

THE FINANCIAL MANAGEMENT OF LOCAL AUTHORITIES IN GHANA.

THE CASE OF ADENTAN MUNICIPAL ASSEMBLY

BY

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A THESIS SUBMITTED TO THE DEPARTMENT OF BUSINESS

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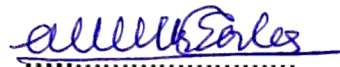
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DECLARATION

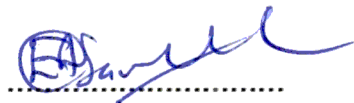
I, Tamakloe Yaw MacCharles hereby declare that this submission is my own work towards Commonwealth Executive Master in Business Administration (CEMBA) Degree, and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for award of any other degree of the University, except where due acknowledgment has been made in the text.

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DEDICATION

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Having gone through two (2) years course in Commonwealth Executive Masters in Business Administration and come out with study of Financial Management of Local Authorities, I hereby and heartedly dedicate this research work to my son and daughter Joshua Mawuena Tamakloe and Juliet Mawutor Tamakloe respectively for making me a father of children.

ACKNOWLEDGMENT

This is to express my sincere gratitude to all the individuals who have contributed in diverse ways to the success of the study.

I am especially grateful to Mr. Sarpong Kumankoma, my supervisor, for his guidance, encouragement and support in undertaking this invaluable study.

I am similarly grateful to Mr. Kingsford Amoako, the Metropolitan Finance Officer of Tema Metropolitan Assembly for his unlimited assistance and encouragement throughout the entire program.

Also, to my Wife, Agnes Akrong who has been of great help to me throughout the course, must have a fair share of commendation for encouraging me. Many thanks also go to the officials of Adentan Municipal Assembly, who contributed towards the success of my data collection exercise, and all those have contributed in one way or the other to the successful completion of this thesis, I say thank you.

ABSTRACT

The Local Government Law 1988, Provisional National Defence Council (PNDC) Law 207, and subsequent legislations initiated a fundamental change in the nature of governance in Ghana, through the devolution of authority to local government in decision making and control over the fiscal resources. In contribution to achieve the policy objectives of participatory democracy, the study of financial management is purposely chosen to identify the main causes of financial management burdens on the Local Authorities.

The study will provide recommendations to the policy makers and implementers on how to mitigate the said burdens to achieve the policy intent of Ghana's decentralization. The study revealed that, the Local authorities have not been able to establish effective and efficient financial management mechanisms coupled with acceptable level of transparency and degree of fiscal autonomy.

Appointment of Chief Executive, posting and payment of salaries of Assemblies' staff by the Government, gives it too much opportunity for political, financial and administrative dominance of the Local Authorities.

The Local Authorities will continuously depend on the Central Government mostly for financial and human resources, which defeats decentralization policy. To avert this bane, the researcher recommends that, the financial capacity and fiscal autonomy of the Local Authorities should be enhanced, whereby Chief Executives are elected to minimize or eliminate the political and administrative interferences in the Local Government system

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

The decentralization structure of the government has turned to be a recurring theme in governance, hence calls for administrative and political reform worldwide. Decentralization has been advocated as an alternative approach for promoting popular participation in decision-making, which is considered vital to the development process (Asibuo, 1992).

For socio-economic and infrastructural developments, successive governments of Ghana since independence have realized the importance of formulating and implementing decentralization policies. However, past governments before the forth republic did not commit themselves to this laudable policy until the Provisional National Defense Council (PNDC) government demonstrated political commitment to decentralization of political and administrative power. This led to the passing of the Local Government Law 207 of 1988 and Act 462 of 1993.

In pursuance of national development through the policy of popular participatory democracy to ensure accountability, effectiveness, efficiency, stability, and minimization of rural-urban drift. The Metropolitan/Municipal/District Assemblies (MMDAs) are assigned administrative and political functions in their respective areas of jurisdiction.

These Assemblies according to the Act 462,1993 have in their jurisdictions :
Deliberative, Legislative and executive functions. These functions include:

- being responsible for the overall development and shall ensure the preparation and submission of development plan and budget .
- formulate and execute plans, programs and strategies for the effective mobilization of resources necessary for the overall development of the local authority.
- promote and support productive activity and social development in the district and remove any obstacles to initiative and development.
- initiate programs for development of basic infrastructure and provide municipal works and services.
- be responsible for maintenance of security and public safety.
- ensure promotion of justice
- be responsible for the development, improvement and management of human settlements and the environment.

The attempts to execute the functions devolved to the Local Authorities by the Central Government has been met with some challenges. They have not been able to play a significant role towards the overall development of their localities. Limited financial resources, democratic immaturity, appointment of chief executives instead of election, and the inability to post qualified personnel to the MMDA have been identified as militating factors against the growth and the efficient performance of the Local Authorities in Ghana.

In view of the militating factors stated above, the study concentrates on financial management, since finance is the root cause of most of the problems facing the local government system. Experience however, indicates that finance, which is the lifeblood

of every organization, cannot be isolated from executing functions of any decentralized unit (Asibuo, 1998).

The Provisional National Defence Council (PNDC) Law 207 initiated a fundamental change in the structure of Ghana's administrative system and subsequently Act 462, 1993, also allowed the collection of local revenue such as property tax, basic rates, business operating license, market tolls and fees and fines by Local Authorities for developmental agenda.

Some revenues are transferred to the local authorities by the Central Government to supplement the Internal Generated Funds (IGF). These funds include: -

Grants-In-Aid, Recurrent Expenditure Transfers, Ceded Revenue, District Assemblies Common Fund and GETFUND.

The revenues from these sources are used to translate the legislative, deliberative and executive powers and competences into development phenomenon. In a bid to achieve the objectives of the Local Authorities calls for prudent financial management to avoid wastages and leakages of the revenue.

1.2 STATEMENT OF THE PROBLEM

There are various reasons, which testify that for decentralization to achieve its purpose, it must be characterized by financial empowerment and fiscal autonomy. However, it has become increasingly difficult for local authorities to fund services and projects primarily because their costs have been mounting while their revenue base has been dwindling (Ayee, 1998). The numerous functions to be executed by local authorities raised high expectations among the major stakeholders.

The expectations arouse could not be met due to low degree of fiscal autonomy, lack of transparency in the financial affairs and financial management burdens on the local authorities. These actually need statement of brief as the necessary remedies to increase the financial capacity of the local authorities.

The nature of decentralization in Ghana needs sound financial and fiscal autonomy with high level of transparency in the affairs of finance. This calls for good financial management system that will lead to strong financial position. In the same vein the Local Authorities need to be redeemed from political and social influences from the Central Government and the major stakeholders (chiefs and land owners).

The Local Authorities should employ the two (2) pronged strategy that focuses on revenue maximization and reduction in the cost of collection. Effective control mechanism is very crucial for detecting and preventing fraud and errors. Misapplication and misappropriation of funds will also be controlled.

It is however, imperative to recognize that assembly members and staff of the local authorities that are involved in financial management activities are to be made to add value to themselves through capacity building for efficiency. These will lead to achievement of the objectives of the Local Government policy.

1.3 OBJECTIVES OF THE STUDY

The main objectives of this study are categorized into five (5) folds as spelt out below:

1. It examines the sources of revenue and revenue mobilization techniques employed by the local authorities and associated problems

2. It evaluates how revenue from both internal and external sources is managed to execute the statutory functions assigned to the local authorities in compliance and accordance to 1992 Constitution of Ghana and Act 462, 1993 of Local Government Law
3. It identifies and discusses the strength of control mechanisms of financial management of local authorities
4. It examines the level of transparency in fiscal and financial affairs and the degree of fiscal autonomy of local authorities in Ghana.
5. It comes out with findings as the main causes of financial management burdens on the local authorities and recommends redemptive measures.

These will eliminate or mitigate the financial management burdens on the local authorities and enhance the level of transparency and degree of fiscal autonomy in the financial affairs in the local government system for national development.

1.4 SIGNIFICANCE OF THE STUDY

The study is significant for several reasons, among other things are;

Firstly, it draws the attention of policy makers, practitioners of local governance, mouthpiece of local authorities and politicians to the main challenges confronting the local authorities and the urgent need for resolutions of such problems.

Secondly, it underscores the importance of funds in the effective and efficient functioning of the local authorities, in the process of translating powers, means,

and competence, into development phenomenon, hence, it emphasizes the need for effective and efficient financial management.

Thirdly, the recommendations and suggestions of the study would be particularly useful to the Ministry of Local Government and Rural Development (MLGRD), Academics, Non-Governmental Organizations (NGOs), Researchers, Ghanaian Local Authorities and Central Government. This will help lift the financial management burdens from the local authorities.

Fourthly, the study contributes to nation's quest for accountable, transparent, responsible and viable form of local governance, and the ongoing debate on the payment for assembly members and the usage of the common fund given to members of parliament (MPs).

Lastly, the study underlines the need for transparency, fiscal autonomy and resourcing all the decentralized departments. This underscores the importance of free, fair and unquestionable financial management of local authorities in Ghana.

1.5 LIMITATION OF THE STUDY.

This study, like any learning material is not a panacea hence has some limitations. The limitations of the study are:

- The scope of the study covers only one local authority thus Adentan Municipal Assembly as the miniature of all the 170 local authorities in Ghana. The findings of the study may not contain some problems militating against the financial management of local authorities pertaining to other Assemblies due to difference in leadership style of the various Chief Executives and the moral and ethical

behavior of those involved in financial management. Next research should cover more than one local authority.

- The English language as medium of communication used coupled with the high rate of illiteracy made the respondents unwilling to provide 100% of the information needed due to inferiority complex. This actually affected the analysis hence limiting the quality and quantity of the findings. The researcher proposed that other local languages should be employed with the English language in future studies of this nature.

1.6 ORGANISATION OF THE STUDY

This study is divided into six (6) basic chapters.

Chapter One covers introductory issues, objectives, significance, organization and limitations of the study.

Chapter Two looks at the historical overview of local government with regard to finance.

Chapter Three reviews literature on the legal provisions and past studies, which are relevant to the study.

Chapter four contains the research tools employed by the researcher for data collection and analysis.

Chapter Five focuses on the Adentan Municipality Assembly (AdMA), discusses and analyses the main components of financial management of local authorities.

Chapter Six finally settles on findings, conclusion and recommendations of the study to help mitigate the financial management burdens on the local authorities.

CHAPTER TWO
FINANCING LOCAL AUTHORITIES IN GHANA:
A HISTORICAL OVERVIEW.

2.1 INTRODUCTION:

Admittedly, Local authorities cannot execute their assigned functions effectively, without good financial management. Therefore, devolution of authority should be accompanied by financial empowerment and enough sources of revenue.

This chapter provides a historical overview of local government administration with particular emphasis on financial management of local authorities.

2.2 LOCAL GOVERNMENT REVENUE: THE COLONIAL ERA.

The history of financial managements of local authorities dates back to the colonial epoch. The British colonial administration recognized the need to resource the local authorities at the grass roots to empower them financially. Consequently, in 1939 the colonial government passed the native administration treasuries ordinance, which provided that:

"a state colony may and if required in writing by a provincial commissioner shall establish a treasury for it. The treasury is to be managed by an Ad-hoc Finance Board appointed by and responsible to the State council. A native authority with the approval of the Governor, may levy a tax on its people for public purposes (Ward,1948).

The ordinance was introduced as direct taxation to supplement the indirect taxation on which the colony hitherto depended. Individuals were made to pay income tax of six pence on £50 per annum and upward. This was shared between the stool treasuries and the central government (Ward,1948).

It is important to emphasize that the native authorities were given the power to raise revenue to pursue development programs like construction of schools and health centers in their areas of jurisdiction (Ayee,1994).

The two forms of property rates were merged in 1966 to avoid double payment by rate payers.

2.3 LOCAL AUTHORITY FINANCING UNDER CONVENTION PEOPLE'S PARTY (CPP) GOVERNMENT: 1960 – 1966

The Convention Peoples PARTY (CPP) government regarded the local government structures as the way of satisfying an essential need for efficiency in good governance and therefore demanded that, local government should be capable to administer and manage local authorities which depended on financial support. As a result, the central government provided Grant-In-Aid to equip the local authorities to be able to perform their tasks (Ward, 1948).

The fragmentation of the local authorities by CPP government made financing difficult task to perform, hence reduction in the grants thereby weakening their ability to meet their obligations. The trading out of the grants-in-aid could be attributed to the general financial predicament the CPP government suffered as a result of accelerated education program initiated in 1961. In order to resource the local councils, the central government introduced a new tax administration which was extended to the rural areas (Ayee, 1994).

The table.1 below shows Grant-In-Aid the Central Government provided to the Local Authorities in Ghana. From 1960 to 1966.

YEAR	BLOCK GRANTS	DEVELOPMENT GRANTS
	¢	¢
1960 – 61	1,971,260	2,400,000
1961 - 62	1,661,200	1,350,000
1963 - 64	1,350,000	400,000
1965	1,281,486	400,000
1966	1,077,500	400,000
TOTAL	7,341,446	4,950,000

Source: Ayee, (1994) An Anatomy of Public Policy Implementation.P62

2.4. LOCAL AUTHORITIES FINANCING; 1967-1971

The National Liberation Council (NLC) Government constituted several commissions to rectify the shortfalls of the local administrative structures. Some of these commissions were: Commission on the structure and remuneration of the public service (Mills-Odoi commission,1967), Constitutional commission (Akuffo-Addo commission, 1968), and Commission on electoral and local government (Siriboe commission,1968).

The Siriboe commission(1968) recognized the relevance of the District Councils as the fulcrum of decentralized administration and then proposed strong financial support for the local authorities and creation of an executive committee with the power to approve supplementary financial estimates of the councils up to ¢1,000 in any case and total of ¢5,000 per annum.

It also served as the Tender Board to the councils for the award of contracts, approve application to banks for limited and short-term overdrafts and to write

off irrecoverable arrears of revenue and deficiencies in cash receipt (Greenstreet, 1971).

The local authorities were over dependent on the central government grants and subsidies for their operations. Thus, between 1966 and 1969, the Local Authorities received a total of ₦3,123,152 of block grants and ₦1,175,000 as development grants. In the 1969 budget, government allocated ₦2.6 million to the regional committee for projects.

The Progress Party (PP) Government fulfilled its commitment to local administration by passing the local administration Act 359 1971 which, had a Three – Tier structure namely; regional, district and local councils. The central government continued to support the district councils financially.

The Act 359,1971 therefore stipulated that the allocation of funds to the districts was to take place throughout the regional councils subjects to authorization by the local government grant commission for proper supervision and accountability in financial matters.

2.5 LOCAL GOVERNMENT FINANCING: 1972-1981

The Supreme Military Council (SMC) amended the local administration Act 359 1971 and maintained management committee because NRCD258 sought to wipe out all the administrative inefficiency and financial malpractices, which had engulfed local government system .

Among the measures to tackle the problems were institution of mechanisms like quarterly auditing of local government accounts and employing qualified treasury officers for the local authorities. The new government took over the payment of the salaries of the local government to enhance their efficient functioning.

However efforts for generating local revenue were relaxed thereby affecting development projects.

The Consultative Assembly that drafted 1979 constitution which ushered the Peoples National Party (PNP) to power, required it to decentralize the administration machinery to the regional and districts levels. This is to permit sound and effective administration and control at the regional and district levels (Constitution,1979)

PNP desired to ensure that local government structure is firmly entrenched, hence the regime fulfilled its constitutional obligation and established the local government grants commission. It is significant however to mention that the grants commission was a nominal body, because it did not have any significant impact on the local government administration.

The grant commission did not enjoy its autonomy in financial matters and operated more as "a clearing house for request for central departmental finance on behalf of specific district council projects" rather than an independent funding agency (Ayee,1994)

Consequently, the commission became impotent and its effects on the local authorities were disastrous. Thus the commission could not develop any acceptable revenue sharing formula until August, 1981. The lackadaisical approach showed by the central government also affected the revenue mobilization at the grassroots. Thus district council's revenue fell by fifty percent but for timely intervention by the chairman of the Grant commission, Prof. J. K Nsarkoh for a remedy to the falling level of rate receipts and a resuscitation of

district commercial activities in order to ease the burden on central government grants-in-aid.(Ayee,1994)

2.6 LOCAL GOVERNMENT FINANCING: 1982-2004

The PNDC Government identified one major problem confronting the local government units as lack of financial capacity. To address this malaise , the regime passed PNDCL 207, which created local government units called District Assemblies (DA's) or Local Authorities, Schedule six of the law established a financial base for the DA's which covered six broad areas namely;

- local taxes, which the district assemblies were empowered to impose and collect from the local people
- bank borrowing within Ghana for investment
- investment income
- central government development grants
- shares of revenue collected by the central government on specific natural endowments, such as stool lands
- shares of seven central government revenue

According to Ahwoi (1989) ceded revenue alone added ₵271.3 million to the total revenue of local authorities, ₵303million in 1990, ₵594 million in 1991 and ₵2.1 billion in 1992. He opined that in some areas the ceded revenue exceeded locally generated revenue of the local authorities (Ahwoi,1989).

During that period the central government used population of each local authority, a flat equal sum for all local authorities and the development status or deprivation of each local authority as a basis for sharing of the ceded revenue.

Act 462, 1993 of the local government spelt out internal sources of revenue to local authorities. These sources include rates, fees, trading services, licenses, lands and miscellaneous. The local authorities were blessed when the PNDC government introduced District Assemblies Common Fund (DACF) in 1992 to supplement the local financial resources.

The major supplementary sources of revenue to the local authorities are the central government transfers, donor fund and debt relief fund. The major ones are:

Grants-In-Aid, Recurrent Expenditure transfers, Ceded revenue, GETFUND, Program (Donor) Funds and District Assembly Common Fund (DACF).

The DACF is not a panacea but a complementary source of finance for local authorities in Ghana and it is a pool of 5% of the total tax revenue set aside to be shared among all the local authorities.

The sharing formula for disbursement of the fund is analyzed as follows:

- 90% of each years total revenue is shared among the assemblies using the approved formula
- 5% is shared equally among the 230 Members of Parliament for Constituency projects
- 2.5% is shared equally among the ten regional coordinating councils for monitoring and supervision activities
- 2% is reserved to meet contingency expenditures
- 0.5% is used by the DACF secretariat for monitoring (Magnus,2008)

The formula is also prepared on the principles of objectivity, fairness, measurability, relevance and simplicity.

From 1994 to 2004 the Central Government had transferred ₦2,627,542,000,000 to the Local Authorities. The factors considered in the sharing were; The Need Factor, The Response Factor, The Service Pressure Factor and Equalizing Factor.

Table 2. below shows analysis of DACF from 1994 to 2004.

DACF DISBURSEMENT ANALYSIS. 1994 – 2004

YEAR	AMOUNT (BILLION CEDIS)	ANALYSIS
1994	38.490	
1995	54.276	Increase of 41% over 1994
1996	78.360	Increase of 45% over 1995
1997	102.334	Increase of 20% over 1996
1998	132.322	Increase of 30% over 1997
1999	149.526	Increase of 15% over 1998
2000	149.526	Increase of 33% over 1999
2001	188.729	Increase of 27% over 2000
2002	265.350	Increase of 41% over 2001
2003	648.562	Increase of 145% over 2002
2004	857.172	Increase of 33% over 2003

Source of Data: Common Fund Secretariat, 2008.

CHAPTER THREE

LITERATURE REVIEW

3.1 INTRODUCTION

Literature from published and unpublished sources has been reviewed to provide an in-depth understanding of the problem of financial management of local authorities in Ghana. Financial management is very crucial in responsive service delivery and execution of policies that would lead to the overall national development through the local authorities.

Decentralization and associated legislation for effective and efficient grassroots' participation has occupied the attention of several scholars notably Asibuo (1992), Ayee (1994), Nsarkoh (1994), Arkoh (1994), Ahwoi (1998), Greenstreet (1971), and a host of others. These studies have unearthed some of the problem confronting the local authorities in the developing countries including Ghana.

Writers such as Asibuo (1998) in his study discusses Provisional National Defensive Council – decentralization policy and its impacts on the local authorities in Ghana. Local Authorities have been assigned extensive functions and responsibilities. These functions includes but not limited to

- The responsibility for overall development of the district as well as playing a role in formulating and preparation of district development plan and budget.
- Effective mobilization and utilization of human and physical resources for economic and social development.
- Provision of basic infrastructural, municipal work and services.
- Development, improvement and management of human settlements and maintenance of security and public safety (Asibuo, 1998), hence the need for

local authorities to manage their finances well to carry out the said functions for benefit of their citizens.

3.2 PLANNING

The District Assemblies as Planning Authorities shall perform planning functions assigned to them under any enactment for the time being in force.(Act 462, 1993). This opines that local authorities need to gather information from their areas of jurisdictions and establish a comprehensive database of all ratable properties. This is to enable them maximize revenue from the local sources to execute their devolved functions and responsibilities. Supervision and identification of opportunities and constraints are crucial for the exploitation of limited resources to enhance their financial capacities, simply because they required adequate financial resources to implement their plans for the realization of their goals and objectives. These planning functions of local authorities are spelt out in Act 462, 1993, Legislative Instruments (LI) establishing the various MMDAs and National Development Planning System Act 480.

3.3 PREPARATION AND APPROVAL OF BUDGET

The authority for preparation of district budget is derived from Act 462, 1993, which states: A district assembly shall be responsible for overall development of district and shall ensure preparation and submission of budget through the Regional Coordinating Council (RCC) to the National Development Planning Commission. The budget stated by the Act 462, 1993 includes the aggregate revenue and expenditure of all departments and organizations under the Local Authorities and District Coordinating Directorate.

According to Maslove (1989) and Fubbs (1999) budgets serve as the following in governance:

- Planning tool reflects that policy and planning are at opposite ends of the same continuum.
- Legal tool to address the compliance of revenue and expenditure with constitutional requirements and relevant legislation in the light of the spirit of participatory democracy.
- Allocation, reallocation and redistribution tool for government. The process calls for estimates on the funding required by different departments and programs.
- Accountability and control tools for the government system to ensure accountability and transparency.
- Political tool reflecting central government policy, the needs, and well being of the community.
- Economic tool addresses how to build the economy and influence where investment is directed, promote sustainable employment and contribute to national savings pattern.

Having established that budget is financial management tool, the study deduced that budget is the projected revenue and expenditures which are targets that will, if achieved results in desired level of performance. Hence a budget is a financial plan that forecast how monies can be mobilized, spent and managed in order to achieve local authorities planned objective. This is to effect a qualitative and quantitative change in the living conditions of the people in the jurisdictions.

Nsarkoh (1994) emphasized the importance of self-evaluation and external controls as tools for good financial policy. Where decentralization has been embraced, he recommends that composite budgeting is a must. It must be seen as strategic means of harnessing available financial resource; the fact that this form of budgeting minimizes duplication and eliminates unnecessary competition among sectoral departments. This could be described as strong method of mobilizing and controlling resources for the implementation of the decentralization program.

Judicious usage of resources and maximization of revenue calls for preparation, approval, and compliance to the budgetary allocations. This is to avoid over expenditure and revenue leakages.

3.4 REVENUE MOBILIZATION

The financial provisions for the new local government are contained in Article 245 and 252 of the 1992 Constitution and Act 462, 1993. These mandated the local authorities to mobilize revenue for developmental projects.

The revenue mobilization and its management constitute core problem areas in the decentralized local government administration in Ghana. The solution to the problems associated with the phenomenon will go a long way to arrest many other constraints facing local government in the country (Buachie-Danquah 1996).

The issue of revenue mobilization and management is not a peculiar Ghanaian problem. "Even in the so-called developed countries of Europe and North America, local

authorities are under pressure to mobilize their own resources to meet the costs of implementing development objectives and service delivery” (Buachie– Danquah,1996).

The findings by Buachie-Danquah are realistic in the local government system and being supported by the idea that, internally resources alone can not meet the demands of the local authorities, with regard to their core mandate of responsibilities. Therefore there is the need for national development resources for the implementation of development activities. In the past, revenue allocated to the local authorities under status in Ghana was not curative and viable enough to provide income for sustainable development. To ensure financial capacity of the local authorities, the District Assembly Common Fund (DACF) was created by the Central Government to provide adequate and reliable funds for the local authorities (Magnus,2008). This means that revenue mobilization as a component of financial management is a difficult task to perform and the various sources are inadequate hence the need for a two prong strategy that will aim at revenue maximization and minimizing cost of revenue collection.

Asibuo (1998) showed that there were inefficiencies in finances of the districts surveyed. There were sharp differences between revenue targets and actual revenue collected giving unfavorable variance (Asibuo, 1998). Buttressing this point Nsarkor (1994) remarked that Local Authorities face the problem of inadequate financial resources to implement development projects, yet they keep on awarding contracts to inefficient contractors.

Studies by Arkoh (1994) exposed glaring weaknesses in the Local Authorities revenue and expenditure administration. His analysis of revenue and

expenditure of six(6) Assemblies in the Central Region of Ghana indicate a wide gap between approved revenue and actual revenue collected.

Furthermore, the study by Asibuo (1994) and Nsarkoh (1994) on "Financing Local Government in Ghana. Empirical study of Problems" proved that there are general revenue inadequacies in the five assemblies surveyed. From the findings above, it means that financial management of local authorities in Ghana is facing challenges, which includes revenue mobilization, scarce resources, auditing, budgeting, low level of transparency and fiscal autonomy as well as expenditure administration difficulty.

3.5 EXPENDITURE ADMINISTRATION

Local Authorities, according to Act 462, 1993, may incur all expenditure necessary to carry out any function conferred upon them. The stated expenditure should be included in the approved budget for the relevant year.

Local Authorities dependency on elastic taxes such as property rates create the revenue gap between the fast raising expenditure and slow raising income (Dotse, 1987). In the same vein Ayee (1995) contributed to this issue of local government financing, establishing that, the general nature of the inter-governmental fiscal relations in Ghana and other developing countries seem to suggest that developing countries assigned more expenditure functions to sub-national resources allocated to those sub-units. The results of this mismatching of functions in Ghana are generally because local authorities depend on transfers from the central government which are often behind schedule.

According to Nsarkoh (1994), it is clear that the existing levels of social services is quite inadequate, and is, in fact, a waste of resources to some extent. He

argued that if it is desirable to remedy this situation, then the main factors that ought to govern that decision ought to be, more efficient and equitable way of raising the needed money and how effectively expenditure can be controlled. He emphasized the importance of self-evaluation and external controls as tools for good financial policy (Nsarkoh,1994)

The expenditure of the local authorities can not be met by the internally generated fund, hence DACF has become the most important and reliable revenue stream for the local authorities in Ghana. Without it, capital and development expenditures would be severely limited and the development expenditure would remain a centralized function in the local government system (Magnus, 2008).

Central Government has, since 1995, assumed full responsibility for salaries payment and other remuneration, including pensions of staff of the District Assemblies, provided these fall within approved manpower ceilings for the assemblies. The government also bears responsibility for the operational and administrative expenses of the Assemblies. It is planned that once recurrent expenditure is fully decentralized, these payments will be transferred to the Assemblies as block grants. This will enable the assemblies to rationalize their manpower and adopt other cost cutting measures in order to save money for development (MLGRD,1986).

3.6 AUDITING

Act 462, 1993 empowers the local authorities to have Internal Audit Unit and its head shall at interval of three months, prepare a report on internal audit work carried out by the unit during the period of three months immediately proceeding

the preparation of the report and submit it to the Presiding Member (PM) of the Assembly. This implies that the internal audit report is to be discussed and the recommendations therein implemented to strengthen the control mechanisms. This is to enable the control system to detect and prevent fraud and error in the financial management system. This forms part of the monitoring and control system and duties of the Internal Audit in the local governance as outlined in the Internal Audit Agency Act 658 2003. It states that the Audit Report Implementation Committees of local authorities shall be responsible for the implementation of the recommendations of the internal audit reports, and the Agency may upon examination of an internal audit report, take actions as it considers appropriate including recommendation of prosecution and disciplinary action in respect of any breaches found (Internal Audit Agency Act 685, 2003). The compliance of this act would enhance the financial management.

3.7 FISCAL AUTONOMY

The more financial resources District Assemblies are able to mobilize independently, without too much reliance on the central government grants, the greater will be their autonomy. The DACF as the main source of revenue to the local authorities, actually reduces their degree of fiscal autonomy. This is because the local authorities depend largely on the common fund for discretionary and statutory payments.

According to Act 462, 1993, the Chief Executives of the various Local Authorities are appointed by the president. He/she is the political and administrative head, representing the government. This turns to undermine the autonomy of the local

authorities and the inability of the local authorities to hire and fire their own employees also lowers the degree of their fiscal autonomy.

3.8 TRANSPARENCY AND ACCOUNTABILITY

In a bid to promote transparency and accountability in local governance and rural development, Act 462,1993 and legislative instrument(LI) 1589 and 1606 made provisions for:

- Access to the records of the local authorities by the minister
- Freedom of speech, debate, and proceedings in the assembly
- Duty to give information and inspection of premises in respect of rate and formation of rate assessment committee
- Auditing of Assembly's accounts by the internal auditor and provide audit report for discussion and implementation.
- Publication of annual financial statement and audit reports for the public consumption.
- Proper keeping of accounts and records as well as preparation of financial statement

The provisions aforementioned underline the significance of accountability and transparency in financial management of local authorities in Ghana. Transparency and Accountability take root from the involvement of people in the decision making process. This is buttressed by the findings of Asibuo (1992) that decentralization has been advocated as an alternative approach for promoting popular participation in decision making, which is considered vital to development process.

This means that popular participation strengthens the degree of transparency and thereby facilitating accountability process to build trust and confidence in the local authorities.

3.9 OTHER GOVERNANCE THEORIES

In a bid to undertake a work of this nature, certain theories that have been propounded to serve as a useful source of information are relevant. This study will benefit from the Prismatic theory propounded by Riggs (1960) and the system theory by Easton (1965).

3.9.1 PRISMATIC THEORY

Prismatic theory offers a good framework for the decentralization policy of government in Ghana. According to Riggs (1960) the prismatic theory is a social system that is semi-different and standing midway between an undifferentiated good society and a highly differentiated society. His assertion attests to the fact that society moves from one end to another. As a result of this, developing countries lie in between traditional and the model societies. The theory further stresses the essence of the environment and ecology, the implementation of any government policy and program. This means that organizational participants like stakeholders of local authorities are affected by external factors and variables in discharging their duties.

Consequently, in studying an institution and its financial management, one must not take only the prescriptive variable into account but also the ecology, because its impacts can affect continuous existence of any legal entity like local authority.

Furthermore, the socio-economic as well as the political environments within which the financial management and administrative programs are formulated and implemented actually influences the result of such programs. An important feature of Riggs model is formalism.

It refers to the difference between what out to be done and what actually is done. In other words, it is seen as the difference between the normative and behavioral. For instance the local authorities have devolved functions of collecting fees from business operators, rates from property owners, fines from offenders, and getting loans from banks and manage the revenue judiciously to achieve overall development objectives. In most cases, some ratepayers refuse to fulfill their obligation, and revenue collectors who collect this revenue out of favoritism find themselves allowing these ratepayers to escape which affects the financial management.

The theory also deals with nepotism and patronage as a bane in the administrative system in developing countries. Staffs are likely to be employed into most of the Local Authorities on the bases of religion, family ties, political connection, as well as favoritism in lieu of competence or merit. A corruption, which is also a feature of prismatic model, is usually identified in the Ghanaian local administrative system of governance.

According to Nsarkoh (1994) corruption has eaten into the fiber of the local government system to the extent that some officials of the assemblies use their positions unlawfully and illegally for their personal gains through the award of contracts to inefficient contractors. This is due to the fact that, financial management burdens characterized by inadequate salaries for workers, weak control mechanisms, lack of transparency in fiscal and financial affairs, incompetence and external factors contribute to such unwanted attitudes. For example some staff within the financial management system of the local authorities usually misappropriate funds of the assemblies.

3.9.2 SYSTEM THEORY

Another theory which is also relevant to this study is the system theory, propounded by Easton (1965). The concept has been defined and utilized by authors in cybernetics, biology, physics, psychology, sociology, economic, management and variety of other basic and applied fields.

The usefulness of the systems theory in understanding administrative processes also indicates that systems may be different from one another although they may be contributing to carry out similar functions. The components of a system may be departments, devices, procedures, policies, plans, rules, management, people, and techniques. For instant the operations of an institution such as local authority differ from country to country. The different countries may have different forms of governments, and approaches of political administration with different financial management. Example: Unicameral type of government uses different approach of financial management and administration from bicameral type of government yet both of them seem to achieve the same purpose. This reflects differences in components, structures and approaches.

A further comparison could be made between developing and developed countries such as Ghana and Britain. Ghana uses unicameral type of government and Britain uses Bicameral. The existence of socio-economic, political, business and technological environments serves as places for systems since they do not exist in vacuum.

It has been realized that procedures and processes within a system transfer inputs. For example the assembly's financial transactions request three invoices before a purchasing decision is made. It has been deduced from the system

theory that every system is influenced by internal and external factors for success or failure.

The system and prismatic theories provide basis for the concept of decentralization and is appreciated for participating democracy, which need good financial management to enhance local governance and rural development in both developed and developing countries.

CHAPTER FOUR

METHODOLOGY

4.1 INTRODUCTION

The study of financial management of local authorities in Ghana would go a long way to enhance the overall national development. In order to achieve the objectives of the study the researcher used the tool that served as a medium to solicit data that would make the study a reality. The study was conducted to identify the challenges facing: Revenue mobilization techniques, Financial management initiatives, Budgeting mechanism, Auditing, Promoting transparency in the fiscal and financial affairs, Fiscal autonomy, Monitoring and Evaluation and Expenditure administration. This chapter would give details of how the study was conducted; it covers research design, data collection, data analysis, interpretation of the analysis and sampling techniques.

4.2 RESEARCH DESIGN

The researcher used descriptive methodology. This research tool generalized from a sample to the population. Adentan Municipality Assembly as the research environment was not disturbed by the researcher during the three months period the topic financial management was studied. Non-probability sampling and probability sampling were simultaneously used for the study.

The probability sampling was applied to the rate payers, commission collectors and assembly members. Officers of the assembly and documents that were relevant to the study were sampled through non- probability procedure.

4.3 POPULATION OF THE STUDY

The population of this study consists of 170 local authorities. Each of the local authorities has a well defined structure consisting of councils and units committees. However, the population of each local authority is made up of assembly staff, assembly members, government appointees and chief executive (Act 642,1993). Local authority has external stakeholders which are the non-governmental organizations, rate- payers, opinion leaders, residents associations, regional coordinating council, common fund secretariat, and the central government.

4.4 SAMPLE AND SAMPLING TECHNIQUES

Sampling is the selection of a unit from the entire population with the view to obtain information about them.

The researcher could not reach out all the 170 local authorities, because of time and financial constraint, so Adentan Municipal Assembly as a unit of the local authorities in Ghana (population) was selected as the representative miniature of the population. Judgmental and convenient sampling techniques were employed in the process to obtain the correct sample units for the assembly staff and rate-payers. Stratified sampling tool was used to put the entire population into three main strata and the researcher isolated sample units of the population into stratum and used:

- a) simple random sampling technique to select 100 people from the rate-payers and opinion leaders as the miniature of the municipal population for interview.
- b) both convenient and judgmental sampling techniques were employed in selecting 60% of assembly members, revenue staff ,and officers in charge of

finance, administration, budget, engineering, planning, waste management, audit and sub-committees to solicit primary data.

- c) both convenient and judgmental sampling methods were applied to select the relevant official documents for the researchers perusal, for the secondary data.

4.5 DATA AND ITS SOURCES

4.5.1 Primary Data

The data for this study are both primary and secondary. The primary data collection focused on factors causing financial management burdens, main components of revenue and expenditure, population figure, number of assembly staff, causes of rise and fall of revenue and expenditure, revenue sources, debtors and creditors figures, signatories of assembly's account, estimated and actual figure, how payments are made, interferences, challenges facing revenue mobilization, literacy level of revenue collectors, percentage of revenue mobilized by revenue collectors, number of times audit and financial reports have been discussed, reason for not involving revenue collectors in Finance and Administration committee meetings, major economic activities, challenging facing auditing, budgeting, engineering, planning, and waste management departments, players that lessen the degree of transparency and fiscal autonomy, disbursement and distribution problems of the district common fund, secretary of Finance and Administration committee, the body that steers the affairs of the assembly, types of motivation packages for the staff and assembly members. These information form the primary data that are needed along side with the secondary data for integration, procession, and analysis for the success of the study.

The main sources of these data include; the finance officer, budget officer, planning officer, engineer, waste manager, chief executive, coordinating director, auditor, zonal council chairman, assembly members, presiding member and 100 selected main stakeholders as the key informants of the study.

4.5.2 Secondary Data

Secondary data were used vis-à-vis the primary data. The secondary data comprises of population figure, numerical strength of the assembly, components of external funds, directives and guidelines for their usage, findings and recommendations of the following committees: finance and administration, executive, tender review committee and audit report implementation, income and expenditure components of financial statements, types and number of ratable properties, and approved fees. The sources of these secondary data are: financial statements, fees-fixing resolution documents, MTEF budget documents, supplementary budget documents, and assembly database, audit reports, financial and administration reports, executive committee reports and recommendations of general assembly.

4.6 DATA COLLECTION TECHNIQUES

The researcher first wrote to the Municipal Chief Executive and Municipal Coordinating Director of Adentan Municipal Assembly to obtain permission, and requested for assistance and cooperation from the assembly. Due to complexity of the study various forms of data collection tools were employed simultaneously to obtain both primary and secondary data.

The primary data was accessed through the administration of questionnaires and interview with some stakeholders of the assembly. The key informants were municipal chief executive, municipal coordinating director, budget officer, finance officer, planning

officer, engineer, municipal waste manager, 60% of the assembly members, chairperson of finance and administration committee and 100 stakeholders selected randomly from the municipality.

In all 60 questionnaires were administered among the revenue collectors, assembly staff, assembly members and zonal councilors by researcher through hand delivery. However, 58 answered questionnaires were received through same channel which represent 96.7% response rate. Besides these the researcher had informal discussions with some personnel of the assembly which constituted an important framework for data. It was a strategic tool to elicit from those who felt unsafe to speak openly on some part of the topic, especial on transparency and disbursement of funds.

4.7 DATA PROCESSING

Paving way for smooth analysis, the researcher edited the primary data by critically examining and reviewing them for eligibility, completeness, consistency and homogeneity. The secondary data were also scrutinized through careful examination for suitability, relevancy, reliability, adequacy, accuracy and applicability to enhance the success of the study. The researcher classified and summarized the data for easy and clearer statistical representation. For the convenience of the researcher, tables were used as devices to present the data for analytical process.

4.8 DATA ANALYSIS

Raw data needs to be analyzed to identify the causes of the research problem (financial management of local authorities in Ghana). Two main types of tools were employed in the analyzing of the processed data. These tools were qualitative and quantitative tools. The researcher employed quantitative methods to analyze the data that needed

mathematical or statistical manipulation to identify causes and effect of the research problem.

With quantitative instruments the researcher was able to reckon the variances, actual with their percentages, degree of fiscal and financial autonomy in term of percentage, financial dependency, total and percentage of internally generated fund, quantum and percentage of each component of the internally generated fund, percentage and quantum of external fund, over-expenditure of some components under the discretionary payments, quantum and percentage of revenue mobilized by the two main categories of revenue collectors, and the amount not spent on approved projects under the statutory payments.

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 INTRODUCTION:

In the preceding chapter, the researcher concentrated on the methodology used to study the financial management of local authorities in Ghana. The study will now turn to the Adentan Municipal Assembly (AdMA) by looking at the background history, administration and financial management of Adentan Municipal Assembly, which consists of: planning, preparation and approval of budget, revenue mobilization, control systems, expenditure management, auditing, fiscal autonomy and the degree of transparency in fiscal and financial affairs.

5.2 BACKGROUND OF AdMA

5.2.1 HISTORY, COMPOSITION AND LOCATION

Adentan Municipal Assembly was established on November 30, 2007 by the Legislative Instrument (LI) 1888 (2007) and it consists of four (4) electoral areas namely, Gbentanaa, Koose, Nii Ashaley and Sutsuruna. The composition of AdMA is made up of 4 elected members, two (2) government appointees, the Municipal Chief Executive and a member of parliament .

AdMA was part of Tema Municipal Assembly (TMA) before its creation. The assembly is cosmopolitan in nature, hence it uses English Language, Ewe, Twi and GA as the media for its deliberations. By LI 1888, AdMA has been assigned eighty six (86) statutory functions. These include; financial management,

development of the municipality, maintenance of security and public safety, promotion of justice and provision of social services.

The Municipal Assembly which is located in the Greater Accra Region has a population of 79,200 (Ghana Statistical Service, 2008). It is bounded by Accra Metropolitan Assembly to South, North and West by TMA and to the East by Ga East Municipal Assembly. It is prudent to emphasize that AdMA is unique in nature because, it has only one zonal council which is coterminous with its jurisdiction, six unit committees, four electoral areas and thirty-four (34) communities.

5.2.2 ADMINISTRATION:

The AdMA represents Central Government and it exists to ensure improvement of quality life of people as well as sustainable development in the various communities within the municipality. The AdMA is headed by the Municipal Chief Executive (MCE) who is the local representative of the central government of Ghana. He is appointed by the president and confirmed by two-thirds of the general assembly as required by Act 462, 1993.

The assembly works through executive committee, management and sub-committees. The executive committee, under local government Act 462 section 24 (1) of 1993, exercises the executive and coordinating functions of the assembly. In compliance to this Act the executive committee of AdMA has the following sub-committees: Development planning, Finance and Administration, Works, Social Services, Justice and Security, Education, Environmental and Sanitation, Women and Children, Agricultural sub-committees as well as Public Relation and Complains committee.

The Coordinating Director (MCD) is the head of civil service machinery in the municipality. The Assembly takes decision or formulates policies which are implemented by the various statutory departments under the decentralization structure. These decentralized departments include: Finance, Works, Budget, Planning, Auditing, Town and Country Planning, Education, Agriculture, Administration, Waste management, Environmental and Information service. The municipal authority has Audit report implementation and Tender review committees for efficient and effective financial management.

The MCD is the senior public servant, who heads the various departments and sees to the day-to-day administration and offers technical advice to the MCE on major policy issues. See appendices 2 and 3 for organogram and structure of the assembly.

5.3 FINANCIAL MANAGEMENT OF AdMA

5.3.1 PLANNING

As it has been mentioned earlier in this study that, the local authorities have many sources of revenue, both internal and external. The mobilization of the needed revenue from these various sources depends on planning as one of financial management tools. Therefore attempt is made to analyze the planning process of AdMA using qualitative tools. Planning of AdMA is decentralized. The responsibility of planning lies in the hands of municipal planning unit, headed by Planning Officer (PO). The functions of planning department are:-

- Gathering of information to establish a comprehensive database of ratable properties within the municipality, however, sixty percent (60%) of that have been accomplished.(AdMA Database,2008)

- Allocating of resources and monitoring and evaluation.
- Setting achievable and realistic targets, identifying and tapping of all resources in the municipality.

The main sources of internally generated funds are planned and identified by the planning department. Furthermore the planning department identifies and plans for projects and development to be executed in the municipality, hence one can precisely say that planning is part of financial management of local authorities. The database established is then used by the budget unit for revenue target setting and expenditure to be incurred in the coming year.

5.4 BUDGETING

5.4.1 DISCUSSION OF AdMA BUDGETING:

AdMA's budget like national budget has two main components namely revenue and expenditure. The assembly uses Medium Term Expenditure Framework (MTEF) with supplementary budgets to determine its revenue and expenditure.

The MTEF budget has the following components as sources of revenue :

Rates, Lands, Fees and Fines, Licenses, Rent, Grants, Investment Income and Miscellaneous.

The expenditure components of the assembly's MTEF budget are made of:

Personal emoluments, Maintenance and repairs, Travel and Transport, Miscellaneous, General Expenditure, Investment expenditure

However, it does normally happens that the local authorities in Ghana may not be aware of the total amount to be received from Grants because of delays in the release of the District Common Fund (DACF). When they are formally notified of the whole amount, supplementary estimates are prepared.

AdMA as local authority has the following expenditure components as the main cost centres to be financed by grants from the central government:

Economic, Social, Administration, Environmental and Sanitation and Contingency Revenue component of each item serve as the floor for the revenue mobilization, that is the targets to be met or exceeded and the expenditure components also serves as the ceiling for the assembly expenditure not to be exceeded. When there is indication that the budgetary targets can not be achieved, it is then revised in the mid-year by the members of the Assembly.

Preparation and approval of both budgets of AdMA go through the step below:

- Formation of budget team
- Reviewing of the actual expenditure and revenue performance for the first half of the year.
- The budget team collates draft expenditure estimates from the various departments for further scrutiny, to establish sectoral linkage and adoption. The revenue performance is analyzed vis-à-vis the fee-fixing resolution.
- MBO, MPO, MFO and some selected members of financial and administration (F and A) sub-committee meet with representatives of traders associations and main stakeholders who matter to agree to new levels of fees and rates or confirm the exiting ones, which then will form the basis for the fee-fixing resolutions upon which the bulk of the revenue estimates will depend on.
- The consolidated revenue and expenditure budget accompanied by fee-fixing resolution is presented to the F and A committee for discussion and approval for onward transmission to the executive committee for harmonization and adoption.

- Finally the entire budget with the fee-fixing is placed before the general assembly for adoption and approval before copies are submitted to the Regional Coordinating Council (RCC) for further approval and gazeting. The supplementary budget also passes through the same processes.

Contrary to what was stated earlier 80 out 100 stakeholders interviewed claimed they had not been involved in the fee-fixing process before; hence find it difficult to pay their taxes, because the fees or taxes to pay are many for a person to pay. 100% of the Assembly members and Zonal councilors also claimed that they have not been included in the fee-fixing process, so they find it difficult to educate their electorates to settle their tax obligations.

F and A sub-committee chairman revealed that members of the committee are not included in the budget preparation and fee-fixing process preventing them to make very meaningful inputs to rake home much revenue. He said these documents are presented to them with short notice for discussion, adoption and approval for onward transmission to the executive committee and finally to the general assembly for adoption and approval. The time for executive committee and the general assembly is too limited, at times one or two days, so assembly members can not make any meaningful assessment on the ground from their electoral areas that can enhance the fee-fixing. As result of this the respective fees are over or under fixed to the detriment of the assembly and rate prayers. The budget of the AdMA serves as the latitudes within which the revenue inflows and outflows should operate to achieve the political, economic, legal, planning, social, distributional and accountable objectives and expectation of all stakeholders in the municipality.

5.5 REVENUE MOBILISATION OF AdMA

5.5.1 SOURCE AND RECEIVING DOCUMENTS

The main source document of the internally generated fund is the fee-fixing resolution approved by the general assembly. This fee-fixing document contains various rates, fees, fines and their rated amount to be charged. For proper accountability and easy checking, AdMA applies the tools below:

- receipt issue to cover all monies collected by the revenue collectors.
- value books for receiving monies from rate, fees and fines. These values books include; General counterfoil receipt book, Cash book or Revenue register,
- Tickets and Bills for property rates.

All monies collected using these value books are banked or lodged gross at the bank on the accounts of AdMA.

5.5.2 REVENUE COLLECTORS

Revenue collectors of AdMA are those who have been engaged and authorized by the assembly to collect revenue and issue receipt on its behalf. They are answerable and accountable to the MFO of the assembly.

The AdMA has two main types of revenue collectors: commission collectors are those who collect revenue for the assembly and earn commission of twenty percent (20%) of whatever they mobilized from the revenue sources. These are 15 in number; Assembly revenue collectors are the regular employees of the assembly who have their names on the assembly's payment voucher. Some of these regular collectors are posted to the assembly by internal revenue service (IRS) and have their names on the payment voucher of IRS.

Further investigation and quantitative analysis revealed that the fifteen commission collectors were able to mobilize GH¢148,540 representing 36.69% in 2008 and earned commission of GH¢29,108. The Revenue staff of the assembly mobilized GH¢111,500 which represents 28.29% and Engineers department raked home for the assembly an amount of GH¢134,049 from building permit and penalty. The two departments of the assembly collected GH¢245,549 out of the total internal generated fund (IGF) (GH¢394,089) which represent 62.3%.

The analytical table 3 below shows the actual performance of the revenue collectors. The amounts quoted on the table are in Ghana Cedis.

TABLE 3 : ANALYSIS OF REVENUE COLLECTION

TYPE OF COLLECTOR	No. OF PEOPLE	SOURCE OF COLLECTION	AMOUNT COLLECTED ¢	PERCENTAGE %
Commission Collectors	15	Proper rates	148,540	36.69
Assembly's Revenue Collectors	7	All internal sources	111,500	28.29
Engineers Department	-	Building Permit (Fee and Fines	134,049	35.02
Total			394,089	100

Source of Date: Engineering and Finance Department of ADMA 2008

The analysis of the revenue collection is for only 2008 because AdMA was a year old when this study was carried out.

5.5.3 LOGISTICS FOR REVENUE MOBILISATION

The vehicles used for revenue mobilization by AdMA are only two and being very old, one for revenue staff and the other for engineers and development control. According to the revenue staff and engineer who answered the interview and questionnaires, motivation in terms of salary and recognition are not encouraging at all, Rain coat, which could be helpful to revenue collectors during the rain season are also not available for usage. The equipment for processing building permit and printing of bills for the assembly are yet to be purchased and how soon that can be done is the bane for the assembly. The MCD and MFO confirmed that the engineering department is yet to be provided with well furnished offices and the equipment for building permit processing to facilitate their work. This will maximize the revenue mobilization and increase the degree of the fiscal autonomy of the municipal authority.

5.5.4 REVENUE SOURCES OF AdMA

ADMA has two main sources of revenue to finance its expenditure. The financial provision for the local government is enshrined in Article 245 and 252 of the 1992 constitution and Act 462,1992 classified revenue sources into internal and external for the local authorities to exploit. These revenue sources are reclassified into subheads.

The internal sources consist of: rates, rent, land, fees and fines, licenses, investment income and miscellaneous. The external sources of revenue are the central government transfers (Grants). These grants are in the form of Ceded revenue, DACF, MP's Common Fund, HIPC Fund, GETFUND and AIDS grant.

The analytical table 4 below shows the revenue mobilized from the two main sources.

**TABLE 4 : ANALYTICAL TABLE OF INTERNAL AND EXTERNAL SOURCES FOR
2008 FINANCIAL YEAR**

Sources of Revenue	Budgeted Amount GH¢	Actual Amount GH¢	Actual %	Variance	Actual Against total Revenue
Internal	488,600	394,049	80.66	-94,511	20.86
External	2,013,074	1,495,273	74.28	-517,801	79.14
Total	2,501,674	1,889,323	75.52	-612,351	

Source of Data: Budget Unit, AdMA, 2008

The total revenue from the two main sources amounted to GH ¢1,889,322 representing 75.52% of the total budgeted figure (GH ¢2,501,67). Quantitative analysis of the financial statement by the researcher revealed that there was unfavorable variance of GH¢612,351 representing 24.48%. Internal sources yielded GH¢394,109 representing 20.86% of the 2008 total estimate (GH¢2,501,323) to the assembly. The assembly had GH¢1,495,323 from the external sources which represents 79.14%. This means that AdMA depended largely on the external source of revenue revealing that the degree of fiscal and financial autonomy is 20.86% being low and dependency of 79.14% on the Central Government. The individual revenue sources are discussed below:

a.) RATES

Rates constitute one major source of internal revenue for AdMA. They come mainly from basic rates, property tax, and special rates paid by public corporations and organization owing property in the municipality.

AdMA basic rates yielded GH¢106 out of the budgeted figure GH¢500. Using the cost-benefit analysis the research revealed that collecting the basic rate at its present level is

not economical, because expenditure for mobilization outweighs the revenue derived. The cost of collecting the basic rate was GHC 198 as against revenue of GHC106.

Property rates yielded GH¢163,284 representing: 99.9% of 2008 estimated figure, 41.4% of the actual internal generated revenue (GH¢394,109), 58.2% of all the rates (property, basic and special rates) estimate and 8.64% of the total revenue mobilized during 2008 financial year.

Arrears of property rates could not be traced due to incomplete database. With comparative analysis, the variance for rate was unfavorable in 2008, the actual is less than the budgeted figure by GH¢117,220. Most of the citizens being rate payers were uncooperative in the payment of the basic rates.

70% of the respondents who were interviewed pointed out that the apparent low remuneration of the revenue collectors, and taskforce was a disincentive for efficient performance for revenue maximization. The Assembly members and officials, who were interviewed, also thought otherwise. They remarked that fraud on the part of the revenue collectors and weak monitoring mechanism account for low collection of rates.

85% of the rate payers and stakeholders that responded to the interview of this study, attributed unwillingness of landed property owners to pay taxes to the inability of AdMA to provide the necessary and basic facilities in their communities. They pointed out that their houses are not numbered, valued, bills are too high and not mechanized hence the fear that the collectors will not pay monies from the rates to the government chest.

b) LANDS AND RENT

Lands and rent have not yielded the assembly anything yet. The assembly has been to Department of lands several times demanded its share of finds but no positive sign for any inflow. With regard to the rent, the assembly does not own building that merit accrual of revenue but the assembly is now developing the market at Ogbojo and Adentan so that they become main revenue source as rent for the assembly. Since the creation of Adentan Municipal Assembly no revenue has been derived from lands and rent.

c) FEES AND FINES

In line with Act 462, 1993 which empowers the local authorities to collect fees and fines, the AdMA has consistently engaged its attention in the collection of fees and fines. According to the revenue and expenditure statement of 2008, the second highest internal revenue source is fees and fines. It yielded GH¢114,590 representing 156.97% against the total estimate of GH¢73,000 for 2008 financial year. The fees and fines had favorable variance of GH¢41,590 which represents 56.97% of the estimated revenue and 36.29% of the actual revenue realized. The revenue from fees and fines represent 29% of the internal generated revenue accrued. The fees and fines have thirteen (13) sub items under it.

The AdMA collects fees and fines from market stalls, trading kiosks, lorry parks, stores, sand winning, stone quarry and foodstuff. 15 out of 20 revenue collectors interviewed ranked fees and fines as an important source of revenue of the assembly and attributed the positive performance to the economic activities to which the fees are charged.

d) LICENSES

Licenses also represent another important source of revenue to AdMA. The source is a levy on registration of a host of items and activities. Among which are dog licenses, hawkers licenses, licenses issued to hoteliers, chop bar and restaurant operator.

The revenue derived from licenses in 2008 was GH¢88,302 representing 70% of the budgeted figure, 22.4% of the total internally generated revenue (GH¢394,109) and 4.67% of total budget figure 2008 financial year.

Licenses as source of revenue for AdMA has forty-four components and are ceded to the zonal council for collection to earn 50% of the total revenue mobilized

e) MISCELLANEOUS SOURCES

Miscellaneous sources of revenue consist of four components, namely: unspecified receipt, TV licenses, market development fund and over payment refund. The most yielding to the AdMA is unspecified receipt of which the collectors mobilized GH¢17,610 representing 220.12% of the budgeted figure of GH¢8,000.

The total revenue obtained from the miscellaneous sources in 2008 was GH¢27,912 against the budget estimates, which represents 348.9% with favorable variance of GH¢19,912 which represents 248.9% of budgeted figure for 2008 and 71.34% of the revenue mobilized from miscellaneous sources.

f) INVESTMENT INCOME

The assembly has two sub-topics under investment income, which are: Dividend on shares and Bank interest. The assembly does not have much fund for investment in stocks but hopes to do that.

The table below shows the performance of internal revenue sources

TABLE 5 : ANALYSIS OF INTERNAL REVENUE FOR 2008

REVENUE HEAD	BUDGET GH¢	ACTUAL GH¢	ACTUAL %	VARIANCE
Rate	280,500	163,284.74	58.2	-117,220
Land	1,000	-	-	-1,000
Fees and Fines	73,000	114,590.50	156.97	314,119
Licenses	126,100	88,302.04	70.03	37,798
Rent	-	-	-	-
Investment	-	20.3		
Miscellaneous	8,000	27,912.00	348.9	19,912
Total	488,600	394,049	80.6 6	-94,551

Source of Data: Budget and Finance Departments, AdMA, 2008

EXTERNAL SOURCES OF AdMA REVENUE

These sources are meant to supplement the revenue from internal sources to enhance financial capacity of the local authorities. The sources of revenue which AdMA as a local authority can access externally include: central government transfers, ceded revenue, DACF, HIPC fund, Specific fund, UPRP, Sanitation fund, CBRDF, School feeding program fund, Social investment fund (SIF), and AIDS fund. Among the components, six out of the twelve sources the assembly derived revenue to supplement its limited financial resources. The revenue derived from them in 2008 are shown by the analytical table 6 below;

TABLE 6.

ANALYSIS OF EXTERNAL REVENUE SOURCES OF AdMA FOR 2008

REVENUE SOURCE	ESTIMATE REVENUE	ACTUAL REVENUE GH¢	ACTUAL %	VARIANCE GH¢
<i>Ceded Revenue</i>	30,000	30,000	100%	0
<i>DACF</i>	1,766,943.63	1,286,853.81	72%	-480,089.82
<i>Mp Common Fund</i>	38,000	28,932.57	76.14%	-9,067.43
<i>HIPC Fund</i>	150,000	20,000	13%	-130,000
<i>School Feeding</i>	---	124,427		+124,427
<i>AID fund</i>	---	5,000		+5,000
TOTAL	2013,073.63	1,495,213.38		-359,860.25

Source: Finance and Budget Departments, 2008.

Where indicated negative (-) means unfavorable variance and the positive (+) means favorable variance. Ceded revenue was the seed money Tema Metropolitan Assembly (TMA) gave to AdMA after it had been carved out as a new municipality.

Thirty percent (30%) of the DACF is deducted at source to finance the National Youth Employment Program (NYEP). However, the assembly has no power to monitor its activities in the Municipality. Actually, this deduction affects the financial capacity of AdMA because they were expecting GH¢1,766,943 as DACF but had GH¢1,268,853.81.

With quantitative analysis, it revealed that GH¢530,082.9 was deducted from the assembly common fund. This is more than total internal generated fund of GH¢394,109 by GH¢135,973.9. This represents 21.19% of the total revenue (both internal and external) accrued to the AdMA in the 2008 financial year.

The DACF is the most important source of revenue to the local authorities benefit from.

The common fund received by AdMA alone was GH¢1,286,853.81 which represents

86.66% of the total grants received from the central government and 68.11% of the total revenue derived by AdMA from both internal and external sources.

5.6 EXPENDITURE ADMINISTRATION.

5.6.1 PAYMENT

The MFO and MBO responses brought to the light that, discretionary payment of AdMA has the following as cost centers; (a) Personal emoluments (b) Traveling and Transport (c) Maintenance, Repairs and renewals (d) General expenditure (Administration) (e) Miscellaneous. The discretionary payments are financed by IGF. Each of the main cost centres has subheadings. The payments under the statutory expenditure of AdMA which consist of: Economic expenditure, Environment, Social expenditure, Contingency, Administration expenditure, AID program and School feeding expenditure.

The tables 7, 8, 9 and 10 below indicate the analysis of the payments under discretionary and statutory payments, respectively

Table 7. ANALYSIS OF DISCRETIONARY PAYMENTS FOR 2008

EXPENDITURE (cost center)	SUB UNITS	APPROVED EXPENDITURE ¢	ACTUAL EXPENDITURE ¢	ACTUAL %	VARIANCE ¢
Personal Emolument	9	111,380	53,293.70	47.85%	58,086.30
Traveling and transport	4	83,450	76,295.65	91.43	7154.35
Maintenance, repairs and renewals	5	18000	30,080.50	167.11	-12,080.50
General (administration)	22	73,000	102,291.55	140.83	-13,842.12
Miscellaneous	23	73,000	102,291.55	140.88	-29,291.55
Total	63	366,020	355,993.52		10,026.48

Source of Data: Finance and Budget Departments of AdMA, 2008

Although the grand total shows favorable variance of GH¢10,026.48, some components under the various discretionary expenditure heads have been over spent as shown below by analytical table 8.

TABLE 8. ANALYSIS OF OVER EXPENDITURE UNDER DISCRETIONRY PAYMENT

EXPENDITURE	ESTIMATE EXPENDITURE ¢	ACTUAL EXPENDITURE ¢	ACTUAL %	VARIANCE ¢
PERSONNEL EMOLUMENT				
Overtime Allowance	5,000	9,438.28	188.77	-4,438.28
Commission Collectors	20,000	29,708.04	148.54	-9,708.04
Arrears of salary	2,000	2,906.53	145.32	-906.53
TOTAL	27,000	42,053.29	155.75	-15,052.82
ADMINISTRATION				
Cleaning Materials	80.00	3,603.10	450.05	-3,523.10
Stationary	10,000.00	17,665.95	176.66	-7,665.95
Refreshment for meetings	10,000.00	22,819.00	228.19	-12,819.00
Water	240.00	8,502.31	354.26	-8,262.31
Telecommunication	4,000	9,158.44	228.96	-5,158.44
Purchase of publication	220	3,361.18	1,527.81	-3,149.18
Office facilities	2,000	12,996.00	649.80	-10,996.00
TOTAL	26,540	51,565.98	294.30	-15,565.98
TRAVELLING & TRANSPORT				
Travel Allowance	10,000	27,314.93	273.15	-17,314.93
Running cost of officer vehicle	20,000	35,387.00	176.94	-15,387.00
TOTAL	30,000	62,701.93	209.01	-32,701.93
MAINTENANCE & REPAIRS				
Office Building	1,000	4,775.50	477.55	-3,775.50
Furniture and Fixtures	2,000	14,320.10	716.01	-12,320.10
Equipment & Machinery	5,000	10,732.44	214.65	-5,723.44
TOTAL	8,000	29,827.94	372.85	-21,828.04
MISCELLANEOUS				
General Incidental	15,000	27,190.49	181.26	-12,190.49
Legal Expenses	3,000	3,865.62	128.85	-865.62
Security Service	3,000	6,395.00	213.17	-3,395.00
Protocol Expenses	5,000	6,303.00	126.06	-1,303.00
Official Celebration	5,000	16,385.00	327.70	-11,385.00
Public Education	2,000	5,502.50	275.13	-3,502.50
TOTAL	33,000	65,641.61	198.91	-32,541.61

Source of Data: Financial Department, AdMA, 2008.

Table 9. ANALYSIS OF STATUTORY PAYMENTS FOR 2008 .

EXPENDITURE (cost center)	ESTIMATED EXPENDITURE GH¢	ACTUAL EXPENDITURE GH¢	ACTUAL %	VARIANCE
Economics	623,617.82	86,823.50	13.9	536,794.32
Social	325,597.87	53,705.61	16.5	271,892.26
Administration	576,160.27	213,327.11	37	362,833.16
Environment	64,873.27	57,181.74	88.1	7,692.13
Contingency	176,697.40	35,514.78	20.1%	141,182.62
Mps project	38000	3,089.54	8.1%	34,910.46
School feeding	Nil	124,427.00	Nil	124,427.00
AIDS program	Nil	4,267.00	Nil	4,267.00
Total	2,062,334.63	578,335.68	Nil	1,483,998.95

TABLE 10.QUANTITATIVE ANALYSIS OF EXPENDITURE SUMMARY FOR 2008

REVENUE	NO OF HEAD	APPROVED (GH¢)	ACTUALS (GH¢)	%	VARIANCE
<i>Personal emolument</i>	9	111,380.00	53,293.70	47.85	58,086.30
<i>Travel & transport</i>	4	83,450.00	76,295.65	91.43	7154.35
<i>M'TCE, repairs & renewals</i>	5	18,000.00	30,080.50	167.11	-12,080.50
<i>General expenditure</i>		80,190.00	94,032.12	117.26	-13,842.12
<i>Miscellaneous expenditure</i>	23	73,000.00	102,291.55	140.83	-29,291.55
<i>Investment expenditure</i>		1,804,946.63	449,641.68	24.91	1,355,304.95
Grand total		2,170,966.63	770,120.42	35.47	1,365,331.43

Source of Data: Budget and Finance Departments AdMA: 2008.

The quantitative analysis revealed that the total expenditure of the year under consideration is less than the estimated figure with favorable variance of GH¢1,483,998.95 as shown on the table 9. This mean that some projects budgeted for were not executed to the detriment of the municipality. However, the variance of the

expenditure summary is favorable but less than that of statutory payment by GH¢118,667.52.

This revealed that the cost management of recurrent expenditure was far below expectation. However, all the assembly members, counselors and MCD attested to the fact that the budget for the year was not reviewed, hence the overspending is illegitimate.

5.6.2 METHOD OF PAYMENT AND CONTROLS.

AdMA has two main methods for payment, which are by cash and cheque. Payment to outsiders, the municipal authority uses cheque for settlement of debt. These outsiders are mainly contractors and suppliers of goods and services. However, the staffs employed by the AdMA are paid by cash using table top method. Officials who authorize payment are MIA, MCD, MFO, and MCE. The signatories to the Accounts of AdMA are the MFO and MCD and all payments are approved by the MCE.

The expenditure management of the assembly is influenced by external interferences, bureaucracy, over invoicing and high contract prices. This results in unfavorable variances of some cost components. The unfavorable variance under the discretionary payment for 2008 was GH¢164,598.67. It came to light that, in bid of controlling cash outflow, the assembly employed the following mechanisms;

- Ensuring that all disbursement are duly verified by MIA before payment is effected.
- Make sure, no payment is allowed without the required approval process as stipulated by financial regulations.
- one person does not take more than one schedule, so that one schedule acts as a check into another schedule,

- Withdrawals depends on the issuance of advice by the bank in addition to the checks
- Some cost centres like projects are inspected thoroughly ensure satisfactory completion and inspection of supplies to ascertain the correct quantity and quality in accordance with the stated specification before payment is made.

The chairman of F and A sub-committee and 100% of assembly members who responded to the interview claimed that some expenditure which suppose to pass through the budget office to ensure expenditure control was not done thereby resulting in an over expenditure. They added the control system is actually weak. When the MIA and MCD were contacted on the weaknesses of the control system, they frankly admitted it.

5.6.4 ACCOUNTING CONTROL

It is mandatory for all local authorities to keep proper accounts and proper financial records and prepare immediately after the end of each financial year a statement of its accounts in such form as Auditor General may direct (Act 462, 1993). In view of this, AdMA has its financial statements prepared on a modified cash basis and revenues are recorded in the period in which they are received.

The assembly expenditure is recognized when goods and services are received and paid for, and payments for fixed assets acquired are written off in the accounting year of acquisition. The critical examination of financial statements and monthly reports revealed that, the assembly has not been preparing Bank Reconciliation Statements since the beginning of 2008, when it was inaugurated. The internal audit report revealed that payment vouchers were not retired and the finance department can not

reconcile the assembly's accounts, hence it is difficult to determine the financial status of the assembly.

5.7 AUDITING

5.7.1 INTERNAL AUDIT OF AdMA

In compliance to the Act 462, 1993 of the Local Government Law and Internal Audit Agency Act 658, 2003, AdMA has Internal Audit unit to enhance its financial management. This is to help the assembly institute and strengthen the control system in order to prevent and detect fraud and error that may result in financial leakages.

The response from the Audit unit revealed that the unit had carried out the audit work for the four quarters in 2008 and submitted its report to the necessary departments and such audit reports have never been discussed and the recommendation to have not been implemented. Internal Audit Unit has only one staff, hence thoroughly audit work is not possible and this was confirmed by MCD.

Internal control employed by AdMA is as follow:

- Organizational tool which means that all documents passes through the organogram for the necessary advice from the relevant departmental heads.
- Authorization and Approval before payments are made.
- Physical checking, safeguarding, locking of doors etc to avoid theft.
- Arithmetical and Accounting tools. This involves calculation and verification to avoid over and under casting and statement of figures.
- Pre and Post payment auditing of payment vouchers
- Items passing through the store procedure and embossment of assets of the assembly.

- Monthly and weekly monitoring of projects to ensure quality work avoid payment for shoddy work.
- Banking all revenue collected.

Further investigation revealed that the audit unit faces the following constraints and challenges which include; inadequate staff, lack of logistics, inadequate budget allocation for training and other activities, underpayment of staff, lack of motivation, interferences and non-implementation of audit recommendations. All these do not encourage the internal unit to meet performance expectation of the Act 462,1993 and Internal Audit Agency Act 658, 2003.

5.8 TRANSPARANCY IN FINANCIAL MANGEMENT OF AdMA

AdMA as legal entity and human institution depends on internal and external resources hence needs to be characterized by transparency in its fiscal and financial affairs. This will let the main stakeholders like rate payers, government, NGO's, development partners, land owners and chiefs have confident in the assembly to build effective cooperation and collaboration. Responses from the MCD and MFO indicated that the mechanisms instituted by the assembly to ensure transparency in the financial management are:

- a. Ensuring that all officers who suppose to examine the financial documents are offered that opportunity to do so.
- b. Earlier circulation of financial statements to the appropriate department and offices for the necessary actions.
- c. Abiding by the financial instruments in place.
- d. Discussion of financial statement by Finance and Administration sub-committee and Executive committee.

95% of the assembly members, majority of the heads of departments and 70% of stakeholders interviewed revealed that the level of transparency is very low and below expectation. Some of rate payers said they do not see what the assembly uses the money collected from them for, and they feel not to pay their rates. The information flow is poor at all levels and hence the feeling that there is no transparency.

The database of the assembly does not cover all ratable properties to help determine arrears of rates that are not collected. This results in under budgeting and leakages of revenue. Also the rate payers complained of high rates and they claim not knowing how the assembly determines rates meant for payment.

5.9 DEGREE OF FISCAL AUTONOMY OF AdMA

AdMA as local authority is semi-autonomous because it has almost all the staff employed, paid and posted by the central government. AdMA still depends mostly on the Government for financial, human and physical resources to carry out its functions.

The MCE is the political and administrative head, who is appointed and paid by the Central Government giving the government much powers to control and influence the assembly's legislation, deliberative and executive functions that lessen its fiscal autonomy. The fiscal autonomy of the assembly is minimized by the approval of its Budget and Fee-Fixing by the regional coordinating council. The government grants to the assembly are the main source of revenue.

In 2008 AdMA received total grant of GH¢**1,459,213.38** of the total revenue accrued in that financial year. In terms of the internally generated fund, the grant received represents 379.4%. This even shows that the assembly internal generated fund cannot sustain the assembly, hence affects its fiscal autonomy. As deduced and stated earlier the IGF of AdMA for 2008 was GH¢394,109 representing 20.86% and that of the

government grant represents 79.14% implies that the degree of the fiscal autonomy of AdMA is 20.86% as at 2008.

Further investigation revealed that, Land provided to municipal authority by the chiefs, land disputes, boundary dispute with other assemblies and chieftaincy problems hinder the effective and efficient revenue mobilization thereby affect the fiscal autonomy of the AdMA.

5.10 FACTORS THAT CAUSE FINANCIAL MANAGEMENT BURDENS

Financial management of local authorities, according to this study consists of Planning and establishment of database ,Transparency in fiscal and financial affairs, Preparation and approval of budget, Revenue mobilization, Degree of fiscal autonomy, Expenditure management, Control mechanisms, Auditing and Accounting controls. This therefore means that departments like planning, finance, engineering (works), budget, auditing and administration are mostly involved in financial management of local authorities. Unfortunately there are several identified factors that have the capacity to burden the financial management of the local authorities. These factors are:

First: political interferences by some politicians during the electioneering year. This actually affects the financial procedures of the municipal authority. In terms of revenue collection, the political gurus prevent revenue collectors from maximizing revenue collection in some areas at some point of time for fear of losing election.

Second, 60 percent of the assembly members who answered the questionnaire revealed that there is malfeasance on the part of assembly's revenue collectors resulting in leakages of revenue. The MFO also confirmed the problem of over-involving and under-invoicing in collection of rates. Rates do not tally with receipts. By inflating figures the local collectors pocket huge sum of money for their private gains thereby depriving the

municipal authority of the estimated revenue for development. It was further revealed that some revenue collectors recycled tickets twice or thrice in a day and paid once to the coffers of the municipal authority.

Third, the analysis of the financial statement and budget documents revealed that the AdMA has been over spending. Some components of expenditure under discretionary payments without taking the advantage of budget review process. This is because those expenditures did not pass through the budget for verification. In 2008 financial year, the municipal authority exceeded the budgetary allocation by the amount indicated against each expenditure element as shown by analytical table 11 below.

TABLE 11.

TYPES OF EXPENDITURE	ESTIMATE EXPENDITURE ¢	ACTUAL EXPENDITURE ¢	ACTUAL %	UNFAVOURABLE VARIANCE ¢
Personnel Emolument	27,000	42,053.29	155.75%	15,052.85
Administration	26,540	57,565.98	294.3%	15,565.98
Traveling and Transport	30,000	62,701.95	209.01%	32,701.93
Maintenance and Repairs	8,000	29,827.94	372.85%	21,828.04
Miscellaneous	33,000	65,641.61	198.91%	32,541.61
Total	124,540	251,790.97	202.17%	127,250.97

Source of Data: Budget unit, AdMA,2008.

As indicated by the table, AdMA overspent on current and recurrent expenditure rendering unfavorable variance of GH¢127,250.97 burdening its financial management.

This is due to poor expenditure management by the assembly.

Fourth, high demand of projects by the stakeholders from the municipal authority burdens its financial management. This is due to lack of transparency in fiscal and financial affairs. Those demanding the projects do not know the financial status, because they are not aware of the quantum of the revenue inflow and how much is

budgeted for execution of projects. These stakeholders who suppose to know the something from the financial statements are not made to know. All the assembly members, zonal councilors and opinion leaders interviewed affirmed that they have not seen the trial balance of the municipal authority displayed on the notice board for the public consumption.

Fifth, the degree of fiscal autonomy of the municipal authority also burdens it financial management. The internal sources of revenue for the municipal authority is inadequate, hence the revenue mobilized is insufficient for execution of the various functions. The Central Government imposes programs and series of activities on the local authorities because they have been funded by the central government and most of the staff are employed, paid and posted to the assemblies by the same government thereby turn to influence its performance in financial management. The delay actions and the strings attached to the DACF too burden the financial management of the various local authorities in Ghana. The MFO, MBO and the MCD in answering the questionnaire admitted the semi-autonomous nature of the AdMA as serious financial management burdens.

Sixth, interview with MEC and MCD revealed that the under-resourcing of Planning, Budget, Audit, finance and Engineering departments burden the financial management. They said only two people for planning department, one each for audit and budget departments and one office for eight personnel of the engineering department. Financially these units are not well resourced resulting in incomplete database, under and over budgeting and delaying in its submission for approval. The internal auditing is not thoroughly done, resulting in week control in the financial management system. These inadequate human financial and physical resources coupled with lack of

motivation burden the financial management of the municipal authority, because control mechanisms to check revenue flow are very weak.

Seventh, the high wage bill, this is much of the assemblies revenue is used to pay salaries which draws the assemblies limited resources. This also burdens its financial management.

Eighth, Redtapism is one of the players that contribute to the financial management burdens on the local authorities in Ghana. The long process for initiation and award of contracts turn to have effect on the value of the contracts resulting in high contract price above the market price. This turns to undermine the extent at which the local authorities could maximize the use of their scarce financial resources in ensuring the value of money. These actually increase the financial management burdens on the local authorities.

CHAPTER SIX

FINDINGS, CONCLUSION AND RECOMMENDATIONS

6.1 FINDINGS

The research on financial management of Adentan Municipal Assembly as the microcosm of the local authorities in Ghana revealed the following factors as the main causes of financial management burdens:

1. In-complete database. The assembly's database available does not contain records of all ratable properties and arrears of rates could not be traced. Hence the lack of transparency leading to poor accountability.
2. External influences from the gurus with political powers and the government imposing programs on the local authorities. This distorts the focus of Assembly.
3. There is large number of properties not valued and absence of Rate Assessment Committee as required by Act 462, 1993.
4. High fraud in the financial management system, due to weak control mechanisms, familiarity and low salaries for the revenue staff.
5. Staff employed by the municipal authority are paid monthly by cash, (table top payment)
6. High turnover of key financial management staff when there is change in Government and lack of cooperation and collaborations among these management staff.
7. Too many deductions from the DACF at source coupled with the strings attach to it, delays in release of the fund and guidelines for preparation and approval of budget.

8. Formation of management team to overshadow the executive committee, no recognition and compliance to the local government structures, hence, reduces the degree of transparency in fiscal and financial affairs.
9. Lack of logistics, motivation, recognition and skill training and financial resources for Audit, Budget, Planning, Engineer, and revenue departments to help create, rake and maximize revenue collection.
10. High illiteracy and poverty rates coupled with poor public education deter the effort of the revenue collectors to maximize revenue collection.
11. Revenue collectors, Finance and Administration committee members and representative of the various stakeholders are not involved in fee-fixing and budget preparation.
12. Finance Officer is given too much control over key schedules in the financial management and checks into his schedule is reduced.
13. Low degree of transparency in fiscal and financial affairs in the financial management system because vital information are kept dark from the General Assembly, Executive and F/A committees.
14. Most payment vouchers do not pass through Audit unit for pre-auditing and budget unit for verification resulting in over spending of some component under the discretionary payments.
15. Low degree of fiscal autonomy of 20.86%, making the municipal authority difficult to avoid outside interference, due to inability of Assembly to hire, pay and fire their staff when the need arises.
16. Lack of well defined structure in place for roles and responsibilities in the financial management system.

17. Non-compliance with the financial management instruments by the municipal authority and no prosecution of offenders and defaulters of rates payment.
18. No asset register and Estate Officer for the assembly.
19. Commission collectors who collect the property rates do not pay daily to the cashier of the municipal authority as required by financial Regulations. Payments are without receipt and financial decision leading to payment without approval by the general assembly.
20. Demarcation problem and land dispute hinder smooth revenue mobilization.
21. Itemized bills do not tally with the receipts of the rate payers and delay in billing of rate payers as well as insecurity of printing bills outside the assembly.
22. The presence of the municipal authority is not felt in some part of the municipal, in terms of projects execution making rate payers feel reluctant to settle their tax obligation.
23. Bank reconciliation statement has not be prepared and accounts could not be reconciled by the finance department as at September, 2008. Financial statements are not made available to F and A committee for monthly discussion and recommendations.
24. No discussion and implementation of internal audit reports, since the creation of AdMA. So there is no means to strengthen the internal control system.

6.2 CONCLUSION

The decentralization policy as enshrined in the 1992 Constitution, PNDCL 207, and Act 462, 1993 places developmental functions on the Local Authorities in Ghana.

To execute the said functions needs financial resources that should be efficiently and effectively exploited and managed to build financial capacity for such purposes.

This study evaluated the issues pertaining to financial management of AdMA and its impacts within the framework of efficient exploitation of the limited resources to achieve the desired goals. Financial management constitutes core problem areas in the decentralized local administration in Ghana.

The study revealed that financial management is the bane of AdMA. It consists of planning and establishment of database, preparation and approval of budget, revenue mobilization, expenditure management, control mechanism, auditing, accounting practices, monitoring and evaluation, degree of transparency in fiscal and financial affairs, and the Degree of fiscal autonomy.

While IGF of AdMA keeps on falling below the targets set its expenditure components under the discretionary payments keeps on rising, because the revenue mobilization technique was not the best, logistics, and motivation for the revenue collectors are far below expectation.

The expenditure management is poor, because the officials involved in the approval and authorization of payments do not see to it that such payment vouchers are passed through auditing and budgeting for verification and authenticity. Most of the time the financial management tools are ignored, but they are there to guide, protect and detect fraud and error that might lead to financial leakages.

AdMA depends largely on the Central Government Grants because of its inability to maximize its revenue, spread revenue base, and prevent leakages of funds. All these contribute to financial incapacitation of AdMA thereby reducing its fiscal and financial autonomy which turns to undermine prudent financial management.

This also reduces the rate at which infrastructural and socio-economic development should move in the Adentan Municipality to satisfy the assembly's quest for overall development, maintenance of security and safety.

Adentan Municipal Assembly as the Microcosm of the local Authorities in Ghana, according to this study, has;

- Low level of transparency and fiscal autonomy in the financial affairs.
- Weak budgeting system and control mechanism.
- Internal Auditing not meeting standard and no adherence of audit report and recommendations.
- Inadequate of material, financial, human and physical resources.
- Poor planning system and incomplete database.
- Poor communication system, motivation and recognition of some departments.
- Poor cost administration and non-compliance to the financial management instruments. The needs to be mitigated for decentralization to be reality.

To enhance the financial management and the Local Government system, as a whole the researcher proposes the following future research areas: Transparency and Fiscal autonomy in the financial management, the roles of Auditing and Budgeting mechanisms in the financial affairs and Influences of External forces in financial decisions of Local Authorities in Ghana.

6.3 RECOMMENDATIONS

In the light of the aforementioned problems burdening the financial management of local authorities in Ghana, the researcher hereby provides a number of recommendations aimed at mitigating the identified financial management burdens

from Adentan Municipal Authority as well as the entire local authorities in the local government system. The recommendations are:

1. The Local Authorities should create and continuously up-date realistic database. This will assist planning and preparation of budgeting that can enhance their financial capacity.
2. The Central Government should not impose programs on the local authorities without financing such programs and the influences outside should be avoided.
3. A Rate Assessment Committee should be constituted to deal with issues concerning property rates, in order to enhance financial capacity and transparency in compliance to Act 462 (103), 1993. This will encourage rate payer to pay promptly.
4. Internal and External control mechanisms should be strengthened to protect and detect fraud and errors in the financial management system to ensure efficient and effective revenue mobilization and usage.
5. All payments should be in cheque except that of imprests and such imprests should be accounted for and all payment vouchers should pass through audit unit for verification and budget to check against budgetary allocations. This would facilitate accountability, avoid fraud and over expenditure.
6. The key staff like finance officer, budget officer, auditor, planning officer engineer and coordination director should not be transferred in case of change in government, so that sources of fraud and error could be detected for the redemptive and restorative measures.
7. The release of guidelines for budget preparation should be done by the end of every August and approval of budget and fee-fixing gazeting be completed by

- November every year to have budget and fee-fixing approved before the year ends. In order to have bills distributed earlier for revenue maximization.
8. Deduction from the DACF at source should be stopped and payment to the National youth employment program be decentralized for the local authorities to monitor and ensure its success and sustainability.
 9. The management team over shadowing the executive committee is ultra vires and it should be stopped and the structures of the Local Authorities should be respected and comply with. Addition to this, Assembly members should be motivated, recognized, paid salaries and given skill training to make informed financial decisions.
 10. The Assembly should embark on intensive public education on importance of paying tax and consequences of not paying. Revenue collectors should be trained to be tactical and proactive in revenue mobilization.
 11. Revenue collectors, stakeholders and assembly members should be involved in the fee-fixing and preparation of budget in order to maximize revenue collection.
 12. The municipal authority should put in place well defined structure for roles and responsibilities in the financial management system. The budget officer should be made to serve as secretary to Finance and Administration sub-committee and be in charge of vote control ledgers.
 13. All payment vouchers should pass through Audit section for verification and pre-auditing and Budget unit to check against budgetary allocations and authenticity.
 14. The municipal authority should use the various financial management instruments to ensure accountability and high degree of transparency.

15. Two pronged strategy should be adopted to exploit all available resources aim at maximizing revenue and reduction in cost for collection to capacitate the financing status that will build on the fiscal autonomy of the municipal authority.
16. Assembly should request for establishment of courts to prosecute defaulters of various rates and offenders of the financial management.
17. Rotation of finance and revenue officers should be done periodically. In order to avoid financial leakages within the system. Change in job portfolio of revenue and accounts staff is also recommended.
18. An Estate officer should be employed and all fixed assets should be registered.
19. The municipal authority should establish monthly revenue collection targets and monitoring system by (a) improving machinery for supervision (b) outline procedure for reporting and accounting for revenue and (c) determining form of reward for good performance and sanctions for impropriety.
20. Merchandized bills should be introduced and the printing of bills should done in-house for security.
21. Bank reconciliation statement should be prepared monthly and payment vouchers should be retired and have receipts.
22. All financial decisions and payment should have approval from the general assembly or the executive committee.
23. All the various departments should be motivated, recognized, empowered financially and involved in decision making.
24. Reports from the internal and external auditors, executive committee and general assembly should be discussed and implemented to enhance efficiency and effectiveness of financial management.

25. Chief Executives should be elected to maintain continuity and avoid political interference that erodes the autonomy of the local authorities.

Inference the researcher hopes that if the above recommendations are implemented, the financial capacity and autonomy of local authorities would be enhanced and also removes the burdens on the financial management of the Local Authorities. These would help mitigate the problem confronting the local government system in Ghana.

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APPENDIX 1

FACULTY OF BUSINESS ADMINISTRATION

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

KUMASI

QUESTIONNAIRE

**OBJECTIVE : THESE SERIES OF QUESTIONS ARE TO
ELICIT FROM ADENTA MUNICIPAL ASSEMBLY**

**PROBLEMS ASSOCIATED WITH FINANCIAL MANAGEMENT
OF LOCAL AUTHORITIES IN GHANA**

This work is purely an academic exercise. Therefore any information provided by individuals will be treated as strictly confidential.

BACKGROUND INFORMATION

1. Name of Local Authority

2. Population of Local Authority

3. State the industrial establishment in the Municipality –
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4. Main economic activities in the Municipality
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5. Who are the signatories of the assembly's account
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.....

REVENUE AND EXPENDITURE

6. What are the main sources of revenue for the Adenta Municipal Assembly? Please list them in order of importance, in terms of yield.

External sources
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Internal sources
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7. What are the main expenditure components?
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8. Who authorize payment?
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9. What units or department do payment vouchers pass through before payment are effected?
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10. a) How many commission collectors are employed by the AdMA?
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b) What percentage of revenue is collected by the Assembly staff?

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c) How many collectors all together has AdMA?

.....

d) What is the commission of commission collectors in terms of percentage?

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11. State the challenges facing revenue mobilization

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12. What are the control techniques of the Assembly in terms of financial management?

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BUDGETING, AUDITING NAD INTERNAL CONTROL MECHANISM

13. 1. What are the challenges facing the budgeting mechanism?

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13.2 How can these challenges be minimized or eliminated?

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13.3 State the main components of the MTEF Budget

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13.4 What are the main components of the supplementary budget of the Assembly?

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13.5 How many times has the audit report been discussed and implemented by the audit report implementation committee?

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13.6 What factors militate against auditing?

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13.7 What are the controls tools employed by the Assembly?

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13.8 What mechanisms has the Assembly put in place to prevent, protect and detect fraud and error in the financial management?

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FINANCIAL MANAGEMENT

14. What are the main challenges facing the financial management of AdMA?

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15. What are the main components of financial management of AdMA?

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16. What are the financial management tools employed by the Assembly?

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17. What are the bottlenecks of the common fund distribution and disbursement?

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18. How many times have financial statements been discussed in the year 2008?

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TRANSPARENCY AND AUTONOMY IN FINANCIAL AND FISCAL AFFAIRS

19. What mechanisms are instituted by the Assembly to ensure transparency in financial management?

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20. What factors reduce the degree of fiscal autonomy of the Assembly?

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21. What are the main interferences putting burdens on the financial management of the AdMA?

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22. What tool is employed by the Assembly to protect rate payers?

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23. What do you think can enhance financial capacity of AdMA?

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24. Name the value books available in the Assembly?

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25. Who is the secretary of the finance and administration sub-committee?

PLANNING AND WORKS

26. What are the main challenges facing planning ?

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27. What are the main challenges facing the engineering?

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28. How do planning and engineering contribute to financial management of AdMA?

Planning

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Engineering

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29. a) How is the fund released to the youth employment coordinator monitored by the

Assembly?

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b) How can the Assembly generate more revenue from the waste management?

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30. What are the main challenges facing the waste management?

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If any further comments, please state

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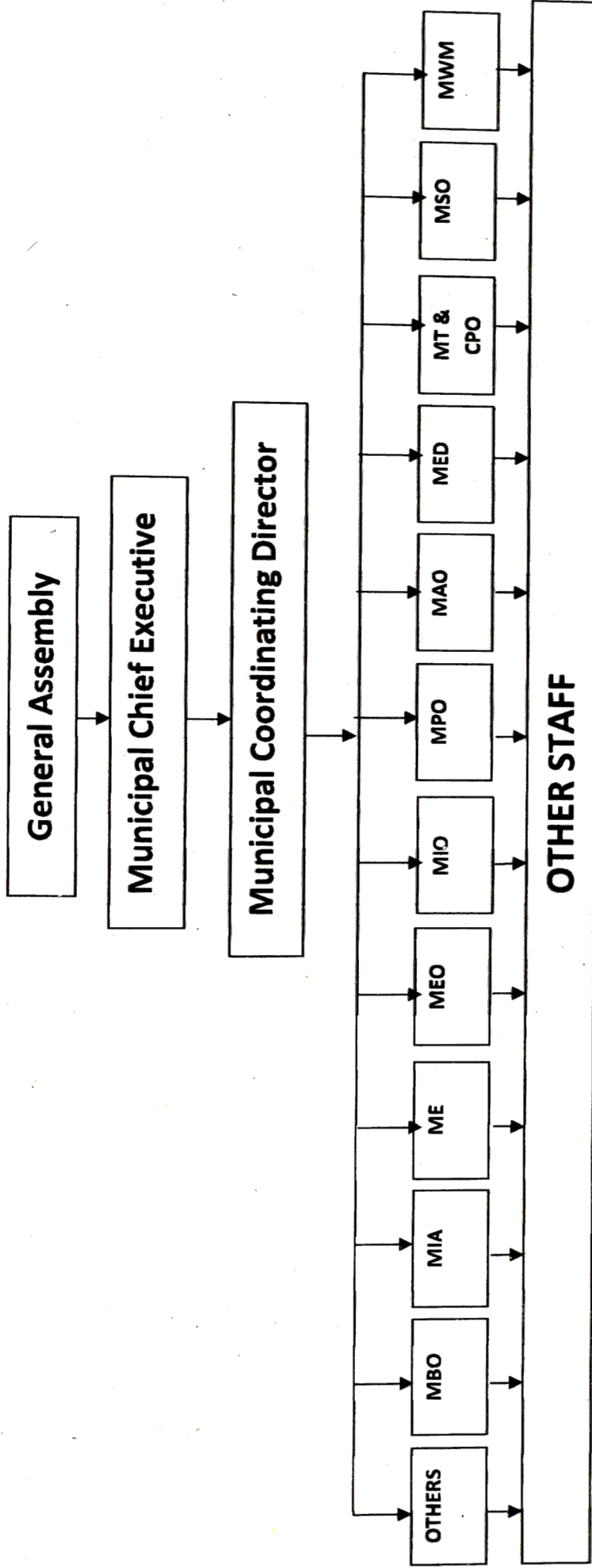
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ORGANOGRAM OF AdMA

APPENDIX 2



•	MFO	-	Municipal Finance Office	•	MAO	-	Municipal Agric Officer
•	MBO	-	Municipal Budget Office	•	MED	-	Municipal Education Director
•	MIA	-	Municipal Internal Auditor	•	MT & CPO	-	Municipal Town & Country Planning Officer
•	ME	-	Municipal Engineer	•	MSO	-	Municipal Statistics Officer
•	MEO	-	Municipal Environmental Officer	•	MWM	-	Municipal Waste Manager
•	MIO	-	Municipal Information Officer				
•	MPO	-	Municipal Planning Officer				

STRUCTURE OF AdMA

APPENDIX 3

