

# ADA EAST DISTRICT ASSEMBLY INTERNAL AUDIT UNIT

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## SECOND QUARTER AUDIT REPORT

ON USAGE OF THE DISTRICT ASSEMBLY COMMON FUND

JULY 13, 2015

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DISTRICT ASSEMBLY COMMON FUND AUDIT FOR THE PERIOD OF APRIL 1, 2015 TO  
JUNE 31, 2015

## **1.0 INTRODUCTION**

### **1.1 Background**

In pursuance of our internal audit plan for 2015, the unit has conducted an audit on the usage of the District Assembly Common Fund by the Ada East District Assembly. This audit covered expenditure of the common fund for the first half of 2015. The audit was meant to identify shortcomings in the administering of the fund and to ensure expenditures complied with the laid down financial regulations specified for the utilization of the fund.

It was the aim of the audit team to provide management with effective policies, procedures and practices purported to ensure efficiency and effectiveness of the utilization of the common fund.

### **1.2 Audit Perspective**

A walk through test on documented operating procedures in the areas of generation of expenditure on the common fund, also that all expenditures met the criteria set by the common fund secretariat and to ascertain if all laws and regulations governing expenditure of public funds were upheld. A substantive physical inspection was also carried out to ensure projects that were funded with the common fund gave the Assembly the needed value for money. The standards for the professional practices of internal auditing were applied in the audit. The last day of the field work was 07<sup>th</sup> July, 2015.

### **1.3 Scope and objective**

The audit looked at compliance with laws and regulations governing the expenditure of the District Assembly Common Fund for the first half of 2015.

The nature of the audit was to ascertain if there was compliance with all the rules governing the expenditure of the common fund and to ensure the fund was used judiciously.

The specific objectives of the audit are as follows:

To ascertain that:

- all sectors had a fair share of the fund allocation
- expenditures did not violate any financial laws or regulations
- projects under taken with the fund gave the Assembly value for its money

## 2.0 **SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS**

2.1 Sectorial expenditure of the fund was defective.

### **RECOMMENDATIONS:**

The District Assembly should religiously comply with the laid out budget for expenditure of the common fund to ensure all beneficiary sectors under the fund enjoy what is due them.

2.2 Numerous expenditures that were made from the common fund violated the financial laws and regulations governing the expenditure of public funds.

### **RECOMMENDATIONS:**

The District Finance Officer and the District Coordinating Director should be mindful of the various Laws and Regulations governing the expenditure of public funds to avoid future problems.

2.3 Some projects that were undertaken with the fund did not provide value for money.

### **RECOMMENDATIONS:**

The District Assembly should ensure that all members of the inspection team have signed in agreement that projects have met standards set before payments are made out to contractors. Also the Assembly should engage professional consultants to evaluate projects that they lack the capacity to evaluate.

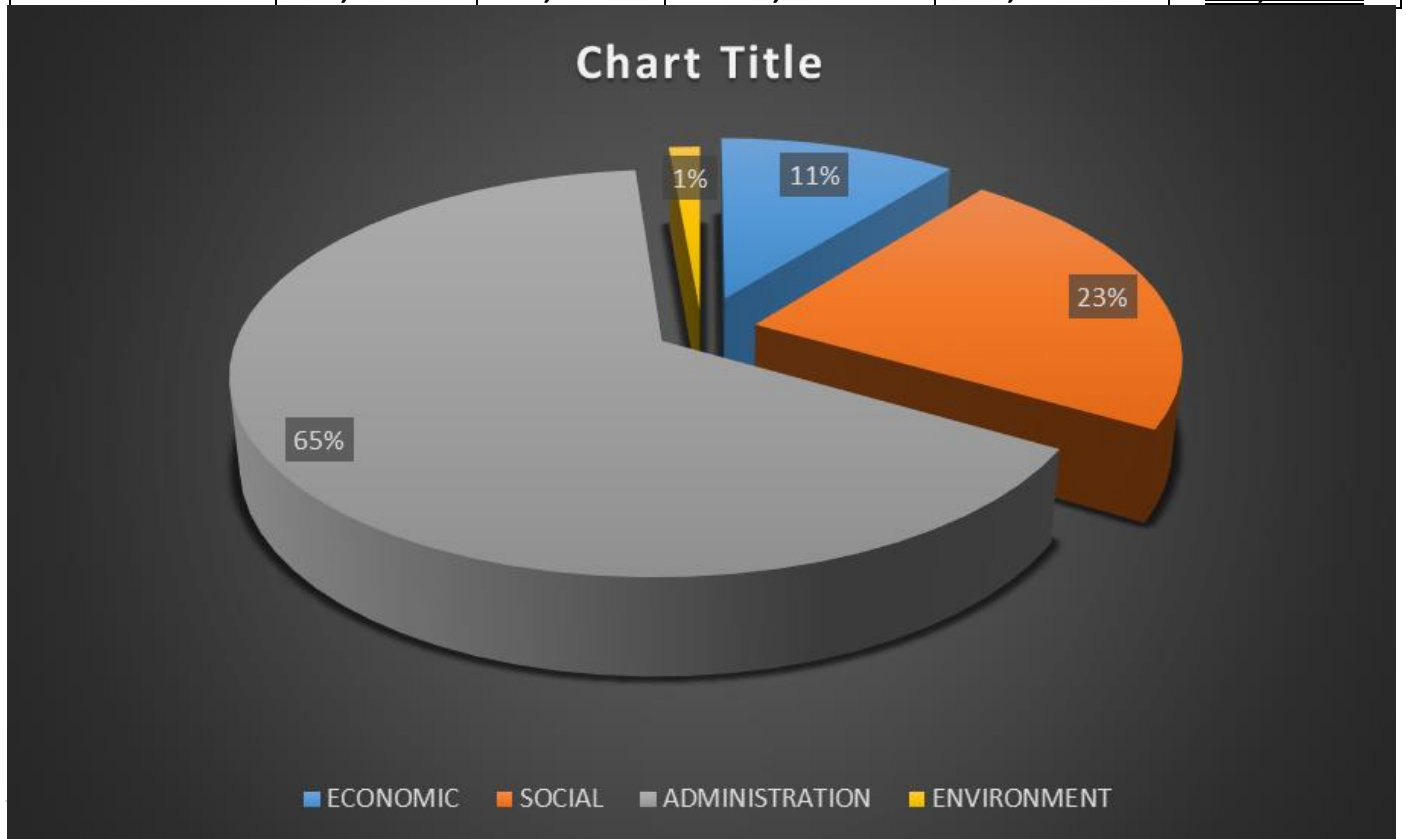
### 3.0 DETAILED FINDINGS AND RECOMMENDATIONS

#### 1. Deficient sectorial distribution of the Common Fund

##### CONDITION

The District Assembly has failed to comply with the established budget for the expenditure of the District Assembly Common Fund. As depicted in the chart below, it is obvious that the Assembly used majority of the fund to undertake administrative functions neglecting the other sectors. Out of a total sum of **Six Hundred and Nine Thousand, Eight Hundred and Seventy Five Ghana Cedis, Forty Five Pesewas (GH¢ 609,875.45)** spent in total for the first half of 2015, a total sum of **Three Hundred and Ninety Eight Thousand, and Twelve Ghana Cedis, Sixty Seven Pesewas (GH¢ 398,401.67)** was spent in the sector of administration forming Sixty Five percent (65%) of total expenditures made from the common fund.

| MONTH    | ECONOMIC<br>GH¢ | SOCIAL<br>GH¢ | ADMINISTRATION<br>GH¢ | ENVIRONMENT<br>GH¢ | TOTAL<br>EXPENDITURE<br>FOR MONTH |
|----------|-----------------|---------------|-----------------------|--------------------|-----------------------------------|
| JANUARY  | NIL             | NIL           | 7,258.00              | NIL                | 7,258.00                          |
| FEBRUARY | 29,322.30       | 26,156.17     | 178,170.16            | 1,210.00           | 234,858.63                        |
| MARCH    | NIL             | NIL           | 16,897.38             | NIL                | 16,897.38                         |
| APRIL    | 4,860.00        | NIL           | 23,380.78             | NIL                | 28,240.78                         |
| MAY      | NIL             | 75,870.00     | 130,084.99            | NIL                | 205,954.99                        |
| JUNE     | 30,849.42       | 36,375.50     | 42,220.75             | 7,220.00           | 116,665.67                        |
|          | 65,031.72       | 138,401.67    | 398,012.06            | 8,430.00           | 609,875.45                        |



The unit also requested for evaluation reports on projects executed within the period stated, but the request was however not honoured within the auditing period.

### **CRITERIA**

As per the guidelines released by the Common fund secretariat, twenty percent (20%) of the fund should be used for Administrative activities.

The law of equity demands a fair distribution of resources to the various sectors under the District Assembly common fund. Professional best practice also advice that budgetary schedules should be adhered to.

### **CAUSE**

Lack of administrative discipline to strictly adhere to the budget set for the expenditure of the District Assembly Common Fund. Personal interest of administrators of the common fund.

### **EFFECTS**

Risk of under development of most of the sectors is high. The Assembly also runs the risk of not meeting its budgetary target.

### **RECOMMENDATIONS**

The budget for the District Assembly Common Fund should be made available to the District Chief Executive, the District Finance Officer and the District Co-ordinating Director to inform their judgment when making expenditure decisions. Management of the Assembly should also ensure strict adherence to the laid out budget for the common fund.

## **2. Violation of financial laws and regulations governing expenditure of common fund**

### **CONDITION**

On several occasions the Assembly used the Common Fund for expenditures that are to be made from its IGF by law, an example of which is the issuance of protocol expenses amounting to **Three Thousand, Eight Hundred Ghana Cedis (GH¢ 3,800.00)** to the District Co-ordinating Director which has not been accounted for to date.

There are also several instances where expenditures made were not budgeted for in the common fund, an example of which is the payment of an amount of **Two Thousand, Five Hundred Ghana Cedis (GH¢ 2,500.00)** to the Economic and Organized Crime Office at Tema. Another unbudgeted expenditure from the common fund was the use of **Nine Thousand Three Hundred and Ninety One Ghana Cedis, Thirty Nine Pesewas (GH¢ 9,391.39)** for the purchase of a revenue mobilization software.

There are instances where items purchased with the common fund did not meet the standards of procurement set by the procurement act. An amount of **One Thousand, Six Hundred and Fifty Ghana Cedis (GH¢ 1,650.00)** was used to procure logistics for newly recruited Task force personnel but said logistics were never routed through stores, hence no record of said logistics at stores. Also **Five Hundred and Twenty Ghana Cedis (GH¢ 520.00)** was used to purchase refreshment items which were never received.

### **CRITERIA**

Regulation 6 of the Financial Administration Regulation, 2004 states that “Public officers shall conduct government financial business according to the laws of Ghana...”

Section 32 subsection 1 of the Financial Administration Act, Act 654 state “A person is responsible for the proper custody, care and use of government stores under the control of that person”.

Part IX paragraph 13(b) of the Financial Memoranda for Metropolitan, Municipal and District Assemblies 2004, which state that “All payment vouchers shall be receipted in one of the following ways (b) by the attachment to the Payment Voucher of the payee’s official receipt...”

Regulation 39(2c) of the Financial Administration Regulation 2004, (LI 1802) also makes it obvious that “the head of accounts section of a department shall control the disbursement of funds and ensure (c) transactions are properly authenticated to show that amounts are due and payable; and ...”

### **CAUSES**

The administrators of the fund in the District Assembly have little or no regard for the laws governing the expenditure of the fund.

The District Co-ordinating Director and the District Finance officer choose to bypass all protocols laid out for the expenditure of public funds to enable them undertake speedy payments (in their view) out of the Common Fund.

### **EFFECTS**

The Assembly runs the risk of losing future funding by the Government through the common fund secretariat. The Assembly is at risk of also losing certain international funding due to its financial indiscipline of not adhering to its budget.

The Assembly also is at risk of getting more audit queries by the District Auditors which may lead to qualification of the Assembly’s final accounts.

## **RECOMMENDATIONS**

Management of the Assembly should ensure that the District Co-ordinating Director and the Finance Officer be made personally liable for any complications caused by them through their non-compliance with laws governing expenditure of public funds, this is to prevent any future occurrence of any form of non-compliance with laws governing expenditure.

The District Finance Officer and the District Coordinating Director should be mindful of the various Laws and Regulations governing the expenditure of public funds to avoid future problems.

3. **Some Projects undertaken with the common Fund did not provide the expected value for money returns**

### **CONDITION**

An amount of **Four Thousand, Five Hundred and Twenty Ghana Cedis (GH¢ 4,520.00)** was used to organize a sanitation activity on the national sanitation day of which evidence available to the unit proves a huge over estimation of cost incurred. Also the unit noted that there were some claims of using part of the funds released for that day to undertake fumigation at the Kasseh market, of which no substantive evidence was provided.

The District Assembly also spent **Nine Thousand, Three Hundred and Ninety One Ghana Cedis, Thirty Nine Pesewas (GH¢ 9,391.39)** to procure a Microsoft Access based revenue mobilization software that has been currently shelved.

### **CRITERIA**

International best practice proposes that returns on investment should not be lower than the cost of investment in any form of financial engagement.

It is also generally prudent to invest in facilities (technology) that yield reasonable benefits for the organization.

### **CAUSES**

Failure to follow strict inspection protocols of projects undertaken with the fund. There is also the issue of poor funding for inspection teams to fully undertake their responsibilities.

There is also a very weak system of consultation with between management and direct beneficiaries of management decision.

### **EFFECTS**

Several projects get over valued and do not meet the required level of satisfaction expected.



## **RECOMMENDATIONS**

The Assembly should engage all stakeholders before under taking any projects on their behalf.

The District Assembly should ensure that all members of the inspection team have signed in agreement that projects have met standards set before payments are made out to contractors. Also the Assembly should engage professional consultants to evaluate projects that they lack the capacity to evaluate.

## **4.0 CONCLUSION**

The Internal Audit unit is very grateful to all the other departments of the Assembly who willingly cooperated with the unit to make this report possible.