

ASSESSING THE FINANCIAL MANAGEMENT PRACTICES OF DECENTRALISED
DEPARTMENTS IN THE KINTAMPO MUNICIPAL ASSEMBLY

BY

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A THESIS SUBMITTED TO THE INSTITUTE OF DISTANCE LEARNING (IDL),

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF
COMMONWEALTH EXECUTIVE MASTERS IN BUSINESS ADMINISTRATION

JULY, 2013

DECLARATION

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

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DEDICATION

I dedicate this piece of work to God Almighty for caring for me throughout my life and to Mrs. Esther Afulani without whom I would not have been who I am today.

KNUST



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ACKNOWLEDGMENT

First of all, I sincerely thank God the creator of heaven and earth for the wisdom, knowledge divine inspiration, direction and guidance given me throughout the period of this piece of work.

I am also indebted in gratitude to my supervisor, Dr. Abdulai Abubakari who took pains to go through this work. Your warm reception, good advice, directions and encouraging words urged me on to produce this work. May God bless you. My thanks also go the Coordinator of the Tamale Centre and to all former facilitators who guided me during the course work of the Commonwealth Executive Masters in Business Administration Programme.

My appreciation will be incomplete if I fail to mention heads of department, staff of decentralized departments, Assembly Persons of Kintampo Municipal Assembly, opinion leaders and civil groups in the Kintampo Municipal Assembly for the precious time spent in responding to my questionnaires.

To the triangular group members (Raphael Banaangmen and Bokuma Vitalis and myself) thank you very much for the support, precious time, fun and discussions we had together since the beginning of the programme. God richly bless you.

To all others who have contributed in diverse ways directly or indirectly to the successful completion of my work, I cannot and have not forgotten about you. Thank you very much.



ABSTRACT

This work was an empirical research to assess the financial management practices of decentralized departments in the Kintampo Municipal Assembly against laid-down financial regulations. The research design was a survey which used questionnaires, interviews and documents to obtain data from various respondents. Simple Random Sampling, Stratified and Purposive Sampling techniques were used to select a sample of 100 respondents. Among the major findings was that 53% of respondents was not aware that public financial management is regulated partly by the FAA (2003) and the FAR (2004). The research further revealed that most

organizations kept cash books. Also, having functional internal audit units and keeping of proper books of accounts were found to be significant factors that helped organizations to prepare and submit financial reports. Causes of violations of financial regulations were identified to include weak monitoring system and budget formulation and implementation in public organizations. The effects of violations of financial regulations included diversion of public funds into private pockets, loss of trust in public organizations and low development of the Municipality. It also emerged that the Audit Service should play a lead role in implementing measures to improve financial management practices in public organizations. The researcher recommends among others the organization of workshops on the financial regulations, and the establishment of monitoring and budget units in each department. Also, Audit Report Implementation Committees should be established in the ggpa¥tments that have not got them. Another recommendation is that government should prioritize the training of accounting professionals and resource regulatory bodies such as the Audit Service, to carry out their mandate effectively.

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ABBREVIATIONS

ACCA	-Association of Certified Chartered Accountants
ARIC	-Audit Report Implementation Committee
CBO	-Community-Based Organization
CSO	-Civil Society Organization
DDF	-District Development Facility

DFID	-Department For International Development
FAA	-Financial Administration Act
FAR	-Financial Administration Regulations
FOAT	-Functional Organizational Assessment Tool
GSS	-Ghana Statistical Service
IMF	-International Monetary Fund
L.I	-Legislative Instrument
LGS	-Local Government Service
MDA	-Ministries, Departments and Agencies
MMDA	-Metropolitan, Municipal and District Assemblies
MoFEP	-Ministry of Finance and Economic Planning
MPCU	-Municipal Planning Coordinating Unit
NGO	-Non-Governmental Organization
ODI	-Overseas Development Institute
PAC	-Public Accounts Committee.
PEFA	-Public Expenditure and Finance Accountability
PFM	-Public Financial Management
PUFMRP	-Public Financial Management Reform Programme
SADA	-Savanna Accelerated Development Authority
Sida	-Swedish International Development Cooperation Agency
Unisa	-University of South Africa

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The term finance may describe both the money resources available to governments, firms or individuals, and the management of these resources (Marfo-Yiadom, 1999). According to Maness (1988), finance is the study of the acquisition and investment of cash for the purpose of enhancing value and wealth.

Financial management is how the resources of an organization are acquired and managed to ensure value to the organization and its stakeholders. It is the acquisition, management, and financing of resources for firms by means of money (Pinches, 1990). Financial management may also be referred to as corporate finance and deals with the proper acquisition of cash and the efficient allocation of that cash within the organization (Maness, 1988). According to Alhassan (2008), financial management covers the activities directed at ensuring that financial resources are obtained and used in the most efficient and effective way to achieve organizational objectives.

Financial management is essential in decision making to help an organization carry out its mandate effectively and efficiently. Decision areas of financial management include investment decision, financing decision, dividend decision and liquidity decision. (Marfo-Yiadom, 1999).

Public Financial Management deals with the development of laws, rules, processes and systems to ensure sustainable, efficient, effective and transparent management of public finances. It '

includes planning, budgeting, accounting and reporting, internal controls, auditing, procurement and stores management (DFID, 2011).

Public financial management aims to maintain aggregate fiscal discipline interpreted to mean prevention of over-spending or over-borrowing and to allocate resources in line with strategic priorities. Public financial management also seeks to achieve economy, efficiency and effectiveness in the use of public resources by public organizations.

A local government consists of those functions which are carried out by the local authorities. (Ahwoi, 2010). It is a form of public administration which to a large extent exists as the lowest layer of administration in a given country. Local authorities may vary from countries depending on their governance structures. In the United States of America, local government is structured into states and territories. Each state is sub-divided into counties and municipalities. Local government arrangements in the United Kingdom are much more complex. The system of local government in South Africa consists of municipalities of various types such as metropolitan municipalities and district municipalities each of which consists of several local municipalities.

In Ghana there are two levels of government. These are the Central and Local government. The local level currently consists of 10 Regional Coordinating Councils, 216 Metropolitan, Municipal and District Assemblies. To ensure full participation of the citizens at the local level, the Metropolitan, Municipal and District Assemblies have been divided into substructures including Sub-Metropolitans Assemblies, Zonal Councils, Area Councils and Unit Committees.

The structures are also to ensure both fiscal and political decentralization. (Act 462, of 1993) Ghana's current local government system has evolved over the years in response to demand for improved

service delivery, accountability, and good governance. This has been informed by the fact that centralized planning and development as the key to economic growth and development has been questioned. (Ahwoi, 2010). The current local government in Ghana was initiated by the enactment of the Local Government Law, 1988 (PNDC Law 207). The thrust of this law was to give power to the people through participatory democracy. Since 1988, there have been enormous efforts aimed at deepening the decentralization process. Chapter 6 (Directive Principles of State Policy) and Chapter 20 (Decentralization and Local Government) of the 1992 Republican Constitution of Ghana both enshrine the decentralization policy of Ghana. Also, the Local Government Act, 1993 (Act 462) and more recently the Local Government Service Act, 2003 (Act 656) provide legislation that facilitate the decentralization policy. The decentralization policy has necessitated the creation of decentralized departments in each local authority. The decentralized departments are expected to ensure efficiency, effectiveness, and transparency in the management of public resources in the local level. According to the Local Government (Departments of District Assemblies) (Commencement Instrument), 2009 (L.1 1961), there are 16 departments in the Metropolitan Assemblies, 13 in the Municipal Assemblies and 11 in the District Assemblies. Local Authorities such as the District Assemblies are mandated to effectively manage and account for resources based on a financial legal framework. This framework comprises laws, regulations, directives, and guidelines. In particular, the Financial Administration Act, 2003 (Act 654), the Financial Administration Regulations, 2004 (L.1 1802), the Public Procurement Act, 2003 (Act 663) and the Internal Audit Agency Act, 2003 (Act 658) constitute part of the financial legal framework to regulate the financial management practices of decentralized departments. The objective of the legal framework is to set out the powers and responsibilities of heads of Ministries, Departments and Agencies as well as the District Assemblies. The financial management practices of the decentralized departments include accounting and reporting system and

functional internal audit units to appraise internal controls and use of resources and advise management for corrective actions.

. 1.2 Statement of the Problem

The success of organizations in today's competitive modern business environment depends to a large extent on sound financial management practices. Lack of sound financial management practices can have disastrous consequences for any organization. Financial indiscipline in public organizations can deny citizens of needed development. To achieve financial discipline, rules, regulations, laws, guidelines and directives are critical. It is in this vein that a legal framework, including Financial Administration Act, 2003 (Act 654), the Financial Administration Regulations, 2004 (L.1 1 802), the Public Procurement Act, 2003 (Act 663), the Internal Audit Agency Act, 2003 (Act 658), and the Financial Memoranda for District Assemblies, 2004, has been developed for decentralized departments to regulate their financial management practices. However, in recent times, there have been violations of financial regulations by public organizations in Ghana leading to embezzlement, financial loss to the state and sometimes prosecution of persons involved. Despite the importance of sound financial management to the government of Ghana and its agencies, little research has been conducted on the financial management practices of decentralized departments in Ghana and in Kintampo Municipal —Assembly in particular. This study is therefore, aimed at conducting empirical research to determine the extent to which, and whether or not the financial management practices of decentralized departments in the Kintampo Municipal Assembly follow laid- down financial regulations enacted to regulate public financial management in Ghana.

1.3 Objectives of the Study

The objectives of the study included general and specific objectives.

1.3.1 General Objective

The overall objective of the study is to assess the financial management practices of decentralized departments in the Kintampo Municipal Assembly.

1.3.2 Specific Objectives

- 1 To assess the level of awareness or the knowledge level of the decentralized departments about the Financial Administration Act, 2003 and the Financial Administration Regulations, 2004.
1. To assess the decentralized departments compliance with the Financial Administration Act, 2003 and the Financial Administration Regulations, 2004 in accounting and reporting financial transactions.
2. To investigate whether Internal Audit practices of the decentralized departments follow the Internal Audit Agency Act, 2003
3. To analyze the challenges of the decentralized departments in applying laid-down financial regulations.

1.4 Research Questions

- 1 What is the awareness/knowledge level of the decentralized departments about the Financial Administration Act, 2003 and the Financial Administration Regulations, 2004?
2. Do the decentralized departments account for and report on their financial transactions in accordance with the Financial Administration Act, 2003 and the Financial Administration Regulations, 2004?

3. Do the internal audit practices of the decentralized departments follow the Internal Audit Agency Act, 2003?
4. What are the challenges of the decentralized departments in applying laid-down financial management regulations?

1.5 Purpose/ Significance of the Study

This was an exploratory research to assess the financial management practices of decentralized departments in the Kintampo Municipal Assembly in line with laid-down financial regulations. The study obtained information from management and staff of decentralized departments and where practicable, from relevant financial documents from the departments, on their current financial management practices. The aim was to assess the current financial management practices against public financial laws, regulations, rules, and guidelines to determine compliance. The research in particular, was to examine the internal audit practices, financial accounting and reporting practices, of the departments to see if they comply with the relevant legislation. Challenges that hinder strict compliance of the financial regulations by decentralized departments were identified. The study also made recommendations to help policy-makers formulate and implement policies and programmes that would enable decentralized departments overcome any factors militating against their compliance with the financial laws.

The research would be of great value to both persons and institutions. It would add to existing knowledge on public financial management. It would also be a useful guide to decentralized departments in their drive to ensure sound financial management practices that are in compliance with laid-down financial regulations. In particular, management of decentralized

departments can use the research work as a guide in their internal auditing, and financial accounting and reporting, practices. Stakeholders and indeed the general public would find this piece of work a useful companion in their quest for accountability, transparency, efficiency and effectiveness in the use of public financial resources. Government and other government agencies would also find the results of the research useful in their effort to formulate policies and draw programmes to enhance public financial management practices in decentralized departments in Kintampo Municipal Assembly and in Ghana in general. It would also serve as a teaching material for trainers, teachers and instructors who impart knowledge and skills of financial accounting and reporting, as well as internal auditing.

1.6 Limitations of the Study

The limitations of the study included the following:

Respondents did not understand why information on their financial practices should be requested. Additionally, the culture of secrecy and the absence of freedom to information law made access to documents difficult. These challenges were overcome by convincing respondents that the information obtained was to be used solely for academic purposes and that confidentiality was assured. Again, data collection took place during working hours when most respondents were busy on their schedules. This was likely to affect access to respondents and had

the potential of slowing the pace of work unless alternative arrangements could be made. To this end, appointments were booked with respondents at their convenient times. Poor record keeping in public organizations was likely to affect complete and adequate data that could be collected from the departments. Low questionnaire return rate was another challenge to the researcher as some

respondents traveled while others deliberately did not respond. The researcher booked appointments with travelling officers and followed up on those who did not return questionnaires. This helped to achieve high response rate. Finally, financial constraint was a critical problem in carrying out the research. This necessitated the use of a sample of the population for the research. The work was also financed by savings made for the purpose.

1.7 The Scope of the Study

The research was based mainly on assessing the financial management practices of decentralized departments in the Kintampo Municipal Assembly for compliance with laid-down financial rules, laws, regulations, guidelines and directives. It assessed only the extent to which decentralized departments in the Kintampo Municipal Assembly complied with the financial legal framework such as the Financial Administration Act, 2003 (Act 654), the Financial Administration Regulations, 2004 (L.1 1802), the Internal Audit Agency Act, 2003 (Act 658), and the Financial Memoranda for District Assemblies, 2004. The research work was not a detailed analysis of the workability of these laws and was limited to financial accounting and reporting as well as internal auditing practices. Also, the work was limited to the decentralized departments in the Kintampo Municipality. To this end, the results and findings of this research were not enough to make generalization of compliance by decentralized departments in Ghana

with the financial regulations. For a more complete and comprehensive investigation, each of the financial laws could be assessed to determine how they are applied in the departments. Also,

a

study could be done on a wider scope such as in about six regions to make for generalization of compliance in Ghana. Procurement and budgeting practices not covered in this research could also be investigated.

1.8 Definitions of Key Concepts

The following concepts have been explained to suit the purpose of this research and the meanings given to the concepts are to give understanding to the research and as such may not be applicable universally.

1.8.1 Financial Management

Financial management concerns the sources and uses of funds by decentralized departments. It also means financial record keeping and reporting as well as procedures, processes and internal controls put in place to receive and spend public money. The way the departments manage their assets in terms of keeping asset register and using board of survey is integral in financial management.

1.8.2 Financial Management Practices

For the purpose of this research, financial management practices are the practices related to receipt and use of public funds, internal auditing, recording and reporting on the receipt and use of public money. The concept also deals with the dissemination of financial information on notice boards, at public meetings, in newspapers and at community durbars.

1.8.3 Financial Reports

Financial reports mean the monthly financial statements of District Assemblies generally called "Trial Balance", budget documents of departments, quarterly reports of departments, weekly transcripts, and any financial report required by a supervisory government agency or donor organization. Annual financial reports comprising the balance sheet, the income statement cash flow statement and notes to the financial statements are part of financial reports.

1.8.4 Internal Auditing

Internal auditing is a management internal control function which deals with vetting of payment vouchers before payments are made, examining cash book recordings to ensure that all receipts and payments are properly recorded. It also involves writing and submitting quarterly and annual internal audit reports on the financial operations of the organization to management and other relevant bodies. Internal auditing also examines other internal controls and management practices and advises management on best practices to ensure effectiveness, efficiency and value for money in the operations of the organization.

1.8.5 Legal Framework

Legal framework refers to both the public financial management laws, regulations, guidelines, and directives on -one hand, and the public institutions set up to implement these laws,

regulations, guidelines, and directives on the other hand.

1.8.6 Decentralized Departments

A decentralized department is any public organization which receives and uses public money to provide public good or service. To this end, organizations such as the Central Administration of

the Assembly, Municipal Directorate of the Ghana Education Service, the Municipal Health Directorate, Department of Agriculture, Kintampo Goat Breeding Centre, Department of Feeder Roads, Zonal Councils of the Assembly, Kintampo Senior High School, the Magistrate Court and the Municipal Treasury. These are in addition to decentralized departments specifically created by L.1 1961.

1.9 Organization of the Research

The research is organized into five chapters. Chapter one deals with the background of the study, statement of the problem, the objectives of the study and the research questions. The significance of the study, the scope and limitations of the study, as well as the delimitations and organization of the work are found in this chapter. Chapter two deals with the review of relevant literature. It consists of review of concepts and theories on financial management, local authority, decentralized departments, legal framework of financial management and challenges of compliance with the financial regulations. Relevant literature comprises textbooks, journals, the internet and publications. Chapter three consists of the methodology of the study. The chapter shows the research design, procedures or techniques, data collection tools and procedures, data analysis or presentation. Chapter four deals with study results and discussion of results. Finally, summary of findings, conclusions and recommendations of the research are presented in chapter five.

CHAPTER TWO

LITERATURE REVIEW

this section is devoted to reviewing work on financial management done by other researchers,

organizations and committees. Literature is reviewed in the following areas:

2.1 Overview of Financial Management

The term finance may describe both the money resources available to governments, firms or individuals, and the management of these resources (Marfo-Yiadom, 1999). According to Maness (1988), finance is the study of the acquisition and investment of cash for the purpose of enhancing value and wealth.

Financial management is how the resources of an organization are acquired and managed to ensure value to the organization and its stakeholders. It is the acquisition, management, and financing of resources for firms by means of money (Pinches, 1990). Financial management may also be referred to as corporate finance and deals with the proper acquisition of cash and the efficient allocation of that cash within the organization (Maness, 1988). According to Alhassan (2008), financial management covers the activities directed at ensuring that financial resources are obtained and used in the most efficient and effective way to achieve organizational objective. Public financial management is concerned with how public funds are used for the benefit of the

public. Public funds are monies generated by the government and or its agencies to provide goods and services for the benefit of the general public. In Ghana, public funds are explained by law. According to Article 175 of the 1992 Constitution of Ghana and Section 5(1) of the Financial Administration Act, 2003, public funds consist of the Consolidated Fund, Contingency Fund, and such other funds as may be established by or under an act of Parliament. Public funds are critical to the development of the nation and also include tax and non-tax revenue, grants, receipts from loans and sale of government assets such as government equity, and securities. Transfers including staff salaries are also part of public funds (LGS, 2010). Mear and Flynn, (2011) contend that the reasons for public financial management include the fact that there are changes in the

way the public sector does its business in this modern era. Bureaucracies with strict hierarchies are collapsing and giving way to flat structures where managers and heads of departments at lower levels of government are empowered to make decisions on investments, efficiency and effectiveness based on best information available to them, which information includes financial information. Also, there is now a wider public accountability. It is no longer enough for public financial statements to show the amount of resources that have been generated and used but to show how well these resources have been used. Public accountability must show whether the resources have been used efficiently and appropriately. Another reason is that, the responses of many governments in the world to financial crisis put a strain on the budgets. There is therefore the need for performance- related budgets. For example, in the United Kingdom and France, these budgets were made during times of spending growth. (Mear et al, 2011).

2.2 Legal Framework of Public Financial Management

To ensure efficient and effective public financial management system, a legal regime is critical to provide direction, guidance and compel compliance. The legal framework provides direction in the receipt, use, accounting, and reporting of public funds. In the United Kingdom, there is a relationship-and accountability among participants in public financial management which make it crucial for each participant to ensure compliance with laid- down financial regulations. In this relationship, the decentralized departments account to the ministries which in turn account to the

executive. The executive is accountable to the electorate or the public through the legislature.

This relationship makes the public the most important participant. (Mear, 2011).

In Ghana, a lot of agencies are involved in public financial management such as the Ministry of Finance and Economic Planning, the Controller and Accountant-General's Department, Public Services Commission, Office of the Head of Civil Service, National Development Planning Commission and the Bank of Ghana. Also critical for public financial management are the Public Procurement Authority, the Internal Audit Agency, and the Ghana Revenue Authority. External scrutiny agencies include the Ghana Audit Service, Parliamentary sub-committees such as the Finance Sub-Committee and the Public Accounts Committee, (Betley et al, 2012). It is important to note that these agencies operate within a financial legal framework comprising the Financial

Administration AO. 2003 (AB Б.ЧХ the Financial Administration Regulations, 2004 (L.1 1802),

Internal Agency Act, 2000) (А6 PAK Procurement Act, 2003(AO).

the Financial Memoranda for District Assemblies, 2004. All ministries, departments, agencies and the District Assemblies are expected to follow these financial laws in their financial management practices to ensure efficient and appropriate use of public resources for the collective benefit of the general public.

2.2.1 Internal Auditing

Internal Auditing is an important component of public financial management. It is defined as an independent appraisal activity within an organization for the review of operations as a service to management. It is a management control which functions by measuring and evaluating the effectiveness of other controls within an enterprise. Okai (1996), identifies the main purposes of internal auditing to include the following:

- Verification of the accuracy of the financial records and related reports and statistics
- To ensure that the standard accounting practices of the organization are being adhered to
- To review and improve the system of internal checks
- To ascertain that proper authority is given for the purchases and disposal of the assets of the organization and that there is adequate protection afforded and the efficient use of these assets
- To confirm that liability has been incurred only in respect of the legitimate operations of the organization
- To ensure prevention and early detection of fraud
- To undertake special investigation at the request of management.

Mensah (2009) also contends that internal auditors play a critical role in monitoring the effectiveness of the internal control systems of organizations. They should review and test the internal controls from time to time to ensure that they are functioning properly, and advise management on improvements and solutions to any problems. The need for auditing cannot be overstated. It enhances credibility of decisions made by management, improves public confidence in the accounts and management. Auditing also checks on the authenticity and reliability of the financial statements and tries to ascertain whether the department or organization receives value for money in its activities and operations. It is also a legal requirement. (LGSÄ)10)

It is based on the important role played by internal auditing that the Internal Audit Agency Act, 2003 (Act 658), requires each and every MDA and MMDA to establish an internal audit unit to be part of the MDA or MMDA. The internal auditors are expected to submit periodic reports to the Director-General of the Internal Audit Agency and annual reports to the President. According

to Part II, Section 16 -20 of Act 658, the internal auditors are required to exhibit a high level of professionalism, competence, integrity and confidentiality in the discharge of their duties.

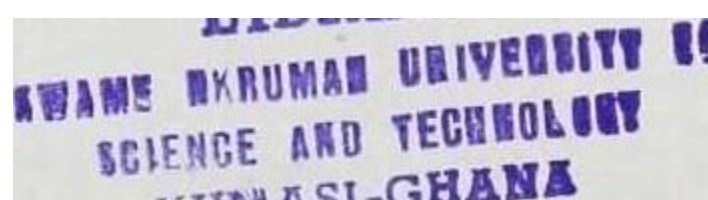
2.2.2 Audit Report Implementation Committee (ARIC)

The revised Guidelines on the Composition, Roles and Responsibilities of Audit Report Implementation Committee issued and signed by both the Director-General of the Internal Audit Agency and the Auditor-General of the Republic of Ghana and dated 27th November, 2007, state that an ARIC is a statutory and high level independent corporate governance committee in the public sector financial management system. This committee will, among other things, promote the effective functioning of the internal audit units and follow up on the implementation of audit recommendations to ensure efficient and effective utilization of public resources in line with the objectives of the Public Financial Management Reform Programmes (PUFMRP). The ARIC is to be composed of the chair of the Governing Council or Board or the representative, the head of the department, a member of the Finance Committee, and one external representative of the Internal Audit Agency. The ARIC is important in relation to internal audit units in decentralized departments. It reviews and advises on the strategic and annual internal audit plans. It also monitors the performance of the internal audit units against their annual internal audit plans and strategic plans. The ARIC again performs the crucial role of monitoring the implementation of agreed audit recommendations. For the effective discharge of its responsibilities, the ARIC is required to meet once every quarter making a total of four meetings in a year. Three (3) members including the chairperson and one external representative constitute a quorum for holding a meeting (Director of Internal Audit Agency and the Auditor-General ARIC Guidelines, 2007). Each NIDA and MMDA is required to establish an Audit Report Implementation Committee (ARIC) whose duty is to follow up on audit recommendations and ensure that the recommendations are carried out. This is to address concerns over follow-up to audit

recommendations. The financial legal framework lays emphasis on this. Section 30 (1) of the Audit Service Act, 2000 (Act 584) requires all institutions subject to auditing by the AuditorGeneral, including Ministries, Departments and Agencies (MDAs) and the Metropolitan, Municipal and District Assemblies to set up an Audit Report Implementation Committee (ARIC) to ensure the implementation of the recommendations of audit reports. Despite the establishment of ARICs in most public organizations, there are still instances where audit queries are not followed up and the PAC has to sit on them and give directives for implementation of audit reports. Most ARICs do not hold meetings as required by law. Members of ARICs in some organizations lack requisite professional and technical capacity to carry out their mandate effectively. (Betley, et al,2012).

In compliance with these financial regulations, a lot of MDAs and MMDAs have established internal audit units and audit report implementation committees. For example, according to an Evaluation Report of Public Financial Management Reform in Ghana published by Sida in 2012, by the end of 2010, Internal Audit Units were established in 85% of MDAs and 90% of local government. Also, Audit Report Implementation Committees were established in 135 MDAs representing 78% and 124 in MMDAs representing 73%. It is worthy of note that the mere establishment of internal audit units and Audit Report Implementation Committees does not guarantee the effective functioning:- For example the ARICs do not meet regularly and internal audit units continue to perform pre-reform functions due to limited resources especially, the requisite skills. (Betley, et al, 2012).

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2.2.3 Financial Accounting and Reporting

Accounting is seen as the process of collecting, classifying, recording, summarizing, presenting and interpreting financial and operational transactions to provide financial information for management and other users to make informed economic decisions. (Awuah-Boateng et al. 2006). Simpson et al, (2011) of Overseas Development Institute of the United Kingdom see accounting as the practice of recording, classifying and summarizing financial transactions. They contend that accounting is a means of assuring compliance with budget rules and demonstrating that public funds are being used for their intended purposes. Organizations, including decentralized departments keep records of their financial transactions for a lot of reasons. Accounting helps to comply with the law, guidelines, regulations and other directives on financial management. Departments must show how revenue was raised from both internal and external sources and account to taxpayers on the use of such revenue. This is done through accounting. Again, accounting helps departments to demonstrate equity, efficiency and effectiveness in the use of public resources. (LGS 2010).

2.2.3.1 Public Accounting Arrangements

To ensure complete, adequate and accurate provision of financial information for effective public financial management, the financial legal framework provides direction for receipt, custody, recording and payments of public money. According to Section 9 of the Financial Administration Act, 2003, proper record should be kept in respect of receipt or collection of public money. The record shall be in the manner determined by the Controller and Accountant-General. Public money should also be paid into the Consolidated Fund immediately within 24 hours after receipt.

All departments are required to ensure proper accountability by making payments in accordance

to rules and regulations. To this end, Section 19 of the FAA, 2003 states that a bank account should be opened for each department under the authority of the Controller and Accountant General and all funds received by the department should be lodged into it. Payments must be made out of the account by following proper procedures and obtaining authority. The Act requires every head of department to ensure that a record is kept of cheques or other instruments issued under the direction of that department.

According to the FAA (2003) and the FAR (2004), financial records are to be kept in line with generally accepted accounting practice and using appropriate books of accounts. The purpose of accounting books is to provide a permanent record of the financial transactions of the department. Data will be extracted from the underlying recordings to prepare financial statements for use by stakeholders. All departments are enjoined to keep proper books of accounts which include the Cash book for the record of details of the receipt and payment of all moneys. Another book is the Leger. The ledger is the book that provides a permanent record of various accounts of the department. Departments are also required to keep an Asset Register. This book records the assets of the departments and shows, among other things, the cost of the asset, the date of purchase, the description of the asset, the location of the asset, the depreciation rate and value of the asset, the condition of the asset and the name of the vendor. Other books that are to be kept by the departments are the Stores Ledger and the Vote Book. The aim of these books is to—ensure that—ge-•ærñíëñt, and for that matter, the departments, report on revenue and expenditure for a period. Government financial accounting, as stated by the Centre for Financial and Management Studies, University of London, has traditionally consisted of providing an out-turn report, comparing actual payments and receipts with those which were authorized by the budget.

2.2.3.2 Financial Reporting

Financial reporting comprises the preparation, presentation and interpretation of financial reports. Financial reports are seen as vehicles or containers or conduit pipes that carry financial information. (Awuah-Boateng et al, 2003). They contend that these financial reports include an income statement, a balance sheet, and a statement of changes in financial position.

2.2.3.2.1 Legal Requirements for Financial Reporting

The financial regulations require that financial reports be prepared and presented at specified periods. So crucial is financial reporting that the President of the Republic is required to present a report to the people of Ghana at least once in a year on the financial state of the nation. The Financial Administration Act, 2003, (Act 654), states that the minister, acting on behalf of the President, is to ensure that periodically and not less than once a year, the fiscal policy of government and a statement of the current and projected state of the economy and finances are presented to Parliament. This is to ensure accountability at the national level. The decentralized departments are also required to present periodic financial reports. According to Section 40 of the FAA 2003, departments are required to prepare and submit monthly financial reports to the Auditor-General, the sector Minister and the Controller and Accountant-General within fifteen days after the end of each month. These reports include a balance sheet showing the assets and liabilities of the department, the income statement showing results of operations for the period, a cash flow statement which shows how funds are obtained and how they are used. The reports will also include notes that form part of the accounts. These statements are to be prepared in accordance with generally accepted accounting principles and instructions issued by the Controller and Accountant-General in consultation with the Auditor-General.

The Financial Administration Act, 2003 also requires that each department, operating a bank account, reconcile the cash book with the bank statement monthly. This is done by preparing a bank reconciliation statement.

The financial regulations also require decentralized departments to prepare and submit annual financial statements of accounts to the Auditor-General, the Minister, and the Controller and Accountant-General. The statements are a balance sheet, income statement, cash flow statement and notes that form part of the accounts. Again, the statements are to be prepared in accordance with generally accepted accounting principles and in addition, departments are required to state the basis of accounting used in preparing the accounts. (FAA, 2003 Sec 41). The basis of preparing financial statement is the Cash Basis and the Modified Accrual Basis.

2.2.3.2.2 Objective of Financial Reporting in the Public Sector

Public financial management requires the production of financial statements to achieve certain objectives. Mensah-Slippi (2009) argues that though there is diversity of public sector organizations, there are some similarities between broad objectives and functions of their financial statements. He identifies the objectives of financial reporting in the public sector to include compliance and stewardship. This objective is to give users assurance of compliance with legal requirements in the use of public financial resources. Another objective is to ensure accountability. It is-also the aim of public financial reporting to provide information for planning and authorization of further use of funds. Financial statements provide the basis for formulating future policies, programmes and activities. Other objectives, he contends, are to enable users assess the viability of the departments, the use of the financial statements as public relation documents and sources of facts and figures.

Also, according to Allen and Tommasi (2001) as cited by the Centre for Financial and Management Studies (2010), University of London, the objectives of public financial reporting are varied. The first is that it is to ensure budget integrity by ensuring that resources are used in conformity with legal authorization and mandatory requirements. Financial reporting also shows

operating performance of the departments. They indicate programmes cost, the source of funding, programmes outcomes and outputs, liabilities arising out of the programmes and how assets were managed. Stewardship is the other objective public financial reports seek to achieve. In the financial statements, the departments show whether their financial positions improved or deteriorated and make provision for future improvements

2.2.3.2.3 Publication of Public Financial Reports

Publication of public financial reports means dissemination, distribution or circulation of the financial reports to various users. Public financial reports can be published on notice boards, in the local press or on local radio programmes. Also, the statements could be distributed to NGOs, CBOs, CSOs, opinion leaders and other stakeholders. Publication can also be done by holding regular meetings with stakeholders to inform them of financial matters. The reports should ensure completeness, legitimacy, reliability and consistency. They should also be user-friendly and relevant. Financial reports should be timely, useful and make comparability possible.

Publication of public financial reports encourages citizens to get involved in planning and budgeting and enables taxpayers to know how their taxes have been or are being used. This is important since money of decentralized departments is largely from tax revenue. When departments publish financial statements, it enhances transparency and accountability and may lead to increased revenue collection since taxpayers will understand how judiciously and efficiently their taxes are being used. Comparison and judgment of departmental performance is key to holding the departments accountable for their operations. The public, non-governmental

organizations, civil society organizations and other interested groups can perform this role effectively when the departments publish financial reports. (LGS 2010)

The question of what to publish is a critical one and deserves a lot of attention to ensure that relevant information is given to stakeholders to enable them make informed decisions. The Local Government Service FOAT/DDF Training Participants' Guide, 2010 acknowledges that there is a lot of information that departments can publish. It contends that departments should publish government grants received to allow citizens to know how much grants are received and how they are utilized. Monthly, quarterly and annual financial statements (accounts) can be published. Internal and external audit reports can also be published just as reports on financial investigations. Another piece of information identified for publication is performance standards of the organization. Decentralized departments can also publish their budgets. (LGS 2010)

Financial reports of decentralized departments are used by many and varied stakeholders. In fact the Centre for Financial and Management Studies, University of London, emphasises that the stakeholders of public organizations are a less discrete group of people and may include all citizens of a country. Mensah-Slippi (2009), clarifies that when public sector financial statements are presented, it is clear who the users are. He identifies users of public financial statements to include the following:

- Members of Parliament who use the financial statements to assess the performance of organizations in their constituencies and to assess policy, efficiency, and effectiveness of use of public resources.
- The public as voters and taxpayers. These stakeholders are interested in how efficiently their taxes are used to provide value-for-money services and infrastructure.

- Donors or sponsors. A number of institutions which rely on funding by donors use their annual financial statements to inform their benefactors of progress, account to the public and to acknowledge publicly the support which they have been given.
- Management, customers and suppliers, and employees of various departments also use financial statements of these departments to make various decisions.

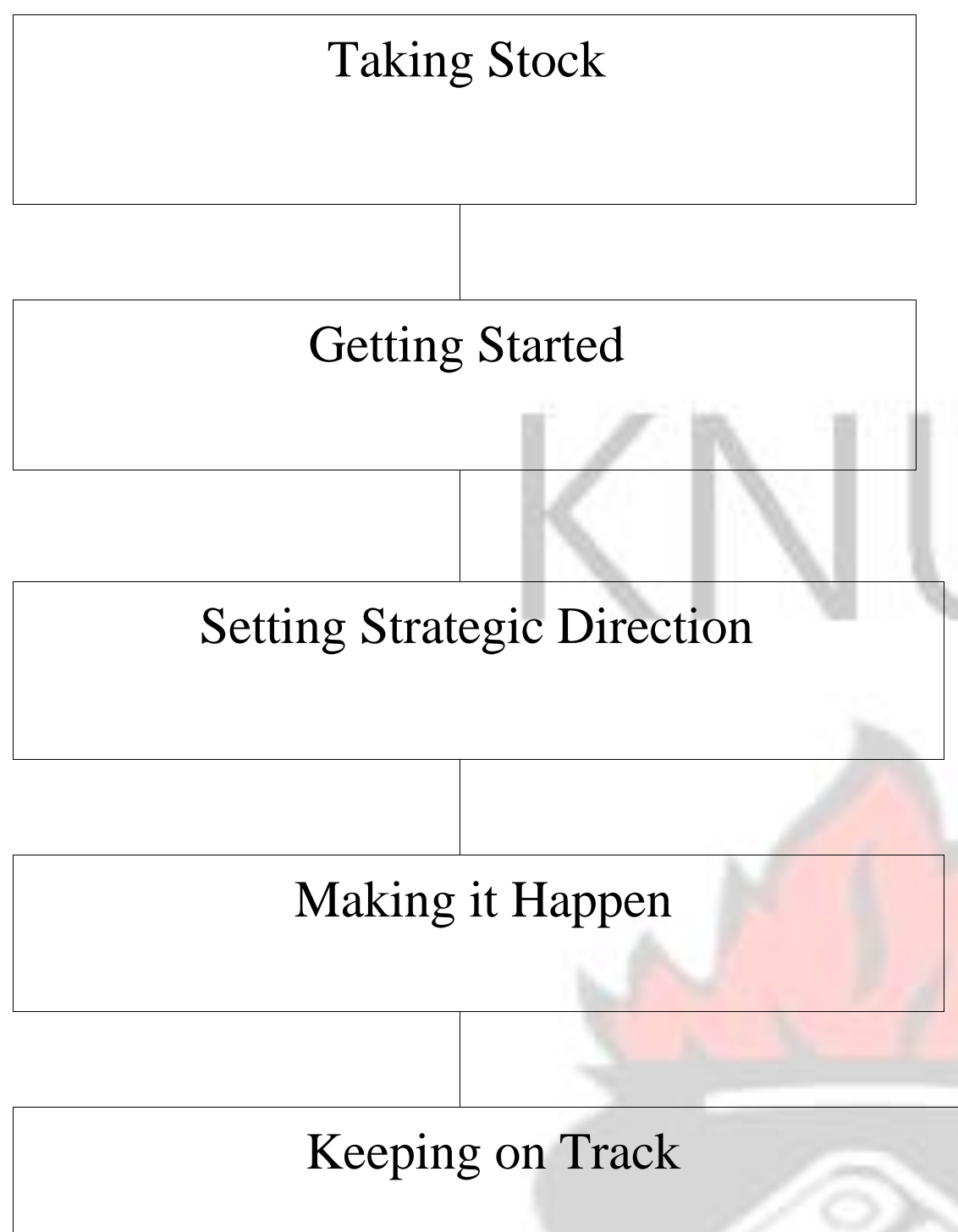
2.3 Theoretical Framework of Public Financial Management

Public Financial Management is a concept that encompasses the mobilization of revenue, the allocation of these funds to various activities; expenditure and accounting for spent funds. (ODI 2011). Good financial management is responsible for not only protecting, developing, using resources, pushing and maintaining economic growth and increasing income, but also managing effectively and efficiently all national resources. (Thang in ACCA 2010).

A lot of financial management models have been developed as frameworks to enable organizations improve and address issues of effectiveness and efficiency in their public financial management functions.

2.3.1 The Audit Commission Model

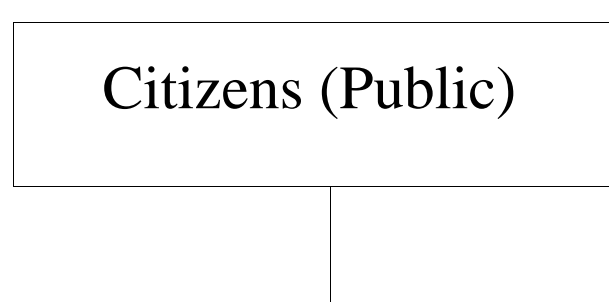
This model, developed by the Audit Commission in England, uses the metaphor of a journey, in which one starts at one place and wants to arrive at another. The model identifies five key improvement phases: taking stock, getting started, setting strategic direction, making it happen and keeping on track. This allows one to gain a better understanding of how organizations have improved public financial management over time.

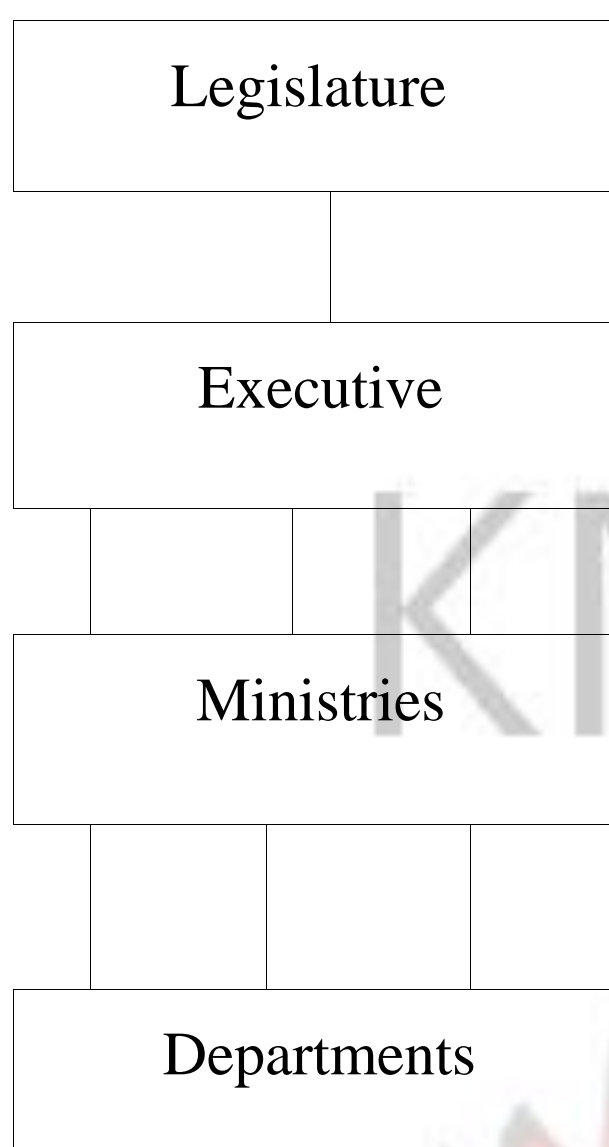


Source: (2011)

Figure 2.1: The Audit Commission Financial Management Model

The Model explains that for effective and efficient public financial management, public organizations need to first of all assess their current financial management situation to identify any weaknesses. Key players then need to clarify direction, set milestones and allocate resources to priority areas. Implementation of the system commences after this phase. In doing this, organizations need to create the right framework, structure and culture of strong financial management. Monitoring and *•efáIGG*—of the financial management system is critical for financial success to ensure that set objectives are being achieved and the model identifies this in the last phase of keeping on track. This model operates within a framework of accountability relationships as stated by Mear et al (2011). They contend that there is accountability relationship between the executive, the legislature and the citizens in the United Kingdom as depicted in Figure 2.2 which is similar to public financial management arrangement in Ghana.



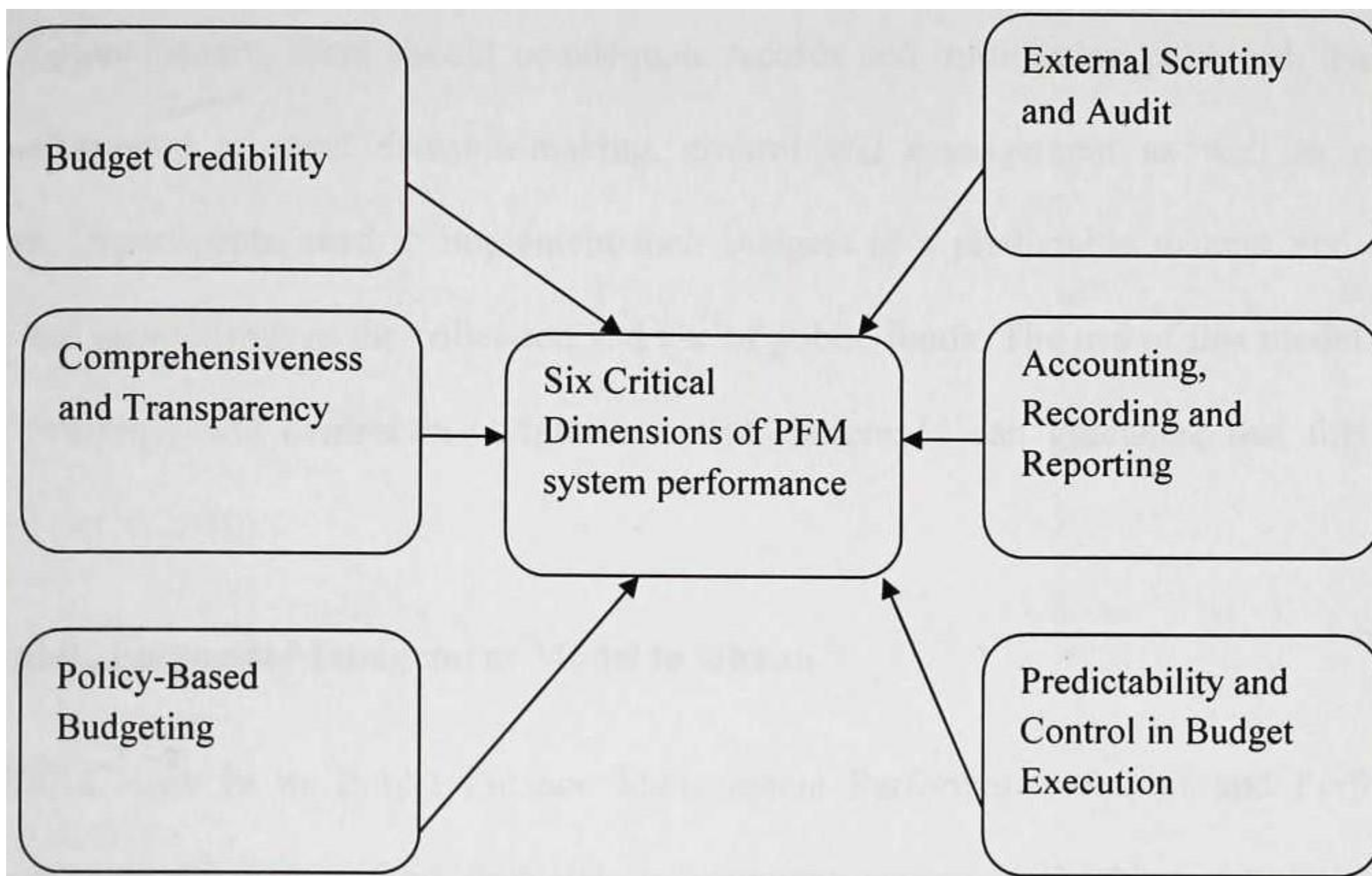


Source: Mear and Flynn (2011)

Figure 2.2: Accountability in Public Finance, the Relationship between the Legislature, Executive and Citizens

2.3.2 Public Financial Management Measurement Framework Model

Another model is the Public Financial Management (PFM) Measurement Framework developed by the Public Expenditure and Financial Accountability secretariat (PEFA), the World Bank and IMF. This performance measurement framework is mainly focused on governments, but can be applied to other parts of the public sector. The model sets out high level performance indicators which can be used to assess financial performance as indicated in Figure 2.3



Source: PEFA, PFM Measurement Framework as adapted in ACCA (2010)

Figure 2.3: Critical Dimensions of Public Financial Management

This model is very important as it tries to assess how effectively and effectively public organizations use public resources to the benefit of the general public. Budget credibility is critical since it deals with how realistic the budget is and whether it is being implemented as intended. Budget credibility ensures that departments do not divert resources but use them to benefit the public. Comprehensiveness and transparency ensures that fiscal risks are comprehensive and that budget information is accessible to the public. Departments are to ensure that their budgets, and for ~~that matter their~~ financial management systems, are in line with government policy. The policy-based dimension of the model ensures this is achieved. Public scrutiny of public finances is integral to ensuring accountability. This model suggests availability of effective arrangements for public scrutiny through the external scrutiny and audit dimension. The accounting, recording and reporting dimension of the model argues that for effective public

financial management, there should be adequate records and information produced, maintained and disseminated to meet decision-making, control and management as well as reporting purposes. Departments need to implement their budgets in a predictable manner and exercise control and stewardship in the collection and use of public funds. The use of this model through the predictability and control in budget execution dimension can guarantee that this goal is achieved (ACC 2010).

2.3.3 Public Financial Management Model in Ghana

The World Bank in its Public Finance Management Performance Report and Performance Indicators sees Ghana's public financial management system as highly centralized with a relatively small local government sector. The Ministry of Finance and Economic Planning is the central agency responsible for public financial management with the Controller and Accountant General's Department in charge of the centralized payment system. The Bank also identifies institutional framework for public financial management to include the Legislature, the Executive, the Audit Service, and Parliamentary Committees as well as Local government structures. (World Bank 2006). In addition to these institutions, Betley et al (2012), mentions the Public Services Commission, Office of the Head of Civil Service, National Development Planning Commission, the Bank of Ghana, the Public Procurement Authority, Ghana Revenue Authority, and the Internal Audit Agency as being part of the institutional arrangements for public financial management in Ghana. A review of these pieces of literature indicates that the public financial management model in Ghana does not differ markedly from the Public Financial Management Measurement Framework Model developed by the Public Expenditure and Financial Accountability secretariat (PEFA), the World Bank and IMF and that of the United

Kingdom. Literature indicates that decentralized departments in Ghana report to Ministries, the Ministries report to the Executive which then reports to the public through the Legislature. As indicated in the World Bank's Public Finance Management Performance Report and Performance and Indicators (2006), Ghana was assessed based on the six critical dimensions of public financial management including budget credibility, comprehensiveness and transparency, policy-based budgeting, external scrutiny and audit, accounting recording and reporting, as well as predictability and control in budget execution.

2.4 Decentralization and Decentralized Departments in Ghana

Decentralization is a tool of public administration reform that involves the transfer of functions and powers, skills and competencies and means and resources to lower levels of governance, normally structures of local governance. The practice in Ghana is that the transfer of functions and powers to the local authority structures is done through political decentralization. Skills and competencies are transferred through administrative decentralization while the transfer of means and resources is carried out through fiscal decentralization. (Ahwoi 2010).

To effectively operationalize the decentralization system in Ghana, political decentralization is achieved by the appointment of District Chief Executives to exercise the powers and responsibilities of the President at the local level. Fiscal decentralization is being achieved by the use of composite budgeting system where resources are expected to be transferred en bloc to districts for developmental agenda. The reation of Metropolitan, Municipal and District Assemblies including their various sub-structures as well as decentralized departments of the Assemblies is to give meaning to the administrative decentralization of the country.

A decentralized department is a department of the District Assembly. According to Ahwoi (2010), a decentralized department and for that matter a department of the District Assembly is seen as a department that ceases its vertical reporting relationship with and responsibility to its regional and national headquarters and becomes department of the assembly or assumes a horizontal reporting relationship with and responsibility to the District Assembly. Section 161 of the Local Government Act 2003 (Act 462) establishes departments of the District Assemblies. The First Schedule of Act 462 identifies 15 departments in a Metropolitan Assembly, 13 in a Municipal Assembly and 11 in a District Assembly. The commencement and functioning of these decentralized departments are regulated by the Local Government Departments of District Assemblies Commencement Instrument, 2009 (L.1 1961).

2.5 Decentralized Departments in Kintampo Municipal Assembly.

Kintampo Municipal Assembly as by law has 13 decentralized departments including Central Administration, Finance Department, Education, Youth and Sports, Municipal Health Department, Department of Agriculture, Physical Planning Department, Department of Social Welfare and Community Development, Natural Resources, Conservation, Forestry and Game and Wildlife Department, Works Department, Department of Trade and Industry, Transport Department, Disaster Prevention Department, and Urban Roads Department. Departments in the First Schedule of Act 462 are automatically established by the coming into force of L.1 1961 and those in the Second Schedule are to be established on the dates of amendments of the enactments establishing them. By operation of Regulation 1 of L.1 1961, Kintampo Municipal Assembly has

8 departments established. The Finance Department, Education Youth and Sports, Department of Health, Natural Resources Conservation Department, Forestry, Game and Wildlife Division as well as Disaster Prevention and Management await amendments to their enactments

establishing them. It is important to state that though these departments are yet to exist legally in a new form, they exist, operate and function as departments in their present form and therefore, could be

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investigated as decentralized departments since the change in their legal form will not significantly change their functions and operations or their financial management practices

2.6 Challenges of Compliance with Public Financial Management Regulations

Rules, regulations, laws, guidelines, and directives are intended to achieve set objectives. The objective of financial regulations in many entities is to achieve financial discipline which will ensure that bottom-line results and targets are achieved. Just as this may be the case, it is important to note that compliance with a rule is not always the full prove of determining the effectiveness of a regulation, law or directive in achieving goals. Full compliance may not lead to the accomplishment of the desired outcome. For example, compliance may be costly in some cases and for that matter compliance may not be the solution. In other instances, the rule or regulation may require the use of a particular technology or process or procedure which may be outdated and may not achieve intended objectives. Notwithstanding this, many a public organization strives to comply with financial regulations to ensure accountability and transparency. However they face a lot of challenges in this regard.

In South Africa, factors that hinder compliance with financial regulations have been identified to include lack of experienced, knowledgeable, skilled and qualified staff in departments and public organizations to apply the regulations. Outdated accounting and information system, inadequate knowledge of the public financial management Act 1 of 1999 as well as inadequate control systems and lack of knowledge of accrual accounting and generally recognized accounting practices are other factors. It is also identified that the inability of departments to establish a coherent and comprehensive monitoring and evaluation system is responsible for noncompliance

Of financial regulations in South Africa. Policy makers normally focus on the end result but not

31

on implementation factors revealing poor implementation or lack of insight into the policy process (Unisa 2007).

In Ghana a lot of efforts are being made to ensure that public organizations comply with laid down financial regulations. This however, is not without challenges. The Ministry of Finance and Economic Planning has recently identified these challenges to include weak budget formulation and implementation system. Weak monitoring and evaluation of the use of financial resources by departments and poor data generation and dissemination are some of the challenges. Another challenge is poor flow of information between the Bank of Ghana, Ministry of Finance and Economic Planning and the Controller and Accountant-General's Department. This gives some financial actors the opportunity to breach the financial regulations. The Ministry also identifies deficiencies in accounting and auditing, especially, internal auditing as one of the major challenges. Also critical is the challenge that there is lack of awareness among staff that they have to account for their financial activities. (MoFEP 2013).

METHODOLOGY OF THE STUDY

3.1 Profile of the Study Area

The profile is made up of the geographical location and size, population, climate and vegetation, relief and drainage, major economic activities, transportation system, telecommunication, ethnicity and religion,

3.1.1 Geographical Location and Size

Kintampo Municipal Assembly was established in April 2008 by L.1 1871. It had previously existed as Kintampo District Assembly since 1988 having been established by L.1 1480. In 2004, it was renamed Kintampo North District Assembly by L.1 1762 when Kintampo South District Assembly was carved out of it. It is one of the 27 Municipal/District Assemblies in the BrongAhafo Region. The capital town is Kintampo which is about 130KM away from the regional capital Sunyani. The Municipality has a surface area of about 5,108km², thus occupying a land area of about 12.9% of the total land area of Brong-Ahafo Region which is about 39,557km² (MPCU 2010).

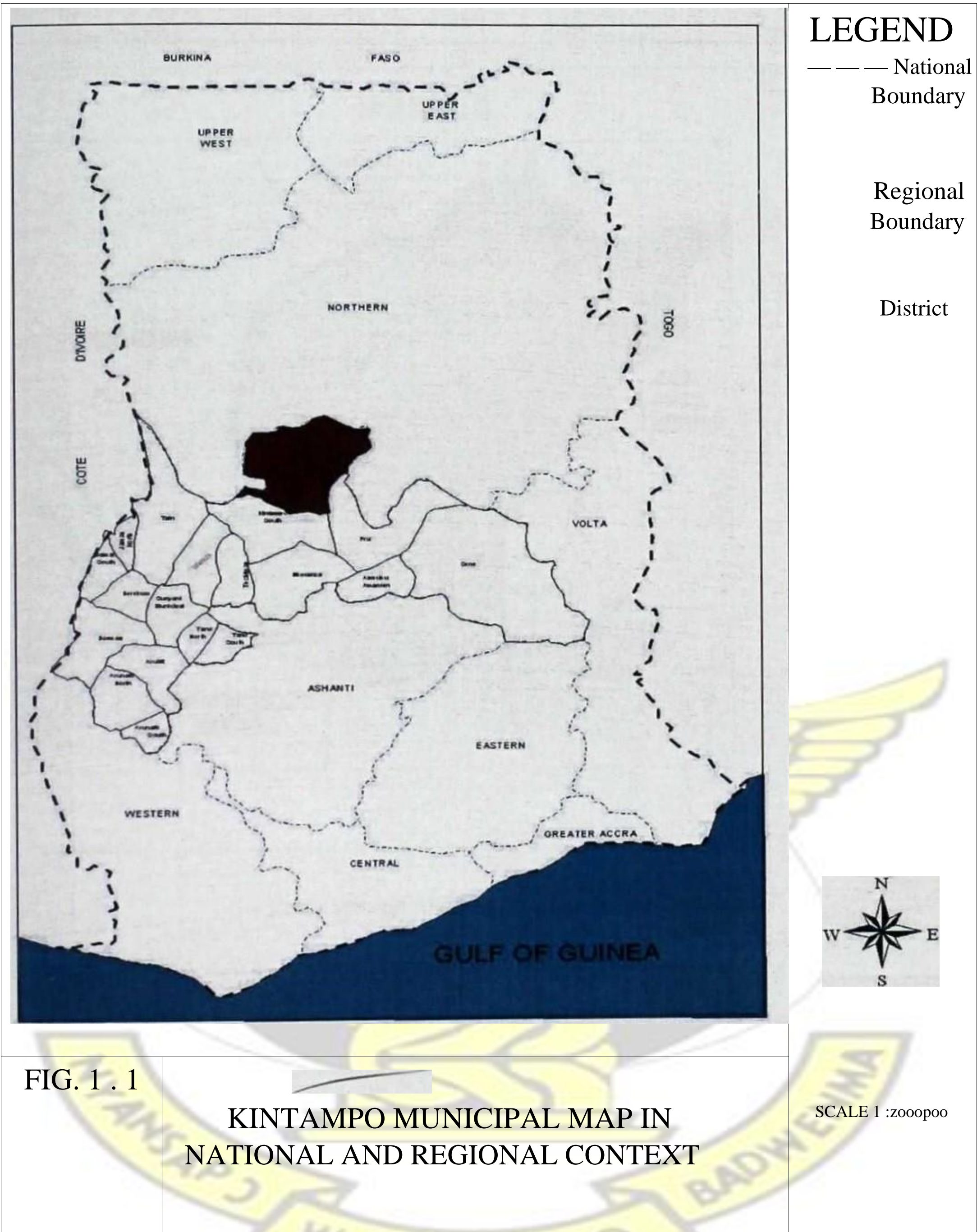
It is located between Latitude 8°45'N and Longitude 1°20' W and 2°01' E. The Municipality shares boundaries with five (5) districts. These are Central Gonja District to the North, Bole District to the West, and East Gonja District to the North-East, all in the Northern Region. The Other districts are Kintampo South District to the South and Pru District to the South-East also in the Brong-Ahafo Region. It is important to state that the Kintampo Municipal Assembly is

strategically located at the centre of Ghana and serves as a transit point for travelers to Niger.

(MPCU 2010)

The Municipality is one of the less- developed districts in Ghana that are currently supported by SADA. The maps below show Kintampo Municipal Assembly in national and regional context respectively:





Source: MPCU 2010

Figure 3.1: Kintampo Municipal in the Regional and National Context

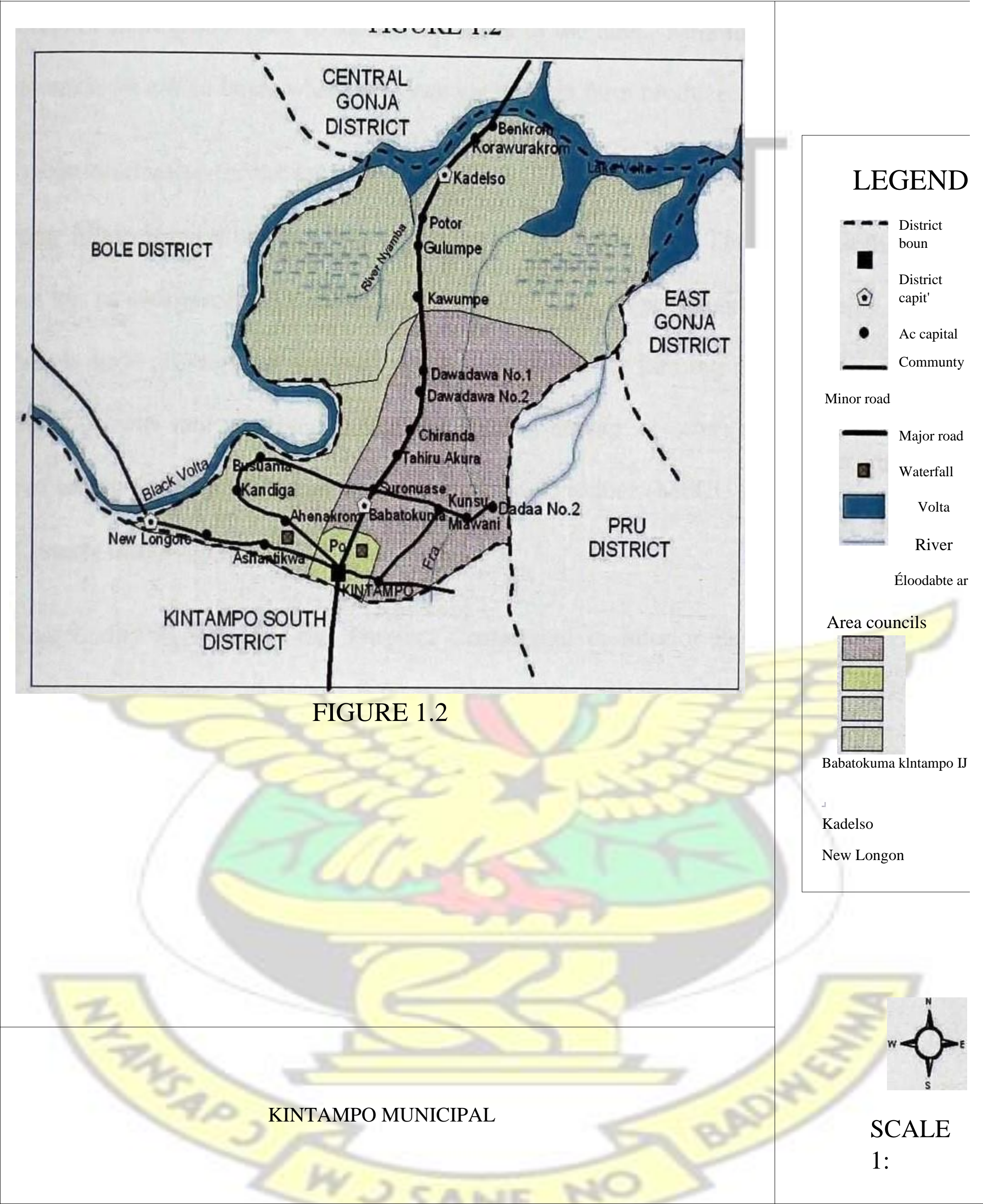


Figure 3.2: Kintampo Municipal Map

Source: MPCU 2010

3.1.2 Population Size and Growth Rates:

According to the 2010 Population and Housing Census, the population of Kintampo Municipal Assembly is 95,480 made up of 47,302 males and 48,178 females (GSS May, 2012). The area has a high rate of immigration due to the fertile nature of the land. Migrant farmers from the north move to settle on arable lands where they can get enough farm produce.

The population density for the entire nation is about 79.3 persons per square Kilometre. That of the Brong Ahafo Region is about 44 persons per square Kilometre. The Kintampo Municipality however has an estimated population density of 18.69 persons per square kilometre. This implies that there is little pressure on the land which is available for farming and other purposes. With population growth rate of about 2.6% per annum, sooner or later, the bush fallow system practiced would not be possible, as land per head would reduce (MPCU 2010).

3.1.3 Climate and Vegetation

The Municipality experiences the Tropical Continental or interior Savannah type of climate, which is a modified form of the tropical continental or the Wet-semi equatorial type of climate. This is due largely to the fact that the Municipality is in the transitional Zone between the two major climatic regions in Ghana. The mean annual rainfall is between 1,400mm-1,800mm and occurs in two seasons; from May to July and from September to October with the minor season (May — July) sometimes being obscured. However, because of the transitional nature of the area, the distinction between the two peaks is not so marked. . (MPCU 2010)

The mean monthly temperature ranges from 30⁰c in March to 24⁰c in August with mean annual temperatures between 26.50c and 27.20c. These conditions give rise to sunny conditions for most parts of the year. Relative humidity is high varying from 90%-95% in the rainy season to 75% - 80% in the dry season. The climate of the Municipality has the tendency to change and

be inclined more to the drier tropical continental conditions or to the wet semi-equatorial conditions.

The Municipality again comes under the Interior Wooded Savannah or tree savannah. However, owing to its transitional nature, the area does not totally exhibit typical savannah conditions. Thus the savannah here is heavily wooded, though most of the trees are not as tall and gigantic as those in the Moist Deciduous Forest. It is believed that the Transitional Zone was once forested and that the savannah conditions currently prevailing have been the result of man's activities. This may be evidenced by the existence of "fringe forest" found along the banks of major rivers and streams and other areas where the impact of man's activities are minimal.

Only trees such as the Mahogany, Wawa, Odum, Onyina, Boabab, Dawadawa, Acacia, and the Sheanut trees, which have adapted to this environment are found in the vegetation zone. They are few and scattered except along the margins of the Moist Deciduous Forest where the trees often grow quite close together. Grass grows in tussocks and can reach a height of about 10 ft. (MPCU 2010)

3.1.4 Relief and Drainage

The Kintampo Municipality which falls within the Voltain Basin and the Southern Plateau physiographic regions is generally undulating land surface with a general elevation between 60m-150m above sea level. The southern Voltain plateau occupying the southern part of the Municipality is characterized by series of escarpments. The Municipal area falls within the Voltain basin and is endowed with a lot of water resources. The major water bodies include the Fra, Urukwan, and the Nyamba rivers. Others are rivers Oyoko, Pumpum and Tanfi. These water bodies flow through the west of the Municipality and join the Black Volta at Buie. The

slopes through which the rivers flow have given rise to waterfalls. The major ones include the Fullar Falls on the Oyoko River and the Kintampo Water Falls on the Pumpum River. Most of these rivers are intermittent and the large ones like Urukwin and Pumpum fluctuate in volume. This makes them unreliable for irrigation purpose. In terms of relief and drainage, the vast expanse of flat land especially in the Northern part, makes it suitable for large scale mechanized farming. Road construction and other activities are also relatively cheap. The vast water resources in the western part of the Municipality could be harnessed for irrigation purposes especially rice cultivation and dry season gardening as well as domestic supply of potable water. Fishing which is already an important activity on the Black Volta can be promoted if measures are put in place to ensure sustainable operations by the fishermen. (MPCU 2010)

3.1.5 Major Economic Activities

The Kintampo Municipal economy can be described as purely agrarian, in that, almost every resident is a farmer. About 71.1% of the population is engaged in agriculture and its related activities as their main economic activity. The remaining 28.9% are distributed among commerce, industry and services. Agriculture being the major economic activity constitutes the main source of household income in the area. The major food crops produced in the area are yam, maize, cowpea, cassava, rice, plantain, egushie, groundnut and beans. Cashew, mango, tomatoes, onions, water melon, garden eggs and soya beans have potential to increase the incomes of farmers. Despite the-e-TfGGTthe farmers, frequent bush-fires, high cost of inputs, inadequate extension services, prevalence of pests and diseases, inadequate access to credit and poor market prices and market facilities account for low yield of farm produce in the area.

(MPCU 2010)

3.1.2 Transportation

There is only one second-class road running from the southern boundary through the district capital to the northern boundary. The roads linking the district capital and other communities are third class feed roads. The conditions of these roads are poor and many are impassable. Various footpaths with footpaths. Vehicles ply the roads mostly on tarmac but thus making accessibility a serious challenge. The roads are mostly in poor condition due to the lack of maintenance (MPCV 2010).

3.1.7 Telecommunication

There are several mobile phone networks in the district but only one covers the whole of the Municipality. There are also a few fixed lines by Vodafone Ghana available in the Municipality. There is also only one internet cafe in the district.

3.1.3 Ethnicity and Religion

The ethnic composition of the Municipality is heterogeneous with the Moslems and the traditional custodians of the land. There are however, a number of tribes in the district. The third force in the Municipality are the Akan tribes, Ewes, and the Ashanti. In terms of religion, Christianity dominates, comprising 62.2% of the total population and the Muslim Community 29.6%. This is followed by the traditional religion which is practiced by 8.2% of the population. (MPCV 2010)

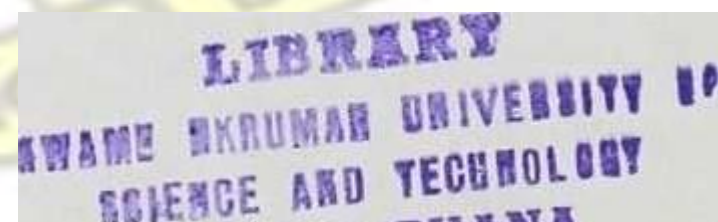
3.2 Research Design

The research design was a survey to assess the financial management practices of decentralized departments against laid-down financial regulations. The researcher used qualitative and quantitative methods to collect data. The qualitative methods included interviews with stakeholders. The method

enabled the researcher obtain first-hand information from respondents. Also, the researcher was able to get vital information from non-verbal communication of respondents.

The quantitative method of data collection was the use of a questionnaire. The questionnaire contained both closed and open-ended questions. Appointments were booked with management and staff of decentralized departments in the Kintampo Municipal Assembly. The questionnaire was self-administered but in some cases, face-to-face interviews were conducted with respondents using the questionnaire for clarity and quick response. Personal interview with the questionnaire made it flexible to obtain information and ensure low non-response rate. Also, identity of respondents was known for further clarification and supervision and control of the interview was possible and helped to direct the discussion for relevant responses.

These design and methods were used because they ensured that accurate, first-hand, reliable and authentic information was obtained for the research work. Another reason was that the methods helped ensure fair, -objective representation of the views, opinions, and responses of the respondents. By employing these methods, the researcher ensured that the right respondents were contacted for the right information and this enabled him to complete the research on schedule.



KUMASI-CBANB

3.3 Population of the Study

The population of the study comprised heads of department, heads of accounts, internal auditors, and heads of administration, and other accounting and auditing staff in all the thirteen (13) decentralized departments in the Kintampo Municipal Assembly, as well as stakeholders such as Assembly persons, opinion leaders, civil society groups, trade associations and chairmen and secretaries of assembly sub-structures.

3.4 Sampling Methods

The researcher used a combination of sampling techniques to select the sample size for the study. Simple Random Sampling was used to select ten (10) decentralized departments for the survey. The names of the departments were written on pieces of paper, put into a container and mixed. A department was selected at random from the container without replacement until ten departments were selected. This lottery approach was used because the total number of decentralized departments in the Kintampo Municipal Assembly was thirteen (13) and as such a Systematic Random Sampling was not appropriate. It also gave each department an equal chance of being selected. Purposive sampling method was employed to select the heads of department, heads of accounts, internal auditors, and heads of administration on the belief that they were the key actors of financial management in the departments and had adequate knowledge and information on the topic under investigation. The accounting and auditing staff of the departments were first put in groups of accounting and auditing staff. Respondents from each group were then selected using simple random sampling

Stakeholders were stratified into assembly persons, civil society groups, trade associations, and chairmen and secretaries of assembly sub-structures. Simple random sampling technique was used to select respondents from each group. This ensured equal chance for each member of every group to be selected and to ensure fair representation.

3.5 Sample Size

The sample size included 10 heads of departments, 10 heads of accounts, 10 internal auditors, 10 heads of administration, and 20 accounting and auditing staff from the decentralized departments; 40 stakeholders, comprising 10 assembly members, 8 chairmen and secretaries of sub-structures, 12 members of trade associations and 10 members of civil society groups, were investigated. Total sample size was 100 respondents as indicated in Table 3.1 :

Table 3.1: List of Departments and Number of Respondents from each Department

Department/Organisation	Number of Respondents
Central Administration	13
Finance Department	3
Municipal Education Directorate	10
Municipal Health Directorate	12
College of Education	2
Department of Agriculture	8
Department of Social Welfare	
District Audit Service	5
District Magistrate court	3
Kintampo Senior High School	3
Other Stakeholders	40
Total	100

3.6 Sources of Data

The researcher used both primary and secondary sources to collect data.

3.6.1 Primary Sources

To obtain primary data, the researcher contacted the stakeholder groups for first-hand, reliable data. Questionnaires, interviews and interviews with questionnaire, enabled the researcher collect primary data.

3.6.2 Secondary Sources

The study also made use of secondary data. The sources of the secondary data consisted of books, internet search, articles, publications and journals. The use of secondary data afforded the researcher the opportunity to appreciate how other researchers have defined concepts, principles, procedures, and techniques of financial management,

3.7 Data Collection Instruments

3.7.1 Questionnaire

The researcher employed the use of a questionnaire, review of financial and audit reports, and interviews to gather primary data. The questionnaire was administered on heads of departments, heads of administration, chairmen and secretaries of Assembly sub-structures and civil society groups. The reason for this was that groups of respondents were busy people who did not have enough time for an interview but could answer a questionnaire at their convenience. Recovery of questionnaires was not much of a problem as the researcher arranged convenient times with each of them for collection of answered questionnaires. Again, they are professional and technical people and as such were able to understand and respond to questions on their own.

3.7.2 Interviews

Interviews using a questionnaire were used to obtain information from heads of accounts, internal auditors and the other accounting staff. The researcher interviewed them using the questionnaire and requested relevant financial and audit reports from them for review. This approach was used because they prepare and keep financial and audit reports and so have indepth knowledge of the requirements of financial regulations, directives and guidelines. They also have practical experience and working knowledge to be able to provide complete information. Interviews were conducted with the other stakeholders such as Assembly persons, trade associations and opinion leaders. These people mostly have low education and may need constant clarification to understand the questions and provide relevant information. They are also scattered with unidentifiable or not-easy-to-locate locations and as such retrieval of questionnaire would have been difficult. The questionnaire contained both closed and open-ended questions. The questionnaire was used to ensure identity of respondents was not known to enable respondents give needed information, since in some organizations, divulging information is not a common phenomenon and respondents may require anonymity. The questionnaire was used to conduct personal interview for flexibility of obtaining data from respondents.

3.8 Quality Control Measures

3.8.1 Formulation of Questions

To be able to obtain valid, relevant and reliable data for the research, questions for the questionnaire and interviews were well formulated. This was to reduce ambiguity and minimize errors. It also enhanced respondents' understanding of the purpose of the research.

3.8.2 Pre-testing the Data Collection Instrument.

The researcher pre-tested the data collection instrument on 5 assembly persons, 10 traders. 10 management members and staff. This was done by the researcher and two assistants and took a

day to complete. The pretesting was to ensure consistency and reliability of the instrument and experiences gathered were considered in finalizing the tool.

3.8.3 Administration of Data Collection Instruments

The researcher ensured that before copies of the questionnaire were distributed to respondents or an interview was conducted, the questions were thoroughly explained to respondents. The aim was to help respondents understand the purpose of the research so as to do away with suspicion. This was particularly necessary since financial information is sensitive to any organization and people may not feel comfortable divulging it. The explanation also helped respondents to provide independent information.

3.8.4 Collecting the Right Data

To ensure that qualitative, relevant and appropriate data were collected for the research, the researcher made sure that the right people responded to the questionnaire. Also, the right people were interviewed. Relevant financial and audit reports were reviewed.

3.9 Data Handling

Field work was completed in four weeks and two assistants were employed. Collection of data took ten days with a great deal of support given to the assistants. To ensure quality of the data, the data were edited to detect inconsistencies and errors for correction. Other quality assurance measures such as data categorization and coding were carried out for completeness, consistency

and accuracy. Data were thoroughly cleaned before they were entered. Data entry was done by three data entry clerks. This ensured that data were critically checked before entry.

3.10 Ethical Consideration

The researcher sought the consent of the management of decentralized departments, assembly persons and leaders of various stakeholder groups in soliciting information. Again, confidentiality was assured by stating that information obtained was to be used solely for academic purpose. Respondents were assured that the study would not pose any physical or psychological harm to them.

3.11 Data Analysis

The researcher and his assistants analyzed data soon after collection was completed. Quantitative and qualitative methods were employed to analyze data with the help of descriptive statistics. Data were converted into percentages, averages and mode for easy analysis and comparisons. The researcher used bar charts, frequency tables, and tables to present data. These were used because they are easy to read and interpret thus ensuring better understanding.

Computer software was used for data analysis. In particular, the Statistical Package for Social Sciences (SPSS) was the main software for the analysis. This tool enabled the researcher identify, compare, describe and reach conclusions. The method was simple to use and easy to understand and therefore, able to ensure comprehensive and complete analysis of the data.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Socio-Demographic Characteristics

The respondents were workers from decentralized departments or public organizations, Assembly members, and opinion leaders. Their mean age was 5.21 with majority of them within the age group of 38-47 who represented 43% of the study sample. Those within the age group of 18-27 were only 5% of the study sample. About 76% of the respondents were married. There

were more males in the study sample than females. Males represented 82% of the sample with females forming 18% as shown in table 4.1 below.

Table 4.1; Socio-demographic Characteristics of Respondents

Variable	Frequency	Percentage
18-27	5	5
28-37	37	37
38-47	43	43
48-57	15	15
Total	100	100
Marital Status		
Married	76	76
Bachelor/Single	15	15
Divorced	4	4
Separated	2	2
Total	100	100
Sex		
Male	82	82
Female	18	18
Total	100	100

4.2 Education Level of Respondents

The results showed that the majority of the respondents had tertiary education. Respondents who were educated to the tertiary level were 76% of the entire study sample. Only 2% of the respondents were educated to the JHS or Middle School level. Figure 4.1 represents the educational level of respondents.

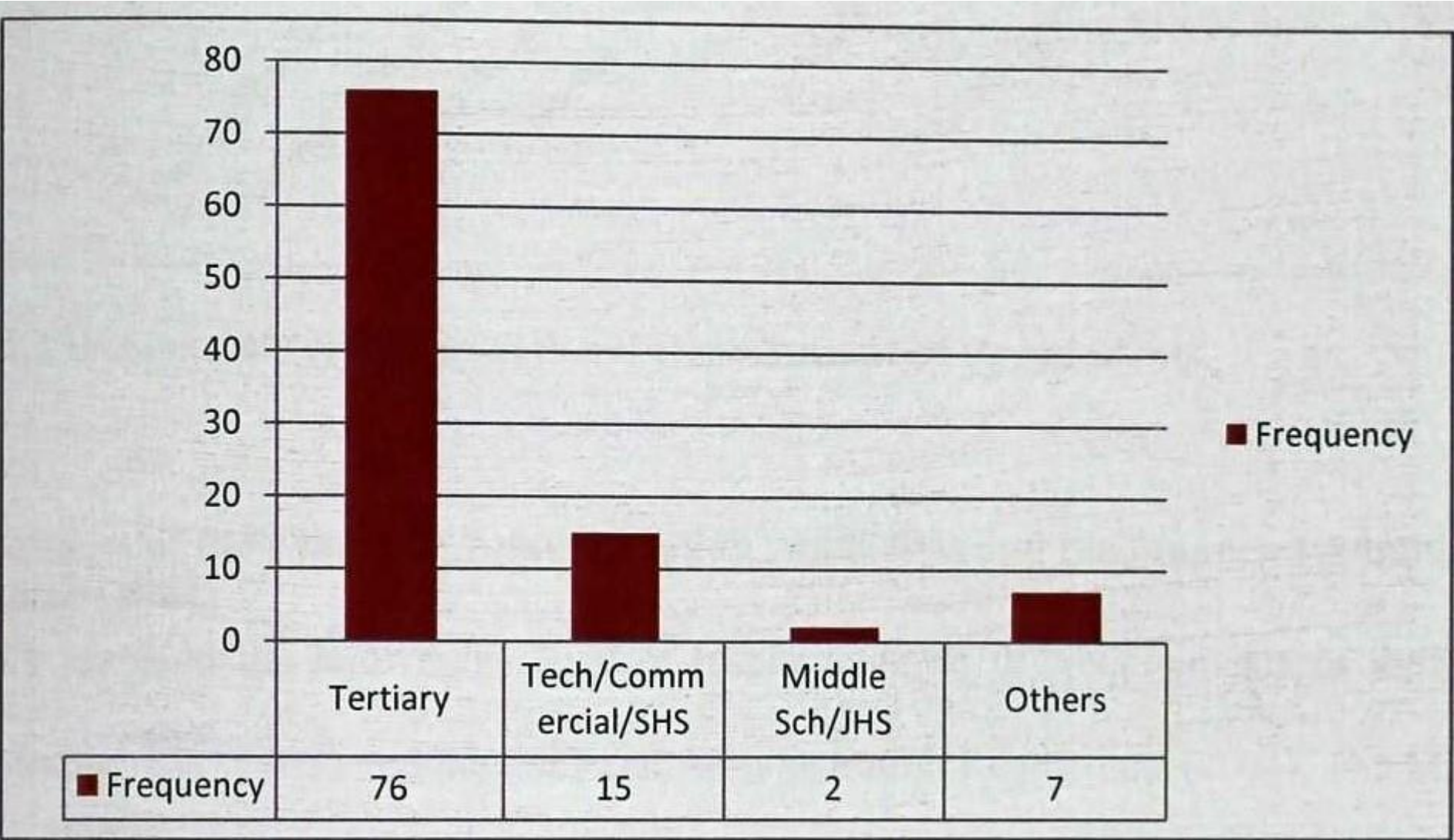


Figure 4.1: Education Level of Respondents

4.3 Departments and Organizations of Respondents

The respondents in this study were working at different decentralized departments and organizations. The results show that 18% were staff of the Audit service whilst 14% of them were staff of the Municipal Assembly. Some of them were staff of the Judicial Service and formed 6% with Ghana Health Service having 11% of the respondents. This is represented in figure 4.2:

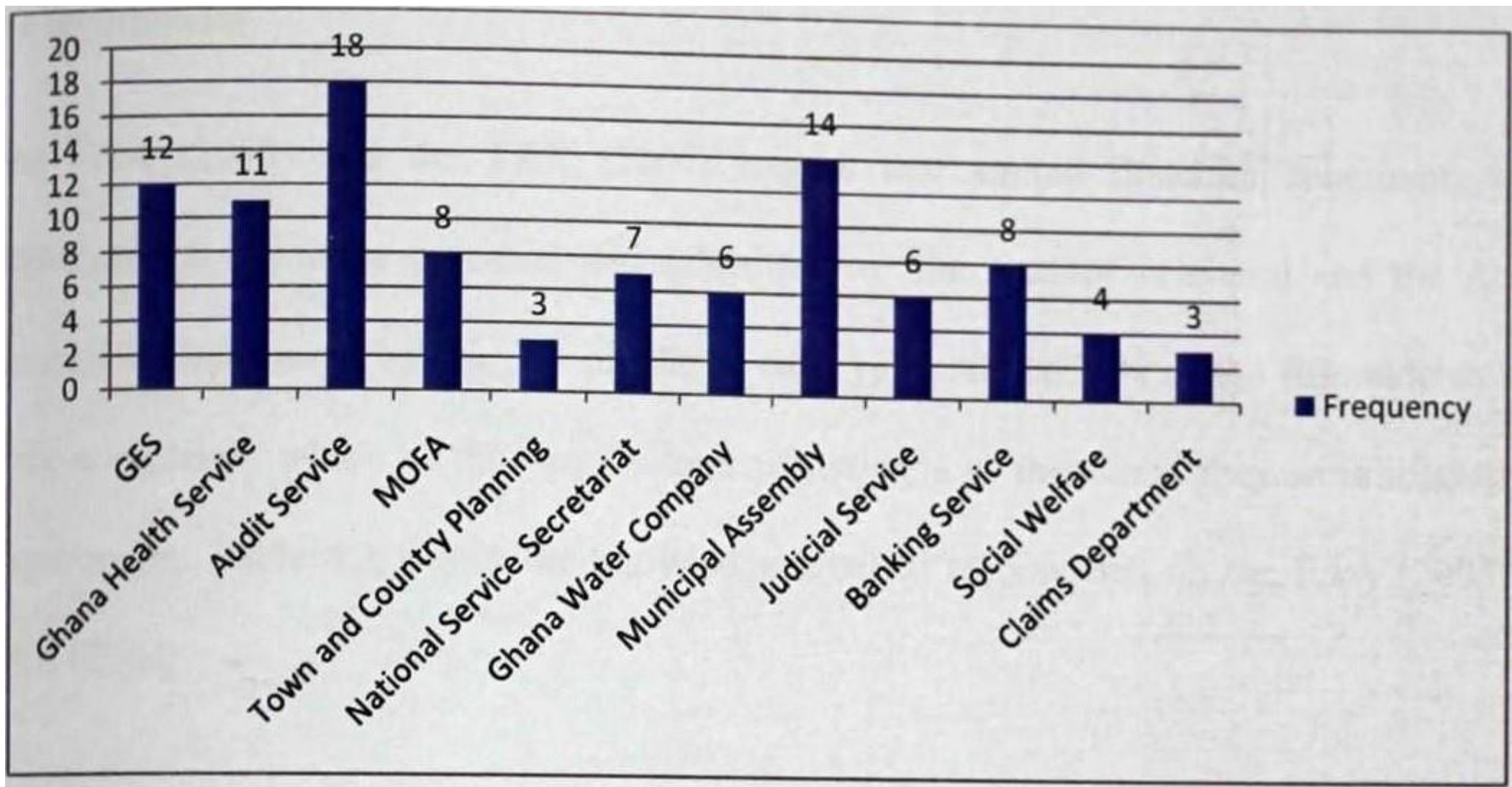


Figure 4.2 Departmental/Organizational Distributions of Respondents.

4.4 Awareness of the Financial Administration Act (2003) and the Financial Administration Regulations (2004)

The study assessed the knowledge level of respondents on the requirements of the Financial Administration Act (2003) and the Financial Administration Regulations (2004). The Majority of the respondents forming 53% said that they were unaware of the fact that Public Financial Management is regulated partly by the FAA (2003) and the FAR (2004) whilst 32% of the respondents said that they were completely aware of that requirement. Meanwhile 59% of the respondents reported that they were completely aware that the FAA (2003) and the FAR (2004) require public organizations to keep proper books of accounts. Only 4% of the respondents said that they were completely unaware of this requirement.

Under the FAA (2003) and the FAR (2004), public organizations are required to prepare and submit monthly financial statements comprising balance sheet, income statement, cash flow statements and notes to the accounts for a preceding month by the 15th of each month. About 33% of the respondents were aware of this requirement whilst 47% said they were unaware of the requirement.

The FAA (2003) and the FAR (2004) require that annual financial statements of public organizations are to be prepared and submitted to the Auditor —General and the Accountant General's Department by the 31st of March each year. About 33% of the respondents said they were completely aware of this requirement whilst 44% of them said they were unaware of this requirement. Table 4.2 shows the knowledge level of respondents on the FAA (2003) and the FAR (2004).

Table 4.2: Awareness ofFAA (2003) and FAR (2004)

Variable	Fre uenc	Percenta e
PFM artl re ulated b FAA		
Com letel Unaware	6	6.0
Aware	4	4.0
Uncertain	5	5.0
Unaware	53	53.0
Com letel Aware	32	32.0
Total	100	100
FAA re uires to kee Accounts Books		
Com letel Unaware	0	0.0
Aware	4	4.0

Uncertain	3	3.0
Unaware	34	34.0
Com letel aware	59	59.0
Total	100	100
Submit Fin. Re orts b 15th of each month		
Com letel Unaware	6	6.0
Aware	7	7.0
Uncertain	7	7.0
Unaware	47	47.0
Com letel Aware	33	33.0
Total	100	100
Submit annual Re orts b 31st March		
Com letel Unaware	2	2.0
Aware	11	11.0
Uncertain	10	10.0
Unaware	44	44.0
Com letel Aware	33	33.0
Total	100	100
Audit Re ort b 30th June		
Com lete Unaware	4	4.0
Aware	9	9.0
Uncertain	13	13.0
Unaware	51	51.0
Com letel Aware	23	23.0
Total	100	100

4.5 Publication of Financial and Audit Reports by Organizations publication of financial and audit reports of public organizations is mandatory under the FAA (2003) and the FAR (2004). Majority of the respondents (40%) were unaware of this requirement whilst only 21% of them were aware of it. Figure 4.3 below shows the knowledge of publication of financial and audit reports for the general public.

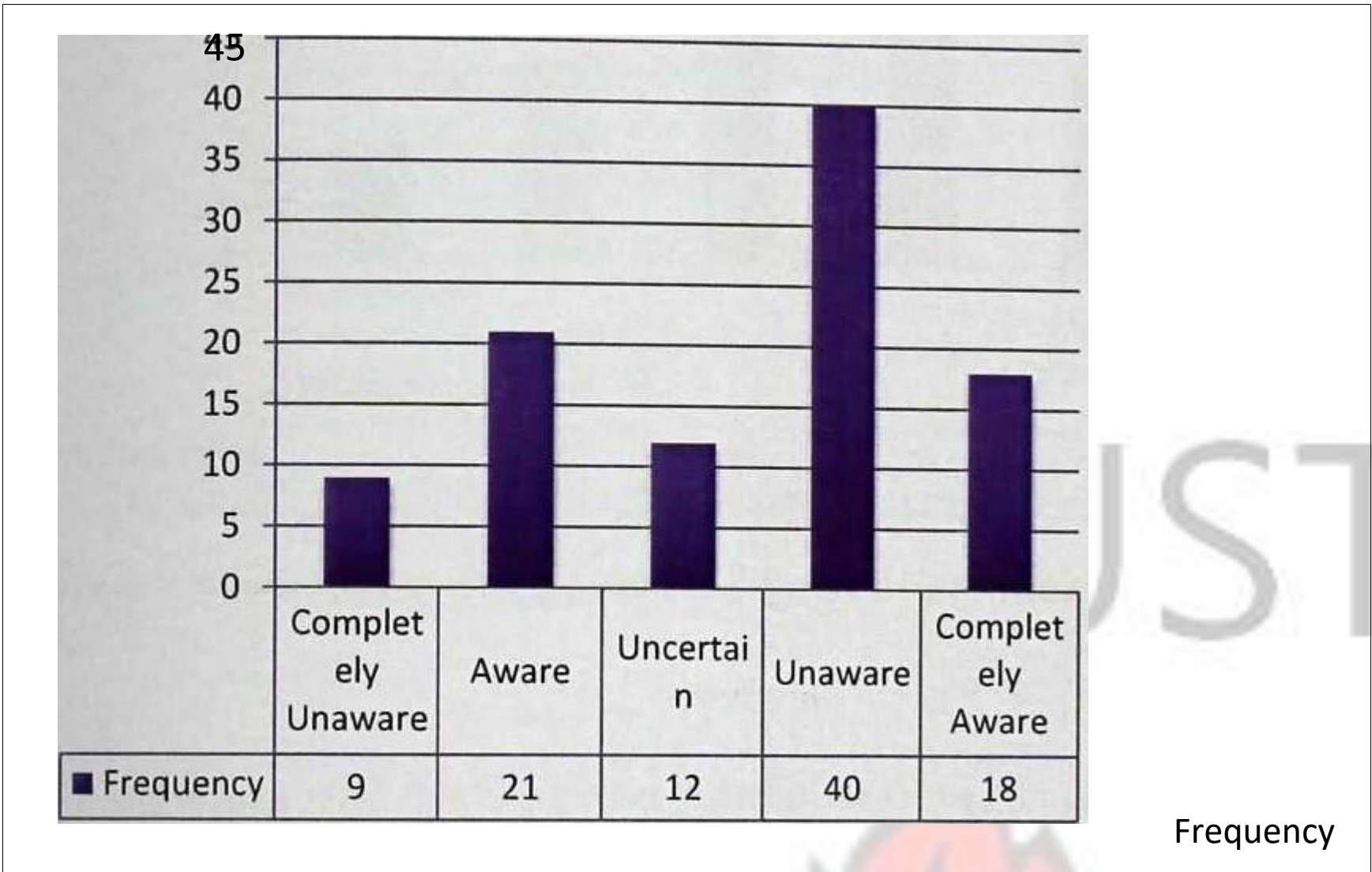


Figure 4.3: Publication of Financial and Audit Reports for the General Public

4.6 Stock Taking of Organizations Assets

All public organizations are required to constitute a Board of Survey to take stock of the organization's assets and to count cash in hand and at bank as at 31st December each year. About 29% of the respondents were unaware of the requirement whilst 28% were completely aware of the requirement. The majority of the respondents in this category had tertiary education and are mainly males

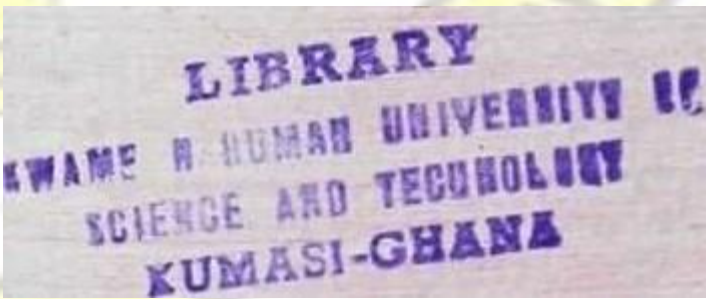


Figure 4.4 represents the awareness of Board of Survey.

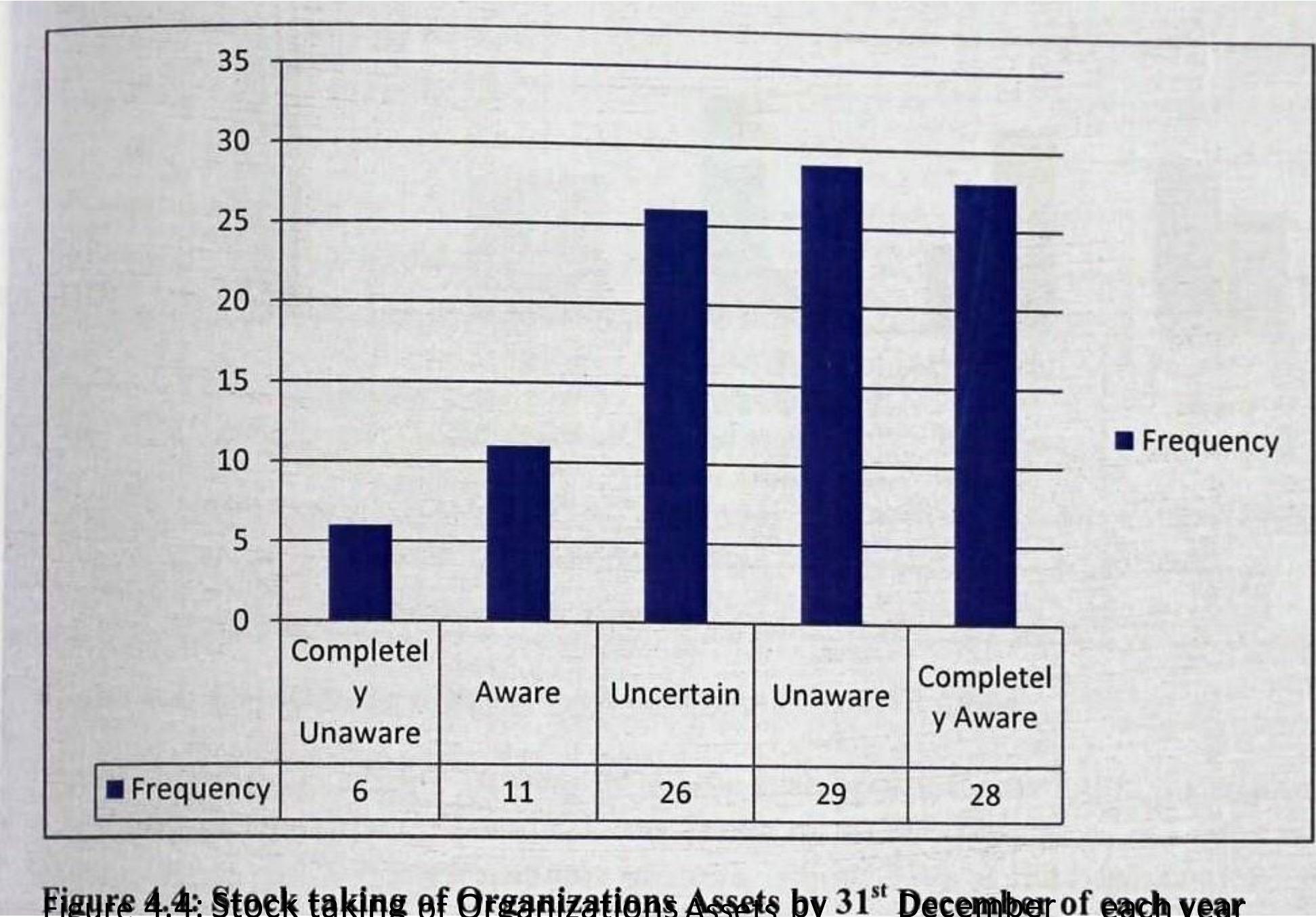


Figure 4.4: Stock taking of Organizations Assets by 31st December of each year

4.7 Compliance with the Financial Administration Act (2003) and the Financial Administration Regulations (2004)

In compliance with the FAA (2003) and the FAR (2004), the study assessed organizations that were able to comply with the requirements of these laws. About 98% of the respondents reported that their departments or organizations kept proper books of accounts whilst 2% said their organizations did not keep books of accounts.

Also, 50% of the respondents _____ said that their organizations prepared and submitted monthly financial statements for the preceding month by the 15th of the following month whilst the other 50% did not submit their reports.

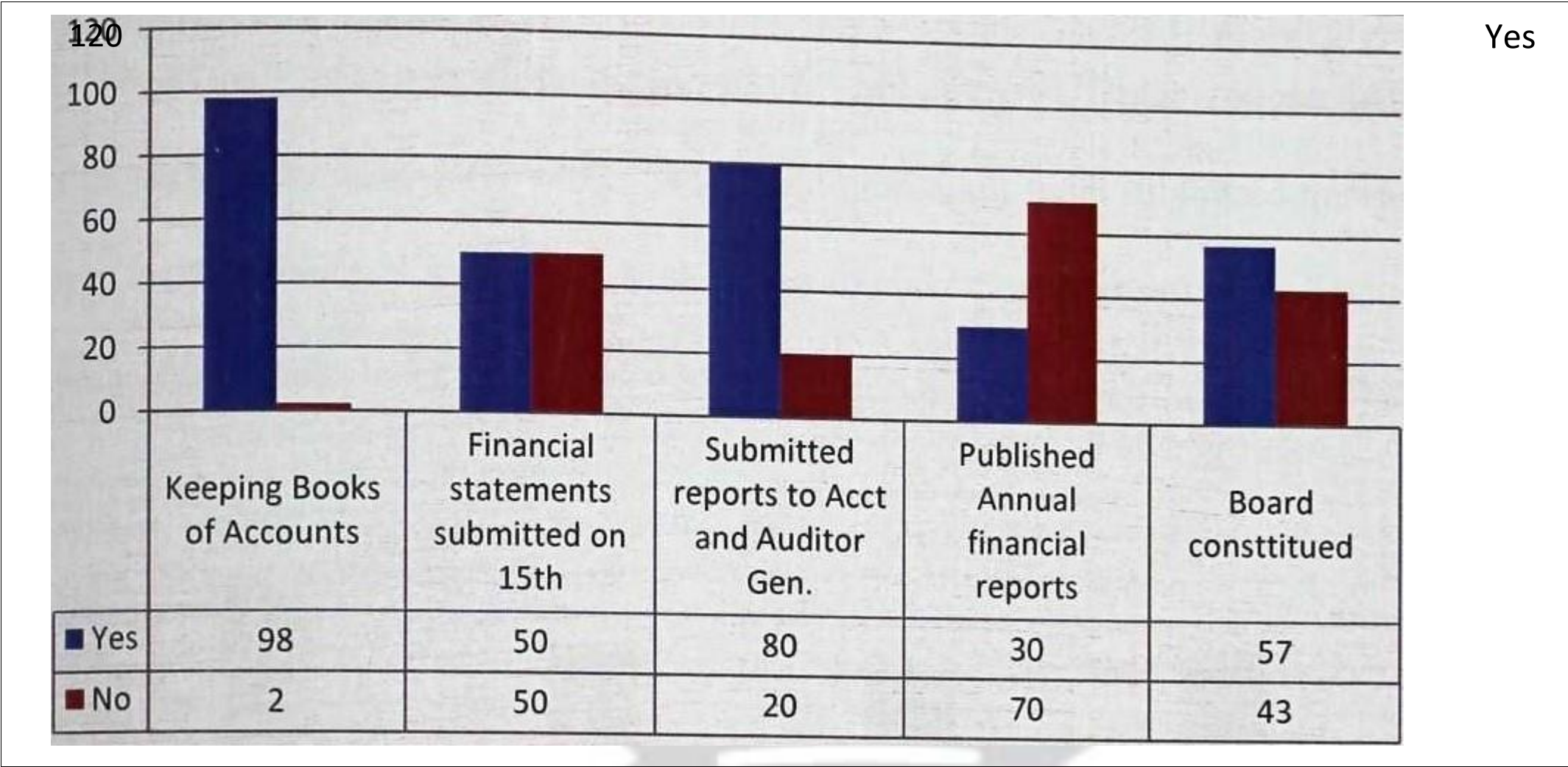


Figure 4.5: Compliance with the FAA (2003) and the FAR (2004)

Most of the organizations forming 94% kept cash books. It was found that majority (50%) of the organizations did not keep contract registers. About 83% of the organizations prepared balance sheet with 90% of them preparing income statement. Table 4.3 below shows the books of accounts kept by the organizations.

Table 4.3 Keeping of Books and Preparation of Reports

Variable	Yes		Total
BooksKe t			
Cash book	94	4	100
General Led er	87	11	100
Contract Re •ster	48	50	100

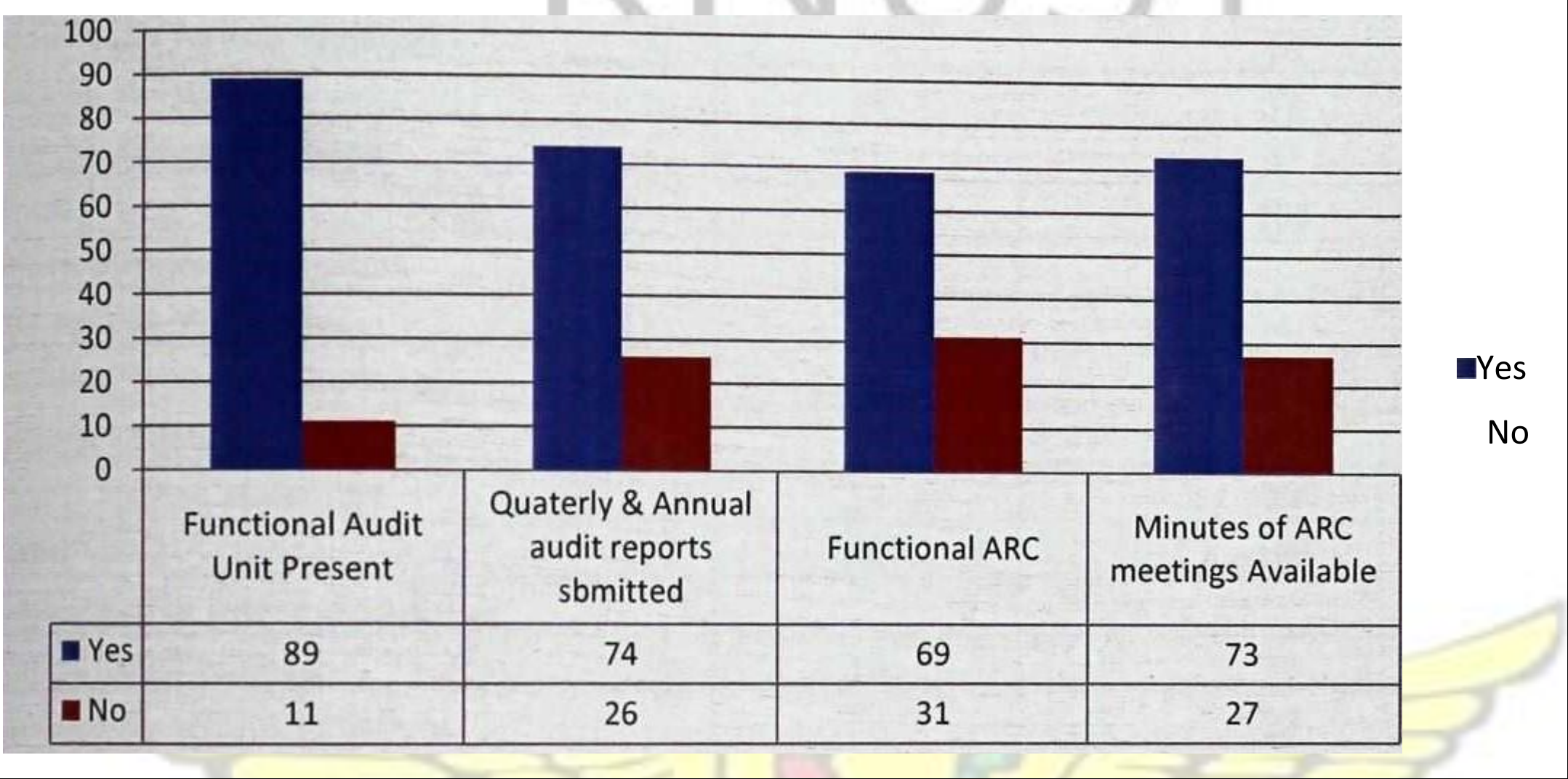
Vote Control Led er	50	48	100
Subsidiar led er	47	51	100
Monthl Financial R orts			
Trial Balance	71	29	100
Income statement	87	13	100
Balance sheet	83	17	100
Bank Reconciliation	77	23	100
Bank statement	70	30	100
Annual Financial Statements			
Income statement	90	10	100
Balance sheet	84	16	100
Cash flow statement	69	31	100
Statement of Reserve	67	33	100
Notes to the accounts	63	37	100



4.8 Internal Audit Practices

The internal audit practices of the organizations were assessed. Organizations that had functional internal audit units were 89% whilst 74% of internal audit units submitted quarterly and annual reports for the previous year. Only 31% of the organizations did not have functional ARICs

as



shown in figure 4.6.

Figure 4.6: Internal Audit Practices

4.9 Extent of Seriousness of Challenges to Compliance with Laid-down Financial Regulations

Some of the organizations were not complying with the demands of the FAA (2003) and the FAR (2004) due to some challenges. The extent of seriousness of these challenges was assessed. The respondents said that there were violations of the FAA (2003) and the FAR (2004). Most (41%) of the respondents reported that there were highly serious violations and challenges to the implementation of the FAA (2003) and the FAR (2004) which were caused by lack of experienced, skilled and qualified staff in the organizations. Also, 47% said that the violations were due to weak monitoring system. Weak budget formulation and implementation caused serious violations of the FAA (2003) and the FAR (2004). About 49% of the respondents cited


Some



this as a challenge. Again, about 40% of the respondents identified lack of knowledge of accrual accounting as causing serious violations of laid-down financial regulations.

Table 4.4 represents the financial regulations challenges and violations.

Table 4.4: Challenges of Compliance with the FAA (2003) and the FAR (2004).



Variable	F uen	Percenta e
Inex rienced staff		
Not serious Violations	9	9

Moderatel serious violations	16	16
Serious violations	34	34
Hi I serious violations	41	41
Total	100	100
Weak Monitorin s stem		
Not serious Violations	4	4
Moderatel serious violations	22	22
Serious violations	47	47
Hi I serious violations	27	27
Total	100	100
Deficienc in internal auditin		
Not serious Violations	10	10
Moderatel serious violations	28	28
Serious violations	41	41
Hi hl serious violations	21	21
Total	100	100
Weak Bud et Formulation		
Not hi Ill serious Violations	2	2
Not serious Violations	8	8
Moderatel serious violations	18	18
Serious violations	49	49
Hi hl serious violations	23	23
Total	100	100
Little Knowled e of accrual accountin		
Not hi Ill serious Violations	4	4
Not serious Violations	12	12
Moderatel serious violations	18	18
Serious violations	40	40
Hi 111 serious violations	26	26
Total	100	100

Total		

4.10 Identifiable Effect of Violations to Financial Regulations

The effect of violations of the financial regulations to the organizations was mentioned by the respondents. Most of the respondents forming 720/0 said that public funds are diverted for personal use. About 81% of the respondents said that there is loss of public trust in the public organizations due to violations of the financial regulations. About 82% said that the violations lead to low development of the Municipality while 74% identified that fiscal decentralization was hampered by these violations.

Figure 4.7 shows the effect of financial regulations violations.

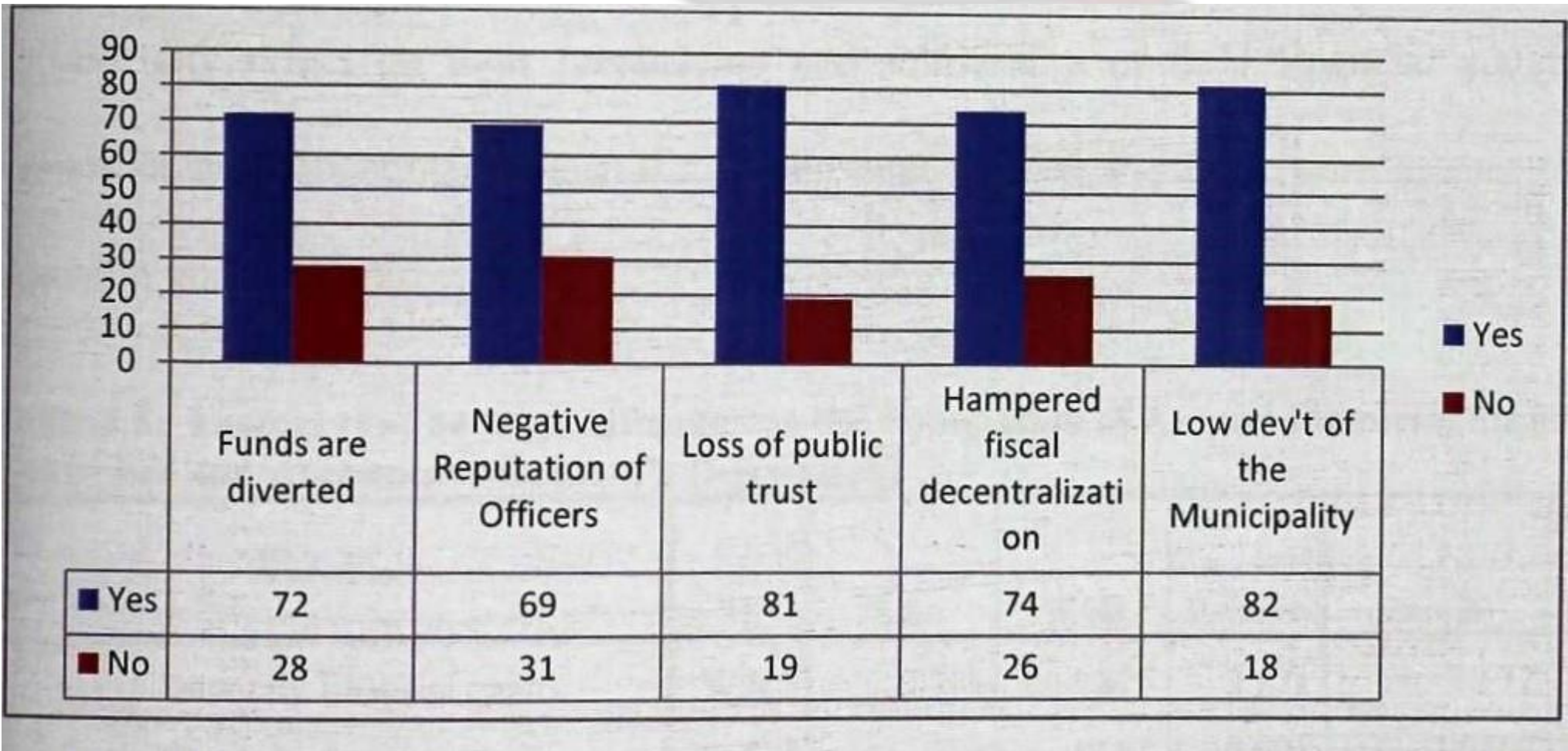
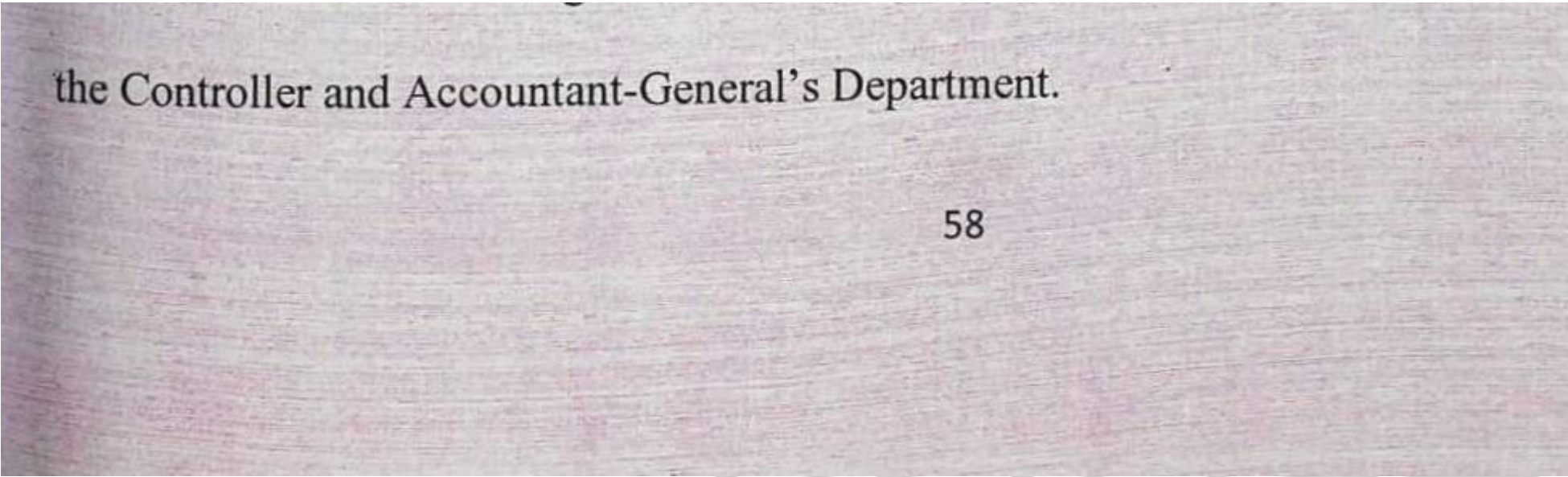


Figure 4.7: Effect of Financial Regulations Violations

4.11 Logistic Regression Analysis.

The study assessed the organizations that prepared and submitted their annual financial statements for the previous year preceding the study to the Controller and Accountant-General's Department. Logistic regression analysis was done to ascertain the contribution of the various variables that enable any organization to prepare and submit their annual financial statements to





The analysis showed that keeping of proper books of accounts was a highly significant factor that influence the organization to prepare and submit their annual financial statements ($P<0.001$, AOR=19.67, 95%, CI: 0.767-0-963). Organizations that have published their financial statements for the general public were also found to have prepared and submitted their annual reports to the Controller and Accountant-General's Department ($P<0.001$, AOR=17.34, 95%, CI: 0.0870.247). In organizations where there was a functional internal audit, such organizations were

more likely to prepare and submit their annual financial statements to the Controller and Accountant-General's Department compared to organizations without functional internal audit ($P<0.001$, AOR=8.04, 95%, CI: 1.05-2.51).

On the other hand, organizations with ARIC, and minutes of quarterly meetings were found not to have any effect on their preparation and submission of their financial statements to the Controller and Accountant-General's Department as their P-values were greater than 0.05 as shown in table 4.5 below.

Table 4.5: Factors that have an Influence on the Submission of Annual Financial Statements to the Controller and Accountant-General's Department

Variable			Wald	P-value	Ex B	95% C.I.for EXP	
						Lower	U er

Monthly financial report	0.985	0.719				0.654	10.960
Keeping Account books	21.439	2.032	1.875	0.171	2.677	0.767	0.963.
Published Fin reports	19.846	0.653	19.67	0.001	2.0469	0.087	0.247.
Act2003a	0.618	0.358	17.34	0.001	4.1618	0.920	3.741
Minutes of reports available	- .350	0.275	2.985	0.084	1.855	0.411	1.208
Functional Internal audit	-1.008	0.984	1.617	0.203	0.705	1.053	2.512
	1.070	0.710	8.048	0.001	0.365	0.726	11.715
Constant	-65.09	31845.153	2.275	0.131	2.916		
			.000	0.998	0.000		

4.12 Recommendations/Suggestions to Implementing the FAA (2003) and the FAR (2004)

Respondents were asked to make recommendations or suggestions regarding the measures to take, how these measures could be implemented and whose responsibility it is to implement the measures to ensure effective financial management practices in decentralized departments in the Kintampo Municipal Assembly.

Most (94%) respondents agreed that qualified accountants should be appointed to head accounts sections of various departments. Again, majority of the respondents agreed to be trained on the FAA (2003) and the FAR (2004), and strengthening the internal audit units of the departments as represented by 91% and 93% respectively. About 85% of the respondents said that release of funds should be linked to compliance with financial regulations while 52% did not think that offenders should be dismissed for financial violations.

In implementing measures for effective financial management in decentralized departments, 86% said that government should sponsor accounting staff to do professional courses, while 93% of respondents wanted adequate funds allocated for training of accounting staff to improve performance. Also, 94% of the respondents said that audit reports should be promptly addressed as a way of ensuring effective implementation.

The results showed that about 92% of respondents identified the Audit Service with the responsibility to ensure compliance with financial regulations. The results also show that 89% of the respondents place-the responsibility-to-comply with financial regulations on the heads of

decentralized departments who are the spending officers and vote controllers. The Ministry of Finance and Economic Planning as well as the Controller and Accountant-General's Department also plays critical roles in ensuring financial regulations compliance. This represents 64% and 77% of respondents respectively.

Table 4.6: Recommendations of Respondents towards Effective Implementation of FAA (2003) and FAR (2004)

Variable	Yes	No	Total
Measures or Effective Financial Management			
Accountant General should be empowered	94	6	100
Training on FAA and FAR	91	9	100
Dismissal of offenders	48	52	100
Release of funds be linked to FAA compliance	85	15	100
Well staffed Internal Audit	93	7	100
Waste Implementation Measures			
Gov't to sponsor accounting staff	86		100
Training needs assessment to be conducted	91	9	100
Adequate funds for training	93	7	100
Audit reports should be promptly addressed	94	6	100
Stakeholder Responsibility to Implementation			
MOFEP should intervene	64	36	100
Controller and Accountant General to intervene	77	23	100
Heads of Dept. should intervene	89	11	100
Audit service should intervene		8	100

CHAPTER FIVE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter is organized into three sections. The first deals with the summary of the study. Conclusions (Major Findings) are presented in the second section while three deals with recommendations to help address the issues identified in the study.

5.1 Summary of the Findings of the Study

The study was to assess the financial management practices in the Kintampo Municipal Assembly and was conducted on 100 respondents. This section gives a summary of the findings.

The study revealed that about 53% of the respondents were not aware that public financial management is regulated partly by the FAA (2003) and the FAR (2004). About 59% of respondents were completely aware that decentralized departments are required to keep proper books of accounts. On financial reporting, the study revealed that only 33% of the respondents were aware that the financial regulations require each department to prepare and submit monthly financial reports by the 15th of each month and to prepare and submit annual financial Aatements, comprising income statement, balance sheet, cash flow statement and notes to the accounts to the Auditor-General and the Controller and Accountant-General by 31st March each year. The research also revealed that majority of the respondents, representing 40%, were unaware of the requirement by the FAA (2003) and FAR (2004), to publish annual financial and audit reports (only 21% of respondents were aware of this requirement. Also, about 29% of respondents were unaware that the financial regulations require each department to constitute a board of survey at the end of each year to take stock of assets and to count cash, both on hand and at the bank. Additionally.

98% of respondents indicated that their departments kept proper books of accounts and 84% of these departments prepared and submitted monthly financial statements by the 15th of each month. Most (94%) organizations kept cashbooks while 50% of organizations did not keep contract registers and 83% of organizations prepared balance sheet and 90% prepared income statement. With regards to internal audit practices, about 89% of organizations had functional internal audit units and 74% of

these units prepared and submitted quarterly and annual audit reports. Again, 31% of the organizations did not have functional Audit Report Implementation Committee,

The research showed that majority (41%) of respondents said that lack of experienced and qualified staff in decentralized departments caused highly serious violations of laid-down financial regulations. Again, weak monitoring system (47%) and weak budget formulation and implementation (49%) were identified as causing serious violations of financial laws. The study also revealed that lack of or little knowledge of accrual accounting, representing 40%, caused serious violations of the FAA (2003) and the FAR (2004).

On the effect of violations of laid-down financial regulations, the study revealed that 72% of respondents said that public funds were diverted into private pockets while 82% said violations led to loss of public trust in public organizations with the same percentage (82%) saying the violations led to low development of the Municipality. The study again pointed out that 74% of respondents identified that fiscal decentralization was hampered by violations of financial laws.

Most (94%) respondents agreed that qualified accountants should be posted as heads of accounts in the departments. Curiously, most respondents (52%) did not want offenders to be dismissed while 85% said that release of funds to decentralized departments should be linked to compliance with financial regulations. Another finding was that 86% wanted government to sponsor

accounting staff to do professional courses. With regards to responsibility of implementing the measures, the study found out that the Audit Service (92%) and the Controller and Accountant General's Department (77%) had more responsibility to ensure effective financial management in decentralised departments in the Kintampo Municipal Assembly.

5.2 Conclusions

Based on the findings of the study, the following conclusions can be drawn:

The awareness or knowledge level of the decentralized departments about the requirements of the FAA (2003) and the FAR (2004) is low with only 47% being aware that public financial management is partly regulated by these laws, 33% are aware of preparation and submission of monthly financial statements while only 21% are aware of publication of financial and audit reports.

Also, the cashbook is the most common accounting record kept by the decentralized departments while the income statement and balance sheet are the most common financial reports. The departments do not prepare cashflow statement as part of their financial reports.

Another conclusion is that keeping of proper books of accounts and having functional internal audit units, with P-Value of 0.001 each, are significant factors to ensure preparation and submission of monthly and annual financial reports.

Qualified and experienced staff in decentralized departments helps to minimize violations of financial regulations. The Audit Service and the Controller and Accountant-General's Department are the regulatory agencies responsible for enforcing compliance of financial regulations in decentralized departments in the Kintampo Municipal Assembly.

5.3 Recommendations

Based on the above conclusions, the following recommendations are made to help improve financial management practices of decentralized departments in the Kintampo Municipal

The research has revealed that the majority of the departments is not aware of most of the requirements of the FAA (2003) and the FAR (2004) regarding financial accounting and reporting. It is therefore recommended that these financial laws be made available in offices of the departments to enable staff refer to them in the discharge of their duties. Workshops should also be organized to sharpen the skills of staff.

Audit of financial statements is very critical for integrity of the accounts and for reliability by users. The implementation of audit reports goes a long way to ensure compliance with financial regulations. However, the study revealed that 31% of organizations did not have functional Audit Report Implementation Committees. The researcher therefore, recommends that government should ensure that all departments establish these committees as a precondition for release of funds.

The study also revealed that weak monitoring system as well as weak budget formulation and implementation caused serious violations of financial regulations. It is recommended that decentralized departments should establish effective monitoring and evaluation units with well-defined monitoring systems. Again, budget units should be established in each department to ensure efficient use of public financial resources.

Since the study revealed that violations of financial regulations had far-reaching effects ranging from diversion of public funds into private pockets to low development of the Municipality, the

researcher recommends that offenders should be made to refund monies diverted and be prosecuted to serve as deterrent.

The researcher also recommends that government should make training of professional accountants a priority by providing sponsorship or study leave with pay to accounting staff to do professional accounting courses. This would go a long way to solve most of the public financial management problems.

Additionally, the researcher recommends that the Audit Service, the Controller and Accountant General's Department and the Ministry of Finance and Economic Planning should intensify their roles to ensure compliance with financial regulations. These regulatory bodies should also be given adequate resources, both human and financial, to carry out their mandate.

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APPENDIX

(QUESTIONNAIRE) ASSESSING THE FINANCIAL MANAGEMENT PRACTICES OF DECENTRALISED DEPARTMENT IN THE KINTAMPO MUNICIPAL ASSEMBLY

The researcher is a Commonwealth Executive Master of Business Administration student of the Kwame Nkrumah University of Science and Technology, Kumasi who is carrying out a research on the topic "Assessing the Financial Management Practices of Decentralized Departments in the Kintampo Municipal Assembly."

The research is purely for academic purposes and as such information obtained will be used and therefore, will be treated confidentially.

Kindly respond to the questions as objectively as possible to enable the researcher obtain the needed information. You may be required to tick () or state your answer in some questions.

Thank you.

Section A: Personal Information

1. Name of Department..
2. Age of Respondent
- 18-27 () 28-37 () 38-47 () 48-57 () 8 and over years()

3. Sex a) Male () b) Female ()
4. What is your highest educational level?
) b) Technical/Commercial/SHS/'O' Level () c) Middle School/JHS ()
ifv).....
- a) Tertiary(
d) Other (Specify).
5. —Marital Status a) Married () b) Spinster/Bachelor() c) Divorced () d) Seperated ()
e) Widow/Widower ()
6. Occupation/Designation.....

Section B: Departments Awareness of the Financial Administration Act, 2003 and the Financial Administration Regulations, 2004

Kindly tick (N) one of the options to each statement in this section using the following interpretation:

- 5-Completely Aware
4-Aware
3-Uncertain
2-Unaware
I-Completely Unaware

7. Public Financial Management is regulated partly by the Financial Administration Act, 2003 and the Financial Administration Regulations,2004
- 1 2 3 4 5
8. The Financial Administration Act, 2003 and the Financial Administration Regulations, 2004 require public organizations to keep proper books of accounts
- 1 2 3 4 5
9. Financial Administration Act, 2003 and the Financial Administration Regulations, 2004 require public organizations to prepare and submit monthly financial statements comprising

balance sheet, income statement, cash flow and notes to the accounts for a preceding month by the 15th of each month.

4 5

10. The Financial Administration-fiCC2003 and the Financial Administration Regulations, 2004 require public organizations to prepare and submit Annual Financial Statements for a preceding year to the Auditor-General and the Controller and Accountant-General by the 31st of March each year

1 2 3 4 5

11. The Financial Administration Act, 2003 and the Financial Administration Regulations, 2004 require public organizations to publish their financial and audit reports for use by the general public.

1 2 3 4 5

12. The Financial Administration Act, 2003 and the Financial Administration Regulations, 2004 require that financial statements of public organizations are audited and an audit report issued on them by 30th June each year.

1 2 3 4 5

13. The Financial Administration Act, 2003 and the Financial Administration Regulations, 2004 require public organizations to constitute a Board of Survey to take stock of the organization's assets and to count cash in hand and at bank as at 31 December each year.

1 2 3 4 5

Section C: Compliance with the Financial Administration Act, 2003 and the Financial Administration Regulations, 2004 in Accounting and Reporting.

14.Does your department keep books of accounts? a) Yes () b) No ()

15.If yes to question 14, do the books of accounts comprise any of the following? Yes
No

a. Cash book	()	()
b. General Ledger	()	()
c. Contract Register	()	()
d. —Vote Control Ledger	()	()
e. Subsidiary Ledgers		
f. Other		(Specify).

16.Do you prepare and submit monthly financial statements for the preceding month by the 15th of the following month? a) Yes () b) No ()

17.If yes to question 16, do the monthly financial statements composed of any of the following?

	Yes	No
a. Trial Balance	()	()
b. Income Statement	()	()
c. Balance Sheet	()	()
d. Bank Reconciliation Statement	()	()
e. Bank Statements	()	()
f. Other (Specify).		

18. Has your organization prepared and submitted to the Auditor-General and the Controller and Accountant-General Annual Financial Statements for the previous year and copies available?

a) Yes () b) No()

19. Were the Financial Statements comprised the following?

Yes No a.

Income Statement

- b. Balance Sheet

c. Cash Flow Statement

d. Statement of Reserve

e. Notes to the Accounts

f. Other (Specify).

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20. Has your department published annual financial and audit reports for the previous year?
a) Yes () b) N
21. If yes, what was the medium of publication?
a) Notice Boards () b) Newspapers () c) Stakeholder Meetings () d) Community Durbars ()
e) Other (Specify).....
22. Did your organization constitute a Board of Survey to take stock of assets and count cash at the end of the previous year? a) Yes () b) N
- Section D: Internal Audit Practices
23. Does your organization have a functioning internal audit unit? a) Yes () b) N
24. Were quarterly and annual internal audit reports for the previous year prepared and submitted to the Internal Audit Agency and the President respectively? a) Yes () b) No ()
25. Is there a functional Audit Report Implementation Committee (ARIC) in your organization?
a) Yes () b) N
26. Are minutes of quarterly meetings and reports of ARIC available? a) Yes () b) No ()
- Section E: Challenges of Compliance with laid-down Financial Regulations
- Kindly choose one of the options to each challenge of compliance with Public Financial Management regulations to show the extent to which it violates financial regulations.
- 5-Higly Serious Violation
- 77

- 4-Serious Violation
- 3-Moderately Serious Violation
- 2-Not Serious Violation
- 1 -Not Highly Serious Violation

27. Lack of experienced, knowledgeable, skilled and qualified staff in public organizations

1 2 3 4 5

28 The lack of or weak coherent and comprehensive monitoring and evaluation system in public organizations.

1 2 3 4 5

29. Deficiency in internal auditing in decentralized organizations

1 2 3 4 5

30. There is weak budget formulation and implementation in public organizations

1 2 3 4 5

31. Lack of or little knowledge of accrual accounting and generally accepted accounting practices.

1 2 3 4 5

32 What challenges or problems can you identify with regards to the extent of violations?

	Yes	No
a. Funds are diverted for personal use	()	()
b. Reputation of officers is negatively affected	()	()
c. Loss of public trust in departments	()	()
d. Fiscal decentralization is hampered	()	()
e. Low development of the Municipality	()	()
f. Other		(Specify).

Section F: Recommendations/Suggestions

33. What specific measures do you think can be done to make the Financial Management Practices of Decentralized Departments in the Kintampo Municipal Assembly effective?

	Yes	No
a. Qualified Accountants should be heads of accounts in the departments	<input type="checkbox"/>	<input type="checkbox"/>
b. Training on FAA, 2003 and FAR, 2004	<input type="checkbox"/>	<input type="checkbox"/>
c. Violations should attract dismissal	<input type="checkbox"/>	<input type="checkbox"/>
-d.—Release of funds should be linked to compliance with the financial regulations	<input type="checkbox"/>	<input type="checkbox"/>
e. Internal Audit Units should be well staffed		
f. Other (Specify).....		

34. How can these measures be implemented to ensure effective and efficient financial management in the Kintampo Municipal Assembly?

	Yes	No
a. Government should sponsor accounting staff to do professional accounting	<input type="checkbox"/>	<input type="checkbox"/>
b. Training needs assessment to be conducted	<input type="checkbox"/>	<input type="checkbox"/>
c. Adequate funds allocated to training	<input type="checkbox"/>	<input type="checkbox"/>
d. Audit reports should be promptly addressed	<input type="checkbox"/>	<input type="checkbox"/>
e. Other (Specify).....		

35. Who do you think can intervene to make the Financial Management Practices of Decentralized Departments more effective?

	Yes	No
a. Ministry of Finance and Economic Planning	<input type="checkbox"/>	<input type="checkbox"/>
b. Controller and Accountant-General Department	<input type="checkbox"/>	<input type="checkbox"/>
c. Heads of department	<input type="checkbox"/>	<input type="checkbox"/>
d. Regulatory Bodies such as Audit Service, etc	<input type="checkbox"/>	<input type="checkbox"/>

e. Other

(Specify)....

36. What other suggestions/advice do you have to improve financial management of the decentralized departments?

