# Good Governance and Financial Administration in Local Governance in Ghana

Ameyaw Kwame Domfeh
University of Ghana Business School, University of Ghana Legon
P. O. Box LG 78, Legon, Accra, Ghana
kadomfeh@ug.edu.gh

Lydia. N. Takyi
Department of Management Studies Education, University of Education Winneba, P. O. Box 1277, Kumasi, Ghana
takyil200@yahoo.com

**Abstract**
This study set itself the task of evaluating good governance practices and their effects on financial administration in Local Government. Specifically, the study examined how good governance contributes to good financial administration in the Cape Coast Metropolitan Assembly. The paper adopts a quantitative approach in examining good governance and financial administration in the Ghanaian local governance structure using 103 respondents selected through the purposive sampling technique. The results show a positive association between good governance and financial administration. The results of this study have policy implications for improving upon the performance of the MMDAs in Ghana to ensure good governance practices which eventually translate into effective and efficient financial administration.
**Keywords** - Good Governance; Finance; Administration; Local Governance; Administration

## INTRODUCTION

Financial administration has risen to central position in the talk about effective, efficient and the current debate that governance has implications for development administration and poverty reduction in particular has stimulated research for conditions under which governance could be improved. This has culminated in the offshoot good governance.

The Local Government Act, (Act 462), 1993 of Ghana empowers District Assemblies (DA) to pursue policies that will lead to the development of the communities within their domain. In these policies, the Metropolitan, Municipal and District Assemblies (MMDAs) need money to pay for services and functions which include formulation and execution of plans, programmes and strategies for the effective mobilisation of the resources necessary for the overall development of the district. In addition, money is required to promote and support productive activity and social development in the district and remove any obstacles to initiative and development (Local Government Act (LGA) 1993, Act 462).

Among the salient factors that influence the development of the communities are the availability of financial resources and the efficient and effective financial administration (FA). For number of years the Auditor General (AG) and Serious Fraud Office's (SFO) reports raise concerns about the financial administration of public institutions especially District Assemblies and how they promote good governance. Such concerns include cases of "corruption, escalating embezzlement, malpractice and improprieties in most government institutions'' (Asibuo, 2006), fraud and mismanagement of financial records. Not only did the reports reveal financial improprieties but also inventory control and property management in public services such as poor record-keeping, inadequate control over stores, loose and negligent supervision and poor store accounting (Woode, 2000). In the face of these improprieties, uncertainties and the public outcry for efficient financial administration in the district assemblies in Ghana, further studies are needed to ensure how these unprofessional and bad governance practices can be curbed in order to ensure effective and efficient financial administration.

In Ghana, many of the studies on good governance have often focused on either good governance and state institutions or governance and its relationship with other factors such as income, economy and democracy, Foreign Direct Investment (FDI), transparency, accountability and corruption with little emphasis on how the concept can lead to good financial administration. Thus our focus is to empirically evaluate the extent to which good governance could contribute to the effective and efficient financial administration.

Specifically, this study aims to:

- Identify specific elements of good governance and examine how their presence or absence is affecting financial administration in the study area;
- Identify the strategies for revenue mobilisation and how effective they are;
- Find out how the Assembly manages revenues mobilised;

- Recommend ways to improve good governance and the financial administration of the local government.

## Literature Review

### Concept of Governance

Governance has become a "hot" topic as evidence mounts on the critical role it plays in determining societal wellbeing (Graham et al., 2003). It is therefore an undisputable fact that the concept is now perhaps the single most important factor in eradicating poverty and promoting development (Kofi Annan cited in Abdellatif 2003). Thus good governance is considered as pivotal to the developmental process (AusAID 2000). Graham, Amos, and Plumptre (2003) consider governance as how governments and other social organisations interact, how they relate to citizens and how decisions are taken in a complex world. According to USAID (2005), governance involves ability of governments to develop an efficient, effective, accountable public management process that is open to citizen participation and that strengthens rather than weakens a democratic system of government. To the World Bank (1997) governance is the manner in which power is exercised in the management of a country's economic and social resources for development. It is thus the process by which a decision is made or implemented to ensure socio-economic well being of the citizenry. Fourie (2005), on the other hand, sees governance to mean the manner in which a government exercises political power and encompasses the state's institutional and structural arrangements, decision making processes and implementation capacity and the relationship between government officials and the public.

Kaufmann (2003) also defines governance as the exercise of authority through formal and informal traditions and institutions for the common good. He expands the definition of governance to include the process of selecting, monitoring, and replacing governments; the capacity to formulate and implement sound policies and deliver public services; and the respect of citizens and the state for the institutions that govern economic and social interactions among them. From the foregoing conceptual discussions, this study takes the position that governance is the ability of government to exercise control or power over socio-economic resources entrusted to it.

### Concept of Good Governance

Good governance has become a complex and multi-faceted challenge transcending a free press or any one factor (Kaufmann, 2003). According to AusAID (2000:3), good governance means "competent management of a country's resources and affairs in a manner that is open, transparent, accountable, equitable and responsive to people's needs". It involves the process by which diverse individual interests are accommodated; citizens are informed and allowed to participate without any fear of legal intimidation by the public officials.

Good governance is defined by the World Bank (1994) as the mechanism for ensuring availability of three key elements: internal rules and restraints (for example internal accounting and auditing systems, independence of the judiciary and the central bank, civil service and budgeting rules); voice and partnership (for example public private deliberation councils, and service delivery surveys to solicit client feedback); and competition (for example, competitive social service delivery, private participation in infrastructure, alternative dispute resolution mechanisms, and outright privatisation of certain market-driven activities). For the purpose of this study, good governance will be considered to mean the presence of mechanisms/institutions that ensure participation, transparency, accountability and responsiveness and control of corruption to enhance judicious use of a nation's scarce resources.

#### *Principles of Good Governance*

Available literature identifies a number of elements which work together to promote good governance. According to the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)[1], for example, good governance has eight major elements. Good governance participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and follows the rule of law. Kaufmann (2003) provides more comprehensive principles to the concept. He asserts that good governance can be measured along six components such as voice and external accountability (i.e., the government's preparedness to be externally accountable through citizen feedback and democratic institutions, and a competitive press); political stability and lack of violence, crime, and terrorism; government effectiveness (including quality of policymaking, bureaucracy, and public service delivery); lack of regulatory burden; rule of law (protection of property rights, judicial independence); and control of corruption.

The UNDP (1997) also enunciates a set of five broad principles elements of good governance, which include legitimacy and voice (participation, consensus orientation); direction (strategic vision); performance (responsiveness, effectiveness and efficiency); accountability (accountability, transparency); and fairness (equity,

[1] http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.pdf

rule of law).

This study adopts the following as the tenets of good governance because of the general inclusiveness: accountability, effectiveness and efficiency, transparency, control of corruption, responsiveness and participation. Detailed explanation is given on Table I

**Table I Principles of Good Governance**

| | |
|---|---|
| Accountability | Accountability implies the right to receive an explanation and the corresponding duty to justify one's conduct (Bhattacharya, 2000).<br><br>Accountability in public administration refers to the obligation on the part of public officials to report on the usage of public resources and answerability for failing to meet stated performance objectives (Armstrong, 2005)<br><br>Accountability refers to "holding responsible elected or appointed officials and organisations charged with a public mandate to account for specific actions, activities or decisions to the public from which they derive their authority" (Gyima-Boadi, 2001:9)<br>Public service accountability is the "methods by which public agency or a public official fulfils its duties and obligations and the process by which that agency or the public official is required to account for such actions (Jabbra and Dwivedi, 1988).<br>"Accountability requires accounts to be given, actions to be reported" to the individual stakeholders (Osborne, 2004) |
| Effectiveness | Effectiveness refers to achievement of some policy goal (Self, 1979)<br><br>Effectiveness comprises three criteria: outcomes: which means traditional performance in terms of result oriented; adaptation: the ability of an organisation in either relative or absolute terms, to exploit its environment in the acquisition of scarce and valued resources; and system health: that is, equipment used are maintained regularly and kept in good shape for longer term use (Palumbo and Moody, 1991). |
| Efficiency | Efficiency is associated with input-output relationship. That is, being able to achieve objectives with the least possible use of resources (Self, 1982 cited in Lawton and Rose, 1994).<br>Efficiency comprises: technical efficiency - ability to achieve certain goals with a given amount of resources and within a specific period; economic efficiency - attainment of an organisational goal at a minimum cost; and operational efficiency - simultaneous analysis of department capabilities (inputs) and the process of resource allocation (outputs) (Balogun, 1972; Hall and Winstein, 1959). |
| Transparency | Allowing people to see into systems and to understand the reasons for decisions taken (Osborne, 2004)<br>Transparency involves taking and enforcing decisions in a manner that follows rules and regulations, where information is freely available and directly accessible to those who will be affected by the enforcement of the decisions, where adequate information is provided in an easily understandable form and media (UNESCAP[1])<br>Public sector transparency implies the provision of clear, unambiguous information on government rules and procedures as well as the accountability of the decision making process (Zurawicki, 2003) |
| Control of Corruption | Capacity and flexibility to respond rapidly to societal changes; take into account the expectations of civil society in identifying the general public interest; be willing to critically re-examine the role of government (OECD, 2009).<br>Promoting and securing better internal management practices which include the presence of more transparent budget decision processes, better record keeping and information accessibility (CDD, 2000). |
| Participation | Participation means involving citizens in decisions that affect their life and work.<br>It includes four elements - participation by someone, participation with someone, participation in something, and participation for some purpose (Pateman, 1970), |
| Responsiveness | Responsiveness requires that government institutions and processes serve all stakeholders within a reasonable time frame (UNESCAP[2]) |

[1] http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.pdf
[2] http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.pdf

**Concept of Financial Administration**

No government as the manager of the society can function without an assured source of fund (Bhattacharya, 2000). Local governments need money to pay for services which they are legally required to provide and any other services they initiate on their own. According to Gaston () financial administration (FA) of public institutions involves the collection, preservation and distribution of public funds; coordination of public revenues and expenditure; management of credit operations on behalf of the State; and general control of the financial affairs of the government.

FA as a discrete function includes preparation of budget, passage of the budget by the legislature, execution of the budget, treasury management, rendering and auditing of accounts (Bhattacharya, 2000). It therefore encompasses budgeting, revenue mobilisation, revenue management, accounting, reporting and auditing, as further explained in Table II.

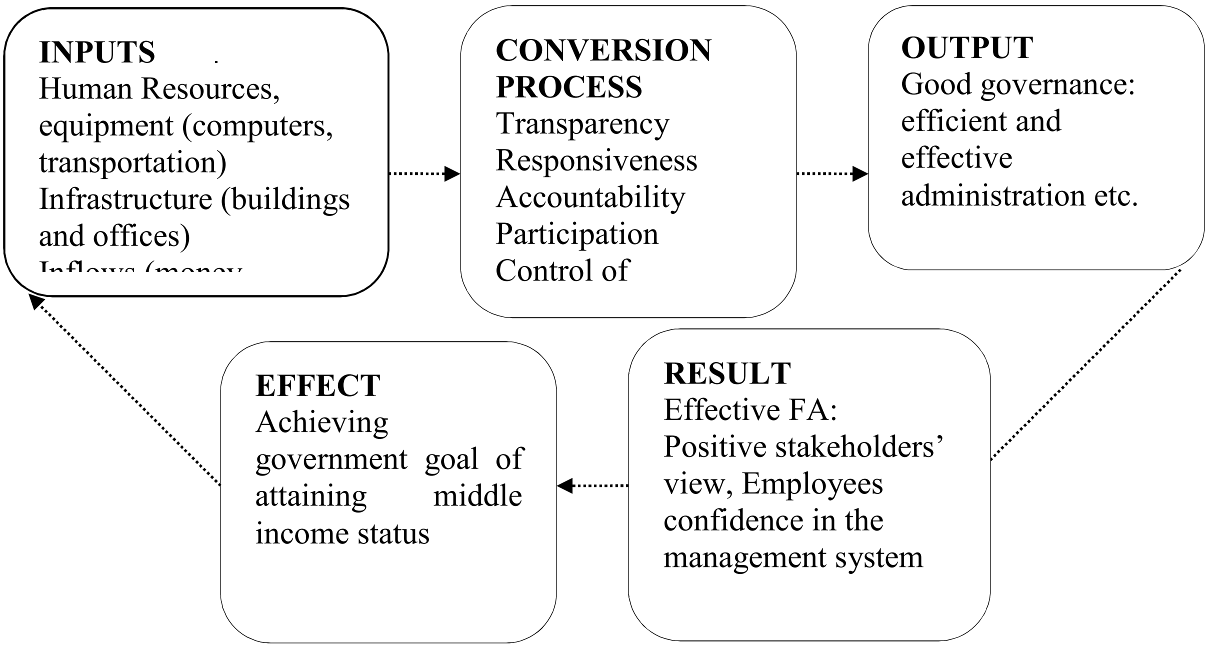
**Table II: Components of Financial Administration**

| | |
|---|---|
| Budgeting | Budgeting is concerned with the translation of financial resources into human purpose, situations where price tags are attached to a series of goals (Wildavsky, 1964)<br><br>It s about choosing who pays for government goods and services, who benefits, and where to allocate resources (Institute of Economic Affairs[(IEA], 2007) |
| Revenue Mobilisation | Revenue mobilisation includes financial and human resources:<br>*Financial Resources:* According to the Danish Support for District Assemblies (2000), the detailed sources of funds to DAs include: internally generated funds (rates, fees, licences, trading sources), central government transfer, grant, recurrent transfers, ceded revenue, DAs common fund and specialised transfers.<br><br>*Human Resources/ Human Capacity:* "Human resource implies that people have capabilities that drive organisational performance (along with other resources such as money, material, information and the like)" (Belcourt et. al, 1999).<br><br>Human resource refers to people working in an organisation who individually and collectively contribute to the achievement of its objectives (Armstrong, 2001) |
| Revenue Management | Revenue management for the study will include expenditure/financial control and human resource training or development:<br><br>*Financial/Expenditure control:* Financial control means the ability (of Metropolitan, Municipal and District assemblies) to ensure careful utilisation of the scarce or limited financial resources.<br><br>*Human resource training and development*: Training and development of staff includes efforts to constantly expose the workers or staff to skill-improving training and development programmes. Upgrading of the initial knowledge, ability and skills an employee entered the district with. In addition to the training and development, workers who are described by scholars as assets of any organisation are to be motivated, rewarded and maintained in the work place. |
| Accounting, Reporting and Auditing | Accounting, reporting and auditing are designed to aid both the executive control and legislative control[1].<br><br>*Accounting and Reporting*: means the science of producing promptly and presenting clearly the facts relating to financial condition and operations that are required as a basis of management. It also means maintaining a proper record of the finances of the organisation. This record requires authentic data regarding financial operation. This includes producing receipts or vouchers concerning every cent or penny which they spend against authorisation by appropriate authorities (Bhattacharya, 2000)<br><br>*Auditing:* means reporting on how an activity is actually running and whether it achieves the results identified in the objectives and the requirements laid down by parliament and the government (Ahlenius, 2000) |

[1] http://www.egyankosh.ac.in/bitstream/123456789/25321/1/unit_1pdf

**Theoretical Framework**
According to the systems approach, the most basic good governance system may be categorised into: input(s), a conversion process, output(s), result(s) and impact that is then fed into the system and the process continues (Figure I). *Inputs*: factors needed for the commencement of organisational operations. They include human resources, inflows (monies accruing), equipment (such as computers, transportation), infrastructure to work in (buildings and offices). *Conversion*: this marks the processing of the inputs. The conversion of the inputs determines an organisational output. Factors that determine the conversion process include transparency, accountability, responsiveness, participation, protocols, mission and vision.

**Figure I: Systems Approach to Good Governance**




Source: Takyi, 2009

*Output:* results from the conversion process. The output measures good governance of an organisation. Such good governance elements include efficiency, effectiveness, transparency and responsiveness in organisational operation. The rest includes citizens' and staff participation and control of corruption. Further, the outcome of good governance in public sector financial management is development towards the improved quality of life for all citizens as well as increased integrity of those who hold the public trust (Fourie, 2005).

*Result*: in Districts Assemblies (DAs), results are measured in three perspectives: financial administration, stakeholders and employees. The results produced must meet the efficient and effective financial administration of an organization, in this case, the DAs. In addition, stakeholders such as community members and tax payers must have a positive view about the financial administration; most importantly, how and what their monies are being used for while employees have confidence in the management system ultimately reducing the level of perceived corruption in the DAs.

*Effects*: used to describe the long-term impact of good governance. Good governance often has wider implications going beyond the walls of the nation. At best, effect of good governance is to help achieve governmental goal of attaining middle income status.

**METHODOLOGY**
The study adopts a purposive sampling technique, using a sample of staff who have worked for the assembly for two years and above, drawn from the various sections (revenue, audit, finance and account, works department which includes survey and engineering sections and the community. In all, 103 respondents, made up of staff of the assembly, key members, assembly members, market women and car mechanics were sampled. The selection of staff was done purposively to ensure that staff who have worked for less than two years were excluded. Respondents for market women and mechanics were also purposively sampled to ensure also that store and shop owners were interviewed but not the shop or store attendants. Key local government officials were also

purposively selected because they are the policy makers and have in-depth knowledge on good governance and financial administration.

A two-stage process was then used in gathering relevant data for the study. First, a structured questionnaire was used to gather information on the extent of key members, market women and mechanics knowledge on good governance and financial administration principles of the assembly. The questionnaire contained information pertaining to the themes of good governance, (such as accountability, effectiveness and efficiency, transparency, control of corruption, responsiveness and participation) financial administration (which include budgeting, revenue mobilisation, revenue management, accounting, reporting and auditing) and the demographic characteristics of staff – sex, age and education. These variables were measured using a five point likert scale 1=”strongly agree”, 2= “agree” to 5= “indifferent”. The rest were either anchored at: 1= “highly effective”, 2= “effective” to 5= “indifferent” or 1= “excellent”, 2= “very good” to 5= poor/bad. In all 63 respondents were given a set of questionnaires.

Interviews were also used to collect information from respondents. Out of the 103 respondents sampled, 40, of which 20 were market women, 10 were mechanics and 10 being key members, were interviewed. During those interactions with the mechanics and market women, a relaxed informal atmosphere was created which enhanced effective communication and rapport.

**Statistical analysis**

The version 16.0 of the Statistical Package for Social Sciences (SPSS) was used in the processing and analysis of data. All the questions were coded and entered into the software. Results are presented using tables and figures to give a meaningful presentation of the data collected. Interviews conducted were recorded and put under similar headings and transferred into the software.

## RESULTS

### Perception on Good Governance Tenets

*Effectiveness*

Table III shows staff perception on good governance principles. Since good governance requires that public institutions achieve the needs of the people they serve, while making the best use of the resources available, staff of the assembly were asked several questions in order to assess this phenomenon. We asked whether they agree that the assembly achieves its stated objectives as planned and at a minimum cost. A total of more than 70% responded in the affirmative with 27% disagreeing. As to whether the assembly is able to use its exploitive skills to tap opportunities from the environment aside its traditional way of doing things, a convincing majority (58.7%) said no with 36.5% indicating yes.

*Efficiency*

With respect to the level of efficiency with which the assembly operates, respondents were asked to determine whether the assembly is able to maintain its equipment. Most of the respondents (47.6%) disagreed that the assembly properly maintains its equipment and machines well, whereas an average of 14.25% agree (Table III). Majority of the respondents (54%) agreed that the assembly is able to achieve its goals at a minimum cost.

We further asked respondents to indicate the existence of transparency in line with access to information, of which a total of about 62.0% agreed. However, the totality of the evidence as illustrated in Table III shows that the assembly is not performing well in dealing with complaints of citizens.

**Table III: Staff Perception on Good Governance Principles.**

| **Effectiveness and Efficiency** | ***Strongly agree %*** | ***Agree %*** | ***Disagree %*** | ***Strongly disagree %*** | ***Indifferent %*** |
|---|---|---|---|---|---|
| *Goal achievement* | 9.5 | 60.3 | 23.8 | 3.2 | 3.2 |
| *Exploitive skills* | 4.8 | 31.7 | 52.4 | 6.3 | 4.8 |
| *Maintenance culture* | 9.5 | 19.0 | 47.6 | 22.2 | 1.6 |
| *Goal achievement at a minimum cost* | 3.2 | 54.0 | 33.3 | 6.3 | 3.2 |
| *Assembly's capacity (personnel and equipment)* | 1.6 | 30.2 | 31.7 | 34.9 | 1.6 |
| **Transparency** | ***Strongly agree %*** | ***Agree %*** | ***Disagree %*** | ***Strongly disagree %*** | ***Indifferent %*** |
| *Access to information* | 9.5 | 52.4 | 33.3 | 3.2 | 1.6 |
| *Handling of citizens complaints* | 4.8 | 33.3 | 57.1 | 3.2 | 1.6 |
| **Control of Corruption** | ***Strongly agree %*** | ***Agree %*** | ***Disagree %*** | ***Strongly disagree %*** | ***Indifferent %*** |
| *Staff with requisite knowledge, ability and skills* | 22.2 | 61.9 | 12.7 | 1.6 | 1.6 |
| *Proper record keeping system* | 14.3 | 61.9 | 19.0 | 1.6 | 3.2 |
| *Proper account and report on financial activities* | 6.3 | 31.7 | 33.3 | 20.6 | 7.9 |
| *Auditing of financial activities* | 19.0 | 66.7 | 11.1 | - | 3.2 |
| *Community members participation* | 9.5 | 50.8 | 36.5 | 3.2 | - |

## Control of Corruption

According to Sarin (2006), the concept corruption has become the single most pernicious element, impeding good governance. Corruption can subvert policies and programmes that aim to reduce poverty. Good governance thus imposes responsibility on the district assemblies to attack corruption at all levels because of its debilitating effects on wealth creation. To examine this phenomenon, questions were asked to determine staff's perception of the level of corruption in the assembly. Several themes, which border on proper record keeping; proper accounting and reporting on financial activities as well as auditing of the assembly's finances, were assessed. As illustrated in Table IV, a very significant number of respondents (84.1%) are convinced about the viability of the requisite knowledge, ability, and skills of employees of the assembly. In addition, a total of more that 76% revealed that in controlling corruption, proper record keeping system is kept. Interestingly, whereas a total 38.0% agree that proper accounting and reporting on financial activities is done to control corruption, close to 54% disagree with this view, while only 7.9% are indifferent. According to respondents, the poor record keeping culture of the assembly appears to have hampered the assembly's efforts at taking any effective and efficient action to beautify the city, increase performance and to solve community problems. For instance, respondents indicated that due to the poor record keeping culture, the assembly is sometimes unable to retrieve documents for follow-up actions to be effected. The study however observed that the financial activities of the assembly are regularly audited while residents take active interest in participating in activities aimed at controlling corruption.

### *Accountability, Staff and Community Participation*

Accountability as a requirement of good governance expects public officials to account for their actions and inactions to the stakeholders. At the local government levels, it involves telling the community and tax payers how their monies have been used, and to the staff, whether the assembly proffers any information to them on what has been achieved and any other outstanding issues.

**Table IV: Accountability, Staff and Community Participation**

| Accountability to stakeholders | *Frequency* | *Percent* |
|---|---|---|
| *strongly agree* | 3 | 4.8 |
| *Agree* | 20 | 31.7 |
| *Disagree* | 33 | 52.4 |
| *strongly disagree* | 4 | 6.3 |
| *Indifferent* | 3 | 4.8 |
| *Total* | 63 | 100.0 |
| | | |
| Staff and Community Participation | *Frequency* | *Percent* |
| *strongly agree* | 4 | 6.3 |
| *Agree* | 24 | 38.1 |
| *Disagree* | 33 | 52.4 |
| *strongly disagree* | 2 | 3.2 |
| *Total* | 63 | 100.0 |

In the light of the above, respondents were asked to indicate whether the assembly reports to them on the outcomes or results of its operations. The results as shown in Table IV are very illustrative. A total of 37 (58.7%) out of the 63 respondents have observed lack of accountability on the part of the local government with 36.8% holding a contrary view.

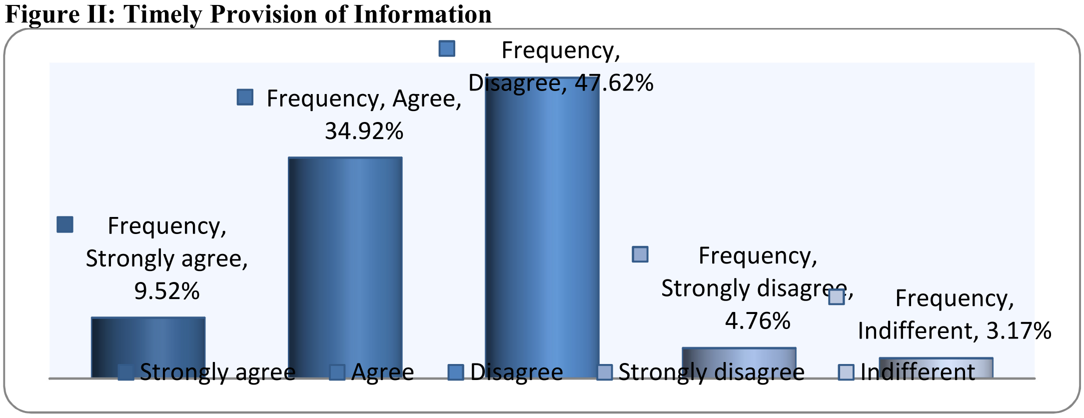
According to Richardson (1983), direct participation is said to take place when consumers meet the service providers to discuss their service needs. The study thus set out to examine the degree to which staff and community members are directly involved in the assembly's activities. Again Table IV shows a relatively poor staff and community participation in the activities of the assembly.

In addition to the questionnaires, varied views were collated from community members and taxpayers such as mechanics and market women through an interview. A greater proportion (52.4%) of respondents asserted that the assembly involves them in its activities only at the implementation stage. Further, respondents indicated that with the exception of activities that affect their personal lives, such as school or hospital projects, and sometimes shop relocation, the assembly fails to involve them in any decision-making such as setting tax rates and other related activities. They thus lamented "*they do not account or explain to us how much they collect from us or what they use our monies for. They just come for our monies with their taskforce, whether we have it or not, they even sometimes lock our stores*".

**Responsiveness**

The timely provision of information and response to the demands of institutional clients and customers promotes not only good corporate image but also embellishes corporate governance. The study therefore sought from key stakeholders the time frame within which the assembly responds to their demands and enquiries. More than half of the respondents unequivocally accused the assembly of being unresponsive (Figure II).

**Figure II: Timely Provision of Information**




**Perception on Financial Administration Elements**

The ability of a District Assembly (DA) to prepare its budget in consonance with the rules and regulations would determine how efficient its financial administration is. In view of this, the study partially sought to assess the extent to which the assembly adheres to principles and practices in preparation of its budget. It was abundantly made clear that the assembly adheres to rules and regulations in preparing financial statements (Table V).

**Table V: Staff Perception on Financial Administration Elements**

| Adherence to principles and practices | *Frequency* | *Percent* |
|---|---|---|
| *strongly agree* | 8 | 18.2 |
| *Agree* | 30 | 68.2 |
| *Disagree* | 3 | 6.8 |
| *strongly disagree* | 1 | 2.3 |
| *Indifferent* | 2 | 4.5 |
| *Total* | 44 | 100.0 |

*Revenue Mobilisation*
Deducing from the literature, one can conclude that a primary mechanism for sustained policies and programmes of decentralisation is through adequate human and fiscal resources (Ayee 2003). To examine this phenomenon, the local government officials were asked to rate the level of effectiveness of each source of revenue. The data appear to support the position that the Assembly is doing very well in three (3) sources (rates, fees and license) of revenue mobilization and has been ineffective in attracting grants from external sources (Table VI). The study identified lack of expertise in proposal writing as the key challenge in attracting grants from donor agencies. Another area of concern is the assembly's inability to effectively engage in commercial activities to generate extra income. The study however realized that there are other sources of income from the central government, which may compensate for any shortfall in revenue mobilization.

**Table VI: Revenue Mobilisation**

| Effectiveness of Sources of Revenue | *Highly effective* % | *Effective* % | *Ineffective* % | *Highly ineffective* % | *Indifferent* % |
|---|---|---|---|---|---|
| *Rate* | 31.8 | 59.1 | 4.5 | 2.3 | 2.3 |
| *Fees* | 13.6 | 75.1 | 9.1 | - | 2.3 |
| *Grants* | 9.1 | 34.1 | 54.5 | 2.3 | 2.3 |
| *License* | 11.4 | 61.4 | 25.0 | - | 2.3 |
| *Trading source* | 6.8 | 36.8 | 54.5 | - | 2.3 |

Revenue Management
An effective reward system could serve as a strong motivating factor in revenue management. On the issue of staff motivation, it was observed that the assembly lacks the basic reward packages such as staff accommodation, offices and necessary equipment (computers, vehicle) to work with, which could have strong de-motivating effects on their performance and increase staff turn-over.

The ability to maintain and retain staff can go a long way to help prevent any additional recruitment and selection cost. In other words, the extent to which DAs can reduce staff turnover may largely help reduce the cost of recruitment and training.

One key component of revenue management is expenditure control. In order to ensure this, section 87(1) of Act 462 stipulates that the DAs incur expenditure necessary for carrying out function conferred on them by the Act. To determine and examine this phenomenon, local government officials were asked whether expenditure of the assembly is in line with functions conferred on it. We observed that the assembly disburses funds in response to fulfilling its legally mandated functions and responsibilities (Table VII). As to whether the assembly spends within its estimated budget, the evidence from the respondents was quite conflicting. Upon further enquiries, it was confirmed that the assembly over-spends in every election year as a result of pressure from the central government to initiate new development projects for obvious political reasons. Proper financial records are also kept.

**Table VII: Revenue Management and Accounting**

| Revenue Management | *Strongly agree %* | *Agree %* | *Disagree %* | *Strongly disagree %* | *Indifferent %* |
|---|---|---|---|---|---|
| *Staff reward/motivation package* | 6.8 | 18.2 | 29.5 | 45.5 | - |
| *Staff maintenance* | 9.1 | 38.6 | 27.3 | 22.7 | 2.3 |
| *Expenditure in line with functions* | 9.1 | 61.4 | 20.5 | 6.8 | 2.3 |
| *Expends within budget* | 6.8 | 40.9 | 34.1 | 13.6 | 4.5 |
| | | | | | |
| Accounting | *Strongly agree %* | *Agree %* | *Disagree %* | *Strongly disagree %* | *Indifferent %* |
| *Fact relating to financial activities* | 11.4 | 43.2 | 34.1 | 4.5 | 6.8 |
| *Proper financial records keeping* | 18.2 | 63.6 | 9.1 | 4.5 | 4.5 |

***Auditing and Reporting***

Previous studies on auditing show that financial auditing has been considered as the "preferred approach to fighting government sector fraud in Ghana" (Rahaman, 2009:224). The study partly sought to collect data on the views of local government officials on the auditing and reporting practices of the assembly. It was established that financial books and records are regularly audited, and in accordance with auditing and principles and procedures. Conversely, the outcome of financial operations and activities are rarely reported to all stakeholders.

**Discussions**

This study set itself the task of evaluating good governance practices and their effects on financial administration in Local Government. Specific objectives included identifying specific elements of good governance and examining how their presence or absence affect financial administration in the study area, identifying the strategies for financial revenue mobilisation and its effectiveness, find out how the assembly manages the revenue it mobilises, and policy proposals to improve good governance and financial administration of the assembly.

*Good Governance*

The totality of the evidence available confirmed that the assembly's performance in the transparency principle of good governance is very suspect. It has consistently failed to create the appropriate forum to educate both its workers and other key stakeholders about its activities, especially, its financial performance. It was further revealed that the assembly is ineffective in handling complaints as well as providing timely and sufficient information. The unit committees which are supposed to serve as the link between local residents and the local government authorities have not been established in the Cape Coast metropolis. The communication gap between the assembly and other interested parties may be attributed to the vacuum created as a result of the absence of the unit committees and other sub-local government structures. The effect of the absence of transparency in the governance process of an institution such as a local government could be very devastating – the incidence of corruption is bound to increase and investor confidence is likely to dip. This is exactly the opposite of Léautier and Chartrand's (2004) assertion that the more transparency, the less corruption occurs; and the less corruption, the more institutions attract private investments.

Our interaction with the staff of the assembly brought to the fore how poorly motivated the assembly members are, financially and materially. One can, therefore, without any hesitation agree with the respondents that the inability of the assembly to disseminate timely information on its financial and other activities to its partners could at least be partly attributed to its weak financial position. The failure to provide timely information is at odd with the OECD's (2009) assertion that timely provision of information helps improve the quality of decisions made by institutions, investors, and communities.

Another important governance principle that received considerable attention in this research was the involvement of stakeholders, especially, residents in project implementation. Although they are involved in activities that affect their personal lives, such as building of schools, public sanitation facilities, and others, they are invariably side lined in the initial planning and evaluation stages. Community participation, thus, actually occurs only at the implementation stage. This indeed, is very worrying, as Richardson (1983) explains that for true participation to occur there should be both direct and indirect participation of stakeholders – community members and all others – in all facets of project cycle.

Financial Administration

The study discovered that the assembly is performing relatively well in revenue generation in the areas of rates, fees and license. However the best performance of the assembly in this regard is not sufficient to enhance its performance. It lacks the expertise in augmenting its revenue mobilization by attracting extra funds through grants and donations. As Bhattacharya (2000) explained a decade ago, no government as the manager of the state machinery can function effectively without an assured source of funds.

The study identified a high level of dissatisfaction among a significant number of local government employees with regard to how recruitment is effected without following due process. In the absence of proper job description and analysis, the recruitment process is initiated and ends by selecting applicants through political connections and patronage.

The study also discovered that although the assembly appears to be trying to control its finances with regard to spending within its budget and functions conferred on it, it is nonetheless unable to manage the human resource capacity of its staff such as the organisation of workshops, seminars and in-service training, provision of good compensation package and staff maintenance. This runs counter to the assertion of Pfeffer (2002) in Anthoney, Kacmar and Perrewe (2002) that success comes from effective planning and implementation of policies and programmes, whose success rest largely on the capabilities of the people in the organisation.

Lastly, the results prove a positive association between good governance and financial administration. The results implies good governance have a significant relationship (P= 0.024) with financial administration at a significant value of 0.05.

From the above discussions, it is conclusive that the availability of human resources, inflows (such as monies accruing), equipment (such as computers, transportation), infrastructure (buildings and offices) to work with, buttressed with ability to maintain staff, provide information on both financial and non-financial matters, effective handling of citizens' complaints, proper auditing and reporting/accounting of financial information, direct participation of staff and community members in the assembly's activities and timely provision of information to stakeholders can help to achieve good governance leading to efficient and effective financial administration. However, the findings suggest that the assembly to a large extent, does not operate under good governance principles leading to inefficient and ineffective financial administration.

## Conclusion

Good governance has now become not only the single most important factor in eradicating poverty and promoting development but also a requirement for financial assistance from the multilateral organisations and developed countries. In spite of the recognition of the importance of good governance in helping to reduce poverty, very little is known empirically about how the presence or absence of the concept affects financial administration in Ghana, specifically in the sub-state agencies like the MMDAs. It is against this backdrop that the study set out to examine good governance principles and how they affect financial administration in the Cape Coast Metropolitan Assembly (CCMA).

The findings show inadequate human resources and equipment (such as computers and vehicles) in the Metropolitan, Municipal and District Assemblies (MMDAs). The study also points out lack of motivational packages and ineffective efforts at revenue generation. Further, the findings observed high staff turnover rate which affects core departments like audit, budget and engineering. The study has revealed teething problems of the assemblies which border on weak unit committees, non-existence of sub-metros and under resourced assembly members.

Overall, the findings of the study indicate a positive relationship between good governance and financial administration. The results of this study therefore have policy implications for improving upon the performance of the MMDAs in Ghana to ensure good governance practices which eventually translate into effective and efficient financial administration.

## References

Ahlenius, I.B. (2000), "Performance Audits, Evaluations and Supreme Audit Institutions", *International Journal of Government Auditing*, Vol.27, No.1, pp1-25.

Anthoney, P.W., M.K. Kacmar, and L.P. Perrewe (2002), Human Resource Management: A Strategic Approach, USA, Courier, Kendallville.

Armstrong, M. (2001), Human Resource Management Practice, 8th edition, Great Britain, Kogan Page Limited.

Armstrong, M. (2005), Human Resource Management Practice, 10th edition, Great Britain and United State, Kogan Page Limited.

Armstrong, E. (2005), Integrity, Transparency and Accountability in Public Administration: Recent Trends, Regional and International Developments and Emerging Issues, United Nation

Anthoney, P.W., M.K. Kacmar, and L.P. Perrewe (2002), Human Resource Management: A Strategic Approach, USA, Courier, Kendallville.

Ayee (2003), "*Local Government Decentralization and State Capacity in Ghana*", Critical Perspectives on Politics and Socio-economic Development in Ghana, Netherlands, Koninlijke Brillnu, Leiden.

Asibuo, S.K. (2006), "Ethical Dilemmas in Ghana's District Assembly System", *African Administration Studies*, No 66, pp 35-54.

Australian Government's Overseas Aid Program (Aus AID 2000), Good Governance: Guiding Principles for Implementation,
http://www.ausaid.gov.au/publications/pdf/good_governance.pdf, Retrieved on 17th September 2009, 10: 20am
Balogun, M.J. (1972), "A Framework for the Measurement of Governmental Efficiency", *The Quarterly Journal of Administration*, Vol. VII.
Belcourt, M., A. Sherman, G. Bohlander and S. Snell, (1999), Managing Human Resources, 2nd Canadian edition, Canada, Jacqueline Wood.
Bhattacharya, M. (2000), New horizons of Public Administration, New Delhi, Jawahar Publishers and distributors.
Centre for Democracy and Development (CDD) (2000), The Ghana Governance and Corruption Survey: Evidence from Households, Enterprises and Public Officials, Accra: CDD Ghana and World Bank.
Constitution of the Republic of Ghana – 1992
Danish Support for District Assemblies II (2000) Local government accounting for finance officers, District Handbook.
.................. "Financial Management and Good Governance"
http://www.ifad.org/operations/pf/finance/ (word document), Retrieved on 19th September, 2009
Fourie, D. (2005), "*Good Governance in Public Financial Management: An African Perspective*", 27th AAPAM Annual Roundtable Conference, Zambezi Sun Hotel, Livingstone, Zambia.
Ghana, Auditor General's Report 1992
Ghana, Auditor General's Report 1994
Ghana, Auditor General's Report 1999
Ghana, Auditor General's Report 2005
Ghana, Auditor General's Report 2006
Ghana, Serious Fraud Office Report 1998
Ghana, Serious Fraud Office Report 1999
Ghana, Serious Fraud Office Report 2000
Ghana, Serious Fraud Office Report 2004
Graham, J., B. Amos, and T. Plumptre (2003), Principles for Good Governance in the 21st Century, Institute on Governance, Policy Brief No.15, Ottawa, Canada.
Gyimah, B. (2001), "Governance Institutions and Values in National Development", University of Ghana: *ISSER Millennium Seminar Series No.1*
Hall, M. and C. Winstein (1959), "The Ambiguous Notion of Efficiency", *The Economic Journal*, Vol. 69.
Institute of Local Government Studies (ILGS), A Handbook: The Role of the Assembly Member in Ghana's Local Government System Accra, Ghana.
Institute of Economic Affairs (2007), The Citizen's Handbook on the Budget: A guide to the Budget Processes Kenya, 2nd edition, Nairobi, Kenya, Institute of Economic Affairs.
Jabbra, J.G. and O.P. Dwivedi (1988), Public Service Accountability, A Comparative Perceptive, United State of America: Kumarin Press.
Kaufmann, D. (2003), *Rethinking Governance: Empirical Lessons Challenge Orthodoxy*. Washington, DC: World Bank.
Kaufmann, D. (2003), Governance Redux: the Empirical Challenge, http://mpra.ub.nui_muenchen.de/8210/1/MPRA paper8210.pdf, Retrieved on 27th April, 2010, 1:25pm.
Léautier, F. and Chartrand, L. (2004), Roundtable on Good Governance Principles: International and Aboriginal Perspectives, Summary of the Inaugural IOG Aboriginal Governance Roundtable, Ottawa, Institute on Governance,
http://www.iog.ca/publications/2004_tanaga1summary.pdf, Retrieved on 17th September 2009, 10: 01am
Ministry of Local Government and Rural Development (MLGRD) (1995), Community Participation and Governance, From Centre to the Grassroots: Excerpts from Selected Speeches on the Decentralisation Policy, Vol.5, pg.70-71 Accra: Ministry of Local Government and Rural Development.
.................."Nature and Scope of Financial Administration"
http://www.egyankosh.ac.in/bitstream/123456789/25321/1/unit-1pdf, pg 7-17, Retrieved on 4th September 2009, 1:51pm
Organisation for Economic Co-operation and Development (OECD 2009) Directorate for Public Governance and Territorial Development, "*Principal Elements of Good Governance*" http://www.oecd.org/document/32/0,3343,en_2649_33735_1814560_1_1_1_1,00.html, Retrieved on 9th September 2009, 10.08am,
Osborne D. (2004), "Transparency and Accountability Reconsidered", *Journal of Financial Crime*, Vol.11, No. 3, pp 292-300
Palumbo, D. and S.M. Moody (1991), Contemporary Public Administration, New York and London, Longman.

Pateman, C. (1970), Participation and Democratic Theory, Cambridge: Cambridge University Press
Pfeffner, J. M. and R. Presthus (1967), Public Administration, United State of America, the Ronald Press Company.
Richardson, A. (1983), Participation, London: Routledge and Kegan Paul
Rahaman, A.S. (2009), "Independent Financial Auditing and the Crusade against Government Sector Financial Mismanagement in Ghana", *Qualitative Research in Accounting & Management* Vol. 6 No. 4, 2009 pp. 224-246
Sakyi E.K. (2004), "Promoting Accountability through State Audit: An Appraisal of the Auditor-General's Reports on the Consolidated Fund (CF)", *African Administrative Studies*, No. 62, pp 1-18
Sarin, R. (2006), "Dynamics of Good Governance", *Journal of Administrative Reforms*, Vol. XXXVIII, No. 2 Pp 85-90, July – September, 2006
Self, P. (1979), Administrative Theories and Politics: An Enquiry into the Structure and Processed of Modern Government, Great
Britain, George Allen and Unwin Ltd.
UNESCAP, *What is Good Governance* http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.pdf Retrieved on 17th September 2009, 9: 30am
UN (2000), Economic Governance: Guidelines for Effective Financial Management, Department of Economic and Social Affairs, Division for Public Economics and Public Administration, New York.
United Nations Development Programme (UNDP) (1997) *Governance for Sustainable Human Development.* New York: UNDP.
USAID (2005), 'Democracy and Governance', http://www.usaid/gov/our_work/ democracy and governance/
Wildavsky, A. (1974), The Politics of the Budgeting Process, Canada, Little, Brown and Company (Canada) Limited.
World Bank Annual Report, 1997. Washington D.C.: The World Bank 1997a
World Bank Participation Source Book, Washington, D.C., The World Bank, 1994
World Bank Participation Source Book, Washington, D.C., The World Bank, 1996
Woode, S.N. (2000), Ethics in Business and Public Administration, Introductory Essays and Cases, Accra: Sempa Publishing, Christian Council of Ghana.
http://www.iiste.org/Journals/index.php/EJBM