

Case Study**The Internal Control Mechanisms for the Disbursement and Utilization of the District Assembly's Common Fund in the Karaga District of Northern Ghana****ABSTRACT**

This study seeks to measure the effectiveness of the internal control mechanisms in the disbursement and utilization of the District Assembly Common Fund (DACF) in Ghana (with Karaga District Assembly as a case in point). The study employed both primary and secondary data. The research revealed that there are quite a lot of mechanisms put in place essentially being the use of approved budget as a basis for the disbursement of the fund and that there should be an internal audit unit. The study also revealed that, factors such as politicization of issues, ignorance and ineffectiveness of the assembly members to monitor the use of the fund and inadequate professional staff militates against the effectiveness of the internal control mechanisms and the smooth operations of the DACF. The study concludes that the effectiveness of the internal control mechanism and the disbursement of the DACF in the Karaga District can only be described as a utopian goal but not a reality in the face of countless obstacles. Consequently, the study recommends increased education and training for both staff of the Assembly and the Assembly members, provides the Assembly with qualified professional staff, and Periodic review of the DACF policy.

INTRODUCTION

The concept of Decentralization is occurring around the world partly in response to pressures which are largely beyond government control. Managed well, it has the potential to improve efficiency in mobilizing and allocating scarce national resources to improve the way in which local needs are identified and met, and to improve accountability and good governance (CIDA, 2002).

Since the inception of this concept in Ghana, substantial attempts have been made to fully devolve greater autonomy to local bodies (District Assemblies) charged with the responsibility of championing grass-root development to effectively mobilize and prudently managed the funds allocated to them by the central government in the form of District Assemblies Common Fund (DA CF). In a bid to achieve this objective, specific control mechanisms are prescribed for the District Assemblies to serve as a yard-stick in measuring fiscal discipline at the local level. These control mechanisms are legal and administrative or accounting practices that must be followed in the disbursement and utilization of the fund. Use of approved budgets by assemblies, need for all assemblies to have an audit unit, and the need for district accounting system to be computerized are but few of such control mechanisms. Ideally, adherence to these mechanisms will translate into effective mobilization and prudent management of Assemblies' meagre resources by minimizing misapplication and other forms of financial improprieties in the assemblies. The measures have been in operation for a while and the study seeks to assess its efficacy in harnessing prudent management and utilization of the DA CF in the study district. Hence the aim of the study is to examine the effectiveness of the internal control mechanisms/measures put in place to manage the disbursement and utilization of the DA CF in relation to the roles play by Assembly members and management in the control of the fund and factors that impedes the effective operations of the internal control measures in the Karaga District.

The study begins by reviewing relevant literature on the key variables, examining the profile of the area, the methods employed in conducting the study and finally presents the findings of the study in the discussions section.

HISTORICAL DEVELOPMENT OF DECENTRALIZATION IN GHANA

The history of local government in Ghana is traceable to the pre-independence era where the chiefs and traditional authorities held military, political and social power to administer local affairs within their areas of jurisdictions (Ahwoi, 2010). The earliest attempts of the local administration especially during the colonial era were the native authorities which were centered on some chiefs and other opinion leaders. The native authorities were not democratic by then but were mere representatives. Establishment of municipalities in the coastal towns of the Gold

Coast took place under the District Ordinance of 1859. In 1943, a new ordinance set up elected town councils for Accra, Kumasi, Sekondi-Takoradi and Cape Coast. In 1953 the Municipal Council Ordinance was also passed and this was followed after independence by the Local Government Act 1961(Act 54) (Gyebiet al, 2013).The present decentralization system is the most serious attempt so far in Ghana’s history. It was introduced in 1988, when the Provisional National Defence Council (PNDC) initiated some reforms in local government. The Local Government Law, 1988 (PNDCL 207) was enacted to give legal backing to the new Local Government system. The 1992 Constitution of Ghana made decentralization mandatory and provided that Ghana put in place “*a system of local government and administration which shall, as far as practicable, be decentralized*” (Section 240 (1) of the 1992 Constitution). The Constitution tasked Parliament to enact appropriate laws to ensure that functions, powers, responsibilities and resources are at all times transferred from central to local government authorities in a coordinated manner. Thus, in 1993, Parliament enacted a new law, the Local Government Act, 1993 (Act 462) to replace PNDCL 207, though basically the same in character (King et al, 2003).

DISTRICT ASSEMBLIES CONCEPT AND ITS FUNCTIONS

The assemblies are the highest units of local government. On the basis of demographic conditions and settlement characteristics, local authorities (assemblies) are distinguished between Metropolitan or Municipal or District Assemblies. The Act stipulates the classification on population and constitutive settlement characteristics as follows: A Metropolitan Assembly is a Local Government unit or areas with population over 250,000, a Municipal Assembly is a one town assembly with population over 95,000, a District Assembly is a group settlement with a minimum population of 75,000 and a maximum of 95,000 (ILGS, 2010). There are also sub-district political and administrative structures which are subordinate bodies of the assemblies. These include sub-metropolitan, district, urban, town, zonal and area councils and unit committees. They perform functions assigned to them by law or delegated to them by the assemblies (Government of Ghana, 2011). Ahwoi (1999) avers that, the rationale for the new Local Government system which is based on District Assemblies is intended not only to give state power to the people but also to democratize state power and advance participatory

democracy and collective decision making at the grass-root. District Assemblies are also expected to form sub-committees among which include the “Financial and Administrative sub-committees. This component of the District Assemblies concept highlights the importance of finances as an essential part of any unit such as District Assemblies.

Conventionally, Ghana’s sub-national governance structures are characterized as a three-tier structure created initially by PNDC Law 207 and subsequently refined by the 1992 Constitution and Local Government Act, 462 of 1993. These structures operate at the regional, district and sub-district levels and consist of Regional Coordinating Councils on the first tier, Metropolitan or Municipal or District Assemblies on the second tier, and Urban or Town or Zonal or Area Councils in addition to Unit Committees on the third tier. However, in practice, Unit Committees represent the lowest and basic unit in the subsidiarity chain upon which all the other structures including the Urban or Town or Area Councils are built, thus making the local governance arrangement a four-tier structure instead of the three (ILGS, 2013). In 2012, the government further reviewed and created new assemblies bringing their number to 216 assemblies from an original 110 in the late 1980s. In 2006, 28 more districts were created bringing the number to 138 and then to 170 in 2008 with the recent increase to 216 (Yemidi, 2014). District, Metropolitan and Municipal Assemblies all have the same internal political structures. The political-administrative head in each district is the District Chief Executive (DCE), a post similar to an executive mayor. The DCE is responsible for the executive and administrative functions of the District Assembly. S/he is also ‘the chief representative of the central government in the district’. Seventy percent of members are elected by universal adult suffrage, whilst thirty percent are appointed by the president on the basis of their experience and specialized expertise. Members of Parliament representing constituencies in each district are ex-officio members of the assembly. The District Assembly is required to meet at least three times each year. It is led by an executive committee comprising not more than one-third of all Assembly Members, which reports to the assembly (Government of Ghana, 2011).

Ahwoi (2010) opines that “District Assemblies were constituted into the highest political authorities in the district with deliberative, legislative, executive and administrative powers”. In addition to their deliberative, legislative and executive functions, District Assemblies in Ghana

shall: be responsible for the overall development of the district; formulate and execute plans, programmes and strategies for the effective mobilization of the resources necessary for the overall development of the district; promote and support productive activity and social development in the district and remove any obstacles to initiative and development; initiate programmes for the development of basic infrastructure and provide municipal works and services in the district; be responsible for the development, improvement and management of human settlements and the environment of the district; be responsible for the maintenance of security and public safety in the district; perform such other functions as may be provided under any other enactment (Ahwoi, 2010, see Akurugu, 2013). However, King and others note that the assemblies face some challenges in the execution of their constitutional mandated functions. They opined that District Assemblies face considerable problems including limited capacity and lack of appropriate skills on financial management and budgeting as well as the implementation of programmes and projects in their jurisdictions. This situation is exacerbated by inadequate supervision and weak oversight functions (King et al, 2003).

DISTRICT ASSEMBLY COMMON FUND (DACF) AND ITS CHALLENGES

There is no repudiating the fact that the success of any decentralization policy is largely dependent on the financial independence of local government. It is expected that this independence would then enable local governments to make and implement decisions that are deemed to be in the best interests of local communities without the undue influence of central governments. In the past, funding for local government in Ghana was derived largely from such sources as rates, fines on stray animals, licenses, and grants-in-aid, among others. However, the limited nature of these sources made it impossible for local governments to effectively perform their core function of serving as viable vehicles for local development (Nyendu, 2012). In recognition of this problem, the District Assemblies' Common Fund was created under Section 252 of the Fourth Republican constitution of 1992 and subsequently, Parliament enacted the District Assemblies Common Fund Act, 1993 (Act 455) (Gyebiet al, 2013). The Fund, is basically a Development Fund designed to ensure a more equitable distribution of national resources for development in every part of the country. It is used to support a wide range of projects and programmes geared towards improving the lives of the people at the local level. Some of the

areas that it supports are:- housing, educational infrastructure, quality education primarily at the basic and secondary levels, primary health care, sanitation management; decentralization, sustainable self-help development communities, maintenance of security and also community policing (Republic of Ghana, 2014). Under this Act (District Assemblies Common Fund Act, 1993 [Act 455]), Parliament is annually required to allocate not less than 5% (currently 7.5%) of the total revenues of Ghana to the District Assemblies' for development. The aim of the Act was to speed up infrastructural development to the local level by providing funds to the District, Municipal and Metropolitan Assemblies from the Consolidated Fund on quarterly basis since most of the Assemblies are not able to generate enough revenue to fund development projects in their localities (Gyebiet al, 2013).

Agreeably, the institution of District Assemblies Common Fund (DACF) has raised the development sector of the local communities, its utilization and management is however beset with a number of problems and lapses (Shamsu-deen et al, 2014). The DACF as a major source of local development financing is beleaguered by numerous challenges. There are several delays throughout the disbursement process, beginning from the submission of the proposed guidelines by the fund Administrator to Parliament and finally disbursing the monies to the various MMDAs and even the receipt of the money by the Assemblies (World Bank, 2004). There are consistent interventions and directives from the central government on the utilization of the DACF by the MMDAs, which could jeopardize the attainment of its objectives, as the Assemblies do not have the chance to implement their own priority projects. The amounts received by the District Assemblies do not agree with the figures released from the Ministry of Finance and Economic Planning. The main reason is that a number of deductions are made at source from the disbursements of the District Assemblies Common Fund (King et al, 2003). Another inevitable challenge of the Fund is that it is not possible for the MMDAs to predict the amount to be received and the time to expect their allocation of the Fund. Thus, they are not able to do any proper futuristic planning and budgeting of projects based on the DACF (World Bank, 2004). There is a general lack of transparency in tendering procedures and contract administration and the implication of this has been the inflation of project costs and the inability of local representatives to monitor projects in their communities to ensure quality. Crawford (2004) emphasizes that limited financial resources to the DAs are indications that Ghana's

decentralization programme may not automatically lead to the achievement of its intended objectives. Ayee (2005) and King et al(2003) assert that the DACF suffers from irregularity in disbursement of funds, lack of transparency and lack of discretion afforded to district authority over its allocation. Ahwoi (2010) reports that the functions and services transferred to local governments do not match with the quantum of financial resources. This has constrained the DAs in the effective performance of their functions (Crawford, 2004; Aning-Agyei et al, 2014). The result is that local governments are unable to execute all their projects to spur up growth and development at the local level (Aning-Agyei et al, 2014). There are also questions about the Formula for disbursement of the Fund. The Formula for the disbursement of the Fund is fraught with inaccurate information with regards to resources within some of the beneficiary MMDAs. Some of the factors used in determining some aspects of the Formula such as doctor to patient ratio, nurse to patient ratio, teacher to pupil ratio, road coverage and water coverage amongst others, sometimes, do not correspond with the situation on the ground in the MMDAs. There is therefore an urgent need to revisit the Formula by getting rid of the inaccuracies through proper research and data collection (Republic of Ghana, 2014).The DACF has increased, instead of reducing the control of the center over the MMDAs functions. The decisions of the DACF have been usurped by the central government so that the MMDAs remain initiators without finance to implement their decisions (Ayee, 2003).

ADMINISTRATION AND INTERNAL CONTROL MECHANISMS OF THE COMMON FUND

The internal control mechanism includes constitutional, legal and administrative procedures designed to ensure that expenses incurred are authorized and in line with regulations that guide spending revenue collection and proper reporting on revenue and expenditure, in order to promote accountability in managing scarce funds (Appiah-Agyekum et al, 2013).For proper administration and control of the fund, the Fund Administrator is required to keep proper books

of accounts and records in relation to the accounts of the Fund in a form approved by the Auditor-General who shall also audit such books at the end of each financial year. In addition to this, the Administrator is required to submit a report on his/her activities to Parliament within six months after the end of the financial year. The report to Parliament must include the manner in which he/she has distributed the monies lodged in the Fund and the report of the Auditor-General on the accounts (King et al, 2003).

In Ghana, the District Chief Executive (DCE) acts as a link between the officials, Members of Parliament (MPs), and the local communities and is supposed to be the driver of internal accountability in the District Assembly. As such the DCE is generally accountable to the central government, Assembly Members and the local communities in the district. Article 120 (1) of Act 462, stipulates that ‘Every District Assembly shall have an Internal Audit Unit’ with its head being ‘responsible to the Assembly in the performance of his duties’. Similarly, the Local Government Financial Administration Act 2003 (Act 564) also provides an internal mechanism which checks the district revenue and expenditure, alongside the central government treasury of the Controller and Accountant General’s Department (Appiah-Agyekum et al, 2013). The Financial Memoranda (FM) for District Assemblies, 2004 spells out the monthly, quarterly and annual duties of the Finance and Administration Sub-committee of the Assembly which among other duties is to ensure that account books are up to date, and that cash and bank balances are not excessive in relation to investment. A key strength of the FM is that it ensures that Assemblies operate with a balanced budget and the District Finance Officer has powers to ensure that all payments authorized are within budget. In addition to all these, the passage in 2003 of the Internal Audit Act, 658, and the Procurement Act, Act 663 are important legislative instruments at promoting financial accountability within the DAs. These internal and external mechanisms provide quite a good framework for promoting accountability and sound financial management in the District Assemblies (Appiah-Agyekum et al, 2013).

An effective internal control and accounting systems are established by the Administrator to ensure that the activities of the District Assemblies are carried out in an orderly and efficient manner. Proper internal control system will ensure adherence to policies of the Common Fund Administrator. For instance budget approved by the administrator must be appropriately utilized.

The controls will safeguard the fund to ensure effective realization of the objectives of the fund. Also the internal control mechanism will ensure accuracy and completeness of the development projects initiated by the district Assemblies. These systems ensure that: The need for an internal audit unit in the district; there must be professional and technical standards in the financial transactions of the assembly; the electorate of a particular District Assembly when dissatisfied with the disbursement can call for a probe or may cause the institution of an enquiry; the District Assembly have the power to take decision on the fund and to decide the areas where they will be utilized; interest and dividends earned on investing part of the fund becomes part of the common fund; book keeping is kept on double entry system; Separate books of accounts are kept for each assembly and regional coordinating council; the financial year is the same as the final year of government; District tender board should be the only body to do awarding of contract; District account system is to be computerized (MLGRD, 2005).

FORMULAE FOR DISBURSING THE DACF BY THE ADMINISTRATOR

The disbursement of the fund is based on a formula approved by Parliament annually. Since the inception of the DACF, five factors have been considered in the calculation of the districts' shares. These are described as "Need", "Responsiveness", "Service Pressure" and "Equality" Factors. The measures comprising each factor considered in the formula have generally changed over time. However, the definition of what each factor is meant to capture has remained the same. The "Equality" factor simply stipulates which percentage of the DACF allocation is to be distributed evenly between all the districts. This ensures that each district is assured a certain amount of DACF grant. The "Need" factor is meant to measure a district's need for development compared to other districts in the country, the "Responsiveness" factor is incorporated to motivate districts to generate own local revenue and the "Service Pressure" factor is a measure of how much use the facilities in a district received (Banful, 2007). It is important to note however, that 10% of the fund is held centrally as a reserve fund while 90% is shared out (Appiah-Agyekum et al, 2013). Actually, the 10% of the Fund is been set aside as a Reserve Fund, which is deducted before the formula is applied to the remaining 90%. The 90% portion is shared among all the Assemblies using an approved formula; 5% shared among all members of parliament for projects in their respective communities; 2.5% shared among the Regional

Coordinating Councils for supervision and monitoring activities; 2.0% used as authorized by the Ministry of Local Government and Rural Development (Amoah, 2011). The reserve fund according to the Fund Administrator, also catered for Constituency Labour Projects, People with Disabilities, Office of the Administrator of DACF as well as for training (Republic of Ghana, 2014). Moreover, not only are these disbursements delayed, central government directives determine 75% of expenditure while only 25% of disbursements are fully discretionary to DAs (Crawford, 2004). It worth noting however that, Audit reports on the DACF have shown several common improprieties including the following: Misapplication of funds-Non-deduction of 5% withholding tax on contract payments; Questionable payments for uncompleted projects; overdue loan repayments; and Goods paid for but not delivered. These are serious abuses of the DACF that need to be addressed promptly and not wait until the Auditor-General's report comes before Parliament two or more years for debate and recommendations (King et al, 2003).

STUDY AREA

The Karaga District is one of the Administrative districts in the Northern region of Ghana and was carved out of the then Gushegu-Karaga district and officially inaugurated in August, 2004. The district was created by LI 1787 (Karaga District Assembly, 2013). The district is located in the North-Eastern part of Northern Region, roughly between latitudes 9°30' South and 10°30' North and longitudes 0° East and 45' West and share boundaries with West and East Mamprusi to the North, Savelugu/Nanton districts to the West and Gushegu District to the south and east. The district covers a total area of 2,958 kilometer square. The climate reflects a typical tropical continental climate experienced in northern Ghana. The rainy season lasts from May – October, peaking in August and September. The vegetation is a typical guinea savannah type, characterized by tall grasses interspersed with drought resistant trees such as the Shea and dawadawa. Karaga, the district capital is 24km from Gushegu and 94km from Tamale, the Regional Capital (Karaga District Assembly, 2013).

The Population of the District is 89,870 (PHC, 2010). The sex composition of the district population shows that females constitute 51.7% of the population while males form 48.3%. There are 184 communities in the district. The largest household size (11) in the Northern

Region (Population and Housing Census 2010) is in Karaga. The predominant ethnic group is the Dagombas followed by Konkombas and Minority like Fulanis and Frafra. Over 70% of the settlements in the district have population of less than 800. Karaga, the district capital is the only settlement with a population of over 10,000 constituting about 20.4% of the district population. Only eleven communities have populations of more than 1000 people. All these settlements are found to the Western section of the district along the Karaga- Sung Pigu and Sung-Tanchigu roads. These are the more accessible areas of the district (Karaga District Assembly, 2013).

The District is made up of One Hundred and Eighty- four communities (184)and has Five Area Councils (Karaga District Assembly, 2013). The District Chief Executive heads the office of the district assembly. The district assembly comprises the District Chief Executive, twenty-four (24) elected members, eight (15) appointed members and one Member of Parliament who has no voting rights. Administratively, the District is divided into One (1) Town Council, Five (5) Area Councils and Twenty-one (21) Unit Committees. Politically the District has one constituency namely Karaga. The Karaga District Assembly realized its revenue from both internally and externally sources. Internal sources are Rates, Lands, Fees and Fines, Investment and Miscellaneous which are referred to as Internally Generated Fund (IGF). The external Sources include Central Government Transfers and Development Partners support (Karaga District Assembly, 2013).

METHODOLOGY

The paper examines the effectiveness of the internal control mechanisms/measures put in place to manage the disbursement and utilization of the DACF in relation to the roles play by Assembly members and management in the control of the fund and factors that impedes the effective operations of the internal control measures in the Karaga District.

The sample size was limited to 20 respondents comprising 10 Assembly Members and 10 District management staff. Purposive sampling technique was used in selecting ten (10) district management staff who are directly involved in the management of the DACF. This included, the District Chief Executive (1), District Coordinating Director and his assistant (2), the District Planning Officer (1), District Budget Officer (1), District Finance Officer (1), 2 staff from the District Internal Audit Unit (2), and the District Accountants (2). Politically the District has twenty-four (24) Electoral Areas and based on this the district was stratified into 24 strata and simple random sampling technique was used in choosing ten (10) Electoral areas. Assembly Members for these sampled electoral areas were then chosen for the study. The study essentially employed questionnaire, Focus Group Discussions and key informant interview to gather primary data from the Karaga District Assembly (KDA). Secondary data and other relevant materials were gathered from secondary sources to enhance the information related to the study. The secondary sources included magazines, newspapers, Karaga District Assembly Medium Development Plan and published journal articles.

The questionnaires covered both structured and semi-structured questions. This was employed to gather primary data on internal control mechanisms/measures put in place to manage the effective utilization of the DACF from the district management staff. The same was used to gather data on the role Assembly members play in the control of the funds disbursed to the assembly. Key informant interview was also employed to collect relevant data from both management and Assembly members on factors that impedes the effective operation of the internal control measures and also to suggest measures to help improve on the performance of the DACF and its internal control systems by way of recommendation. Two focus group discussions were held one each for management staff and Assembly members to triangulate data gathered using the other two techniques. Descriptive statistics such as frequencies and percentages were also used to present the analyzed information. The descriptive statistics were supported by direct quotations from the respondents to explain reasons behind the figures (Aning-Agyei et al, 2014).

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360 RESULTS AND DISCUSSIONS

361 This section discusses the results of the data gathered from the field. It is categorized into the
 362 following themes: stakeholders of the Assembly and the roles they play in the disbursement and
 363 management of the DACF; the nature of the internal control mechanism and the role of the
 364 stakeholders in ensuring the effective utilization of the DACF. The main challenges to the
 365 efficient disbursement and utilization of the DACF and the effectiveness of the internal control
 366 systems.

367 The stakeholders and their Role in the Disbursement and Management of the DACF

368 The main stakeholders involved in the disbursement and management of the DACF in the
 369 Karaga District Assembly (KDA) identified in the study are as follows;

- 370 1. Residence of the Karaga district or beneficiaries of the DACF in Karaga district
- 371 2. Assembly members within the Karaga district
- 372 3. Members of Parliament (MPs)
- 373 4. The Karaga District Assembly

374 The roles of these stakeholders with regards to the disbursement, utilization and management of
 375 the DACF are presented in **table** 1.1.

376 **Table 1.1: Stakeholders of the DACF in KDA and their Roles**

STAKEHOLDER	ROLE (S)
Karaga District Assembly	• District Assembly report the physical progress of implementation of each project quarterly • Project execution and monitoring of the use of the fund • Planning and designing of the DACF projects
Member of Parliament (MPs)	• Selects and directs where his fund is to go
Assembly Members	• Vets the proposed annual budget estimates • Monitor projects within their electoral areas • Have the power to approve or rejects budgets on the DACF
Residents/beneficiaries of the DACF in the KDA	• Initiate and propose their own projects to the assembly for implementation • Involved in the monitoring of projects in their communities

377 Source: Field Data, August 2015

378 The Nature of Internal Control Mechanisms at the Karaga District Assembly

379 Internal Control Mechanisms

380 From the responses generated from the field, the main mechanism that exists in the Karaga
381 District as per the utilization of the DACF is the use of approved budget by the assembly. This
382 was the views of 80% of the Assembly Members interviewed during the field survey.

383 Overwhelmingly, all senior staff of the KDA contacted during the survey were of the view that
384 there existed some form of internal control mechanism for the disbursement of the district's
385 share of the DACF. When quizzed further on the mechanisms, the general response was that, it is
386 through the preparation of budget. In this respect, the budget estimates presented to the
387 Assembly should fall in line with the laid down guidelines before they are approved. Other
388 mechanisms mentioned by the respondents include:

- 389 • The need for an internal audit unit in the district
- 390 • There must be professional and technical standards in the financial transactions of the
391 assembly
- 392 • The electorate of a particular District Assembly when dissatisfied with the disbursement
393 can call for a probe or may cause the institution of an enquiry
- 394 • The District Assembly have the power to take decision on the fund and to decide the
395 areas where they will be utilized
- 396 • Interest and dividends earned on investing part of the fund becomes part of the common
397 fund
- 398 • Book keeping is kept on double entry system
- 399 • Separate books of accounts are kept for each assembly and regional coordinating council
- 400 • The financial year is the same as the final year of government
- 401 • District tender board should be the only body to do awarding of contract
- 402 • District account system is to be computerized
- 403 • All expenditures must emanate from the budget and annual action plan
- 404 • All expenditures must be approved by the DCE
- 405 • All expenditures are accompanied with a warrant

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407 Following from the control mechanism, the main areas that the DACF is applied were given by
408 respondents to include education, health, sanitation, local government, infrastructure delivery

(markets, roads etc.), human capacity building, private sector development and poverty reduction. It was revealed that the internal control mechanisms employed by the district were in line with that issued by the ministry of Local Government and Rural Development.

Auditing, which is an important instrument in measuring prudent financial utilization, administration and management seems not to have been given much thought and care as evident during interview with senior staff of the KDA. All respondents answered in the negative when questioned as to whether the internal audit unit was adequately staff and equipped to oversee the immediate financial transactions of the assembly. The unit had only 3 staff, 2 of whom were national service personnel.

The Role of Stakeholders in Ensuring Effectiveness of the Internal Control Mechanism

The Assembly Members

It is generally accepted that the success of any policy depend largely on the overall involvement or participation of all stakeholders in all essential aspects of the policy implementation. Thus, the success of the internal control mechanisms in the disbursement and utilization of the DACF depends on the involvement of stakeholders such as the Assembly Members in the management of the fund.

In lieu of the above, data from the field suggested that the Assembly members played limited roles in the disbursement and management of the DACF. The information gathered from both senior staff of the Assembly and Assembly members with respect to role they (Assembly members) play, indicated that the approval or rejection of budget estimates presented to the Assembly is one of the function they play. Again, Assembly members also have the power to call for an oversight committee to oversee the administration of the fund when they have cause to complain about the way the fund is being disbursed and applied.

In sum, the Assembly members ensured that the budget estimates were in consonance with the DACF guidelines. However, the general opinion was that the existing arrangement did not allow the Assembly members to effectively contribute their quota in ensuring sound disbursement and management of the DACF. Table 1.2 confirms this opinion. In other to better assess the

effectiveness of the role play by the Assembly Members, the Likert scale was employed to offer an in-depth analysis of the situation (see Table 1.2).

Table 1.2: Assessing the Effective Role of Assembly Members in Controlling the DACF

Weight	Criteria for Assessment			Weighted Score	Weighted Average
	Very Effective (3)	Effective (2)	Ineffective (1)		
Roles of the Assembly members					
Approval/Rejection of budget	1	3	6	1.5	1.4
Commissioning of oversight committee	0	2	8	1.2	
Ensure Budget is in consonance with the guidelines	2	1	7	1.4	
Monitor projects within their electoral areas	0	4	6	1.4	

Source: Field Data, August 2015

Inferring from Table 1.2 the Assembly members were largely effective when it comes to the approval or rejection of the budget, as they had the power to either accept or reject it. As such this was given a weighted score of 1.5 (2) which is considered effective. The rest had a score below 1.5. Overall, the weighted average stood at 1.4 which thus suggests that the Assembly members' role regarding the control of the disbursement and management of the DACF was largely ineffective. The major reasons outlined by respondents for this were that the nature of their role did not allow them to be involved in the day-to-day disbursement of the fund hence were not actively involved in its monitoring. They also asserted that this was not the best since they (Assembly members) were those directly responsible for the welfare of the people in their electoral areas.

The ineffectiveness of the Assembly members could also be attributed to the fact that only regular staff of the Assembly were trained on the disbursement and management of the DACF. Eight (8) out of the ten (10) staff of the KDA interviewed indicated that most of the staff of the KDA have received training on the operation of DACF since its inception in the district.

The Role of Members of Parliament (MPs)

Data collated from the field indicated that the Member of Parliament (MP) within the Karaga District was involved in the disbursement and control of the DACF.

Though 90% of those interviewed mentioned that the MP has a say on how the DACF is disbursed in the district, though the statistics may be misleading. This is so because the MP's sole responsibility was to identify his priority areas for which his share of the Common Fund is to be used for. To this end, MP's influence on the disbursement and sound management of the DACF is only limited to projects or activities that his share of the fund will be used to implement or execute.

Effects of Limited Stakeholders Participation in the Disbursement and Management of the DACF

The limited stakeholders' participation in the disbursement of the DACF presents a myriad of negative effects and/or impacts on the efficiency of the internal control and management mechanism in the disbursement of the DACF. Firstly, there exist limited beneficiary participation and involvement in the disbursement of the DACF. This presents grave hiccups to the successful utilization of the fund since projects initiated by the KDA may not reflect the aspirations of the people leading to limited patronage and subsequently, compromising sustainability. Also, the limited participation of other important actors as MP and Assembly members' impacts negatively on monitoring and evaluation which is entirely left in the hands of Regional Coordinating Council who are not directly engaged with the beneficiaries.

Factors Affecting the Effective Operations of the DACF

The success of the internal control measures put in place to ensure smooth disbursement and operation of the DACF is very much hampered by certain factors within (internal) and outside (external) the Karaga district itself. Data from the two focus group discussions and key informant interviews revealed a myriad of these hiccups and the major ones or widely mentioned factors includes the following;

- **Excessive Power of the District Chief Executive (DCE)**

It was realized from the study that excessive influence of the DCE has over the years impacted negatively on the DACF in Karaga District. Both senior staff of the Assembly and Assembly Members interviewed gave the same opinion on this issue. Respondents were of the consensus that instances where the DCE had exercise his veto powers on the disbursement of the DACF often has led to misplacement of priorities, poor execution of projects and projects not meeting the aspirations of greater proportion of the population.

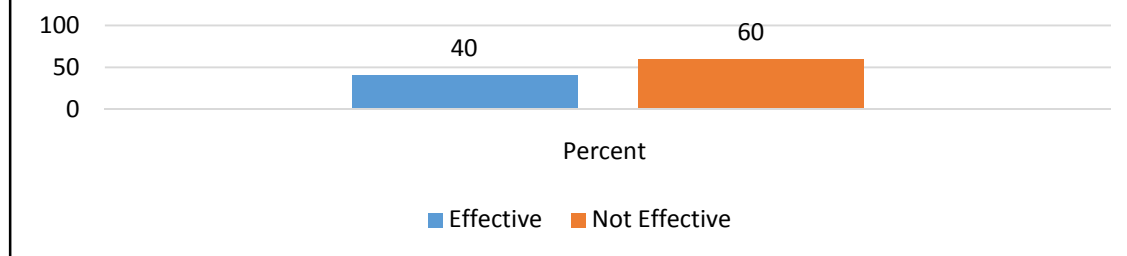
Further analysis of issues at the district revealed that excessive power of the DCE becomes more complicated when one considers the absence of an effective internal audit team. This implies that not only does the DCE have too much influence on the fund but also the fund was not continuously monitored and audited to identify the state of management of the fund.

- **Ignorance and inefficiency on the part of Assembly members**

The study also revealed that most Assembly members of the KDA were ignorant about pertinent issues relating to the DACF such as the utilization and role they play in the management of the common fund. This ignorance on the part of the Assembly members contributes to the ineffectiveness and inefficiency in the disbursement and control of the DACF. This problem could be attributed to lack of training and experience on the part of the Assembly members. Again this problem when considered vis-a-vis the absence of highly skilled and competent manpower and insufficient professional staff at the District Assembly complicate issues and thus leaves the success in the disbursement and operation of the DACF in the Karaga district in limbo.

The problem of ignorance on the part of the Assembly was again confirmed by the views of 60% of the respondents (as shown in **table 1.3**) that the Assembly members has not been effective in the discharge of their roles and responsibilities.

Figure 1.1: Effective Discharge of the Assembly Members Roles and Responsibilities by Respondents



Source: Field Data, August 2015

- **Inadequate Stakeholder Participation**

Most respondents concerted that the limited role play by the assembly members and the community members in the control of the fund had adverse effects on the disbursement and utilization of the district's share of the common fund for some time now. As indicated earlier, the district stakeholders include the District Assembly, Assembly Members, the Member of Parliament and the community members of the district. Interestingly, the nature of the control mechanisms does not allow for wider stakeholder participation. For instance, the assembly members bemoaned they involve less in the control of the fund beside exercising their power to approve or reject district budget estimates. The MP not also directly involve in controlling the utilization of the fund aside his share. Sadly, the end beneficiaries (community members) of the fund are the most left out since they are not even aware of the existence of such control mechanisms as revealed by one of the Assembly members interviewed. It was however revealed that the control mechanisms were often managed by the District Assembly staff. This leads to poor mobilization and harnessing of communal support, resources and talents in the execution of projects thus alienating the actual beneficiaries of projects from project planning and implementation. Hence, acceptance and patronage of projects is very poor. Ultimately, project sustainability is compromised.

- **Excessive dependence on the DACF due to adequate Internally Generated Funds**

It was also revealed that the internal control measures were ineffective due the pressure on the fund. The common fund is the major source of funding development projects in the district and as one of the deprived districts in the country, its competing priority needs are unlimited. It was revealed from the key informant interview that as a result of the pressure on the fund vis-a-vis the competing priorities of the district, funds were sometimes allocated with minimal regards to the guidelines. For instance in the build up to the 2012 elections, the Assembly expended on projects that were outside the approved budget for that particular fiscal year. This has serious impact on the effectiveness of the internal control mechanisms in place to ensure efficient utilization of the fund.

There are external factors as well militating against the success of the DACF in the Karaga District. Analysis of responses from interviewees indicated that two main external factors are considered hindrances to the successful disbursement and utilization of the DACF in the Karaga district. The external factors were:

- **Political Influence**

Excessive politicization of issues at the district was identified by most of the respondents as being the number one “evil” inhibiting the successful utilization of the district’s share of DACF over the years. It was discovered that partisan politics have been allowed to creep into the day-to-day activities of the district thereby bringing about unnecessary disagreement as Assembly members usually take stands based on their political leanings and not on practical situations pertaining to the district. Within this same sphere, it was also envisaged that the central government possess so much influence on the DCE’s and other members of the Assembly and this has led to the unfortunate outcome where most decisions taken regarding the disbursement and the utilization of the common fund reflects the political aspiration of the government and not the needs of the masses. In this wise, areas and communities usually considered not to be strong holds and politically inclined to the central government and the DCEs were neglected in the distribution and execution of DACF projects. As one respondent ironically opined “*Assembly Members usually wear their political colors to assembly meetings. They argue on political lines which do not augur well for the district’s development*”.

• **Nature of Flow of DACF**

The erratic flow of the fund was also mentioned as a contributory factor to the poor performance of the utilization and management of DACF in the district. It was revealed that the fund often delay and come in unspecified periods leading to distortions or variations in the budget estimates presented to the Assembly and the actual cost of project at the time of execution. This problem is also contingent on the not too **stable** macro-economic position of the country leading to higher inflation. Thus, by the time the fund accruing to the district is received, prices in most instances than not have increased if not skyrocketed. Ultimately, most funds by their transfers into the coffers of the district have lost their real value to achieve any meaningful outcomes. This revelation is in line with the World Bank findings that there are several delays throughout the disbursement process, beginning from the submission of the proposed guidelines by the fund Administrator to Parliament and finally disbursing the monies to the various MMDAs and even the receipt of the money by the Assemblies (World Bank, 2004).

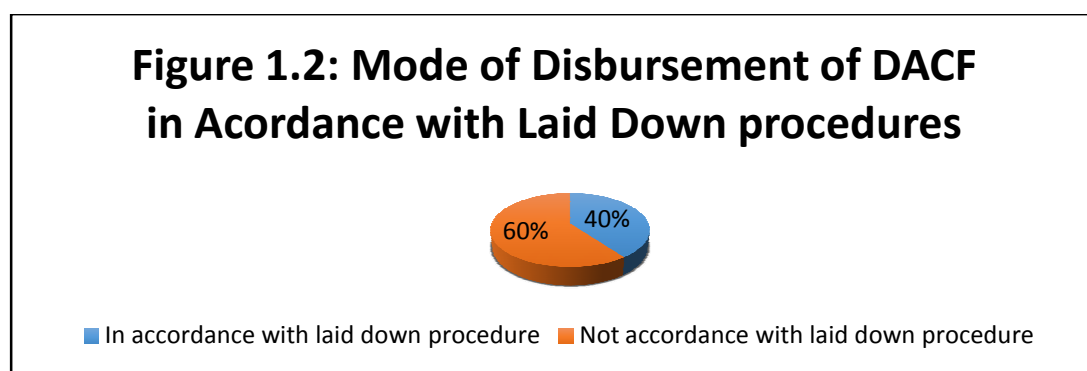
Effectiveness and Impact of the Internal Control Mechanisms

A careful analysis of responses from the respondents as well as from observation of the researchers indicated that the established internal control mechanisms in the disbursement of the DACF in the KDA have so far been ineffective. Responses and figures obtained from the ten sampled senior staff of the assembly revealed that they are dissatisfied with the effectiveness of the systems put in place due to the following factors;

- Though regulations indicate that they should be at least four (4) accounting staff, to monitor and ensure prudence in all the financial transactions of the district, the Karaga District Assembly has had between one (1) and three (3) accounting staff.
- Most of the personnel to have manned the accounting office/position and audit unit of the District Assembly were National Service Personnel with little or no experience in the field of accounting and financial management and administration.
- Though the District Assembly staff has had some training on the operations of the fund since it started operation, the training was inadequate and insufficient.

599 The opinions of the Assembly Members about the effectiveness of the laid down procedures in
 600 the disbursement of the DACF do not differ much from those of the senior staff of the assembly.
 601 Quizzed on whether the utilization of the fund follows laid down procedures, 60% of the
 602 respondents responded negatively while the remaining 4 respondents comprising 40% answer in
 603 the affirmative. The views of the respondents with respect to whether the disbursement of the
 604 DACF in the district is in accordance with laid down procedures are illustrated in Figure 1.2

605



606

607 Source: Field Data, August 2015

608 Given as many as 60% of respondents having the notion that disbursement of the Common Fund
 609 fall short of the laid down guidelines, and with the remaining 40% respondents who holds a
 610 contrary view, claiming that the outcome is relatively in accordance with the laid down
 611 procedures, then it will be conclusive to say that the internal control system is to a large extent
 612 ineffective. One of the Assembly Members indicated that *“once the administrators of the*
 613 *assembly always disburse the funds without their prior notice alone suggest that the internal*
 614 *control mechanisms are not working”*.

615

616 In a similar vein, the Assembly members contacted in the study expressed misgivings about the
 617 performance of the DACF since its inception. As many as 70% of those interviewed, said that
 618 they are not happy with the performance of the DACF. Table 1.3 depicts this view.

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Table 1.3: Performance and Usage of the DACF by Assembly Members

Response/Category	Number of Respondents	%
Satisfied	3	30
Not satisfied	7	70
Total	10	100

Source: Field Data, August 2015

Comparing the figures from Table 1.3 to the 60% of Assembly members holding the view that the DACF has not achieve its objective of accelerated rural development, again, one can conclusively say that the DACF and its internal control systems have not had much impact on the drive for accelerated rural community and grass-root development in the Karaga district.

Conclusion

Undeniably, the role of management control systems and mechanisms as a vital tool for the success of any organization can't be glossed over. It is in the light of this that certain key measures are put in place with the introduction of the DACF so as to give the MMDAs sound financial cushion and foundation to accelerate the achievement of their developmental objectives. However, over two decades after the introduction of the concept (DACF), much leaves to be desired.

The findings indicate that the internal control measures for the management and utilization of the DACF was essentially ineffective. Ideally, the internal control mechanisms put in place, only has a very good potential to help promote and realize a successful implementation of the DACF. However, these potentials remains a “still birth” in the KDA in the light of the numerous of setbacks identified by the study. For these control mechanisms to be more effective, there must be sustained education and training for both staff of the Assembly and the Assembly members, provide the Assembly with qualified professional and technical staff, and periodic review of the DACF policy.

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