

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 the following as its major findings; the existence of internal control mechanisms for the disbursement and utilization of the fund with the major ones 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, 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.

Key words: District Assembly, Common Fund, Disbursement, Utilization, Internal Controls, Karaga District

INTRODUCTION

The concept of Decentralization is occurring around the world partly in response to pressures which are largely beyond the control of national governments. If coordinated well, it has the potential to improve efficiency in assembling and assigning scarce national resources to improve the way in which community needs are identified and met, and to improve transparency, accountability and above all 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 (DACF). 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 DACF 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 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 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 Ghana's local government system can be traced back to the colonial era where the chiefs and traditional authorities wield military, political and social power to manage local affairs within their areas of jurisdictions (Ahwoi, 2010). The first attempt of local governance in Ghana before independence was termed as native authorities centered on some chiefs, traditional authorities and other opinion leaders. The native authorities were not democratic by then but were mere representatives of their constituents. The District Ordinance of 1859 made provisions

for the creations of municipalities along the coastal areas of the then Gold-coast colony. In 1943, a new ordinance was again promulgated which led to the establishment of elected town councils for Accra, Kumasi, Sekondi-Takoradi and Cape Coast areas. Again in 1953 the Municipal Council Ordinance was also passed and soon after independence, the Local Government Act 1961(Act 54) was enacted to replace the 1953 Municipal Ordinance (Gyebiet al, 2013).The current decentralization system is the most thoughtful attempt so far in Ghana's political history. It was introduced in 1988, following some reforms in local government initiated by the Provisional National Defence Council (PNDC). 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 legislations to ensure that functions, powers, responsibilities with accompanying resources are at all times transferred from national government to legally incorporated entities (District Assemblies) at the local level in a coordinated fashion. Thus, in 1993, Parliament passed a new law, known as the Local Government Act, 1993 (Act 462) to replace PNDCL 207, though essentially 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 categorized into 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 or a single compact settlement with population of 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). Directly below the Assemblies are subordinate sub-district political and administrative structures which 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' concept is intended not only to devolve state power to the local people but also to democratize state power and advance participatory governance and collective decision making at the local level. District Assemblies also functions through functional 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 local governance system is characterized as a three-tier structure created initially by PNDC Law 207 and later refined by the 1992 Constitution and Local Government Act, 462 of 1993. These systems operate at the regional, district and sub-district levels and with Regional Coordinating Councils constituting the first tier, Metropolitan or Municipal or District Assemblies on the second tier, and sub-district structures including Urban or Town or Zonal or Area Councils, Unit Committees also constituting the third tier. In practice however, Unit Committees forms the lowest and most 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 structure a four-tier structure instead of the three (ILGS, 2013). In 2012, the government reviewed the number of existing assemblies and carved out new ones placing the number currently at 216 assemblies from an initial 110 in the late 1980s. In 2006, 28 more districts were created bringing the number to 138 and then to 170 in 2008 and with the recent increase to 216 (Yemidi, 2014). The internal political structure of all the Assemblies (District, Metropolitan and Municipal Assemblies) are all the same with the District Chief Executive (district chief spending officer) better known as the 'mayor' in certain jurisdictions being the political-administrative head. As the chief representative of the national government, the DCE is responsible for the executive and administrative functions of the District Assembly. Seventy percent of members are elected by universal adult suffrage, whilst thirty percent are appointed by the president with due regards to their experience and specialized expertise. Legislators (Members of Parliament) representing constituencies in each district are ex-officio members of the assembly who do not have voting rights. The District Assembly is supposed 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. The Presiding Officer, a

position equivalent to the speaker of parliament at the local level, chairs the general assembly meetings (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 assigned to them under any other legislation”. (Ahwoi, 2010, see Akurugu, 2013). However, King and others note that over the years, these planning authorities (assemblies) face some challenges in the execution of their constitutional mandated functions. They opined that local authorities face substantial challenges including limited capacity and lack of appropriate skilled manpower on prudent fiscal management and budgeting as well as the implementation of appropriate policies, plans (programmes and projects) in their jurisdictions. This situation is exacerbated by inadequate supervision and weak oversight responsibilities of the assemblies (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 essentially dependent on the financial independence of local governments. It is expected that this independence would then enable local governments to make and implement decisions that best serves the interests of local communities without the undue influence from the centre (national government). In the past, funding for local government in Ghana was derived largely from unreliable sources such as rates, fines on stray animals, licenses, and grants-in-aid, among others. However, the unsustainable and limited nature of these sources made it impossible for local

governments to effectively and efficiently perform their core mandate of serving as drivers of local level development (Nyendu, 2012). In recognition of this problem, the District Assemblies' Common Fund was enacted under Section 252 of the Fourth Republican constitution of 1992 and subsequently, Parliament promulgated the District Assemblies Common Fund Act, 1993 (Act 455) (Gyebiet al, 2013). The Fund, is essentially a Development Fund purposively designed to ensure equality and equity in the distribution of the 'national cake' across the country. It is used to support the implementation of a wide range of capital projects and programmes aimed at improving the living conditions of the people at the grass-roots. 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 mandated to earmark not less than 5% (currently 7.5%) of the total national revenues 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 Local planning authorities (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 finance the much needed development projects in their localities (Gyebiet al, 2013).

Agreeably, the institution of District Assemblies Common Fund (DACF) has contributed to the development and growth of the local communities across the country, its utilization and management is however plagued 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 persistent delays the disbursement process, spanning from the submission of the proposed guidelines by the fund Administrator to Parliament and finally transferring the funds to the various assemblies and even the receipt of the money by the Assemblies (World Bank, 2004). There are consistent interferences and directives from the national government on how the fund should be utilized by the MMDAs, which if not appropriately addressed could jeopardize the achievement of its intended objectives, as the Assemblies do not have the free-will to implement their own priority projects. The amounts received by the District Assemblies at all times disagrees with the figures released from the Ministry of Finance and Economic Planning.

This is as a result of the number of statutory deductions that are made at source from the disbursements of the District Assemblies Common Fund (King et al, 2003). Another challenge of the Fund is its irregular nature which makes it entirely impossible for the MMDAs to predict the amount to be received and the time to expect their share of the fund. Thus, they are not able to do any proper projections and budgeting of projects based on the DACF (World Bank, 2004). Crawford (2004) emphasizes that limited financial resources to the DAs are clear evidences that Ghana's decentralization programme may not automatically lead to the attainment of its intended objectives as envisaged by many. Ayee (2005) and King et al (2003) assert that the DACF is beset with irregularity in disbursement of funds, lack of transparency and lack of discretion by the district authority over its allocation and usage. Ahwoi (2010) reports that the functions and services transferred to local governments are at variance with the quantum of financial resources periodically allocated to them. This has severely limited the DAs in the effective performance of their constitutionally mandated functions (Crawford, 2004; Aning-Agyei et al, 2014). The result is that local governments are unable to execute all their programmes and projects to promote and sustain growth and development at the local level (Aning-Agyei et al, 2014). Concerns have been raised about the accuracy and reliability of the formula used in computing the common fund distribution. It is fraught with inaccurate information with regards to resources within some of the beneficiary districts. More so, some of the factors considered in calculating 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", most often 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 broader stakeholder consultations (Republic of Ghana, 2014). The DACF, with a clear intent of promoting local government financial independence and limiting central government controls over them, has instead practically increased the center control over the MMDAs functions. The decisions of the DACF have been usurped by the national government so that the local governments 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 sanctioned and in line with regulations that guide spending revenue collection and proper reporting on revenue and expenditure, in order to promote fiscal transparency and accountability in managing scarce resources (Appiah-Agyekum et al, 2013). For proper administration and control of the fund, the Fund Administrator is supposed to keep up-to-date financial records concerning the disbursement and management of the fund. He/she 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 fiscal 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 fiscal year. The report covers the manner in which monies lodged in the Fund are disbursed and the report of the Auditor-General on the accounts as well (King et al, 2003).

In Ghana, the District Chief Executive (DCE) who is the spending officer at the local level 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 and transparency 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 made provisions for an internal control mechanism which seeks to check 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 also 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. The FM ensures that Assemblies operate within their fiscal means 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 aim at promoting financial accountability and transparency in district Assemblies' transactions. These internal and external mechanisms provide quite a good framework for promoting accountability and sound financial management within the country's local government setup (Appiah-Agyekum et al, 2013).

An effective internal control and accounting systems are established by the Administrator to ensure that the financial activities of the District Assemblies are carried out in an effective and efficient manner. Effective 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 aims at curbing financial improprieties and safeguarding the fund to ensure effective realization of its stated objectives. Also the internal control mechanism will ensure accuracy and completeness of the development projects initiated by the district Assemblies. These systems ensure: "The need for an internal audit unit in the district; there must be professional and technical standards in the financial transactions of the MMDAs; 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 conduct and 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 assemblies' common fund is based on a formula subject to annual parliamentary approval. Since the inception of the DACF in 1993, five factors have always form the basis for the calculation of the districts' shares. They include the "Need", "Responsiveness", "Service Pressure" and "Equality" Factors. The measures comprising each factor considered in the formula have been largely revised over time. However, the definition of what each factor is meant to capture has remained virtually the same. The "Equality" factor simply specifies which

percentage of the DACF allocation is to be distributed evenly between all the MMDAs. This ensures that each assembly is guaranteed 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- thus it stipulates equity in the fund distribution, the “Responsiveness” factor is incorporated to encourage MMDAs to boost their local revenue generations 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 the remaining 90% is disbursed to the Assemblies (Appiah-Agyekum et al, 2013). The 10% reserve fund 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 of the assemblies; 2.0% used as authorized by the Ministry of Local Government and Rural Development (Amoah, 2011). The reserve fund (10%) 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 which in essence limits their control over the fund. This undermines the objective of the fiscal decentralization process to ensuring financial independence of local government units in the country (Crawford, 2004). It worth noting however that, Audit reports on the DACF have shown several common financial improprieties including the following: misappropriation of funds-Non-deduction of 5% withholding tax on contract payments; dubious payments for uncompleted projects; overdue loan repayments; and other malpractices relating to procurement of goods and services. These are serious abuses of the DACF that need to be addressed on time and not wait until the Auditor-General’s report comes before Parliament two or more years after for debate and recommendations most often ignored by the assemblies and other key actors of the DACF (King et al, 2003).

STUDY AREA

The Karaga District one of the 26 administrative districts in Northern region of Ghana and was created by LI 1787. It was carved out of the then Gushegu-Karaga district and accordingly

301 inaugurated in August, 2004 (Karaga District Assembly, 2013). The district is located in the
302 North-Eastern part of Northern Region, approximately between latitudes 9°30' South and 10°30'
303 North and longitudes 0° East and 45' West. The District share boundaries to the North with West
304 and East Mamprusi, Savelugu/Nanton districts to the West and Gushegu District to the south and
305 east. It has a total land area of 2,958 kilometer square. The climate reflects a typical tropical
306 continental climate experienced in northern Ghana. The district experience a unimodal rainfall
307 pattern which lasts from May – October, peaking in August and September. The vegetative cover
308 “is a typical guinea savannah type, characterized by tall grasses interspersed with drought
309 resistant trees such as the Shea and dawadawa”. The district capital, Karaga is 94km away from
310 Tamale, the Regional Capital (Karaga District Assembly, 2013).

311
312 The District recorded a total population of 89,870 according to the 2010 population census with a
313 sex composition of 51.7% for females and the remaining 48.3% for males. The district has a total
314 of 184 communities with a household size of eleven (11) in the district capital, Karaga. The
315 predominant ethnic group in the district is Dagombas followed by Konkombas and Minority like
316 Fulanis and Frafra. Over 70% of the settlements in the district have population of less than 800.
317 The district capital is the only settlement with a population of over 10,000 representing about
318 20.4% of the district population with over 70% of the remaining communities having population
319 less than 800. Only eleven settlements have populations of more than 1000 people. All these
320 settlements are found to the western corridors of the district along the Karaga- Sung Pigu and
321 Sung-Tanchigu roads-the more accessible areas of the district (Karaga District Assembly, 2013).

322
323 The District comprised of 184 communities sub-divided into five (5) Area Councils (Karaga
324 District Assembly, 2013). The district assembly consist of the District Chief Executive as the
325 head, twenty-four (24) elected members, eight (15) appointed members and one Member of
326 Parliament who has no voting rights. Administratively, the District is divided into One (1) Town
327 Council, Five (5) Area Councils and Twenty-one (21) Unit Committees. Politically the District
328 has one constituency i.e. Karaga. The Assembly has two major sources of revenue- internally
329 and externally sources. Internal sources include “Rates, Lands, Fees and Fines, Investment and
330 Miscellaneous” which are classified as Internally Generated Fund (IGF). The external Sources

include Central Government Transfers known as the District Assembly Common Fund 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 employ 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).

The Likert scale was used in assessing the effectiveness of Assembly Members role in controlling the DACF. It is an ordinal psychometric measurement of attitudes, beliefs, perceptions and opinions of people. In each question, a statement is presented in which a respondent is required to indicate a degree of agreement or disagreement in a multiple choice form (Nicole, 2011). Based on this understanding, a criteria ranging from very effective, effective to ineffective with corresponding weights of 3-1 assigned to them respectively with 3 being the highest was developed. Responses were scored and a decision was determined based on the established criterion by calculating the average weighted score (the sum of all weighted scores divided by the number of indicators scored in this case the roles of Assembly members).

Formula for Calculating 2014 DACF

Four factors are considered with key indicators for each. Data on the said indicators are sourced from both central and decentralized agencies. The indicators of the various factors are combined by weights to work out the share of each Assembly (Republic of Ghana, 2014).

Table 1.1: The details of the weighting of factors

FACTOR	WEIGHTING %
A. EQUALITY	45
B. NEED	45
Health	
Health Facility/ Population Ratio	9
Health Professional/ Population ratio	8
Education	
Education Facility/ Population Ratio	10
Trained Teacher/Pupil Ratio	8
Road	
Tarred Roads Coverage	5
Water	
Water Coverage	5
C. RESPONSIVENESS	
Revenue Improvement	6
D. SERVICE PRESSURE	
Population Density	4
	100

Source: Republic of Ghana, 2014

Location quotient is the method used to calculate proportions from the data on Needs Factor. The formula is given as: $\frac{S_i/S}{N_i/N}$

$$\frac{S_i/S}{N_i/N}$$

Where S_i represent the number of “S” facility in district “I” and ‘S’ is the total number of facility S in the country. N_i is the total population of district ‘I’ and N is the population of the country. It is a “statistical term used in ranking or locating a district and its existing facilities in relation to the other Districts”. It is intended that the less endowed districts receive more than the better endowed ones (Republic of Ghana, 2014).

RESULTS AND DISCUSSIONS

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

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

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

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

The roles of these stakeholders with regards to the disbursement, utilization and management of the DACF are presented in Table 1.2.

Table 1.2: 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

Source: Field Data, August 2015

The Nature of Internal Control Mechanisms at the Karaga District Assembly

Internal Control Mechanisms

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

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

- 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

- All expenditures must emanate from the budget and annual action plan
- All expenditures must be approved by the DCE
- All expenditures are accompanied with a warrant

Following from the control mechanism, the main areas that the DACF is applied were given by 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 1.3 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 1.3).

Table 1.3: Assessing the Effective Role of Assembly Members in Controlling the DACF

Weight Roles of the Assembly members	Criteria for Assessment			Weighted Score	Weighted Average
	Very Effective (3)	Effective (2)	Ineffective (1)		
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 1.3 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 gathered from the field indicated that the Member of Parliament (MP) within the Karaga District was involved in the disbursement and control of the DACF. This is further illustrated in Table 1.4.

Table 1.4: The Role of the Member of Parliament

Criteria	Number of Respondents	%
Yes	18	90
No	2	10
Total	20	100

Source: Field Data, August 2015

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.

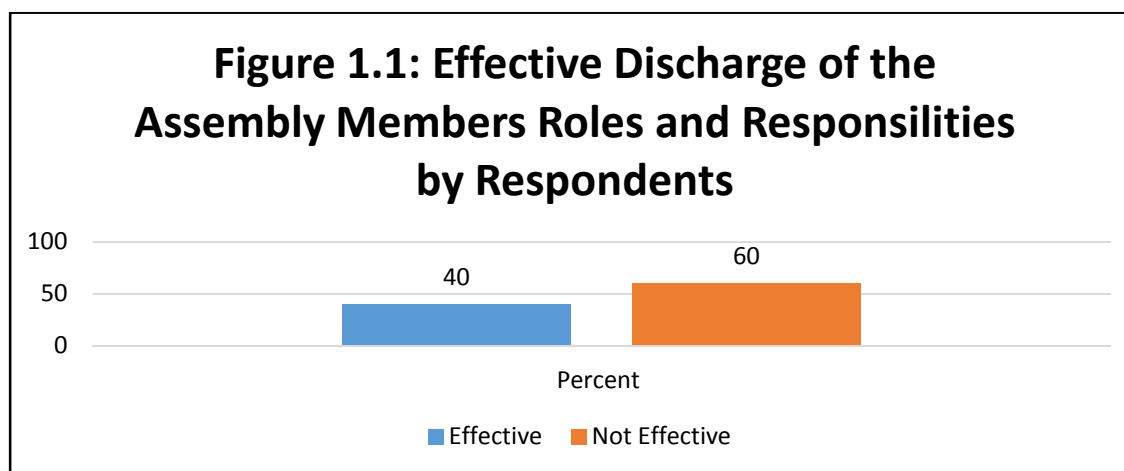
Further analysis of issues at the district revealed that excessive power of the DCE becomes more complicated when one considers the absence of an effective internal audit team. This implies that not only does the DCE have too much influence on the fund but also the fund was not continuously monitored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



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

593 decisions taken regarding the disbursement and the utilization of the common fund
594 reflects the political aspiration of the government and not the needs of the masses. In this
595 wise, areas and communities usually considered not to be strong holds and politically
596 inclined to the central government and the DCEs were neglected in the distribution and
597 execution of DACF projects. As one respondent ironically opined “*Assembly Members*
598 *usually wear their political colors to assembly meetings. They argue on political lines*
599 *which do not augur well for the district’s development*”.

600 • **Nature of Flow of DACF**

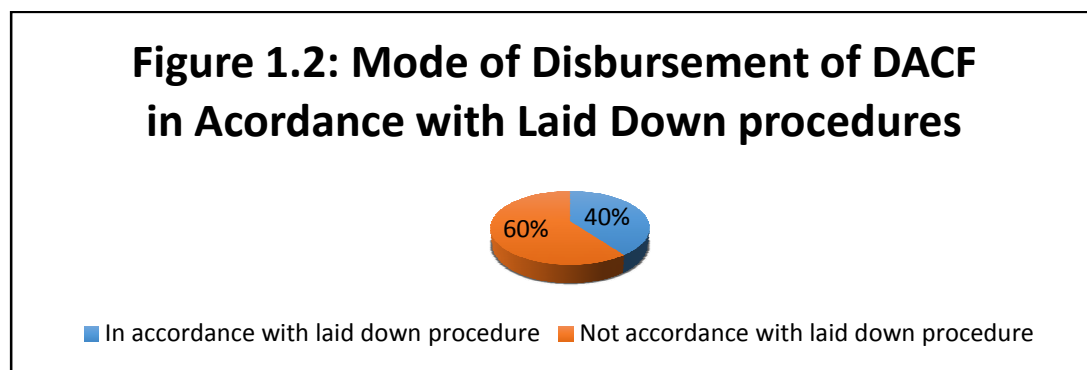
601 The erratic flow of the fund was also mentioned as a contributory factor to the poor
602 performance of the utilization and management of DACF in the district. It was revealed
603 that the fund often delay and come in unspecified periods leading to distortions or
604 variations in the budget estimates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

614
615 **Effectiveness and Impact of the Internal Control Mechanisms**

616 A careful analysis of responses from the respondents as well as from observation of the
617 researchers indicated that the established internal control mechanisms in the disbursement of the
618 DACF in the KDA have so far been ineffective. Responses and figures obtained from the ten
619 sampled senior staff of the assembly revealed that they are dissatisfied with the effectiveness of
620 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.

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



Source: Field Data, August 2015

Given as many as 60% of respondents having the notion that disbursement of the Common Fund fall short of the laid down guidelines, and with the remaining 40% respondents who holds a contrary view, claiming that the outcome is relatively in accordance with the laid down procedures, then it will be conclusive to say that the internal control system is to a large extent ineffective. One of the Assembly Members indicated that “*once the administrators of the*

assembly always disburse the funds without their prior notice alone suggest that the internal control mechanisms are not working”.

In a similar vein, the Assembly members contacted in the study expressed misgivings about the performance of the DACF since its inception. As many as 70% of those interviewed, said that they are not happy with the performance of the DACF. Table 1.5 depicts this view.

Table 1.5: 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 1.5 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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