

**DISBURSEMENT AND MANAGEMENT OF PUBLIC FUNDS IN MMDAs:
(A CASE STUDY OF THE OFFINSO NORTH DISTRICT ASSEMBLY)**

By

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DECLARATION

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

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ABSTRACT

The purpose of the study was to assess the disbursement and management of public funds in the MMDAs. This study was based on the objectives which included identifying and examining the various sources of funding for development in the District, finding out the correlation and linkage between public funding and district development expenditures, analysing the extent to which managers of public funds are aware of the rules and regulations pertaining to the disbursement and management of public funds and examining the role of auditors in ensuring financial prudence. The research design adopted was explanatory research method and data used included both primary and secondary, with primary data collected by use of self-administered questionnaires. The study covered a sample of 200 respondents. Purposive sampling was used; questionnaires were used as the instrument for data collection. The findings revealed that there is a strong correlation between Development Expenditure and Public Funds and correlations were significant at 0.01. The study further revealed that public funds need to be properly managed in the District. The researcher recommended that, Management of the District Assembly should ensure that laid down procedures are followed to the latter and that in their locative functions, they should consider first, communal priority needs.

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DEDICATION

I dedicate this research to my dear Mum, Madam Grace Adum-Atta and Dad, Mr. Kwame Adabor Bonsu. Special dedication also goes to my wife, Mrs. Abigail Senam Torgbor and children, Jason, Gracy and Jaydon. God bless you all for your guidance, prayers and emotional support bestowed me throughout my studies, otherwise I would be anything less by my own vote.

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CHAPTER ONE

INTRODUCTION

1.0 Background to the Study

Decentralization means different things to different people at different places at different times. Effortless search on the internet would reveal a number of references in the millions. For example, Google uncover about 4,100,000 references. This is probably a tip of the iceberg.

Mawood (1993), and Smith (1985) defined decentralization as any act in which a central government formally cedes powers to actors and institutions at the lower levels in a political, administrative and territorial hierarchy. The World Bank Group defines decentralization as the transfer of power, and responsibility for public functions from the central government to intermediate and local government or quasi-independent government organizations and/or the private sector.

Another definition by BusinessDictionary.com, an internet website refers to decentralization as the transfer of decision-making power and assignments of accountability and responsibility for results. They went further to explain that it goes along with the devolution of commensurate authority to individuals or units at all levels of an organization even those far removed from headquarters or other centres of power. From the above definitions, decentralization simply means streamlining or rearranging power or authority to provide a system of co-responsibility between governance institutions at the central, regional, and local levels. Thus, powers and resources are, transferred to authority representatives and are accountable to the local people.

The concept of decentralization has globally shaped the lines of development thinking, administration, and governance and as a result, countries around the world are decentralizing key services to the local level. It is seen as, a way to improve the efficiency of state structures and bring decision making closer to the people affected by policy makers' decisions.

The rationale is to increase public participation in local decision-making. This it is believed, will help internalize social, economic, development and environmental externalities to improve the balance between social services and public decisions to local needs and aspirations and to increase equity in use of public resources. Scholars are of the opinion that, by entrusting power to the local authority, the quality, and effectiveness of the process of governance increases.

Another motivating factor leading to many countries in the developing world opting for reforms aiming at greater decentralization is the principle of subsidiarity, according to which public authority should reside at the lowest level of political organization capable of using it effectively. At the same time, assigned expenditure responsibilities shall always, be matched with adequate financing (*The Matching Principle*).

Ghana has not been, left out of this drive towards the transfer of power, competence, resources, and functions from the centre to the local levels of government. Since 1988, the country has made significant efforts aimed at deepening the decentralization process. The process started by the enactment of the Local Government Law, 1988 (PNDC Law 207). The core objective of the law was to promote popular participation and ownership of the machinery of government by changing the process of

governance from command to consultative processes, and by devolving power, competence, and resources to the district level. As, in the words of Kwamena Ahwoi, former Minister for Local Government and Rural Development, at the 'meet the press' Programme, in 1997, he indicated that the Policy of decentralization seeks to radically restructure the government machinery and also to ensure among others, the "devolution of administrative and development authority to the district level". The cornerstone of the Local Government system was the establishment of the District Assemblies as the highest political authority exercising, the deliberative, legislative and executive functions in the 110 districts created by the PNDC.

This is, further enhanced by the 1992 Constitution. Chapter 20 of the Constitution provides that, '*Ghana shall have a system of Local Government and administration, which shall as far as practicable, be decentralized*'. The Constitution further provides that:

- i. Parliament shall formulate laws to enhance the capacity of Local Government Authorities to plan, initiate, co-ordinate, manage, and execute policies in respect of matters affecting the local people within their areas.
- ii. There shall be, established for each Local Government unit a sound financial base with adequate and reliable sources of revenue.
- iii. To ensure accountability of Local Government authorities, people in a particular local government areas shall, as far as practicable be afforded the opportunity to participate effectively in governance.

To make operational the above, the Local Government Act, 1993 (Act 462) was passed to outline in practical terms the political, administrative and fiscal mandates of the Metropolitan, Municipal and District Assemblies (MMDAs) in their areas of jurisdiction.

The Act 462 seeks to establish decentralize administration through the transfer of power, authority, functions, competence, and means from the Central Government Ministries, Departments and Agencies (MDAs) to local government (LG) units, specifically the Metropolitan, Municipal and District Assemblies (MMDAs) for improved service delivery to people. To deepen the decentralization process, the government has established the Departments of the District Assembly (administrative decentralization), and passed the Legislative Instrument (LI) 1961 (2009). For local governments to translate the power and competence at their disposal into development they need to have resources. Unless local governments have adequate revenues to deal with their new task, they will not be able to deliver the quality services expected. Thus, they need to be fiscally empowered to fully, deliver the potential benefits of decentralization. It is important to note that, a major reason for the creation of the District Assemblies is the need for local development, and the provision of social services to the local people through well-thought out programmes and projects derived out of the district development plans. To give meaning to the administrative decentralization reforms that took place following the enactment of LI 1961 in 2011, government also decided to accelerate fiscal decentralization reforms, to make funds available for MMDAs to deliver on their mandates.

It is in this direction to meet the rising expectation of the majority of the deprived communities that, Part 7, 8, 9, and 10 of Act 462 gives the District Assemblies the power, to levy fees, licenses, taxes and other miscellaneous charges. Transfers in the form of ceded revenue, the District Assemblies Common Fund (DACF), the District Development Facility (performance based grant) and other specialized transfers in the form of stool land revenues, timber royalties and minerals development fund among

others are received by the district in order to make them financially sound to meet the ever-increasing obligations. In Ghana, fiscal decentralization ensures the transfer of adequate financial resources from the central government to local governments with sufficient autonomy to allocate these resources in the provision of socio-economic services.

In order for the resources so generated to achieve its purpose of improving the lives of the people, they need to be, managed well. This is what public financial management is about. Ola and Offiong (2008) defined public financial management as “the measure put in place to control the people’s money or funds. It deals with how government institutions handle money. How they budget, save, spend, and invest it in a more useful manner without misappropriation by the authority or to those concerned. It is all pervasive as it is to ensure that, funds are, efficiently acquired, safely held, properly committed, effectively and economically utilized to meet specific objectives (Ekpong, 2005).

However, over the years development has not found favour with members of the public, who expect that, the resources of the state would be, applied judiciously for the good of all. The Auditor General annual reports continue to show corruption and accounting malpractices in district assemblies. The Ministry of Finance reported on 20th March 2006 that between 1992 and 2000 over GH¢10 trillion of public funds were, embezzled. The revelations of financial impropriety in assemblies during sittings of Ghana@ 50 Enquiry (2009) and the sittings of judgement debt committee have further deepen the public concerns about financial prudence in the management of state resources most especially the local areas where poverty is endemic.

This has led to mistrust and loss of confidence in the managers of public funds with some refusing to continue paying the rates, fees, and fines and, licences that the constitution obliges them to pay. In order to avoid such occurrences and, ensure that the inflows of funds into the district assemblies are prudently and judiciously used, control measures and reporting requirements coupled with financial discipline must be put in place. To this effect, the assemblies have been, mandated to, effectively manage, and account for the funds entrusted to them in accordance with a given legal framework.

Until 2003, some forms of legislations were, used to regulate financial administration and management in Ghana. These were:

- a) Financial Administration Decree, 1979, SMCD 221;
- b) Financial Administration Regulations, 1979, L.I. 1234;
- c) Financial Memorandum for Municipal and Urban Councils; and
- d) Local Government Act, 1993, Act 462.

The Financial Administration Act, 2003, Act 654 and the Financial Administration Regulation, 2004, L.I. 1825, have replaced the first two. Internal Audit Agency Act, 2003, Act 655 and Public Procurement Act, 2003, Act 663, have also, been passed which have profound effect on the country's local government financial administration and management arrangements.

Whilst the Financial Administration Act and the Financial Administration Regulations provide the legislative framework for the central government financial administration, the Financial Memorandum for the Municipal and Urban Councils, and the Local

Government Act govern local government financial administration. The Internal Audit Agency Act and the Public Procurement Act apply to both central and local governments.

These regulations were made, to; ensure efficiency, transparency, and accountability in public financial management.

1.1 Statement of the Problem

District Assemblies in Ghana have been regular recipients of funds to provide both social and public infrastructure, and to embark on livelihood empowerment against poverty programmes to stimulate economic development. However, there are clear evidences of violations of these legal and regulatory frameworks, loopholes and weaknesses, poor supervision, and lack of focus, etc. in the management and disbursement of funds. Also in many instances, the general absence of information on budget issues particularly in accessible and non-technical forms has seriously hindered the efforts of the local people to participate in the discussions on the distribution of public funds. This has resulted in their inability to perform to perfection and respond effectively to the needs of the people. This situation has not only made some Assemblies impotent but also eroding the confidence most people have in them as providers of the essential services which would lead to the improvement of their welfare. It is against this background that the researcher intends to assess the performance of management of Offinso North with respect to planning, budgeting, procurement, and auditing to ensure efficiency and effectiveness in the disbursement and management of public funds.

1.2 Objectives of the Study

The main objective of the study is to assess the management and disbursement of public funds in the Offinso North District Assembly. Specifically the study seeks:

- i. To identify and examine the various sources of funding for development in the District.
- ii. To find out the correlation and linkage between public funding and district development expenditures.
- iii. To analyse the extent to which managers of public funds are aware of the rules and regulations pertaining to the disbursement and management of the funds entrusted to them.
- iv. To examine the role of auditors in ensuring financial prudence

1.3 Research Questions

The following research questions guided the study.

- i. What are the various sources of funding for development projects in the District?
- ii. What are the linkage between public funding and district development expenditure?
- iii. To what extent do managers of public funds are aware of the rules and regulations pertaining to the disbursement and management of the funds entrusted to them?
- iv. What are the roles of internal auditors in ensuring financial prudence in the District?

1.4 Justification of the Study

The need to study the mode of disbursement and management of public funds in the District Assemblies, stem from the fact that they are regular recipients of funds from both internal and external sources as prescribed by the various acts and the constitution to meet their financial obligations. There are clear indications that the Assemblies are not able to efficiently and effectively disburse and manage these revenues to provide the much-needed services to the public. Therefore, the communities continue to shriek for amenities like portable water, clinics, schools, places of convenience among other facilities. The low yielding of revenue is a source of great concern and worry to almost all the Assemblies.

It is relevant to point out that, though there are several attempts by the Government to regulate the activities of fund managers in the district assemblies, there are clear evidences of mismanagement and corrupt practice, which had resulted in their inability to perform to perfection and respond effectively to the needs of the people. This situation, has not only made some assemblies impotent but also eroding the confidence most people have in the District Assemblies as providers of the essential services which would lead to the improvement of their welfare. The study therefore derives answers to these shortcomings and weaknesses in the disbursement and management of public funds so that the public can obtain value for money services and projects for the development of the people and also make the decentralization programme become a reality and meaningful.

1.5 Scope of the study

Geographically, the study was conducted in the Ashanti region specifically Offinso North District. The district was, selected because it is one of the deprived districts in the Ashanti region created in 2008 with no seed money to start its operations. Being a district, it means that management has been regular recipients of budgetary amounts allocated to the district and it is important to assess how these monies were, utilized through the planning, budget, procurement and auditing processes.

1.6 Organization of the Study

The study is divided into five chapters. Chapter one consists of brief introduction of decentralization, background of local government system in Ghana and its associated problems of mismanagement of public funds. It also presents the objectives of the study, statement of the problem, aims, and objectives of the study and significance of the study. Chapter Two consists of the review of relevant literature on public finance and public financial management, planning and budgeting, procurement and the role of auditing in ensuring sound financial management, an overview of fiscal decentralization in Ghana and the concept of participatory budgeting in ensuring accountability. Chapter Three outlines the research methodology, focusing on methods of data collection instruments, sampling and limitation of the study. Chapter Four presents the descriptive and empirical results from the analysis. Chapter Five, which is, the last chapter deals with the summary of findings, conclusions, suggestions, and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is devoted to the review of literature that relate to public financial management, and it stresses on the importance of efficient and effective disbursement and management of public funds in local governance. That is, with limited resources of district assemblies coupled with numerous development functions there is need for judicious use of resources and the establishment of control mechanism to avoid waste of funds. In addition, there will be review discussions on decentralization in Ghana with emphasis on fiscal decentralization.

2.1 Definition of Concepts

2.1.1 Overview of Decentralization

The concept of decentralization has been a popular theme in development thinking and practice for at least two decades. The term attracted attention in the 1950s and 1960s when British and French colonial administrations prepared colonies for independence by devolving responsibilities and programmes to local authorities (Work, 2002). In the 1980s, decentralisation came to the forefront of the development agenda alongside the renewed global emphasis on governance and human-centred approaches to human development (Work, 2002). Today, both developed and developing countries are pursuing decentralisation policies.

Work (2002) argues that the western world sees decentralisation as an alternative to providing public services in a more cost-effective way. He further argues that

developing countries on the other hand are pursuing decentralisation reforms to counter economic inefficiencies, macroeconomic instability, and ineffective governance. Post-communist transition countries are embracing decentralisation as a natural step in the shift to market economies and democracy while those in Latin America are decentralizing because of political pressure to democratise (Work, 2002). He states that African states view decentralisation as a path to national unity. Based on these different perceptions, it can be realised that decentralisation is a very broad term which can be interpreted and implemented differently based on the conditions prevailing in a particular environment.

2.1.2 Decentralization in Ghana

The public administration reforms embarked upon in Ghana from the early 1980's aimed at decentralizing the system. It involved variants of devolution, de-concentration, and delegation of power. Ghana embarked on different but related programmes of democratization of the local government structures of which functions and powers of central government are to be decentralized in a bid to achieving national development Ahwoi (2010).

Under Ghana's decentralization programme the ultimate destination was the local authorities. Ahwoi (2010) states that the programme seeks to transfer functions, skills and competencies in political, administrative, and decentralized planning to transfer means and resources through a programme of fiscal decentralization.

2.2 Public Financial Management (PFM)

A sound PFM is fundamental to achieving development objectives and reducing poverty. It enables managers of public funds to efficiently manage and spend with integrity to give ratepayers the necessary confidence against their own fiduciary risk. It is a catalyst to broader country development, to raising revenues effectively, planning, and executing budget decisions reliably and transparently, and to building trust for stakeholders. The recognition that development should be led by MMDAs if it is to have lasting transformative impact requires greater reliance on a country's PFM systems.

According to Ekpung (2001), PFM is a specialised functional area found under the general classification public administration and finance. He defined PFM as the management of the flows of money or financial resources through an organisation (public), whether it is a company, a school, bank, or government agency. It concerns the actual flow of money or financial resources, as well as claims made against it in a judicious way.

Ola and Offiong (2008) defined the management of public funds or finance, as the measures put in place to control the use of the people's money or funds. Public financial management is an attempt made by government to ensure that consistently the budget is either a balanced or a surplus budget. These are, largely achieved through ensuring adequate receipts from taxes and non-taxes sources and reducing public expenditure levels. These are, done through the assessment of expenditure policies, revenue drive or revenue diversification and tax reforms among others (World Bank, 2001).

According to Anwar Shah, a well-functioning public sector that delivers quality public services consistent with citizen preferences and fosters private market-led growth while managing fiscal resources prudently is considered critical to the World Bank's mission of poverty alleviation and the achievement of the Millennium Development Goals. Good public financial management promotes a system of accounting that shows the effective utilization of the financial resources of the country; provides a window to the public to ascertain the financial status of the government; and serves as a major instrument in the formulation and implementation of government policies.

According to Shand (2005), the Public Financial Management (PFM) framework sets out the following as key components of a good PFM system:

- i. The internal control system should ensure that the budget appropriations, are not exceeded, that funds are spent as intended as well as ensuring that reliable information is produced.
- ii. There is full transparency of budget processes and information. The budget should be developed and implemented through an orderly and understood process. The legislature and the public should have full information on budget results in relation to targets, the government's financial position and the assumptions and risks involved in the budget.
- iii. The budget is credible; it is realistic and, can be implemented. In many countries, much effort may be put into preparing budgets which, cannot be implemented because they are not realistic. Predictability of donor funding may be an important issue here. It should be clear to line ministries, departments and agencies how much funding they may expect to receive during the year and what results are expected from that expenditure.

- iv. It is comprehensive, covering all government activities. Off budget accounts should be minimized, particularly those for which there is little transparency. The budget is a reflection of the government's policies and priorities –the expected results of expenditures should be known, as far as they can be reasonably measured. There are accounting systems that provide timely and reliable reporting at all level of decision making for internal management and control and for external accountability purposes. Good external reporting needs to be based on good internal reporting. The ex-post systems are of external scrutiny by the legislature and by external audit, by holding public officials accountable.
- v. Should help keep the budget on track and improve performance. A good public financial management system, through comprehensive budgeting, sound internal control systems, reliable information systems and fiscal transparency can assist in this.

Shand (2005) explained that, there is now a consensus among donors and partner countries on what constitutes good public financial management, and it is developed through extensive diagnostic work, in many cases undertaken collaboratively by many donors and collaboratively with the partner countries. There is also a consensus that the need now is to move beyond diagnostics to work with development partners in improving their public financial management systems through capacity development programmes and the extent to which public financial management systems are improving over time, using the performance measurement framework.

Shand (2005) continued that, Public financial management should seek to achieve the following objectives;

- i. Good and simplified financial reporting and accounting systems, establish clear and strong cost controls, link programme responsibility and budget of the ministries, departments and agencies.
- ii. Bring transparency to government activities.

In agreement to the above, public financial management system should seek to achieve fiscal discipline, strategic prioritization of expenditure with the budget the budget as the key instrument, operational efficiency in the use of resources and fiscal transparency. In addition, it needs to be recognized that improving public financial management is not just a “technical” exercise. It must deal with the deficiencies in financial management since it involves proper planning, accounting and auditing, reporting, providing information and deals with complaints.

Again, there is no doubt that transparency and accountability, expenditure or cost control and bureaucracy run through the components and objectives of public financial management. All of these subsystems are relevant to the success of public financial management. Therefore, it is necessary to discuss these components.

2.3 Planning and Budgeting

The key for success is effective management of the available resources. Organizations will not be able to achieve the desired performance if they fail to manage their financial resources properly (Waygandt et al., 2009). Thus, among the important aspects in improving financial management of public sector organizations are activities such as annual budget planning, delineating the roles of various committee with budget responsibilities, setting criteria for budget allocation, and regular monitoring of the budget (Potter and Powell, 1992).

Planning is one of the most important project management and time management technique.

It refers to the process of deciding what to do and how to do it. It occurs at many levels, from day-to-day decisions made by individuals and families, to complex decisions made by businesses and governments.

Edame (2010) postulated that the budget is the principal instrument of fiscal policy. He said the budget exercises control over size and relationship of government receipts and expenditure. In his explanation of what a budget is, he said it is a document, which contains estimates of revenue and expenditure of a country usually for a fixed period usually for one year.

According to Oguonu (2009), “a budget is the forecast by a government of its expenditures and revenues for a specified period of time usually a year. It is a financial statement of estimated income and expenditures covering a specified future period of time”. Begans (2006), opines that it is a functional plan making and consequent control of expenditure. He continued that the budget is an essential instrument in the planning and control of the financial affairs of a country.

2.5 Accounting and Financial Reporting

Amid the need to foster efficiency and effectiveness in the disbursement and management of public funds, accounting practices and financial reporting have been embraced by MMDAs in Ghana. The purpose is to accumulate and provide financial information.

Accounting and reporting systems are crucial for budget management, financial accountability, and policy decision making. Government accounting was, traditionally aimed at assuring compliance and proper use of public monies.

In the local government, the spending officers/budget holders need the information provided by the accounting system in order to plan and organise their activities. Similarly, the information is needed to make budgets and forecasts.

Financial transactions in MMDAs involve inflow and outflow of economic resources. This means that recognition should be given to it by way of measuring and recording in a set of books of accounts. External transactions occur when an organisation gives and receives something in return, for example purchase of material by local government in cash requires the giving of cash in exchange of the material in question. On the other hand, internal transactions occur when the transaction takes place within the organisation itself like for instance the use of materials by a department in the discharge of its duties within a particular local government.

2.6 Financial Reporting

According to Adebayo (2005), financial reporting is the only way by which managers of organizations give account of their stewardship to their owners and other stakeholders. He continued that financial reporting discloses in clear terms and languages what resources are acquired and available, how they are utilized to achieve results.

Obazee (2008) simply defined financial reporting as the process of communication of financial information. Financial reporting is a critical source of information managers

need to make informed decision about how to use limited resources to best serve the interest of shareholders.

According to Jenfa (2000), the objective of financial reporting is clearly defined in the True Blood Report (New York, 1973). The report stated that, the basic objective of financial reports is to provide information that would be useful for economic decisions. Other objectives have been identified in addition to the basic objective. It includes the following:

- i. To serve primarily those users who have limited authority, ability, or resources to obtain information and who rely on financial statements as their principal source of information about an enterprises' economic activities.
- ii. To provide information useful to investors and creditors for predicting, comparing and evaluating potential cash flows to them in terms of amounts, timing and related uncertainty.
- iii. To provide users with information for predicting, comparing and evaluating enterprise earning power.
- iv. To supply information useful in judging management's ability to utilize enterprise resources effectively in achieving the primary enterprise goal.
- v. To provide factual interpretation about transactions and other events which is useful for predicting and comparing and evaluating earning power.
- vi. To report on those activities of the enterprise affecting society which can be determined and described or measured and which are important to the role of the enterprise.
- vii. The determination of the quality of financial report will depend significantly on the objectives of the report.

Rappaport (1964) posited in Mainoma (2002) that, there is no clear understanding on the objective of financial reporting. That explains why the extent of reporting may differ. Glautier and Underdown (2001) stated that the failure to establish a framework for financial reporting purposes is directly as a result of the attitude of management. That the report is prepared and presented, you either take it or leave it. This implies that the absence of framework that is not the major problem, but the difficulty in establishing a framework may be because the users of financial information vary.

2.7 Auditing

“The need for financial accountability has existed ever since it became necessary for one individual to entrust the care of his possessions or business to another.” —Wilson Committee, 1980. According to Jurgen von Hagen, the core of public finance is that people are spending people’s money. He continued that in democracies, the voters delegate the power over public spending and taxes to elected politicians. An aspect of this delegation is particularly important for the conduct of fiscal policy since it represents an agent- principal relationship. The public sector represents a principal-agent relationship. The officials, acting as the principal’s agent must periodically account to the principal for their use and stewardship of resources and the extent to which the public’s objectives have been accomplished.

According to Akinbuli (2010), the principal-agent relationship is associated with conflicting interests of shareholder and management of organizations. He stated that the less informed party would have to demand information that monitors the behaviour of the better-informed manager. An effective audit activity reduces the

risks inherent in a principal-agent relationship. The principal relies upon the auditor to provide an independent, objective evaluation of the accuracy of the agent's accounting and to report on whether the agent uses the resources in accordance with the principal's wishes. This is in consonance by an assertion by Hayes et al (1999). They posited that, the agency theory could be used to explain the supply side of audit. They said, the contribution of audit is determined by the probability that the auditor will detect errors in the financial statements and the will willingness to report these errors.

According to Persson, Roland, and Tabellini 1997; and Seabright 1996, the principal-agent relationship resembles an 'incomplete contract', which leaves politicians with considerable residual powers. Their reason is that delegation of power to elected politicians implies that politicians can extract rents from being in office and spend public monies on projects other than those desired by voters. They continued that voters might wish to limit these opportunities by subjecting politicians to strict and detailed rules that prescribe what they can and cannot do under specific circumstances. However, the uncertainty and complexity of the economic and political environment render the writing of such complete contracts impossible. They concluded that the greater these residual powers are, the greater will be the divergence between voter preferences and actual policies.

The need for a third party to attest to the believability (credibility) of the financial reporting, performance results, compliance, and other measures arises from several factors inherent in the relationship between the principal and its agent:

- i. Moral hazards — conflicts of interest: Agents may use their resources and authority to benefit their own interests, rather than the principal's interests.
- ii. Remoteness: Operations may be physically removed from the principal's direct oversight.
- iii. Complexity: The principal may not possess the technical expertise needed to oversee the activity.
- iv. Consequence of error: Errors may be costly when agents are stewards of large amounts of resources and are responsible for programs affecting citizens' lives and health.

Auditing is one of the several compliance mechanisms in the PFM system designed to ensure that the budget is executed in accordance with the law and effectively delivers public services (Simson, Sharma and Aziz, 2011). It is the process of determining that the statements provided by the management of an organization and the information contained in them fairly represent the underlying facts on which the information is based.

Auditing has evolved as systems, transactions, and operations have become more complex. In its earliest origins (evidence points to audits conducted in Babylonia and Mesopotamia as early as 3,000 B.C.), auditing verified the existence of assets. Over time, auditing shifted from a detailed focus on confirming or validating individual transactions to evaluating the effectiveness of the systems that control transactions. In the 20th century, public sector auditors also moved well beyond evaluating economic and financial transactions and conditions. Since the introduction of social programs, some government auditors have been called upon to validate the effectiveness of the government services themselves. Or, they may be required to determine whether the

organization has established mechanisms to measure and report on its effectiveness. (Waring, 2002).

Some current definitions of auditing illustrate the variability in the roles of auditors, while underscoring the fundamental elements of the profession. For example according to the Canadian Comprehensive Audit Foundation, 1991, “audit serves an accountability relationship. It is the independent, objective assessment of the fairness of management’s representations on performance or the assessment of management’s systems and practices, against criteria, reported to a governing body or others with similar responsibilities.”

Simson, Sharma and Aziz (2011) posited that, originally audit were means to ascertain that government’s financial statements with respect to revenue collected and how it was expended was fair and accurate reflection of what has been presented (Financial Audit), and that agencies acted in accordance with the laws and regulations (Compliance Audit). They continued that the role of the auditor varies and that today it is common for auditors to undertake value for money or performance audits that assess an agency’s performance as against its stated goals rather than its compliance with the rules and laws.

Stakeholders, can effectively and efficiently assess the performance of management using the independent report prepared by an auditor. According to Whittington and Pany (2004), auditors provide high level of assurance that the financial statements follow generally accepted accounting principles. Akinbuli (2010) posited that audit consists of a searching investigation of the accounting records and other evidence supporting those financial statements. The auditor, through the study and evaluation of the organization’s system of internal control and by inspection of documents,

observation of assets, making enquiries within and outside the organization, and by other auditing procedure is able to determine whether the financial statements provide a fair and reasonably complete picture of the organization's financial position and its activities during the period. According to the International Standard on Auditing 200, the objective of an audit is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework.

2.8 Legal Framework for Planning and Budgeting in MMDAs

Article 245(a) of the 1992 constitution charges parliament to make laws prescribing the functions of MMDAs to include, “the formulation and execution of plans, programmes and strategies for effective mobilization of resources necessary for the overall development of the district.”

The above, is expected to be carried out by the citizenry to give true meaning to decentralization and democracy. As stated earlier, the core objective of PNDC Law 207 of 1988 was to promote popular participation and ownership of the machinery of government by changing the process of governance from command to consultative processes, and by devolving power, competence, and resources to the district level. The concept of decentralization entails citizen participation in decision-making, which involves planning and budgeting.

The MMDAs budget cycle depends on the sources of funding for the various activities contained in the budget. MMDAs sources of finance come from the MMDAs own internally generated fund (IGF), central government, or identified donors. Funding of activities from the IGF of the MMDA depends on the availability of funds and thus contingent in nature, and that from the central government is done

according to law and forms part of the medium term planning and budgeting activities of the MMDA. For the donors, it is also contingency in nature and depends on the availability and rates of concentration by a particular donor.

Irrespective of the above, every expenditure should fit into the MTDP and the budgetary process and approved by the General Assembly. The budgeting cycle consist of four stages. They are Formulation, Implementation, Evaluation, and Control stages.

The actual budgeting starts with the formulation stage. This stage includes the setting of guidelines, which are often informed by the general political and macroeconomic direction of the country. After the preparation of the budget, the next activity in the cycle is the approval stage. Thus after the formulation stage undergoes legislative approval system. It is after this stage that it becomes a legal document enforceable by the judicial system. The theory underlying this is derived from the fact that the budget have revenue generation function (levying of taxes) which is the domain of the legislature.

The District Assemblies Accounting Policies shall clarify how the relevant accounting standards shall apply to individual transactions and balances. The accounting policy that is applicable to all Assemblies is the accrual basis of accounting. The FAR 2004 (Regulation 186), states that, “the Public Accounts and other government accounts shall generally be prepared on Accrual basis except that the specific basis and procedures for preparing the accounts shall be determined by the Controller and Accountant General.

Financial statements for the Assembly, is therefore prepared on an accrual basis. Consequently, revenue shall be recognised in the books of accounts when it is earned instead of when the money was received; and expenditure shall be recognised when it is incurred instead of when payment was made.

Financial statements of the Assembly are thus prepared in accordance with Generally Accepted Accounting Principles (GAAP) and other instructions issued by the CAG in consultation with the Auditor General. This is based on Financial Administration Act Section 3(7).

The Public Accounts and account submitted by the Assembly shall be in accordance with basis stated in this manual. If the basis has not been stated in this manual the Assembly shall state the basis of accounting used in the preparation of accounts and identify any significant departures and the reasons for the departures in consultation with the Controller and Accountant General. The financial statement for the District Assemblies accounts shall include:

- i. A balance sheet showing the assets and liabilities of the Assembly at the end of the year;
- ii. A statement of receipts and payments of the Assembly for the year;
- iii. A statement of revenue and expenditure of the Assembly for the year;
- iv. A cash flow statement of the Assembly for the year; and
- v. Notes that form part of the accounts, which shall include particulars of the extent to which the performance criteria specified in the estimate in relation to the provision of the Assemblies' output was satisfied.

Non-Financial Reporting is reporting wholly or partly on information not contained in the financial statements. The Assembly may report on such information. The critical

role played by audits in the financial management of MMDAs can never be gain said. Without it, value for money, which is an important element public financial management, will not be achieved. They play a special role of ensuring that the control systems are working efficiently and effectively and ensure that the financial statements produced by the MMDAs give a true and fair picture of its activities within a given period under review. It is therefore, seen as crucially important to inject the required financial discipline in the financial management and administration of MMDAs.

In Ghana, the Local Government Act (Act 462), the Internal Audit Agency Act, the Financial Administration Act, and the Financial Memoranda for MMDAs emphasizes on the need for every MMDA to have an internal audit unit and causes its accounts and financial statements to be audited by external auditors annually. The external auditors may either be a staff of the Ghana Audit Service or a private but qualified Audit firm approved by the Auditor General.

As stated earlier, the objectives of audit vary widely but cover the following:

- i. Review of the accounting and internal control systems and reporting on their effectiveness and adequacy.
- ii. Examination of financial and operating information to determine its reliability.
- iii. Review of management procedures to determine the extent to which they are adequate in safeguarding assemblies against loss.
- iv. Review of economy, efficiency and effectiveness.
- v. Special investigation.
- vi. Ascertaining compliance with legal requirements such as the Financial Administration Act and the Local Government Act

Auditors after examining the accounts and the financial statements are required by law to produce audit reports. The report then becomes a documentary proof of the period of audit, the nature of the work done, types and kinds of accounts audited, approach, observations in terms of identified weakness and finally expert opinion on the state of affairs of the financial activities of the MMDA.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the research designs, the study population, sample size, sampling techniques, sources of data, data collection instruments, data analysis and presentation.

3.1 Research Design

According to Baridam (2008), Ndiyo (2005) and Anao and Uche (2002), research design is the framework that is used as a guide in collecting and analysing data for a study. Osuala (2005) posits that the research design is a framework for verifying the hypothesis or answering the research question. Therefore, the nature of this study was such that it was done using explanatory research. According to Gay (1990), explanatory research involves collecting data in order to test hypothesis or to answer questions concerning the status of the subject of the study. It is economical and convenient for the study of this nature.

Yin (1993) stated that explanatory research explains causal relationship between cause and effect of a phenomenon. It aims at explaining causal relationship between variables. Explanatory research emphasizes detailed contextual analysis of a limited number of events or conditions and their relationships. Researchers have used the explanatory research method for many years across a variety of disciplines. Social Scientists, in particular, have made wide use of this explanatory research method to examine contemporary real-life situations and provide the basis for the application of ideas and extension of methods.

According to Yin (1993), explanatory research method could be defined as an empirical enquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not evident; and in which multiple sources of evidence are used. In order to access how public funds are disbursed and managed in MMDAs, explanatory research was used to explain how public funds are managed in relation to the legal and regulatory framework that governs the disbursement and management of public funds.

3.2 Sample and Sampling Procedure

The target population for the study was made up of the heads of various decentralized departments of the district, including planning officers, budget officers, finance officers, internal auditors, and storekeepers. It also includes the citizenry. The inclusion of the planning, budget, finance, and internal auditors helped in bringing out the extent to which they carry out their duties based on the legal and regulatory framework. The inclusion of the citizenry was also to bear the extent to which the assembly officials have been transparent and accountable to them.

In selecting samples to be included in the study, both probability and non-probability sampling techniques were used. Purposive sampling, which is a non-probability sampling technique, was used to select the planning, budget, finance, and internal audit officers. This is because it is believed that all these officials are in the best position to respond to the research questions.

The Offinso North District Assembly is made up of the following sub- district structures:

- i. Akomadan Afrancho Urban Council
- ii. Nkenkaasu Town Council

- iii. Azusa Areas Council and
- iv. Nsenoaman Area Council.

In all, three of the sub-structures (i.e. Akomadan- Afrancho, Nkenkaasu and Nsenoaman) were randomly selected. Under each of the sub-structure selected, five communities were randomly selected and the researcher believes is large enough to generalize.

3.3 Source of Data

Data obtained for the study were from both primary and secondary sources. The primary data were obtained directly from respondents through the administration of questionnaires and structured interviews. The primary data provided reliable and accurate first-hand information relevant to this study on how public funds are managed and other issues necessary for the research. The secondary information was obtained from the library, internet, journals, articles, newspapers, and research reports. The idea for the use of secondary data was to gather as much information as necessary to guide the conduct of the research in order to confirm or reject the primary data.

3.4 Data Collection Instrument

The main data collection instrument used for the study was the questionnaire. This was appropriate because it was assumed that with regards to the officials they were literate and for that matter they could be able to respond to the questions and for the citizenry, those who administered the questionnaire were trained to interpret the questions and record just what has been responded by the interviewee to eliminate bias. The questionnaire facilitated the collection of data that ensured the best

matching of concepts with reality; it provided the same responses from given set of respondents and helped reduce inconvenience caused by unfavourable interview times and busy schedules.

According to Saunders (2007), questionnaire is use for explanatory research, which will enable the study to examine and explain relationships between variables, in particular cause and effect relationships. In all, 200 questionnaires were sent out for this study, out of this figure, 60 were given to the heads of the various decentralized departments including planning, budget, finance and internal audit officers and the rest were given to the citizenry. Out of the 200 questionnaires distributed, 155 were retrieved from the respondents and this made the response rate stood at 75 percent. The researcher personally with the assistance of five (5) National Service Personnel administered the questionnaire to the respondents.

The structured questionnaire was used to guide the researcher in interviewing the citizenry and the Assembly members. The questionnaire consisted of both open-ended and close-ended questions. It was based on the objectives of the research and can be found in the appendices.

3.5 Pre-Testing

In order to test the reliability and validity of the data collection instrument, pre-test was carried out. This was a reconnaissance study in order to pre-test the instrument. This revealed the suitability of the methods and instruments that were employed in the study. This constantly led to early detection of errors and distortions in the questionnaire, which were corrected in the process. This helped the researcher to familiarize himself with the research environment and offered the opportunity to

practice research in real situation before the main study began (Sarantakos, 1998: 292- 293).

3.6 Data Presentation and Analysis

This part deals with the methods of analysis of the data. Quantitative and qualitative methods were used to analyse the data. The results were obtained in the percentages and subsequently presented in the form of pie charts, bar charts and tables. Computer data analysis software such as the use of Statistical Package for Social Sciences (SPSS) and other relevant software such as Microsoft Excel were the main tools employed to analyse the data in order to help interpret results. The justification for the choices of these programmes was that, these techniques facilitated word processing and data analysis and made interpretations easy with accurate pictorial presentations.

The other questions that were open-ended were analysed by listing all the important responses given by the respondents. The responses were considered based on the relevance to the study. This gave the general idea of the study with respect to the disbursement and management of public funds.

3.7 Distribution of Respondents

In all 60 respondents were selected from all the decentralized departments of the Assembly and they constitute 30 percent of the total number of respondents, which stood at 200. Respondents from the constituents were 140 in number and were selected from the Akomadan / Afrancho Urban Council, Nkenkaasu Town Council and Nsenoaman Area Council and they constitute 35, 17.5, and 17.5 percent respectively which together constitute about 82.35 of the total number of respondents.

The data showed the distribution of respondents among the decentralized departments and the selected communities under the three sub-district structures selected.

Table 3.1: Distribution of Respondents among the Decentralized Departments

Decentralized Departments	No. of Respondents	Percentage
Central Administration	20	10
Works	5	2.5
Education	5	2.5
Health	5	2.5
Agric	5	2.5
Trade	5	2.5
Social W/Comm. Dev't	5	2.5
Disaster Management	5	2.5
Finance	5	2.5
Total	60	30.00

Table 3.2: Respondents among the Three Sub-District Structures and Their Communities

Urban / Town / Area Council	No. of Respondents	Percentage
Akomadan/Afrancho Urban Council		
Akomadan	25	12.5
Afrancho	25	12.5
Sraneso No. 1	5	2.5
Nyinatase	5	2.5
Tano Kwaem	5	2.5
Mankramso	5	2.5
	70	35.00
Nkenkaasu Town Council		
Nkenkaasu	20	10.00
Seseko	5	2.5
Nibriba	5	2.5
Aboabo	5	2.5
	35	17.5
Nsenoaman Area Council		
Asempanaye	10	5.00
Apenteng	5	2.5
Sarfokrom	5	2.5
Dwendabi	5	2.5
Amponsahkrom	5	2.5
Papasisi	5	2.5
	35	17.5
Total	140	70.00

Table 3.3: Summary of Distribution of Respondents

Respondents	No. of Response	Percentage
Decentralizes Departments	60	30.00
Citizenry	140	70.00
Total	200	100

CHAPTER FOUR
PRESENTATION AND ANALYSIS OF DATA

4.0 Introduction

This chapter presents the results and discussion of the study. A general description of the data used for the study are presented. Furthermore, a Spearman’s Correlation analysis showing the linkage or the relationship between public fund management and development expenditure is presented in this chapter.

4.1 The Socioeconomic Characteristics of the Citizenry

The study sought to analyze the socioeconomic characteristics of the Citizenry sampled for this study. The results of the analysis are shown in the Table 4.1 below.

Table 4.1: Results on the Demographic Characteristics of the Citizenry

Variable	Frequency (N)	%
Frequency		
Age of Citizenry		
≤ 20	17	12.14
21 – 40	65	46.43
41 – 60	47	33.57
Above 60	11	7.86
Gender of Citizenry		
Male	96	68.57
Female	44	31.43
Position in Community		
Ordinary Member	86	61.43
Opinion Leader	54	38.57

Source: Field Survey, 2014

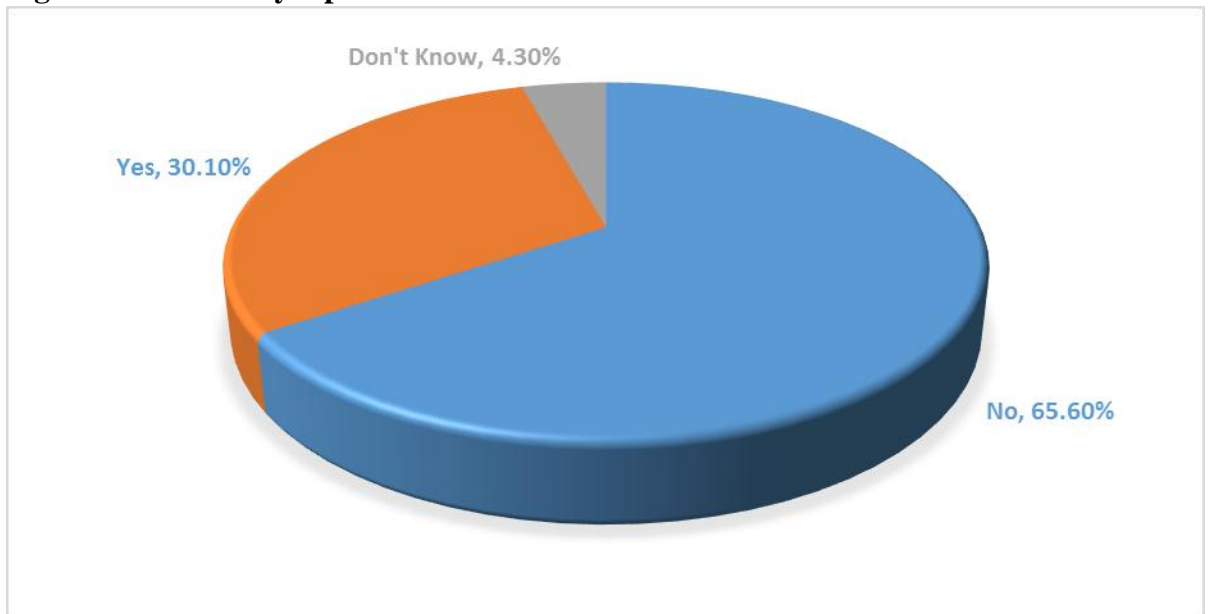
Table 4.1 shows the socioeconomic characteristics of the citizenry sampled for the study. The result reveals that most (46.43%) of the citizenry are of the ages between 21 – 40 years; 33.57% of the citizenry are of the ages 41 – 60 years whilst 12.14% of them are 20 years and below and the least of them (7.86%) are 60 years and above.

Considering the distribution of gender among the sampled citizenry, it was observed that 68.57% and 31.43% of them are males and females respectively. This implies majority of the citizenry that were interviewed for the study are males. On the position of the citizenry in the community, it was observed that most of the citizenry (61.43%) ordinary members of the community whilst only 38.57% of them are opinion leaders in the community.

4.2 Citizenry Knowledge and Opinion on Effective and Efficient use of Public Funds

The research sought to examine the knowledge and opinions of citizenry about the effective and efficient use of public funds in their assemblies. The results of the analysis are shown in the Figure 4.1 below.

Figure 4.1: Citizenry Opinion on Effective and Efficient use of Public Funds



Source: Field Survey, 2014

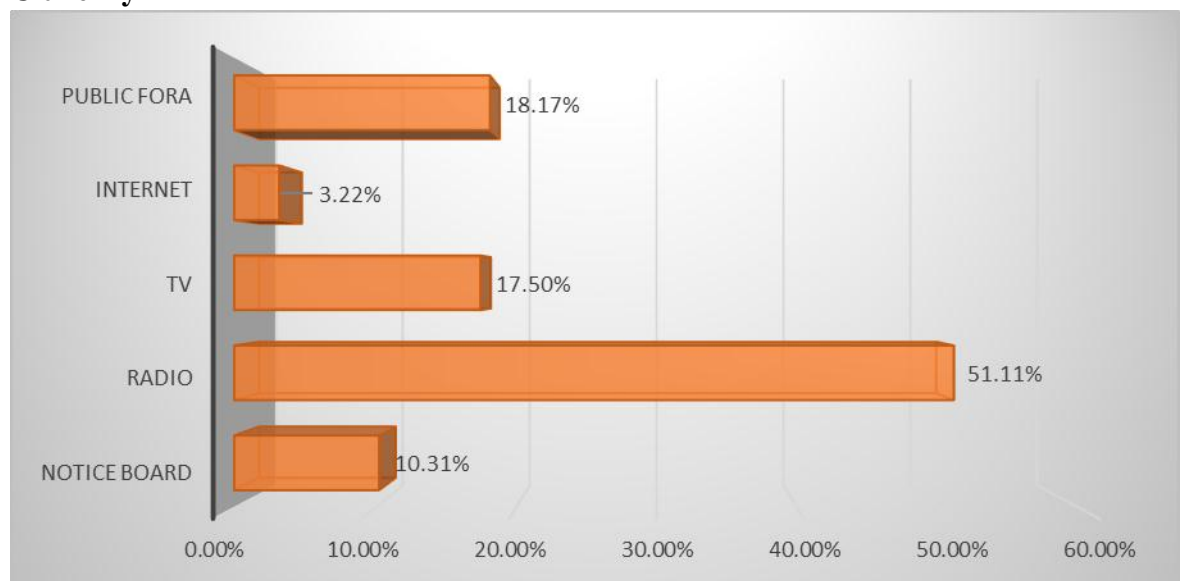
Citizenry who reside in the sampled communities were asked to share their opinions about the effective and efficient use of public funds in the Offinso North District

Assembly. From figure 4.1 above, 65.60% of the citizenry asserted that there is no effective and efficient use of public funds in the assembly whilst 30.10% asserted that there is effective and efficient use of public funds in the Offinso North District Assembly and only 4.30% asserted that they do not know whether the use of public funds in the Offinso North District Assembly is effective and efficient or not.

4.3 Citizenry Sources of Information about District Assemblies' Activities

The research also sought to examine the sources of information about the District Assemblies' activities by the citizenry. The results of the analysis are shown in the Figure 4.2 below.

Figure 4.2: Sources of Information on District Assemblies' Activities by the Citizenry



Source: Field Survey, 2014

The figure 4.2 above also illustrates the sources through which the citizenry of the communities sampled for the study obtain information about the activities of the Offinso North District Assembly. The figure reveals that majority of the citizenry (51.11%) obtain their information from the radio; 17.50% of them obtain their information on the activities of the family mainly from television; 18.1% of them

obtain their information from public fora whilst 10.31% of them obtain their information from the notice boards placed by the assembly and 3.22% of them obtain their information about the assembly's activities from the internet.

4.4 Opinion of the Decentralized Departments about the Procurement Processes

The government of Ghana, in consultation with its development partners had identified the public procurement system as an area that required urgent attention in view of the widespread perception of corrupt practices and inefficiencies, and to build trust in the procurement system. A study by the World Bank (2003a) reported that about 50-70% of the national budget (after personal emoluments) is procurement related. Therefore an efficient public procurement system could ensure value for money in government expenditure, which is essential to a country facing enormous developmental challenges. The research sought to examine the opinions of the decentralized department about the procurement processes in the District Assembly. The results of the analysis are shown in the Table 4.2 below.

Table 4.2: Opinions of Decentralized Departments on the Procurement in MMDAs

Statement	% Respondents
The Procurement Act causes delay in awarding contracts (Agree)	67
The implementation of the Public Procurement Act reduces cost of doing business in the District Assembly (Strongly Agree)	55
The Public Procurement Act has brought budgetary control in the activities of the District Assembly (Strongly Agree)	73
The Public Procurement Act has brought value for money in the activities of the District Assembly (Strongly Agree)	77
The Public Procurement Act has strengthen and controlled government expenditure in the Assembly (Strongly Agree)	83
There are unnecessary levels of approval or cumbersome procurement procedures in the Assembly (Agree)	92

Source: Author's Computation, 2013

Table 4.2 shows the results on the opinions provided by the Decentralized Departments on the importance of the Procurement Processes in the activities of the Offinso North District Assembly. From the results, 67% of the Decentralized Departments agree that the Procurement Act causes delays in awarding contracts; 55% of the Decentralized Departments strongly agree that the implementation of the Public Procurement Act reduces cost of doing business in the District Assembly; 73% of the respondents also strongly agree that the Public Procurement Act has brought budgetary control in the activities of the District Assembly. The study also revealed that 77% of the respondents strongly agree that the Public Procurement Act has brought value for money in the activities of the District Assembly. Again, 83% of the respondents interviewed strongly agree that the Public Procurement Act has strengthen and controlled government expenditure in the Assembly; 92% of them strongly agree that there are unnecessary levels of approval or cumbersome procurement procedures in the Assembly. The overall average of Table 4.2 is computed to obtain 74.5% percent of the total questions answered correctly. This shows a high agreement of the responses on the procurement processes in the Offinso North District Assembly.

4.5 Sources of Funding for Development in the Districts

Just as many District Assemblies in the country, the Offinso North District Assembly has various sources of revenue for funding development activities in the districts. For the Offinso North District Assembly, the major revenue sources that were used to fund development activities between 2009 and 2013 included Internally Generated Funds, the DACF, DDF, UDG and Other Donor Transfers. The amount of these that accrued to the district are shown in Table 4.3

Table 4.3: Sources of Funding for the Offinso North District, 2009-2013

Revenue Source	Year/Amount Received (GHC)				
	2009	2010	2011	2012	2013
IGF	165,443.21	205,621.29	185,192.74	209,185.66	177,348.99
DACF	942,101.90	972,080.57	423,119.33	514,088.42	178,412.12
DDF	21,9911.31	137,885.22	48,120.58	788,906.15	277,063.00
UDG	0.00	0.00	0.00	229,635.17	189,993.52
Other Donor Fund	0.00	0.00	0.00	531,759.2	0.00

Source: Field Survey, 2014

The low revenue is as a result of decreased inflow of incomes from the various revenue sources i.e. DACF, DDF, and UDG etc. The DACF is mainly used for Capacity Building and investments or provision of infrastructural projects in the district whiles the IGF is used for administrative activities such as the day to day running of the Assembly. Moreover the Donor Funds, the DDF and the UDG are used for the provision of development infrastructure such as Schools, water and Sanitation facilities and roads.

4.6 The Relationship between Public Funding and District Development Expenditures

After examining the various sources of public funding in District Assembly, the researcher further went on to determine the relationship or the link between property

rates revenue and development expenditures of the Assembly by using the Spearman's rank correlation coefficient Test (Table 4.4).

Table 4.4: Correlation between Assembly Development Expenditure and Public Funds

Assembly Expenditure	Correlation Coefficient	P – Value
General Expenditure	0.781***	0.000
Assembly Development Expenditure	0.773***	0.000
Capital Expenditure	0.914***	0.000
Miscellaneous Expenditure	0.862***	0.000

Source: Author's Field survey, 2014 (***) indicates 1% significance level)

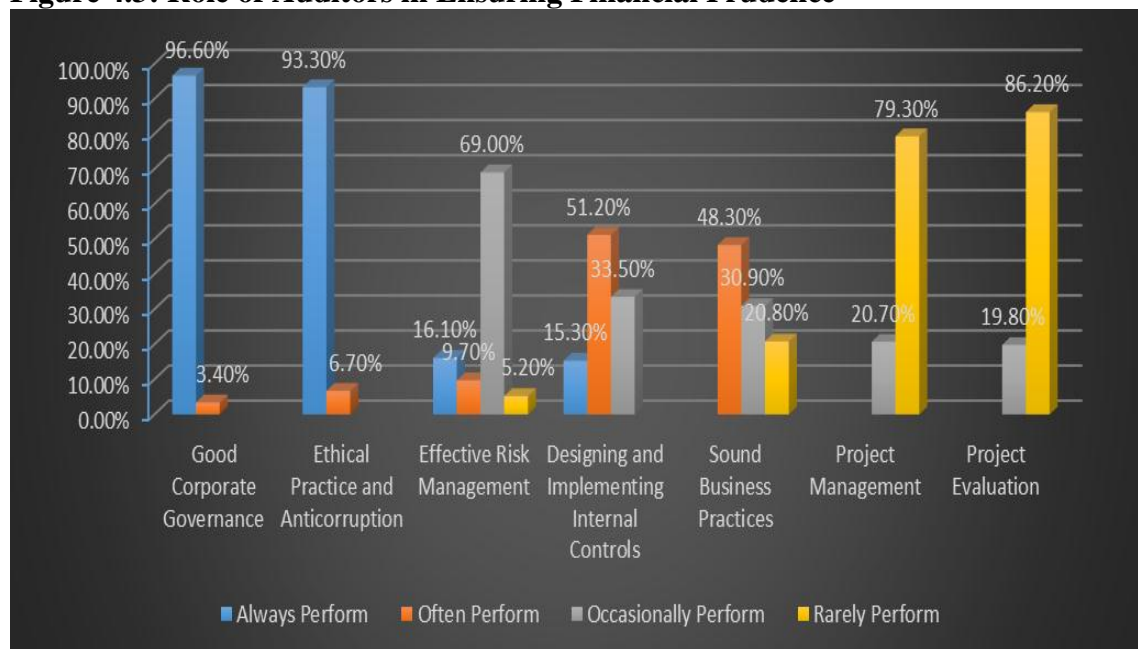
The spearman rank correlation was calculated for each Assembly expenditure component of the District Assembly. The results in Table 4.4 shows that the correlation between General Expenditure and Public Funding is 0.781 and highly significant at 1% (0.01) level of testing. This implies that there is a positive significant relationship between General Expenditure and Public Funding. Again, it was also observed that the correlation for Assembly Development Expenditure as an expenditure component of the Assembly is 0.773 and this is highly significant at 1% level of testing implying that there is a strong positive correlation between Assembly Development Expenditure as an expenditure component of the Assembly and the Public Funding.

Considering Capital Expenditure, a correlation coefficient of 0.914 was obtained between Capital Expenditure and Public Funding and this is highly significant at 1% level of testing. This implies that there is a strong correlation between Capital Expenditure and Public Funding. Lastly the study revealed that the correlation between Miscellaneous Expenditure and the Public Funding was 0.862 and this is highly significant at 1%. This also implies that there is a strong positive correlation between Miscellaneous Expenditure and Public Funding.

4.7 The Role of Auditors in Ensuring Financial Prudence

The modern internal audit function goes beyond mere verification of records to include consulting activities and advisory roles. The researcher sought to find out the roles auditors play in the Offinso North District Assembly. The result is presented in figure 4 below.

Figure 4.3: Role of Auditors in Ensuring Financial Prudence



Source: Author's Field survey, 2014

From figure 4.3, the statistical evidence showed that auditors play roles in the assembly. The auditors always advise management on good corporate governance systems (96.6%), Ethical practice and anticorruption (93.3%). They occasionally advise management on effective risk management (69.0%) and often advise management on designing and implementing internal control systems (51.2%) and sound business practice (48.3%). However, they rarely advise management on project management (79.3%) and programme evaluation (86.2%).

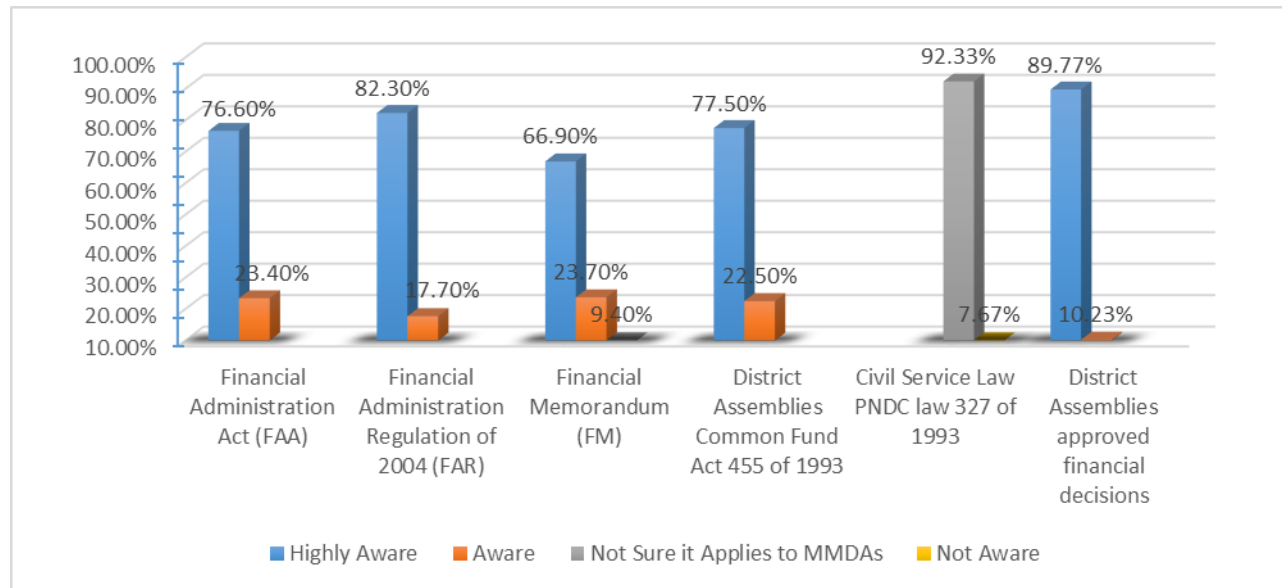
From the above analysis, one can say that the audit units in the assembly are meeting the modern definition of internal audit by IIA, 2009 as consulting activity and adding value to an organisation. These advisory services are necessary to ensure good corporate governance in the public sector. It is important to add that the internal audit units may have good advisory services to offer, but the benefits of it may depend on the quality of the service and how relevant is it to the assembly. The expertise and the experience of the internal auditors would determine the quality of advisory services they can offer.

4.8 Awareness of the Rules and Regulations to the Management of Public Funds

The budget implementation process is governed by relevant sections of the Financial Administration Act (FAA), Financial Administration Regulation of 2004 (FAR), Local Government Financial Memorandum (FM), District Assemblies Common Fund Act 455 of 1993, Civil Service Law PNDC law 327 of 1993, District Assemblies approved financial decisions and Other International co-operation agreements.

The Constitutional provisions are clear. Specific roles have been assigned to the state, parliament, the Bank of Ghana, the auditor general and district assemblies to assure accountability. The researcher sought examine the extent to which managers of public funds in the Offinso North District are aware of these regulations pertaining to the disbursement and management of public funds. The results of this analysis is shown in the Figure 4.4 below.

Figure 4.4: Awareness of the Rules and Regulations to the Management of Public Funds



Source: Author's Field survey, 2014

From figure 4.4, the empirical evidence showed that managers of public funds are aware of the rules and regulations pertaining to the disbursement and management of public funds in the assembly. The managers of public funds are highly aware of the Financial Administration Act (FAA) (76.60%), Financial Administration Regulation of 2004 (FAR) (82.30%), Financial Memorandum (FM) (66.90%), District Assemblies Common Fund Act 455 of 1993 (77.50%) and District Assemblies approved financial decisions (89.77%). They are however not sure whether Civil Service Law PNDC law 327 of 1993 applies to MMDAs (92.33%).

From the above analysis, it is confirmed that the managers of public funds are highly aware of the most of the rules and regulations pertaining to the disbursement and management of public funds in the Offinso North District Assembly. These rules and regulations are necessary to ensure financial prudence, and effective and efficient management of public funds in the District.

CHAPTER FIVE

SUMMARY, CONCLUSION AND POLICY RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the findings of the study. The conclusions to the main issues of the study and policy recommendations are also established.

5.1 Summary of the Study

The purpose of this study was to assess the disbursement and management of public funds in the Offinso North District Assembly. In recent times, there has been an increased interest in the disbursement and management of funds in the public sector to enhance corporate governance. The public demand accountability and transparency from government and the government can protect itself by improving the procedures in the disbursement and management of public funds to provide some level of assurance that government is not wasting public resources. The recent economic melt-down further called for improving the disbursement and management of public funds. In response to this crisis, the IIA has issued standards to guide the auditing and accounting profession in the public sector and countries are expected to develop their own public auditing standards by considering the local environment and keeping it consistent with the internal perspective. To this end, Ghana established internal audit units in the Ministries, Departments and Agencies and the Metropolitan, Municipal and District Assemblies in 2003 to ensure transparency, accountability, equity and effective use of public funds. However,

Ghana does not have its own internal auditing standards. The internal auditors are guided by Internal Audit Agency Act and Ghana Audit Service act.

This study was carried out in the Offinso North District Assembly in the Ashanti region of Ghana. The data were collected through the use of questionnaire and interview guide. The study was explanatory survey. Four research questions were developed to guide the study. All the four questions were analysed using frequency percentages and the Spearman's Correlation Coefficient. The study revealed that:

- i. Transparency at all levels of government, accountability to the citizenry of the communities in the District, equitable distributions of resources and inclusive policy, responsible to people and effective, efficient and economical use of resources are elements of good corporate governance.
- ii. The internal control activities of the internal audit unit in the assemblies focus mainly on the traditional paradigm of internal audit functions that focuses on compliance with laws and regulations, evaluating accounting errors and fraud rather than addressing risk management and productivity.
- iii. Management are highly aware of the rules and regulation pertaining to the disbursement and management of public funds in the Assembly.
- iv. There is strong significant linkage between public fund management and development expenditure in the district.
- v. The internal auditors play advisory roles such as good corporate governance, unethical practices and corruption, designing and implementing internal controls, risk management and sound business practice.

5.2 Conclusion from the Study

The evidence from the study indicates that the internal auditors are focusing their activities on compliance with laws and regulations, detections of errors and fraud, assessing unethical behaviour of management and evaluating management's efforts in recovering debts. From this evidence, it can be concluded that the scope of the internal audit activities is limited. Little attention is paid to risk management and project evaluation. Risk management is now the modern trend of internal audit and if internal audit unit does not pay much attention to it, corporate governance system will not be effective.

The efficient and effective management of financial affairs in the District calls for a well founded strategic, managerial and operational decisions in order for the management to avoid waste or mismanagement of financial resources. To make such decisions, policy makers and management of the Assembly require relevant, timely, reliable and appropriately reported information to enable them meet their responsibilities for strategy, management and operations.

The provision of sound financial information within the Assembly will enable well-judged decisions to be made and thereby facilitate the effective management of their financial affairs and the efficient use of their financial resources. It is in light of this that the Assembly can economically, efficiently and effectively manage the financial resources that comes to them apart from what they get from the District Assembly.

5.3 Policy Recommendations

On the basis of the findings, the following recommendations are proposed for the consideration of Internal Audit Agency, management of the assemblies and the internal auditors.

- i. The Assembly has to intensify their efforts and take appropriate measures to ensure an improvement in the collection of their existing traditional revenue sources. This can be achieved through intensive campaigns to educate the people on their tax obligations and also to encourage the people to know and appreciate what their taxes do for them in the form of development and services.
- ii. The Assembly should improve their mechanism for establishing estimates that can be achieved in each budget year. In establishing such estimates they should be guided by what is realistically attainable within each financial year which in turn should be based on relevant economic and financial data.
- iii. Management should undertake an immediate review of their identified areas of financial resources, strengthen their revenue collection machinery with the view to removing all avenues for future fraud and irregularities and then intensify their revenue collection activities.
- iv. A comprehensive staff evaluation should be undertaken by management to add more hands to the work of the finance offices of the Assembly. The staffs needs to be developed through regular training to acquire new and additional skills to discover new strategies for improving on their performance.
- v. Management should ensure that laid down procedures are followed to the latter and that in their locative functions, they should consider first, communal priority needs.

- vi. Management also has to ensure that financial statements and report are presented in good order and on time for good and timely managerial decision making.
- vii. Management must also ensure to involve the public or the citizenry of the assembly by conducting stakeholder engagement meetings to ensure transparency and, effective and efficient management of public funds in the District.

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APPENDICES

Appendix I: Questionnaire for Management

KWAME NKURUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF ARTS AND SOCIAL SCIENCES SCHOOL OF BUSINESS

Disbursement and Management of Public Funds in Metropolitan, Municipal, and District Assemblies: A case study of the Offinso North District Assembly.

This research is a part of a master Thesis being conducted in the Department of Accounting and Finance at the KNUST school of Business. The study is based on a selected sample of communities in the Offinso North District Assembly so your participation is important. The outcome of this study will enhance knowledge on the disbursement and management of public funds. Participation in this study is voluntary and all who participate will remain anonymous. Your named is not needed. All information offered would be treated confidentially, and the result would be presented in such a way that no individual may be recognised.

SECTION A

OCCUPATIONAL DATA FOR THE MANAGEMENT OF OFFINSO NORTH DISTRICT ASSEMBLY

Please provide the correct information by ticking in the appropriate box and fill in the where necessary .

1. What is the name of your department?
2. How many years of your working experience do you have?
3. What educational qualification do you have?
4. What is the average staff strength of your unit or department?

1-5 1-10 1-15 1-20

5. Is this staff strength or composition sufficient to aid your performance?

YES NO

SECTION B

PLANNING AND BUDGETING

6. Does the Assembly have medium Term Development plan?

YES NO

7. If yes, was the plan prepared in consultation with the citizenry?

YES NO

8. Does the plan reflect the general needs of the people?

YES NO

9. Does your department submit Action plan to the District Assembly Office?

YES NO

10. Does your action plans contain programmes and projects captured in the MTDP?

YES NO

11. How often do you prepare your budgets?

Quarterly Semi-annually Annually

12. Do you consult the citizenry for their inputs into the budget?

YES NO

13. How often do you monitor & evaluate your projects and programmes?

Weekly Monthly Quarterly Annually

SECTION C

PROCUREMENT

14. Do you have written records of procurement?

YES NO

15. Are summaries of information about public procurement published (eg: number of bids received, number of contracts awarded, and names of successful bidders)?

YES NO

16. Are contracts to be awarded publicly advertised?

YES NO

17. If yes where?

Newspapers Radio Internet TV Notice Boards

18. Do you apply appropriate procurement method as required?

YES NO

19. If yes, which method do you often use?

Competitive Tendering Selective Tendering Other

(Specify).....

20. Are there unnecessary levels of approval or cumbersome procedures for procurement

Too much Much Little Not at all

21. Do you agree that the Procurement Act causes delay in awarding contracts?

Strongly agree Disagree Agree Strongly disagree

22. The implementation of the Public Procurement Act reduces cost of doing business

Strongly Disagree Disagree Agree Strongly disagree

23. Procurement Act has brought budgetary control

Strongly Agree Disagree Agree Strongly disagree

24. Procurement has brought value for money

Strongly Agree Disagree Agree Strongly disagree
Uncertain

25. Procurement Act has strengthen and controlled government expenditure

Strongly Agree Disagree Agree Strongly disagree
Uncertain

SECTION D

FINANCIAL REPORTING AND ACCOUNTABILITY.

26. What is your basic understanding of financial management system of your district?

.....

27. How often do you prepare and present financial management reports of your district to regional and national level institutions?

Monthly Quarterly Semi-Annually Annually

28. Mention the kinds of financial management reports you prepare and submit to these institutions?

1.
2.
3.

29. Are you aware of existing national and local financial management regulatory framework your assembly is obliged to comply? YES NO

30. Mention them

1.
2.
3.

31. Has the assembly ever been cited by auditors for having engaged in any malpractices (i.e embezzlement, fraud etc)

YES NO

32. On a scale of 1 to 5 (1=worst and 5=excellent) how has the financial system of the assembly complied with the legal regulatory framework?

Worst Fairly Good Good

Very Good Excellent

33. Itemize the sources of funds to your district.

1.
2.
3.
4.

34. Are you confronted with hurdles or problems in accessing these funds?

YES NO

35. Are the funds released to the assembly sufficient enough to undertake the projects and programmes captured in the Annual Action Plan and the Budget?

YES NO

36. Do you think this has something to do with the financial management capacity weakness in your district?

YES NO

37. Do you use any accounting software to record financial transactions of your district?

YES NO

38. What is the timeline or duration for recording, posting and generating financial reports for your district?

Daily Weekly Monthly Quarterly

39. Are copies of the financial reports made available to the citizenry?

YES NO

40. If yes, through what means do you make the reports made available to the citizenry?

Public Forum Assembly Meetings Information Centres

Radio Stations TV

41. Who are the key stakeholders in the financial management system of your district?

List:

1.....

2.....

3.....

SECTION E

Auditing

42. Do you have an internal audit unit in your district?

YES NO

43. Does the internal audit get to review and vouch transactions before payment?

YES NO

44. Do the internal audits review the financial reports before submission to CACID and other stakeholders?

YES NO

45. How regularly are internal audit reports generated?

Weekly Monthly Quarterly Semi-annually

Annually

46. What timeline is available for responses to queries raised by the internal audit or external audits?

Immediately Within two weeks Within one month

Quarterly Annually

47. Do you incorporate these queries into the financial reports?

YES NO

48. Are quarterly internal audits reports prepare to the DCD and other stakeholders?

YES NO

49. Do the internal audits receive reports to the audit observations from management and other stakeholders?

YES NO

50. What legal and regulatory frameworks established the internal audit agency?

List:

1.
2.
3.

Appendix II: Questionnaire for the Citizenry

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF ARTS AND SOCIAL SCIENCE SCHOOL OF BUSINESS

Disbursement and Management of Public Funds in Metropolitan, Municipal, and District Assemblies: A case study of the Offinso North District Assembly.

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Participation in this study is voluntary and all who participate will remain anonymous. Your name is not needed. All information offered will be treated confidentially, and the result will be presented in such a way that no individuals may be recognised.

SECTION A

PERSONAL DATA FOR THE CITIZENRY

1. Name of Community:
2. Sex: Male Female
3. Age: 18-35 36-45 46-55 56 and above
4. What is your position in this community?
Ordinary member Opinion leader

SECTION B

5. Do you know of any project in your community in the last three (3) years? Yes

No

6. If yes, what kind of project is it? Education Health

Agric Road Water Other (specify).....

7. Did you play any role in the design and implementation of the project?

YES NO

8. If yes, what role did you play?

Project identification Communal labour Counterpart

funding

Project monitoring Other (Specify)

9. Do you know the cost of the project?

YES NO

10. Do you have access to information on the use of the assembly's funds?

YES NO

11. In your opinion, do you think that funds are effectively and efficiently managed in addressing the needs of the community?

YES NO I DON'T KNOW

12. Which of the following sources do you get news on the assembly's activities?

Notice Board Radio TV Internet Public For

a

13. Does the Assembly organize public for a to discuss how funds are utilized?

YES NO

14. Do you attend public fora organized by the D/A to discuss how funds are to be utilized?

YES NO

15. How often does the assembly organize such fora ?

Weekly Monthly Quarterly Annually None

16. Do you receive feedback after consensus at such gatherings?

YES NO

17. Do you agree that public hearings are useful?

YES NO

18. Do you find it difficult accessing information from D/A officials?

YES NO

19. Do you know that the officers of the D/A are accountable to you?

YES NO

20. Do you trust that the management of the assembly act with the public interest in mind?

YES NO