THE RELATIONSHIP BETWEEN FINANCIAL CONTROL SYSTEMS AND PUBLIC SECTOR EFFICIENCY IN GHANA

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Abstract: *In recent times, there have been persistent reports of financial irregularities and misuse of funds in a lot of Metropolitan, Municipal and District Assemblies (MMDAs) in Ghana as a result of lack of control mechanisms and non adherence to financial rules and regulations. Financial controls activities are aimed at achieving preferred return on investment. Managers of organisations use financial instruments such as budget, income Statements, cash flows, and other financial tools to exercise financial controls in the form of using policies and procedures established by institutions for managing, documenting and reporting on financial transactions.*

The study was undertaken to ascertain the financial control practices in Wa Municipal Assembly. Specifically, it explored the sources, uses and management of funds in the Wa Municipal Assembly and examined the usefulness of financial controls in the Municipality.

The researcher used descriptive statistics to study in detail the financial controls practice in WA Municipal Assembly, since the study is exploratory in nature. The examination revealed three main sources of funds for the Assembly, from government, that is the District Assembly Common Fund (DACF), non-governmental organizations and internally generated funds (IGF).

The Assembly has put in place effective control practices such as the issuance of official receipts when payments are made, keeping the revenue generated in a bank accounts which require signatures of many officials to withdraw. It also serves as a control measure to prevent management and staff to have easy access to them illegally.

The study also revealed that there was strict compliance with the procurement laws (Act 663) in terms of acquisition of goods, and award of contracts. It is recommended that, there should be periodic in-service training for the accounting personnel to improve their knowledge, skills and abilities.

Keywords: *Financial Controls, Financial Instruments. Irregularities, Public Procurement Law, Fraud Prevention*

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1. BACKGROUND TO THE STUDY:

All businesses have, or at least should have procedures, plans, and policies in place to ensure that the organization operates as efficiently and effectively as possible. These plans or operational measures are designed to monitor the firm's assets, prevent fraud, minimize errors, authenticate the accuracy and reliability of accounting data, and promote the efficient operation of the firm while ensuring that established management practices are followed. Such measures, known as internal controls, are used by accountants and auditors to test the effectiveness of the firm's ongoing compliance with established financial and managerial practices implemented by the firm.

The internal controls a business establishes should be inclusive and all encompassing and should extend to administrative and operational systems as well. From the foregoing then, the objectives of internal control systems are to achieve:

- organizational goals;
- operational efficiencies;
- compliance with germane laws and regulations;
- safeguard assets against waste, fraud, misuse, and unauthorized use of resources; and accurate and proper reporting and recording of revenue and data.

Lucey (1996:137) states that control is concerned 'with the efficient use of resources to achieve a previously determined objective, or set of objectives, contained within a plan'. Also, Ekwonu (1996:35) states that control 'is the measurement of the performance of the activities of subordinates in order to make sure that objectives and plans devised to attain them are being accomplished'. All these definitions attest to the fact that control remains to ensure that organizational objectives are achieved through measurement of performance.

Public sector financial management is concerned with the economic behaviour of government with regards to the methodologies, rules, regulations and policies that shapes the planning, budgeting, forecasting, coordinating, directing, influencing and governing the inflow and outflow of funds in order to maximize the objective of the institution. Inevitably, finance and its prudent management are the bedrock of effective functioning of local government. It is against this backdrop that Tonwe (1995, cited in Ojo, 2009: 37) argues that local government requires finance to perform their statutory functions. The ability of the local government to do this is largely dependent on availability of funds, coupled with efficient management which constitutes the required catalyst necessary for timely execution and completion of their development projects. Tonwe (1995) however expresses some reservations. For instance, he notes, in recent time, lack of funds has often been attributed to the major problem which had hindered effective and successful execution and completion of many projects at the local government level. However, experience has shown the contrary that poor financial management, rather than inadequate finance is the bane of local governments' inability to achieve substantial development in their domain (1995, Cited in Ojo, 2009: 37).

Since gaining independence in 1957, successive governments in Ghana have looked to a vibrant local government system to aid the country's development. Due to this, decentralization process in Ghana was initiated in 1988 when the PNDC Law 207 provided legal and institutional direction to constitute the first district assemblies. Metropolitan, Municipal and District Assemblies and their sub-structures have a wide range of responsibilities towards the public in the provision of essential service. Assemblies also have authority to raise revenue from the public in the form of rates, fees, charges, licenses and levies. In addition to such internally generated funds, Central Government makes substantial transfers of monies to the Assembly from the consolidated fund in a form of the District Assemblies' Common Fund.

These public monies have to be properly accounted for and should be seen to have used the funds for the purpose for which they were intended and that maximum benefit has been derived. In order to ensure transparency and accountability in the management of public monies, sound financial management practices in the Assemblies are essential. The success of any institution whether profit or non-profit oriented depends largely on the generation and management of their finances. Financial controls are carried out efficiently when care is taken in the generation and distribution of funds. The management of funds is one of the biggest problems facing MMDA's and the public sector in Ghana as a whole.

For instance, at a meeting held between Chief Directors, Senior Officials of the various Ministries, Department and Agencies (MMDA's) and the Auditor General of Ghana on December 31, 2011, the latter noted with concern the total disregard for financial regulations, internal control mechanisms and widespread financial irregularities which landed Ghana in a whopping loss of GH¢2,067,745,512 in 2011. (Auditor General's Report, 2011).According to the report, out of the total figure, misapplication of funds, embezzlements, unverified payments and uncredited bank lodgements as a result of poor control environment and ineffective internal audit units at the various public boards, corporations and statutory institutions resulted in GH¢1,965,052,672 in cash irregularities alone. This amount constituted 95.5% of all financial irregularities identified by the Auditor General in the financial operations of the different public boards and organisations. The total loss includes US$50,309,512 converted into cedis at the prevailing exchange rate of Gh¢1.5467 to the US$1 as at 31st December 2011.Outstanding debts in the year amounted to 4.8% of the anomalies translating into GH¢ 99,170,464.

According to the report, the outstanding debts owed to these bodies are as a result of ineffective debt management systems and lackadaisical attitudes of managements to put in place strong measures to promptly collect debts when they fall due. The government of Ghana with the assistance of the Canadian International Development Agency (CIDA) introduced a programme called Public Financial Management Reform Program (PUFMARP) aimed at improving transparency, accountability and efficiency in public sector financial management. The Government had also placed records and information management at the core of public sector reform. Staff of the Public Records and Archives Administration Department (PRAAD) had made great progress in improving records management across government institutions and restructuring registries as the traditional information centre's of government operations. The integrated personal payroll department (IPPD) which was also introduced to improve personnel and payroll control had been beset with technical, management, resource and data quality issues and had failed to achieve its objectives. Significantly, efforts to improve financial management, while having some success, most notably in enacting new legislation, had thus far failed in its primary aim of automating the Budget and Public Expenditure Management System (BPEMS) across various Governments. The government also initiated the Economic Recovery Program (E R P) in April, 1983 which sought to improve its financial management under the Structural Adjustment Program (SAP). Despite these reforms, there is still so much waste in the public sector organizations such as the Metropolitan, Municipal and District Assemblies. It is against this background that the researcher decided to study the impact of efficient financial controls in the public sector institutions with specific reference to the Wa Municipal Assembly.

2.0 THEORITICAL ISSUES

2.1 LEGAL AND REGULATORY FRAMEWORK

Ghana has a well-built legislative framework for public financial management, following the promulgation of updated PFM laws and regulations in recent years. The Constitution sets out plainly the fiscal roles of the executive, legislative and judicial branches and provides the basis for the raising of resources and their expenditure. Within the framework of the Constitution, the laws governing the management of public funds include the Financial Administration Act of 2003 (FAA) and the Auditor-General Act of 2000. These are supplemented by the Financial Administration Regulation (FAR). The legislative and regulatory framework sets out the fundamental budget and accountability structures, including: (I) the requirement that all revenues, loans and grants be paid into the Consolidated Fund (CF), out of which only legally approved expenditures can be made; (ii) suitable lapses by Parliament; (iii) comprehensible statement of the powers and duties for the key players, including MoFEP, the Controller and Accountant-General's Department (CAGD), Chief Directors of MDAs, and the Auditor-General (AG); (iv) the delegation of responsibility and accountability for public resources to individuals through the system; and (v) clear and well-documented roles and responsibilities for all stakeholders. The CAGD is the Chief Accounting Officer of the Government and is responsible for keeping the public accounts. The Constitution creates the Office of the Auditor General and requires it to audit and report on the public accounts of the state and all public offices. The Audit Service Act (2000) specifies the responsibilities of the Auditor General and the scope and time frame of the audits. Parliament also recently approved the Public Procurement Act (2003). The Act establishes a Public Procurement Board to make administrative and institutional arrangements for public procurement in a fair, transparent and non-discriminate manner. The new board was inaugurated in August 2004. Also promulgated recently was the Internal Audit Agency Act (2003), which established the Internal Audit Agency to co-ordinate, facilitate and provide quality assurance for internal audit units being established in the MDAs and MMDAs. The IAA Board was inaugurated in August 2004. (2006 External Review of Public Financial Management-Volume II)

2.2 FINANCIAL MANAGEMENT

Many scholars have written a lot on financial controls with regards to financial management. Outside the country, there are numerous literatures on the subject. Internally too, there are Authors within the accounting professions who have also contributed so much on financial controls and financial management. However, it must be emphasized that some of the literature pertains to specific country and not Ghana. Only few local authors make some link to certain practices regarding organizations in the country.

According to Mac Menamin, (1999); Van Home and Wachowize (2001) Financial Management is defined as the determination, acquisition, allocation, and utilization of assets financial resources, usually with an overall goal in mind. From this definition, it can be concluded that financial management deals with the functions of investment, financing, and asset management (Andrew & Gallagher, 2003; Keown, Martin, Petty & Scott, 2002; Van Horne & Wachowicz, 2001). MacMenamin (1999) further develops this definition by stating specifically that financial management is about: “analyzing financial situations, making financial decisions, setting financial objectives, formulating financial plans to attain those objectives, and providing effective systems of financial control to ensure plans progress towards the set objectives” (p. 9).

2.3 FINANCIAL CONTROLS

Block and Geoffrey (2008) defined Financial control as the procedures designed to protect assets and ensures that all financial transactions are recorded to prevent and reduce errors and fraud. Again, financial control is to provide an overall guiding framework for a sound and efficient management resource in all institutions. The aim of having a strong system of financial control is to promote the institutions ability to reach its objectives, providing reliable financial data, safeguarding assets and records, evaluating operational efficiency through budget, organizational control and encouraging adherence to prescribed policies and regulations.

An institutions system of financial control has a key role in the management of risks that are significant to the fulfilment of its operational objectives. A sound system of financial control contributes to safeguarding the stakeholders’ investment and the institutions assets.

Financial controls facilitate the effectiveness and efficiency of operations helps ensure the reliability of internal and external reporting and assists compliance with laws and regulations. Effective financial controls including the maintenance of proper accounting records are an important element of internal control. They help ensure that the institution is not unnecessarily exposed to avoidance financial risks and the financial information used within the business and for publication is reliable.

They also contribute to the safeguarding of assets, including the prevention and detection of fraud. Moreover, the financial control is being explained by ACCA (2010) as the control function of the financial manager becomes relevant for funding which has been raised. Are the various activities of the organization meeting its objectives? Are assets being used efficiently? To answer these questions, the financial manager may compare data on actual performance with forecast performance. Forecast data will have been prepared in the light of past performance (historical data) modified to reflect expected future changes. Future changes may include the effects of economic development, for example an economic recovery leading to a forecast upturn in revenues.

Walters and Dunn (2001) stated that, obtaining sufficient knowledge of the internal financial controls, both information technology (IT) controls and application controls are needed to facilitate the determination of the audit strategy and the carrying out of subsequent steps.

Control Environment is the attitudes, abilities, awareness and actions of client personnel and particularly management in relation to control. Financial controls activities are the policies and procedures that help ensure management directives are carried out. Financial controls are all the policies and procedures adopted by the directors and management of all entity to assist in achieving their objective of ensuring as far as practicable, the orderly and sufficient conduct of its business, including adherence to internal policies, the state guarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accountancy records and the timely preparation of reliable financial information (Walters and Dunn, 2001).

Controls of the financial decisions covering the organization, method, process and internal audit established by the administration in order to ensure that the activities are efficient manner in compliance with the purpose of the administration and determined policies and the legislation, the assets and resources are protected, accounting records are kept in an accurate and complete manner and financial and management information is produced in line and in a reliable manner.

Hence control of the financial decisions and transactions of the public institutions relate to the revenue, expenditure, assets and liabilities concerning their compliance with the budget, budget item, available applicable amount, expenditure programmed, financing program of the administration, to central government budget law and other financial legislation provisions and in terms of the utilization of the resources in an effective, economic and efficient manner. (Public Financial Management and Control Ex-ante financial control)

The day to day purpose of firm's financial management is to meet current and future operating needs. It also involves the management of financial resources, including accounting and financial reporting budgeting, collecting accounts receivables, risk management and insurance for the business.

2.4 DEFINITION OF INTERNAL CONTROL

In accounting and auditing, internal control is defined as "a process effected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization's resources are directed, and measured". The system of internal control is broadly described as "the set of techniques or procedures which an entity's management establishes and uses to safeguard its assets, provide reliable accounting information, encourage adherence to management policies and ensure operational efficiency"(Whittington and Pany 2004).

2.4.1 Types of Internal Control

Millichamp (2002) states the following as the types of internal control for the purposes of auditing: they are the activities which are in the form of policies and procedures structural to achieve organizational objectives.

Organizations: There must be a well defined organizational structure showing how responsibility and authority are delegated. That is an entity's organizational authority and boundaries of responsibility. This makes it designated areas or to prepare frauds undetected in areas of responsibility.

Segregation of duties: Millichamp (2002) describes segregation of duties as follows: No one person should be responsible for the recording and processing of a complete transaction. The involvement of several people reduces the risk of intentional manipulation or accidental error and increases the element of checking of work. Article 15 of "Procedures and Principles on

Internal control and Ex-Ante Financial control" says that duties of the authorizing officer and accounting officer cannot be given to the same person. Those who carry internal financial control duty in financial services unit shall not be assigned any duty in the process of preparation and implementation of financial decisions and transactions such as preparation of approval document and its attachments, specifications and draft contacts, and accepting goods and services and shall not be chairman or member Tender commission, examination and Admission commission.

Physical: This concerns physical custody of assets and involves procedures designed to limit access to authorize personnel only. Activities for safeguarding of records may include maintaining control at all times over unissued documents as well as other journals and ledgers and restricting access to computer programs and data files.

Authorization and Approval: All transactions should require authorization or approval by an appropriate person. The limits to these authorizations should be specified.

Personnel: All potential employees should be interviewed and their references obtained and confirmed. This is to ensure that only qualified and honest staffs are recruited.

Supervision: An important aspect of any control system is the existence of supervisory procedures by the organization. This means that all members of staff should be supervised and their work reviewed to ensure that work done is of required standard and procedures being adhered to.

Management: These controls exercised by management are outside and over and above the day to day of the system. They include overall supervisory controls, review of management accounts, comparisons with budgets, internal audit and any other special review procedures.

Management has a fundamental responsibility to develop and maintain effective internal control. The proper stewardship of State resources is an essential responsibility of agency managers and staff. State employees must ensure that State programmers operate and State resources are used efficiently and effectively to achieve desired objectives. Programmers must operate and resources must be used constantly with agency mission, in compliance with laws and regulations and management. Robertson and Louwers (2004) stated that, management is responsible for developing and maintaining effective internal control. Effective internal control provides assurance that, significant weakness in the design or operation of internal control that could adversely affect the agency's ability to meet its objectives, would be prevented or detected in a timely manner.

The internal controls plan consist of all the methods used to safeguard assets, to promote accuracy and reliability of the department's accounting data and records, to ensure compliance with all state laws and regulations, department policies and procedures and to promote the operational efficiency of the department. (Samii, 2004)

2.5 ELEMENT OF CONTROLS ON FUNDS

2.5.1 Cash Management

Cash management refers to the investment the organization has in transaction business balances to cover scheduled out flow of the funds during a cash budgeting period and the fund the firm has tied up in precautionary cash balances (Eun and Resnick, 2008)

According to Scherr (1989), cash management deals with determining the optimal level of cash, the appropriate types and amounts of short-term investments in cash as well as the efficient methods and controls of cash collections and disbursements. According to Watson and Head(2007), cash management is part of the wider task of treasury management concerned with optimizing the amount of cash available, maximizing the interest earned by spare funds not required immediately and reducing losses caused by delays in the transmission of funds. Because many transactions of the organization involve the receipt or disbursement of cash, its efficient management has a great significance for the management's success in the process of achieving organizational objectives. Efficient cash management can be instrumental in preventing losses from fraud or theft, to maintain a sufficient amount of cash, to make necessary payments and to have a reasonable balance for emergencies. It also prevents unnecessarily large amounts of cash from being held idle in bank accounts that produce little or no revenues. Cash and short-term interest bearing investments are the firm's least productive assets. Unlike the firm's other liquid assets (inventories and accounts receivable), cash is not required for producing goods or services. When firms hold cash in currency and in non-interest bearing accounts they obtain no direct return.

2.5.2 Internal Audit

According to Bhatia (2003), Internal Auditing is the review of operations and records sometimes undertaken within the business by especially assigned staff. It's also an independent appraisal function established within an organization to examine and evaluate the effectiveness, efficiency and economy of managements control system (Subramanian, 2006). Its objective is to provide management with re-assurance that their internal control systems are adequate for the need of the organization and are operating satisfactorily (Reid & Ashelby, 2002). It is a component of the internal control system set-up by management of an organization to examine, evaluate and report operations of accounting and other controls. The quality and effectiveness of internal audit

procedures in practice are necessary since internal auditors cover a wide variety of assignments, not all of which will relate to accounting areas in which the external auditor is interested. For example, it's common these days for internal audit to undertake the extensive and continuous task of setting management goals and monitoring its performance (Woolf, 1996).

2.5.3 Internal Check

Financial control is aimed at improving efficiency, accountability and transparency in the public sector financial management. But it must be emphasized that, without implementing internal checks in the assembly, proper financial management cannot be achieved. Internal checks are to facilitate the breakdown of routine procedures so as to avoid bottlenecks and to establish an even flow of work, and also to reduce to a minimum, the possibility of fraud and or errors. Okai (1996) reiterates that internal checks are the aspect of management which is exclusively concerned with the prevention and early detection of errors and possibly fraud. It is therefore involve the arrangement of book-keeping and other clerical duties in such a way as to ensure that; one person's work will be a check on another's (segregation of duties). No single task is executed by only one person from the beginning to the end. The work of each personnel engaged on a task is subject to an independent check in the cause of another person's assignment.

2.5.4 Internal Accounting Controls

According to Okai (1996), internal accounting controls comprise all controls over the operation of an accounting system to carry on the business of an organization in order to meet the requirement of the municipal and district assembly in general. In order for it be effective, management will need to establish an effective accounting system comprising series of procedures. The system may be manual, mechanized or computer based for processing recording, and controlling transactions, thus forming the basis for the preparation of periodic financial statement. Internal accounting controls are instituted to achieve the following;

I. Completeness (thus, all transactions are recorded in the accounting records)
II. Validity and accuracy (thus, suitable approvals and verifications are carried out so that the transaction recorded are valid and are accurately recorded at each stage of their processing).

2.5.5 Budget and Budgetary Control

The budget is a financial plan for implementing the various decisions that management has made. The budgets for all of the various decisions are express in terms of cash inflows and outflows and sales revenues and expenses. These budgets are managed together into single unifying statement of the organization's expectations for future periods (Drury, 2001). Lucey (2003) defined a budget as "a quantitative statement for a defined period of time, which may include planned revenues, expenses, assets, liabilities and cash flows". A budget provides a focus for the organization aids the co-ordination of activities and facilitates control. Planning is achieved by means of a fixed master budget, whereas control is generally exercised through the companion of actual cost with a flexible budget.

According to the Chartered Institute of Management Accountants (CIMA) as quoted by Lucey (2003), "budgetary is the establishment of budgets relating to the responsibilities of executives policy and the continuous comparison of the actual with the budgeted results, either to secure by individual action, the objectives of the policy or to provide basics for its revision. That is budgeting control is the establishment of budget relating to the responsibilities of managers to the requirement of a policy and continuous comparisons of actual or budgeted results, either to secure by individual action or the objectives of that policy or to provide the basis for its revision.

2.5.5.1 The Main Uses of Budgetary Control

I. Budgeting control is used to indicate with variance or other measures of performance.

II. To ensure the objectives of the organization as a whole and within the work frame to define the results which department should achieve and this target should be established not for the budget period but for the budget control period.

III. To reveal the extent by which actual results has exceeded or fallen short of the budget.

IV. To provide the basis for the revision of the current budgets or for the preparation of the future budget.

V. To indicate the efficiency to which the various activities of the organization has been co-ordinated.

VI. To establish the basis for the internal audit work.

2.6 ACCURACY AND RELIABILITY OF FINANCIAL DATA.

According to Iddrisu and Anang (2010), accuracy and reliability of financial data means that control measures should be put in place by management to ensure that transaction are recorded completely and accurately. It involves the following:

(a) Maintain total account, to provide an independent overall control over ledgers to which they relate. This technique brings about completeness and arithmetical accuracy of posting to detailed ledgers.

(b) Detailed checking of one document or accounting records again by another.

(c) Holding files, examples, a list of transactions of originating accounting record is maintain and items are detected from the list of files as processing is completed and this result incompleteness in controls.

(d) Authorization of documents for examination and checking by a responsible person before any further processing takes place. This technique ensures the validity of transaction and the accuracy of the records.

(e) Verifying records with evidence from outside sources such as the regular comparison of the cash book statement.

(f) And taking out periodic trail balance to check the arithmetical accuracy of the book keeping which provides accuracy in control.

2.7 SAFEGUARDING OF ASSETS

Millichamp (2002) states that, allowing assets to be broken, lost or stolen is unacceptable and procedures are always devised to safeguard them. Examples are locks and keys, the keeping of a plant register, regular reviews of debtors balance etc. An aspect of this which is often overlooked is that payment where no benefits have been received as payment for piece work not done, or the setting up of liabilities where no benefit has been received as in fraudulent purchase and subsequent embezzlement of goods by employees, are both examples of failure to safeguard assets.

Hence, safeguarding of assets refers to measures taken by management to protect the resources of the institution against a multitude of possible losses varying from embezzlement to such causes as failure to purchase from the lowest cost supplier and outright theft.

2.8 PREVENTION AND DETECTION OF FRAUD AND ERROR

Municipal administrators are responsible for taking reasonable steps to prevent and detect fraud.

They are also responsible for preparing financial statements which give a true and fair view. However, the Auditors must plan and perform their audit procedures and evaluate and report the results thereof, recognizing that fraud or error may materially affect the financial statements. As strong system of internal control will give the Auditors some assurance that fraud and error are not occurring, unless management are colluding to overcome that system. (ACCA, 2007)

2.9 ACCOUNTABILITY

According to Penin (1992), described accountability in the local government as a vexing task. He argued that, while in commercial business, attention is focused on the satisfaction of customers on one hand, and shareholders on the other hand; this is not the case in public sector organization 'Wa Municipal assembly'. This is so because the public sector organizations are only meant to make services assessable and affordable to all rather than being profit oriented.

2.10 AUDITS AND INVESTIGATION

An Audit is an investigation or a search for evidence to enable an opinion to be formed on the truth fairness of financial and other information by a person or persons independent of the preparer and persons likely to gain directly from the use of the information, and the issue of a report on that information with the intention of increasing its credibility and therefore its usefulness. (Gray and Manson, 2005)

Rittenberg and Schwieger (2001) also defined auditing as "a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence and communicating the results to interested users".

The auditing function operates on the assumption that financial statements and financial data are verifiable. There is no necessary long term conflict between auditors and managers of organizations being auditors and managers of organization being audited. A potential short-term conflict however may exist. Effective internal control structure reduces the probability of fraud or irregularities in an organization.

3.0 RESEARCH APPROACH

3.1 Research Design

Research design involves the gathering and analysis of data. This is determined by the nature of the research. It also involves establishing the validity and reliability of the study. The purpose of the research design is to establish the connection that exists between the research questions, the data gathered and the conclusion to be established (Yin, 1994).

This study is an exploratory research. It uses descriptive statistics to study in detail the financial controls practice in WA Municipal Assembly.

3.2 Population and Sample

The target population of the study consists of the District Chief Executive, Coordinating Director, Budget Officer, Internal Auditor, Finance Officer, Revenue Collectors, Accountant, Assembly Members and Household. Using purposive sampling, fifty six (56) respondent were selected which were categorized as follows: District Chief Executive (1), Coordinating Director (1), Budget officer (1), Internal Auditor (1), Finance Officer (1), Revenue Collectors (1), Accountants (2), Assembly Members (1) and Household (47).

3.3 Sample Size and Sample Technique .

A simple random sampling which gives equal chances to every respondent was the technique used in selecting the respondents. It would have been impractical to survey the entire population due to limited resource, therefore, forty-seven respondents were selected. Among them were twenty petty traders, fifteen landlords', seven business owners and first five people researchers meet were also selected.

Also a purposive sampling technique was employed to select management of the Assembly, and others shall be employed as the need arises to help in the research. This was done in view of the fact that the information required was not evenly possessed among respondents.

3.4 Data Sources and Data Collection Methods

The study used both primary and secondary data. The researchers used both interviews and questionnaires as the methods for primary sources of data collection. The interview method was used to further clarify certain information that was used in the questionnaire. Again, interview was employed to cross check unclear information from the respondents. The questionnaires comprised both close-ended and open-ended questions. The open- ended questions enable respondents contributes their views and suggestions, while the close-ended questions allowed respondents to respond to common responses.

Secondary data sources encompassing official and unofficial records, newspaper, magazines, journals, reports, relevant books, internet and thesis pertaining to the areas of study were also made good use of.

The entire data was screened through a process of editing and irrelevant portions were removed. A manual coding system was also developed to facilitate assigning values to the various items in a completed questionnaire scored.

3.5 Data Analysis

Data was analyzed both qualitatively and quantitatively using descriptive and statistical techniques involving the use of SPSS version 20. Data analysis precedes presentation of findings, which encapsulated percentages, bar- graphs, and tables, in presenting findings.

4.0 RESULTS AND DISCUSSIONS

This section primarily deals with analysis and presentation of data gathered and interpretation of findings of the team. The data were made up of quantitative and qualitative through questionnaires administered to various respondents and these findings are presented in tables and charts. The discussion is based on three parts;

The first part comprises of management of finances in Wa Municipal Assembly, such as sources of funds, methods of keeping revenue collected, ways of improving upon revenue collection and satisfaction of management fund. The second section constitute the impact financial controls have on efficient management in Wa Municipality, such as the uses of revenue collected and benefits received from revenue paid. And the last part is committed to the legal and regulatory framework governing financial control in the assembly.

4.1 HOW FINANCES ARE MANAGED IN THE WA MUNICIPAL ASSEMBLY

4.1.1 Sources of Funds

Table 1 shows the sources of funds available to the municipal assembly. From the table it indicated that 40.4% of the respondents stated government as a source through which the assembly is financed (District Assembly Common Fund). This is corroborated with various literatures that the district assembly common fund accounts for over sixty five percent of funding to various metropolitan, municipal and district assemblies (MMDAs).

Table 1: Sources of funds

No	Response	Frequency	Percentages %
1	GOVERNMENT	19	40.4
2	PROPERTY TAX	10	21.3
3	NGOs	7	14.9
4	MARKET TOLLS	4	8.5
5	TRADERS	7	14.9
	Total	47	100.0

Sources: Field Survey June 2013

From table 1 it indicates that, out of (47) respondents, 19 stated government as a source of funds to the assembly representing (40.4%), ten (10) responses indicated property tax, representing (21.3%), seven (7) responses indicated NGOs representing (14.9%), four (4) responses indicated market tolls representing (8.5%), whilst seven (7) responses indicate traders representing (14.9%) . It means from the response, government constitutes the main and largest source of revenue to the assembly. This implies that developmental projects and policy implementation is negatively affected since there is always delays in the disbursement of the district assembly common fund. It also means that the assembly is not generating enough revenue internally. The assembly should improve upon its revenue generation strategies to ensure more revenue is generated to support development.

4.1.2 Methods of Keeping Revenue

One of the methods of managing the finances of an organization is regular savings of revenue in the organizations bank accounts. It is normally done by persons connected to financial matters. Savings are used to establish the bases for the internal audit work and provide a system where by the resources are used in the most effective way. Figure 1 shows that majority of respondents are of the view that the assembly revenues are kept in the bank representing (74.5%).

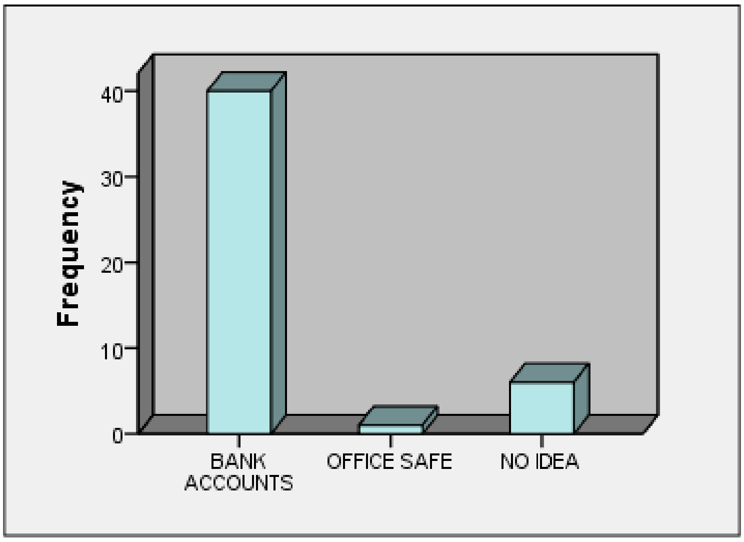


Figure 1: Management of Revenue Received

Source: Field Survey, June 2013

When respondents were asked on how the assembly keeps or manages the revenue they received, Figure 1 indicated that out forty seven (47) respondents from the household, thirty five (40) respondents stated Bank accounts representing (85.1%), one (1) respondent stated office safe representing 2.1% whilst six (6) respondents indicated that they have no idea representing (12.8%). It can be deduced that majority of the respondents are of the view that, Assembly keep their revenue in the assemblies bank accounts. This method also increase revenue generation to the Assembly since it attracts interest. Its implication to the economy is that, financial institutions can use the savings to support small and medium term businesses in a form of loans in other to grow the economy. It is also a tool of financial control in the sense that, it prevents or reduces the tendency of embezzlement in the assembly funds. For instance, if revenues are kept in the office safe the tendency of individual taking funds without the knowledge of management is high unlike in the bank where there is the need for approval by authorities.

4.1.3 Improving Revenue Collection.

Local governments and for that matter (MMDAs) operate at the grassroots and are expected to provide services to their stakeholders. This cannot be done without the improvement of its revenue generation. Table 2 shows that, (42.6%) representing majority indicated that the assembly should enforce its bye-laws to make it mandatory for every household to pay tax.

On how respondents thought the municipal assembly could improve upon its revenue generation, out (47) respondents from the household, twenty (20) responses indicated that the assembly should enact and enforce bye- laws that will mandate every household to pay tax representing (42.6%), ten (10) responses indicated that the assembly should employ professional revenue collectors representing (21.3%), four (4) responses indicated that they should be issued with genuine receipts representing (8.5%), whilst thirteen (13) responses indicated that they have no idea representing (27.7%).

Table 2: Improving revenue collection

No	Response	Frequency	Percentages %
1	CORRECT RECEIPTS	4	8.5
2	ENFORCING BYE- LAWS	20	42.6
3	NO IDEA	13	27.7
4	EMPLOY PROFESSIONALS TO COLLECT REVENUE	10	21.3
	Total	47	100.0

Sources: Field Survey, June 2013

It means that majority of the respondents do think that if the assembly passes and enforce bye-laws it would go a long way to improve revenue generation. Its implication is that if revenue generation improves it supplements government effort in providing development to the area.

4.1.4 **Funds Management and Satisfaction**

It is argue that the primary task of the financial manager is to account for the way money that will be received and used to maximize the value of the firm. They explained that, the financial manager should plan the alternative decisions of sources of funds and the use of funds to achieve the goal of the organization. Table 3 shows the views of respondents when they were ask about the way funds received managed. Table 3 shows that, when respondents were ask on how revenue received are managed. Out of 47 respondents, twenty five (25) responses indicated that they were not satisfied, representing (53.2%) whiles 22 responses indicated that they were satisfied representing 46.8%.

Table 3: Fund management

No	Response	Frequency	Percentages %
1	SATISFIED	22	46.8
2	NOT SATISFIED	25	53.2
	Total	47	100.0

Sources: Field Survey, June 2013

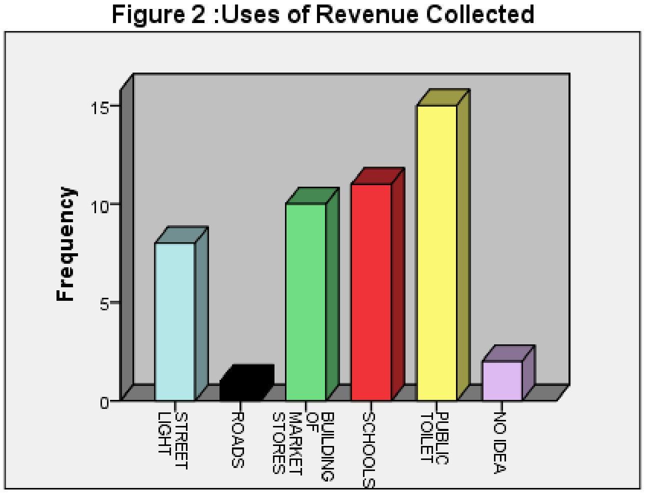
This implies that majority of the respondents are not satisfied with the way and manner revenue received by the assembly is managed. When researchers probed further to know what accounted for the level of dissatisfaction, it came to light that majority of the household were not privy to information on measures put in place by the assembly to ensure that revenue generated are effectively used.

4.2 IMPACT OF FINANCIAL CONTROLS IN THE MUNICIPALITY

4.2.1 Uses of Revenue Collected

Figure 2 depict the response when researchers sought to know if they are aware of the projects the revenue paid is used for. It shows that majority of respondents representing (39.9%) indicated provision of toilet facility. From figure 2, the researcher wanted to find out if respondents were aware of what the assembly uses the revenue for. Out of 47 respondents, 15 respondent indicated toilet facility, representing (31.9%), ten (10) responses stated provision of market stores representing (21.3%), eight (8) of the respondents indicated street light representing (17.0%), whiles two (2) responses do not have idea as to what the monies are used for representing (4.3%).

Figure 2 :Uses of Revenue Collected



Source: Field Survey, June 2013

It means that even though the assembly uses their revenue in developmental projects, majority of the respondents think that the revenue receive are used in the provision of toilet facilities. It implies that the assembly policies on sanitation are effectively implemented. It also shows that an effective financial control in the municipal assembly goes a long way to affect the infrastructural development of the municipality. However, (4.3%) of the responses who do not have idea show that, which means there is lack of information flow from the assembly to the household on the use of revenue generated.

4.2.2 Benefits Received from Revenue

Table 4 reveals that majority of the respondents representing (40.4%) do think that they benefit directly from the provision of toilet facility, when the question was ask on the benefit they received from the use of the revenue generated. From the table 4 ,the responses gendered shows that, ten (10) of the respondents stated Education as a source benefit from revenue representing (21.3%), six (6) respondents indicated market stores representing (12.8%), five (5) respondents indicated roads representing (10.6%), nineteen (19) respondents stated toilet facilities representing (40.4%), whilst 7 respondents indicated street light representing (14.9%).

Table 4: Benefits Received from Revenue

No	Response	Frequency	Percentages %
1	EDUCATION	10	21.3
2	MARKET STORES	6	12.8
3	ROADS	5	10.6
4	TOILET FACILITY	19	40.4
5	STREET LIGHT	7	14.9
	Total	47	100.0

Sources: Field Survey, June 2013

It means therefore, that the developmental policies and programs undertaken by the assembly is going down well with them and it is affecting them positively especially sanitation.

4.3. LEGAL AND REGULATORY FRAMEWORK GOVERNING FINANCIAL CONTROL IN THE ASSEMBLY

4.3.1 Knowledge of Financial Controls

Block and Geoffrey (2008) defined Financial control as the procedures designed to protect assets and ensures that all financial transactions are recorded to prevent and reduce errors and fraud. Again, financial control is to provide an overall guiding framework for a sound and efficient management resource in all institutions

Table 5 depicts the respondents (household) knowledge on financial controls that are practiced in the assembly. When they were ask on their knowledge in financial controls governing the assembly. It shows that (63.8%) are not aware.

Table 5: Knowledge of financial controls

No	Response	Frequency	Percentages %
1	YES	17	36.2
2	NO	30	63.8
	Total	47	100.0

Sources: Field survey, June 2013

On table 5, seventeen (17) respondents indicate YES which means they are aware and have knowledge of financial controls representing (36.2%), whilst (30) respondents indicated NO which means they do not have any knowledge regarding financial controls that are supposed to govern the assembly representing (63.8%). However, when the researchers inquire from management and staff of the assembly, it is realized that over 90% of respondents are aware and have knowledge on financial controls. It implies that, there is an information gap between management and household which implies that the assembly needs to embark on public education and sensitization with the help of relevant bodies such as national commission for civic education (NCCE), Information service department and other radio stations to educate members of the household on the laws, policies and programs regarding the assembly. Also the public relation department of the assembly should be well resourced to perform its functions effectively.

4.3.2 LAWS ON DISBURSEMENT OF REVENUE

Table 6 depicts the respondents (household) knowledge on laws regarding disbursement of funds in the assembly.

Table 6: disbursement

No	Response	Frequency	Percentages %
1	YES	23	48.9
2	NO	24	51.1
	Total	47	100.0

Sources: Field Survey, June 2013

When respondents were asked on their knowledge on the laws that govern how revenue generated by the assembly is disbursed, twenty three(23) of the respondents out of 47 stated YES representing (48.9%) whilst (24) of the respondents out (47) stated NO representing (51.1%). However, when the researchers inquire from management and staff of the assembly, it was realized that over 85% of respondents are aware and have knowledge on laws regarding disbursement. It implies that, there is an information gap between management and household .It also means that the assembly needs to embark on public education and sensitization with the help of relevant bodies such as national commission for civic education (NCCE), Information service department and other radio stations to educate members of the household on the laws, policies and programs regarding the assembly. Also the public relation department of the assembly should be well resourced to perform its functions effectively.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

From the analysis, it was determined that, the source of funds available to the Municipal Assembly was through government, property rate, non-governmental organizations, market tolls and traders. Data collected revealed that the various source of funds were mainly three.

Firstly, the District Assembly Common Fund which is substantial transfer of monies to the Assembly by the government as a development grant intended to resource the Municipal Assembly to enable them plan and implement developmental projects and programs in their respective area of jurisdiction. District Assembly common Fund is an annual financial allocation of not less than five percent of total government revenue. It is a major source of development funding to the Municipal Assembly for the implementation of their District

Medium term Development Plan and accounts for over sixty five percent of funding to the Municipal Assembly.

Secondly, the internally generated fund which includes market tolls, property rates, fines, licenses, levies and the last but not the least is the donor support fund which includes donation from non-governmental organization, foreign donors.

The analysis indicated that the Municipal Assembly manages the revenue they generate at the municipality effectively by keeping it in the bank accounts which require signatures of many officials to withdraw.

It also serves as a control measure to prevent management and staff to have easy access to them illegally. The analysis also indicated that the Municipal Assembly uses the revenue it generates for developmental projects like schools, street lights, building of market stores, public toilet etc. However majority of the residents were not satisfied about the way and manner the funds are used. They still believe that more needs to be done in terms of development looking at the revenue they generate.

The analysis further revealed that the inhabitants are not aware of any control measures put in place to manage the revenue of the Assembly and also laws regarding the disbursement of the Assemblies funds. Findings on control measures show that procurement laws were being followed at the assembly in terms of acquisition of goods. The respondents also confirmed that receipts were issued to them when payments were made and they are serially numbered. It was also stated that both internal and external auditors are engaged to audit the assemblies' accounts. Lastly, when the researchers sought to know from the respondent on how to improve upon generation of revenue of the assembly, the respondents suggested various ways such as enforcement of laws regarding revenue collection, engagement of professional in the revenue collection, proper supervision and motivation of personnel.

5.2 RECOMMENDATION

No institution can do well without strong financial management and controls. The concept of financial controls affects all the assets of a business, all liabilities, the revenue and expenditures and every aspect of operations. One of the objectives of the financial controls is to provide for managers of organizations or institutions the need to observe financial regulations. Based on the findings and conclusions made, the researcher deemed it necessary to make the following recommendations:

The municipal assembly should educate the populace on financial controls and measures put in place by the government and the assembly which help in managing their funds effectively and efficiently. Even though the study indicated that procurements regulations are obeyed, there should be still strict compliances with the provisions of the public procurement Act. This means that, there should be evidence of receipts of every transactions made.

The assembly should periodically make available to the household their income and expenditure statements not only by pasting it at their offices but also through various parts of the municipality to ensure transparency. Again, the assembly should also consult the household in determining the rate to be paid to avoid confrontation between the revenue collectors and household since they are interested parties.

Also, government should release funds for the Assembly on time in order to prevent increase in prices. This is to enable the Assembly to run its activities efficiently and effectively. There should be periodic in-service training for the account personnel since training improves knowledge, skills and abilities. Sub-division of duties of account officers should be strengthened. This will ensure that accounting staff follow proper financial management and accounting control practices

It was realized that little knowledge was known by the accounting staff on Financial and Accounting instructions for local government institutions. It is recommended that, the Assembly should make copies to the coordinating director ,the finance officer, the accountant and the accounting staff, the following recommended text on Financial Administration Act, 2003 (Act 654) Public Procurement Act, 2003 (Act 663) and Financial Administration Regulation, 2004 and Local Government Act for study.

Finally, the revenue collectors should be well motivated, properly supervised to ensure they work in line with the rules and regulations of the municipal assembly. The Municipal Assembly should also employ more permanent revenue collectors in the collection of their revenue and provide them with unique identification to be easily identified by both the residence and the management as a whole.

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