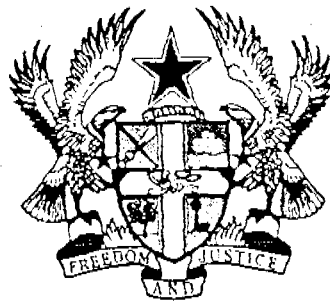

MINISTRY OF LOCAL GOVERNMENT, RURAL
DEVELOPMENT AND ENVIRONMENT

NANA



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- DRAFT -

OPERATIONAL MANUAL
FOR THE IMPLEMENTATION AND ADMINISTRATION OF THE
FUNCTIONAL & ORGANISATIONAL ASSESSMENT TOOL
AND THE
DISTRICT DEVELOPMENT FUND

June, 2007

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1. Introduction

1.1 Background

Under the Government's decentralisation and local government reform initiative, the Metropolitan, Municipal and District Assemblies (MMDAs) have been assigned a wide range of responsibilities, including the provision of basic social services and infrastructure. In addition, the MMDAs are responsible for the coordination of local economic development. The MMDAs thus have a critical role in addressing national poverty reduction objectives and, as such, in achieving the Millennium Development Goals.

Although over the years, there has been a gradual increase in the volume of fiscal transfers to local government, this increase has not always been in line with the growing demand for services. At the same time, the potential for internally generated funds (IGF) as a source to finance service delivery has also not been fully exploited. Finally, the increase in investment flows has not always been met with adequate reservations for maintenance. MMDAs are thus faced with a financing gap that hampers their overall performance and the implementation of their development plans in particular. In response, MMDAs have been regularly agitating for an increase in the resources transferred to them.

The performance of the MMDAs is further constrained by the excess of administrative, reporting and implementation arrangements associated with "projectised" financial and/or capacity building support from Development Partners. This situation poses increasing concerns about the financial management capacity of MMDAs and the judicious and efficient use of resources at the district level. These concerns have affected the granting of greater budget autonomy to local governments. In this respect, the lack of linkage between performance assessments and additional funding is of special concern to the central government and development partners.

In order to bridge the financing gap and to improve the performance of the MMDAs, the Government is introducing a performance based grant (the District Development Funding modality) whereby access to additional discretionary investment funds is linked to regular performance assessment under the Functional and Organisational Assessment Tool (FOAT). The government and its key development partners supporting decentralisation intend to earmark part of their support for the implementation of the performance based funding to local governments.

Under this system, good performance gets rewarded with additional financial resources, while weak performance is responded to by tailor-made capacity building support. Moreover, all three components of the system (performance assessment, funding and capacity building) are designed as harmonised modalities, fully operating within Government's existing legal, regulatory and policy frameworks. The disbursements to the MMDAs under the DDF are based on the outcome of an annual assessment process (FOAT). The performance of the MMDAs will be measured against a number of performance indicators agreed upon by GoG and Development Partners.

At its introduction, the DDF will be a separate funding stream for MMDAs. In the long term, it is intended to make all grants to the MMDAs performance based. The objectives of the DDF-FOAT system are to:

- promote MMDAs compliance with national policies and the legal and regulatory framework in the fulfilment of their mandates;
- harmonise the current overabundance of projectised funding modalities into one coherent framework for the transfer of development funds in a manner that is effective, transparent, equitable and responsive to the increasing demand for services in social infrastructure (water and sanitation, education, health);
- introduce a performance element in the way these resources get allocated to MMDAs and to provide incentives to comply with existing regulatory frameworks and national development policies.

1.2 Links Between the FOAT, the DDF and Capacity Building Support

The FOAT is part of a performance based grant system (PBGS) that has been developed to provide well-coordinated institutional and financial support to the MMDAs. The system is comprised of three interlinked components:

1. Performance Assessment (FOAT)
2. Funding (DDF)
3. Capacity Building

In this system, the performance assessment has a dual function: it informs the annual allocation under the DDF and it identifies capacity building needs for individual MMDAs. Initially, the MMDAs will be assessed in the following broad areas:

1. Management and Organisation
2. Human Resource Development
3. Planning and Budgeting
4. Financial Management and Administration, Accounting and Auditing.

Because the assessment takes place against a common set of indicators, it generates a systematic body of data that allows for a comparison of performance amongst the MMDAs. The availability of this type of data will also provide an opportunity to strengthen the policy dialogue on decentralisation and local government reform by giving it a more factual basis.

The focus and thematic coverage of the FOAT will evolve in line with developments in the ongoing process of decentralisation and the performance leverage of the PBGS. In line with the process of functional integration and the pending fiscal reforms, it is expected that the FOAT will get a more specific service delivery focus.

In order to respond adequately to capacity gaps at the MMDA level, the Institute of Local Government Studies (ILGS) has developed training modules for all areas covered by the FOAT. Each module comes with a more detailed menu of training options so as to accommodate district specific needs. The actual training will be supplied by certified service providers.

The incentives approach is reflected in the structure of the grant, which has three components:

1. A conditional entitlement component;
2. A performance component;

3. A capacity building component.

The **conditional entitlement component** will be allocated on the basis of a simple formula, comprising an equal share factor, a population factor and a land area factor (the size of the MMDA territory).

The **performance component** will be allocated on the basis of the annual performance assessment, as an adjustment to the entitlement component. The FOAT assesses performance in four generic areas: management and organisation; human resource development; planning and budgeting; financial management and administration¹.

The **capacity building component** will be used to finance capacity building support as well as the performance assessment itself. MMDAs will thus be given the opportunity to address institutional weaknesses in their operations in a regularised and well-coordinated manner. Training modules addressing the four areas covered by the FOAT will be available at the introduction of the system.

A crucial feature of the FOAT is the difference between Minimum Conditions (MC) and Performance Measures (PM). The minimum conditions constitute the basic prerequisites that must be met by MMDAs in order to participate in the assessment in a given year. It is an on-off switch and must be fully satisfied by an MMDA in order to be assessed. Any MMDA that fails to meet any of the minimum conditions will not receive any funds, but will receive capacity building support. All MMDAs that meet the MC are eligible to receive the conditional entitlement component. The scoring on the performance measures determines whether they will receive a deduction or a reward vis-à-vis the conditional entitlement component.

Ten percent (10%) of the annual overall resource pool will be ring fenced to finance the annual assessment and the capacity building support under the system.

It is important to note that the actual allocations made under the DDF are dependent on the size of the overall pool.

The management of the system is anchored in well-worked out institutional arrangements at both the national and district level (*discussed in more detail in Section 3*).

1.3 Important Provision

An important provision must be made with regard to the Capacity Building component of the system. Although some elements of this component have been addressed (notably the development of Training Modules for all the areas covered by the FOAT), the operational details of this component are left to the responsible institution, the Local Government Service. Key issues for the consideration of the LGS include:

- The development of an accreditation system for service providers. This should take into account the thematic areas of the FOAT and the Training Modules, but also efficiency concerns relating to the use of service providers across the country;

¹ Cf. MLGRDE / Decentralisation Secretariat, Functional and Organisational Assessment Tool (FOAT) and Process for Local Government and Implementation Manual for the Application of the FOAT Tool and Process, April 2006 (*hereafter: FOAT Design*).

- A costing of the delivery of the different Training Modules across the country. Allowing for regional differences, the costs of the benefiting from the various Training Modules should be standardised;
- The development of a transparent system to allocate the capacity building grant to the MMDAs. The allocation of the Capacity Building grant from the outcome of the FOAT, but in a less straight forward manner than the allocation of the investment funds. Three principles could guide the allocation. First, the amount of capacity building support should inversely correlated to the FOAT score: poor performing MMDAs are eligible to more capacity building support. Second, the allocation of the Capacity Building grant should correspond directly to the areas that have been identified as weak under the FOAT. And third, although the translation of the FOAT into capacity building support cannot be as precise as the investment fund allocation, the decision making process should be fully transparent and minimise discretion.

A basic framework for the capacity building component of the system is provided in Section 6 of the Operational Manual.

1.4 The Purpose of this Manual

The purpose of this Manual is to provide operational guidance for the management, implementation and administration of the FOAT and the DDF. More specifically, the objectives of the manual are to spell out the:

- National level arrangements for the management and coordination of the annual FOAT exercise;
- Arrangements for the annual implementation of the FOAT at the MMDA level; and
- Summarise the procedures for the financial management and administration of the DDF at both the national and district level.

1.5 The Structure of the Manual

The remainder of the Manual is structured as follows:

- Section 2 Objectives and Key Characteristics of the FOAT**
Introduces the design principles for the FOAT and its objectives. This section also presents an overview of the assessment process and explains the role of Minimum Conditions and Performance Measures in the system.
- Section 3 FOAT Implementation at the National Level**
Identifies the key responsible actors at the central level and describes their roles and responsibilities in the process.
- Section 4 FOAT Implementation at MMDA Level**
Describes the various steps in the actual assessment process at the district level.
- Section 5 Management and Administration of the DDF**
Discusses the management and administration of the DDF at both the national and MMDA level. Since the DDF will be managed and administered fully within the existing legal and regulatory framework for

public financial management, this section mainly provides a summary of relevant established procedures.

Section 6 Management of the Capacity Building Component

Provides a suggested framework for the management and administration of the capacity building component. Since this component falls within the legal mandate of the Local Government Service (LGS), this institution will need to take the framework set in this section further.

In addition to the main text, the Manual also includes the following Annexes:

- Annex 1 Consolidated Annual Plan of Operations for the FOAT**
Displays all activities by all responsible actors against the calendar of the Fiscal Year.
- Annex 2 List of Minimum Conditions**
Lists the Minimum Conditions that need to be met by MMDAs in order to participate in the assessment process in a given year.
- Annex 3 List of Performance Measures**
Lists the indicators that are used to measure the performance of the MMDAs in a given year.
- Annex 4 Reporting Formats**
Presents all reporting formats that are required for the proper administration of the annual assessment process.
- Annex 5 DDF Allocation Model and Explanatory Notes**
Briefly discusses the construction of the model and includes a simulation for a sample of MMDAs.

2. The FOAT and the Assessment Process

2.1 Objectives

The objectives of the FOAT and the assessment process are to:

- Verify the compliance of MMDAs with existing provisions in laws, regulations and national binding guidelines; an overview of the legal and regulatory framework is presented in Annex 5;
- Inform the DDF allocation to a specific MMDA;
- Identify the capacity building needs in MMDAs through identification of the major functional and organisational gaps;
- Strengthening institutional performance of MMDAs;
- Harmonisation of disjointed approaches to implementation (systems development)
- Systematically improving district level service delivery and the quality of local governance (MDGs, GPRS II).

2.2 Key Characteristics of the FOAT and the Assessment Process

2.2.1 Guiding Principles

The following principles apply to the FOAT and the Assessment Process:

- The MMDAs are strictly assessed against their legal obligations and against issues that fall within their direct span of control;²
- Consequently, all indicators are anchored in existing legal, regulatory and policy frameworks;
- In order to minimise discretion in the assessment process, the indicators are objectively verifiable and simple to assess;
- The indicators acknowledge the specific legal, political-administrative and fiscal environment in which MMDAs operate;³
- The indicators capture both the administrators and the elected representatives in the MMDA structure;
- The assessment process establishes a clear link between identified capacity building needs and the objectives laid down in annual and medium term development plans;
- The assessment process facilitates a clear translation of identified capacity building needs into corresponding institutional strengthening strategies;
- The assessment process ensures that capacity building is fully integrated into the budgeting cycle of the benefiting MMDAs.

A final tenet of the assessment is the aforementioned distinction between **Minimum Conditions (MC)** and **Performance Measures (PM)**. In the actual assessment of the minimum conditions and the performance measures, the broad thematic areas have been broken down further into sub-themes.

Minimum Conditions: The minimum conditions have been classified under the following five sub-themes:

² As confirmed by international experiences with similar tools, this is a fundamental prerequisite for the credibility of the assessment process and the performance based funding system as a whole.

³ Methodologically this is important, because a number of well-documented constraints at the MMDA level fall within the scope of responsibility of the central government.

- Development Planning
- Financial Management and Accounting
- Public Procurement
- Implementation Capacity
- Functioning of the Assembly

The MCs have been divided into primary and secondary minimum conditions. In case an MMDA is not able to meet primary minimum conditions, it is disqualified to further engage in the assessment process, though it will remain eligible to receive capacity building support. Where an MMDA does not meet secondary minimum conditions, it will be given a period of 2 months to rectify the situation for an assessment to be carried out. In such cases, the MMDA will bear the cost of the (re-)assessment.

Annex 2 includes a comprehensive list of the primary and secondary MCs.

Performance Measures: The performance measures which constitute the second segment of the FOAT have detailed indicators to measure performance, sources of information, basis of assessment and a scoring system for each indicator ranging from zero (0) to two (2). The scoring system limits the degree of subjectivity since assessment teams are required to give exact scores for each indicator.

The performance measures have also been classified under eight sub-themes:

- Management and Organisation
- Transparency, Openness and Accountability
- Planning System
- Human Resource Management
- Relationship with sub-district structures
- Financial Management and Auditing
- Fiscal Capacity
- Procurement

A summary of the thematic areas and the maximum scores that can be obtained is presented in Table 1.

Table 1: Summary of Scores for each Thematic Area

Performance Measures	Maximum Score
Management and organization	15
Transparency, openness and accountability	10
Planning system	15
Human resource management	10
Relationship with sub-district structures	9
Financial management and Auditing	21
Fiscal capacity	10
Procurement	10
Total	100

Annex 3 presents a comprehensive list of the performance measures.

2.2.4 The Assessment Process

The FOAT assessment will be managed by the Local Government Service Secretariat. This management role will involve coordinating and ensuring the integrity of the activities of the FOAT Assessment. Actual implementation at MMDA level has to take place in April-May each year.

The actual assessment of the MMDAs will be contracted out to the private sector on the basis of a competitive bidding process⁴.

Details on the steps in the assessment process are provided in Sections 3 and 4.

A consolidated Annual Plan of Operations, capturing the activities of all actors at the national and district level, is provided in Annex 1.

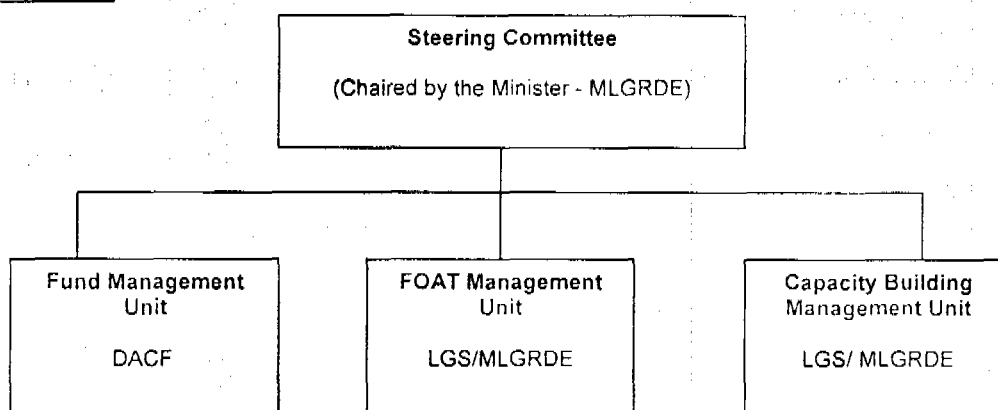
⁴ Procurement will be done within the framework of the Public Procurement Act, 2003 (Act 663).

3. Management and Administration of the Annual FOAT Process

3.1 National Level Arrangements

The overall set-up for the management of the DDF-FOAT system is depicted in the diagram below:

Diagram 3.1



The Steering Committee

The Steering Committee will be made up of representatives of relevant ministries, departments and agencies. The Minister of Local Government, Rural Development and Environment will chair the Committee. The membership of the Steering Committee will be as follows:

1. Minister – MLGRDE as chairperson
2. Representative of MLGRDE
3. Representative of Ministry of Finance and Economic Planning
4. Representative of National Development Planning Commission
5. Head of the Local Government Service
6. The Administrator of the District Assemblies' Common Fund
7. Representative of National Association of Local Authorities in Ghana
8. Representative of Ghana Audit Service
9. Representative of Ghana Statistical Service
10. Coordinating Development Partner for decentralisation and local government reform
11. Representatives of DPs that are party to the co-financing agreement

The principle responsibilities of the Steering Committee are to coordinate the annual implementation of the system and to safeguard the system's integrity.

The Steering Committee is expected to have one regular meeting per year, which will take place in the first half of August. The expected outputs of this meeting include:

- The endorsement of the financial reports on the operations of the DACF and the LGS in the previous year;

- The endorsement of the Work Plan and budgets for the management and implementation of the DDF-FOAT system in the coming year;
- The endorsement of the FOAT results and the corresponding DDF allocations that will inform the planning and budgeting process for the coming year;
- The endorsement of any adjustments to the FOAT indicators, the DDF allocation formula or other aspects of the system;
- Clearance of a DDF transfer request to MoFEP.

3.1.1 Main Activities over the Year

The Local Government Service Secretariat will manage the implementation of the FOAT on behalf of MLGRDE. This management role includes the following main tasks:

- Planning of the Annual Assessment;
- Procurement of the National Assessment Team (NAT)⁵;
- Provision of relevant documentation to the NAT;
- Orientation of the NAT;
- Quality control of the assessment process through spot-checks in selected districts;
- Receipt and validation of the MMDA assessment reports;
- Periodical review of the FOAT indicators, the assessment process and the administrative requirements; and
- Determination of the capacity building support requirements.

Planning of the Annual Assessment

There are three main activity blocks in the annual plan of operations for the assessment:

1. Pre-assessment activities
2. The actual assessment
3. Post-assessment activities

Key activities that are to be executed under each of the above headings are discussed below. Further operational details are provided in section 3.1.2.

Pre-assessment activities

- Management and coordination of the procurement process. The steps and timing of the procurement process is dictated by the requirements of the Public Procurement Act, 2003 (Act 663). Standard Government RFP formats are available. *(6 month period; contracts should be awarded by February).*⁵
- Letter to MMDAs informing them about the timing of the assessment, the specific documents that need to be available when the NAT arrives as well as an overview of the Minimum Conditions and Performance Measures *(February)*;
- Consultative meeting between the LGS and the NAT to discuss and respond to any operational bottlenecks and/or FOAT design issues identified during the last round of implementation *(March)*;
- Provision of the necessary logistics to the NAT *(March)*.

⁵ This particular activity will only be required every third year.

⁶ MLGRDE has already prepared a RFP for the implementation of the FOAT.

The actual assessment (April-May)

- Quality assurance of the assessment process through the conduct of one spot check per Region. In case a representative of the LGS visits an on-going assessment process, he/she has to do so strictly in an observant capacity. He/she shall not interfere nor engage in any other way in the proceedings of the assessment process. Any relevant observations made can be tabled at the Steering Committee meeting.

Post-assessment activities

- Processing of complaints from MMDAs (*July*);
- Validation of the consolidated Annual Assessment Report (*July*);
- Forwarding of the consolidated Annual Assessment Report to the Administrator of the DACF (*July*);
- Calculation of DDF allocations (*July*);
- Submission of the consolidated Annual Assessment Report to the Steering Committee (*July*);
- DACF and LGS preparation of the coming year's Work Plan and Budget for submission to the Steering Committee (*July*);
- Annual Steering Committee meeting (*August*);
- Dissemination of the endorsed FOAT results and the corresponding DDF allocations to the participating MMDAs (*December-January*);
- Public dissemination of the FOAT results and corresponding DDF allocations (*December-January*);
- Transfer of DDF allocations to MMDAs (*January*)

3.1.2 Operational Details

Procurement of Service of Consultants to constitute the National Assessment Team

The National Assessment Team is to be fully contracted from the private sector; procurement is to be done within the established framework of the Public Procurement Act. To facilitate a smooth implementation process, the MLGRDE has identified five geographical zones, as follows:

Zone One: All MMDAs in the Upper East and Northern Regions (26 in total)

Zone Two: All MMDAs in Brong Ahafo and the Upper West Region (27 in total)

Zone Three: All MMDAs in the Ashanti and Eastern Regions (38 in total)

Zone Four: All MMDAs in the Central and Western Regions (26 in total)

Zone Five: All MMDAs in Greater Accra and the Volta Region (21 in total)

Separate contracts are to be awarded for each individual zone, but there will be a joint responsibility to prepare the consolidated report for submission to the LGS. The consulting firms will be given a contract to conduct three annual assessments; in the third year their performance will be reviewed and re-tendering initiated.

The National Assessment Team will be broken down into smaller Assessment Teams of four (4) persons, including one designated Team Leader. Each of the assessment teams should represent expertise in the various thematic areas included in the assessment.

The selection and composition of the individual assessment teams must ensure that team members are impartial and independent. No member of the team(s) should for instance, be allowed to assess an MMDA located in his/her geographical area of service delivery or place of permanent residence.

Orientation of the National Assessment Team⁷

Prior to the commencement of an annual assessment, the LGS is to facilitate a two-day orientation session for the National Assessment Team. The purpose of this orientation is to discuss in detail the FOAT manual and the assessment process, including the working modalities during field work, the reporting procedures, the role of the team leaders and members, the working relationship among team members as well as a discussion on how to overcome possible challenges.

The logistics arrangements for the NAT are also to be outlined during this 2 day session.

In advance of the Orientation Session, the NAT should be provided with copies of relevant legislation and official documents that constitute the basis for the application of the performance indicators. The documents required for the assessment include the following:

- Financial Memoranda issued by the MLGRDE (Gazette Number 35, 2004);
- Local Government Act, 1993, Act 462;
- National Development Planning Commission Guidelines for the preparation of Medium Term Development Plan;
- Public Procurement Act, 2003, Act 663;
- Procurement of Works, Small Contracts (Small Value, Short Duration and Low Risk), Public Procurement Board - October 2003;
- Financial Administration Regulation, 2004 (LI 1802);
- Financial Administration Act, 2003, Act 654;
- Internal Audit Agency Act, 2003, Act 658;
- Audit Service Act, 2000, Act 584;
- Public Records Archives and Administration Department (PRAAD) Guidelines on filing and documentation;
- The Local Government (Urban, Zonal, Area, Town Councils and Unit Committees);
- Establishment Instrument, 1994 (LI 1589);
- Office of the Head of Civil Service Guidelines on filing of vacancies, staff performance assessment and staff development.
- Guidelines for Operationalisation of the District and Regional Planning Coordinating Units, November 2003.

The assessment team is required to make reference to the relevant sections of the documents for clarity and objectivity in the assessment process.

Validation of the Consolidated Annual Assessment Report

On the basis of the individual assessment reports from the consultancy firms, the LGS will supervise the preparation of the Consolidated Annual Assessment Report. The LGS will

⁷ Relevant in the first contract year only.

then validate the report and submit it, together with the individual Assessment Reports, to the Minister for Local Government, Rural Development and Environment.

Final approval of the national assessment report and the individual MMDA reports is to be done by the Steering Committee.

Examination of Complaints

The examination of the complaint should lead to one of the following results: a) correction of errors; b) re-assessment in case of negligence by the assessment team; c) rejection. If the corrections or re-assessment will lead to changes in the allocation of financial funds, the changes shall be effected in the first following quarterly transfer.

Ranking of the MMDAs

The outcome of the FOAT will be used to rank the MMDAs in five clusters:

1. Very good performers
2. Good performers
3. Average performers
4. Poor performers
5. Very poor performers

To infuse a strong sense of competition in the local government system, ranking the MMDAs is done by looking how well they have performed **relative to each other**. The steps in the ranking are the following:

- Collate and consolidate the FOAT results;
- Identify the highest and lowest scores and determine the difference;
- Divide this difference by 5 (clusters), which gives the range per cluster;
- Cluster the MMDAs accordingly.

As an example, assume the highest score is 80 and the lowest score is 30. The difference is thus 50. Dividing by 5 gives 10, which will be range for each cluster:

<i>Very good performers:</i>	<i>all scores between 71 and 80</i>
<i>Good performers:</i>	<i>all scores between 61- 70</i>
<i>Average performers:</i>	<i>all scores between 51- 60</i>
<i>Poor performers:</i>	<i>all scores between 41- 50</i>
<i>Very poor performers:</i>	<i>all scores between 40 - 30.</i>

The final step is to translate the clusters into corresponding allocations under the DDF, using the allocation model included in Annex 6.

Dissemination

To ensure full transparency and accountability in the system, the wide public dissemination of the FOAT results and the corresponding DDF allocations is crucial. It is foreseen that this will be done through publication of the results in national dailies and other means of communication.

Each of the assessed MMDAs is to receive a validated copy of their Assembly specific report, which should be tabled before the Assembly for discussion.

4. Implementation of the FOAT at MMDA level

4.1 Steps in the Implementation Process

The FOAT and Process entails the following six (6) steps:

- Step 1: Preparation of the necessary information at MMDA level
- Step 2: Implementation of the Assessment
- Step 3: Overall Rating of Performance Assessment
- Step 4: Identification of capacity building needs
- Step 5: Complaint Procedures

Information on the indicators should be received from the chief administrative officer of the MMDA, who is the District Coordinating Director (DCD). The DCD is to subsequently direct the Assessment Team to the relevant officers in the MMDA.

It is of key importance that the assessment is undertaken in an interactive and friendly atmosphere. The exercise should NOT be experienced as an inquisition.

Step 1 - Preparation of the necessary information at MMDA level

As per the letter issued by the LGS, the MMDAs are required to have a range of documents ready by the time the Assessment Team arrives in their respective districts. The MMDAs must also be provided with an overview of the Minimum Conditions and the Performance Measures. This is to give them the opportunity to properly prepare for the actual assessment.

Step 2 - Implementation of the Assessment

Period of the Assessment

The assessment should be conducted between April and May. Since audit results of the previous year will not be available, the audit of 2 years previously will be assessed.

As a general rule, the MMDAs must ensure full cooperation with the Assessment Team. Failure to do so will result in disqualification.

Introductory Session in the MMDAs

There will be an introductory meeting between the Assessment Team and key district officials including at least the Presiding Member, the Chief Executive and the District Coordinating Director. The purpose of the meeting is to set the agenda and agree on time schedules for the assessment. As a follow up to this introductory session, the District Coordinator Director is required to facilitate subsequent meetings and the provision of required documentation. Kindly refer to Annex 3 for details on the information requirements.

MMDAs that provide false information or refuse to provide the required information will be disqualified from the assessment for the year and treated as if they had failed to meet the Minimum Conditions.

Assessment of Minimum Conditions

The first point of reference for the NAT is to focus on the Minimum Conditions. Where an MMDA does not meet any of the Primary Condition, the Team should meet with the DCE, DCD and Presiding Member to explain to them why the assessment cannot be continued. Hence, any MMDA that fails to meet any of the Primary MCs is ineligible to participate in the assessment process for the year and is not eligible to receive funds under the DDF. Even in such cases, however, an MMDA remains eligible to receive capacity building support.

In case an MMDA is not able to meet one (or more) of the Secondary MCs, the Assessment Team is to meet the DCE, DCD and PM and make them understand that the assessment will be done but the Assembly has a maximum of two (2) months to rectify the situation. The Assessment Team is to make the Assembly leadership to understand that when they have met the Condition they are to communicate it to the head of the LGS. Upon the notification by the MMDA, the LGS will send a representative of the NAT to the MMDA for verification of the information. The full costs of this verification will be borne by the MMDA. If the MMDA still fails to fulfil any of the secondary conditions at the end of the two months period, the results of the preliminary assessment will be annulled and the MMDA will be denied access to investment funds but will have access to the capacity building grant.

Assessment of Performance Measures

The scoring on the Performance Measures determines the upward or downward adjustment to an MMDA's basic allocation under the DDF. The next section will elaborate on this.

The Assessment Team is expected to go through the indicators for the PM with the respective officers as directed by the DCD and score appropriately according to the scheme. Under no circumstance is an Assessment Team member expected to use discretion for the scoring apart from that outlined by the scheme for the PM in Annex 3.

Team work

At the end of each working day, the Assessment Team Leader has to call for an internal wrap up meeting with his/her team to reconcile the various pieces of information received from different sources and consolidate findings on each of the specific indicators (MC, PM). The meeting will also outline missing information and data to be collected the following day(s).

Duration of Assessment

Each Assessment Team is expected to spend about 3 days in each MMDA conducting interviews and reviewing documentation. The LGS may allocate more or less time for the different types of MMDAs (Metropolitan, Municipal and District Assemblies).

Reporting

At the end of the field assessment, the Assessment Team will meet the MMDA top management to present the initial findings and to check factual accuracy.

The Assessment Team Leader should prepare and submit a report on each of the assigned MMDAs to the LGS. The report must be signed by the DCE, the DCD, the Team Leader and all members of the assessment team. The report must be submitted to the LGS two weeks after the completion of the assessment.

Technical Note

The Assessment Team must visit at least 20% of sub district structures (on a random basis) to verify the degree of functionality of these structures.

In assessing the indicator on "Linkage Between Planning and Budgeting" the assessment team must obtain information on projects and programmes that were imposed by central government but funded with proceeds of the MMDA. Where central government had imposed a programme on a MMDA, the cost of the MMDA component for undertaking the programme should be deducted from the MMDAs expenditure. This will provide a fair picture of the MMDAs expenditure as against its planned investment budgetary estimates.

On the collection cost of Internally Generated Funds (IGF), the Assessment Team should observe the following and sum up to arrive at the cost of revenue collection:

- Salaries of revenue staff on central government payroll.
- Commission received by revenue collectors
- Transport cost
- Vouchers, receipts and other stationery.

Step 4 - Complaint Procedures

If an MMDA does not agree with the outcome of the assessment on the basis of factual inaccuracies or omissions, it should submit its complaint to the Head of the LGS not later than one month after the assessment.

When submitting the complaint, the MMDA must enclose any relevant documentation in support of their case. The evidence submitted will be examined and the necessary action taken by the LGS within one month after receipt of the complaint.

In case of a disagreement on the outcome of the assessment, the assessment report will still be signed by the Assessment Team Leader and the DCE. The assessment report will include an explicit reference to the nature and substance of the dispute.

Step 5 - Overall Rating of Performance Assessment

The PM indicators have been given a score and a total maximum score for each thematic area being assessed is determined. The table below contains the scheme to be applied in the assessment to determine the size of the grant to be received by a prospective MMDA in the next financial year.

The table below contains the scheme to be applied in the assessment to determine the size of the grant to be received in the next financial year.

Performance "rating"	Reward/Sanction
Fulfilment of Minimum Conditions	
Very Good performance	(Conditional entitlement + average per capita performance allocation) + 50% bonus
Good performance	(Conditional entitlement + average per capita performance allocation) + 35% bonus
Average performance	(Conditional entitlement + average per capita performance allocation)
Poor performance	(Conditional entitlement + average per capita performance allocation) – 35% sanction
Very poor performance	(Conditional entitlement + average per capita performance allocation) – 50% sanction
Non fulfilment of the Minimum Conditions	
Non fulfilment of Minimum Conditions for access to the grant	No investment funds will be allocated but the MMDA retains access to capacity building support

Assuming an average allocation of USD 1,25 per capita (or a total pool of USD 30 million⁸), the model below provides further illustration of the allocation mechanism⁹.

Scenario:		Scenario	Model (allocation)	Model (% share)
Conditional Entitlement	equal share	per district	\$11,000.00	50%
	land area	per km2	\$6.00	10%
	per person	per person	\$0.50	80%
Capacity building	fixed sum	per district	\$5,000.00	10%
	discretionary amount	td	\$17,000.00	
Performance	average	per capita	\$0.50	40%
	very good performer	per capita	\$0.75	50%
	good performer	per capita	\$0.70	35%
	poor performer	per capita	\$0.30	-35%
	very poor performer	per capita	\$0.25	-50%

Because the MMDAs will be scored against each other, it will only be possible to determine in which performance category an individual MMDA will be classified after the results from all MMDAs are known. The collation of the results and the subsequent classification is the responsibility of the MLGRDE / LGS.

⁸ Reflecting ongoing co-financing discussions between Government and Development Partners.

⁹ Further details on the construction of the allocation model are provided in Annex 6.

5. DDF Financial Management Guidelines

5.1 Introduction

This section presents an overview of the public financial management arrangements pertaining to the DDF. It is important to emphasise that the DDF is to operate fully within the existing legal and regulatory framework for public financial management and administration. Consequently, the activities and processes discussed in the overview below are not DDF-specific, but are relevant to all funds that are charged to the Consolidated Fund as well.

The guidelines are based on the activities and time-table presented in the consolidated Annual Plan of Operations for the DDF-FOAT system (*included as Annex 1*) and draws on guidelines from initiatives anchored on the legal and regulatory framework such as the District Wide Assistance Project (DWAP) and the Community Initiated Food Security (CIFS) project.

At its introduction in FY 2008, the DDF will operate as a separate funding stream to MMDAs, in addition to the DACF, as government explores possibilities of integrating the two streams in the coming years. Each District will receive funds from DDF each year depending on how the district performs and the size of investment funds determined for disbursement for any particular year. DDF will operate on an annual programming cycle that will align with the cycle of planning at the district level to the maximum extent possible.

5.2 Governance and Management of the DDF

5.2.1 The Legal and Regulatory Framework for Financial Management and Administration

The current public financial accountability arrangements, namely accounting, reporting and auditing derive from the 1992 Constitution and are also specifically covered under the Financial Administration Act (FAA), Act 654 of 2003; Financial Administration Regulations (FAR), L.I. 1802 of 2004; Financial Memorandum for Municipal and Urban Councils of 1961 and update in 2004; The Local Government Act, 1993, Act 462; the Audit Service Act of 2000 and the Internal Audit Agency Act 658 of 2003.

The Financial Administration Regulation (FAR), L.I. 1802 details out matters such as the responsibilities of government officers, budget process, virement authority, government accounts, supplies and stores, expenditure control, and financial and accounting records. These legal and administrative regulations create a framework for assessment of **accountability and transparency in financial management**. For downward accountability and transparency, beneficiaries are challenged to participate in the identification of local priorities for planning, budgeting, and project monitoring. In addition to presenting the plan and budget at the meeting of the General Assembly, the District Assemblies are required to publish the financial information (the budget the receipt of fund and financial statements) either on notice boards or through public hearing.

5.2.2 The Investment Menu for the DDF expenditures

The Development Menu for the DDF defines for which types of expenditure the grant can be accessed. It is important to emphasise that the DDF does not come with sector specific conditionalities to implement investment priorities within MTDPs and Annual Plans and Budgets and thereby promote budget autonomy at the district level.

The basic frame of reference for the Development Menu therefore is the existing classification of the Medium Term Expenditure Framework (MTEF). Since the DDF is introduced as a performance based development grant, it can be used for expenditures under MTEF Items IV. The allowable and non-allowable expenditures are outlined below.

Allowable Expenditure to be financed from DDF

Generally social infrastructure construction such as for education, health, water and sanitation qualify for funding. Such infrastructure should be completed within 12 months of commencement and within the calendar year of release of the fund.

Construction works: Construction Works; Consultancy fees; Contractors fees; Site Preparation; Compensation for land; Permits and legal fees; Construction materials; Water System; Access roads; New building, etc

Property Purchase/Rehabilitation: Purchase of plant and equipment; vehicle; furniture; motor bikes; computers and accessories; other capital expenditure. Given the ceiling for district level investments, not all of the specified expenses are relevant for MMDAs.

Maintenance: MMDAs will use 10% of the annual DDF allocation for maintenance purposes, provided that this use is backed up by a maintenance plan and budget.

Capacity Building Component: will be mainly on items listed under MTEF Item III – Services and should be justified by the FOAT exercise.

Disallowable Expenditure

Items that cannot be financed from the DDF include:

1. investments outside of the MDTPs and Annual Plans;
2. investments of a private nature; and
3. purchase of luxury cars and similar consumption expenditure.
4. Office equipment unless otherwise justified by the FOAT exercise.

5.3 Roles and Responsibilities of National Institutions

The roles and responsibilities of GoG institutions involved in DDF implementation including the MLGRDE, MoFEP, the District Assemblies Common Fund (DACF), the Ghana Audit Service (GAS), the Regional Planning and Coordination Unit (RPCU) are outlined.

5.3.1 Ministry of Finance and Economic Planning (MoFEP)

MoFEP is the principle signatory to the DDF Co-funding arrangement and is responsible for the flow of funds through the GoG system. MoFEP will also play a major policy-

making role as a member of the Steering Committee. MoFEP's operational duties will comprise:

- Ongoing policy and operational dialogue with participating DPs and MLGRDE;
- Ensuring a timely transfer to the DACF;
- Confirmation of the processes and controls for the funds transferred under DDF;
- Ensure timely flow of DDF through the GoG systems through the Controller and Accountant General's Department (CAGD); ensure appropriate financial systems are in place for the accounting of funds, which meets both GoG and DPs requirements;
- Ensuring that audit reports are produced annually.

5.3.2. Ministry of Local Government, Rural Development and Environment

On behalf of the GoG, MLGRDE has overall responsibility for DDF implementation and the accountable and effective utilization of DDF, including management mechanisms for the disbursement and effective management of the DDF at the district level.

MLGRDE has operational responsibility to coordinate the activities of all DDF participating agencies to take whatever measures necessary to ensure that the DDF operates within established legal and regulatory procedures.

MLGRDE has the mandate to oversee the work of the regions and districts in collaboration with the LGS. In this role, MLGRDE will play an overall monitoring role for DDF in order to identify and resolve implementation problems. MLGRDE key responsibilities include:

- Establish and chair the Steering Committee;
- Review the structure of the DACF outfit on an on-going basis to ensure that it operates efficiently at all times;
- Ensure that the Local Government Service (LGS) is well resourced to deliver on its mandate;
- Inform all Implementing Partners, including the DACF, the Regional Planning Coordinating Units and the Ghana Audit Service, of their roles and responsibilities with respect to the implementation of DDF.
- To confirm that financial systems are in place, which will allow the accounting for the funds (DDF) to be done in a manner that conforms to GoG requirements.
- Liaise with MoFEP to ensure that DPs receive any information from the GoG relating to financial policies and procedures that could impact on the DDF.
- Liaise with other GoG institutions to ensure that DDF remains compliant with GoG policies and procedures.
- With DPs and MoFEP, through the SC assess DDF implementation performance and whether adjustments to policies and procedures are required
- Co-operate with other stakeholders in any activities relating to monitoring and evaluation of DDF implementation activities.

Both MoFEP and MLGRDE will ensure that GAS delivers the required audit reports regularly to enable FOAT-DDF be effectively and efficiently assessed annually.

5.3.3. The Local Government Service

The Local Government Service Act (Act 656) establishes the Local Government Service and provides for the objects, functions, administration of the Service and related concerns. The functions of the Service include the provision of technical assistance to the DAs and RCCs to enable them to effectively perform their functions and discharge their duties; conduct organisational and job analysis; design and coordinate management systems and processes. Others include the execution of management audits of RCCs and the MMDAs to improve overall performance of the Service and assist the RCCs and MMDAs to perform their statutory as well as related responsibilities.

The Local Government Service is responsible for:

- forwarding the results of the FOAT based on the five scoring categories to the DACF for the determination of allocation for the MMDAs;
- preparing the capacity building grants to be received by each MMDAs;
- preparing the budget for training to be delivered to the MMDAs by the ILGS and the cost of the subsequent year FOAT assessment.

5.3.4. Office of the District Assemblies Common Fund (DACF)

The office of the District Assemblies Common Fund (DACF) allocates and disburses fund to each MMDA annually based on a formula approved by Parliament. It is designed to be disbursed to MMDAs on a quarterly basis, but a quarter in arrears. The DACF is available to the MMDAs for investment and other expenditures as directed by the utilisation guidelines. Utilisation of the funds is informed by guidelines approved yearly by Parliament. The MMDAs gain access to their allocation only subsequent to the submission of Annual Action Plans and Budgets to the Office of the Administrator of the District Assemblies Common Fund. Accordingly the MMDAs are required to forward returns on utilisation of the fund to the Office of the Common Fund Administrator monthly.

The Administrator of the DACF will be responsible for:

- a. managing the DDF by setting up a small but efficient secretariat. The DACF receive DDF resources from MoFEP on behalf of the MMDAs disbursement. In line with existing reporting requirements by MMDAs, it will receive financial reports from the districts;
- b. Ensuring that there is an effective information management system in place. The information management system is to ensure effective data management by tracking population, land size, poverty indicators, assessment results, yearly allocations, projects implemented and financial data on a continuous basis;
- c. Reviewing reports from the MMDAs and preparing yearly financial report related to the DDF for the attention of the SC.

DACF Institutional Readiness: The DDF Secretariat requires personnel, equipment and funds to operate. Readiness activities to make the DDF secretariat functional will include:

- a. Staff recruitment;
- b. Refurbishment of office and procurement of office equipment;
- c. Orientation of DDF/DACF team on the DDF modalities;
- d. Establishing the financial management and M&E system;

- e. Opening a separate bank account with the BoG and establishing all relevant books of account such as the cash book, the Fund and Expenditure Analysis ledgers in readiness to receive DDF.

The personnel, all of whom must exhibit a thorough knowledge of decentralisation and local government reforms, will include:

- a qualified accountant who will report to the DACF Administrator;
- Planning/Budgeting Officer;
- MIS officer / statistician; and
- Senior Administrative Officer.

The core personnel are to be supported by a secretary and two drivers. Equipment requirements include computers and accessories and vehicles.

Receipt and disbursement of District Development Fund by DACF:

- The Steering Committee will request MoFEP to transfer total allocation of DDF into DDF bank account opened at BoG by DACF;
- Warrants for the DDF will be issued by MoFEP to the office of DACF and CAGD.;
- Funds will be transferred by CAGD into the account of DDF held at Bank of Ghana (BoG);
- Upon receipt of the FOAT results, the DACF calculates each district's allocation and the overall budget of the FOAT-DDF system for the attention of the SC.
- After SC approval of the allocations, the Ministry will instruct the DACF to transfer funds to the respective agencies.
- The DACF will in turn transfer such fund into the specific bank account of the District and other agencies upon submission of Expenditure Returns.
- MMDAs and other participating agencies will submit monthly and annual report on DDF receipt and utilisation to the DACFA in accordance with the Financial Administration Regulations (L.I. 1802).
- The DACF will submit reports on Fund Receipts and Disbursements to MLGRDE on quarterly and annual basis to MoFEP (through CAGD), with copies to MLGRDE and LGS;
- The DACF will prepare its own work plans and budget in respect of the DDF and submit to the SC for approval.
- The DACF will establish database on district monthly financial reports and submit recommendations on performance to the LGS.
- The DACF (DDF Secretariat) will participate in sample surveillance monitoring processes.
- The DACF will analyse and document the findings from the reports and monitoring visits for the attention of LGS, and make timely recommendations to the LGS with respect to variances or irregularities identified and recommended action.

The DACF will also support and participate in processes associated with monitoring, reporting and analysis of DDF utilisation and the formulation of policy recommendations. The DACF will prepare and provide the following reports with respect to its activities and responsibilities for DDF:

- Annual reporting on the utilisation by DACF of DDF approved for DACF operational activities.

- Annual reports that document overall DDF performance with recommendations for any appropriate improvements to the DDF administration, policies and procedures

The operational steps involved in disbursement, Accounting and Reporting are presented below.

Disbursement: By December, MoFEP will advance funds to the bank account based on an agreed Work Plan and Budget. Funds will cover the DACF's own financial requirements as well as requirements on behalf of participating partners. Within 2 weeks of instruction from MLGRDE, DACF will transfer District funds into the designated DDF accounts of respective districts provided districts comply with other financial requirements such as submission of financial reports, responses to audit queries, etc.

Accounting: The DACF will prepare quarterly accounts and will report, through the Controller and Accountant General, to MoFEP, with copies to MLGRDE and the LGS. The DACF will account for funds transferred to other participating units without accounting responsibility. The Administrator of the DACF will also ensure that accounts are kept in accordance with the requirements of the FAA and FAR.

Auditing: The Office of the Auditor General will execute external annual audits of the DDF. The audits shall follow either International Standards of Auditing (ISA) or audit standards issued by International Organisation of Supreme Audit Institutions (INTOSAI).

5.3.5 Ghana Audit Service (GAS)

The Audit Service Act, 2000 (Act 658): outlines the task of the Auditor-General in respect of audit of public accounts and the audit limits. The requirement is that the audits must be completed within six months after the close of each financial year. The thrust of the operations is to establish whether the accounts have been well kept, rules and procedures followed. Other operations include whether funds have been appropriately expended, records maintained, assets protected and financial operations conducted with due regard to efficiency and effectiveness.

As part of their routine activities, Ghana Audit Service (GAS) will be responsible for promoting accountability by ensuring value for money operations of all participating agencies. GAS will therefore perform annual operational audit of all Districts and other beneficiary agencies. In addition they will perform special audits to address problems identified through regular monitoring. As an ex post review of the organisation's financial statements, financial systems, records, transactions and operations it should seek to identify weaknesses in internal controls and financial systems and make recommendations for improvements. The main function of the GAS therefore is to establish acceptable levels of compliance with legal and regulatory framework.

The Audit Service's annual report will provide a summary of findings and recommendations revealed through the audit.

The Ghana Audit Service (GAS) will provide audit, monitoring and evaluation services to the DDF and will participate in the SC meetings as ex-officio member. The administrative tasks of the GAS will comprise:

- Participation in SC meetings and deliberations as ex-officio member.

- Provide financial reporting to the DACF on utilisation of DDF by GAS for any additional direct costs.
- Provide a comprehensive Annual Audit Report that summarizes relevant audit findings and recommendations for the year.

5.3.6. Regional Planning and Coordinating Unit (RPCU)

The main roles and responsibilities of the Regional Planning Coordinating Units (RPCU) with respect to the implementation of DDF are:

- Coordinate and provide technical support for the preparation of annual plans and budget to ensure that they in line with the MTDPs and its associated guidelines.
- Monitor and evaluate the implementation of Annual Action Plans and Budgets of the districts.
- Produce quarterly reports on their operations to the LGS.

5.4. Roles and Responsibilities at the District Level

Districts will demonstrate their capacity to plan, manage, and account for funds in accordance with GoG planning, budgeting and financial management systems. To facilitate the annual assessment process, the MMDAs shall establish an effective data bank to facilitate swift retrieval of data for assessment purposes. As final implementing units, the MMDAs will prepare detailed annual activity plans and budget in line with their MTDPs based on planning cycle. Thus the DDF cycle is tied to the annual planning cycle of the MMDAs. The plan and budget will also comply with district administrative procedures and the systems of internal controls in the district. Procurement activities should comply with the procurement laws.

Receipt of Funds

- The MMDAs will need to comply with the readiness criteria to be established for the purposes of operationalising the Fund. This will include evidence of the availability of a management team, a financial management system and identified location.
- A designated DDF bank account will be opened and the necessary additional accounting records established, awaiting the release of funds. **Note: There shall be no co-mingling of funds.**
- The DACF (DDF Secretariat) will direct all districts to open the DDF bank account. Account name and number will be supplied to the DDF Secretariat.
- The MMDAs in compliance with the legal and regulatory framework will record and acknowledge receipt of funds appropriately.

Utilisation of Funds:

- A short memorandum from the accredited officer goes to the District Chief Executive (DCE, the Authorising Officer) who minutes it to the District Coordinating Director (DCD) requesting a release of funds for budgeted activities;
- The DCD (the Spending Officer) who is the chief administrative officer of the district will deal with the remaining steps by instructing the District Finance Officer (DFO) to raise the Payment Voucher for release of fund for implementation of the approved activity.
- Accounts Officer raises a Payment Voucher to be passed for payment by both DFO and the DCD;

- Cheque will be prepared for signing by the designated signatories usually the DCD and the DFO with the DCE endorsing the disbursement forms/warrant and the cheque;
- Cheque is released after entries had been made in Cash/Cheque Payment Register. Recipient signs both the Payment Voucher (PV) and the register to authenticate collection.

Disbursements for construction works

- Payment certificate is raised by the consultant or engineer;
- Inspection reports are prepared by the local monitoring team (DPCU);
- Warrants are prepared by the Budget Analyst for the DCE's authorisation;
- Disbursement forms are raised and signed by the DCE, the DCD and the DFO
- Payment Vouchers are prepared by the DFO, authorised by the DCD for the approval by the DCE;
- The Internal Audit Section or Local Government Inspector pre-audits Payment Vouchers;
- Cheques are signed by the DCD and the DFO.
- The DFO prepares the accounting records for the purposes of safeguarding and reporting.

Record Keeping

Accounting record keeping is absolutely indispensable for efficient financial reporting and decision making. For DDF, book-keeping should be structured clearly enough to report on sector developments, capacity building and maintenance expenses among others. All participating institutions should keep records of receipts and disbursements for the period in accordance with established GoG procedures.

Books of Accounts and financial documents to be kept. The books of account and other records to establish in order to account for the development fund received are:

The Cash Book: which records cash receipts and payments; the structure and design may compare favourable with that used for the recording expenses relating to the utilisation of the Common Fund.

Expenditure Analysis Ledger: which records the expenses according to classification;

Stock Ledger:- This records materials and stationeries procured and issued to works etc;

Fixed Assets Register: This records all fixed assets and relevant data on them resulting from DDF disbursements;

Fund Ledger: This ledger accumulates fund received from time to time;

Contract Register: This book keeps accounts of all contract awarded and payment made to date;

Working Advances and Payable Ledger: These books record mobilisation and owings respectively. They facilitate the accrual basis of accounting.

Other records to be kept include:

- Procurement and contract files
- Payment Vouchers and Waybills Files
- Local Purchase Orders, Stores Receipt Vouchers, Stores Issue Vouchers, Files
- Register of Cheque Released
- Receipts Books and Other Value Books;

The appropriate books of account and other recording documents should be established to make fund accountability and reports preparation simple and effective.

Preparation of DDF Financial and Activity Reports

- All MMDAs will establish the relevant accounting books such as DDF Cash book, Expenditure Analysis ledger, Fund Ledger, Receivables and Payables, Assets Register to manage the DDF.
- Regulation 189 of the Financial Administration Regulations (FAR), L.I. 1802 of 2004, mandates the head of the department to submit monthly statement of revenue and expenditure to the Controller and Accountant-General in a form provided for in the Departmental Accounting Instructions. Regulation 190 of the FAR charges the head of department to submit, within three months of the end of each financial year, the accounts of the department comprising:
- Districts will submit monthly and Annual financial reports regularly i.e. by the 15th day following the month to which the report relates, to the DACF with copies to CAGD.

Financial Reporting

- MMDAs will prepare monthly financial and quarterly activity reports for submission to the DACF. All other institutions receiving funds from the DDF will submit quarterly financial and activity reports to the DACF with copies to CAGD.
- Financial reports show the position of fund management at a point in time: at the end of the month, quarter, year or a period. Financial reports should have relevance, understandability, reliability, completeness, objectivity, timeliness and comparability as necessary characteristics in order to satisfy both government and donors in their decision making.

Internal Audit: Currently only metropolitan and municipal assemblies have functioning internal audit units. However with the enactment of the Internal Audit Agency Act it is hoped that all MMDAs will have Internal Audit Units created. All transactions relating to the DDF will have to be audited internally alongside regular audits of all district funds and a report submitted to the District Assembly accordingly. Internal auditing is the independent appraisal of the operations of the organisation by measuring and evaluating the effectiveness of other controls. Under the DDF, typical issues which internal audit should appraise and report on to management will include:

- the effectiveness of accounting, financial, operational controls and any need for their revision;
- the extent of compliance with prescribed policies;
- the reliability of accounting systems, data and financial reports;
- methods of remedying weak controls or creating them when there are none; and
- verification of assets and liabilities

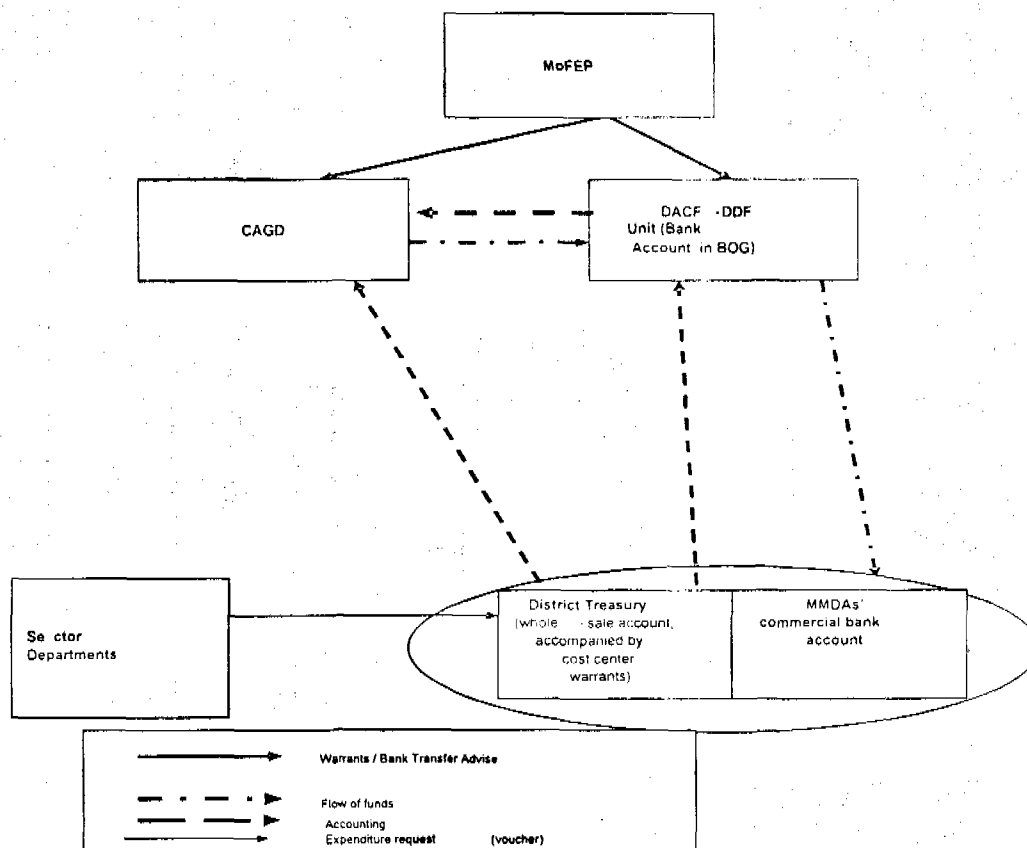
5.5. Flow of Funds

National Level Responsibilities

The Ministry of Finance and Economic Planning is charged with the responsibility of mobilising resources required for the DDF. The MLGRDE, MOFEP and DPs will decide on funding proportion for the DDF pool. MoFEP will ensure timely release of funds into the DDF Account opened with BoG.

The DDF Secretariat of the DACF will be responsible for managing the DDF. This involves the receipt of fund from MoFEP on behalf of beneficiaries and disbursement of fund to districts and other beneficiary institutions. It will receive financial reports from the districts as well as the other beneficiary institutions. The flow of funds is presented in Diagram 5.1.

Diagram 5.5.1 – Flow Chart under the DACF



The step wise process of the flow of DDF resources is outlined in Table 5.1

Table 5.2 Fund Release Process

Activity	Responsibility	Deadline
LGS submits FOAT results to DACF to compute allocations for attention of the Steering Committee.	MLGRDE	July
DACF returns computed allocations to Steering Committee for final approval.	DACF	July
GoG and DPs lodge respective joint fund in the account	MoFEP	December
MoFEP will inform MLGRDE in writing of fund availability	MoFEP	December
The MLGRDE, based on assessment report, informs MoFEP to transfer fund into DACF-DDF bank account held at BoG.	MLGRDE	December
MoFEP to transfer funds into DACF-DDF bank account.	MoFEP	December
MLGRDE now instructs DACF to transfer allocations to MMDAs after satisfying other financial management responsibilities	MLGRDE	January
All transfers to DAs and other beneficiary institutions completed.	DACF	January

5.6 Reporting, Monitoring and Evaluation

5.6.1 Reporting Schedule

Beside financial reports, all reporting on the DDF is to be integrated activity reporting of all beneficiary institutions. The table below provides the annual reporting schedule for the DDF.

Table 5.3: Reporting Schedule

Type of Report	Responsibility	Frequency	Recipient
District Financial Reports	Districts	Monthly financial reports, Yearly Summary reports	DACF, CAGD
DDF Implementation Progress Reports	Districts	Quarterly	MLGRDE/LGS, RPCU
Monitoring Reports	RPCU	Quarterly	MLGRDE/LGS
Participating Agencies' Financial Reports	RPCU, GAS, LGS	Monthly	DACF
Quarterly Financial Report	DACF	Quarterly	CAGD, MLGRDE
Annual Financial Performance Report	DACF	Yearly	DDF SC, CAGD, MLGRDE
Special Audit Reports	GAS	As requested by Steering Committee	SC, MLGRDE/LGS
Scheduled Audit Reports	GAS	As per Audit Work Plan schedule	SC, MLGRDE/LGS
Annual Summary Report	DACF, LGS	Yearly	Steering Committee

5.6.2 Monitoring and Evaluation

Monitoring of the DDF utilisation will be executed by district regional and national level institutions. At the national level, monitoring shall be executed as follows:

MLGRDE: The Ministry with overall responsibility for decentralisation policy development and monitoring, will monitor the operations of the LGS, DACF, RPCUs and MMDAs. The effectively execute this task especially in the case of the MMDAs, the Ministry's monitoring arms is to be strengthened in terms of human capacity, programming of field visits, reporting and logistics requirements. Although not a mainstream DDF activities, the Ministry's will be required to present to the SC its programme and report for the operations of the Monitoring Unit at its annual meeting. This effort of the Monitoring Unit is to be used to build a data bank to track the improvements of the MMDAs and inform how the FOAT indicators should be strengthened for improved institutional performance of the MMDAs and other policy concerns.

LGS: In line with its mandate to undertake performance monitoring of the districts and regions under LGSA, the LGS shall undertake regular monitoring of the overall operations of the MMDAs and the RPCUs. The outcome of the districts monitoring is expected to inform policy and the FOAT/DDF implementation.

DACF: shall undertake surveillance monitoring based on monthly financial reports received from the districts. Where the monitoring of the DACF reveals the need for further investigation, the GAS shall be required to undertake special audits of the particular districts.

GAS: The Service in line with the mandate shall undertake annual audits of the MMDAs and all other beneficiary institutions as already outlined in Section 5.3.5.

For the **regional and district levels**, the National Development Planning Commission (NDPC) has developed monitoring and evaluation guidelines for the use. The emphasis of this document is to get the districts and regions to prepare monitoring plans for use in the implementation of their annual action plans and budgets. The DPCUs and RPCUs countrywide have been trained to use this tool.

At the **regional level**, the RPCUs will be required to undertake quarterly monitoring of the districts in their region. The RPCUs will be expected monitor not only the use of the DDF resources but the overall funding to the MMDAs and submit quarterly reports to the LGS, MLGRDE and NDPC. The RPCUs will be required to monitor the district compliance with routine monitoring and quarterly activity reporting to the MLGRDE and NDPC.

At the **district level**, the DPCUs will be required to undertake routine monitoring on all their projects and programmes in line with monitoring plans prepared for the year. The existing weak activity reporting by the districts to the NDPC and MLGRDE in the past should be addressed and the LGS included in the reporting. The DCD is to ensure that the DPCU is well resourced to execute its monitoring mandate.

6. Management of the Capacity Building Component

6.1 Introduction

This section of the Implementation Manual only provides preliminary guidance for the management of the capacity building component.

The capacity building component seeks to sanitise the current uncoordinated and project-driven inputs¹⁰ to the MMDAs by ensuring:

- Tailor made and need based support, by establishing a direct link between the annual FOAT exercise and capacity building support;
- that local governments on a continuous basis identify and prioritise their capacity building requirements;
- a harmonised approach to capacity building nationwide, thereby ensuring efficiency and economies of scale.

Under the DDF-FOAT system, capacity building is understood as a process of developing and improving the ability and capability of the MMDAs to effectively and efficiently deliver on their service delivery and governance mandate. The approach adopted includes training, but also emphasises the availability of logistics and adequate financial and human resources.

In addition to the capacity building support that will be provided based on the outcome of the FOAT, there is also space for the provision of mandatory training as identified by the Local Government Service. This could relate, for example, to additions to the legal framework for local government, the issuance of new planning guidelines, the sensitisation of newly elected Assembly members, etc.

Training manuals for skills development in response to the thematic areas of the FOAT have been developed by the ILGS. The LGS is required to include mandatory training activities in their annual plans and budgets (which require the Steering Committee's approval).

6.2 Derivation of Capacity Building Needs

The Districts are expected to prepare Capacity Building Plans for presentation to the Assembly for initial approval. The participating MMDAs and the Assessment Teams will be required to undertake the following to facilitate the derivation of CB needs:

- Identification of capacity building requirements (logistics support, skills development, structure gaps) based on the performance gaps identified by the FOAT.
- Assist MMDAs to prioritise the capacity building requirements in the light of the indicative allocations.
- Harmonisation of the capacity building requirements for each region to determine the frequencies.

¹⁰ For a detailed overview of the current situation in the field of local government capacity building, see: Comparative Assessment of Local Government Capacity Building Initiatives and Institutional Service Providers (1999-2004), MLGRDE / Decentralisation Secretariat, September 2004

- Inclusion of the capacity building requirements analysed by district and regions in the Consolidated Report.

6.3 Management of the Capacity Building Grant

The CBG will be managed at two levels – national and district. At the national level the LGS will be responsible for the overall coordination and management of the CBG. In addition, the LGS will manage and organise the mandatory training requirements; the Institute of Local Government Studies is well positioned to deliver this type of training.

The LGS will need to determine the discretionary allocation per district for the capacity building by taking into account the following principles:

- the amount of capacity building support should inversely correlated to the FOAT score - poor performing MMDAs are eligible for more capacity building support.
- the allocation of the Capacity Building grant should correspond directly to the areas that have been identified as weak under the FOAT.
- translation of the FOAT into capacity building support cannot be as precise as the investment fund allocation, the decision making process should be fully transparent and minimise discretion.

Based on the above, the LGS annually will be required to follow the steps below:

- Determine the range of training to be carried out on regional and district basis.
- Cost each of these to determine allocations for each districts. It should be noted that in any particular year where the discretionary capacity building requests by MMDAs is higher than the 77% allocation of the pool, two options are available to address the situation:
 - Source the excess request from the mandatory training allocation; or
 - Use a pro-rated approach to scale down the discretionary request. This means addressing capacity building needs of high priority based on the work of the Assessment Team.
- Prepare a consolidated allocation and budget for the consideration of the SC.
- Following the approval by the SC, the LGS will inform the MMDAs of the approved discretionary allocation and which sessions are to be held at the district and regional levels for detailed capacity building plans and budgets to be developed as apart of the District's Annual Plan and Budget.

Accreditation of Service Providers

The LGS is required to put in place the following:

- The development of an accreditation system for service providers. This should take into account the thematic areas of the FOAT and the Training Modules, but also efficiency concerns relating to the use of service providers across the country. The accreditation will demand that firms express interest in thematic areas and specific regions for a defined period of contractual engagement defined by the LGS.
- Standardised costing of the delivery of the different Training Modules at the district and regional levels for each of the regions.

- Mechanisms for quality assurance and evaluation of the performance of the accredited providers.

6.4 Financing Capacity Building Support

In response to international experiences with similar systems, 10% of the overall DDF pool has been earmarked for capacity building support¹¹. Of this 10% share, 23% will be reserved to finance the mandatory training requirements and the financing of the annual assessment; the remaining 77% is reserved to finance the district specific capacity building. This means that the LGS will manage 23% of the Capacity Building Grant (CBG) to deliver training sessions to MMDAs for new government legal and regulatory instruments introduced with implications for local governments as well as sessions with nationwide scope for each fiscal year. The discretionary aspect of the CBG will be managed by the MMDAs to respond to their specific capacity building requirements for a fiscal year based on the outcome of the FOAT assessment.

Economies of scale should be exploited if and where possible. If analysis of the FOAT results show, for example, that specific training requirements occur frequently across a region, the possibility of regional rather than district training sessions must be considered.

Beneficiaries of the Capacity Building Grant

The current modules have been designed along four broad thematic areas which are also covered by the FOAT. Focusing on the FOAT thematic areas, the eligible target groups are the officers of the District Administration and their Departments as well as the sub-districts. In addition, the politicians of the Assembly are also to benefit from the CBG.

Disbursement of the CBG at the National and District levels

The procedure for the release of the CBG will follow Generally Accepted Accounting Practices. Upon the approval of the work plans and budgets for capacity building by the SC:

1. For **Discretionary Capacity Building Needs** the SC will instruct DACF to release the approved fund into the DDF bank accounts of respective Districts as one single transfer as part of the investment stream.
2. For **Mandatory Training Requirements** the SC will direct DACF to transfer such fund into the DDF account of the LGS.

Both capacity building activity and financial reports will be submitted (by the recipient of the fund i.e. the district or the LGS) as required under the prevailing GOG financial regulations.

¹¹ In fact, this percentage exceeds most of the other countries where PBGS are implemented (typically set around 5-7.5%). The reason for this is that the existing reservations for capacity building are evaluated as being too low.

Annex 1 Consolidated Annual Plan of Operations

Annual Plan of Operations for the DDF - FOAT System													
Activity	Responsible	J	F	M	A	M	J	J	A	S	O	N	D
Pre-Assessment													
Procurement Process of National Assessment Team	LGS/MLGRDE												
- Call for Expressions of Interest	LGS/MLGRDE												
- Preparation RFPs	LGS/MLGRDE												
- Shortlisting of pre-qualified firms	LGS/MLGRDE												
- Request for proposals from shortlisted firms/institutions	LGS/MLGRDE												
- Evaluation of proposals	LGS/MLGRDE												
- Approval of the evaluation	LGS/MLGRDE												
- Preparation of contracts	LGS/MLGRDE												
- Orientation of Consultants	LGS/MLGRDE												
Letter to MMDAs confirming timing of FOAT assessment, the information requirements and an overview of the Minimum Conditions and Performance Measures	LGS/MLGRDE												
Determination DDF pool for subsequent year (MDBS)	MoFEP / DPs												
Consultative Meeting Between LGS and NAT	LGS/MLGRDE												
Preparation for the Assessment by MMDAs	MMDAs												
MMDA Assessment													
Nationwide implementation of the FOAT	NAT												
Full and committed participation in the Assessment process	MMDAs												
Quality control FOAT implementation	LGS/MLGRDE												
Collation of FOAT results and submission to LGS/MLGRDE	NAT / LGS												
Post-Assessment													
Processing of complaints	LGS/MLGRDE												
Validation of FOAT results	LGS/MLGRDE												
Establishment of DDF Secretariat at DACF	MLGRDE												
a. Staff recruitment	MLGRDE												
b. Refurbishment of office and equipment procured	MLGRDE												
c. Orientation of DACF team on DDF modalities	MLGRDE												
d. Opening of bank account	MLGRDE												
e. Setting up the financial management system	MLGRDE												
Establishment and inauguration of DDF Steering Committee	MLGRDE												
Instruction to DAs to open DDF bank account & other records	MLGRDE												
Forwarding of validated FOAT results to DACF	LGS/MLGRDE												
Calculation of DDF allocations	DACF												
Submission of DDF allocations to LGS/MLGRDE	DACF												
Preparation of Work Plans and Budgets	LGS/MLGRDE / DACF												
Validation of DDF allocations	LGS/MLGRDE												
Submission of FOAT results and DDF allocations to Steering Committee	LGS/MLGRDE												
Submission of Work Plans and Budgets	LGS/MLGRDE / DACF												
Endorsement FOAT results	SC												
Endorsement of DDF allocations	SC												
Endorsement APOs, budget and Indicators	SC												
Public dissemination of FOAT results and DDF allocations	MLGRDE												
Submission of Budget for incorporation into MLGRDE budgets													
DDF account created and DPs & GoG fund lodged	MoFEP												
DDF allocation request from MLGRDE to MoFEP	SC / MLGRDE												
Release instruction from MoFEP to CAGD	MoFEP												
CAGD transfers to DACF	CAGD												
DACF releases DDF allocations to MMDAs (DTOs)	DACF												
¹ Since contracts for the NAT are awarded for a period of three years, these activities are implemented every third year only.													

	National Public Procurement Guidelines available in District	Secondary	From the DCD, request a documentation of the procurement guidelines and report of workshop(s) held for members of procurement entities and core MMDA staff to explain the guidelines. If guidelines and workshop(s) reports are available, the MC is fulfilled. (Section 17, 19 and 20 Public Procurement Act, Act 663)
Functional Capacity of Assembly	Assembly meeting according to minimum demands	Primary	From the DCD receive a copy of the minutes of meetings of the General Assembly. If the assembly has met at least three times and minutes duly recorded in the last fiscal year, the MC is fulfilled (Section 18 of Local Government Act, Act 462)
Project Implementation Capacity	Progress Reports on the implementation of projects in the Annual Action Plan	Secondary	From the DCD obtain information whether the MMDA has submitted quarterly composite progress reports on the implementation of the Annual Action Plan to the Regional Coordinating Council (RCC). If this has been done, the MC is fulfilled.

- * Primary conditions: to be fulfilled immediately
- Secondary conditions: MMDAs will have some time (approximately 3 to 4 months) to rectify situation in case of non compliance at the time of the assessment
- ** Examples bordering on dishonesty are misapplication, embezzlement, misappropriation, wilful negligence, over invoicing for purchasing, inflation of contract sums.
- *** Depending on the time of assessment, this might not concern the accounts of the previous fiscal year but may be the audited account of the year prior to the previous fiscal year

Annex 2 List of Minimum Conditions

MINIMUM CONDITIONS

Minimum Condition	Indicators of Minimum Condition	Primary or Secondary*	Information Source and Assessment Procedure
Functional Capacity in Development Planning	Establishment of a Functional District Planning Co-ordinating Unit (Refer to Annex 4)	Primary	From the District Coordinating Director (DCD) obtain information on membership and minutes of meetings of the DPCU If minimum 80% of members are at post and they have met and duly recorded the minutes, the MC is fulfilled. (Section 6.1 of Draft NDPC Guidelines)
	Medium-Term Development Plan prepared according to NDPC Guidelines	Primary	From the DCD receive information on the preparation and approval of the MTDP. If these follow the NDPC guidelines, the MC is fulfilled. (Draft NDPC Guidelines on the preparation of the MTDP)
	Annual Action Plan has been formulated on the basis of the MTDP	Secondary	From DCD receive a copy of the annual action plan for implementation of the MTDP to verify link between MTDP and quarterly action plan. If plan is made and link with MDTP exist, the MC is fulfilled. (Section 7.10 of Draft NDPC Guidelines on the preparation of the MTDP)
Functional Capacity in Financial Management and Accounting	Annual Statement of Accounts prepared and submitted according to the Financial Administration Regulation §190/Financial Administration Act, §41	Primary	From the DCD obtain information on whether the Annual Statement of Accounts for the preceding year has been prepared and submitted by the 31 st March on the IGF, DACF, HIPC and all other funds to the appropriate bodies. If this has been done, the MC is fulfilled. (Financial Administration Regulation and the Financial Administration Act)
	No substantial adverse comments bordering on dishonesty in the Audit Report**	Primary	From the DCD receive a copy of the Auditor's comment on the last audited accounts. If no substantial adverse comments bordering on dishonesty have been reported, the MC is fulfilled.***
Functional Capacity in Procurement	District Tender Committee and District Tender Evaluation Panel and District Tender Review Board established and functional	Primary	From the DCD obtain information on the membership of the procurement entities and the minutes of their first working meeting (not inaugural meeting). If the institutions have been established and they have held their first working meeting, the MC is fulfilled. (Section 17, 19-20 of Public Procurement Act, Act 663)

<p>Transparency, Openness and Accountability</p> <p>Total max. score 10</p>	<p>Establishment and appropriate work of the Public Relations and Complaints Committee (PRCC)</p>	<p>From the DCD receive information on the establishment, list of members (including a desk officer) and minutes of meeting of the PRCC. If PRCC established with a desk officer score 1 else score 0. If records of actions taken exist on complaints score an additional 1 – if not score 0 (Section 27 of the Local Government Act, Act 462)</p>	
	<p>Follow up to PRCC decisions</p>	<p>From the DCD obtain information on follow up to the decisions of the PRCC. If 60% or more of decisions have been implemented score 1 else score 0</p>	
	<p>Public service delivery</p>	<p>From the DCD receive a copy of the Assembly's service delivery charter. If available score 1 –if not score 0.</p>	
	<p>Public hearings</p>	<p>From DCD, receive evidence of public hearings (written report) with sub metro/zonal/urban/town/area councils as provided in the NDPC guidelines in connection with the preparation of the MTDP If a minimum of two (2) representatives of each sub district structure participated in at least one public hearing score 1 – if less score 0 If additional meetings were held in sub districts structures and can be documented from reports or minutes, score and additional 1. (Section 6.2 Draft NDPC Guidelines)</p>	
	<p>Information to the Public</p>	<p>Metro: If annual publication of the Assembly's activities are distributed to the members and pasted at the sub metro and town councils' notice boards, score 1 else score 0 Municipal: If annual publication of the Assembly's activities are distributed to the members and pasted at the urban, zonal and town councils' notice boards, score 1 else score 0 District: If annual publication of the Assembly's activities are distributed to the DA members and pasted at the area/town/urban councils' notice boards score 1 else score 0</p>	
	<p>Bye-laws made open to public inspection without fee (LGA § 82)</p>	<p>From DCD obtain presentation of the display of gazetted bye-laws and receive documentation of display for public without a fee. If procedures exist score 1 – if not score 0. (Sections 80 and 82 of the Local Government Act, Act 462)</p>	
	<p>Publication of annual statement of accounts and auditor's report (LGA § 125)</p>	<p>From DCD receive documentation of publication of annual statement of account and auditor's report. If duly made public to DA members score 1 – if not score 0 (Section 125 of the Local Government Act, Act 462)</p>	
	<p>Publication of Annual Budget and Monthly Trial Balance</p>	<p>From DCD receive documentation of publication of annual budget and quarterly trial balance. If duly made public to DA members score 1 – if not score 0 (section 75 of the Financial Memoranda, 2004 of the MLGRDE)</p>	<p>1</p>
<p>Planning system</p> <p>Total max. score 15</p>	<p>Involvement of key stakeholders in plan preparation</p>	<p>From DCD receive evidence of consultation with key stakeholders (=Traditional authorities, NGOs/CBOs and civil society organisations) during plan preparation (other than hearings). Any documented interaction score 1-if not score 0. (Section 6.1 Draft NDPC Guidelines and Section 34 of Legislative Instrument 1589)</p>	<p>1</p>

Annex 3 List of Performance Measures

PERFORMANCE MEASURES

Performance Measures	Indicators of Performance Measures	Information source, Assessment basis and Scoring	Actual Score
Management and Organisation Total max. score 15	Meetings in the political management institutions: a) Executive Committee (EC) b) EC Sub-committees c) District Security Committee	From the DCD receive and review the composition, attendance and minutes of the meetings: a) If at least three (3) meetings of the EC were held prior to each General Assembly meeting and minutes duly recorded, score 2 – if irregular or poorly recorded – score 0 (Section 19 of the Local Government Act, Act 462) b) If 5 sub-committees held regular meetings (Finance and Administration Sub Committee –once a month; Other sub committees -three meetings per annum) and minutes are recorded, score 2 – if less score 0 (Section 24 of the Local Government Act, Act 462) c) If District Security Committee met at least once a month with minutes duly recorded, score 2, if less score 0	
	Division of responsibilities among the departments	From the DCD receive and review documentation of division of roles among departments. If document exist to divide roles, score 2 – if not score 0	
	Accessibility of offices to the physically challenged	From the DCD receive information on efforts that have been put in place to enhance access to offices by the physically challenged If access for the physically challenged is adequate score 1 else score 0.	
	Filing system	From the DCD receive information about filing system. if the Public Records Archives and Administration Department (PRAAD) guidelines are available and the filing system is done according to the guidelines score 2 – if this is not the case score 0 (PRAAD Guidelines)	
	Regular management meetings	From the DCD, receive and review minutes of management (heads of departments+ DA core staff) meetings during the last fiscal year. If management meetings were held at least quarterly and duly attended by at least 60% of eligible participants score 1, else score 0. If 50% of these meetings were held under the chairmanship of the Chief Executive score an additional 1, else score 0.	
	Follow up to management meetings	From the DCD, receive minutes of meetings and review follow up action on decisions taken during the last fiscal year. If at least 75% or more of decisions have been implemented score 2, if 50-74% score 1, below 50% score 0	

<p>Management Total max. score 10</p>		<p>20%-11% score 1 – else score 0. (Office of Head of Civil Service Guidelines)</p>	
	<p>Staff performance assessment</p>	<p>From DCD receive information on signed annual performance assessment completion forms by staff. If annual completed staff appraisal form are available for all staff for the previous year score 2 – else score 0 (Office of Head of Civil Service Guidelines)</p>	
	<p>Staff development</p>	<p>From DCD receive copy of training needs assessment and staff development plans. If training needs assessment has been made within the last two (2) years, score 1-else score 0. If staff development plans have been made for staff, score additional1-else score 0. (Office of Head of Civil Service Guidelines)</p>	
	<p>Training and capacity building</p>	<p>From the DCD receive copies of reports on the implementation of staff development plans If 60% or more of programmes in the plans are implemented score 2 – else score 0.</p>	
	<p>Gender Mainstreaming</p>	<p>From the DCD find out if programmes have been launched to promote the participation of women in the Assembly's political, administrative and sector activities. If 20% or more programmes implemented promote the participation of women, score 2. If 10-19% score 1. If less than 10% score 0. (Ghana Poverty Reduction Strategy)</p>	
<p>Relationship with sub structures Total max. score 9</p>	<p>Frequency of meetings (Sub-Metro Councils, Urban/Zonal Councils, Town/Area Councils)</p>	<p>From the DCD receive information on minutes of meetings of sub district structures. If 75% or more of sub structures have minutes of the minimum number of meetings score 3. Between 50-74% score 1. Below 50% score 0. Sub metropolitan council/Urban /Zonal/Town/Area Council: minimum four (4) meetings per year. (Section 7 (3) ,12 and 19 of Legislative Instrument 1589)</p>	
	<p>Revenue sharing between Assembly and sub structures (transfer of 50% of collected ceded revenues in sub structures)</p>	<p>From the DCD, obtain information on transfer or remittance of 50% of ceded revenue collected to sub structures. If the MMDA has evidence on remittance of funds to 75% or more of sub structures score 3 Between 50-74% score 1. Below 50% score 0. (Section 31of Legislative Instrument 1589)</p>	
	<p>Extent to which sub district structures have been mandated to perform the functions outlined in LI 1589</p>	<p>From the DCD, find out the evidence of the mandated functions given by the Assembly to sub structures and the extent to which they are implementing given functions. If 8 or more of functions including collection of ceded revenues are delegated and being implemented, score 3.</p>	

	Involvement of key stakeholders in plan implementation or monitoring	From DCD receive evidence of participation of stakeholders in the implementation or monitoring of projects identified in the Annual Action Plan. If minutes or records of participation by key stakeholders in 90-100% of site meetings or review meetings during the last fiscal year on projects that are located in communities exists, score 2- 60-89% score 1- below 60% score 0. (Section 6.1 Draft NDPC Guidelines)	2
	Level of plan implementation	From DCD obtain information on projects in the Annual Action Plan for the previous fiscal year that have been implemented. If 75% or more of the total number of projects in the Annual Action Plan have been implemented or are being implemented, score 2. If 50%-74% score 1. If less than 50% score 0.	
	Internal monitoring and evaluation of plan implementation	From DCD receive minutes of quarterly composite review meetings on planning, implementation and monitoring including inputs from sector departments. If M&E system functions with quarterly reports score 2 – else score 0 (Section 7.1-3 of Draft NDPC Guidelines)	
	Linkage between planning and budgeting	From DCD obtain information on annual plan and annual budget for the previous fiscal year and establish the linkage between the two documents. If 90% or more of investment budgetary estimates conforms to the annual plan, score 2 If 80%-89% or more of investment budgetary estimates conforms to the annual plan, score 1. If less than 80% score 0.	
	Work planning by departments	From the DCD receive copy of departments' quarterly action plans and review these. If 12 or more departments work according to duly approved plans in Metropolitan Assemblies, score 2, if 8-11 dep. score 1, if 7 or less score 0 If 10 or more departments work according to duly approved plans in Municipal Assemblies, score 2, if 7-9 departments score 1, if 6 or less score 0 If 9 or more departments work according to duly approved plans in District Assemblies, score 2, if 6-8 departments score 1, if 5 or less score 0	
	Participatory nature of planning process	From DCD receive evidence of a Medium Term Development Plan Preparation Team. If team composed according to regulations and have minutes of meetings, score 1 – if not score 0. (Section 6.1 of Draft NDPC Guidelines) (See composition of DPCU as indicated in Annex 4)	
	Socio economic data collection and management	From DCD receive information about data banks in the MMDA If a data bank on population, economic resource, infrastructure, revenue and expenditures exist and is updated at least every second year, score 1 – if not, score 0	
	Support to the poor and vulnerable	From DCD receive information on programmes for the poor and vulnerable. If 15% or more of the projects in the MTDP focus specifically on the poor and vulnerable score 2, if 7-14% score 1, if less than 7% score 0. (Section 7.1(e.iv) of Draft NDPC Guidelines)	
Human Resource	Overall vacancy level	From DCD receive a copy of the actual staff ledger. If vacancy level less than 10% score 2 – if	

	Setting of property rates	From the DCD obtain information on the revision of property roll, revaluation of property and revision of property rates. If the property roll has been revised within the past 5 years score 1- else score 0. If there has been revaluation of properties and revision of rates within the past 5 years, score an additional 1-else score 0 If the property rates have been collected from at least 50% of the property within the past fiscal year, score an extra 1 -else score 0 (Section 96 sub section 6 -8 of the Local Government Act, Act 462)	
	Board of Survey	From the DCD, obtain report of the Board of Survey for the previous financial year. If Board of Survey was conducted not later than 31 st December of the previous year and report available, score 1, else score 0 (Articles 50-58 of Financial Memorandum issued by MLGRDE 2004)	
	Prompt responsiveness to external audit queries	From DCD obtain evidence on queries from external audit report and whether the report has been submitted to the Audit Report Implementation Committee and whether the MMDA has acted upon the queries at the next ordinary meeting. If report submitted to ARIP within 30 days, score 1 else score 0. If report has been acted on within 30 days, score an additional 1, else score 0 (Section 121 of the Local Government Act, Act 462, 1993) (Part 3, section 29 of Audit Service Act , Act 584, 2000)	
	Establishment of an Internal Audit Unit	From the DCD obtain information on the composition of Internal Audit Unit. If the unit is established score 1, else score 0. (Section 120 of the Local Government Act, Act 462)	
	Functionality of Internal Audit Unit	From the DCD obtain information on internal audit work carried out and submitted to the Presiding Member of the assembly. If this done on a quarterly basis score 1 else score 0. (Section 120 of the Local Government Act, Act 462)	
	Responsiveness to the internal audit observations	From the DCD obtain evidence on the comments of the internal audit report, the Chief Executive's decision on the report and implementation of the recommendations. If Chief Executive has presented the internal audit report to the Management Committee score 1, else score 0 If the Chief Executive has acted on the recommendations in internal audit report score an additional 1, else score 0.	
Fiscal Capacity: Total max. score 10	Absolute Size of IGF	From the DCD obtain information on growth in IGF over the past three years. If growth has been higher than 50% from year 1 to year 3, score 2 If growth has been 30% - 49% from year 1 to year 3, score 1 If growth has been less than 30 % score 0.	

		If between 5 and 7 functions transferred including collection of ceded revenues score 1. If less than 5 score 0. (Second Schedule Paragraph 6(1) 11(1) 18(1) of Legislative Instrument 1589)
Financial Management and Auditing;	Establishment and functionality of Budget Committee	From the DCD receive information on the composition and functionality of the Budget Committee. If Budget Committee duly established and minutes of meetings are available score 1 or else score 0. (Section 150 Financial Administration Regulations LI 1802)
Total max. score 21		
	Compliance with budgetary provisions.	From the DCD obtain information on the monthly expenditure returns of MMDA. If monthly expenditure returns are kept within budgeted estimates score 2 else score 0. (Financial Memoranda issued by MLGRDE 2004)
	Procedure for funds disbursement	From the DCD obtain information on the process of disbursing funds for IGF, DACF, HIPC, Health Fund, GETFund and Donor Funds for specific projects. If disbursement is done according to procedures for utilisation of IGF, HIPC, DACF, Health Fund, GETFund and Donor Funds score 1 else score 0. (Guidelines from Administrators of various funds)
	Approval of the budget	From the DCD obtain minutes of Assembly meetings that approved the budget. If the budget was presented by the Executive committee to the General Assembly for approval in time (latest by 30th November) score 1 else score 0. (Section 11 of the Local Government Act. Act 462)
	Efficient financial administration	Obtain from the DCD whether the following financial documents have been appropriately prepared and submitted for IGF, HIPC and DACF according to defined deadlines. <ol style="list-style-type: none"> 1. Monthly Bank Reconciliation Statement 2. Monthly Trial Balance 3. Imprest Account 4. Monthly Income and Expenditure Statement For each document appropriately prepared and submitted score 1 (in total potentially 4). (Financial Memorandum issued by MLGRDE, 2004)
	Compliance with guidelines in Financial Memoranda	From the DCD find out whether accounts have been prepared according to the Financial Memoranda. If done score 1 else score 0. (Financial Memoranda issued by MLGRDE, 2004)
	Estimation of revenue from fees and licences	From the DCD obtain information on the basis for estimation of revenue from fees and licences (data on target group e.g. chop bars, drinking bars etc.) If estimation was based on data provided score 1. If not score 0. (Schedule 6 and Section 86 of the Local Government Act. Act 462) (Financial Memoranda issued by MLGRDE 2004).

	Payments for contracts	<p>60-79% have been completed score 1. If less score 0.</p> <p>From the DCD obtain information whether payments have been based on signed completion certificates.</p> <p>If 100% of payments are made based on signed completion certificates score 2, if 90-99% score 1, else score 0.</p>	
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	Relative Size of Internally Generated Fund (IGF)	From the DCD obtain information on percentage of IGF as compared to total revenue (=DACF+IGF). If the percentage of IGF to total revenue is 15% or more in the last fiscal year, score 2 If 5%-14% score 1, else score 0.	
	Collection cost of Internally Generated Fund (IGF)	From the DCD obtain information on the collection cost of IGF. If the collection cost of IGF is less than 30% of the total IGF score 1 else score 0.	
	Share of Internally Generated Fund (IGF) used for Investment Expenditure	From the DCD obtain information from the trial balance on the use of the IGF for investment expenditure. If at least 15% or more of the IGF went into investment expenditure during the past fiscal year, score 2. If 5%-14% score 1, else score 0.	
	Level of indebtedness	From the DCD obtain information on the level of indebtedness as against the total revenue during the last three years. If the level has been consistently 10% or less score 1, else score 0.	
	Operation and maintenance plan	From the DCD obtain information on the percentage of the budget for operation and maintenance as against total value of assets and an operation and maintenance plan. If there is a plan for O&M score 1, else score 0 If the percentage for O&M is 10% or higher score an additional 1, else score 0	
Procurement;	Meetings of Procurement Entities	From the DCD obtain information on minutes of meetings held by Tender Evaluation Panel, Tender Committee and Tender Review Board. If the Tender Committee meets quarterly and have suitable minutes score 1 else score 0. (Section 17-20 of Public Procurement Act, Act 663)	
Total max. score 10	Procurement plan	From the DCD obtain information on the availability of an Annual Procurement Plan which must be submitted to the procurement entity not later than one month before the end of the financial year for the following year. If done score 1 else score 0 (Section 21 of Public Procurement Act, Act 663)	
	Quarterly update of procurement plan	From the DCD obtain information on whether the procurement plan has been updated quarterly. If done score 1 else score 0. (Section 21 of Public Procurement Act, Act 663)	
	Record on procurement proceedings	From the DCD obtain information on the record of procurement proceedings (Section 28 of Public Procurement Act, Act 663). If done according to the Act score 1, else score 0.	
	Procedures for Inviting Tenders	From the DCD obtain information on the procedure for inviting tenders (Section 48 of Act 663). If done according to the Act score 1, else score 0.	
	Relations between the Tender Evaluation Panel and Tender Committee.	From the DCD obtain information on the proceedings of the Tender Evaluation Panel and Tender Committee. If the decisions of the Tender Evaluation Panel has been overturned by the Tender Committee in less than 5% of the cases score 1, else score 0.	
	Contract management	Obtain from the DCD the percentage of projects completed on schedule within the last fiscal year. (Examine contracts file or register) If 80% or more projects have been completed on schedule within the last fiscal year score 2. If	

CONTENT OF THE ASSESSMENT REPORT

1. Summary of the results (fill in overview schemes for MCs and PMs and draw conclusions)
2. Acknowledgement
3. Methodology used for the assessment
4. Challenges in the Assessment
5. Specific and General Comments to individual aspects of the Assessment Process (a summary of the most important comments during the assessment of the MCs and PMs)
6. Notification of disagreement with the outcome of the Assessment

- | | |
|---------|---|
| Annex 1 | Assessment of the Minimum Conditions |
| Annex 2 | Scoring of the Performance Measures |
| Annex 3 | Summary Scoring Table for Performance Measures |
| Annex 4 | List of persons met (provide name and designation of persons) |
| Annex 5 | List of documents consulted (from the checklist) |

Annex 4 Reporting Formats

LOCAL GOVERNMENT SERVICE

FUNCTIONAL AND ORGANISATIONAL ASSESSMENT PROCESS
YEAR (.....)

ASSESSMENT REPORT

NAME OF MMDA:.....

REGION:.....

PERIOD OF THE ASSESSMENT:.....

DATE OF SIGNATURE:

NAME AND SIGNATURE OF THE DISTRICT CHIEF EXECUTIVE:

.....

NAME AND SIGNATURE OF ASSESSMENT TEAM LEADER:

.....

ASSESSMENT TEAM MEMBERS (NAMES AND SIGNATURES:

.....

.....

.....

PERFORMANCE MEASURES

Indicators of Performance Measures	Maximum Total Score	Actual score	Comments (indicate documents to support assessment)
Management and Organisation			
Meetings in the political management institutions:			
d) Executive Committee (EC)	1		
e) EC Sub-committees	1		
f) District Security Committee	1		
Division of responsibilities among the departments	2		
Adequate office infrastructure	3		
Accessibility of offices to the physically challenged	1		
Filing system	2		
Regular management meetings	2		
Follow up to management meetings	2		
SUB TOTAL	15		Please transfer sub total score to composite score sheet
Transparency openness and accountability			
Establishment and appropriate work of the Public Relations and Complaints Committee (PRCC)	2		
Follow up to PRCC decisions	1		
Public service delivery	1		
Public hearings	2		
Information to the Public	1		
Bye-laws made open to	1		

MINIMUM CONDITIONS (Tick as appropriate)

Minimum Condition	Indicators of Minimum Condition	Status	Fulfilled	Not Fulfilled	Comments (indicate documents to support assessment)
Functional Capacity in Development Planning	Establishment of a Functional District Planning Co-ordinating Unit (Refer to Annex 4)	Primary			
	Medium-Term Development Plan prepared according to NDPC Guidelines	Primary			
	Annual Action Plan has been formulated on the basis of the MTDP	Secondary			
Functional Capacity in Financial Management and Accounting	Annual Statement of Accounts prepared and submitted according to the Financial Administration Regulation §190/Financial Administration Act, §41	Primary			
	No substantial adverse comments bordering on dishonesty in the Audit Report**	Primary			
Functional Capacity in Procurement	District Tender Committee and District Tender Evaluation Panel and District Tender Review Board established and functional	Primary			
	National Public Procurement Guidelines available and disseminated in MMDAs	Secondary			
Functional Capacity of Assembly	Assembly meeting according to minimum demands	Primary			
Project Implementation Capacity	Progress Reports on the implementation of projects in the Annual Action Plan	Secondary			