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MANAGING OF FINANCIAL RESOURCES FOR THE DEVELOPMENT OF LOCAL GOVERNMENT: THE CASE OF AMANSIE WEST DISTRICT ASSEMBLY

BY

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CERTIFICATION

I hereby declare that this submission is my own work towards the MBA and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgment has been made in the text.

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ABTRACT

The role of sound financial management practices in the development process of local government has been a subject of many writers. This among others is due to the fact that no meaningful development can take place if financial resources are not managed well. Beside, local government authorities have to justify their financial empowerment and use it as a tool to achieve their goals and objectives. The study delved into how Amansie West District Assembly manages its financial resources to promote development. The study revealed that the district assembly recorded a consistent increase in revenue generation in real terms for the period under review. However, an analysis of the individual revenue items indicated that of the eleven major revenue items, only three contributed 82% to total local revenue. This implies that in a period where the three revenue items perform badly, the assembly's revenue base will reduce drastically and it will affect the smooth implementation of development projects and programme. It was recommended that the assembly should designed effective strategies to ensure that the other eight revenue sources also perform better and also identity new sources of revenue if it is to be efficient. An analysis of the revenue –expenditure relationship revealed that the assembly recorded a deficit in the study period. It was observed that the district performed better in the areas of capital expenditure. It continually allocated enough funds for the purpose of development. Financial management practices are largely adhered to. The issue of embezzlement and financial mismanagement centres more on revenue collectors. Generally, the level of development of the district is reflected in its programmes and budget estimates.

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CHAPTER ONE

GENERAL INTRODUCTION

1.0 Background

The basic problem of economics is scarcity. Human wants are insatiable but the means or the resources to satisfy these wants are inadequate. There is therefore the need to manage the limited resources to maximize benefit in society. It is through proper management of resources that the total development of a nation could be achieved.

Sound financial management is one of the important strategies used by various governments at all levels including local government to promote development. The need to adopt sound financial management in public administration especially the developing countries has therefore been emphasized by government and donor agencies such as World Bank and International Monetary Fund (IMF). Currently, it is being used by the donors as precondition for debt relief and other financial assistance to developing countries. For example in 2005 nineteen (19) countries including Ghana had their debts written off due to sound financial management and good governance. (President Kufuor, 2005) in his address indicated that the writing-off of about four billion dollars of Ghana's external debts was as a result of the prudent management adopted by the government.

Financial management is therefore considered as a very important aspect of public administration of every nation because it is one of the elements that make government effective. It involves financial forecasting, financial planning and budgeting, financial reporting, auditing among others. Its application has therefore been emphasized in all levels of government including local government.

According to (Ahwoi, 1992) the broad objective of local government is to complement central government effort to achieve common national objective of development and nation building. In Ghana the District Assemblies by their mode of creation and responsibilities have a governance role, a service delivery role, planning and community development role and above all a regulatory role. To perform the above functions effectively, the central government transfers financial resources known as District Assemblies' Common Fund to all District Assemblies. Apart from this, the District Assemblies are empowered to levy rates/fees for the overall development of the districts.

It is against this background that sound financial management is very essential at District Assemblies. To ensure effective management of the District Assemblies, the government came out with legal and financial provisions such as the 1992 Constitution, Local Government Act of 1993, Act 462, Financial Administration Act of 2003, Act 654 and Public procurement Act of 2003, Act 663 to control their activities.

Despite the above legal provisions, the local governments are faced with a lot of problems which make them ineffective. The history of Ghana and other developing countries such as Nigeria is replete with inadequate funding, lack of political will as well as inadequate and unqualified staff. From time to time the mass media report various incidence of misappropriation of funds, embezzlement, improper accounting practices, lack of transparency in transaction between local government officials and individuals.

To help address the above problems the government should be committed to its slogan of zero tolerance for corruption. The service conditions of the personnel at the local government should be improved so as to attract qualified staff.

It should be noted that if the goals of Ghana Poverty Reduction Strategy are to be achieved, the role of local government must be strengthened considerable through financial administration. The positive effect of socio-economic development will trickle down to other sectors of the economy. This will no doubt accelerate Ghana's slow but bold attempt towards her middle income sooner than later.

1.1 Problem Statement

A lot of financial resources are channeled into District Assemblies for development but the way in which these resources are utilized leaves much to be desired. There are lots of public outcries about the management of financial resources at the District Assemblies. From time to time the mass media report various incidence of misappropriation of funds, improper accounting practices, lack of transparency in transaction between local government officials and individuals.

The problem then is that District Assemblies have the major task of managing their financial resources for the total development of the Districts. This study is therefore conducted to find out how Amansie West District Assembly manages its financial resources to promote development.

1.2 Objective of the Study

This study aims at investigating if the financial management system of Amansie West District Assembly has impacted positively on the socio economic development of the district. The following objectives will be pursued to achieve such aim.

(i) To determine how the Amansie West District Assembly manages its financial resources through planning/budgeting, organizing, directing and controlling to promote development in the district.

(ii) To assess if the financial management of the Amansie West District Assembly has improved with the introduction of the District Assemblies' Common Fund.

(iii) To examine the revenue performance of the assembly in real terms.

(iv) To recommend solution to improve upon financial management system of Amansie West District Assembly.

1.3 Hypothesis

Prior to the study certain claims have been made by the District Assembly and the study will use facts and data available to accept the following hypothesis:

1. That the assembly follows the guideline procedures of planning and budgeting.
2. That the assembly follows accounting procedures and practices,
3. That the inception of the District Assemblies' Common Fund has reduced local resources mobilization.

1.4 Significance of the Study

The study would be significant because

1) The policy makers in the past have overlooked the need for a sound human resource base for the development of local government in Ghana. A lot of financial and legal provisions have been instituted to ensure efficient management of financial resources of the district assemblies but due to poor manpower planning and other problems, they have been inefficient in their operations. Therefore the study could be useful to policy makers and management of the district assemblies since one of its objective is to examine how the assembly manages its financial resources through organizing, controlling among others. Through this adequate manpower planning policy could be put in place to attract and retain qualified staff at the district assemblies.

2) Since the studies would also unveil some of the problems associated with revenue collection of Amansie West District Assembly and recommend ways of solving some of the problems identified, it would serve as a guide to management for future policies and programmes.

3) It would also be filling a research gap since the available literatures are based on nominal values. The study concludes on real income analysis rather than nominal and this obviously fills a research gap. Economic decisions should be based on real performance.

1.5 Scope of the Study

The study which is intended to look at the management of financial resources of the Amansie West District Assembly for the development of the district covers the following area: Financial analysis, Planning/Budgeting, Accounting, Evaluation of performance as well as controlling of the financial transactions of the Assembly. The study chose the period between 1991 and 2005 (15 years). The researcher was of the view that the fifteen (15) years period is long enough to enable proper understanding of changes in the trends of financial management practices and their impact on development. This period is justifiable because it helped us to find out how the assembly's internal revenue mobilization efforts and management have been affected since the inception of the District Assemblies' Common Fund and other financial provisions. Here the performance of the Assembly before and after the introduction of the Common Fund were compared.

1.6 Organization of the Study

The thesis has been organized into five chapters. Chapter one deals with general introduction of the study, statement of problem, objective of the study, hypothesis, significance of the study, scope of the study. Chapter two looks at literature review and conceptual framework. Evolution/History of local government finance in Ghana is reviewed. Local government financing in some of the developed and developing countries such as France, Britain, America, Nigeria and Ghana is also reviewed. Chapter three also deals with the methodology of the study and study area profile. Chapter four discusses the analysis and presentation of data. Finally, chapter five provides summary, recommendation and conclusion arising from the data analysis.

1.7 Limitations of the study

In carrying such research, the researcher encountered some problems. The first problem was inadequate financial resources coupled with limited time. Again due to ignorance and suspicions, it has not been easy for most of the Assembly members interviewed to corporate willingly. Even though these problems posed a great challenge, they did not prevent getting access to the necessary information to meet the set objectives of the study.

CHAPTER TWO

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.0 Introduction

Local government administration is a system of government that is practiced by most developed and developing countries such as United State of America, France, Britain, Nigeria, and Ghana among others. A lot of work has therefore been done on local government financing. It is common practice that research of this nature review existing literature in order to direct the focus of the discussion properly. In this chapter an attempt is made at reviewing existing literature on evolution /historical background of local government finance in Ghana and local government finance in general starting from a broader perspective through Africa setting and narrowing it down to Ghana for meaningful comparism. The principles of taxation is also reviewed.

2.1 Evolution/Historical Background of Local Government Finance in Ghana

Local government in Ghana can be traced to the era when traditional chief then held military and social powers to administer local affairs (Nsarkoh, 1994). When the British came to Gold Coast, they ruled through the Chiefs and the main purpose of the colonial rule was to create enabling atmosphere for the exploitation of the people and the resources. Nsarkoh, indicated that the major problems of the local government were lack of qualified Personnel and inadequate financial resources.

Between 1957 and 1966 local government administration was associated with problems such as financial irregularities, nepotism, incompetence and waste. When the National

Liberation Council (NLC) took power it combined the existing one hundred and Sixty one (161) administrative districts to forty-seven (47) and appointed Management Committee for effective administration but the situation did not improve.

(Ayee, 1997) indicated that in an attempt to ensure political control and efficiency in local government administration, Busia's regime also used its appointees at the regional and district levels to control the disbursement of funds.

During National Redemption Council's (NRC's) regime it attempted to eliminate all the administrative bottlenecks and financial malpractices in the local government through quarterly auditing of accounts and the employment of qualified treasury officers for the local government units (Ayee, 1994). Within this period, revenue collection became efficient.

When the SMC II took over power, it attempted to introduce modern management concepts into local administration but it was toppled before it could implement its policies.

In 1979 when the People's National Party (PNP) came to power it attempted to reduce the financial burden on local authorities through grant in-aid but due to the high rate of inflation at the time the situation rather deteriorated. The Provisional National Defense Council (PNDC) government took over power in 1981 and between 1981 and 1988 gave impetus to the local government through the slogan "power to the people ". It was however not until 1988 with the passage of PNDC Law 207 that new local government system known as the District Assembly concept came into being. The number of units was increased from sixty-five (65) to one hundred and ten (110). The problem of corruption and embezzlement also reduced the financial base of the District Assemblies (Ayee, 1994). To solve the problem of inadequate and lack of qualified staff, Planning and Budget Officers were posted from Accra to the respective District Assemblies. In the PNDC's regime a lot of reform programmes were introduced in the public administration and the most significant was the Public Financial Management Reform Programme (PURMARP) to improve on the financial management practices.

Since the New Patriotic Party assumed Power it has also instituted a number of financial provisions to improve upon the financial management of local authorities as well as other sectors of the economy. The financial provisions include Financial Administration Act of 2003, Act 663 and Audit Service Act. To further deepen decentralization, the government increased the District Assemblies from 110 to 138 in 2004. However, without sound financial management, the district assemblies cannot perform their roles efficiently.

2.2 Local Government Financing

In introduction to French local government (Chapman, 1953) discussed how financial resources were managed by the local authorities for development. According to him the two main tools used to control the operations of the local government was through the budgetary approval and auditing of accounts. After the budget has been approved by the local authorities, it is submitted to the Minister in charge of local government for final approval. Also if there is any evidence of fraud or financial malfeasance after annual auditing of accounts of the local government, appropriate action is taken against the offender.

(Eddison, 1975) in his studies, stressed that effective management of resources have impact both on the internal and external environment. The recognition of interrelationship between services and the monitoring of the effects of previous policies are beneficial in order to improve future policies and strategies. There is therefore the need for effective collaboration between sub-committees and departments of local authority for the enhancement of development. However, the combination of good systems in an organization cannot be meaningful enough if the human relation element is ignored. He called for dialogue between superior and subordinate staff to reduce the level of mismanagement of resources. Most of all that Eddison said is applicable in African countries including Ghana. However, most of his cases are British ones. Moreover, he did not focus on how exactly funds are managed to promote development in his studies.

(Jackson, 1958) in his studies stated categorically that "without financial independence a local authority must lead a very subdued life" He was of the view that since funds derive from taxes levied on citizens and residents within the territories of a local authority, officials must spend them in a manner governed by rules and regulation. He indicated that in England there were independent auditors and finance committee who discussed budget estimates of local authorities and there existed formal arrangement for contract.

In examining the performance of local authorities in United Kingdom, (Marshall 1974) asked them to undertake cost – benefit analysis to arrive at any decision. He emphasized that to arrive at a decision about whether to undertake an investment, to take a loan involves important tasks such as investment appraisals, loan appraisal which requires specialized professional skills and judgments, In order to ensure sound financial management, he called for central committee to regulate and control finances through good planning, accounting and budgetary systems. He emphasized on the need for qualified Finance Officers who will appraise the financial and economic consequences of how funds are spent and mobilized. Even though Marshall discussed financial management exclusively in the context of local government in Britain which has different environment it may serve as a guide to the analysis of how financial management operates in developing countries, including Ghana.

(Synder, 1974) revealed that in America local government was mainly financed through property taxation and state aid. In America local authorities also have the mandate to take loans to finance their activities. This is so in Ghana, however there is a limit with which District Assemblies can go. In Ghana if the loan is twenty million cedis (¢20m) that particular assembly can do so without any approval from the Ministry of Local Government. When the amount is more than twenty million cedis (¢20m) approval should be sought from the Minister of Local Government and Rural Development. In discussing budget practices and fiscal administration of local government in rural

America, Synder emphasized the need for careful advance planning, accurate accounting and competent auditing. Synder said that qualified private accountants could be hired for auditing the accounts of local authorities at regular interval.

In rural America, Synder observed that some local authorities did not have adequate budget, accounting and purchasing system. Even though this situation has improved considerably much more remains to be done. Synder's discussion has been helpful in drawing out some of the problems that local authorities face in development countries in the management of financial resources. However, the basic federalist structure of government in America creates a different environment for local government.

(Alderfer, 1964) in his studies on local government finance in development countries observed the following:

(i) Greater share of local revenue comes from the central government transfer and loans.

(ii) Lack of a strong local tax and revenue collecting system.

(iii) The broad scope of national control over each phase of local finance including budgeting, spending, auditing, purchasing, allocation of grants and tax collection.

In the developing countries, most local authorities depend largely on the central government. (Bawa and Diaw 2002) revealed that in Ghana the District Assemblies' Common Fund is the most reliable source of revenue, for it accounts for 80% of the total revenue of the assemblies.

To support the above assertion (Johnfia 2002) indicated that with the inception of the Common Fund almost all District Assemblies have become over-dependence on their share to the detriment of Internally Generated Funds.

Since the bulk of local government resources come from the central government, one would have thought that local authorities would use available funds efficiently. But the way in which funds are used leaves much to be desired. Local authorities often invest in ventures, which they have not appraised. Again, they may not prioritize on projects that they undertake. Generally, local authorities appear to lack efficient method in the utilization of funds (Boachie-Danquah, 1991).

It should be noted that there are institutions, financial and legal provisions to control the activities of local government. In Ghana the financial and legal provisions include the following:

(i) Financial Administration Decree, 1979 SMCD 221

(ii) Financial Administration Regulation, FAR, 1979, L.I 1234

(iii) Financial Memorandum for Municipal and Urban Councils of 1961

(iv) Local Government, 1993, Act 462

(v) The 1992 Constitution

(vi) Public Procurement Act, 2003, Act 663

(vii) Financial Administration Act 2003, Act 654

(viii) Audit Service Act.

Apart from the legal and financial provision, there are internal mechanisms which also control the activities of local government and they include the Office of the District Chief Executive, District Co-ordinating Director, District Budget Officer, District Finance Officer, District Planning Officer and the Finance and Administration Sub Committee. Despite the above internal and external mechanisms problems such as embezzlement, corruption, and misapplication of funds, poor accounting records and over expenditure exist in District Assemblies. The question is how effective are these mechanisms ?

(Alderfer, 1994) tried to provide an answer to the above question. He was of the view that too often fiscal co-ordination at the national level as well as in national – local relations was a chimera found only in the provisions of laws and regulations. Actual practice runs counter to rules and regulations. He also noted that there is often a critical shortage of qualified administrators and technicians in the field, basically because urban areas offer better opportunities.

(Kessey and Diaw 2002) in their paper presented at the Workshop of District Budget Officers of District Assemblies in Ghana called for vigorous revenue mobilization drive if the assemblies are to perform better. They revealed that the effectiveness of revenue mobilization depends on factors such as fiscal policy, revenue administration, monitoring operations and performance assessment.

(Hicks, 1961) in her studies, identified so many problems which affect local revenue mobilization. She cited fraud and illiteracy in the management of tax records, poor tax records and inaccurate data on potential tax payers as some of the problems. Beside, nepotism also contributes to losses in tax revenue. She recommended that better morals should be cultivated and personnel should be trained to perform their functions effectively.

In a survey carried out by (Arkoh, 1994) in Six District Assemblies in the Central Region, it was revealed that there was general revenue inadequacy and in elasticity with respect to generation and mobilization of local revenue. There were wide gaps between approved revenue and actual revenue realized. However, since the inception of the District Assemblies' Common Fund, the issue of inadequate finance has been addressed to some extent. But the question is to what extent has this translated itself to the development of the District Assemblies. The general picture is dismal. Recurrent expenditure of most local authorities tends to outweigh by far their development budget (Aryee, 1995). (Ahwoi, 1990) expressed similar worries when he addressed the Adidome District Assembly which had spent twenty five million, four hundred thousand cedis (¢25.4m) on recurrent expenses as against twenty three million, five hundred thousand cedis (¢23.5m) it was able to mobilize as revenue.

(Boachie-Danquah, 1996) has also stressed the essence of financial autonomy for effective decentralization. He further indicated that beside the complacency of the District Assemblies in mobilizing and generating revenue since the inception of the Common Fund, the management of available funds leaves much to be desired. In enumerating the essentials of sound financial management, Boachie-Danquah called for high professional and technical standards in District Assemblies transactions, the highest level of honesty and accountability from officials and members of the District Assemblies, as well as rationality and efficiency in the use of financial resource.

(Asibuo, 1991 and Boachie-Danquah, 1996) came out with certain criteria, which might help improve on financial management of District Assemblies. They recommended to District Assemblies to invest their funds in areas that will bring maximum return, Furthermore there should be substantial or total transparency on the management of funds. (Asibuo 1998) again suggested that the District Chief Executives and Assembly Members should be trained to understand at least the basic languages and principles of finance, accounting and economics. The existing literatures have indicated that local government need to ensure sound financial management if they are to contribute to national development effectively. Even though this study has helped the researcher to direct the focus of the discussion properly, they did not concentrate on Ashanti Region especially the smaller districts. Moreover, none of the above surveys showed properly the relationship between financial management in terms of planning budgeting among others and development. Also the revenue performances of the assemblies were not appraised in real terms. This and many more are the issues which will be the focus of the study.

2.3 Principles of Taxation

This section highlights on the basic canons or principles of a good tax system. The extent to which such principles prevail with tax system of the district would be analyzed in chapter four. Principles of taxation are the basic essential characteristic of a good tax policy or system. (Adam Smith, 1950) enunciated the basic maxims or canons for any tax system. These maxims include the canons of equity, economy, convenience, certainty, efficiency and flexibility.

The principle of equity implies that a tax should be based on the taxpayer's ability to pay. This principle is sometimes used to justify progressive taxation, since the rich have a greater ability to pay than the poor. (Nketia 1998), in his studies on local government finance in Birim South District Assembly indicated that due to low economic activities in the area majority of the people could not afford to honour their tax obligations.

Another important principle Adam Smith, talked about is economy and it implies that the collection of tax should be easily and cheaply administered so that the yield is maximized relative to the cost of collection.

In terms of convenience, the taxpayer should not feel any great cost or inconveniences when complying with his or her tax obligation. Thus the cost of a taxpayer complying with his or her obligation should be equal to zero. Tax collection should coincide with income.

A good tax should also ensure certainty. The taxpayer should know what, where and how to pay, in such manner that evasion is difficult. (Nketia, 1998) reported that the high rate of tax evasion in Birim South District were due to uncertainty, ill-timing and other problems.

A good tax should also ensure efficiency. It means that a tax should achieve its intended aim without side effect. For instance if the raising of the top rate of income tax, in order to raise revenue, result in increased disincentive to work, then the tax system is inefficient. Since it usually impossible to avoid all the undesirable side effect of a tax, the system should attempt to minimize them.

A good tax should also be flexible. If the tax is used as a means of economic management then, in order to meet new circumstances, certain taxes may need to be easily altered. The existing literature did not focus on how the above principles are applied to the District Assembly tax system. The researcher will therefore look at how these principles are applied to the tax system of Amansie West District Assembly.

2.4 Conceptual Framework

Financial management is that part of total management, which is concerned with the effective and efficient raising, and use of funds. It involves planning/budgeting, accounting, controlling and evaluation of financial transactions of organizations. Sound financial management is very vital for the achievement of corporate objectives of any organization whether it is a profit-making venture or non-profit making venture including local government. The importance of financial management for the successful operation of local authorities has been emphasized in the literature review. Financial management is very important aspect of public administration because it is one of the elements that make government effective. Therefore, local government must also have a sound financial administration in order to effectively carry out its functions.

The existing literature indicated that as far as the management of financial resources is concerned there are problems such as corruption, over expenditure, embezzlement among others on the part of authorities and this retards development. The studies further revealed that the other major problems of local government are inadequate planning and budgeting, poor accounting records, lack of regular and effective auditing, inadequate purchasing procedures and lack of adequate qualified human resource. (Marshall 1974, Synder 1974) stressed that in order to ensure sound financial management there should be good planning, accounting and budgetary systems. The need to recruit qualified staff to manage the huge financial resources was also emphasized.

(Asibuo, 1991) stressed that the above and other problems leads to ineffective local government, a poor sense of responsibility, absence of initiative and frustration. The research problem established that a lot of financial resources are channeled into the District Assemblies for development but the way in which the resources are utilized leaves much to be desired. There are a lot of public outcries about the management of these financial resources.

In developing conceptual framework to reflect the dimension of the research problem, it is important to focus on the fact that sound financial management is one of the important components of effective management practices, which seek to enhance the socio-economic development of local authorities in Ghana including Amansie West District Assembly.

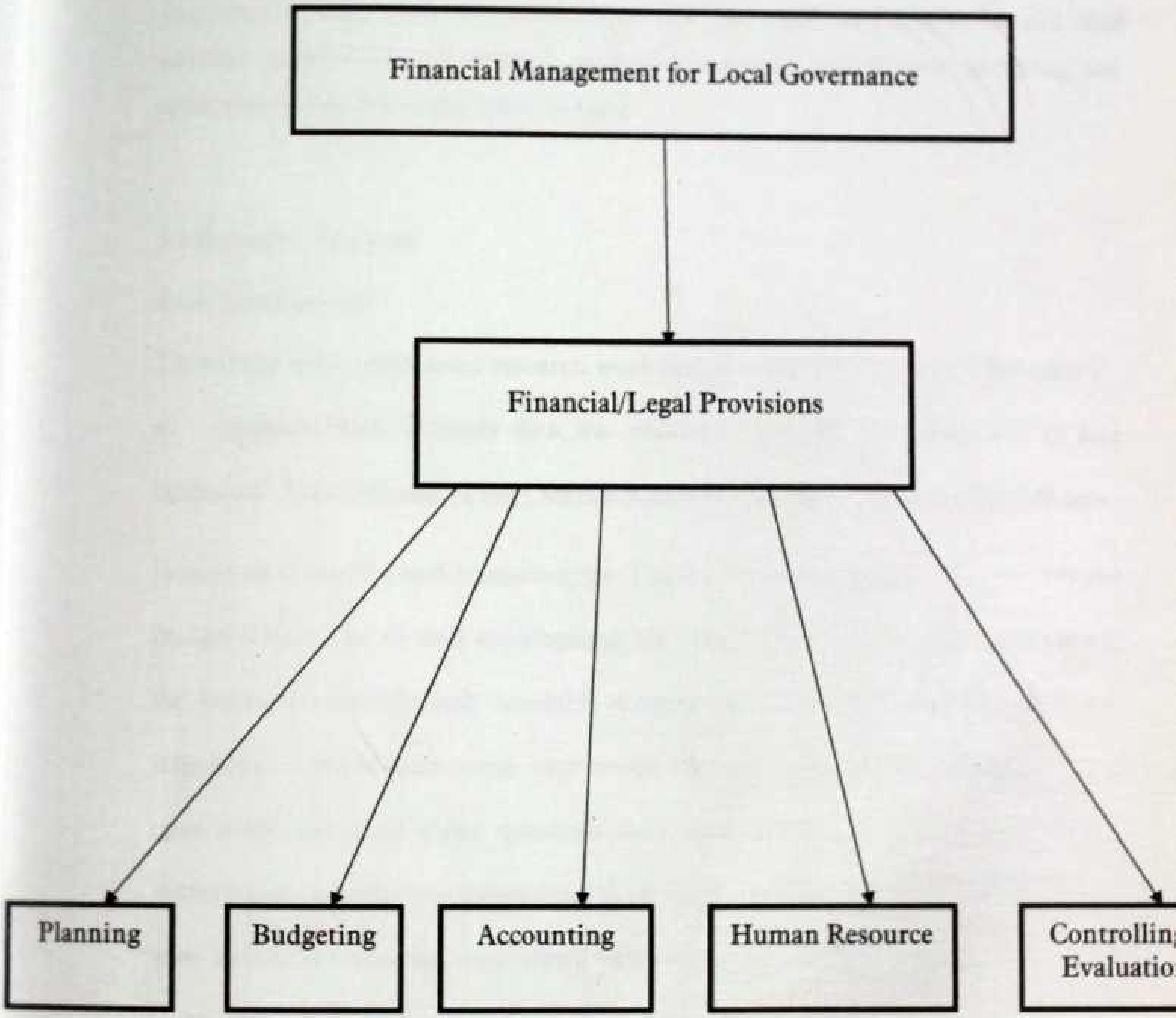
Even though the existing literature has helped the researcher to direct the focus of the discussion properly, they did not concentrate on Ashanti Region especially the smaller districts. Moreover, none of the above surveys showed properly the relationship between financial management in terms of planning, budgeting among others and development.

The studies did not assess the revenue performance of the local authorities in real terms. This study is therefore conducted to find out what pertains in Amansie West District Assembly in terms of planning, budgeting, accounting, auditing, evaluation and revenue mobilization.

The key dimension variables and factors that would be relevant to the research area are as follows:

1. Planning
2. Budgeting
3. Accounting/Auditing
4. Human Resources
5. Controlling/Evaluation

Figure 2.1 Flow Chart or Pictorial Chart of the Conceptual Framework



CHAPTER THREE
METHODOLOGY AND STUDY AREA PROFILE

3.0 Introduction

This chapter deals with the methodology and the study area profile. It will also establish various research methods employed including data sources, gathering and collection of data and analytical tools used.

3.1 Research Methods

3.1.1 Data Sources

This study is an exploratory research work and the essential sources of data are:

a) **Primary Data**: Primary data was obtained through the use of face to face interview. Here Officials of the District Assembly were interviewed. The Officials include the District Chief Executive, the District Co-ordinating Director, the District Budget Officer, the District Development Planning Officer, the District Engineer and the Revenue Superintendent. Assembly members of the District Assembly were also interviewed. Respondents were interviewed through structured questionnaire. Both open ended and close ended questions were used. With the close ended questions, answers were provided for respondents to choose from while the open ended questions were without answers and respondents were to provide their own answers (see details in Appendix A). The respondents were given the questionnaire to complete and return. The nature of the interview was purposely done to help the researcher to gather valid and reliable data, which were relevant to the research questions, problems and objectives.

b) Personal observation was also used to examine the current level of development of part of the district. The existing infrastructure facilities such as schools, markets, health facilities among others were looked at. In all about twelve communities were visited

c) **Secondary Data:** Secondary data was obtained from the Ministry of Local Government and Rural Development, Auditor Generals Department, Office of the Administrator of Common Fund, Institute of Local Government Studies and the Amansie West District Assembly. At the District Assembly the following documents were examined:

The Annual Budget, Trail Balances, Development Plan, Common Fund Budget, Audit Report among others.

The researcher also conducted interview, discussions and consultation with the official of the above mentioned institutions. Additionally, existing literatures were reviewed from articles, newspaper, workshop and seminar reports, and unpublished works and this helped the researcher to establish parameters of the study.

3.1.2 Population and Sampling

The respondents to the questionnaire and interview from the stakeholders described in the primary data were not many. The entire population was eighty-five (85) and all of them were interviewed. However, sixty-five (65) responded.

3.1.3 Data Gathering

In order to have on overview of the financial management practices of local authorities, data were gathered from the Ministry of Local Government and Rural Development, Office of the Administrator of Common Fund, Institute of Local Government Studies and Auditors General Department. All relevant data from the Amansie West District Assembly such as Annual Budget, Development Plan, Audit reports and Common Fund Budget were examined. There were two categories of respondents. They are the Officials/Staff and Assembly members of the District Assembly. The Officials were fifteen (15) while the Assembly members were seventy (70). The entire population was eighty-five (85) and all of them were interviewed.

3.1.4 Data Analysis

The study employed the use of tables, charts and other appropriate statistical techniques to analyze and present the data used in the study. To assess the revenue performance of the assembly in real terms, nominal values were deflated by the consumer price index using the following Fisher,s Equation:

Real Values= (Nominal+1)/ (inflation rate+1)-1

The study also used regression technique to determine the relative importance of each of the determinants to total revenue. All statistical computations including regression analysis are carried out using MINITAB Version 14 Statistical Computer Package. Descriptive statistics as well as deductive logical reasoning were used to analyze data which were obtained from the field survey. Observations from data were analyzed to make certain deductions.

3.2 The Study Area

The Amansie West District Assembly (AWDA) was created by legislative instrument (LI) 1403. It is composed of forty-eight (48) electoral areas with Manso-Nkawanta as the administrative capital. The District is located at the South-Western part of Ashanti region. It shares bounders with Amansie East (Bekwai) Atwima (Nkawie) and Bosomtwe-Atwima-Kwanwoma (Kuntenanse) Districts all in Ashanti region. It also shares boundaries with Upper Denkyira in the Central region and Bibiani-Anwhaso-Bekwai in the Western region of Ghana.

The Amansie West District has a total area of 1364 sq. km which represent about 5.4% of the total land area of Ashanti region. The 2000 population and housing census put the population of the district at 108,273. The district is predominantly rural and therefore agriculture (i.e. crop farming) forms the major livelihood of the people. Small-scale mining activities are also widespread in the district.

The major development problems facing the district include poverty, poor infrastructural facilities, environmental degradation, low school enrolment, high illiteracy rate, diseases, high population growth rate and high unemployment rate. (See Appendix B for map of the study area)

3.3 Financial Profile of Amansie West District Assembly

This section discusses the financial profile of Amansie West District Assembly in terms of sources of revenue, revenue performance in nominal terms, expenditure structure, and expenditure performance from 1991 to 2005. The sources of secondary data used are audited annual financial report and supplementary estimates.

3.3.1 Sources of Revenue

Broadly speaking, there are two (2) main sources of revenue for the District Assembly. They are (1) Internally Generated Fund or Traditional Sources (2) Central Government Transfers or Grants.

1 Internally Generated Fund or Traditional Source.

These are revenues that the assembly itself mobilizes locally and for which it has much influence. The assembly depends on about forty five (45) different revenue items for its total internally generated fund. However, these individual revenue items are grouped into seven (7) main categories. They are rates, lands revenue, fees and fines and licenses. The rest are rent, investment and miscellaneous revenue. Tables 3.1a, 3.1b and 3.1c below show the revenue statement/performance of the individual revenue items of the assembly in nominal terms from 1991 to 2005.

Table 3.1a Revenue performance of Amansie West District Assembly from 1991-1995 in nominal terms (in cedis)

Revenue Item	App. budget	Actual Revenue	App. budget	Actual Rev.	App. budget	Actual Rev.	App. budget	Actual. revenue	Actual Rev.	
	1991		1992		1993		1994		1995	
1. Rates										
a. Basic rates	4,000,000	1,392,300	4,000,000	1,563,517	2,000,000	940,017	4,500,000	500,000	2,500,000	1,138,200
b .Property rates	-	-	-	-	-	-	-	-	-	-
c. Other rates	3,719,400	476,200	1,070,000	541,150	1,024,000	1,522,298	2,004,000	486,800	5,200,000	867,270
Sub total	7,719,400	1,868,500	5,070,000	2,104,667	3,024,000	2,462,315	6,504,000	986,800	7,700,000	2,005,470
2. Lands										
a. Stool lands & timber	3,000,000	1,649,375	3,000,000	4,075,611	5,000,000	12,800,000	14,702,000	10,200,000	15,000,000	11,200,000
b.Mineral royalties	-	-	-	-	-	-	-	-	10,000,000	19,223,731
c.Plots/Permit	-	-	-	-	-	-	-	-	-	-
Sub total	3,000,000	1,649,375	3,000,000	4,075,611	5,000,000	12,800,000	14,702,000	10,200,000	25,000,000	30,423,731
3. Fees & Fines	1,320,000	330,270	1,262,000	597,850	855,000	891,250	3,112,010	683,150	2,890,000	1,299,400
4. Licence	7,961,000	2,055,550	2,429,000	2,148,600	5,413,010	3,736,320	5,368,000	2,883,265	11,450,000	3,654,875
5. Rent	102,500	60,000	102,500	7,000,000	48,000	6,000	60,000	1000	72,000	195,000
6. Invest.	-	-	760,000	856,800	1,510,000	726,800	1,650,000	-	-	-
7. Misce	500,000	122,958	255,010	344,863	300,000	1,344,928	12,706,000	21,730,655	-	-
Grand Total	**20,602,900**	**6,086,653**	**12,878,510**	**17,128,391**	**16,150,010**	**21,967,613**	**44,102,010**	**36,484,870**	**47,112,000**	**37,578,476**

Source: Audited Annual Accounts of Amansie West District Assembly (1991-1995)

Table 3.1b : Revenues Performance of Amansie West District Assembly from 1996-2002 in nominal terms (in cedis) Local or Traditional Source.

Revenue Item	App. budget	Actual revenue	App. budget	Actual revenue.	App. budget	Actual revenue.	App. budget.	Actual. revenue	App. budget.	Actual revenue
	1996		1997		1998		1999		2000	
1. <u>Rates</u>										
a. Basic rates	3,500,000	1,275,600	5,880,000	1,854,900	5,800,000	2,066,600	7,000,000	3,340,000	7,000,000	2,929,000
b.property	-	-	21,408,000	19,593,900	64,660,000	179,208,968	200,000,000	161,855,283	200,000,000	168,362,031
rates	6,250,000	2,567,008	7,512,000	4,200,000	8,710,000	3,340,100	6,500,000	5,511,250	10,300,000	6,876,200
c. Other rates	**9,750,000**	**3,842,608**	**34,800,000**	**25,648,800**	**79,170,000**	**184,615,668**	**213,500,000**	**170,706,533**	**217,300,000**	**178,167,231**
Sub total										
2. <u>Lands</u>										
a. Stool lands	16,000,000	17,900,000	35,034,130	26,000,000	28,000,000	76,600,000	90,000,000	40,500,000	100,000,000	5,500,000
& timber	30,000,000	33,194,303	34,600,000	21,606,463	38,000,000	271,547,593	300,000,000	40,500,000	400,000,000	386,000,000
b.Mineral	-	-	-	-	-	-	-	-	-	-
royalties	**46,000,000**	**51,094,303**	**69,634,130**	**47,606,463**	**66,000,000**	**348,147,593**	**390,000,000**	**40,500,000**	**500,000,000**	**391,500,000**
c. Plot/Permit	4,270,000	2,920,530	7,976,000	1,491,100	5,760,000	2,038,500	2,760,000	2,718,000	6,040,000	2,810,375
Sub total	11,294,000	10,393,790	19,710,000	13,114,000	20,246,000	10,276,400	23,440,000	14,826,200	27,270,000	17,263,000
3. Fees &	272,000	115,000	996,000	28,000	1,166,000	274,500	48,000	62,900	240,000	129,000
Fines	-	-	500,000	4,304,428	2,600,000	4,672,431	5,000	-	1,100,000	3,165,329
4. Licence	2,000,000	-	4,000,000	4,158,410	5,000,000	967,473	5,000	40,035,775	5,000,000	3,680,219
5. Rent										
6. Invest.										
7. Miscel.	**73,586,000**	**68,366,231**	**137,616,130**	**96,351,201**	**179,942,000**	**550,992,565**	**629,758,000**	**268,849,408**	**756,950,000**	**596,715,154**
G.Total										

Source: Audited Annual Accounts of Amansie West District Assembly (1996-2002)

Table 3.1c: Revenue Performance of Amansie West District Assembly from 2001-2005 in nominal terms (in cedis) Local or Traditional Source.

Revenue Item	App. budget	Actual Revenue	App.budget	Actual Rev.	App. bget	Actual. Rev.	App. budget.	Actual revenue	App. budget.	Actual revenue
	¢ 2001	¢	¢ 2002	¢	¢ 2003	¢	¢ 2004	¢	¢ 2005	¢
1. Rates										
a. Basic rate	7,000,000	3,355,000	7,500,000	6,066,000	9,000,000	6,789,200	10,000,000	3,827,000	12,000,000	4,056,000
b. Property Rates	240,000,000	216,727,936	250,000,000	196,110,198	230,000,000	189,527,340	189,527,340	189,527,340	189,527,340	50,000,000
c. Other rates	9,400,000	5,819,200	16,940,000	9,242,400	37,900,000	66,597,466	77,472,660	53,770,570	147,472,660	77,474,320
Sub total	**256,400,000**	**225,902,136**	**274,440,000**	**211,418,598**	**276,900,000**	**262,914,006**	**277,000,000**	**247,124,910**	**349,000,000**	**131,530,320**
2. Lands										
a. Stool Lands & Timber	100,000,000	239,200,000	240,000,000	175,190,000	200,000,000	535,000,000	720,000,000	478,000,000	690,000,000	123,000,000
b. Mineral Royalties	400,000,000	26,769,050	250,000,000	429,900,000	220,000,000	-	180,000,000	-	200,000,000	-
c. Plots/Permit	-	-	12,000,000	9,510,000	20,000,000	8,550,000	20,000,000	15,000,000	25,750,000	12,000,000
Sub total	**500,000,000**	**265,969,050**	**502,000,000**	**614,600,000**	**440,000,000**	**543,550,000**	**920,000,000**	**493,000,00**	**915,750,000**	**135,000,000**
3. Fees & Fines	5,320,000	5,136,400	7,000,000	10,181,200	20,650,000	9,217,500	24,360,000	27,475,000	32,600,000	16,698,000
4. Licences	28,942,000	28,522,000	39,618,000	34,515,800	51,809,000	41,785,500	72,524,000	37,922.000	97,380,000	52,640,000
5. Rent										
6. Invest.	20,240,000	180,000	15,000,000	821,000	3,360,000	175,000	5,720,000	-	5,920,000	1,520,000
7. Miscella-	4,100,000	243,581	1,250,000	69,989	336,000	980,883	1,300,000	19,367,754	21,500,000	36,055,355
Neous	5,000,000	7,350,042	8,000,000	71,024,498	14,000,000	34,287,400	20,000,000	39,366,750	40,000,000	79,127,512
G.Total	**820,002,000**	**533,303,209**	**847,308,000**	**942,631,085**	**807,055,000**	**892,910,289**	**1,320,904,000**	**864,256,414**	**1,462,150,000**	**452,571,187**

Source: Audited Annual Accounts of Amansie West District Assembly (2001-2005)

3.3.1.1 Rates

This category of revenue represents total yearly amount of revenue collected through the various rates charged or imposed on people of 18 years and above as well as property. It also includes charges on farm produce (except cocoa and coffee) which are exported from the district to another district. Basic rate and property rate are the major examples of the rate items. Other rate items include rate on produce.

a) Basic rate

According to (Agyeman and Kunfaa, 2002) basic rate is a kind of poll tax which is levied on every adult between 18 and 70 years old. From tables 3.1a, 3.1b and 3.1c it is observed that within the study period the assembly estimated to collect a total amount of ¢ 91,680,000. However, actual collection for the period was ¢41,093,334. It accounted for 0.76% and 0.13% to total local revenue and total district revenue respectively.

b) Property rates

They are rates levied on specific possessions of residents in the district. (Agyemang and Kunfaa, 2002) indicated that this source of revenue is the most important in urban areas. Even though property rate is very insignificant in most rural areas, it is one of the major sources of revenue for the district due to mining activities in the district. About 99% of the revenue is generated from the assessed properties of these mining companies. It contributed ¢1,370,912.00 (4.6%) to total local revenue in the study period and remains the third major revenue source for the district.

c) **Other rates**

They include rate on produce, unassessed property rate and property rate arrears. Within the study period, other rates contributed ¢239,292, 232 (14.2%) to rates in general and 4.4% to total local revenue.

3.3.1.2 Lands

These revenue sources are made up of revenue from stool lands and timber, mineral royalties and building plots/permit.

a) **Stool lands and Timber.**

In the study period it contributed ¢1,756,814,984.00 (59.8%) to lands revenue, 32.6% and 17.0% to total local revenue and total district revenue respectively. It is the second major revenue source for the assembly after central government transfers. In terms of local revenue it remains the major revenue source for the study period

b) **Mineral Royalties**

From the audited accounts of the district assembly, mineral royalties is the third major local revenue source of the assembly. In terms of total district revenue it is the fourth. Small scale mining started in the district in 1997 /1998 and has since contributed to the development of the district. It contributed ¢1,188,241,140 (39.7%) to lands revenue, 22.1% to total local revenue and 3.8% to total district revenue respectively

c) **Plots and Building Permits.**

This is one of the new sources of revenue of the assembly. This district is a rural one and sale of land for building projects was low until in 2002 when the assembly realized the possibility of getting much revenue from plots and building permits at its major towns such as Pakyi No.1 and 2, near Kumasi. In nominal terms contribution from plots and building permits amounted to ¢ 45,060,000 in the study period.

3.3.1.3 Fees and Fines

These constitute revenue collected as a result of providing certain goods and services or facilities. Examples are slaughter house, market dues, market stalls and trading kiosks. Fines are also imposed on tax defaulters as well as on those found to be not law "abiding." From the audited account in tables 3.1a, 3.1b and 3.1c fees and fines had an average collection rate of 64.7 %.

3.3.1.4 Licenses

These revenues are the result of granting licences to people to operate businesses and also to undertake economic venture. According to the bye laws of the local government administration, people wishing to undertake any form of business activities are obliged to collect the necessary licences at a fee from their local authorities. In all, Amansie West District collects revenue from about twenty (20) different items under licence. In the study period, it accounted for 5.1% of the total local revenue and 0.87% of the total district revenue.

3.3.1.5 Rent

This revenue source constitutes amount of revenue collected from tenants or occupants of the assembly's commercial buildings, market stores and stalls. From the audited accounts of the assembly, the average contribution from rent to total local revenue between 1991 and 2005 was 0.19%. It had a target meeting rate of 19.89%.

3.3.1.6 Investment

This involves revenues gained or earned from undertaken fixed deposit accounts as well as interest earned on the assembly's share of the Common Fund. It also includes amount earned from the hiring of tractor. Within the period under review investment in general contributed 1.3% to total local revenue.

3.3.1.7 Miscellaneous

This involves other revenues that the assembly earns such as donations from Non governmental institutions, private institution among others. They are normally referred as "unspecified receipts". During the period under review the share of miscellaneous to total local revenue was 5.6%. It achieved a target rate of 268.9%.

3.3.1.8 Central Government Transfers

Central Government Transfers available for the District Assembly are ceded revenue and grants in aid which include Common Fund, Salaries of Central Government Staff and HIPC Fund. From table 3.2 below total revenue from central government transfers amounted to ¢26,156,847,593. It contributed about 84% to total district revenue in nominal terms

Table 3.2: showing the total revenue received from central government transfers from 1991-2005 (in cedis)

Year	Total Revenue from Central Government Transfers ¢	Percentage change
1991	-	-
1992	-	-
1993	-	-
1994	342,500,000	-
1995	326,488,123	4.68-
1996	679,993,324	108.3+
1997	568,389,000	16.4-
1998	736,234,636	29.5+
1999	996,783,668	35.4+
2000	3,016,542,733	202.6+
2001	1,055,716,216	65.0-
2002	1,508,271,416	42.9+
2003	3,460,738,435	129.5+
2004	6,376,554,583	84.3+
2005	7,090,635,459	11.2+
Total	**26,158,847,593**	

Source: Audited Annual Accounts of Amansie West District Assembly from 1991 - 2005

3.3.2 Expenditure Structure of the District Assembly

The total expenditure of the District Assembly is structured into six (6) main headings. These are personal emolument, travelling and transport and general expenditure. The rest include repairs/ maintenance and renewals, miscellaneous and capital expenditure. The six main expenditure items can be grouped under two main headings namely current or administrative and capital or development expenditure. Tables 3.3a, 3.3b and 3.3c below indicate the expenditure performance of the District Assembly from 1991 to 2005.

Table3.3a: Expenditure Performance of Amansie West District Assembly from 1991 – 1995

	1991		1992		1993		1994		1995	
	App. Budget ¢	Actual Expenditure ¢	App. Budget ¢	Actual Expenditure ¢	App. Budget ¢	Actual Expenditure ¢	App. Budget ¢	Actual Expenditure ¢	App. Budget ¢	Actual Expenditure ¢
1. Personal emolument										
a). Govt. Staff	8,437,924	4,382,207	9,500,000	9,199,250	7,279,760	5,458,034	8,709,000	6,567,943	12,872,000	14,301,473
b). Ass. Staff	1,350,000	250,956	1,850,000	1,938,245	1,176,000	1,048,094	1,320,000	1,200,000	7,642,000	6,619,355
Sub Total	**9,787,924**	**4,633,163**	**11,350,000**	**11,137,495**	**8,455,760**	**6,506,128**	**10,029,000**	**7,767,943**	**20,496,000**	**20,920,828**
2. Travelling & Transport	4,681,600	3,884,240	4,087,700	2,892,675	8,021,700	6,506,128	14,953,091	22,081,195	18,480,282	13,824,666
3. Gen. Expenditure	1,819,600	1,104,897	2,344,600	1,680,885	4,367,800	2,439,245	4,284,000	2,018,752	5,958,358	3,974,231
4. Maintenance /repairs/renewals	3,771,000	1,270,550	2,450,000	1,232,900	4,045,000	2,047,170	4,430,000	939,800	3,639,400	1,246,280
5. Misc./other Current Exp.	2,531,520	1,761,454	2,948,000	1,569,579	7,405,000	4,047,170	10,472,000	4,531,806	12,617,960	8,125,220
Total capital Expenditure	**22,591,644**	**12,654,304**	**23,180,300**	**18,513,534**	**32,295,260**	**21,545,841**	**34,139,091**	**37,339,496**	**40,696,000**	**39,966,005**
6. Capital Expenditure										
a). Ass. Funded Projects	11,740,000	1,556,600	14.962,000	11,695,057	40,700,000	6,301,452	4,246,750	23,558,262	-	-
b). C F Project	-	-	-	-	-	-	333,189,347	313,877,835	337,436,097	220,434,791
c). HIPC Projs.	-	-	-	-	-	-	-	-	-	-
Total capital Expenditure	**11,740,000**	**1,556,600**	**14,962,000**	**11,695,057**	**40,700,000**	**6,301,452**	**337,436,097**	**337,436,097**	**337,436,094**	**220,434,791**
TOTAL EXPENDITURE	**34,331,644**	**14,210,904**	**38,142,300**	**30,208,591**	**72,995,260**	**27,847,293**	**371,575,188**	**374,775,593**	**378,132,094**	**260,400,796**

Source: Audited Annual Accounts of Amansie West District Assembly, 1991 - 1995

Table3.3b: Expenditure performance of Amansie West District Assembly from 1991-2005

Expenditure Item	App. budget	Actual Expenditure	App. budget	Actual Expenditure	App. budget	Actual Expenditure	App. budget	Actual Expenditure	App. Budget	Actual Expenditure
	¢ 1996	¢	¢ 1997	¢	¢ 1998	¢	¢ 1999	¢	¢ 2000	¢
1. Personal emolument (a) Govt. staff	8,128,000	19,441,972	37,702,130	35,777,436	38,862,480	56,491,935	23,936,178	19,037,413	112,380,140	104,670,247
(b) Ass. staff	3,875,750	10,173,300	11,771,580	-	23,552,950	27,881,300	75,260,790	33,246,266	85,695,860	43,986,420
Sub Total	**12,003,750**	**29,615,272**	**49,473,710**	**35,777,436**	**62,415,430**	**84,373,235**	**99,196,968**	**52,283,679**	**198,076,000**	**148,656,667**
2. Traveling & Transport										
3. Gen. Expenses	28,462,373	28,462,372	39,094,000	34,670,404	33,411,000	64,013,785	99,000,000	67,873,128	102,000,000	93,579,409
4. Maintenance Repairs/Renewals	9,100,000	8,365,741	18,548,700	15,111,247	18,820,000	25,699,121	52,000,000	34,370,491	75,000,000	49,074,401
5. Miscellaneous/Other Expenses	4,500,000	20,071,327	4,600,000	6,258,915	4,600,000	13,537,000	12,000,000	9,208,200	18,000,000	11,923,500
Total current Exp.	6,500,000	60,152,084	37,321,660	31,601,572	64,837,500	114,840,336	81,500,000	51,812,050	118,000,000	81,357,390
6. Capital Expenditure	60,566,123	146,666,796	149,038,070	123,419,574	121,668,500	302,463,477	343,696,968	215,547,548	511,076,000	384,591,367
(a) Assembly's Funded Projects	42,000,000	122,616,975	51,000,000	31,242,580	58,000,000	287,607,023	326,000,000	142,240,365	363,000,000	301,461,336
(b) Common Fund	617,000,000	607,609,683	771,000,000	593,215,754	870,000,000	659,548,540	1,154,000,000	874,764,627	3,001,542,693	1,057,484,579
(c) Hipc Projects	-	-	-	-	-	-	-	-	-	-
Total Cap. Exp.	**659,000,000**	**730,226,658**	**822,000,000**	**624,458,334**	**928,000,000**	**947,155,563**	**1,480,000,000**	**1,017,004,992**	**3,364,542,693**	**1,358,946,415**
Total Expenditure	**719,566,123**	**876,893,454**	**971,038,070**	**747,877,908**	**1,049,668,500**	**1,249,619,040**	1,823,696,968	1,232,552,540	3,875,618,693	1,743,837,782

Source: Audited Accounts of Amansie West District Assembly, 1996 - 2000

Table3.3c: Expenditure performance of Amansie West District Assembly from 2001-2005 in cedis

Expenditure Item	App. budget	Actual Expenditure	App.budget	Actual Expenditure	App. budget	Actual Expenditure	App. budget	Actual Expenditure	App. Budget	Actual Expenditure
	¢ 2001	¢	¢ 2002	¢	¢ 2003	¢	¢ 2004	¢	¢ 2005	¢
1. Personal emolument										
(a) Govt.staff	168,579,210	214,825,210	257,790,252	245,404,895	274,785,940	319,599,516	389,911,410	312,746,865	486,540,000	351,485,347
(b) Ass. Staff	114,420,000	45,127,029	99,830,000	97,546,784	38,956,717	46,517,120	170,700,000	121,736,150	197,360,000	197,873,399
Sub Total	**282,999,210**	**259,952,239**	**357,620,252**	**342,951,679**	**313,742,657**	366,116,636	**560,611,410**	**434,483,015**	**683,900,000**	**549,358,746**
2. Travelling & Transport	122,000,000	114,713,754	161,660,000	160,555,178	248,804,858	248,457,318	289,712,000	287,547,607	307,160,000	132,570,173
3. Gen. Expense	90,300,000	54,136,428	99,500,000	76,433,067	134,923,385	149,062,373	156,500,000	156,005,182	167,290,000	67,633,501
4. Maintenance Repairs/Revenue	18,000,000	14,258,050	24,502,000	18,785,192	32,689,740	32,601,000	59,000,000	61,595,250	64,000,000	7,859,000
5. Miscellaneous/ Other Expenses	137,000,000	76,683,000	135,000,000	120,502,950	224,855,625	217,250,487	293,000,000	252,772,709	322,000,000	81,955,975
Total current Expenditure	650,299,210	519,743,471	778,282,252	719,228,066	955,016,265	1,013,487,814	1,358,823,410	1,192,403,763	1,544,350,000	839,377,395
6. Capital Expenditure										
(a) Assembly's Funded Projects	350,000,000	266,336,962	332,000,000	262,792,514	115,136,000	149,577,268	200,000,000	222,091,500	424,500,000	3,177,000
(b) Common Fund	2,837,778,441	788,224,539	1,508,271,416	1,611,088,809	5,168,318,625	2,555,906,496	6,500,000,000	6,376,554,583	7,500,000,000	6,868,823,222
(c) Hipc Projects	-	-	-	-	1,000,000,000	-	2,000,000,000	2,695,334,247	2,000,000,000	-
Total Cap.Exp.	**3,187,778,441**	**1,054,561,501**	1,840,271,416	**1,873,881,323**	6,283,454,625	**2,705,483,764**	**8,700,000,000**	**980, 9293,330**	**9,924,500,000**	**6,872,000,222**
Total Expenditure	**3,838,077,651**	**1,574,304,972**	**2,618,553,668**	**2,593,109,389**	7,238,470,890	**3,718,971,578**	**10,058,823,410**	**10,486,384,093**	**11,468,850,000**	**7,711,377,617**

Source: Audited Annual Accounts of Amansie West District Assembly (2001-2005).

3.3.2.1 Personal emolument

This expenditure item consists of cost incurred on remuneration, bonuses and allowances by the central government and the assembly on their staff. Personal emolument is divided into two, they are:

(i) Salaries/wages of Central Government Staff

(ii) Salaries/Wages of Assembly or Casual Staff

a) Salaries/Wage of Central Government Staff.

These are monies that the central government pays to workers who are on central government payroll. From tables 3.3a, 3.3b and 3.3c total budgeted salaries/wages from Central government for the period was ¢1,845,414,424.00 as against actual of ¢1,719,389,743.00. This represented 93.2% of the budget.

b) Salaries and Wages of Assembly or Casual Staff

This is an expenditure which the assembly incurs on its staff it employs. It also includes allowances which the assembly pays to its assembly members. From tables 3.3a, 3.3b and 3.3c total salaries and wages of the assembly's or causal staff for the period was ¢635,144,418.00 even though the budgeted figure was ¢834,743,647.00. This represented 76.1% of the budget. Within the period under review, salaries and wages of assembly staff accounted for 11.4% of total recurrent expenditure and 1.9% of total expenditure respectively.

3.3.2.2 Travelling and Transport

These expenditure items are incurred on travelling and transport by assembly members during assembly sections (meetings) as well as Official/Staff of the assembly. Within the period under review the assembly spent a total of ¢1,281,632,032.00 of its total expenditure on travelling and transport. The figure represented 86.5% of what was budgeted for. Travelling and transport constituted 23.0% and 3.9% of total recurrent expenditure and total expenditure respectively.

3.3.2.3 General Expenditure

This item comprises costs incurred on general administrative activities as well as the purchases of such items as expendable equipments and charges on utilities. In all about fourteen individual items come under general expenditure. For the study period general expenditure recorded a total amount of ¢647,109,562.00 out of a budgeted value of ¢840,756,443.00. This figure represented 77.0% of what was budgeted. General expenditure accounted for 11.6% and 2.0% of the total recurrent expenditure and total expenditure respectively.

3.3.2.4 Maintenance/Repairs/Renewals.

This expenditure involves costs incurred on the maintenance of the assembly's fixed assets such as buildings, office equipment and motor van. For the period under review actual expenditure on maintenance was ¢202,834,134.00 as against a budget of ¢260,227,140.00. This represented 77.9% of the budget

3.3.2.5 Miscellaneous/Other Recurrent Expenditure

This item include expenses such as entertainment for assembly members during assembly meetings, medical facilities offered to staff, donations to other organization among others. Total miscellaneous expenditure was ¢1,108,963,782.00 as against an estimated value of ¢1,455,989,265.00. This represented 76.2% of budgeted value.

3.3.2.6 Capital Expenditure

This consist of total cost of undertaking development projects such as school, health centres, market, procurement of office machines and equipment, purchase of vehicles among others. Capital expenditure is broken down into two parts. These are those financed from the assembly's own resources and those from the assembly's share of the District Assemblies' Common Fund. Cost of capital amounted to ¢27,055,123,099.00 out of a budgeted estimate of ¢36,931,821,369.0 within the period under review. This means that 73.3% of the estimated figure was spent.

3.3.2.7 Relative Contribution of Recurrent Expenditure and Capital Expenditure

The relative contribution of recurrent expenditure and capital expenditure are shown in tables 3.4a and 4.4b below. The tables indicate that within the study period, the average share of current expenditure and capital expenditure to total expenditure was 17.1% and 82.9% respectively.

Table3.4a. Showing relative contribution of Recurrent Expenditure and Capital Expenditure to Total Expenditure from 1991 – 1998 (in cedis)

Expenditure Item	1991 ¢	1992 ¢	1993 ¢	1994 ¢	1995 ¢	1996 ¢	1997 ¢	1998 ¢
Current Expenditure(A)	12,654,304	18,513,534	21,545,841	37,339,496	39,966,005	146,666,796	123,419,574	302,463,477
Capital Expenditure (B)	1,556,600	11,695,057	6,301,452	337,436,097	220,434,791	730,226,658	624,458,334	947,155,563
Total Expenditure (c)	14,210,904	30,208,591	27,847,293	374,775,593	260,400,796	876,893,454	747,877,908	1,249,619,040
Percentage of Total Exp. To Current Exp. (A x 100%) C	89.0%	61.3%	77.4%	10.0%	15.3	16.7%	16.5%	24.2%
Percentage of Total Exp.To Capital Exp (B x 100%) C	11.0%	38.7	22.6	90.0%	84.7%	83.3%	83.5	75.8

Source: Authors own calculation based on Audited Annual Accounts of Amansie West District Assembly, 1991 - 1998

Table3.4b showing Relative Contributions of Recurrent Expenditure and Capital Expenditure to Total Expenditure from 1999 – 2005 (in cedis)

Expenditure Item	1999 ¢	2000 ¢	2001 ¢	2002 ¢	2003 ¢	2004 ¢	2005 ¢	Total ¢ (91 -05)
Current Expenditure(A)	215,547,548	384,591,367	519,743,471	719,228,066	1,013,487,814	1,192,403,763	839,377,395	5,586,948,451
Capital Expenditure (B)	1,017,004,992	1,358,946,415	1,054,561,501	1,873,881,323	2,705,483,764	9,293,980,330	6,868,823,222	27,055,123,099
Total Expenditure (c)	1,232,552,540	1,743,537,782	1,574,304,972	2,593,109,389	3,718,971,578	10,486,384,093	7,711,377,617	32,642,071,550
Percentage of Total Exp. To Current Exp. (A x 100%) C	17.5%	22.1%	33.0%	27.7%	27.3%	11.4%	10.9%	17.1%
Percentage of Total Exp.To Capital Exp (B x 100%) C	82.5%	77.9%	67.0%	72.3%	72.7%	88.6%	89.1%	82.9%

Source: Authors own calculation based on Audited Annual Accounts of Amansie West District Assembly from 1999 - 2005

3.3.3 Revenue – Expenditure Relationship

Tables 3.5a and 3.5b below indicate the revenue and expenditure relationship. The tables show that the assembly recorded a total revenue of ¢31,545,040,349.00. Total expenditure for the same period was ¢32,642,071,550.00. The assembly therefore recorded a deficit of ¢1,097,031,201.00.

Table 3.5a: Revenue – Expenditure Relationship for Amansie West District Assembly from 1991 – 1998 (in cedis)

Year	1991 ¢	1992 ¢	1993 ¢	1994 ¢	1995 ¢	1996 ¢	1997 ¢	1998 ¢
Total revenue (A)	6,086,653	17,128,391	21,967,613	378,984,870	364,066,599	748,359,555	664,740,201	1,287,227,201
Total Current Exp.(B)	12,654,304	18,513,534	21,545,841	37,339,496	39,966,005	146,666,796	123,419,574	302,463,477
Total Capital Exp.(C)	1,556,600	11,695,057	6,301,452	337,436,097	220,434,791	730,226,658	624,458,334	947,155,563
Total Exp. (D)	14,210,904	30,208,591	27,847,293	374,775,593	260,400,796	876,893,454	747,877,908	1,249,619,040
B/A x 100%	207.90%	108.09%	98.08%	9.85%	10.98%	19.60%	18.57%	23.50%
C/A x 100%	25.57%	68.28%	28.69%	89.04%	60.55%	97.58%	93.94%	73.58%
D/A x 100%	233.48%	176.37%	126.77%	98.89%	71.53%	117.18%	112.51%	97.08%
Surplus/(Deficit)	(133.48)	(76.37)	(26.77)	1.11	28.47	(17.18)	(12.51)	2.92

Source: Authors own calculation based on Audited Annual Accounts of Amansie West District Assembly.

Table 3.5b: Revenue – Expenditure Relationship for Amansie West District Assembly from 1999 – 2005 (in cedis)

Year	1999 ¢	2000 ¢	2001 ¢	2002 ¢	2003 ¢	2004 ¢	2005 ¢	Total (91 – 05) ¢
Total Revenue (A)	1,265,633,076	3,613,257,887	1,589,019,425	2,450,902,501	4,353,648,724	7,240,810,997	7,543,206,646	31,545,040,349
Total Current Exp.(B)	215,547,548	384,591,367	519,743,471	719,228,066	1,013,487,814	1,192,403,763	839,377,395	5,586,948,451
Total Capital Exp.(C)	1,017,004,992	1,358,946,415	1,054,561,501	1,873,881,323	2,705,483,764	9,293,980,330	6,868,823,222	27,055,123,099
Total Exp. (D)	1,232,552,540	1,743,537,782	1,574,304,972	2,593,109,389	3,718,971,578	10,486,384,093	7,711,377,617	32,642,071,550
B/A x 100%	17.03%	10.64%	32.71%	29.35%	23.28%	16.47%	11.13%	17.71%
C/A x 100%	80.36%	37.61%	66.37%	76.46%	62.14%	128.36%	91.06%	85.77%
D/A x 100%	97.39%	48.25%	99.07%	105.80%	85.42%	144.82%	102.22%	103.48%
Surplus/(Deficit)	2.61	51.75	0.93	(5.8)	14.58	(44.82)	(2.22)	(3.48)

Source: Authors own calculation based on Audited Annual Accounts of Amansie West District Assembly 1999-2005

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.0 Introduction

The previous chapter provided a financial profile of the Amansie West District Assembly based on its performance in nominal terms as it was indicated by the annual audited accounts for fifteen years (1991 to 2005).

This chapter analyses the revenue performance of the assembly in real terms based on the annual audited accounts presented in chapter three. The period between 1991 and 2005 was chosen. This is because the period is long enough to enable proper understanding of changes in the trends of financial management practices and impact on development. The district acknowledges four divisions within the study period.

They are:

1. Pre Common Fund (1991-1993)
2. Pre Amansie Resolute (1994-1997)
3. Amansie Resolute (1998-2003)
4. Post Amansie Resolute (2003-2005)

However, these four divisions can be grouped into two:

1 Pre Common Fund (1991-1993)

2 Post Common Fund (1994-2005)

These four divisions shall therefore be used to analyze the revenue performance of the assembly. Appropriate statistical tools shall also be applied for revenue forecasting and other objective findings and conclusions. Besides, the chapter examines how the Amansie West District Assembly manages its financial resources through planning, accounting, budgeting, auditing, staffing and co-ordination. It also analyses the opinions of respondents on certain aspect of development. The entire population was eighty five (85) and all of them were interviewed. However, sixty five (65) were retrieved. The response rate was about 76.5%.

4.1 Revenue Performance of Amansie West District Assembly in Real Terms

Although the total revenue generated by the assembly showed a remarkable improvement over the entire study period, on the average, using money as a measuring rod has been one of the major problems economists face (Samuelson and Nardhaus, 1985). The reason is that absolute figures are built on assumption of zero rate inflation although in practice this is not the case, especially in a developing country like Ghana.

The study will therefore seek to repair the damage by deflating the nominal revenue generated over the study period by the consumer price index using Fisher's Equation to arrive at the real values of the revenue generated in the entire period. Table 4.1 below shows the total local revenue in nominal and real terms from 1991 to 2005. Tables 4.2a, 4.2b and 4.2c also indicate the performance of individual revenue items in real terms from 1991 to 2005.

Table 4.1 Total Local Revenue in Nominal and Real Terms

YEAR	CPI	NORMINAL VALUES ¢	REAL VALUES ¢
1991	24.67	6,086,653.00	4,869,322.20
1992	27.14	17,128,391.00	13,486,921.83
1993	33.92	21,967,613.00	16,393,740.79
1994	42.35	36,484,870.00	25,693,570.13
1995	76.62	37,578,476.00	21,230,776.97
1996	75.37	68,366,231.00	39,066,417.29
1997	96.15	96,351,201.00	49,158,775.53
1998	114.62	550,992,565.00	256,275,611.10
1999	128.89	268,849,408.00	117,401,487.60
2000	161.27	596,715,154.00	228,626,396.20
2001	214.39	533,303,209.00	169,841,785.60
2002	244.78	942,631,085.00	273,226,400.70
2003	311.81	892,910,289.00	216,725,797.50
2004	351.19	864,256,414.00	191,631,133.10
2005	404.27	452,571,187.00	89,795,869.63
		5,386,192,746.00	**1,713,424,006.17**

Source: Author's calculation base on National Consumer Price Index (CPI) computed by Statistical Service, Accra1991 -2005. The CPI used 1997 as the base year

Table 4.2a showing Revenue performance of Amansie West District Assembly in Real Terms from 1991 – 1996 (in cedis)- Local or Traditional source

Revenue Item	1991		1992		1993		1994		1995		1996	
Rates	Nominal Values ¢	Real Values ¢	Nominal Values ¢	Real Values ¢	Nominal Values ¢	Real Values ¢	Nominal Values ¢	Real Values ¢	Nominal Values ¢	Real Values ¢	Nominal Values ¢	Real Values ¢
(a) Basic rate	1,392,300	1,113,839.80	1,563,517	1,231,115.54	940,017	701,504.97	500,0000	352,112.38	1,138,200	643,050.41	1,275,600	728,913.85
(b) Property rate	-	-	-	-	-	-	-	-	-	-	-	-
© Other rates	476,200	380,959.80		426,102.15	1,522,298	1,136,043.03	486,800	342,816.61	867,270	1489,982.61	2,567,008	1,466,861.29
Sub Total	1,868,500	1,494,799.60	2,104,667	1,657,217.98	2,462,315	1,837,548.25	986,800	694,929.28	2,005,470	1,133,033.46	3,842,608	2,195,775.57
Lands												
(a) Stool lands &	1,649,375	1,319,499.80	4,075,611	3,209,142.31	12,800,000	9,552,238.55	10,200,000	7,183,098.30	11,200,000	17,188,547.59	17,900,000	10,228,571.57
Timber												
(b) Mineral royalties	-	-	-	-	-	-	-	-	19,223,731	10,860,864.54	33,194,303	18,968,172.14
© Plots/permits	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	1,649,375	1,319,499.80	4,075,611	3,209,142.31	12,800,000	9,552,238.55	10,200,000	71,83098.30	30,423,731	17,188,547.59	51,094,303	29,196,744.14
Fees Fines	330,270	264	597,850	470,747.82	891,250	665,111.69	683,150	481,091.25	1,299,400	734,123.86	2,920,530	1,668,873.85
Licenses	2,055,550	1,644,439.80	2,148,600	1,691,810	3,736,320	2,788,298.25	2,883,265	2,030,468.01	3,654,875	2,064,900.70	10,393,790	5,939,308.14
Rent	60,000	47,999.80	7,000,000	5,511,810.81	6,000	4,477.36	1000	703.93	195,000	110,169.06	115,000	65,713.86
Investment	-	-	856,800	674,645.46	726 800	542,387.81	-	-	-	-	-	-
-Miscellaneous	122,958	98,366.20	344,863	271,545.45	1,344,928	1,003,677.36	21,730,655	15,303,277.87	:	:	:	:
Grant total	6,086,653	4,869,322.20	17,128,391	13,486,921.83	21,967,813	16,393,740.79	36,484,870	25,693,570.13	37,578,476	21,230,776.97	68,366,231	39,066,417.29

Source: Authors calculation based on the National Consumer Price index computed by Ghana Statistical Service, Accra 1991-2005

Table4.2b: Revenue performance of Amansie West District Assembly in Real Terms from 1997 – 2002 (In Cedis) – Local or Traditional Source

Revenue Item	1997		1998		1999		2000		2001		2002	
	Nominal Values ¢	Real Values ¢	Nominal Values ¢	Real Values ¢	Nominal Values ¢	Real Values ¢	Nominal Values ¢	Real Values ¢	Nominal Values ¢	Real Values ¢	Nominal Values ¢	Real Values ¢
<u>Rates</u>												
(a) Basic rate	1,854,900	946,377.05	2,066,600	961,208.77	3,340,000	1,458,514.72	2,929,000	1,122,221.61	3,355,000	1,068,470.66	6,066,000	1,758,260.16
(b) Property rate	19,593,900	9,996,887.27	179,208,968	83,353,007.84	161,855,283	70,679,162.32	168,382,031	64,506,524.67	216,727,936	69,021,634.99	196,110,198	56,843,534.94
`© Other rates	4,200,000	2,142,856.65	3,340,100	1,553,534.34	5,511,250	2,406,658.83	6,876 200	2,634,558.77	5,819,000	1,853,184.03	9,242,400	2,678,955.81
Sub Total	**25,648,800**	**13,086,121.60**	**184,615,668**	**85,867,775.02**	**170,706,533**	**74,544,336.99**	**178,167,231**	**68,263,306.28**	**225,902,136**	**71,943,354.73**	**211,418,598**	**61,280,752.33**
<u>Lands</u>												
(a) Stool lands	26,000,000	13,265,305.63	76,600,000	35,627,906.44	40,500,000	17,685,588.96	5,500,000	2,107,279.07	239,200,000	76,178,343.27	175,190,000	50,779,709.43
Timber												
(b) Mineral royalties	21,606,463	11,023,705.12	271,547,593	126,301,205.50	-	-	386,000,000	147,892,719.70	26,769,050	8,525,174.48	429,900,000	136,910,827.30
© Plots/permits	-	-	-	-	-	-	-	-	-	-	9,510,000	2,756,521.03
Sub total	47,606,463	24,269,011.24	348,147,593	161,929,112.50	40,500,000	17,685,588.96	391,500,000		265,969,050	84,703,518.43	614,600,000	178,144,926.80
Fees Fines	1,491,100	760,764.81	2,038,500	948,139.00	2,718,000	1,186,899.00	2,810,375	1,076,771.41	5,138,400	1,635,795.50	10,181,200	2,951,071.75
Licenses	13,114,000	61,806,811.76	10,276,400	4,779,720.40	14,826 200	6,474,322.58	17,263,000	10,722,359.87	28,522,000	9,083,438.81	34,515,800	10,004,579.00
Rent	28,000	14,285.22	274,500	127,673.88	62,900	27,466..69	129,000	49,424..67	180,000	57,324.16	821,000	237,970.30
Investment	4,304,428	2,196,136.20	4,672,431	2,173,223.19	-	-	3,165,329	1,212,789.12	243,581	77,572.89	69,989	20,285.96
Miscellaneous	4,158,410	2,121,637.27	967,473	449,986.91	40,035,775	17,482,870.62	3,680,219	1,410,044.98	7,350,042	2,340,777.03	71,024,498	20,586,810.30
Grant total	**96,351,201**	**49,158,775.53**	**550,992,565**	**256,275,611.10**	**268,849,408**	**117,401,487.60**	**596,715,154**	**228,626,396.20**	**533,303,209**	**169,841,785.60**	**942,631,085**	**273,226,400.70**

Source: Authors calculation based on the National Consumer price index computed by Ghana Statistical Service, Accra.

Table4. 2c: Revenue Performance of Amansie West District Assembly from 2003 to 2005 in Real terms (in cedis) – Local or Traditional source

Revenue Item	Nominal values ¢	Real values ¢	Nominal values ¢	Real values ¢	Nominal values ¢	Real values ¢	Total Nominal values (91- 05) ¢	Total Real values (91 – 05) ¢	% in Nominal values	% in Real values
	2003		2004		2005					
1. Rates										
a). Basic rates	6,789,200.00	1,647,863.32	3,827,000.00	848,557.98	4,056,000.00	804,761.10	41,093,334.00	15,386,772.23	0.8	0.8
b). Property rates	189,527,340.00	46,001,708.00	189,527,340.00	42,023,799.67	50,000,000.00	9,920,634.12	1,370,912,966.00	452,346,893.90	25.5	26.4
c). Other rates	66,597,466.00	16,164,442.74	53,770,570.00	11,922,520.29	77,474,320.00	15,371,888.09	239,292,032.00	108,621,000.70	4.4	6.3
Sub Total	**262,914,006.00**	**63,814,078.37**	**247,124,910.00**	**54,794,879.49**	**131,530,320.00**	**26,097,284.91**	**1,651,298,362.00**	**576,354,666.80**		
2. Lands										
a). Stool lands & timber	535,000,000.00	129,854,368.20	478,000,000.00	105,986,695.50	123,000,000.00	24,404,761.10	1,756,814,986.00	493,710,190.80	32.6	28.8
b). Mineral royalties	-	-	-	-	-	-	1,188,241,140.00	460,482,668.80	22.1	26.9
c). Plots/Permits	8,550,000.00	2,075,241.96	15,000,000.00	3,325,941.57	12,000,000.00	2,380,951.58	45,060,000.00	10,538,656.14	0.8	0.6
Sub Total	**543,550,000.00**	**131,929,610.90**	**493,000,000.00**	109,312,637.80	**135,000,000.00**	**26,785,713.48**	**2,990,116,126.00**	**964,731.515.70**		
Fees & Fines	9,217,500.00	2,237,256.53	27,475,000.00	6,092,016.96	16,698,000.00	3,313,094.43	84,488,525.00	23,013,757.66	1.6	1.3
Licences	41,785,500.00	10,142,110.89	37,922,000.00	8,408,424.94	52,640,000.00	10,444,443.64	275,737,300.00	92,399,237.70	5.1	5.4
Rent	175,000.00	42,474.97	-	-	1,520,000.00	301.59	10,567,400.00	6,297,796.30	0.2	0.4
Investment	980,883.00	238,077.64	19,367,754.00	4,294,401.44	36,055,355.00	7,153,839.48	70,443,350.00	11,429,499.71	1.3	0.7
Miscellaneous	34,287,400.00	8,322,183.71	39,366,750.00	8,728,768.62	79,127,512.00	15,699,902.37	303,541,483.00	93,819,848.70	5.6	5.5
Grand Total	**892,910,289.00**	**216,725,797.70**	**864,256,414.00**	**191,631,133.10**	**452,571,187.00**	**89,795,869.63**	**5,386,192,746.00**	**1,713,424,006.17**	**100.0**	**100.0**

Source: Author's calculation based on National Consumer Price Index computed by Statistical Service, Accra, 2003 -2005

4.1.1 Rates:

(a) Basic rate

An analysis of the performance of basic rate revealed that within the study period, it was not stable. From tables 4.2a, 4.2b and 4.2c basic rate fell between Pre Common Fund and Pre Amansie Resolute. It went up again in Amansie Resolute's era and fell in the post Amansie Resolute. Between pre Common Fund and pre- Amansie Resolute basic rate decreased by 12.3%. However, in Amansie Resolute's era it registered a percentage increase of 138 over the previous era's figure. Between 2003 and 2005 basic rate declined further by 48% due to the departure of the mining company and the effect of the high consumer price index.

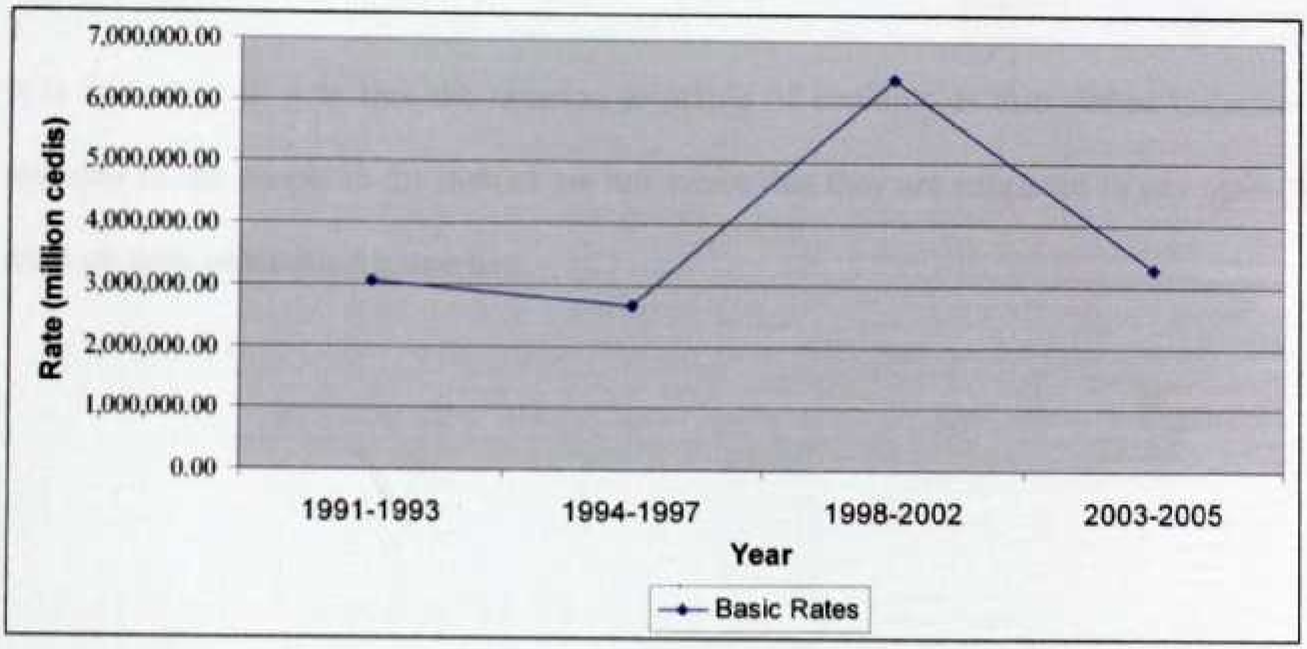
Within the study period basic rate recorded a total figure of ¢15,386,772.23 in real terms as against a total nominal figure of ¢41,093,334.00. The percentage of real values to nominal values was 37.4. From table 4.1 we realized that the National Consumer Price Index recorded a consistent increase in the study period. While it was 24.67% and 96.15 % in pre Common Fund and pre Amansie's eras respectively, between Amansie and post Amansie's eras it was as high as 114.62% and 404.27% respectively.

What this mean is that the declining development in real terms in the face of increases in nominal terms is due to geometric progression in the consumer price index over the period coupled with the effect of what is called the "dollarisation" of the economy in the recent times resulting in high inflation rates.

One interesting observation was that since majority of the people refuse to pay their basic rates /taxes the District Assembly recruits Police Personnel to assist its revenue campaign team in the collection of basic rate. After the exercise, the Police Personnel as well as the revenue campaign team are given some allowances. Apart from the allowance the assembly also incurs cost on fuel. It was noted that such exercise are carried out without undertaken the cost- benefit analysis. The taxation principle of economy is defied.

Figure 4.1 shows the trend in basic rate in real terms from 1991 to 2005. From the trend diagram we realized that between 1991 and 1997, basic rate decreased in real terms. It reached it peak between 1998 and 2002 and fell again between 2003 and 2005.

Fig 4.1 Trend in Basic Rates in real terms

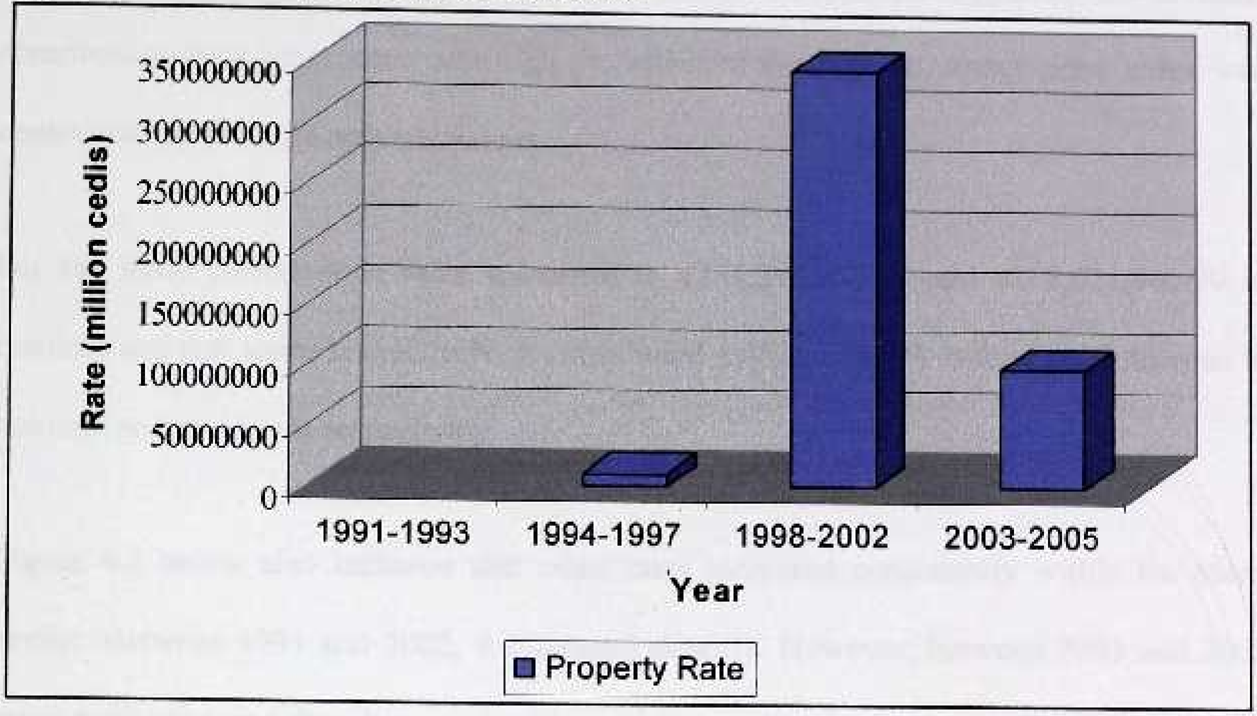


b) **Property rate**

The district started realizing property rate in 1997 and in that year it amounted to ¢9,996,887.27 in real terms. Between 1998 and 2002 when Amansie Resolute was in operation, property rate increased sharply from ¢9,996,887.27 to ¢344,403,864.80 in real terms. (See tables 4.2a, 4.2b and 4.2c). It should be noted that about 99% of the revenue came from Amansie Resolute Limited, the then major mining company in the district. Within that period, total nominal values from property rates was ¢922,264,416.00. However, between 2003 and 2005 the effect of the inflation and the departure of Amansie Resolute Limited reduced the contribution from property rate. For example a total nominal figure of ¢429,054,680.00 was realized as against a real value of ¢97,946,141.79. Within the study period the contributions of property rate to total local revenue in nominal and real terms were 25.5% and 26.4% respectively.

It is important to note that the taxation principle of certainty is also defied because majority of the people in the district are not aware that they are supposed to pay taxes/ rates on their unassessed properties.

Fig 4.2 Trend in Property Rate in real terms



As shown in figure 4.2 the assembly did not receive any amount from property rate between 1991 and 1993. Between 1994 and 1997 the assembly started realizing some amount of money from property rate. Between 1998 and 2002 property rate increased sharply. However, between 2003 and 2005, it fell.

c) **Other Rates**

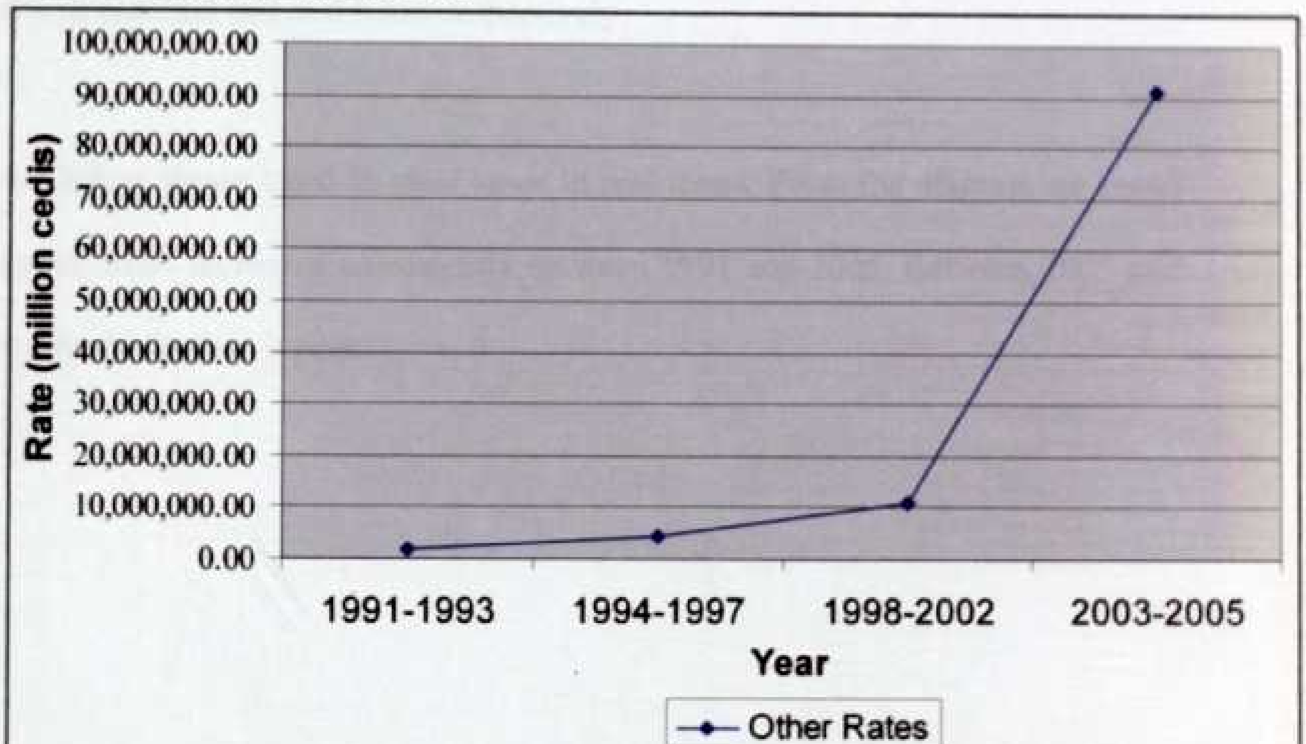
Tables 4.2a, 4.2b and 4.3c indicate that for the period under review other rates increased consistently in real terms. In the pre Common Fund era, contribution from other rates amounted to ¢1,943,104.98 in real values while in the pre Amansie Resolute's, Amansie Resolute and the post Amansie Resolute's eras, total real values from other rates amounted to ¢4,442,517.16, ¢11,126,891.78 and ¢91,108,486.75 respectively. This implies that even after the introduction of the District Assemblies' Common Fund, it continued to show a remarkable improvement. Even though between

1998 and 2005 the national consumer price index rose consistently, since the nominal contribution from other rates was high the effect of the high consumer price index was neutralized by the high nominal values.

For the study period other rates amounted to ¢239,292,232.00 and ¢108,621,000.70 in nominal and real terms respectively. It contributed 4.4% and 6.3% to total local revenue in nominal and real terms respectively.

Figure 4.3 below also indicates that other rates increased consistently within the study period. Between 1991 and 2002, it increased steadily. However, between 2003 and 2005 other rates increased sharply.

Fig 4.3 Trend in Other Rates in real terms



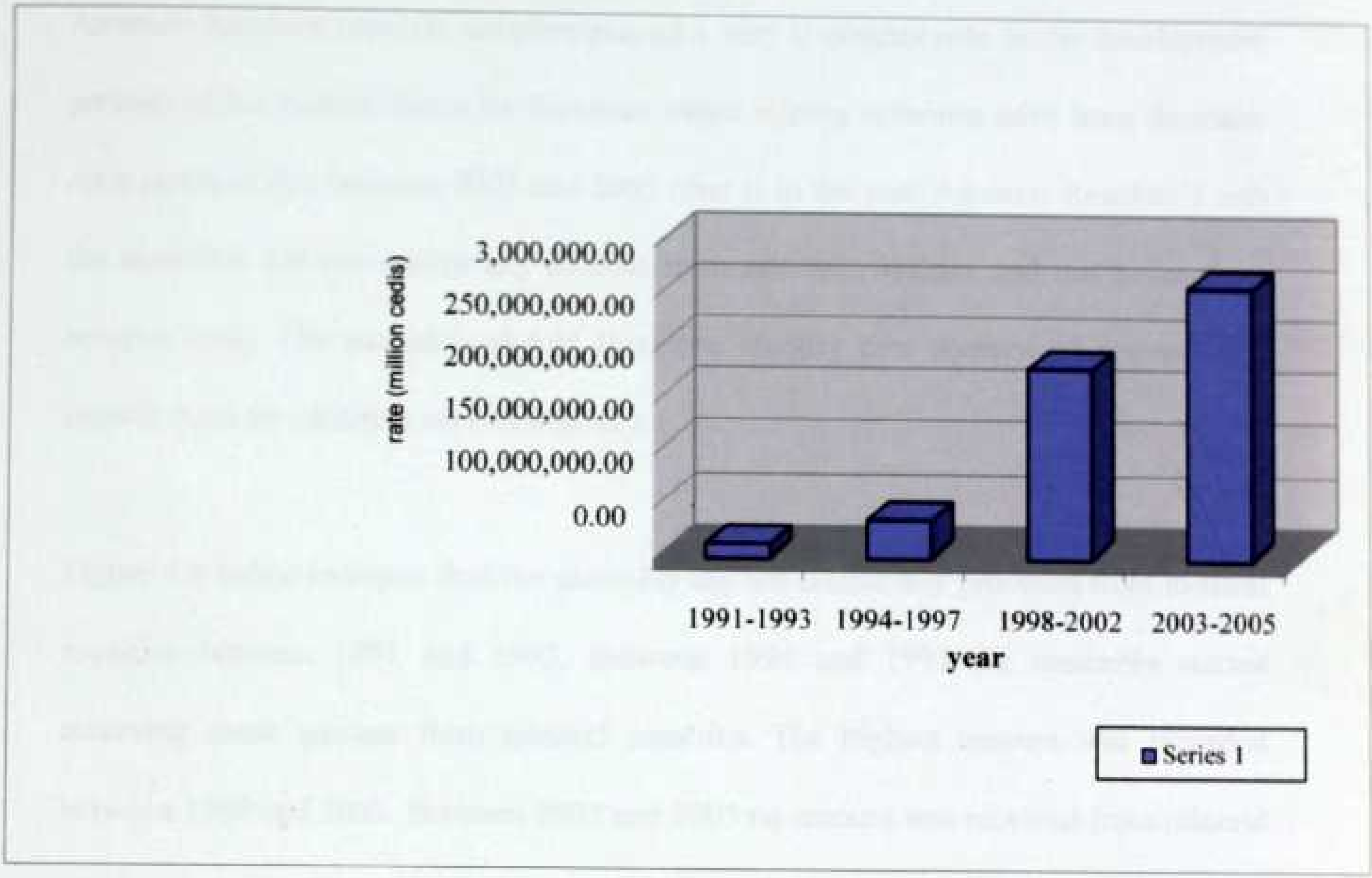
4.1.2 Lands

a) Stool Lands

Tables 4.2a, 4.2b and 4.2c show that within the study period stool lands revenue also recorded consistent increase in real values. A total real values of ¢14,080,880.66 was realized in the pre Common Fund era while an amount of ¢37,004,658.11 was generated in the pre Amansie Resolute's era in real terms. In the Amansie Resolute' era, stool lands contributed a total real value of ¢182,378,827.20 and in the post Amansie Resolute's era real figure was ¢260,710,190.80. However, for the study period total real values of ¢493,710.80 was recorded as against nominal values of ¢1,756,814,986.00. This means stool lands revenue decreased in real terms. Within the study period the contribution of Stool lands revenue to total local revenue was 32.6% and 28.8% in nominal and real terms respectively.

Figure 4.4 below shows trend in stool lands in real terms. From the diagram we could see that stool lands increased consistently between 1991 and 2005. Between 2003 and 2005 stool lands reached it peak.

Fig 4.4 Trend in Stool Lands in real terms

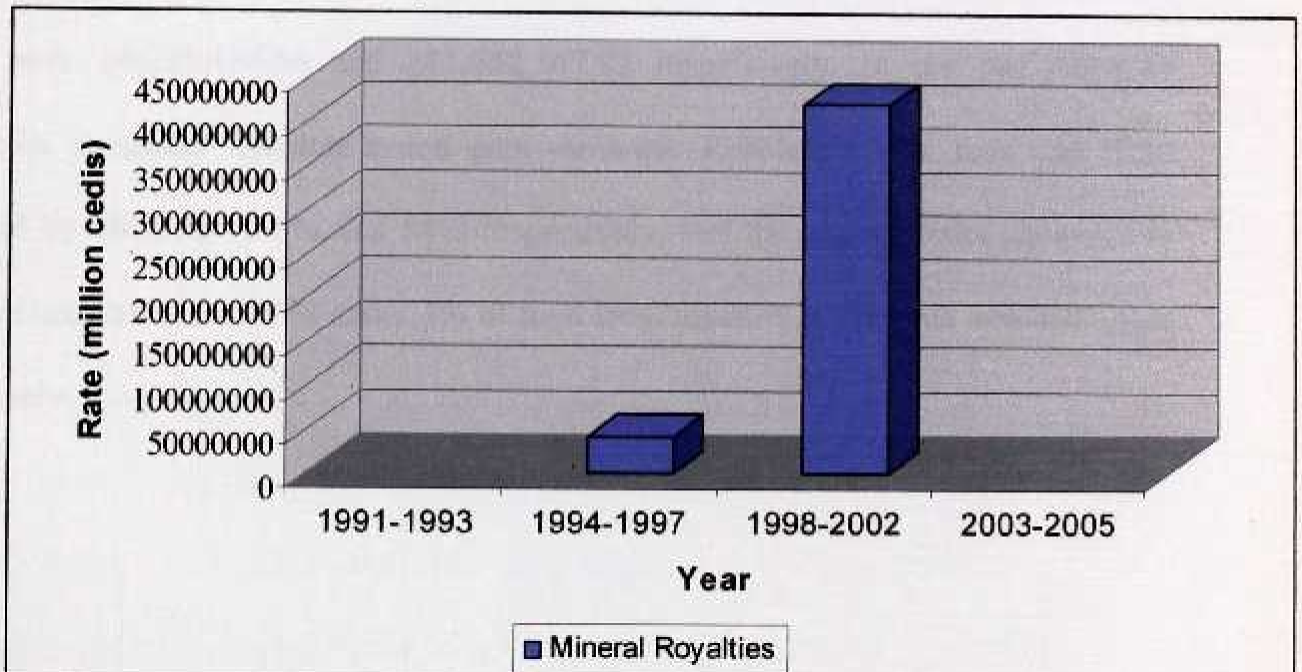


b) Mineral Royalties

Within the study period mineral royalties remains the second major source of traditional or local revenue in both nominal and real terms. Table 4.2c indicates that for the period under review mineral royalties amounted to ¢1,188,241,140.00 in nominal terms as against total real value of ¢460,482,668.80. However, out of the total real values, ¢419,629,927 (91.1%) was realized in the Amansie Resolute's era while the remaining (8.9%) was recorded in 1997, one year before the inception of Amansie Resolute. Before Amansie Resolute came to the district there were few small scale mining companies operating in the district. But because their activities were not monitored the District Assembly could not realize much revenue from it operations. Amansie Resolute Limited therefore played a very important role in the development process of the district. Since its departure major mining activities have been dormant. As a result of this between 2003 and 2005 (that is in the post Amansie Resolute's era) the assembly did not realize any amount from mineral royalties and this reduced its revenue base. The assembly should therefore identify new sources of revenue and exploit them for effective service delivery.

Figure 4.5 below indicates that the assembly did not realize any proceeds from mineral royalties between 1991 and 1993. Between 1994 and 1997 the assembly started receiving some amount from mineral royalties. The highest amount was recorded between 1998 and 2002. Between 2003 and 2005 no amount was received from mineral royalties

Fig 4.5 Trend in Mineral Royalties in real terms



c) **Plots/Permit**

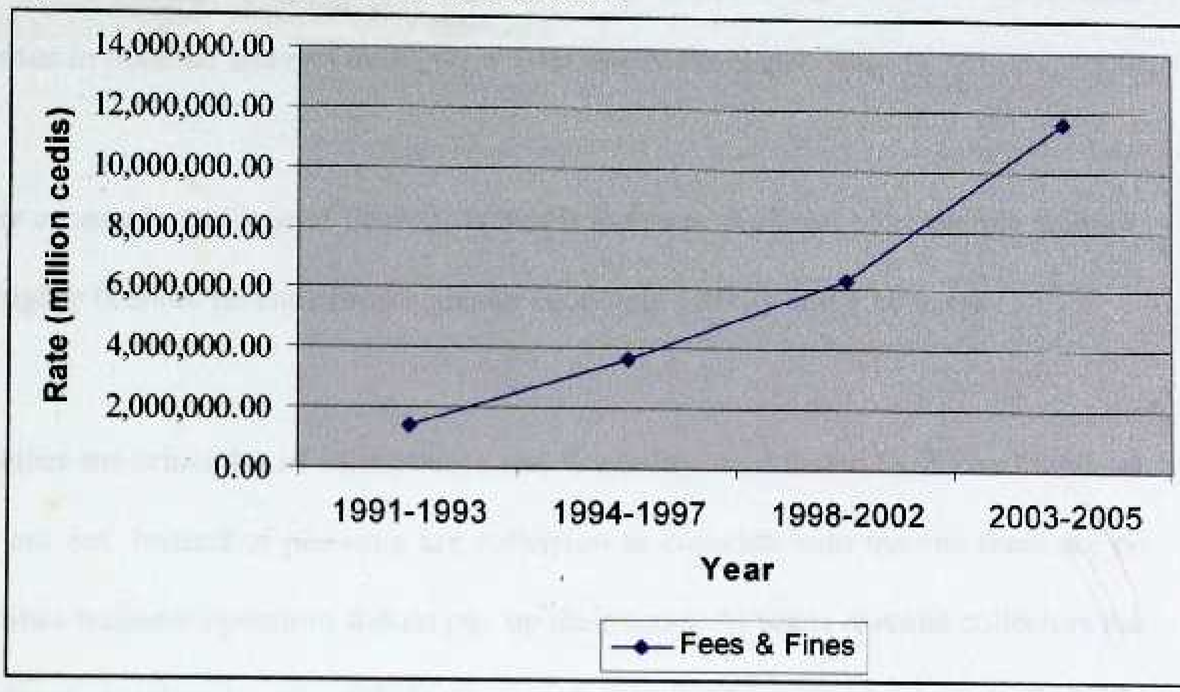
From table 4.2c, it is observed that building plots/permit contributed ¢45,060,000.00 (0.8%) and ¢10,538,656.14 (0.6%) to total local revenue in nominal and real terms respectively in the study period.

As mentioned earlier, this revenue item was identified in 2002 and in that year it contributed an amount of ¢2,756,521.03 in real terms while between 2003 and 2005 it contributed a total real figure of ¢7,782,135.11. Between this period plots and permits increased by 182.3% in real terms.

4.1.3 Fees and Fines

Tables 4.2a, 4.2b and 4.2c indicate that fees and fines recorded a consistence increase within the study period. In the pre Common Fund and pre Amansie Resolute's eras total real figures from fees and fines were ¢1,400,075.31 and ¢3,644,853.77 respectively while in the Amansie Resolute's and post Amansie Resolute's eras real values were ¢6,326,460.66 and ¢11,642,367.92 respectively. In the pre Amansie Resolute's, Amansie Resolute's and post Amansie Resolute's eras fees and fines increased by 160.3%, 73.6% and 84% respectively. For the period under review fees and fines accounted for 1.6% and 1.3% of total local revenue in nominal and real terms respectively.

Fig 4.6 Trend in Fees & Fines in real terms



As shown in figure 4.6 fees and fines recorded a consistent increase from 1991 to 2005 in real terms with 2003 and 2005 as the peak.

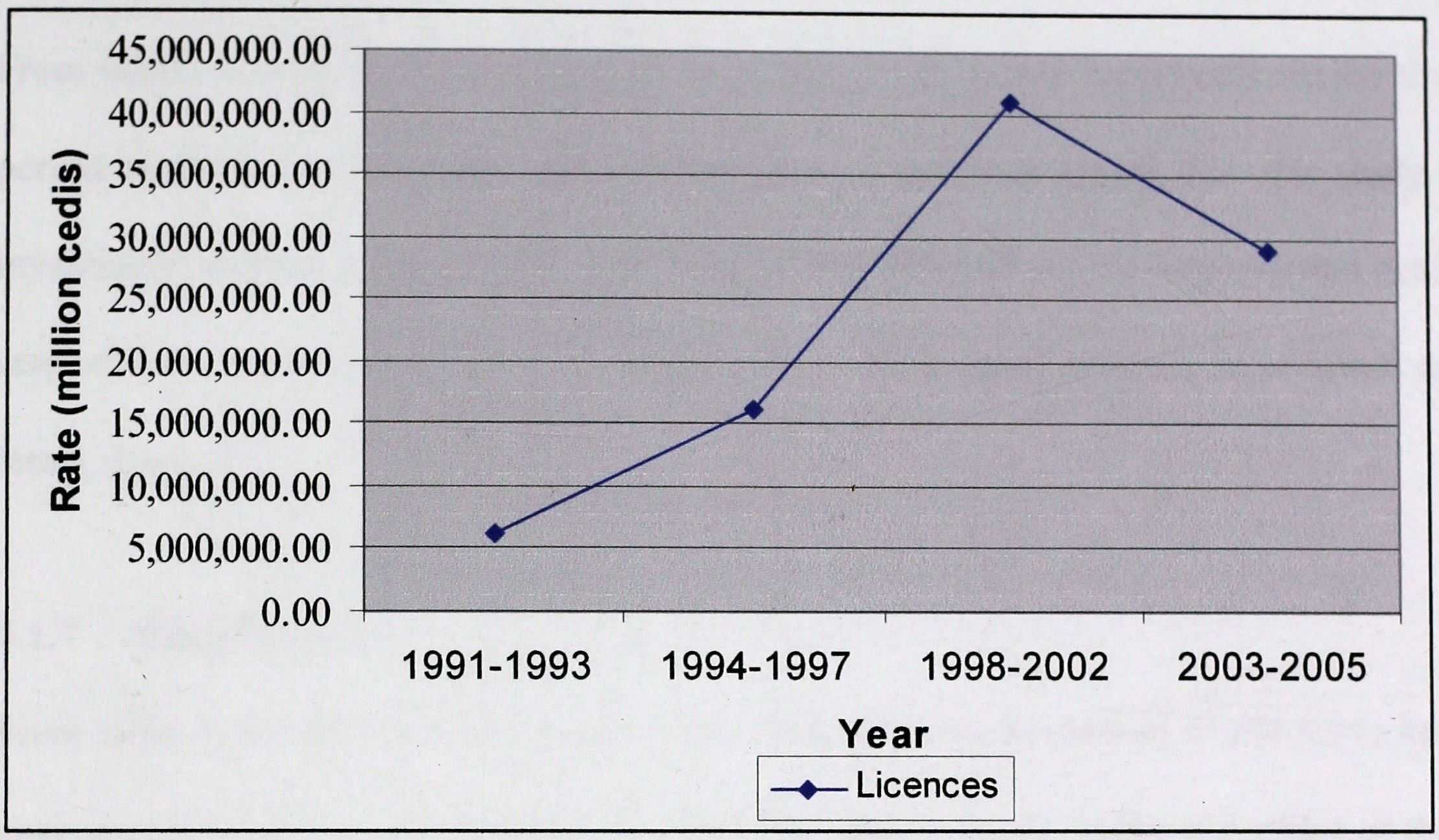
4.1.4 Licences

Tables 4.2a, 4.2b and 4.2c show that between pre Common Fund and Amansie Resolute's era's licences recorded a consistent increase in real terms. In the pre Common Fund and pre Amansie Resolute it contributed an amount of ¢6,124,548.96 and 16,215,288.61 respectively in real terms, while in the pre Amansie Resolute's era a total real figure of ¢41,064,420.66 was realized. However, in the post Amansie Resolute's era it declined in real terms. In that period a total real value of ¢28,994,979.47 was realized. Like the other revenue items the consistent rise in the national consumer price index for the entire study period had the effect of reducing the total real values for licences. Within the period a total nominal amount of ¢275,737,300.00 was recorded as against a real value of ¢162,069,431.30. Its percentage contribution to total local revenue in nominal and real terms were 5.1% and 5.4% respectively.

One major economic attribute of licences is that it indicates the level of economic activity. As such higher licences revenue means greater economic activity and vice-versa.

As to whether the principles of convenience and flexibility are adhered to, it was found out that they are not. Instead of planning tax collection to coincide with income there are no specific times business operators should pay up their taxes. At times revenue collectors ask these business operators to pay up their taxes on daily, weekly, monthly or quarterly basis. More often than not revenue task force is formed and this task force undertakes revenue mobilization exercise in the period where there is no money in the assembly's coffers and it needs money to finance a particular programme. It was also found out that if for one reason business operations have gone down and for that matter taxpayers can not pay up the whole amount, the assembly is not prepared to re-negotiation with them so far as their bills have already been prepared, because the assembly believes business operators may abuse the system if it is encouraged. It should be noted that the assembly applies equity by categorizing taxes according to the size of business and the income levels.

Fig 4.7 Trend in Licences in real terms



In figure 4.7 above licences registered a consistent increase between 1991 and 2002. However, between 2003 and 2005 it fell over the previous years figure. The highest contribution from licences was recorded between 1998 and 2002 and the lowest was between 1991 and 1993.

4.1.5 Rent

From tables 4.2a, 4.2b and 4.2c it is observed that rent is the second lowest both in nominal and in real terms. For the study period the share of rent to total local or traditional revenue was ¢10,567,400.00 and ¢6,297,796.30 in nominal and real terms respectively.

4.1.6 Investment

From tables 4.2a, 4.2b and 4.2c it is realized that performance for investment for the study period was not encouraging both in real and in nominal terms. For the study period investment amounted to ¢70,443,350.00 and ¢11,429,499.71 in nominal and real terms respectively. It accounted for 1.3% and 0.7% to total local revenue in nominal and real terms respectively.

4.1.7 Miscellaneous

From table 4.2c total nominal figures from miscellaneous amounted to ¢303,541,483.00 as against real values of ¢93,819,848.70. Like the other revenue items, the effect of the rising consumer price index was realized. In nominal terms the contribution of miscellaneous to total local revenue was 5.6% for the study period while in real terms it was 5.5%.

In summary, the revenue performance of the assembly revealed that between pre Common Fund and Amansie Resolute's eras it recorded a consistent increase in total revenue in real terms. However, in the post Amansie Resolute's era total revenue decreased in real terms. It should be noted that even after the introduction of the District Assemblies' Common Fund, the enthusiasm with which the assembly mobilized revenue went up. The fall in revenue between 2003 and 2005 was attributed to the sudden departure of Amansie Resolute Limited, the then major mining company in the district. The consistent increase in the consumer price index also had much negative effect on the assembly's revenue performance.

On the whole Amansie West District Assembly registered an increase in nominal values and a decrease in real value of total local revenue between 1991 and 2005. Within this period the total local nominal income was ¢5,386,192,746.00 as against real income of ¢1,713,424,006.17.

4.2 Forecasting of Local or Traditional Revenue using Regression Analysis

Planning for the future is one of the major important tools for managing the financial resources of any organization. The long run success of any organization depends on how well management is able to foresee the future and develop the appropriate strategies to forestall an occurrence or facilitate an expectation.

In the case of Amansie West District Assembly which is a non profit making organization, a near accurate projection of its local or traditional revenue would help us to predict what could be achieved over a period of time.

The study shall therefore use both simple and multiple regression tools to forecast local or traditional revenue for a four year period (2006 to 2009) in real terms to serve as a guide to the assembly in its planning process. The revenue performance tables, that is tables 4.2a, 4.2b and 4.2c shall be used to forecast the local revenue for the four-year period.

Based on the revenue performance data in tables 4.2a, 4.2b, and 4.2c we have the following calculations using MINITAB Version 14 Statistical Computer Package:

Regression Analysis:

The regression equation is

TR = - 42789827 - 0.410 RA + 0.962 LA - 18.4 F&F + 12.2 LIC + 1013 RE

+ 3.82 MISC

Table 4.3

Regressor	Coefficient	Standard Error	T-statistic	P-value
Constant	-42789827	26115029	-1.64	0.177
Basic Rates	-0.4099	0.1719	-2.38	0.076
Lands	0.9617	0.2851	3.37	0.028
Fees & Fines	-18.37	15.93	-1.15	0.313
Licences	12.172	5.543	2.20	0.093
Rent	1013.5	500.5	2.02	0.113
Miscellaneous	3.816	1.566	2.44	0.071

R-Sq = 98.1%   R-Sq(adjusted) = 95.3%

Analysis of Variance

Source	DF	SS	MS	F	P-value
Regression	6	1.01104E+17	1.68506E+16	35.17	0.002
Residual Error	4	1.91636E+15	4.79090E+14		
Total	10	1.03020E+17			

i. Basic rate is significant at 10% significance level but not significant at 5%.

ii. Lands is statistically significant at 5%.

iii Fees & Fines has a negative impact on total revenue but is not significant statistically.

iv Licences is significant at 10%.

v Rent is not significant

vi Miscellaneous is significant at 10%.

4.2.1 Interpretation of regression coefficients

- The relationship between total revenue and rates is measured by the coefficient of rates (-0.4099). This means that in this model, if basic rate is increased by 10% total revenue on the average would be reduced by 4.1% (assuming that the other independent factors are held constant). This is as result of high cost of collection associated with basic rate visa-avis the return.
- The relationship between total revenue and lands revenue is measured by 0.9617 which indicates that if land revenue is increased by 10%, total revenue would increase on the average by 9.6% (all other factors held constant).
- The coefficient –18.37 specifies that if fees and fines is increased by 10%, total revenue would decrease on the average by 183.7% (all other factors assumed constant).
- The coefficient 12.72 indicates that 10% increase in licence would on the average raise total revenue by 127.2% (all other factors affecting total revenue assumed constant).
- The coefficients 1013.5, and 3.816 implies that 10% increase in rent and miscellaneous would on the average increase total revenue by 10135% and 38.16% respectively (holding all other factors affecting total revenue constant).

The R-Squared value reported indicates that 98.1% of the changes in total revenue are explained by or accounted for by changes in the determinants captured by the model while 1.9% remains unexplained.

4.2.2 Analysis of Variance (ANOVA)

The reported F-statistic of 35.17 with a p-value of 0.002 shows that the model has a very good fit and can thus be used for forecasting purposes.

4.2.3 Forecasting of Total Revenue in Real Terms

Fitted Trend Equation

$Y_t = -15724259 + 16244066*t$

Where t= 16, 17, 18 & 19

Table 4.4

Year of forecast	Forecast (¢ million)
2006	244,180,797
2007	260,424,863
2008	276,668,929
2009	292,912,995
Total	1,074,187,584

The above table shows that the District is expected to generate ¢244,180,797, ¢260,424,863, ¢276,668,929 and ¢292,912,995 in 2006, 2007, 2008 and 2009 respectively in real terms.

Fig 4.8 Trend in Real Total Revenue

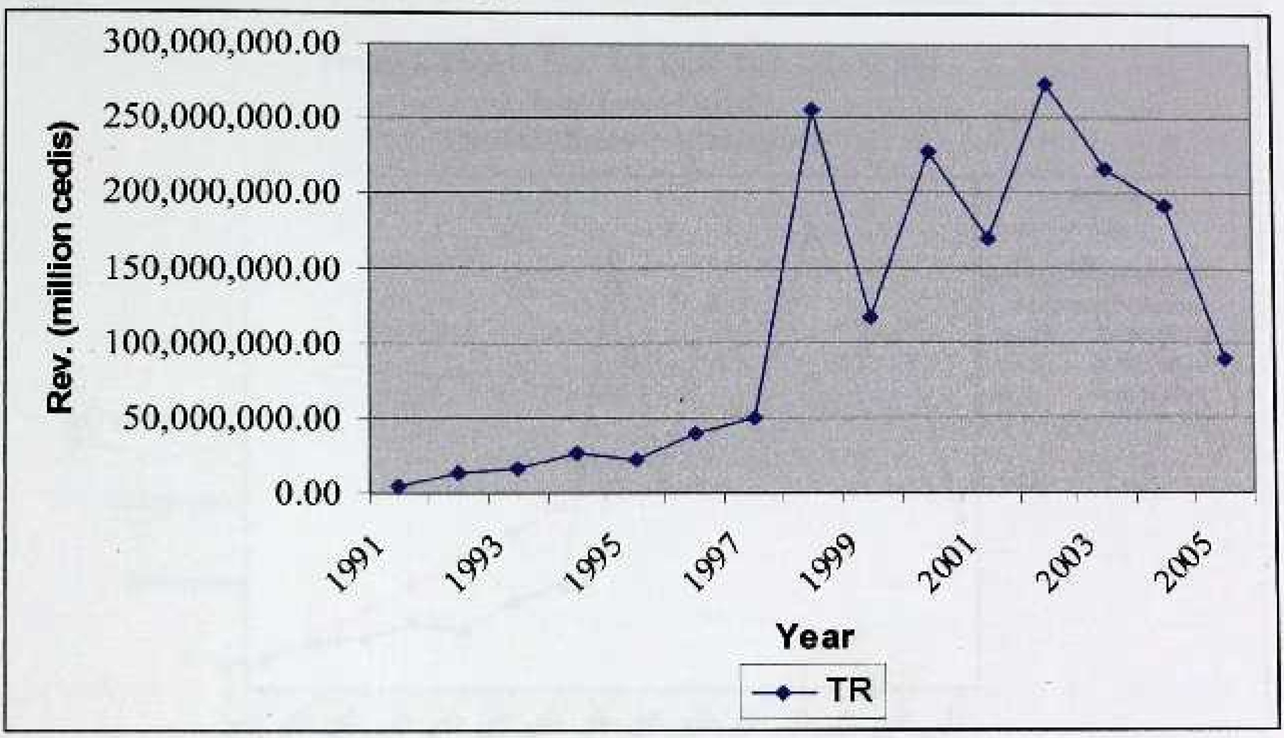
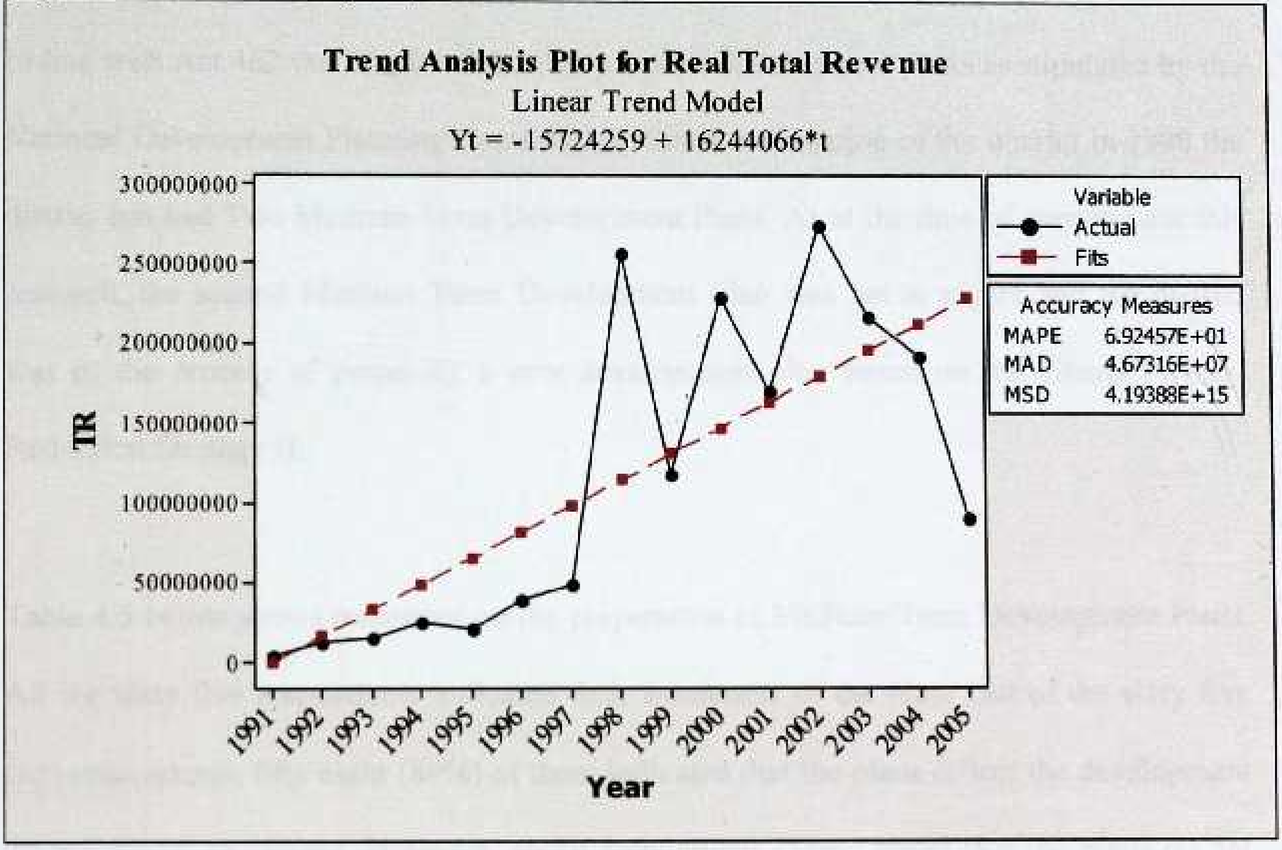


Figure 4.8 shows that between 1991 and 1997 total revenue increased steadily. In 1998 it increased sharply but fell again in 1999. Total revenue reached it peak in 2002. Between 2003 and 2005 total revenue decreased consistently.

Figure 4.9 Trend Analysis plot for Real Total Revenue



The above diagram depicts the trend analysis plot for total revenue in real terms. For the purposes of forecasting, a linear trend model is generated automatically by the computer software MINITAB 14, showing an upward fit/trend in total revenue as shown by the red line.

4.3 How Amansie West District Assembly Manages its Financial Resources to promote Development

This section discusses how Amansie West District Assembly manages its financial resources, through planning, budgeting, accounting/auditing, co-ordination among others to promote development in the district.

4.3.1: Planning

In line with Act 462 the District Assembly prepares development plans as stipulated by the National Development Planning Commission. Since the creation of the district in 1988 the district has had Two Medium Term Development Plans. As at the time of carrying out this research, the second Medium Term Development Plan was yet to expire and the district was in the process of preparing a new development plan based on the Ghana Poverty Reduction Strategy II.

Table 4.5 below shows responses on the preparation of Medium Term Development Plans. All the sixty five respondents indicated their awareness of the plan. Out of the sixty five (65) respondents, fifty eight (89%) of them indicated that the plans reflect the development objectives of the district. However, seven respondents (11%) stated that the plans do not reflect the development objectives of the district. On the involvement of the committees of the assembly for the preparation of the plans, fifty-four (83%) indicated their involvement with eleven (17%) replying in negative. As regards the organization of public hearing during plans preparation, thirty six (55%) answered in an affirmative while twenty nine (45%) replied in negative. Whether planning is adequate in the district, forty two respondents (65%) indicated that it is adequate while twenty three (35%) responded that it is not adequate. Those who indicated that planning is not adequate gave the main reasons as not assessing the needs of certain segment of the society before coming out with development plans.

TABLE 4.5 District Medium Term Development Plan

MEDIUM TERM PLAN	YES		NO		TOTAL NUMBER OF RESPONDENTS	
	FREQUENCY	%	FREQUENCY	%	FREQUENCY	%
Existence of Development Plan	65	100.0	-	0.0	65	100
Plans reflections of Development objective of the district	58	89.0	7	11.0	65	100
Participation of committees in Plan preparation	54	83.0	11	17.0	65	100
Organization of public hearing during plan preparation	36	55.0	29	45	65	100
Adequacy of Planning	42	65.0	23	35.0	65	100

Source: Field Data – April, 2006

Fig 4.10 Frequency Distribution of District Medium Term Development Plan

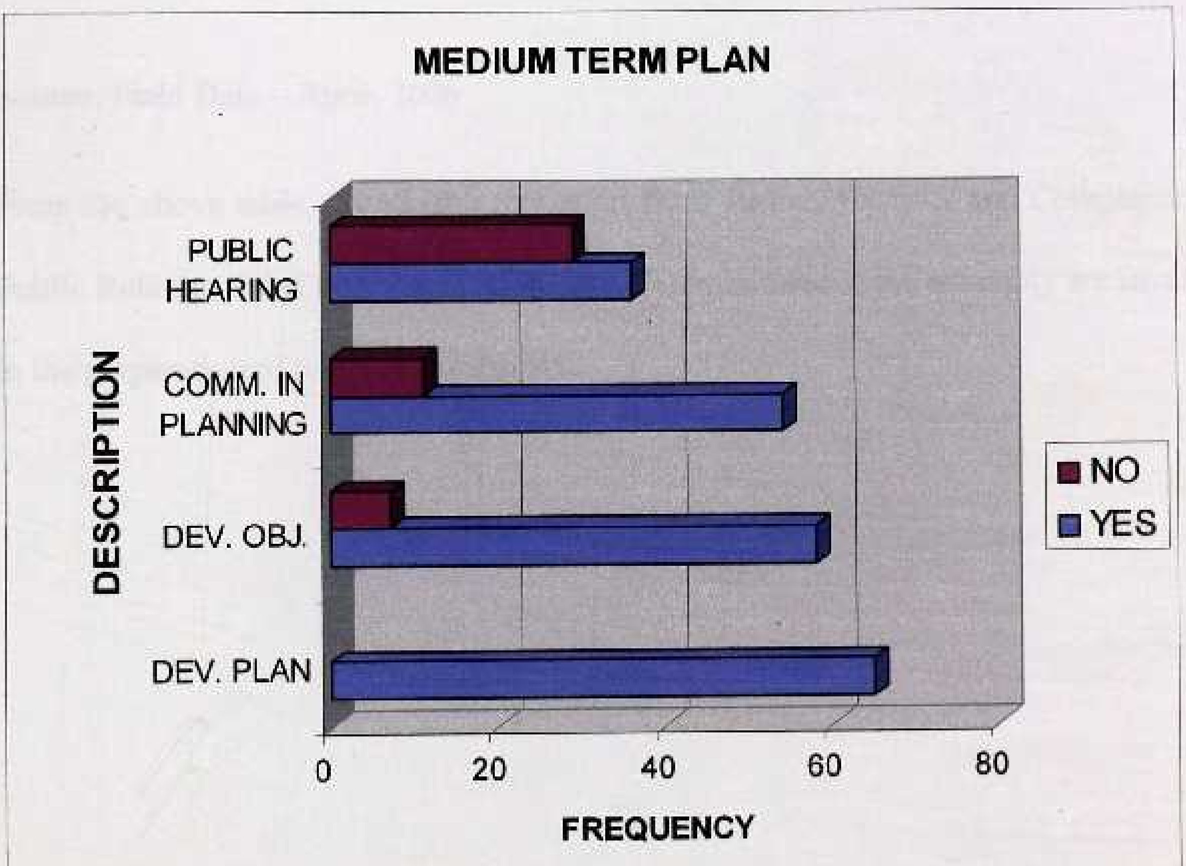


Figure 4.10 indicates the frequency distribution of the District Medium Term Development Plan. From the graph we see that all the respondents indicated their awareness of the Development Plan and that 89% responded that Development Plans reflect the objectives of the district.

Table 4.6

District Assembly Committees Participated / involved in Plans Preparation

COMMITTEE(S)	FREQUENCY
Executive	55
Development Planning	58
Finance and Administration	45
Works	43
Social Services	40

Source: Field Data – April, 2006

From the above table, it indicates that apart from Justice, Security and Complaint and Public Relation Sub-Committees all the other Committees of the assembly are involved in the preparation of plans of the district.

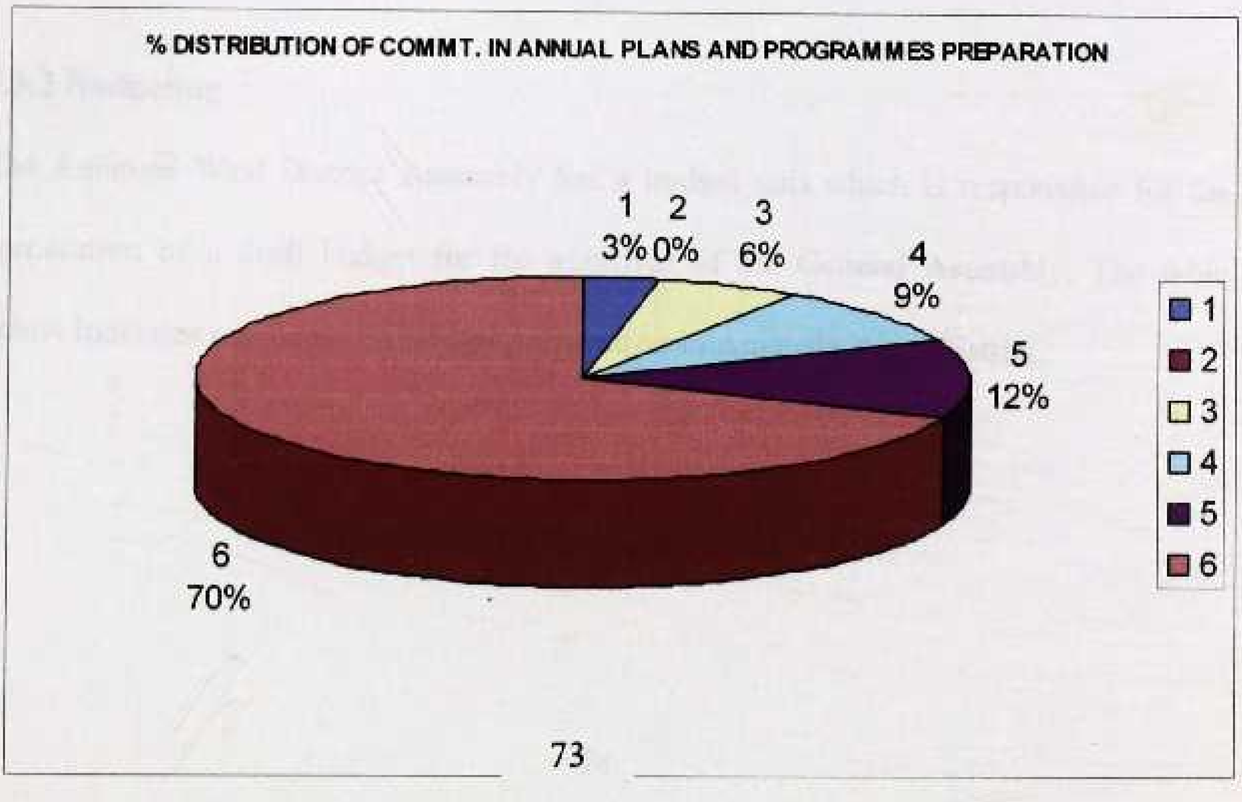
Table 4.7

Committees/Units who prepare the Annual Plans and Programmes

Committee(s)/Agency/Unit	Frequency	%
District Chief Executive	2	3.1
Presiding Member	-	-
Executive Committee	4	6.2
Development Planning Sub. Committee	6	9.2
District Planning Officer	8	12.3
District Planning & Co-ordinating Unit	45	69.2
TOTAL:	**65**	**100**

Source: Field Data – April, 2006

Figure 4.11 Percentage Distribution of Committees in Annual Plans and Programmes preparation.



From table 4.7 forty-five respondents (69.2%) indicated that the annual plans and programmes of the district are prepared by the District Planning and Co-ordinating Unit (DPCU). Eight respondents (12.3%) also said that plans and programmes are prepared by District Planning Officer while six (9.2%) stated that it is prepared by Development Planning Sub-Committee. Four respondents (6.2%) also stated that plans and programmes are prepared by Executive Committee and two (3.1%) responded that it is done by District Chief Executive. On the whole the research revealed that the assembly follows the guideline procedures of planning.

Figure 4.11 also depicts the percentage distribution of committees who prepared annual plans and progammes. Majority of the respondents indicated that it is the District Planning and Co-ordinating Unit who prepared the annual plans and programmes of the assembly.

4.3.2 Budgeting

The Amansie West District Assembly has a budget unit which is responsible for the preparation of a draft budget for the approval of the General Assembly. The table below indicates responses on budget preparation in Amansie West District.

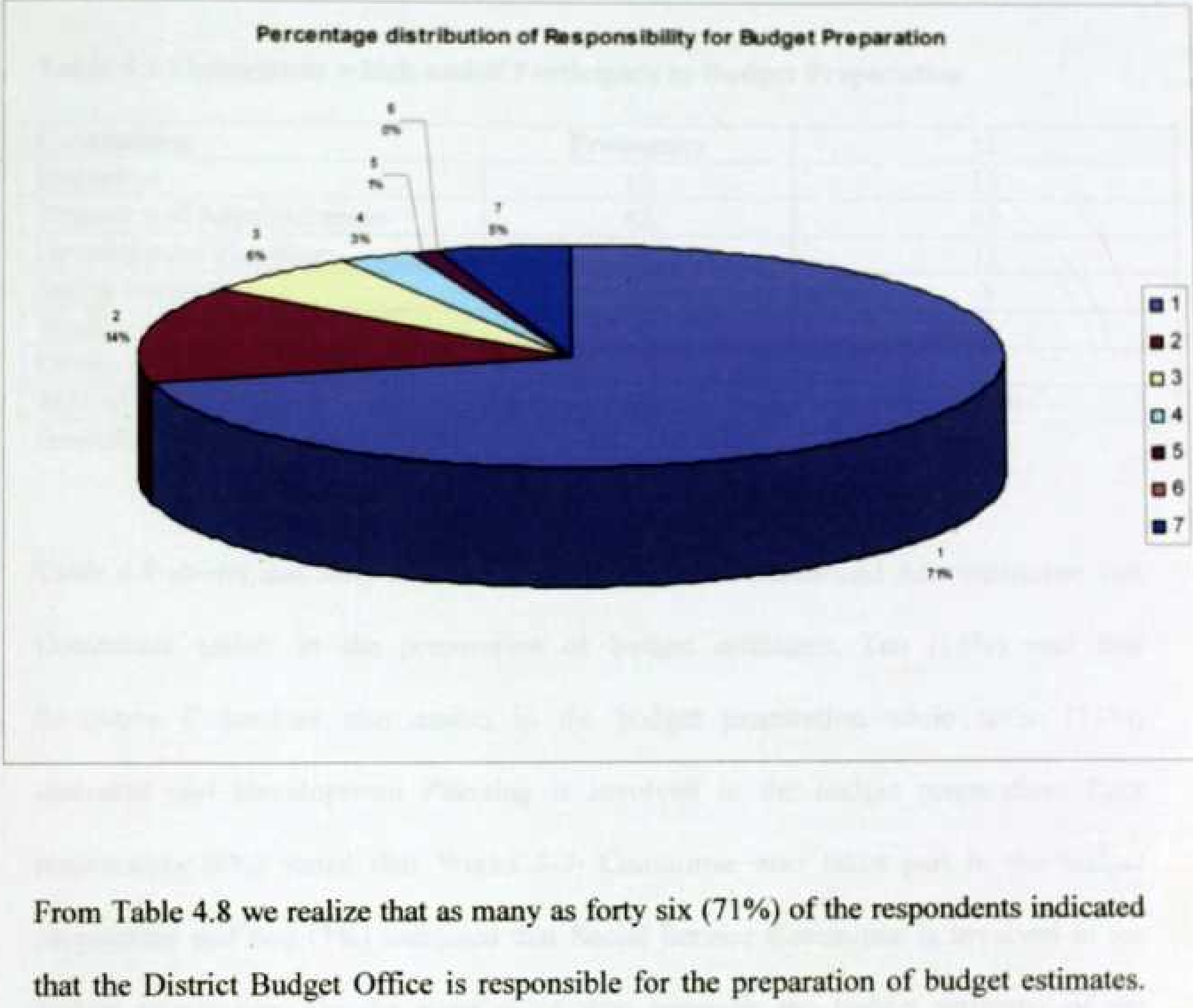
Table.4.8 Responsibility for Budget Preparation

Unit/Agency/Committee	Frequency	%
District Budget Office	46	71
District Finance Office	9	14
District Planning and Co-ordinating Unit	4	6
District Chief Executive	2	3
Executive Committee	1	1
District Co-coordinating Director	-	-
Finance & Administration Sub-Committee	3	5
TOTAL	**65**	**100**

Source: Field Data – April 2006

Figure 4.12 below also shows the percentage distribution of responsibility for budget preparation. As shown below in figure 4.12 majority of respondents (71%) indicated that the District Budget Office is responsible for the preparation of budget estimates.

Figure 4.12 Percentage Distribution of Responsibility for Budget Preparation



From Table 4.8 we realize that as many as forty six (71%) of the respondents indicated that the District Budget Office is responsible for the preparation of budget estimates. Nine (14%) also stated that it is District Finance Office which prepares budget estimates, with four (6%) indicating that it is done by the District Planning and Co-ordinating Unit. Two (3%) respondents also stated that budget estimates are prepared by the District Chief Executive with one (1%) indicating that it is done by the Executive Committee. Three (5%) respondents said that it is done by the Finance and Administration Sub Committee.

As to whether the committees are involved in preparation of budget estimates, all the respondents answered in an affirmative. The table below indicates their responses.

Table 4.9 Committees which assist/ Participate in Budget Preparation

Committees	**Frequency**	**%**
Executive	10	15
Finance and Administration	42	65
Development Planning	7	11
Social Services	2	3
Works	4	6
Others	-	-
TOTAL	65	100.0

Source: Field Data – April, 2006

Table 4.9 shows that forty-two (65%) stated that the Finance and Administration Sub Committee assists in the preparation of budget estimates. Ten (15%) said that Executive Committee also assists in the budget preparation while seven (11%) indicated that Development Planning is involved in the budget preparation. Four respondents (6%) stated that Works Sub Committee also takes part in the budget preparation and two (3%) indicated that Social Service Committee is involved in the budget preparation. On the question of who approves the budget estimates of the assembly, all the sixty five respondents indicated that it is the General Assembly. As regards whether budgeting reflects the development objectives of the district all the respondents confirmed that it reflects the objectives of the district. However, five (8%) respondents indicated that budgeting is not adequate. They pointed out that allocation of projects in some parts of the district tends to favour certain communities. The study indicated that the assembly follows the guideline procedures of budgeting.

4.3.3 Accounting System

Fifty-four (83%) respondents stated that the accounting system of the District Assembly is good and compatible with sound financial management. Eleven (17%) respondents indicated that accounting system is not good. It is important to note that some of the accounting staff recommended that the accounting system should be reviewed. They indicated that the existing system where the assembly practices cash accounting instead of the accrued system results in lost of revenue. They also emphasized that the system does not make provision for depreciation and also excludes assets such as motor vehicle from the annual accounts which makes it difficult for the assembly to contract huge loan for any investment.

As to whether accounting reports and returns are prepared on time, forty six respondents (71%) replied in an affirmative while nineteen (29%) stated that they are not prepared on time. They cited inadequate logistics such as computer, stationery and inadequate accounting staff as factors accounting for late preparation and submission of accounting reports and returns. On the whole the study indicated that the assembly follows the accounting procedures and practices

4.3.4 Auditing

The study revealed that the assembly has no internal audit unit. Ever since the district was created the assembly has not had any substantive Internal Auditor. Due to the problem of inadequate Internal Auditors at the District Assemblies, coupled with the deprived nature of the district, it has operated without a substantive Internal Auditor ever since it was established. The Budget Officer and some Accounting staff are sometimes mandated to do the work of the Internal Auditor but due to their heavy duties and responsibilities it has not been effective. However, External Auditors audit the accounts of the Assembly annually. As to whether audit reports are discussed at assembly meetings sixty two (95%) respondents indicated that audit reports are not discussed at assembly meetings while three (5%) responded that audit reports are discussed at assembly meetings.

On embezzlement and mismanagement, (95%) of the respondents stated there has not been any case of embezzlement and mismanagement while 5% indicated that there are minor cases of embezzlement and mismanagement on the part of some revenue collectors. However, the culprits are sanctioned by the management. Generally, the audit reports revealed that the financial record of the assembly is reliable and satisfactory. However, problems such as improper management of the Poverty Alleviation Fund, alteration of receipt books, inadequate internal control system, over expenditure and non- recovery of loans and advances exit (Audit Reports, 2003/ 2004).

Fifty five (85%) respondents indicated that the financial management system of the district is efficient while ten (15%) stated that it is inefficient. However all the respondents emphasized on the need to streamline the financial management system since no system is a perfect one.

4. 3.5 Revenue Mobilization

The assembly has about forty five sources of revenue. The main sources of traditional revenue for the assembly are stool lands, property rate and mineral royalties. Apart from these three, the contribution of the others has not been encouraging. Due to the departure of the major mining companies from the district, the total local revenue of the assembly has been decreasing for the last three years. With this development if the District Assembly does not identify another revenue sources which are more sustainable, the assembly can not finance its projects and programmes.

From the studies, all the respondents indicated that the financial resource of the assembly is inadequate for the effective performance of their duties. On the rating of the performance of the assembly in its ability to generate revenue, 80% indicated that performance is inefficient, 15% indicated it is very inefficient while 5% pointed out that it is efficient. Respondents mentioned the major problems associated with revenue collection as inadequate permanent revenue collectors, inadequate data on rateable items, inadequate tax education, low level of economic activities and lack of motivation for revenue collectors.

4.3.6 Human Resource

The study revealed that inadequate human resource is one of the major problems which affect the efficient operations of the assembly. Since the creation of the district, the assembly has not had a full complement of staff. Due to the deprived nature of the district most workers do not want to accept postings to the district. Apart from the District Planning and Co-ordinating Unit and the Administration, all the other units are under-staffed. Notably among them is the Accounting and Secretarial/Records Units. However, the District Finance Officer revealed that the few Accounting staff under him are very efficient and hardworking but admitted that their heavy duties and responsibilities sometimes affect their performance. The assembly has only four permanent revenue collectors.

4.3.7 Development

Fifty-two respondents (80%) indicated that development projects reflect the priorities of the district. Thirteen respondents (20%) pointed out that development projects do not reflect the priorities of the assembly. As to why projects do not reflect the priorities of the district, they cited inadequate proper needs assessment as well as lack of proper sitting of some projects. For example at the district capital a market structure that was put up by the assembly in 2000 has not been utilized since completion. The market women are using the old market because the new market is far from the community. It is surprising to note that the new market is just about thirty meters away from the District Assembly offices and offices of the decentralized departments such as Ministry of Food and Agriculture. Since the structure could not be used for the purpose for which it was meant for the General Assembly has given approval for the structure to be used as a vocational school.

Fifty-two respondents (82%) stated that allocation of projects is fair in the district while twelve (18%) responded that distribution of projects is not fair. They stressed that distribution of projects tends to favour the larger communities as against the smaller ones.

On the level of development in the district thirty nine respondents (60%) indicated that they are satisfied and rated the level of achievement as good. However, twenty six (40%) expressed dissatisfaction with the level of development in the district and rated it as low.

Table 4.10 Ranking of the Level of Development in Amansie West District

	RANKING					
Development indicators	Very High	High	Fairly High	Low	Very Low	Total
Access to basic Education	-	13 (20%)	20 (31%)	26 (40%)	6 (9%)	65 (100%)
Health facilities	-	-	40 (61%)	25 (39%)	-	65
Potable water	5 (8%)	25 (38%)	30 (46%)	5 (8%)	-	65 (100%)
Access to Electricity	-	6 (9%)	40 (62%)	12 (18%)	7 (11%)	65 (100%)
Feeder roads	-	-	-	20 (31%)	45 (69%)	65 (100%)
Access to credit facilities	-	-	5 (8%)	40 (61%)	20 (31%)	65 (100%)
Security	-	-	38 (58%)	20 (31%)	7 (11%)	65 100%
Income generating activities	-	-	30 (46%)	20 (31%)	15 (23%)	65 100%

Source: Field Data – April, 2006

Table 4.10 above shows how respondents ranked the performance of the district in terms of various development indicators.

Thirteen respondents (20%) indicated that access to basic education in the district is high while twenty (31%) said that it is fairly high. Another twenty (40%) indicated that access to basic education is low while the rest 9% responded that it is very low. Concerning health facilities, forty (61%) stated that they are fairly high while twenty five (39%) answered that they are low.

In terms of potable water five respondents (8%) indicated that it is very high while twenty-five (38%) responded that it is high. Thirty respondents (46%) stated that access to portable water is fairly high. The remaining respondents said that it is low.

As far as access to electricity is concerned six respondents indicated that it is high and forty (62%) responded that it is fairly high. Twelve respondents (18%) said that access to electricity is low while the rest (11%) stated that it is very low.

All the respondents indicated that bad road is the major problem of the district. Twenty respondents (31%) indicated that the quality of feeder roads in the district is low while the remaining forty five (69% stated that it is very low.

Five respondents (8%) indicated that access to credit facilities is fairly high while forty (61%) responded it is low. The remaining 31% indicated that it is very low. This could be explained in terms of the high default rate of loans repayment in the district. For example as at 5th May 2005 an amount of ¢260,000,000 that was disbursed to 470 farmers between 1999 and 2002 as loans had not been repaid (Annual Audit report, 2004).

In terms of security thirty eight (58%) respondents said that it is fairly high while twenty (31%) indicated that it is low. The remaining 7% also indicated that security is very low.

While thirty (46%) respondents stated that income generating activity is fairly high, twenty (31%) stated it as low. The rest 23% said it is very low. From the audited accounts of Amansie West District Assembly it was confirmed that the assembly does not spent enough on income generating activities. For example the audited accounts revealed that between 1999 and 2003 the assembly spent a total amount of ¢6,887,469,050.00 from Central Government Transfers on projects and programmes. Out of this, an amount of ¢260,000,000.00 was spent on income generating activities. This represented 3.8% of the total expenditure.

Examination of Table 4.10 revealed that the district has been doing well in the areas of potable water, electricity and health. In the areas of basic education and security, performance are slightly above average while in the areas of feeder roads, credit facilities and income generating performance has not been encouraging.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.0 Summary of Findings

Among the objective of this study was to find out how the Amansie West District Assembly managed its financial resources through planning/budgeting, accounting, organizing and co- ordination to promote development. Towards the above objective the financial performance of the district assembly for the past fifteen years (1991 - 2005) were analyzed. Other statistic tools to reach at objective findings were also used.

Generally the revenue analysis indicates that Amansie West District recorded consistent increase in revenue generation in real terms. However, in the post Amansie Resolute's era (2003- 2005) the exit of the mining company and the effect of the rising Consumer Price Index reduced the revenue performance of the District Assembly by 52.3% over the previous era's (1998- 2002) figure.

On the performance of the individual revenue items in real terms, the study indicated that stool lands revenue remains the major local revenue source, followed by mineral royalties and property rate in that order. Stool lands revenue, mineral royalties and property rate contributed 28.8%, 26.9% and 26.4% to total local revenue respectively in real terms. These three major revenue items contributed 82% to total local revenue in real terms. The remaining eight local revenue items, namely fees/fine, licences, rent, investment, other rates, basic rate, plots/permit and miscellaneous also contributed 18% to total local revenue.

Another important observation was that Central Government Transfer remains the major revenue source of the assembly. It contributed 82% to total district revenue for the study period.

On the district tax system it was revealed that apart from equity the other basic principles of taxation are defied. The assembly applies equity by categorizing business activities in sizes and charges business operators according to the size of the business.

It was also found out that the principle of economy is not considered in the assembly's tax policy. Since 1998, the one thousand cedis charged as basic rate has not been reviewed upwards. However, the assembly devotes substantial amount of money for revenue campaign exercise without undertaking cost and benefit analysis.

It was further established that principle of certainty is also defied. Tax education and awareness are very low in the district as majority of the citizens are not aware that they are to pay taxes on the unassessed properties in the district.

The principles of convenience and flexibility are not also adhered to as tax collection is not planned to coincide with incomes of tax or ratepayers. There are no specific times in which business operators are supposed to pay up their taxes. At times revenue collections are done on daily, weekly, monthly or quarterly basis.

The major factors affecting the revenue mobilization of the assembly include inadequate data on reateable items, inadequate tax education, lack of motivation for staff, inadequate revenue collectors among others.

The revenue-expenditure relationship revealed that the assembly recorded a deficit of ¢1,097,031,201 within the study period. However, the relative contribution of recurrent expenditure and capital expenditure revealed that the average share of current expenditure and capital expenditure to total expenditure was 17.1% and 82.9% respectively. The implication of this development is that for every ¢100 spent annually, capital expenditure took ¢82.9 while current expenditure took ¢17.1 within the period under review.

The studies also revealed that the District Assembly applies management principles such as planning/budgeting, controlling, co-ordination and organizing to promote development in the district.

In terms of planning, it was found out that the district has development plans which set out objectives of the district. However 65% of the respondents indicated that planning is adequate while 35% stated that it is not adequate. Those who indicated that planning is not adequate gave the main reason as wrong sitting of some projects.

On the whole the research indicated that development plans reflect the objectives of the district and that through planning, the socio economic development of the district have been enhanced considerably

It was also found out that the assembly uses budgeting as one of the means of controlling resources. However, weak internal control system sometimes results in over expenditure. For example in 2003 financial year the audit report revealed that the assembly recorded an over expenditure of ¢53,526,343.

It was observed that the accounting system is good and compatible with sound financial management. However, the existing system where the assembly practices cash accounting system instead of accrual system results in loss of revenue and this was found to be one of the major weaknesses. Another weakness is the exclusion of assets from the annual accounts which makes it difficult for the assemblies to contract huge loan for investment.

The study also revealed that the assembly has no internal audit unit. However, External Auditors audit the accounts of the assembly annually. Even though audit reports revealed that the financial records of the assembly is reliable and satisfactory, there are some problems such as high rate of loan defaulters, over expenditure, embezzlement among others. However, with the current financial reforms the situation has improved. Generally, it was revealed that the financial management system of the assembly is efficient. However, respondents emphasized on the need to streamline the financial management system since no system is perfect.

In terms of revenue mobilization, the study revealed that the introduction of District Assemblies' Common Fund has not reduced the enthusiasm with which the assembly mobilizes revenue. According to the revenue performance of the District Assembly, even after the introduction of the Common Fund, local revenue increased. However, respondents indicated that the financial resources of the assembly are not adequate for the effective performance of their duties. The major problems associated with revenue collection include inadequate permanent revenue collectors, inadequate data on rateable items, lack of staff motivation, inadequate tax education among others.

Inadequate qualified human resource is one of the major problems which affect the efficient management of financial resources. However, all the staff have undergone some training after their employment and that their performance improved after the training. Human relation is also good. This is a very good development because since the assembly operates as a system, good human relation may ensure efficient operation of the system so as to promote development.

On the general level of development in the district 60% of the respondents rated it as good while 40% rated it as low. However, all the respondents indicated that since the creation of the district there have been improvements in the standard of living of the people through the provision of schools, clinics, potable water, and electricity among others.

The ranking of some development indicators in the district revealed that the district has been performing well in the areas of potable water, electricity and health. In the areas of basic education and security performances have been slightly above average while in the feeder roads, credit facilities and income-generating performance has not been encouraging.

5.1 Recommendations

From the results and observations of the study, the following recommendations are made:

5.1.1 Revenue

a) The assembly should create adequate and reliable revenue data base. When this is done the tax net would be wider and the tax yield could be increased with even a lower rate, instead of fixing arbitrary high rate which is paid almost by the same people who are already in the tax net.

b) To ensure the efficient operation of the tax system of the assembly the basic principles of tax such as economy, convenience, certainty, efficiency and flexibility should be taken into consideration. The study revealed that basic rate performed badly. One reason accounted for this is that it is uneconomical to collect. Here every adult of ages between 18 and 60 is supposed to pay one thousand cedis. This was fixed by the central government since 1998. Since the assembly is a law making body it should make a bye-law to review it upward to reflect the economic realities.

c) The assembly should embark upon a massive and sustainable educational campaign to educate the public on the various rates they pay, how they are arrived at, where and when to pay them and how these taxes are spent and on which projects.

5.1.2 Expenditure

a) To ensure proper disbursement of funds, its management must be conducted within the framework of laws passed by government and other administrative directives. These laws and directives specify functions to be performed, who performed those functions, the time frame within which those functions are to be performed. It should be noted that these laws and directives include authorization of payment voucher, pre-auditing of payment voucher and segregation of duties to avoid over expenditure and other financial malfeasance.

b) If loans are to be recovered, the credit history of the potential beneficiaries should be examined. Proper assessment of the intended venture should also be undertaken.

c) One of the formulas which has been used to share the Common Fund over the years is responsive factor (i.e. ability to mobilize local revenue). This formula does not consider what the local revenue is used for. To ensure that the local revenue benefit the people, the responsive factor should include the proportion of revenue that is spent on capital projects. This will prevent the situation where all the local revenue are used as recurrent expenditure by some assemblies.

5.1.3 Planning

a) To ensure adequate planning process for development, the assembly should ensure that there is active community participation. Interest of all segments of the society should be catered to avoid conflict. Through active community participation, the assembly can mobilize enough resources to promote development. It may also prevent the problem where projects become white elephant.

5.1.4 Budgeting

a) Budgets serve a number of useful purposes such as planning, co-ordinating, communicating, motivating, controlling and evaluating. If the above purposes are to be achieved then the budget should be realistic. In preparing budget for the assembly the basic principles should be applied.

5.1.5 Accounting

a) The accrual accounting system should be practiced instead of the cash accounting where revenue is reported only when cash payment is made. Under the cash system the assembly does not show its debtors. As a result of this substantial amount of money is lost. Contrary to the cash accounting, with the accrual system, revenues are reported as earned, regardless of when the actual payment is received. Operating expenses are treated similarly. Under the accrual system the total debtors of the assemblies in terms of taxes/rates could be captured and appropriate measures put in place to retrieve them. The accrual system is generally better system to use because it offers a more accurate way of reporting.

b) Assets of the District Assembly should be included in the annual accounts to enable it contract enough loan for investment.

5.1.6 Auditing

a) The assembly should establish internal audit unit to ensure that policies, standards, procedures as well as contractual obligations and applicable laws are complied with, resources are safeguarded and used judiciously with due regard to economy and efficiency.

b) The audit report of the assembly should be discussed at assembly meetings to ensure transparency and accountability.

5.1.7 Human Resource

a) To attract qualified staff to the district staff who accept posting to the district should be given scholarship to enhance their career development after serving for a specified period. Other motivation such as promotion, better condition of service among others should be given to the staff.

b) Training needs of the staff should be assessed and the appropriate training given to the staff.

c) Enough logistics such as computers, calculators, stationery among others should be given to the staff if they are to be efficient.

5.1.8 Development

a) The assembly should impress upon the central government to rehabilitate the major feeder roads in the district. Since the district is one of the major farming areas in Ashanti Region and Ghana, the country and the district stand to gain if the road net work is good. Despite the fact that road rehabilitation is capital intensive and beyond the capabilities of the District Assembly, it can also supplement effort of the Central Government by undertaking some routine maintenance in their own small ways.

b) To promote human resource development for the total development of the district access to education and health facilities should be one of the top priorities of the district.

c) Since majority of the youth are unemployed the local authority should invest part of its revenue into income generating activities which will create employment for the youth in particular. This will boost economic activities in the district. Through this the people may also reciprocate this gesture by paying their taxes accordingly.

5.2 Conclusion

Local governments worldwide are the vehicles for development. It is therefore practiced by most countries in the world. To make local governments functional, huge financial resources are transferred from the central government. They are also empowered to generate their own revenues for development. The need for sound financial management has therefore been emphasized by governments and other donor agencies at all levels including local governments.

The conceptual framework identified the following problems at the local government levels:

1) Inadequate planning and budget preparations

2) Poor accounting records

3) Lack of adequate qualified human resources

4) Inadequate financial resources

5) Lack of strong local tax and revenue collecting system.

6) Lack of regular and effective auditing

7) Over reliance of central government transfers

8) Over expenditure

In the analysis, apart from inadequate planning and budget preparations and poor accounting records all the above problems mentioned were identified. However, the analysis of the planning / budgeting and accounting systems revealed some weaknesses such as inadequate data for plan / budgetary preparation and the practicing of cash accounting instead of accrual. On the whole good financial management practices are largely adhered to.

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APPENDIX A

QUESTIONNAIRE

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS

This questionnaire has been designed to help gather data on how Amansie West District Assembly (AWDA) manages its financial resources to promote development in the district. It is purely an academic exercise. It would be much appreciated if you could complete the questionnaire. The information you provide will be kept confidential.

INSTRUCTIONS:

Please tick ☐ the right responses to the questions where answers have been provided.

Fill in the blank spaces where no answers have been provided.

1. What is your status/position in the Assembly (a) Assembly Member ☐
   - (b) Sub Committee Chairman ☐ (c) Presiding Member ☐
   - (d) District Chief Executive ☐ (e) District Co-ordinating Director ☐
   - (f) Head of Department ☐ (g) Others ☐
2. What is your electoral area?
3. How many years have you served the AWDA?..
4. On how many committees/sub-committees do you serve?..
5. Mention these committees/sub-committees..

   ....
6. Do you think the AWDA has adequate financial resources to undertake its Development programmes.

   (a) Highly adequate ☐ (b) adequate ☐ (c) inadequate ☐

   (d) Highly inadequate ☐

7. Mention the main sources of revenue for AWDA..............................

8. How will you rate the performance of the Assembly in its ability to generate revenue. (a) Very efficient ☐ (b) Efficient ☐ (C) inefficient ☐ (d) Very inefficient ☐

9. Can you mention some of the major problems associated with revenue Collection at the AWDA..

10 In your views, how can these problems be solved..............................

....

11 Do you receive central government transfers such as District Assemblies Common Fund. HIPC Fund on time Yes NO

12 How do you rate the use of funds by the Assembly (a) Excellent ☐ (b) Very Good ☐ (c) Good ☐ (d) Fair ☐ (e) Poor ☐

13. How has the District Procurement or Tender Board performed in its functions (a) Excellent ☐ (b) Very Well ☐ (c) Fairly well ☐ (d) Poorly ☐

PLANNING

14. Does your Assembly have a Medium Term Development Plan

Yes ☐ NO ☐

15. If yes does the Plan reflect the development objectives of the District

(a) Yes ☐ NO ☐

16. Are there any committees involved in the preparation of the development plan (a) Yes ☐ NO ☐

17. If Yes mention the committees which are involved..........................

....

18. Does the Assembly organize Public Hearing during preparation of Development Plans? Yes ☐ NO ☐

19. How does the Assembly get to know problems of the people in the district...

20. Do you think planning is adequate in the district Yes ☐ NO ☐

21. Who prepares the annual plans and programmes of the Assembly

(a) The Planning Officer (b) District Planning and Co-ordinating Unit

(C) The District Chief Executive (d) Development Planning Sub Committee

BUDGET PREPARATION

22. Does the Assembly prepare budget estimates every year? Yes ☐ NO ☐

23. If Yes mention the types..

24. If NO why?..

25. Who prepares the annual and supplementary budgets of the Assembly

(a) District Budget Officer ☐ (b) District Planning and Co-ordinating Unit

(C) District Finance Officer ☐ (d) District Chief Executive ☐

26. Are there any committees involved in the preparation of the budget?

Yes ☐ NO ☐

27. If yes which committees are involved? (a) Finance and Administration

(b) Executive Committee (c) Development Planning (d) Others

28. Do all the items budgeted for derive from the annual plan for that period

Yes ☐ NO ☐

29. If NO give two examples..

....

30. Who approves the Annual and Supplementary Estimates of the Assembly

....

31. Does budgeting reflect the development objectives of the district?

Yes ☐ NO ☐

32. If NO explain briefly..

33. Do you think that budgeting is adequate in the Assembly?

Yes ☐ NO ☐

34. If No explain..

ACCOUNTING

35. Do you think accounting system in the Assembly is a good one

Yes ☐ NO ☐

36. If NO explain..

37. Are accounting reports and returns prepared on time Yes ☐ NO ☐

38. If NO what is the responsible for the delay in the preparation of the accounts of the Assembly. (a) Inadequate staff ☐ (b) Inefficient staff ☐ © ill trained Accounting staff ☐ (d) Cumbersome Accounting Procedures ☐ (e) Others ☐

39. Does the AWDA have Internal Auditor Yes ☐ NO ☐

40 (a) How often does the Account of the Assembly audited by Internal Auditors? (a) Monthly ☐ (b) Quarterly ☐ (c) Half yearly ☐

(d) Annually ☐ (e) Others ☐

40(b) How often does the Account of the Assembly audited by External Auditors

(a) Monthly ☐ (b) Quarterly ☐ (c) Half Yearly ☐

(d) Annually ☐

41. Does the Assembly discuss audit report at its meeting Yes ☐ NO ☐

42. If yes, how often (a) Monthly ☐ (b) Quarterly ☐

(c) Half yearly ☐ (d) Annually ☐

43. Has there been any cases of (a) Mismanagement Yes ☐ NO ☐

(b) Embezzlement Yes ☐ NO ☐

44. If yes, what was the reaction of the management?.......................................

....

45 How would you assess the financial management of the District Assembly (a) Very efficient ☐ (b) Efficient ☐

(c) Inefficient ☐ (d) Very inefficient ☐

46 Do you think that the financial management system of the Assembly be streamlined? Yes ☐ NO ☐

47. Suggest some ways by which the District Assembly can improve on the management of financial resources...

....

HUMAN RESOURCE

48. Do you have adequate qualified human resource in your office/Unit

Yes ☐ NO ☐

49. If NO Why……………………………………………………………………

50. What do you think the Assembly can do to attract qualified human resources to the District……………………………………………………..

51. Have you had any training after your employment? Yes ☐ NO ☐

52. How do you rate your present performance after receiving the training

(a) Excellent ☐ (b) Very Good ☐ (c) Good ☐

(d) Satisfactory ☐ (e) No effect ☐

53. To what extent do you understand the duties in your office/Unit

(a) Very Large ☐ (b) Large ☐ (c) Fairly Large ☐

(d) Not at all ☐

54. Do you have enough logistics to perform your functions effectively?

Yes ☐ NO ☐

55. Are you satisfied with your condition of service? Yes ☐ NO ☐

56. What do you think the Government /Management can do to improve on your condition of service……………………………………………………..

…………………………………………………………………………………

57. How do you relate to your superior(s) (a) Very well ☐

(b) Well ☐ (C) Average ☐ (d) Very Poor ☐

58. How do you relate to your co-workers? (a) Very well ☐

(b) Well ☐ (C) Average ☐ (d) Very Poor ☐

DEVELOPMENT PROJECTS/PROGRAMMES

59. Have development projects programmes reflected the priorities of the District Assembly Yes ☐ NO ☐

60. Are you satisfied with how projects are distributed among the electoral areas? Yes ☐ NO ☐

61. If NO why?..

62. Are you satisfied with the level of general development in the district?

Yes ☐ NO ☐

63. If NO explain..

64. How will you rate the performance of the District Assembly in terms of the achievement of its development goals

(a) Excellent ☐ (b) Very Good ☐

65. How will you rank the performance of the District Assembly in terms of the following development indicators?

Key 1 Very High 2-High 3-Fairly high 4-Low 5-Very low

(a) Access to basic education

(b) Health facilities

(c) Potable water

(d) Access to electricity

(e) Feeder roads

(f) Access to credit facilities

(g) Security

(h) Income generating activities.

Appendix 8

AMANSIE WEST DISTRICT IN THE REGIONAL CONTEXT