition of Audit Alarm Committee as follows: Auditor-General of Local Government; Director of Local Government Inspectorate, representing Governor's Office; and Representative of the State Accountant-General Office. The following Officers are required to alert the Committee, and shall be liable upon default, before illegal or irregular payments are made; The Secretary to the Local Government; The Treasurer to the Local Government; and Head of Internal Audit Department.

Internal audit: Section 40(1) of the model financial conventions document (1991) provides for the establishment of the Internal Audit Unit in each Local Government which shall be headed by an Internal Auditor and charged with the responsibility of providing a complete and continuous audit of the accounts and records of revenue plant, allocated and unallocated stores, where applicable. The duties of the Internal Auditor as contained in Section 40(2) of the financial conventions document (1991) include: To carry out an independent appraisal of accounting; financial and other processes of the Local Government; to submit both detailed audit programs as well as monthly to the Accounting Officer and the Auditor-General , concerning any irregularity or apparent departure from earlier internal audit reports or communication; to issue special reports to the Auditor-General concerning any irregularity; and to facilitate the work of the Audit Alarm Committee. The Internal Auditor is also expected to report to the Chairman, at least four times a year, his findings with regards to the following: Collection of revenue, Recurrent and capital expenditure, the protection of physical and other assets of the Local Government, the efficiency and effectiveness of systems, controls and procedures, the use of the resources of the Local Government in achieving its objectives, any cases of fraud, misappropriation, irregular expenditure, waste, extravagance, maladministration, etc (Section 40(6)).

The Public Accounts Committee: This is the final step in the long series of routine control over public finances. The Public Account Committee is usually a committee of the relative legislative body (Johnson, 1999). In Cross River State, Accounting Officers of Local Governments are responsible to account for the monies voted to their local governments, to the Public Accounts Committee of the State House of Assembly. Johnson (1999) points out three main roles of the Public Accounts Committee as follows: To provide a forum in which Accounting Officers are called upon to explain in public, matters on which their departments had been queried by the Auditor-General; to inform the House of Assembly and the general public of defects in financial administration; and the explanation of the Accounting Officers when confronted with them; and to serve as a vital link between the Auditor-General and the House of Assembly. This is an effective and well tried system of accountability. The Auditor-General works closely with the Public Accounts Committee, though without being subject to their directives and them, with him. The effect of the system is not in any way confined to the particular matters on which the Auditor-General reports. The probability that any serious failure of financial control or inefficiency in administration will lead to a report by the Auditor-General and to the Public Accounts Committee; investigation exercises a sharpening effect throughout local government hierarchies (Johnson, 1999). Under this present dispensation, the Public Accounts Committee of the State House of Assembly has summoned some past explanations on queries raised by the Auditor-General in the past years. No apparent results have arisen from this exercise as the explanations; perhaps, seem to have been "accepted."

Compliance Analysis of Budgetary Control towards Execution of Financial Conventions

To sustain these high priority services, management should address the control opportunities identified from procedures to further strengthen internal controls in the budget execution processes. Cost should be charged to the project for which they are incurred irrespective of the funding status. Cost exceeding budget should be; Suspended pending possible reclassification or left in suspense account. Personnel use financial reports based on data recorded in the financial management analysis based on a single measure of cost/schedule control information. Consequently, there are often multiple measures of "actual" cost at any point in time. Control is accomplished through budgeting approved funding system and maintaining compliance level.

The Test of Compliance and Financial Conventions Document

The management statement consists of this covering document; the financial conventions set out in greater detail certain aspects of the financial provisions. The Auditor needs a clear understanding of the compliance requirement and a program of test should be formulated and agreed on with the audit; audit include evaluating and testing the controls in place for the objectives set out in the organization for assessing the effectiveness of compliance controls and testing compliance. Financial conventions document sets out the financial controls which are used in managing and controlling financial resources in local government.

Research Design

The study adopted survey research designs. A sample of four (4) Local Government Areas was chosen from the population of study which comprises of eighteen (18) Local Government Areas. The four (4) Local Government Areas were selected purposively as representative samples because the population was homogeneous (Ojigbo, 2003). A well developed and tested questionnaire using Likert scale was administered to each of the selected local government areas.

Test of Hypotheses

Hypothesis 1

H_0: There is no significant relationship between financial conventions and revenue utilization in local government areas.

$H_{1:}$ There is a significant relationship between financial conventions and revenue utilization in local government areas.

Presentation of variables: Financial conventions (x) and Revenue Utilization (y) used for testing the above hypothesis.

Table 1

COMPUTATION OF CORRELATION COEFFICIENT FINANCIAL CONVENTIONS AND REVENUE UTILIZATION

X	Y	X^2	Y^2	XY
37	37	1369	1369	1369
25	35	625	1225	875
28	20	784	400	560
10	2	100	4	20
TOTAL =100	100	2878	2998	2824

Source: Researcher's computation, 2013.

Using the Karl Pearson's correlation coefficient (r_{xy}) given below:

$$r_{xy} = \text{n}\,\mathbf{Exy - ExEy \;/\; (nEx^2 - (Ex)^2)(nEy^2 - (Ey)^2\,)^{1/2}}$$

$$\mathbf{((4(2824) - (100)\,(100))\,/\,(4(2878) - 100^2))^{1/2}}$$

$$= \mathbf{11296 - 10000 \,/\, ((1512)\,(1992) \qquad)^{1/2}}$$

$$= \mathbf{1296 \,/\, 1735.5 \;= 0.75}$$

Decision: The correlation coefficient of 0.75 indicates a strong positive linear relationship between variables X and Y. Hence, the high positive correlation coefficient obtained from the computation above shows that there is a significant relationship existing between financial conventions and revenue utilization in Cross River State- Nigeria.

Hypothesis 2

H_0: The voluntary compliance level of execution of financial conventions in local government areas has no significant influence on revenue utilization.

H_1: The voluntary compliance level of execution of financial conventions in local government areas has a significant influence on revenue utilization.
Comparing the value in table 2 of the appendix, that is, the computed t – value of 2.864 which is greater than the table value at degree of freedom n-2 which is equal to 1.64. This implies that since the computed value is greater than the table value, the null hypothesis is rejected and the alternative accepted, meaning that the voluntary compliance level of execution of financial conventions has a significant influence on revenue utilization in local government areas of Cross River State.

Hypothesis 3
H_0: The voluntary compliance level of execution of financial conventions has no significant influence on financial control efficacy in local government areas of Cross River State.
H_1: The voluntary compliance level of execution of financial conventions has a significant influence on financial control efficacy in local government areas of Cross River State.
Referring to table 3 in the Appendix, the computed t value is 2.152 while the table value at degree of freedom n-2 is 1.64. This implies that since the computed value is greater than the table value, the null hypothesis is rejected and the alternative accepted, implying that the voluntary compliance level of execution of financial conventions has a significant influence on financial control efficacy in local government areas of Cross River State.

DISCUSSIONS

Based on the analysis and empirical results, the study revealed that voluntary compliance level of execution of financial conventions has a significant influence (which may be positively or negatively) on financial control efficacy (FCE) and Revenue Utilization (RU). This means that an increase in the independent variable may bring about a decrease/increase in the dependent variable. This also implies that these variables should not be ignored when making decision on any financial matter.

CONCLUSION AND RECOMMENDATIONS

This study was undertaken to assess accounting for influence of execution of financial conventions on revenue utilization in local government areas: Nigeria' experience of level of voluntary compliance. A well-developed survey instrument was administered to qualified staff of the selected local government areas in order to obtain relevant data for the study.

The study concluded based on findings that if there is proper compliance to the higher level of execution of financial conventions, there will be effective and efficient financial management and control, as well as proper revenue utilization in the local government areas in Cross River State- Nigeria and this would consequently lead to the achievement of set goals and objectives of formulating and executing financial conventions. Therefore, the relevant authorities should make concrete effort to ensure that staff adheres strictly to financial conventions while handling financial and economic matters.

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APPENDIXES

TABLE 2

Regression results on determination of the influence of execution of financial conventions on revenue utilization.

DEPENDENT VARIABLE: REVENUE UTILIZATION (RU)

VARIABLES	ESTIMATED COEFFICIENT	STANDARD ERROR	T – STATISTICS	P – VALUE
Constant	21.568	2.499	10.537	.000
RU	.083	.034	2.864	.000

R = 0.875
R – Square = 0.798
Adjusted R-Square = 0.740
SEE = 4.817
F – Statistic = 20.528
Durbin Watson Statistic = 2.633

Source: Researcher's Estimation 2013.

TABLE 3

Regression results on determination of the influence of execution of financial conventions and financial control efficacy.

.**DEPENDENT VARIABLE: FINANCIAL CONTROL EFFICACY (FCE)**

VARIABLES	ESTIMATED COEFFICIENT	STANDARD ERROR	T – STATISTICS	P – VALUE
Constant	21.568	2.499	10.537	.000
FCE	0.089	0 .046	2.152	.000

R = 0.875
R – Square = 0.798
Adjusted R-Square = 0.740
SEE = 4.817
F – Statistic = 21.128
Durbin Watson Statistic = 2.633

Source: Researcher's Estimation 2013.