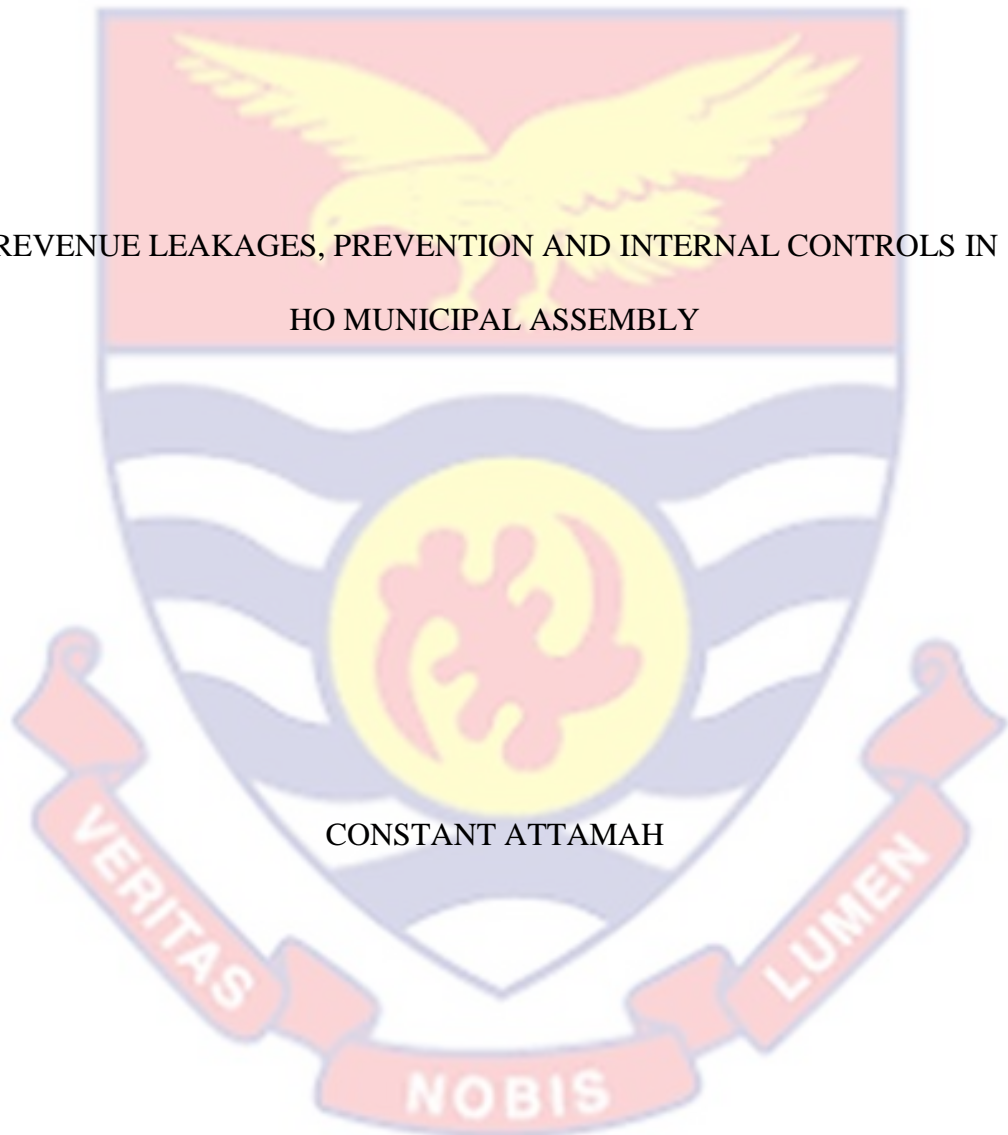


UNIVERSITY OF CAPE COAST

REVENUE LEAKAGES, PREVENTION AND INTERNAL CONTROLS IN  
HO MUNICIPAL ASSEMBLY



CONSTANT ATTAMAH

2022

UNIVERSITY OF CAPE COAST

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HO MUNICIPAL ASSEMBLY

BY  
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Dissertation submitted to the Department of Accounting of the School of  
Business, College of Humanities and Legal Studies, University of Cape Coast,  
in partial fulfilment of the requirements for the award of Master of Business  
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## DECLARATION

### Candidate's Declaration

I hereby acknowledge that this dissertation is the result of the original work undertaken by me Constant Attamah; under the able and painstaking supervision of Mr Stephen Asante. I further certify that this work has not been submitted anywhere else for any academic purpose or otherwise.

Candidate's Signature..... Date.....

Name: Constant Attamah

### Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature..... Date.....

Name: Mr Stephen Asante

## ABSTRACT

The objective of this study was to identify channels of revenue mobilisation leakages and also evaluate internal controls and prevention mechanisms implemented by the Ho Municipal Assembly. The study utilised purposive sampling methods to choose the right respondents for information assortment. A survey questionnaire was utilized to evoke essential information. A sample of 50 respondents was chosen for the survey. Information accumulated was exposed to elucidating examination utilizing SPSS. The investigation discovered; income gatherers take food things like fish, sweet potato and different things in lieu of cash from rate payers. Findings likewise uncovered that, the utilization of phony General Counterfoil Receipt (GCR) by income authorities in Ho Municipal Assembly was overwhelming. Carbon shifting and under charging of bills by revenue collectors were also found as channels of revenue leakage in Ho Municipal Assembly. Again, the study found that Ho Municipal Assembly loses monies due to poor financial or payment records by revenue collectors. Others findings include; non-enforcement by-laws, lack of social accountability, inadequate public education and weak implementation of internal controls as the cause of poor revenue performance in Ho Municipal Assembly. In view of discoveries, the review suggested, implementation of social responsibility by obligation conveyors of Ho Municipal Assembly and likewise other neighbourhood specialists, policymakers ought to plan and carry out approaches which give sufficient discipline to Assemblies that neglect to record to its constituents, Ho Municipal Assembly ought to arraign degenerate income authorities to act as a hindrance to other people who mean to enjoy the demonstration.

## ACKNOWLEDGEMENTS

I want to express my genuine thanks and appreciation to my exquisite family for their help both physical and profoundly. I additionally need to thank my boss Mr. Stephen Asante whose intensive management prompted an effective culmination of this work. My last appreciation goes to the administration of Ho Municipal Assembly particularly the Municipal Coordinating Director Mr. Peter Kwesi Thompson for his commitment and help.



## DEDICATION

I dedicate this dissertation to my former boss Mr. Johnson Y. Ahiatrogah, lovely wife Benedicta Zumedor, and children Edinam Ann, Elinam Amos, Nayram Aaron, Sedem Austin and Yayra Yvonne.



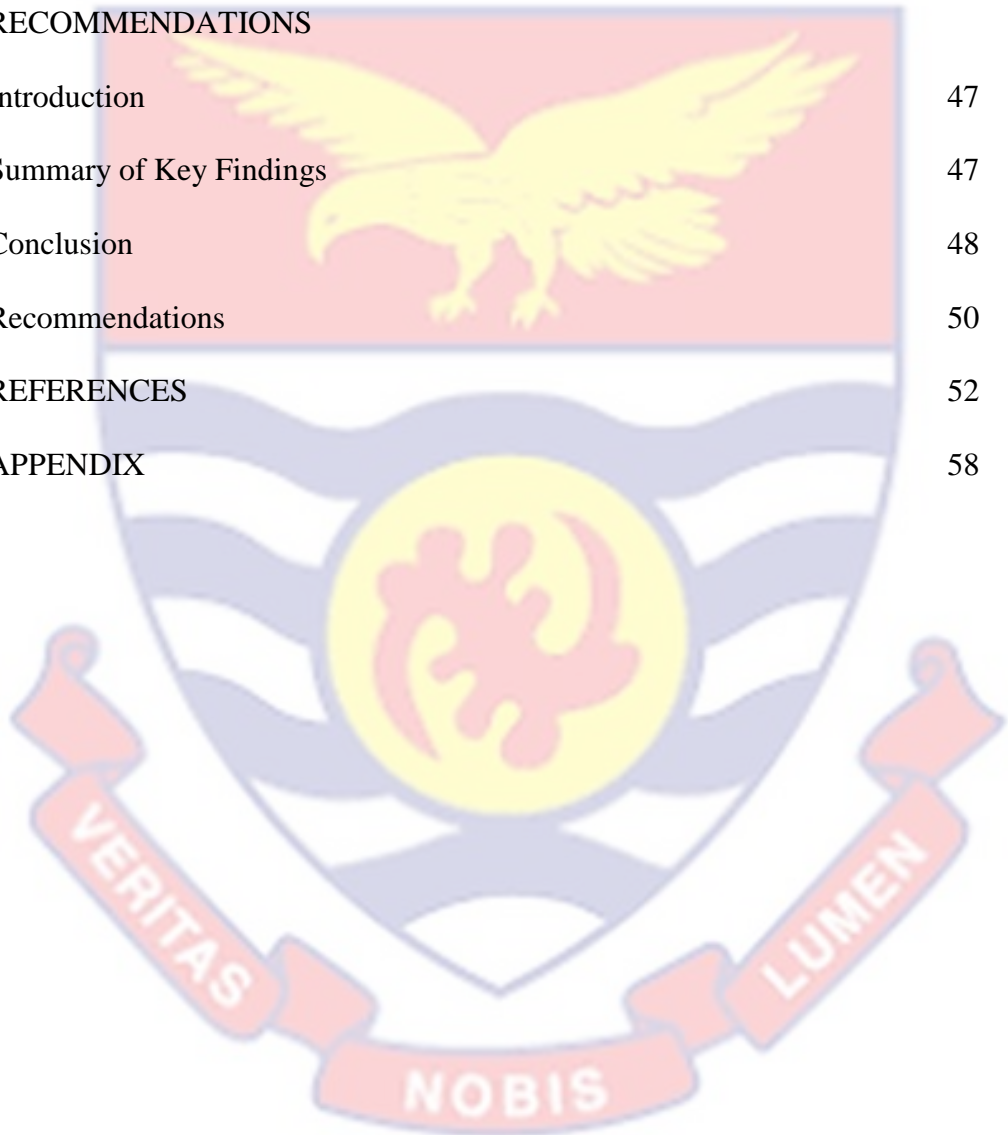
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## LIST OF ACRONYMS



AMA	Accra Metropolitan Assembly
BOP	Business Operating Permit
CDD	Center for Democratic Development
CSO	Civil Society Organization
DACF	District Assemblies Common Fund
DDF	District Development Facility
DPAT	District Performance Assessment Tool
GCR	General Counterfoil Receipt
GIZ	Gesellschaft für Internationale Zusammenarbeit
GOG	Government of Ghana
GSS	Ghana Statistical Service
HMA	Ho Municipal Assembly
IA	Information Asymmetry
IGF	Internally Generated Fund
MMDAs	Metropolitan, Municipal and District Assemblies
PNDC	Provisional National Defense Council
REM	Resourceful, Evaluative and Maximization
RIAP	Revenue Improvement Action Plan
UDG	Urban Development Facility

## CHAPTER ONE

### INTRODUCTION

#### **Brief Introduction**

Revenue mobilisation has become an integral part of economic management whereby countries are able to provide social amenities to citizens. Under normal circumstance, the revenue mobilised in an economy should be enough to manage it. However, the amount that is borrowed from other economies can be more but the borrower should be able to pay back. In the case of Ghana, revenue mobilization has become a bit suspicious because the amount Ghana has borrowed exceeds more than 50% of GDP. There might be other reasons for the reason why revenues mobilised in Ghana are not enough to the point of borrowing from other countries. In this work, we explore revenue leakages, internal controls and ways we can prevent the leakages at the local assemblies.

#### **Background of the Study**

Innovative and effective ways of mobilizing local level revenue by Metropolitan, Municipal and District Assemblies (MMDAs) in Ghana continue to receive priority attention from both government and Civil Society Organizations (CSO). In recent times, MMDAs have come under intense criticism for not being able to mobilize enough resources to deliver on their core mandate. A study by Eme and Chukwurah (2015) to address revenue leakages in Nigeria properly captured and explained the ramifications of revenue leakages on an economy and development at large. Decentralization, which is meant to replace the one fit all services provided by central

government will not become a reality without adequate resource to propel growth and development of local economies.

Development as defined by Korten and Klaus (1984) is the process of building the ability of community members to increase their potential, pool and manage resources to successfully grow services, and equitably share improvements in the meaning of life that are consistent with their individual ambitions.. This definition highlights on two salient issues which worth explaining. Firstly, it is undoubtedly clear that promoting growth and development of local economies which is meant to eliminate poverty and improve the well-being of residents can only be realized with an increased and sustained revenue streams. Secondly, the definition further advocates for fairness and social accountability of the resources mobilized. In furtherance of this, various governments adopted varied approaches in the efforts to develop their economies and provide better public services to enhance the well-being of its citizens.

In Ghana, decentralization approach was adopted through the promulgation of PNDC Law 207 in 1988. Sulley (2009) defines decentralization as, devolving administrative, political, planning and financial responsibilities to lower echelons of government to deliver quality public services and infrastructure development to her citizens. Gibson, Anderson and Lehoucq (2004) argue that, decentralization promotes efficiency, effectiveness and accountability in local revenue mobilization which concurs with the above development definition by Korten and Klaus (1984). In line with this, Metropolitan, Municipal and District Assemblies (MMDAs) were established as local development authorities to mobilize adequate resources to grow and

develop their respective local economies. The growth and development were to be championed through the provision of quality services and infrastructure that embraces the aspirations and improves the living standards of its constituents. MMDAs as development authorities are therefore, mandated to providing road infrastructure, school infrastructure, market infrastructure, health infrastructure and other services hitherto provided by the central government.

Since 1988, Ghana's decentralization process had undergone series of reforms using PNDC Law 207 as the fulcrum of the restructuring (Sulley, 2009). The reforms led to legal provisions in the 1992 Constitution of Ghana and subsequent enactment of the local government Act, 1993 (Act 462) to deepen decentralization and promote development in Ghana. The local government Act was repealed by local governance Act, 2016 (Act 936) so as to consolidate and enhance local governance in Ghana including revenue mobilization. To further strengthen profitability and financially equip District Councils to carry out their core duties, Constitution of Ghana 1992 and adoption of amendments, Local Governance Act 2016 (Act 936) has identified five primary revenue streams for District Councils to help them fully meet the local development needs of their communities. (Aryee, 2003; Sulley, 2009). Sources of income include; Internally Generated Funds (IGF), Central Government Transfer including District Council General Fund (DACF), Ghana Government Transfer to Development Division (GoG), Grants, Grants loans and other fund support from donors.

However, the performance of MMDAs in mobilizing IGF to supplement the matching funds (grants) has been woefully inadequate due to

leakages, poor accountability and weak mobilization strategies (Christian, Ernest & Odoom, 2014). A study by Addo (2015), revealed that most District Assemblies in Ghana are not able to meet their recurrent and capital expenditures due to massive revenue leakages in the system through poor revenue mobilization strategies and misappropriation of funds. He further argued that, abysmal IGF performance rendered most MMDAs heavily dependent on DACF which is undermined by delays and excessive deductions. The Recent rate of Central Government Budget Deficits due to revenue short falls coupled with amortization of loans procured has worsen the dwindling nature of statutory transfer funds to District Assemblies. This adversely affected the performance of District Assemblies in delivering their constitutionally mandated responsibilities to their constituents. Failure of District Assemblies to offer these essential facilities to citizens at the grassroots level, according to Pradeep (2011), is a formula for low economic growth and abject poverty.

### **Statement of the Problem**

Mobilizing enough internal revenue by the various local governments in Ghana to complement the transfer from central government have faced diverse challenges. These difficulties in marshalling enough revenue for local governments so as to enable them fund their developmental projects and provide quality service delivery have often resulted in inadequate developmental projects in the local assemblies. Adu-Gyamfi (2014) argues that, gross financial mismanagement by most MMDAs in Ghana is one major factor militating against development at the local level. Agreeably, the Auditor General's Report on District Assemblies management and utilization of public



funds revealed financial irregularities and mismanagement to the tune of GHS 40, 929,999.54 in 2017 fiscal year alone (Auditor General Report, 2017). This amount includes Internally Generated Funds (non-tax revenue) meant to supplement Central Government Transfers for developmental activities. The Report by Auditor General further discovered revenue mobilization leakages where revenue collectors and officers could not account for funds collected from the constituents.

In Ho Municipal Assembly (HMA) for instance, information gathered from the Municipal Internal Auditor revealed that, two revenue collectors were interdicted in 2015 fiscal year for failure to account for the monies collected from the constituents. This was property rates and business operating permits meant for developmental activities which resonates with the needs and aspirations of the constituents. Furthermore, Ho Municipal Assembly is strategically position as a Regional capital of the Volta Region with a lot of ratable properties often known as ‘low hanging fruits’ and businesses. However, the revenue inflows leave much to be desired as a Municipal status upon all economic resources at its disposal. Figure1 shows the revenue inflow of the Assembly from 2012-2017.

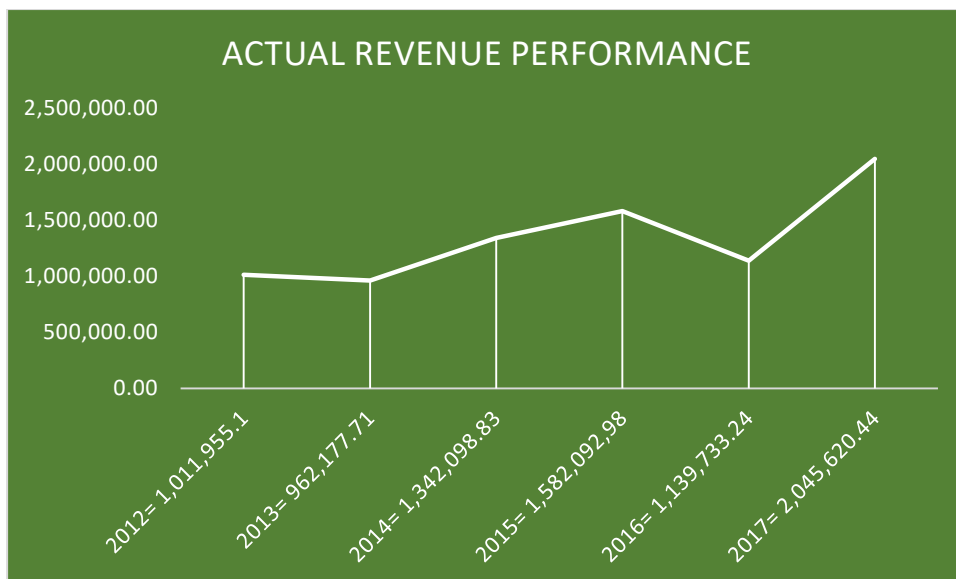


Figure 1: Actual Revenue Performance from 2012-2017

Source: HMA, Financial Statements, 2012-2017

The financial figures depicted on the graph, coupled with the oscillated nature of revenue trends clearly shows that, HMA is having a challenge regarding revenue mobilization. According to Gesellschaft für Internationale Zusammenarbeit (GIZ) technical team on MMDAs IGF mobilization, Ho Municipal Assembly is mobilizing just 40% of their revenue potentials (GIZ, 2018). The consequence of poor revenue performance by HMA is failure to deliver on their administrative, political, economic and social functions to the constituents. Agreeably, Ramsey (2013) argues that most local governments around the world including Ghana, due to their lack of internal revenue generating capacity, have been unable to carry out their tasks of advocating local economic growth direction. He also blamed poor performance on leaky systems, weak internal controls and MMDA prevention methods..

Given this problem, there has been a lot of research around it but only a few (Bahl & Linn, 1992, Sulley, 2009, Yeboah & Johanson 2010, Heggstad

& Fjeldstad, 2012 and the like) have concentrated on this problem in Ghana. These have extensively research into this problem however, the problem still persist. Most of these research concentrate on the private sector. Moreover, their methods used cannot be generalized to government institutions.

The topic under study has become imperative considering the dynamic trends or environment in revenue mobilization which calls for frequent empirical research to unearth revenue mobilization leakage channels, challenges and recommend sophisticated internal controls for prevention. This study therefore, seeks to assess Revenue Leakages, Prevention and Internal Controls of District Assemblies focusing on Ho Municipal Assembly.

### **Purpose of the Study**

The main objective of this study was to identify channels of revenue mobilization leakages and also evaluate internal controls and prevention mechanisms implemented by the Ho Municipal Assembly.

### **Research Objectives**

1. To evaluate the existing revenue mobilization strategies adopted by Ho Municipality.
2. To evaluate internal controls adopted by the Ho Municipal Assembly.
3. To identify channels of revenue leakages in the Ho Municipal Assembly.

### **Research Questions**

The research seeks to answer these questions

1. What are the existing revenue mobilization strategies adopted by the Ho Municipal Assembly?
2. What are the internal controls adopted by the Ho Municipal Assembly?

3. What are the revenue mobilization leakage channels in the Ho Municipal Assembly?

### **Significance of the study**

This study has become imperative due to the poor performance on Internally Generated Fund (IGF) by MMDAs which is largely attributed to massive revenue leakages in the system (Ramsey, 2013). With reference to findings on the channels of revenue leakages, the study prescribes an overarching and up to date internal controls and revenue mobilization strategies to HMA using both theoretical and empirical perspectives. This could curb the financial malfeasance and generate enough revenue needed by HMA for the provision of quality services and developmental projects to the community members. Findings from the study can aid Management of Ho Municipal Assembly in developing appropriate revenue mobilization framework for both commissioned and non-commissioned revenue collectors.

Furthermore, findings from the study can serve as empirical evidence or information to guide policymakers in their efforts to formulate and implement policies aimed at improving IGF performance by MMDAs in Ghana and also deepen fiscal decentralization and democracy.

The study may also inform the central government in its budgetary allocation to MMDAs since one core objective of decentralization is to attain allocation efficiency of scarce resources. To Civil Society Organizations (CSO) and International Donor Agencies, this study should provide them a good platform to gain in-depth appreciation of the revenue mobilisation challenges and developmental needs of MMDAs.

Finally, the study serves as a reference document for future research into areas such as fiscal decentralization, revenue mobilization challenges and development of local economies.

### **Delimitation**

The study focuses on identifying channels of revenue leakages, internal controls adopted and ways of preventing the leakages. A questionnaire was designed to collect data via direct interviews within the administrative jurisdiction of the Municipal Assembly. Secondary data for the project were sourced from the Municipal Assembly's financial reports and Ministry of finance Website.

### **Limitations**

The study did not model the effects of individual behavior on revenue leakages. The study by constrained by the avoidance of respondents to answer questionnaires and the resistance of the assembly to release financial reports requested.

### **Organisation of the study**

This study has been structured into five chapters. First chapter is made up of the background of the Study, problem statement, study objectives, significance of the study, scope, limitations and the organization of the study. Chapter Two highlights literature review, explanation of concepts and brief history of local governance in Ghana while Chapter Three presents the methodological framework of the study. Chapter Four present's findings and discussions of the results and finally Chapter Five gives summary of the study, conclusion and policy recommendation.

## CHAPTER TWO

### LITERATURE REVIEW

#### Introduction

Chapter two explains theoretical foundation of the research topic as well as review relevant empirical literature on revenue leakages, prevention and internal controls at local government level. The chapter further highlighted on the legal framework upon which decentralization in Ghana hinges on. The section is coordinated to such an extent that, the initial segment makes sense of monetary decentralization hypothesis, second part manages legitimate structure and other significant ideas on financial decentralization in Ghana and the third part additionally presents a concise verifiable foundation of neighborhood government frameworks in Ghana. The last part surveys observational writing on nearby government income activation. Jesson, Matheso and Lacey (2011) and Aveyard (2010) opines that, literature review of any kind seeks to facilitate the reader understanding on how a study fits into a broader perspective and also helps the investigator to have insight into other similar research.

#### Theoretical Review

Local government workers at the various MMDAs are into social contract with the citizens within their administrative jurisdiction to deliver quality services and developmental projects to better their lives. Therefore, they are accountable to the constituents and must act in their interest. Any decision or action taken by actors at the Assemblies which do not inure to the benefit of the constituents is a breach of contract. Adejoh and Sule (2013) found that, local authorities get into high risk ventures by engaging

commission revenue collectors without bonding them and thus, affording them the leverage to cheat the system. Considering this and many other scenarios of revenue leakages and misappropriation of funds within Metropolitan, Municipal and District Assemblies, two salient theories namely Agency and Information Asymmetry theories can best explain the process and the ways to curb it.

As stated earlier in the problem statement where revenue collectors were interdicted for failure to account for levies paid by the citizens is a classic example of agency problem. Revenue collectors using information at their disposal to cheat the system because management do not have a complete database of revenue sources is an instance of information asymmetry problem. Furthermore, Management at the Assemblies outsourcing revenue mobilization activities to revenue agents based on their parochial interest instead of considering citizens' interest is an agency problem (Heggstad and Fjeldstad, 2012). In view of this, Agency theory and Information Asymmetry theory have been adopted to underpin the project work. Agreeably, Griffin (2004) characterized hypothetical system as a reasonable structure for getting sorted out information to make an outline for activity.

### **Information asymmetry theory**

Information Asymmetry (IA) theory was first introduced in 1970 by Akerlof in an article entitled "market for lemons". That is, quality vulnerability and the market instrument with car market for instance. In numerous commercial centers, he said, the purchaser uses a market marker to decide the worth of a class of products. This implies that the purchaser takes the normal of the whole market, while the merchant has a superior

comprehension of a solitary thing. As per Akerlof, IA urges merchants to sell things of below than the typical market quality.

In the context of the topic under review, IA theory stipulates that, identification of trust worthy revenue agents and individual collectors from bad ones is limited due to asymmetry of information. Secondly, revenue agents and collectors are able to cheat the system because they possess information on rateable and non-rateable properties as well as business operating permit (BOP) which actors of the Assembly do not. According to Richard (2011), moral hazards problems in contracts which often result into poor revenue performance is largely attributed to information asymmetry between Management of the Assemblies, revenue companies (agents) and collectors. According to the theory, economic agents having more information about a specific transaction in a market have a better bargaining position than those with limited information (Agu & Okoli, 2013). This leads to adverse selection of collectors who come with the intension of cheating the system.

Adverse selection is the tendency of selecting high risk profile collectors or agents for revenue mobilization due to information asymmetry. Moral hazard on the other hand, is an unanticipated risk a party to a particular transaction incurs due to incomplete information about credit capacity, assets and liabilities (Agu & Okoli, 2013). Furthermore, staff of the Assembly milking the system is also due to lack of information to the citizens who are the beneficiaries of effective and efficient revenue mobilization. The study therefore reviews this theory to underpin the causes of revenue leakages in local government systems.



### **Agency theory**

Stephen Ross and Barry Mitnick propounded the Agency Theory in 1973 with its basic assumptions grounded on economic model of a man known as Resourceful, Evaluative and Maximization (REM). Stephen Ross and that's what Barry Mitnick contended, the REM model addresses human activity and hence, expects that people are sane, childishly roused and will act deftly even savagely at whatever point favourable.

Revenue leakages and internal controls challenges at MMDAs is a corporate governance and risk management issue which can be appropriately situated in the agency theory. The theory is a corporate governance or ethics scandals theory developed for corporate institutions such as Ho Municipal Assembly. The fundamental principle of the theory focuses on the relationship between agents (Individual revenue collectors, staff and Revenue companies) and their principals (citizens) as well as the challenges that surface as they work towards a common goal of improving living standards of the constituents. Smith and Stulz (1985) further argued that, agency issues have potential influence on managerial assertiveness towards the kind of decisions and risk they adopt. According to them, possible disparity of interest between principals (Citizens) and agents (management of MMDAs) resulting from asymmetries in benefits is very dangerous. Agreeably, Mayers and Smith (1987) opines that, this can force an institution and individual to engage in high risk activities or possibly not embarking on positive net value projects.

Linking this theory to the problem of revenue leakages and weak internal controls, can be seen from the perspective of management at MMDAs outsourcing revenue mobilization activities to companies' based on their

parochial or personal interest and not to the best interest of the citizens. They also engage in high risk ventures on behalf the citizens by entering into revenue mobilization contracts without knowing the value of the contract. Revenue collectors and agents having known that management of the Assembly do not have actual value of the contract, use the opportunity to cheat the system. Aside this, internal audit which is a cardinal part of strong internal controls and risk management also fail on their responsibility. In order to address the problem of discrepancy between principals and agents' interests, agency theory calls for hedging. Both theoretically and experimentally, the impact of agency difficulties on corporate risk management has been investigated. Managerial incentive factors have a detrimental impact on corporate risk management, according to a study done by Faff and Nguyen (2002) to explore the efficacy of agency theory on corporate risk management.

In business risk management, the issue of principals and their agents stretches back to the 18th century (Don Brian, 2010). According to Mitnick (1973), there are three major issues with risk management in a business setting. These include:

1. Agent's problem: When there is a divergence, agents must decide whether to act in the principal's best interests, their own best interests, or some combination of the two.
2. Principal's problem: This has to do with shareholders incentivizing agents to meet predetermined objectives.
3. Policing instruments and motivations: These discuss incentives and other systems designed to limit the agent's discretion, such as directed tasks or surveillance.

These three principles give a clear framework and purpose for effective and efficient business risk management, particularly among municipal governments. It explains why MMDAs should establish and implement proactive revenue contracts, mobilization methods, and internal controls.

### **Conceptual Review**

The importance of decentralization, the set of experiences and development of decentralization in Ghana, the reasoning for monetary decentralization, and the regulation overseeing financial decentralization in Ghana are totally made sense of in this part of the section.

### **Decentralisation concept**

The concept of decentralization has been explained in varied ways by many scholars, across countries and between actors. Fjeldstad (2013) and Francis et al, (2000) thinks that, decentralization is the assignment of power to independent nearby states with the obligation of deciding the amount, quality, and kind of conveniences to be given, the strategy by which these conveniences are to be given, money sources, and the sort of HR to be utilized for effective conveyance of those conveniences. Decentralization, according to another viewpoint, is the demonstration of lapsing power and authority from the middle or sovereign level to auxiliary and various levels of the administration structure (Sulley, 2009). These definitions clarify that decentralization happens just when the middle exchanges or gives up capacities recently performed by them to the lower echelons of administration.

Schulz and Yogmaus (2004) defined decentralization as "the practice by which the national government legitimately transfers power to players and establishments at lower echelons in the administrative, political, and territorial

hierarchy." Decentralization advances proficiency, reasonableness, expanded support, and responsiveness of focal government to residents, featuring its basic significance. By and by, decentralization involves the exchange of force, skill, and assets from the focal government to sub-public specialists. This aims to establish power links between the national government and local citizens in decision making, as well as to promote resource management and accountability. These reforms entail handing over responsibility for infrastructure provision and financial management to the state's local governments.

Another widely accepted definition of decentralization is provided by Cheenma and Rondinelli (1983), who characterize it as the exchange of managerial, use, arranging, and dynamic capacities from the focal government to handle associations like nearby states, Zonal/unit boards, and semi-independent foundations. Inside this rationale, nearby states and different entertainers are given the power to plan, plan, and execute approaches with neighborhood content that mean to work on the personal satisfaction for residents. Nonetheless, this is done diversely in various areas, locales, nations, and states.

### **Brief history of local governance in Ghana**

Provisional National Defence Council Law (PNDC Law 207) gave birth to formal decentralization in Ghana. In 1988, PNDC Law 207 was enacted to provide the legal framework and institutional structure for the establishment of first ever District Assemblies in Ghana. However, further district restructuring was carried out in 1989 in order to promote proper decentralization and local governance, as well as to combat massive

corruption alleged to have taken place among public officials at the central level. This late 1980s restructurings subdivided the regions of Ghana to constitute 110 districts and assigned local administration powers to the District Assemblies. The regulation of Local Government Act, 1993 (Act 462) face lifted decentralization process in Ghana. The essential objective of these changes was to prepare, engage, and fortify the arrangement of public labor and products that related to the utilization propensities for nearby constituents. It likewise meant to carry administration to the residents' doorsteps.

To extend the decentralization cycle, 28 extra regulatory areas were made in 2006 by partitioning a portion of the current 110 Districts. This carries Ghana's all out number of areas to 138. One huger advance forward was made in February 2008, when 38 managerial area gatherings were added, getting the all-out number of areas the country to 170. Subsequently, some of the existing districts which recorded population increase with clear indication of pressure on existing facilities were upgraded to metropolitan and municipal status.

As at 28<sup>th</sup> June, 2012, Ghana had a total of 216 administrative districts resulting from the creation of 46 new districts in that particular year. Currently, there are 254 administrative districts in Ghana consisting of 6 Metropolitan Assemblies, 74 Municipal Assemblies and 174 District Assemblies. In order to provide a one stop shop for local governance administration in Ghana, government in 2016 through the act of parliament consolidated existing laws on local government system into Local Governance Act, 2016 (Act 936). Ghana National Development Planning System Act, 1994 (Act, 480), District Assembly Common Fund Act, 1993 (Act, 455),

Local Government Service Act (Act, 656), Local Government Act, 1993 (Act 462), and Public Financial Management Act, 2016 are the five legislations and Acts that have been harmonized to provide a holistic framework for sector actors (Act 921).

### **Fiscal decentralisation**

As per James (2003), monetary decentralization is the focal government's assignment of explicit obligations to nearby entertainers (areas and locale) with the administrative abilities and monetary assets to do them. To put it another way, monetary decentralization involves giving financial independence to nearby government experts for them to prepare the assets expected to do the obligations or capacities assigned to them by the focal government. The restored revenue in monetary decentralization among both created and emerging nations might be ascribed to its planned basic job in advancing straightforwardness, honour, and responsibility.

Yaw-Nsiah (1997) defined fiscal decentralization as giving local governments the authority to collect, apportion, and manage financial resources based on locally determined priorities. From this definition, it is clear that the central focus of fiscal decentralization is the efficient and effective mobilization of local resources to provide programs, services, and projects that improve the quality of life of the local constituents. In view of this, failure to design and implement pragmatic policies to rake in enough revenue as an assembly will lead disastrous consequences on the citizens and also defeat the purpose if fiscal decentralization. Dick-Sago (2012) agrees that poor implementation of fiscal decentralization means that localized bodies will lack the economic resources to carry out development plans in order to

meet their obligations. According to Falleti (2004), financial devolution seeks to design and implement programs to increase the revenues of local governments. He further added that, this is done through relocation from the national government selected taxation responsibilities to local authorities.

### **Rationale for fiscal decentralisation**

The prime objective of fiscal decentralization from both theoretical and empirical perspectives indicates that it seeks to attain allocative efficiency and also promote effective and efficient mobilization of local resources for the provision of public goods and services to people with varying preferences (Sulley, 2009; Oates, 1972). This shows the way that decentralized units can advance successful and productive assistance conveyance on the off chance that they can create adequate neighborhood income to enhance move awards from focal states and other giver sources. Financial decentralization engages locale congregations to plan and do their own consumption choices to accomplish portion efficiencies in open labor and products. Accordingly, monetary decentralization gives neighborhood state run administrations income age independence as well as use liabilities, permitting them to decide the example of their use spending plans.

As per Bahl and Linn (1992), monetary decentralization's job in advancing nearby financial development and advancement can be partitioned into two sections: monetary effectiveness and neighborhood income preparation drive. As far as monetary effectiveness, he contended that monetary devolution brings administration considerably nearer to individuals. Moreover, it enables them to consider nearby state run administrations more responsible for choices with respect to the level, blend of tax assessment, and

spending designs. This guarantees that the constituents' monetary and social prosperity is expanded. As indicated by Sulley (2009), financial decentralization further develops income assembly through neighborhood charge frameworks and can possibly increment complete income assortments in the country.

As indicated by Bahl and Linn (1992) and Oates (1993), public legislatures principally demand high limit charges, avoiding numerous planned properties and independent companies with regard to the duty net. Second, since focal state run administrations are new to the nature and limit of nearby expense bases and frameworks, a huge part of these available units go unattended. Therefore, recognizing lesser and medium citizens to be gathered is an immense test. Besides, the advantages of bringing little and medium-sized citizens into the expense net far offset the expenses of gathering those charges assuming they are controlled by nearby legislatures. This is because of nearby states' knowledge of the neighbourhood charge base design and limit because of their contribution in an assortment of administrative and permitting exercises in land and property organization.

### **Legal framework of fiscal decentralisation in Ghana**

Significant enablers of any policy implementation are legal provision which serve as a deterrent and a guide. In view of this, proponents of decentralization established legal framework to serve as a guide to fiscal decentralization implementation process. This gave local governments the authority to enact and enforce revenue mobilization bylaws at the local level. The 1992 Ghana Constitution, Chapter 20 in Articles 245 (a) and (b), and Article 252 constitute the fundamental legal foundations for the concept of



decentralization and fiscal decentralization. Articles 245 and 252 gave birth to the Common Fund Act, 1993 (Act 455) which serve as a blue print on how central government disburses statutory transfers to local authorities. This was enacted to give financial autonomy to local authorities and further strengthen fiscal decentralization.

The Local Governance Act, 2016 (Act 936), was additionally authorized to control and guide nearby administration in the nation and furthermore fortify financial decentralization. Act 936 legitimized neighbourhood specialists as rating specialists and furthermore urges them to collect charges, licenses and some other type of expenses surrendered to them by focal government. MMDAs are expected to raise satisfactory inside produced reserves (IGF) from these sources to enhance legal exchanges for the arrangement of formative ventures.

The Public Financial Management Act of 2016, (Act 921) and the Financial Administration Regulation Act of 2004, (Act 654) laid out the Controller and Accountant General's Department, with sub-workplaces in every single Ghanaian Assembly. They are the essential payment organization for state reserves and are liable for guaranteeing viable income activation systems in a joint effort with all offices and units, especially the Budget and Rating divisions. The 1961 Financial Memorandum for Municipal and Urban Councils likewise act as a legitimate structure for controlling the use and income of sub-public government units.

#### **District assemblies internal revenue components (IGF)**

As referenced before, this part further features on the income things that comprise the duty base (IGF) for Metropolitan, Municipal and District

Assemblies in Ghana. Rates, lands, expenses, fines, licenses, lease, and speculations were recognized as the essential wellsprings of income for MMDAs in the Local Governance Act of 2016 (Act 936).

**1. Rates:** Property rates, essential rates, and unique rates are all important for this. Property rates or pay are regularly demanded on all mobile and enduring properties inside the topographical ward of the nearby power, while a fundamental rate is paid by each inhabitant grown-up populace matured 18 and over. Inhabitants inside a particular catchment region may likewise be charged an extraordinary rate assuming they require a unique assistance or office from the Assembly. Property rates represent a sizable part of MMDAs' absolute inside income sources. Notwithstanding, in spite of being promoted as "easy pickins," the assortment of these rates is not a huge deal. As indicated by Yeboah and Johanson (2010), this is a test that many agricultural nations face.

**2. Licenses:** Income from licenses is exacted on monetary exercises inside the nearby power's geological ward. These are business working licenses (BOP) that permit an individual to take part in monetary movement inside the locale. It represents a sizable piece of the get together's inside created reserves and is utilized to offer constituent types of assistance. Licenses are regularly paid yearly, however in remarkable situations where quick moderateness is a worry, courses of action can be made for them to be paid in portions to give the financial specialist some monetary space. This game plan, nonetheless, raises the functional expenses of neighborhood state run

administrations. As indicated by Kelly et al (2001), a concentrate on inward income assembly challenges in Malawi (West Africa) uncovered that the focal government gathers every one of the delicious licenses. More modest organizations are authorized by the nearby specialists, denying the Assemblies of tremendous inner income expected for advancement tasks to work on the expectations for everyday comforts of the neighbourhood constituents.

**3. Fees, fines and Rents:** Charges incorporate day to day tolls paid by the people who utilize the Assembly's administrations and offices, as well as license expenses that permit an individual or association to attempt any advancement project inside the District. Everyday costs are gathered from business sectors, truck stops, and different areas, while improvement charges are gathered from building license expenses. Inhabitants who disregard the Assembly's standing rules, then again, should pay fines. Rents are additionally cash inflows to the Assembly from the utilization of the Assembly's properties and resources.

### **Empirical Review**

Heggstad and Fjeldstad (2012) explored the troubles looked by nearby states in activating assets to subsidize advancement projects in Anglophone Africa. This study investigated the political and managerial limitations that could hinder income preparation. The review's hypothetical establishment was general hypothesis of decentralization. As per the review, numerous nearby duty frameworks in Anglophone Africa have elevated degrees of debasement. Some income gatherers most frequently underestimate properties

(rates/property pay) to have records of assortments while others exaggerate properties for individual additions. These corrupt attitudes impacts negatively on public confidence leading to unwillingness to pay on the part of local residents. Another significant challenge has to do with the progressive nature of taxes making it difficult for those with poor financial circumstances to afford. Those willing to pay had to be coerced before taking their civic responsibilities.

The study advised local governments to use alternative methods of raising revenue from taxes. It was also suggested that local governments collect taxes themselves or use outsourced tax collectors when they have adequate data based on revenue sources. Nonetheless, no ends can be drawn about whether rethinking income preparation is a powerful and proficient framework for expanding income assembly. The concentrate additionally found that one of the key difficulties blocking privatized income activation was neighbourhood legislatures' powerlessness to evaluate the maximum capacity of their duty base. More often than not, this income is esteemed on an impromptu premise, involving the earlier year's actuals as the standard for projections instead of exposing it to thorough logical investigation. That's what investigation uncovered; an enormous lump of income was lost because of misjudgement accordingly, neglecting to mirror the maximum capacity of nearby specialists' income on the revaluating contract. Considering this, there is high likelihood or dangers of income specialists taking benefit since investigation were executed through logical system.

As per the discoveries of the review, there is a positive connection between quality help conveyance and income activation exertion for all

wellsprings of income apportioned to neighborhood state run administrations. As per the discoveries, a unit change in legal income portion brings about a 15% expansion in formative endeavors. Besides, a unit change in Internally Generated Funds (IGF) results in a more prominent than-proportionate expansion in the public authority's improvement endeavors. They ascribed income age difficulties to an absence of productive systems and apparatus used to enhance legal allotments from the focal government. To guarantee that apparatus is utilized accurately to make interior income, the review suggested recruiting gifted, legit, and capable people to gather income for the benefit of the neighbourhood government. They also suggested that revenue officers undergo training and retraining to guarantee that they are prepared to tackle the demands of the new millennium. Finally, suggestions for implementing control mechanisms to detect possible fraud and embezzlement, as well as the delivery of government-funded public awareness campaigns.

Adeoti, Olawale and Abdulrahem (2014) sought to know major sources of local government revenue generation in Oyo state. An applied system was taken on with accommodation testing approach. An example size of 200 respondents from 20 nearby legislatures was utilized in the review. The degree of arrangement of respondents to the things and factors in the survey was tried utilizing a four-point Likert scale (Strongly Agreed, Agreed, Disagreed, and Strongly Disagreed). Marriage, apartment rate, neighbourhood permit charges, punishments, and income consultancy represented 97.3 percent of wellsprings of income to nearby states, as indicated by a various relapse investigation. Different sources outside the model represented 2.7 percent of the aggregate.

In Ghana, Adu-Gyamfi (2014) looked into the reasons for MMDAs' inefficient income mobilization. The research was focused on the Upper Denkyira East Municipal Assembly in Ghana's Eastern Region. To underlie the entire research, the study used fiscal decentralization theory as its epistemological foundation. The study used a sample of 85 respondents, including twenty (20) revenue collectors, five (5) officers from the Municipal Assembly, and the remaining sixty (60) Assembly and Unit Committee Members, Chiefs, community opinion leaders, and tax payers within the Assembly's jurisdiction. According to the study's findings, property rates accounted for the majority of the Municipal Assembly's internally generated revenue.

The study also found that, perceived unimportance of the levies by tax payers was a key challenge confronting revenue collectors. This he attributed to failure by the Municipal Assembly to educate and sensitize ratepayers on the need to pay those rates. Another critical test the review found was insufficient information in view of income sources mostly because of Assembly's failure to contract Land Valuation Board to esteem and revaluing properties in the region. This impacted how much assets acknowledged from the assortment of property rates since it offered income gatherers the chance to swindle the framework. The study recommended that, effective educational programmes for taxpayers on the need to pay rates be carried out to boost their willingness to pay.

Elvis (2015) examined revenue mobilization methods in MMDAs with a focus on Ghana's Volta Region's North Tongue District Assembly. The study was founded on a conceptual framework for efficient and successful income

mobilization within municipal governments. The study used a mixed-methods technique. The study relied solely on primary data gathered through interviews with revenue collectors, members of the Assembly and Unit Committees, chiefs, ratepayers, and district assembly officials. The researcher used both purposeful and convenience sampling strategies to get the necessary data for the investigation. The methods used allowed all parties involved in local government income mobilization to express their opinions.

Factors such as non-inclusion of stakeholders in the assembly's budgeting process, an inadequate or trustworthy revenue database, and the use of manual revenue mobilization techniques all hampered successful revenue mobilization, according to the study's findings. Non-enforcement of revenue mobilization by-laws and fraudulent acts by tax collectors are among the others. As a result, the study recommended that revenue collectors be given rigorous training, that enough revenue mobilization logistics be provided, that revenue collection systems be automated, and that proper monitoring mechanisms be established to prevent income leakages from the system.

Tahiru, Agbesi, and Owusu (2014) investigated income collection difficulties in MMDAs, focusing on the Accra Metropolitan Assembly (AMA) in Ghana's Greater Accra Region. The study's theoretical base was the 80/20 Pareto principle of efficient revenue mobilization theory. To reach the study's goal, both quantitative and qualitative methodologies were used. Face-to-face interviews with respondents provided primary data, while secondary data was collected from the Assembly's financial documents. Twenty respondents were chosen using a purposive selection strategy, with twelve (12) officials from the AMA and eight (8) officials from the Lands and Property Valuation section of

the Lands Commission of Ghana. Unauthorized structures without permits, non-revaluation of properties, an un-automated revenue collection procedure, income leakages due to collectors' unscrupulous tactics, and an insufficient data base for the Assembly were all identified as important difficulties in the report. Other issues include a lack of property identification and non-enforcement of by-laws. These had a negative influence on the Assembly's ability to raise funds. The report suggested automating the revenue mobilization process and conducting property valuations on a regular basis. Furthermore, the report suggested that strict monitoring be carried out in order to uncover and prevent loopholes.

Kwesi (2012) examined monetary spillages and unfortunate help conveyance by MMDAs in the Volta Region of Ghana, zeroing in on the Kpando Municipal Assembly. The review utilized likelihood and non-likelihood inspecting ways to deal with pick 100 respondents, including advancement arranging officials, charge authorities, ratepayers, and work force from Urban Town and Area Councils. Individuals from the Assembly and individuals from Development Planning Sub-Committees are among the others. Quantitative and qualitative descriptive methods of data analysis were employed to achieve study objectives. Primary was sourced through interviews while secondary data was obtained from financial documents of the Municipal Assembly. A conceptual framework on effective local level revenue mobilization was adopted. The majority of revenue streams available to the Municipal Assembly were not being utilized, according to the research. It was also discovered that insufficient revenue collector training, a lack of education, and a lack of ratepayer sensitization all worked against the Assembly's



revenue mobilization. Other challenges include; non-prosecution of defaulters and nefarious activities perpetuated by the revenue collectors.

### Conceptual Framework

From the literature reviewed, the conceptual framework depicts the flow of how the systems of government enhance revenue leakages. As revenues are mobilised, they go through responsible channels termed as decentralized roles that create offices for handling revenue. It is possible that if there are no checks in the system, revenues can leak into wrong accounts. Where there are internal control systems, the strengths of these systems determine the magnitude of revenue leakages.

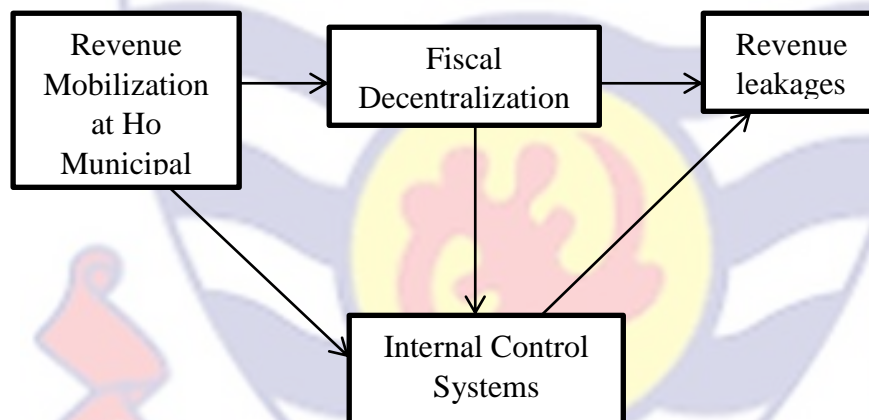


Figure 2: Conceptual Framework  
Source: Heggstad and Fjeldstad (2012)

### Chapter Summary

This chapter reviewed relevant literature related to the study. The study reviewed theoretical underpinnings of the research, the governing policies of revenue mobilisation of the local government. It was realised that most of the literature evaluated the channels of revenue leakage but internal controls were not taken into consideration. The next chapter reveals the methodology for the study.

## CHAPTER THREE

### RESEARCH METHODS

#### Introduction

This chapter presents research techniques took on for the review. The review's plan is featured in the principal segment, which is trailed by information sources, the objective populace, inspecting method, and information assortment procedure. The section likewise covers information organization and examination, as well as introducing structure and moral contemplations. It additionally gives a speedy outline of the review region's set of experiences.

#### Research Design

With the objectives of the study in view, the quantitative method was adopted. Miller and Brewer (2003) clearly argued that, it affords a researcher the flair to critically observe the data gathered from questionnaires. This means the methodology enriches findings of a study by allowing the researcher to cross examine responses and possibly detect any inconsistencies.

Babbie and Mourtou (2006) agree with Miller and Brewer (2003) and believe that the technique supports the researcher in identifying potential obstacles to achieving the study's goals. Considering arguments advanced in favour of the research method, adopting quantitative in this project work can yield the desired results. The topic under review seeks to explore further to unearth the various revenue leakages channels in the Municipality by tasking respondents to respond to certain pre-design (close ended questions) as well as soliciting their expert opinion (open ended questions). Questionnaires were designed to elicit information via direct interviews.

### Study Area

Ho Municipal Assembly is among the 25 (25) nearby experts in the Volta Region of Ghana and one (1) of the eight (8) Municipal Assemblies in the area. The Municipal Assembly has its managerial capital as Ho which likewise serves as the provincial capital and monetary center point for Volta Region. Ho Municipal was made in 2012 with the declaration of a Legislative Instrument (LI 2074). Ho West District Assembly was cut out of Ho Municipal Assembly in order to help quality assistance conveyance and further take decentralization to the residents.

The Municipal Assembly can be situated between scopes 6020 'and 6055'degrees north and longitude 0012'E and 0053'E. Ho Municipal Assembly (HMA) shares limits with Adaklu and Agortime-Ziope Districts toward the South, Ho West District toward the North and West, and the Republic of Togo toward the East. . The Municipal involves a complete land area of 2,361 km<sup>2</sup> establishing 11.5% of the all-out land size of Volta Region.

The nearby economy of the Municipal Assembly is generally determined by Agriculture which utilizes around 70% of monetarily dynamic populace. In any case, out of an all-out size of 42,261 hectares of arable land, just 16,150.6 hectares is presently taken advantage of. This shows that, there is a lot of untapped potential in this area. This is followed by commerce and Services sub-sector which employs about 22% of economically active labour force. The Municipality also has a lot of tourism potential which is being developed and an example is the Ancient German Cemetery and Ancient European Church Bell.

## **Population**

The objective populace for the review incorporate; all the staff of Ho Municipal Assembly, all income gatherers, all citizens inside authoritative ward of the Municipality and generally specialists in nearby government income activation or monetary decentralization. In this context, taxpayers refer to all individuals, property owners, businesses, and other entities who are required to pay various types of levies to the Municipal Assembly. All of the following, with the exception of selected experts, must be within the geographical jurisdiction of the Ho Municipal Assembly.

The population consist of fifteen (15) Municipal revenue collectors, thirty (30) taxpayers and five (5) top management staff and experts in local governance especially fiscal decentralisation. Since the population is small and it is possible to reach the entire population, the research makes use of the population size. Therefore, the population size is calculated by adding the number of municipal revenue collectors, taxpayers and top managers to give us 50.

## **Data Collection Instrument**

Essential information was obtained from direct meetings utilizing very much organized polls. The survey comprised of shut and open-finished questions. It was partitioned into sub areas to cover the exploration targets and socio segment foundation. Area one comprised of inquiries on socio-segment foundation of the respondents, segment two comprised of the inquiries on true one, and segment two of the survey comprised of inquiries on genuine two and the last arrangement of inquiries were done on a Likert scale. Following the techniques adopted by Adu-Gyamfi (2014) and Heggstad and Fjeldstad

(2012), the study elicited primary information on the causes of revenue leakages in Ho Municipal Assembly. Discoveries and finish of the review depended on the examination of these information sources.

### **Data Collection Procedures**

Face-to-face survey interviews were utilized utilizing very much planned polls. Data on reasons for income spillages and inner controls were be evoked from respondents. Polls comprising of organized (shut finished questions) and unstructured (open finished questions) were sent. The organized inquiries expected respondents to respond to specific themes connected with nearby government income activation spillages and inward controls, while the unstructured inquiries looked for their autonomous judgment and well-qualified assessment on what caused the spillages (Babbie and Mourton, 2006). By combining these two sorts of inquiries, the investigator was able to fill in the gaps left by one side of the questions, assuring the correctness and consistency of the data acquired (Yin, 2009).

### **Data Processing and Analysis**

To help accurate identification and analysis, data collected in the field was retrieved, modified, and coded. From that point onward, the information was placed into the Statistical Package for Social Sciences (SPSS) variant 20 and investigated. Quantitative and subjective distinct examination was utilized to build importance from the crude information procured in the field, considering the review's points. The review's discoveries are introduced in recurrence tables and pie diagrams to assist the interest group with getting a handle on the discoveries, which show that the no proficient make up a bigger portion of the populace. Aside the pie chart and frequency tables, the study

also presented excerpts or extracts from interview with top management staff and experts to achieve the study objectives.

As indicated by Patton (2002), subjective information examination is intended to decipher the volume of a text information assembled by finding out the huge subjects and examples by means of the specialist's careful review and consistent correlation. The utilization of passages from interviews with specialists and top administration staff satisfied this part of the procedure. This scientific apparatus or approach was embraced because of its capacity to make sensible extrapolations. Discoveries of the review were additionally contrasted and existing writing both observational and hypothesis to make expansive arrangement proposals.

### **Ethical Considerations**

Directing exploration, especially friendly examination, as per laid out moral rules is basic for topics like the one viable. As indicated by Seiber (1993), moral issues in research are depicted as the utilization of moral standards to safeguard and regard the freedoms of respondents. As per Saunders (2009), morals in research involves the specialist's way of behaving being suitable in association with the freedoms of study subjects (respondents) and every one of the people who are impacted by the exploration and its result. Taking into account this, the review was completely led in with generally acknowledged moral contemplations in research.

Firstly, participation in the research was voluntary (optional) and that interviewees were not forced to respond to issues. Even, those who started and later decided to opt out in the middle of the interview were allowed. They were also at liberty to fix a convenient date to continue the interviewing

process.

Secondly, enumerators or interviewers were trained on protocol issues and how to seek permission before entry. They also explained clearly, to each interviewee the purpose, benefits and risk that involved in participation in the study prior to interview.

Finally, in the event that language proved to be a barrier, respondents were given the option of selecting their preferred interpreters. However, because enumerators were properly assigned, the study did not encounter many of these scenarios during interviews. Moreover, each conventional region inside the examination region's qualities and standards were noticed and respected. At long last, works that didn't begin with the scientist were appropriately credited in the essential message and furthermore recorded on the review's reference page.

### **Chapter Summary**

In this part we talked about the strategy utilized for the examination. We talked about quantitative procedure for dissecting the exploration targets. Information assortment instrument and method were likewise talked about in this section. We have additionally examined the information handling and examination and every one of the moral contemplations engaged with utilizing the exploration approach.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### Introduction

This part presents discoveries from the investigation of essential information accumulated from the overview as well as auxiliary information. A sum of 55 (55) surveys were directed recovered, coded and caught into SPSS programming for examination. This comprises of thirty rate payers (30), fifteen income gatherers (15) and ten (10) to the board staff. Discoveries from the review are introduced in tables and figures. The outcomes are isolated into three segments. The main segment shows discoveries from rate payers, area two presents' discoveries from income authorities and the last segment shows discoveries from staff and the board of Ho Municipal Assembly.

#### Background Characteristics of Respondents

The background of the respondents was investigated to understand the demographic makeup and educational background of the respondents. Table 1 below presents the results of the background characteristics.

**Table 1: Background Characteristics of Respondents**

Variable	Frequency	Percentage
<b>Gender</b>		
Male	7	23.3
Female	23	76.7
<b>Age</b>		
18-25 years	3	10
26-35 years	15	50
36-45years	4	13.3
46-55 year	6	20
Above 56 years	2	6.7



**Education**

Tertiary	11	36.7
Diploma	4	13.3
Secondary	12	40
No formal education	3	10
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Field Survey (2019)

Analysis of gender distribution of respondents in the survey revealed that, female constitutes the majority (23) representing 76.7% while their male counterpart constitutes the minority with 23.3%. The overwhelming female dominance may be attributed to the fact that most of the petty traders were women and also the willingness to participate in the survey. Female dominance also reveals their increasing interest in social accountability and local governance.

The study also sought to know the age of respondents and the result from the survey is presented in table2. The results shows that, majority (15) of the rate payers representing 50% are between 26-35 years, followed by those between 46-55 years with a score of 20%. The least among the respondents are those above 56 years with a score of 6.7%. The result on a whole shows that, majority of the rate payers are in their youthful and productive ages. It also shows that, economically the Municipal Assembly stands to benefit a lot from the residents if they improve upon their transparency and accountability mechanisms. This constitutes a good opportunity for Ho Municipal Assembly to leverage on.

Aside gender and age distribution, the study further sought to know educational qualification of respondents. Analysis of the data showed that, participants with secondary school qualification constitutes majority (12) of

the sample with a score of 40%, followed by those with tertiary qualification (36.7%) and those with no formal education formed the least, representing 10% of the sample. The results give a good indication that, participants possess the requisite knowledge to make meaningful contributions to enrich the study. This can also be construed that, they have the capacity to make informed recommendations to direct policies aimed at promoting development and improving living standards of the local constituents.

### **Existing Revenue Mobilization Strategies Adopted by the Ho Municipal Assembly**

The Local Governance Act, 2016 (Act, 936) and Article 241 of the 1992 Constitution of Ghana enabled nearby specialists to take charges, rates and different tolls inside the limits of the law. This accordingly, makes it unlawful for somebody to dodge those charges.

The first objective was to evaluate the existing revenue mobilization strategies and internal controls adopted by the Ho Municipal Assembly. Table 2 below show the results of the data analysed. Participatory preparation and planning is a key achievement factor in inward income age of the Local Authorities (CDD-Ghana, 2017). Taking into account this, the task looked to be aware assuming the residents inside the HO Municipalities are conscious of this and subsequently, satisfy their obligations by paying expenses to the Municipal Assembly.

**Table 2: Existing Mobilisation Strategies Adopted by the Ho Municipal Assembly**

Statement	Response	
	Mean	Std. Dev
I am often invited for invited stakeholders' meeting on fee-fixing resolution of the Assembly.	4.5	0.0124
We are given the opportunity to make input into the fee-fixing resolution.	3.0	0.0854
I pay tax to the Municipal Assembly through the tax collectors.	2.5	0.0216
I am aware that it is illegal to pay tax to the Municipal Assembly.	4.0	0.2541
I have been educated by the Assembly on how the taxes collected are put to use.	3.3	0.5807
If there is no education, there will be a decrease in my willingness to pay those taxes to the Assembly.	2.8	0.2504
I am aware that it is my right to demand for accountability from duty bearers of the local authority.	2.3	0.1145
I am sure that the assembly has a track of revenues collected every year.	3.6	0.9621
At the end of every year, the assembly reviews all the taxes collected at the stakeholders' meeting.	2.2	0.9841
The Assembly has an internal auditor that reviews all the tax collection activities in every quarter of the year.	3.4	0.2142
The Assembly enforces the tax law in order to collect taxes.	4.0	0.0573
I report to the Municipal Assembly through Public Relation and Complaints Committee on tax mobilisation.	3.5	0.5241
I am sometimes involved in the budgeting process of the Municipal Assembly.	3.3	0.0147
The assembly uses new identification technology to identify revenue potentials for the Municipal Assembly.	4.1	0.0761
I have been bonded by the Municipal Assembly for revenue mobilisation.	2.4	0.2415
I often receive training on revenue mobilization strategies from the Municipal Assembly.	2.7	0.0189
I use to present General Counterfoil Receipt (GCR) book for auditing.	3.0	0.4522
I do you receive complaints from Management about revenue leakages in the system.	3.8	0.1247
The Assembly has revenue improvement plan.	3.6	0.0128
Overall	3.4	0.2347

Source: Field Survey (2019)

From Table 2, the analysis shows that, most of the statements scored between 3 and 4 on a Likert scale of 1 – 5. Starting from the highest mean of 4.5 with a standard deviation of 0.0124, stakeholders are often invited for stakeholders' meeting on fee-fixing resolution of the Assembly. The next highest means close to 5 shows that respondents are aware that it is illegal to pay taxes to the Municipal Assembly and the assembly enforces the tax law in order to collect taxes. Moreover, the assembly uses identification technology to identify revenue potentials for the Municipal Assembly. The means close to 4.0 shows that stakeholders have been educated by the assembly on how the taxes collected are put to use. The assembly has a track of revenues collected every year. Also the assembly has an internal auditor that reviews all the tax collection activities in every quarter of the year. The assembly reports to the municipal assembly through public relation and complaints committee on tax mobilisation. Moreover, stakeholders sometimes are involved in the budgeting process of the municipal assembly. The stakeholders receive complaints from management about revenue leakages in the system. The assembly has a revenue improvement plan.

From the above analysis, the existing mobilisation strategies are: invitation of stakeholders to tax meetings, participative government, tax law enforcement, public relations, involvement of members in budget process, leverage of technology and training on revenue mobilisation. The existing controls are: awareness of illegal tax remittance to municipal assembly, accountability to members, track of revenues collected every year, tax reviews by internal auditors and revenue improvement plan.

Relative to the above strategies and controls, the following were found from the respondents on the implementation of the strategies and controls:

1. *My business is new and patronage is low.*
2. *Revenue collectors have never visited my shop.*
3. *The fees for permit are too high and there is no money in the system.*

Effective local governance necessitates social accountability. As a result, public education about how their taxes are used and the benefits of paying those taxes to the Municipal Assembly has been identified as one of the important success elements in local government internal revenue mobilization (Elvis, 2015). The findings of this investigation agree with those of Joseph et al (2013), who found that citizens are not well-informed about the importance of paying taxes and how those funds are spent. This plainly does not encourage ratepayers, and as a result, revenue performance suffers. The Municipal Assembly's inability to enough record to individuals has adverse consequences for their income age. It breaks trust between the Municipal Assembly and the ratepayers. One of the centre principles in the decentralization is straightforwardness and social responsibility.

#### **Internal Controls Adopted by the Ho Municipal Assembly**

The second objective sought to evaluate the internal controls adopted by the Ho Municipal Assembly for revenue mobilisation. Table 3 below shows the results of the data analysed.

**Table 3: Internal Controls Adopted by the Ho Municipal Assembly**

Statement	Response	
	Mean	Std. Dev
Internal revenue tracking system at Ho municipality.	3.6	0.9621
At the end of every year, the assembly reviews all the data on taxes collected at the stakeholders' meeting.	2.2	0.9841
The assembly has an internal auditor that reviews the tracking system and revenue collected tax collection in every quarter of the year.	3.4	0.2142
The Assembly enforces the tax law in order to control the flow of revenue.	4.0	0.0573
I report to the Municipal Assembly through Public Relation and Complaints Committee on tax mobilisation.	3.5	0.5241
I am sometimes involved in the budgeting process of the Municipal Assembly.	3.3	0.0147
The assembly uses new identification technology to identify revenue potentials for the Municipal Assembly.	4.1	0.0761
I use to present General Counterfoil Receipt (GCR) book for auditing.	3.0	0.4522
I do receive complaints from Management about revenue leakages in the system.	3.8	0.1247
<b>Overall</b>	<b>3.4</b>	<b>0.2347</b>

Source: Field Survey (2019)

We use the mean and standard deviation to identify the internal controls adopted by the Ho municipality. From Table 3, the highest mean is 4.1 which correspond to the statement that says that the assembly uses new identification technology to identify revenue potentials for the municipal. This is an indication that one of the internal controls of the municipality is technology. Another observation from Table 3 is that the next highest means indicate that the assembly enforces tax laws in order to control the flow of revenue, which by reasoning, the management of the municipality is very stringent on revenue leakages by using internal revenue tracking system. The internal auditor uses the tracking system to track revenue leakages and reviews revenues mobilised by members of the municipality. The municipality has

structures in place that ensure accountability of revenue mobilisation.

From the observations mentioned above, it can be deduced that the internal controls of the municipality are: internal audit controls, tax laws, technology, management policies, and tracking systems.

### Channels of Revenue Leakages in the Ho Municipal Assembly

Objective three sought to identify channels of revenue leakages in the Ho Municipal Assembly. The results are presented below.

**Table 4: Awareness of revenue leakages in the Municipality**

Response	Frequency	Percentage
Yes	11	36.7
No	19	63.3
Total	30	100

Source: Field Survey (2019)

The research sought to know from the taxpayers if they are aware of any channel of revenue leakages in the system. From Table 4, about 36.7% of the sample indicated that they know the channels while 63.3% has the opposite view. The study further tasked those who responded positive to mention the channels and the following were the information obtained from them;

1. *Revenue collectors use fake receipts and when they are caught, they tell us not to report them.*
2. *Revenue collectors negotiate with us and reduce the amount we are supposed to pay and do not issue receipts to us on such deals.*
3. *Revenue collectors are unable to keep and track our payment records so sometimes we lie to them that, we have already paid.*
4. *Revenue collectors do under carbon receipts.*

The study also sought to know if rate payers report revenue collectors who engage in various revenue malpractices to the Municipal Authority. The following were also part of the factors why they fail to report.

1. *Officials of the Assembly do not follow up on the issues when we report.*
2. *We fear of being attacked by revenue collectors.*
3. *We do not have time and transport.*
4. *If we report, they will charge us high next time.*
5. *We are not aware of the procedure to place in the complaints.*

This infraction has huge negative impact on the Municipal Assembly's revenue mobilization drive and service delivery. Before an Assembly comes out with an annual revenue budget, one critical factor that needs to be considered is the ability to collect. The field marshals in local level revenue collection are the revenue collectors because they implement the Assembly's revenue mobilization strategies. This and many other factors give them a better opportunity to guide in easy to collect revenue items during the budgeting process. The results here agree with findings from Adu-Gyamfi (2014) that most MMDAs do not embark on participatory planning and budgeting. One key strategy to deter revenue collectors from indulging in corrupt practices during revenue mobilization activities is to bond them. When majority of the revenue collectors are not bonded this serves as a recipe for corruption. Kwesi (2012) asserts that most of the revenue collectors at MMDAs are not bonded.

Revenue Improvement Action Plan (RIAP) is a management tool which every local authority needs to have as a blue print to show they intend



to embark on revenue mobilization drive. This document contains revenue mobilization strategies with indicative budgets. All MMDAs are examined on the implementation of activities in this management tool during District Performance Assessment Tool (DPAT) exercise. A copy of the RIAP was presented but most of the activities in it were not implemented and the few ones implemented do not have reports accompanying them to authenticate. This is a clear management failure and channel of revenue leakages in the system. From the revenue improvement action plan, the following were the activities Ho Municipal Assembly earmarked to improve their revenue drive;

- i. Update revenue database via intensive quarterly data collection exercise.
- ii. Embark on revaluation and valuation properties.
- iii. Intensify education and sensitization on the need pay fees and rates.
- iv. Establish frequent capacity building programmes for revenue collectors on contemporary revenue mobilization tools.
- v. Accomplish Revenue Agents to enlarge inclusion on rate assortment.
- vi. Intensify the enforcement of by-laws.
- vii. Intensify monitoring of revenue mobilization activities.

### **Chapter Summary**

The review has introduced and examined discoveries and found that, Ho Municipal Assembly don't advance participatory preparation and planning as endorsed by Article 240 (e) of the 1992 constitution of Ghana. The Ho Municipal Assembly doesn't instruct their constituents on the purposes of the duties gathered from them. Additionally, income authorities are permitted to

save monies with them for a month prior to storing and hence, passed on escape clauses for income gatherers to enjoy adulterates exercises. Besides, income gatherers don't take dynamic part in recognizing new income hotspots for the Assembly. Once more, income authorities don't perceived instructing of citizens as a centre capacity in their day to day exercises. This made different diverts of income spillages in the Municipal Assembly.



## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### Introduction

This part presents an outline of key discoveries from section four, reach inferences in light of discoveries and checked on writing lastly give strategy proposals. We have had the option to examine the examination system and break down the exploration targets and talked about the outcomes in light of the information gathered. A portion of the discoveries were affirmed from the writing explored.

#### Summary of Key Findings

The fundamental goal of the review was to evaluate income spillages, anticipation and interior controls in Ho Municipal Assembly. The first objective was to evaluate existing revenue mobilization strategies. To this end, the study found that, Ho Municipal has revenue mobilization strategies in the form of revenue improvement action plan. Though, very good strategies but most of them are not being implemented especially, daily or 24 hours banking of public funds, social accountability, training of revenue collectors, frequent auditing of GCR, involvement of stakeholders in budgeting process and among others. This rendered the strategies ineffective and gave opportunities to revenue collectors and others cheat the system.

The second level headed of the review was to recognize channels of income spillages and inside controls embraced to forestall them. The study discovered that, the use of fake GCR, revenue collectors conniving with ratepayers, shifting of carbon, poor records keeping by revenue collectors, revenue collectors accepts fish and other items in lieu of money. These and

other sources were identified as channels of revenue leakages in the system. The second part of this objective was also to identify internal controls adopted by the Ho Municipal Assembly to prevent the leakages. To this end, the study found the following;

- Weekly meeting with revenue collectors
- Checking of financial records keeping by revenue collectors
- Regular monitoring exercise
- Bonding of revenue collectors
- Daily banking of monies collected
- Enforcement of Assembly's by-laws

However, these nice internal controls were not fully implemented by Ho Municipal Assembly due to logistical constraint, financial and lack of commitment from management.

### **Conclusion**

Discoveries from this study agrees with existing hypothetical and experimental writing that, absence of state funded schooling and sharpening impacts adversely on income assembly. The intuition being that, citizens are not well informed as to how their financial resources are put to use and the motivation to continue the payments of those levies.

Secondly, findings of the study indicate that lack of social accountability decreases willingness to pay and therefore, impacts negatively on revenue collection. The Local governance Act, 2016 (Act, 936) and the Public Financial Management Act, 2016 (Act 921) requires local authorities to meet their stakeholders at least twice within a financial year to showcase the performance of the Assembly to the public. This is not happening and hence

the poor performance.

Thirdly, inadequate monitoring and failure to bond revenue collectors by management of Ho Municipal .0

Get together gave a potential open door to income authorities to drain the framework. Nothing hinders or keeps them from setting out on adulterates rehearses. Weak monitoring mechanism has worsened the situation the in Ho Municipal Assembly.

Again, findings also showed that, provision of quality services to citizens increases their willingness to pay and thus, impacts positively on revenue collection. Majority of the citizens showed their willingness to pay higher if service provision quality increases. For instance, frequent maintenance of street lights and reshaping of access roots could increase willingness to pay.

Besides, contrasting the inspected speculations with the review's discoveries uncovered that most of the hypotheses' fundamental parts have not been applied by Ho Municipal Assembly the board, bringing about various open doors for income authorities and citizens to cheat or milk the framework.

Effective and effective fiscal decentralization is crucial to the whole decentralization process, and as a result, it requires the commitment of the central government to assure its success. When the findings of this study were compared to the studied literature on fiscal decentralization concepts and framework, it was discovered that some key components of the theory had not been implemented, posing revenue mobilization issues. Internal controls that prevent revenue leakage, for example, have not been adequately implemented.

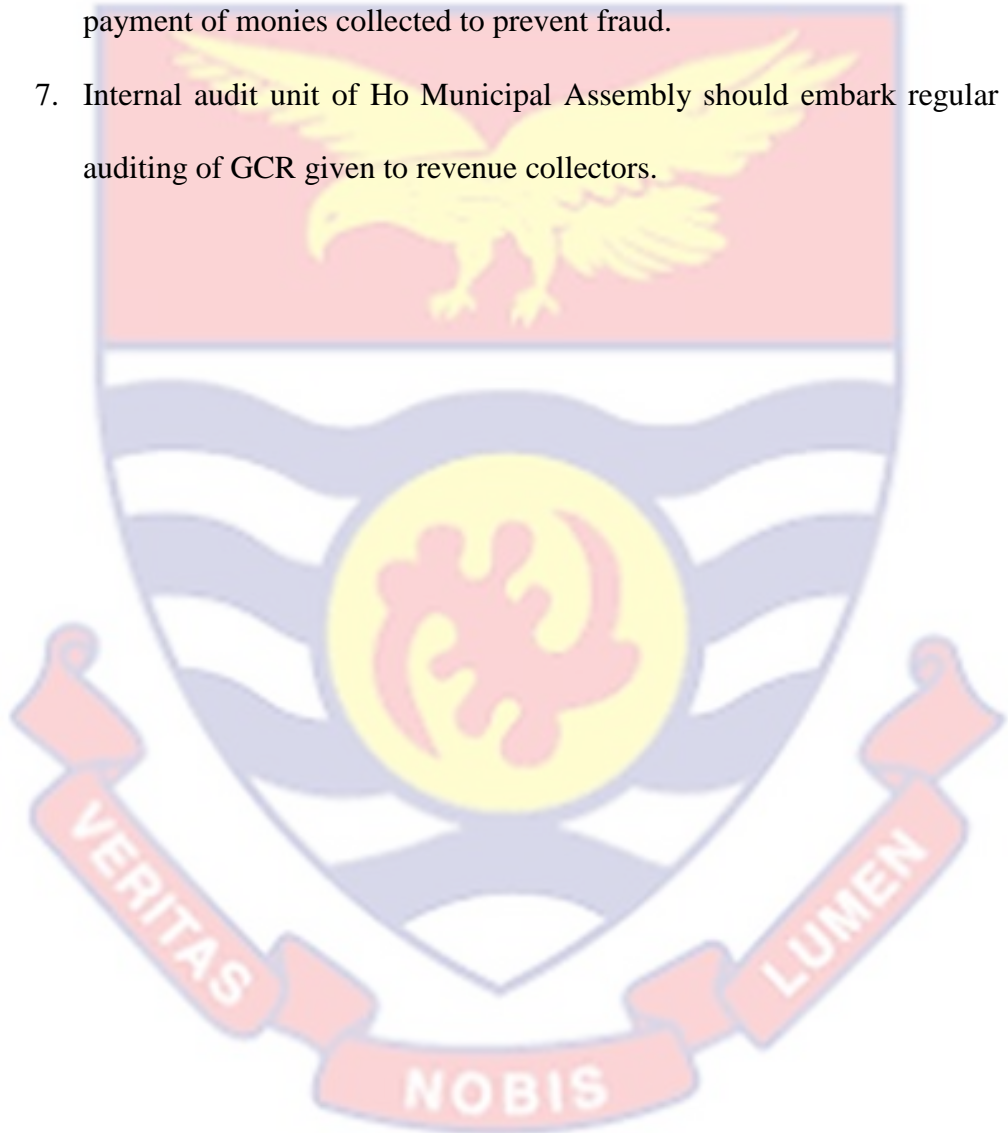
## Recommendations

The study primarily, seeks to assess revenue mobilization leakages and internal controls implemented by duty bearers to curb the situation. The study found multiple channels of leakages and weakness in internal controls design to prevent the leakages and therefore, recommends the following;

1. Social accountability from duty bearers of Ho Municipal Assembly and by extension other local authorities must be enforced to promote trust and transparency.
2. Policymakers ought to plan and execute approaches which give sufficient discipline to Assemblies which bombed record to its constituents.
3. Ho Municipal Assembly ought to arraign degenerate income authorities to act as an obstruction to other people who plan to enjoy the demonstration. The recommended term of detainment and fines in the Public Financial Management Act, 2016 ought to be upheld.
4. Furthermore, ratepayers ought to be engaged with planning and expense fixing goal interaction of the Municipal Assembly. This ought to be offered need consideration by focal government particularly, the Ministry of Local Government and Rural Development which has oversight obligations.
5. Limit building ought not be restricted to top administration of the Municipal Assembly however stretched out to bring down positions officials particularly, income authorities. Taking into account this, Management of Ho Municipal Assembly should emerge with staff limit building strategy or rules record to help preparing of officials.

Refresher training for revenue collectors should be done twice every year in areas such as communications skills, customer relation ethics, revenue mobilization strategies, local governance Act, Assembly by-laws and other control mechanisms.

6. Management of Ho Municipal Assembly should enforce 24hour payment of monies collected to prevent fraud.
7. Internal audit unit of Ho Municipal Assembly should embark regular auditing of GCR given to revenue collectors.



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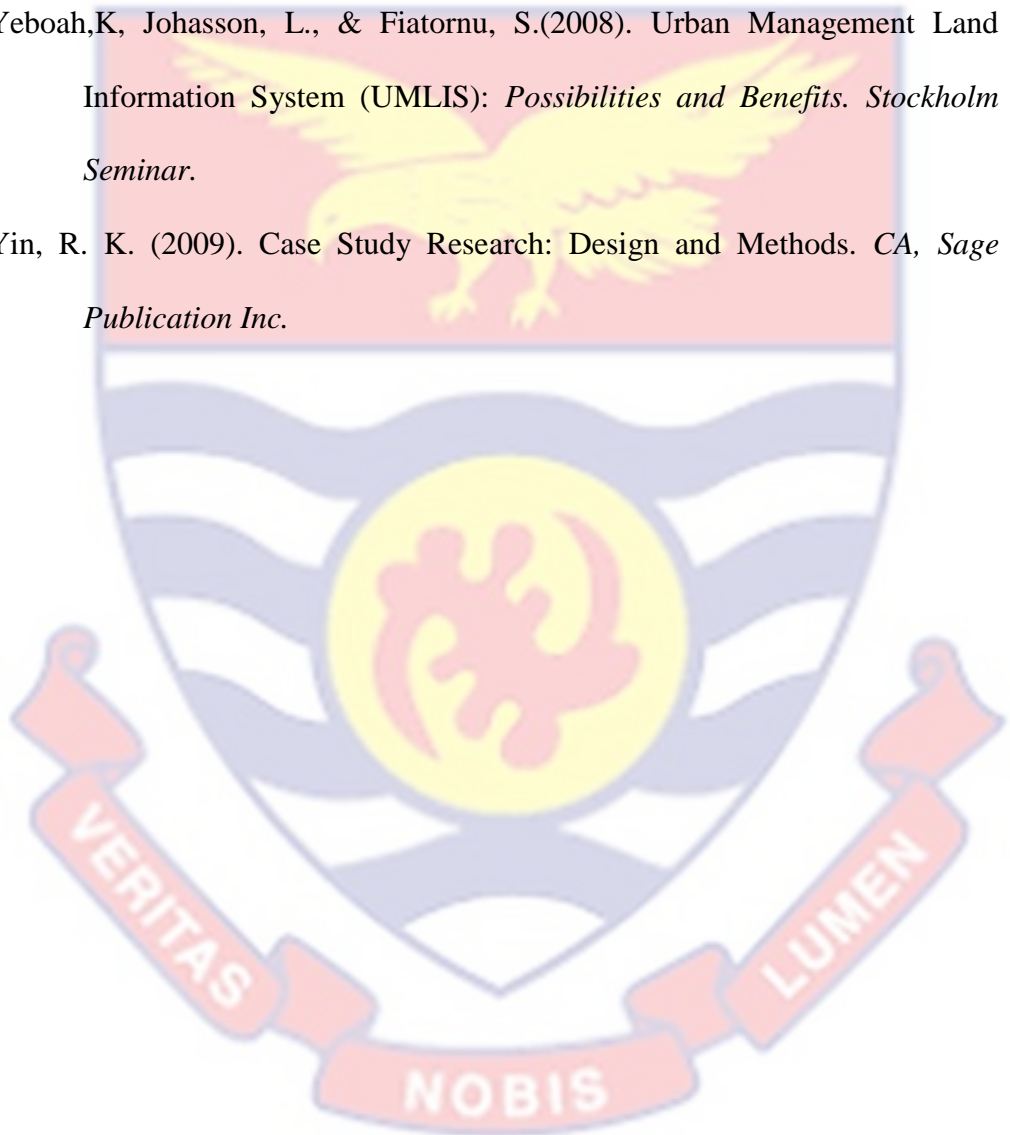
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APPENDIX

UNIVERSITY OF CAPE COAST  
FACULTY OF HUMANITIES AND LEGAL STUDIES  
SCHOOL OF BUSINESS

RESEARCH QUESTIONNAIRE FOR RATE PAYERS

This research seeks to find out the main challenges confronting local authorities in revenue mobilization and your input or expert opinion is crucial for the topic.

As part of the requirement for the award of Master’s degree in Accounting, I am conducting a study into **“Revenue Leakages, Prevention and Internal Controls in Ho Municipal Assembly”**. I would be grateful if you could support this study by completing this questionnaire and your candid response will be very much appreciated. You are assured of anonymity of your identity and confidentiality of your response.

Kindly tick (✓) where appropriate and write your response where applicable.

**SECTION A: Demographic and Educational Information**

- 1) Sex of respondent. Male ( ) Female ( )
- 2) Age of respondent. 18-25 ( ) 26-35 ( ) 36-45 ( ) 46-55 ( ) 56 and above ( )
- 3) Indicate Highest Level of Education:
  - a. Tertiary ( )
  - b. Diploma ( )
  - c. Secondary ( )
  - f. Others .....
  - g. No education ( )

**SECTION C: Revenue mobilization questions**

- 4) Have you ever paid your rates/tax to the Municipal Assembly?  
Yes ( ) No ( ) **{If no, skip question 5}**
- 5) If yes, were you given a receipt to reflect the amount paid?  
Yes ( ) No ( )
- 6) If no, state your reasons?

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.....  
.....

- 7) Do you know that it is illegal not to pay your tax to the Municipal Assembly?  
Yes ( ) No ( )
- 8) Have you ever been invited for stakeholder's meeting on Fee-Fixing Resolution of the Assembly?  
Yes ( ) No ( ) **{If No, skip question 5 & 6}**
- 9) Were you given the opportunity to make input into a fee-fixing resolution?  
Yes ( ) No ( ) **{If no, skip question 10}**
- 10) Do you recognize your input as reflected in bills the Assembly charges you?  
Yes ( ) No ( )
- 11) Do you know that it is your right to demand accountability from duty bearers of your local authority?  
Yes ( ) No ( )
- 12) Have you ever been educated / informed by the Municipal Assembly on the uses of taxes collected?  
Yes ( ) No ( )
- 13) If no, has that decreased your willingness to pay those taxes?  
Yes ( ) No ( )
- 14) If yes, state reasons and if no, state reasons?  
.....  
.....  
.....
- 15) Do you know any channel (s) of revenue leakage?  
Yes ( ) No ( )
- 16) If yes, what are those channels? ( use the back of the questionnaires if you require more space for your answers)  
.....  
.....  
.....
- 17) Have you ever reported to the Municipal Assembly through the Public Relation and Complaint Committee?  
Yes ( ) No ( )
- 18) If no, why no?  
.....  
.....  
.....
- 19) Recommendation for revenue mobilization improvement  
.....  
.....

## QUESTIONNAIRE FOR REVENUE COLLECTORS

This research seeks to find out the main challenges confronting local authorities in revenue mobilization and your input or expert opinion is crucial for the topic.

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Kindly tick (✓) where appropriate and write your response where applicable.

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- 2) Age of respondent. 18-25 ( ) 26-35 ( ) 36-45 ( ) 46-55 ( ) 56 and above ( )
- 3) Highest Level of Education:
  - a. Tertiary ( )
  - b. Diploma ( )
  - c. Secondary ( )
  - d. Other (s) .....

### SECTION B: Revenue mobilization questions

- 4) Have you ever been involved in the budgeting processes of the Assembly? Example, Fee-Fixing /annual IGF budget projection  
Yes ( ) No ( ) {If no, skip question 5}

- 5) If yes, was the projection based on past years actuals or scientific simulation?

.....  
.....



6) Have you ever embarked on identification of new revenue potentials for the Assembly?

Yes ( ) No ( )

**{If no, skip question 7**

7) Do you make the data on new revenue sources available to the Municipal Assembly?

Yes ( ) No ( )

8) If yes, which office?

.....  
.....

9) Have you been bonded by the Municipal assembly?

Yes ( ) No ( )

10) Have you ever received training on revenue mobilization strategies from the assembly?

Yes ( ) No ( )

11) If yes, what kind of training and when, if no, what reason did they give you?

.....  
.....  
.....

12) Do you educate tax payers on the usage of their monies during your daily activities?

Yes ( ) No ( )

13) How often do you educate them?

a) Always ( )                      b) Sometimes ( )                      c) When they ask ( )

14) How often do you present your General Counterfoil Receipt (GCR) for auditing?

Every two days ( )    Weekly ( )    Monthly ( )    above a month ( )

15) Do you audit your GCR before banking or after banking?

Before ( )    After ( )

16) Do you receive complaints about revenue leakages in the system?

Yes ( )    No ( )

**{If no, skip question 17**

17) If yes, name the channels?

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18) Name any other revenue mobilization challenges you face?

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.....

19) Recommendations for effective and efficient revenue mobilization

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