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ACCOUNTABILITY WITHIN THE HOUSES OF CHIEFS AND TRADITIONAL COUNCILS: A REVIEW OF THE AUDITOR-GENERAL'S REPORT (1993-1996)

by

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1. INTRODUCTION

Article 187(2) of the 1992 Constitution and section 59(2) of the Chieftaincy Act of 1971 (Act 370) state that the accounts of the National House of Chiefs, Regional Houses of Chiefs, and Traditional Councils are to be audited annually. Each of these Traditional Authorities (TAs) has to submit annual accounts for validation by the Auditor-General.

The Auditor-General's office reviews the revenue and expenditure statements in order to promote financial accountability. It also draws attention to irregularities in the audited accounts, and to any other matters that need to be brought to the notice of Parliament. (Article 187, 1992 Constitution).

Such State audits should, in effect, save Ghana from losing public funds through mismanagement and corruption.

However, an examination of the Auditor General's Reports (1993-1996) points towards a disturbing trend. Quite a significant number of Traditional Authorities have failed to submit annual reports to the Auditor General's office for verification.

This means that expenditure is being undertaken without prior submission and approval of expenditure plans, contravening existing legislations. This raises important questions regarding the accountability of Traditional Councils and Houses of Chiefs.

This paper seeks to ascertain whether Houses of Chiefs and Traditional Councils have submitted up-to-date accounts of revenue collection and expenditure in order to ensure internal control over expenditure has been exercised. It begins by reviewing how diligent Traditional Authorities (TAs) are in preparing and submitting annual accounts and yearly estimates for validation. It also aims to find out if Traditional Authorities (TAs) are complying with the legal requirement concerning submission of annual expenditure and approval expenditure plans before undertaking any expenditure for the year in question. Finally, the paper suggests methods to improve the accountability of Traditional Authorities?

2. RECURRING ISSUES

According to the Auditor-General's reports, recurring problems relating to the expenditure and revenue collection of the House of Chiefs and Traditional Councils include:

- Arrears: There is a substantial backlog in the submission of annual accounts, due to a failure to submit annual accounts to Auditor-General's office for validation on time.
- Estimates: Contrary to section 58 of the Chieftaincy Act, (1971), most Traditional Councils operate without approved estimates, and carry out

financial transactions without the required mandate.

- Deficits: Persistent deficits in the annual accounts of some Traditional Authorities arising from a failure of revenue to match expenditure.
- Competency: Low standards of accounting due to the poor calibre of accounting staff, which directly contributes to the three aforementioned problems.

Although the Auditor-General's Reports expose these discrepancies year after year, nothing seem to change thus the relevance of the Auditor-General's Report in ensuring accountability of the Houses of Chiefs and Traditional Councils is called into question. We discuss each of the problems in turn.

3. ARREARS IN ACCOUNT REPORTING

We attempt to ascertain whether or not TAs comply with regulations on the submission of annual accounts by reviewing the statement of arrears for the Houses of Chiefs and the Traditional Councils in the Auditor-General's Report. As TAs become accustomed to accounting principles and bookkeeping, it is expected that the number of years that an account is in arrears would decrease.¹

¹ The number of years in arrears equals the number of years from the last submission of an account

TABLE 1: ACCOUNTS SUBMITTED

Regions	1993			1994			1995			1996		
	TAs	Sub	%	TAs	Sub	00	TAs	Sub	00	TAs	Sub	%
Eastern	12	11	91.7	12	12	100.0	12	12	100.0	11	11	100
Ashanti	20	17	85.0	20	15	75.0	20	14	70.0	20	12	60
Brong Ah.	43	0	0.0	43	4	9.3	43	8	18.6	44	12	27.3
Central	34	2	5.9	34	N/A	N/A	34	12	35.3	34	8	23.5
Gr. Accr	7	7	100.0	5	5	100.0	8	4	50.0	8	5	62.5
Northern	5	2	40.0	6	2	33.3	6	2	33.3	6	2	33.3
Upr. East	11	5	45.5	11	3	27.3	11	5	45.5	11	3	27.3
Upr. West	5	1	20.0	4	2	50.0	7	1	14.3	6	1	16.7
Volta	16	10	62.5	16	N/A	N/A	16	8	50.0	13	7	53.8
Western	22	10	45.5	22	10	45.5	22	9	40.9	22	10	45.5
Totals	175	65	37.1	173	53	30.6	179	74	41.3	175	71	40.6

Note: TAs = Traditional Authorities, Sub = accounts submitted, % = percent of TAs that submitted accounts, N/A = not applicable'

Table 1 reveals a marginal increase in the percentage of accounts submitted (37.1 percent in 1993 to 40.9 percent in 1996). Out of 175 TAs in 1993 only 65 submitted accounts. By 1996 the number of TAs audited had increased to 178, but only 77 submitted accounts for validation. Of the ten regions, only two (Eastern and Greater Accra) recorded a one hundred percent submission rate. In the four years under review, only four regions recorded submission rates higher than 80 percent: Greater Accra, Ashanti, Eastern, and Upper West. By 1996, submission of annual reports by half of the regions had deteriorated, vis-a-vis 1993; two recorded no change, and only three improved as would be expected due to increased experience in accounts submission.

In 1993, the Auditor-General's office had

to intervene in the preparation of the Eastern Region's accounts because of the gross deficiencies in the quality of the accounts submitted. After 1993, the Eastern Region goes on to report one hundred percent of its TA's accounts were submitted in each subsequent year. It is the only region to continually report one hundred percent of accounts submitted.

The regions weakest in account reporting in the 1993-1996 period were Brong Ahafo, Central, Northern, and the Upper West Regions. The worst case of arrears was in 1993, when none of the 43 TAs in the Brong Ahafo Region submitted accounts for auditing. In 1994, there was marginal improvement in accounting within the Brong Ahafo TAs: 9.3 percent of TAs submitted accounts for valida-

²The 1994 Report was compiled on a regional basis and excluded the Central and Volta regions as no data were received at the time of compilation.

tion. Subsequently, there were improvements in accounts submitted, with the proportion increasing to 18.6percent in 1995 and 27.3percent in 1996. The Central Region ranks next in terms of low account submissions, with 5.9 percent of accounts submitted in 1993, 35.3percent in 1995 and 23.5percent in

1996. In the case of the Upper West Region, 20 percent of TAs submitted accounts for validation in 1993, 50 percent in 1994, 14. 3percent in 1995 and 1 (5.7percent in 1996. For the Upper West Region, there is no improvement between 1993 and 1996.

TABLE 2. OPERATING WITHOUT APPROVED ESTIMATES

Regions	1993			1994			1995			1996		
	Ac Sub.	Apprv	%	Ac Sub	Apprv	%	Ac Sub.	Apprv	%	Ac Sub.	Apprv	%
Eastern	11	10	90.9	12	11	91.7	12	1	83	11	10	90.9
Ashanti	17	1	5.9	15	2	133	14	0	00	12	0	00
Brong Ah	23	14	60.9	4	4	100.0	8	6	75.0	12	4	33.3
Central	2	2	100.0	N/A	N/A	N/A	12	0	00	8	8	100.0
Gt. Accra	7	7	100.0	5	0	00	4	0	00	5	5	100.0
Northern	2	1	50.0	2	1	50.0	2	0	00	2	0	00
Upp. East	5	5	100.0	3	3	100.0	5	5	100.0	3	1	33.3
Upp. West	1	0	00	4	2	00.0	1	1	100.0	1	1	100.0
Volta	10	0	00	N/A	N/A	N/A	8	0	00	7	0	00
Western	10	0	00	10	5	50.0	9	0	00	10	6	60.0
<i>Total</i>	88	40	45.5	53	28	528	74	13	116	71	35	49.3

Note: Ac. Sub = Account Submitted, Apprv. = Approved

The low level of account reporting seriously undermines accountability. When annual accounts are not reported, there is no insight into the state of the TAs revenue and expenditures. This prevents the Auditor-General from reviewing and reporting. Such practices can potentially mask corruption and mismanagement. Over the 1993-1996 period, the House of Chiefs and the Traditional Councils have not improved

in their reporting, but have actually worsened. In such circumstances, it would be appropriate if the Chieftaincy Secretariat applied punitive measures to defaulting TAs to remedy the situation. If these measures are continually ignored the number of accounts in arrears will continue to increase, and the validity of TAs activities, in terms of revenue and expenditure, will be seriously questioned.

TABLE 3: DEFICITS IN ANNUAL ACCOUNTS

Regions	1993			1994			1995			1996		
	Sub	Deficit	%	Sub	Deficit	%	Sub	Deficit	%	Sub	Deficit	%
Eastern	11	6	54.5	12	2	16.7	12	5	41.7	11	5	45.5
Western	17	7	41.2	15	1	6.7	14	6	42.9	12	4	33.3
Central	23	6	26.1	4	0	0	8	2	25.0	12	7	58.3
Greater Accra	2	1	50.0	N/A	N/A	N/A	12	4	33.3	8	3	37.5
Northern	7	1	14.3	5	1	20.0	4	1	25.0	5	2	40.0
Upper East	2	2	100	2	0	0	2	1	50.0	2	2	100
Upper West	5	0	0	3	0	0	5	2	40.0	3	0	0
Lower West	1	1	100	4	2	50.0	1	0	0	1	0	0
Volta	10	0	N/A	N/A	N/A	N/A	8	5	62.5	7	0	0
Western	10	N/A	N/A	10	1	10.0	9	6	66.7	10	2	20.0
Total	88	24	27.3	53	7	13.2	74	32	43.2	71	25	35.2

Note: Sub = accounts submitted, deficit = number of accounts in deficit, % = percentage of accounts in deficit

4. OPERATING WITHOUT APPROVED ESTIMATES

It is mandated that Traditional Authorities draft estimates and submit such estimates to the Chieftaincy Secretariat for approval before incurring any expenses. In addition, annual estimates of revenue and expenditure assist Traditional Authorities in planning their yearly budgets. As mentioned earlier, a majority of TAs operate without approved estimates. The Eastern Region is the only region in which over 90 percent of TAs operated with approved estimates from 1993 to 1996. Upper East region recorded 100 percent approval rate from 1993 to 1995, but in 1996 the approval rate fell to 33.3 percent.

Between 1993 and 1996, the proportion of TAs operating with approved estimates accounted for 45.5 percent, increased to 52.8 percent in 1994, but fell significantly to 17.6 percent in 1995 before later increasing to 49.3 percent in 1996. Overall, the percentage of TAs operating with approved estimates decreased by 3.8 percentage points between 1993 and 1996. The question that needs to be asked is why there was a deterioration in the situation over 1993-1996.

What it means is that the supervisory authority, the Chieftaincy Secretariat, does not have control over expenditures made by the TAs. It also questions whether prudent expenditures are being incurred. With regard to revenue, estimates are

often gross overstatements of what the TAs actually received. For example, in 1993, the Eastern Regional House of Chiefs reported an approved revenue estimate that exceeded actual revenue 31.1 percent.

5. DEFICITS

Revenue earmarked for Traditional Authorities is collected from government grants, Stool Lands, contributions of District Assemblies, and miscellaneous items.³ Expenditure is supposed to be used to cover operating costs - salaries, wages, transport, and maintenance - and other items approved by the Chieftaincy Secretariat. Although revenue targets are not always achieved, steps are rarely taken to control recurrent expenditure in order to match revenue inflows, as has been done in the Eastern Region. The failure to scale down expenditure leads to deficits in annual accounts.

As most TAs habitually operate without approved estimates, yearly deficits are inevitable. The 1993 Auditor General's report indicated that 27.3 percent of TAs which submitted expenditure estimates did not spend within their means (Table 3). However, in 1994 the proportion of accounts in deficit declined to 13.2 percent but then rose steadily to 43.2 percent and 35.2 percent in 1995 and 1996 respectively.

In order to decrease the magnitude of these deficits, it is necessary to increase the quality and frequency of budgets submitted for approval. This can only be achieved if the Traditional Authorities organize training programmes for their budget officers, and penalties are imposed for non-compliance.

6. CONCLUSIONS & POLICY IMPLICATIONS

A significant number of Traditional Authorities habitually do not submit their accounts for auditing. This has worsened over the 1993-1996 period. Where TAs submit estimates for validation, a large percentage is of poor quality and contains significant omissions. Such estimates may render the reports unsuitable for State audit and also make it difficult to ascertain what happens with TA revenue and expenditure.

Thus, TAs are not only giving inaccurate depictions of their accounts, but are in most cases unable to account for revenues and expenditures during the period under review. Needless to say, they are unaccountable while having full access to public funds.

Chieftaincy disputes, tribal conflicts and other civil disturbances have been cited as reasons for the failure of TAs to submit annual accounts and estimates in due time.

³For example, court fees and fines, chiefs' registration fees, and tolls.

However, the greatest problem by far appears to be the incompetence of accounting staff in the regions, with the exception of the Eastern Region. This region has operated in compliance with the regulations, with the majority of its TAs receiving Chieftaincy Secretariat approval for their estimates.

The Auditor-General's Reports attribute this success to the improved standards of accounting arising from regular training programmes organized for Registrars of the various Traditional Councils.

Each year, from 1993 to 1996, the Auditor-General's Report cites poor accounting as the main cause of TAs failure to submit annual accounts and yearly estimates. Low calibre accounting affects the accuracy of yearly estimates, revenue, and expenditure accounts. The problem is worse in regions with large rural populations. In these regions qualified accountants to manage the TA accounts are difficult to find. This highlights the need for proper accounting training.

In the absence of revenue and expenditure estimates, no meaningful assessment can be made of the operational performance of TAs. As discussed, large numbers of TAs operate without submitting estimates, and this significantly limits the effectiveness of

expenditure controls. Although revenue targets are very often not reached, many TAs fail to scale down on recurrent expenditures.

For those Traditional Authorities that do submit estimates, the level of expenditure control is acceptable. However, the majority of TAs, over 90percent, are in direct violation of mandated annual reporting of expenditure and revenue estimates. Hence, the accountability of TAs is questionable, and the Chieftaincy Secretariat has not enforced the Auditor-General's recommendations.

In conclusion, Traditional Authorities have not been accountable as far as reporting of revenue collected and expenditures made during the period under consideration is concerned. Chieftaincy disputes, civil disturbances and the lack of competent accounting personnel are the main reasons for this unfortunate situation. It is therefore suggested that TAs employ trained staff, capable of developing and maintaining satisfactory accounts that can be audited as needed. If this recommendation proves to be too difficult because of rural realities, existing staff should be trained in appropriate accounting and accounts management.

The capacity-building training assistance that the Eastern Region received in 1993 should be extended to all the regions. The standards of accounting in the Eastern

Region have shown considerable and sustained improvement over the period in question. The Auditor-General cites this improvement, and attributes it to regular training programmes organized for the Registrars of the various Traditional Councils by the Eastern Regional House of Chiefs. Other regions and other Regional Houses of Chiefs should emulate these training programmes.

In addition, the Chieftaincy Secretariat needs to find a lasting solution to the

failure of Traditional Authorities in submitting annual-estimates. As this problem is linked to the inability of Traditional Authorities to keep satisfactory accounts, the Chieftaincy Secretariat may find it necessary to create a programme to assist each region in the preparation of estimates. However, not all of this dereliction of duty can be blamed on incompetence. It is probable that some Traditional Authorities are not submitting estimates because non-submission makes it easier to conceal fraud.

This publication is produced by Research Officers of The Institute's, Economic Unit

Note: Nothing written herein is to be construed as necessarily reflecting the views of the Institute of Economic Affairs
