

# ADA EAST DISTRICT ASSEMBLY INTERNAL AUDIT UNIT

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## THIRD QUARTER AUDIT REPORT

ON MANAGEMENT OF INTERNALLY GENERATED FUNDS

October 2, 2015

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INTERNAL AUDIT

FINANCIAL ADMINISTRATION OF INTERNALLY GENERATED FUNDS (IGF) AUDIT FOR  
THE PERIOD 1<sup>ST</sup> JULY TO 31<sup>ST</sup> SEPTEMBER, 2015

## 1.0 INTRODUCTION

### 1.1 Background

In pursuance of our internal audit plan for 2015, the unit has conducted an audit covering risk areas in the financial administration of the district assembly's internally generated funds (IGF) for the third quarter of 2015. This audit focused on risk areas in relation to the management of revenue generation and the expenditure of such revenue. The audit also took into account how the financial books for IGF were kept. This audit also analyzed the consumption of fuel by the assembly from start of year to end of the third quarter. This audit was also targeted at identifying the shortcomings in the assembly's operations in regards general attitude towards financial regulations covering the management of such revenues. The audit specifies areas of audit, provide recommendations based on best practices and regulations of the nation.

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 assembly.

### 1.2 Audit Perspective

A walk through test on documented operating procedures in the areas of management of generation and expenditure of internally generated funds. The standards for the international professional practices of internal auditing were applied in the audit. The last day of the field work was 12<sup>th</sup> September, 2015.

### 1.3 Scope and objective

The audit looked at risk areas in the financial and operational management of the Assembly for the period 1<sup>st</sup> July to 31<sup>st</sup> September, 2015.

The nature of the audit was to ascertain if risk controls pertaining to areas audited were being applied and also to establish if the controls were appropriate.

The specific objectives of the audit are as follows:

To ascertain that management has put in place measure to ensure:

- that there is compliance with laws and regulations to mitigate risk in the management of generation and expenditure of IGF.
- that the relevant financial books were being kept appropriately.
- that consumption and management of fuel was within reasonable limits.

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

### 2.1 Management of generation of IGF.

#### **RECOMMENDATIONS:**

As mentioned in the first quarter report of 2015, management should introduce a reward and punishment scheme for revenue collectors.

Management of the assembly should also comply with the laid down procedures for the management of revenue tickets and GCR's released for the collection of revenue for the assembly. Management should also look at organizing training programs for all staff of the finance and revenue departments to educate them on the laws and regulations governing their units and also to build their capacity in regards to methods that boost revenue generation.

### 2.2 Control of expenditure in relations to IGF

#### **RECOMMENDATIONS:**

The Assembly should ensure that all payments from the IGF be pre-audited before payment is made. Expenditure items should be fully investigated before making payments. Also all laws and regulations in regards to the expenditure of such funds should be followed.

### 2.3 Weak management of financial records in regards to IGF.

#### **RECOMMENDATIONS:**

Officers in charge of managing and maintaining financial records should be retrained on the internationally accepted methods of financial book keeping practices. Management should also take a keen interest in ensuring that financial records are correctly kept and are up to date.

### 2.4 Unregulated fuel consumption

#### **RECOMMENDATIONS:**

A well thought through weekly budgetary allocation should be set for usage of fuel by the assembly. Management should set a weekly limit for usage of fuel to serve as a guide and to regulate the assembly's consumption.

### 3.0 **DETAILED FINDINGS AND RECOMMENDATIONS**

#### 1. **Weak control management in the generation of IGF**

##### **CONDITION**

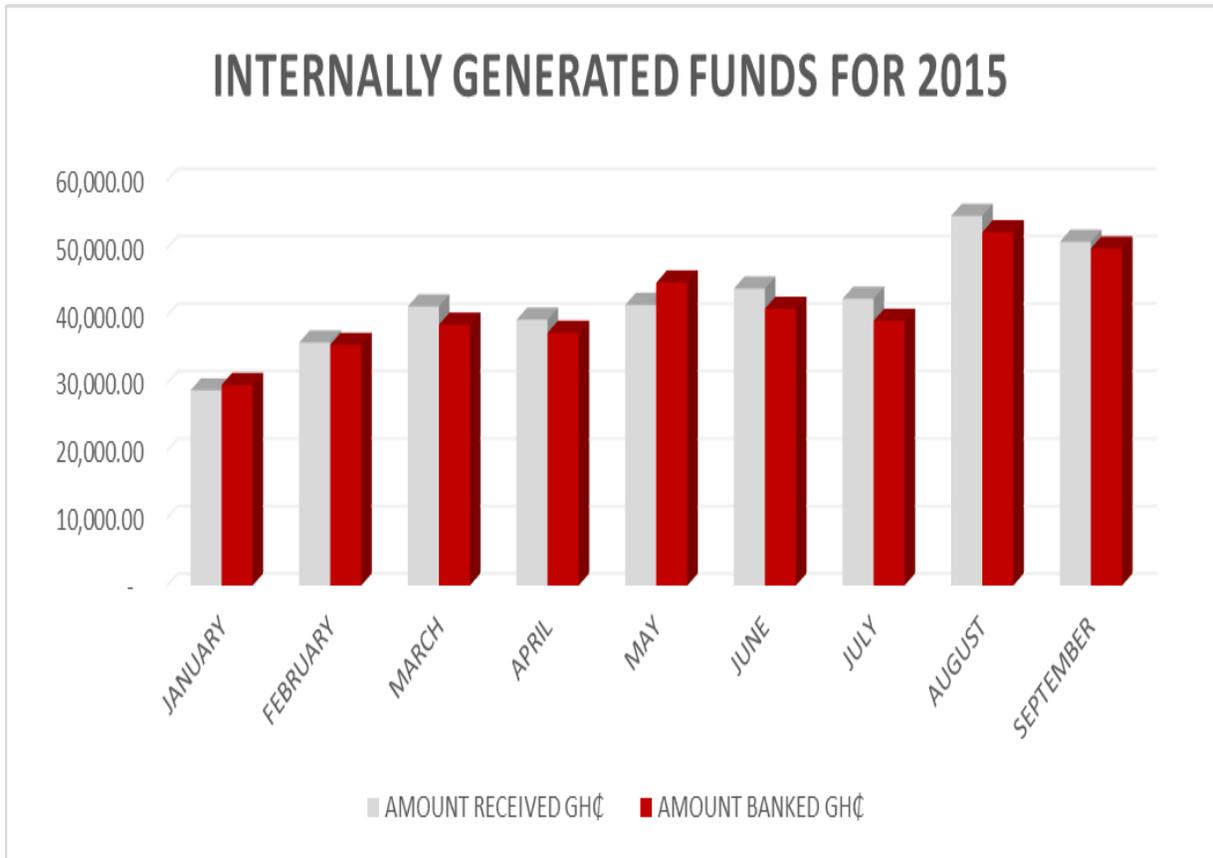
The District Assembly for the third quarter of 2015 generated revenue amounting to **One Hundred and Forty Eight Thousand, Two Hundred and Six Ghana Cedis, and Eighty One Pesewas (GH¢148,206.81)** which represents an increase in revenue by **Thirty Three percent (33%)** as compared to the **One Hundred and Eleven Thousand, Six Hundred and Seven Ghana Cedis, and Ninety Pesewas (GH¢111,607.90)** representing revenue generated in the third quarter of 2014.

The internal audit unit highly commends the revenue team and the finance department for the increase in revenue generated within the quarter.

With the above said, there is still a lot of room for improvement in the generation of revenue by the district assembly since the inflow of businesses and other revenue generation avenues have also increased.

There is a total amount of **Ten Thousand, Five hundred and Forty Ghana Cedis, Ninety Seven Pesewas (GH¢ 10,540.97)** that the Finance unit received and never made payment into any of the assemblies' accounts as at the end of the third quarter. This makes it obvious that not all revenue generated is banked as seen in the table below, which depicts revenue collected as per recordings in revenue cash book and GCRs issued, and monies banked as per bank statements and bank pay in slips.

<b>INTERNALLY GENERATED FUNDS FOR 2015</b>			
<b>DATE</b>	<b>AMOUNT RECEIVED GH¢</b>	<b>AMOUNT BANKED GH¢</b>	<b>DIFFERENCE GH¢</b>
JANUARY	28,933.40	29,715.33	781.93
FEBRUARY	36,023.15	35,651.55	- 371.60
MARCH	41,364.96	38,666.89	- 2,698.07
APRIL	39,390.95	37,466.48	- 1,924.47
MAY	41,580.92	44,894.80	3,313.88
JUNE	44,012.66	41,023.83	- 2,988.83
JULY	42,485.90	39,220.54	- 3,265.36
AUGUST	54,772.51	52,350.26	- 2,422.25
SEPTEMBER	50,948.40	49,982.20	- 966.20
			<b>(10,540.97)</b>



The finance unit has also failed to release GCRs in a sequential form making it difficult to track revenue generation in real time.

It is also observed that the Finance Officer spends directly from cash collected without passing it through any of the Assembly's bank accounts contrary to the internal audit recommendations made in the first quarter and also contrary to the Financial Regulations.

#### **CRITERIA**

Failure to bank revenue collected is addressed by Regulation 15 of the Financial Administration regulation 2004 (L.I. 1802) **“any public officer or revenue collector who collects or receives public and trust moneys shall issue official receipts for them and pay them into the relevant Public Fund Bank Account within twenty four hours of receipt except in exceptional circumstances to be identified by the Minister.”**

Failure to issue receipts in sequential order is also addressed by Part VIII paragraph 5 of the Financial Memoranda for District Assemblies (Act 656) Ghana Gazette which states that **“General Counterfoil, Rate and Licence receipt forms shall be printed in Triplicate, bound in book form and serially pre-numbered. Fixed Fee receipt forms shall be printed in original and shall be serially numbered in rolls..”**

Part VIII paragraph 1 of the Financial Memoranda for District Assemblies (Act 656) Ghana Gazette also states -**“It shall be the duty of the Finance Officer to supervise and as far as possible to enforce the punctual collection of Revenue and to take action to ensure that revenue collections and other receipts are properly brought to account.”**

### **CAUSE**

The District Finance officer and the revenue team do not comply with the laid down financial regulations that govern the management of IGF revenue generation.

Management pay little to no attention to the monthly trial balance released by the District Finance Office to ensure appropriate management of finances.

### **EFFECTS**

The District Assembly is at risk of losing revenue through the mismanagement of its revenue financial records.

Revenue margins will decline if the district assembly does not put in efforts to uncover the new businesses that are springing up in the district.

Revenue amounting to **Ten Thousand, Five hundred and Forty Ghana Cedis, Ninety Seven Pesewas (GH¢ 10,540.97)** is unaccounted for.

### **RECOMMENDATIONS**

The Internal Audit Unit recommends that the District Finance Officer should be made to account in full for the unbanked revenues collected amounting to **Ten Thousand, Five hundred and Forty Ghana Cedis, Ninety Seven Pesewas (GH¢ 10,540.97)** and also desist from any such direct cash received expenditures.

Management of the assembly should also comply with the laid down procedures for the management of revenue tickets and GCR's released for the collection of revenue for the assembly. Management should also look at organizing training programs for all staff of the finance and revenue departments to educate them on the laws and regulations governing their units and also to build their capacity in regards to methods that boost revenue generation.

Training programs should be held for staff of the finance and revenue units and management on financial regulations and laws to serve as a refresher course and a reminder for why those laws and regulations are to be adhered to. Management should surcharge the Finance Officer and the Revenue Head for any financial losses made due to their negligence or inactions. This will serve as a deterrent for any future malpractice. Clear and strategic priorities should be set for how revenues will be spent.

Cash received should be recorded immediately into the cash book to avoid any non-recording of some transactions.

## **2. Non-compliance with internal controls for the expenditure of IGF**

### **CONDITION**

The assembly has failed to comply with some laws and regulations governing the expenditure of government funds. Some payment vouchers covering expenditures from the District Assembly IGF had no warrants attached prior to payment.

It was also noted that some payments were made without withholding the necessary statutory taxes.

There are several payments that were made without pre auditing of payment vouchers. There were several instances where imprest issued out are not fully retired.

### **CRITERIA**

Section 84(2) of the Internal Revenue Service Act 2000, (Act 592) states “**Subject to subsection (4), where a resident person pays a sum to another resident person which does not fall within subsection (1),**

**(a) for the supply or use of goods or property of any kind, or**

**(b) for the supply of any services, [As amended by the Internal Revenue**

**(Amendment)**

**Act, 2002 (Act 622), s.13.] in respect of a contract between the payee and a resident person other than an individual exceeding fifty currency points, the person making the payment shall withhold tax on the gross amount of the payment at the rate prescribed in Part IV of the Third Schedule.**

**(3) For the purpose of determining under subsection (2) whether a contract exceeds fifty currency points, two or more contracts in respect of the same goods, property or services shall be treated as a single contract.”**

Retirement of imprest in full is addressed by the Financial Memoranda for District Assemblies (Act 656) Ghana Gazette paragraph 59 which states “**the imprest shall be recouped monthly or more often as necessary. To recoup the imprest, the imprest holder shall produce his cashbook and receipts and cash balance to the Finance Officer, who shall examine the entries in the cashbook and the receipts and verify the imprest balance...”**

Part IX paragraph 13(b) of the Financial Memoranda for District Assemblies (Act 656) states “**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. Facsimile signature stamps shall not be used.”**

### **CAUSES**

Refusal on the part of the finance department to insist on attaining all the necessary documentations prior to any form of payment from the District Assembly IGF.

Failure on the part of the finance department to conduct auditing of all documents prior to making payments.

Poor appreciation of the tax regime governing public spending by the management of the District Assembly.

### **EFFECTS**

There is a risk for fraud to be perpetuated if controls put in place to check them are not being followed.

The Assembly is also put at the risk of not getting value for money in its transactions with other organizations or individuals.

There is the risk of a lawsuit from the Internal Revenue Authority for failure to withhold tax.

### **RECOMMENDATIONS**

The Assembly should ensure that all IGF payments are pre-audited before payments are made. Also, all payment items should be fully investigated and backed by all necessary documents to ensure the assembly is getting its money's worth.

### 3. Weak management of fuel consumption

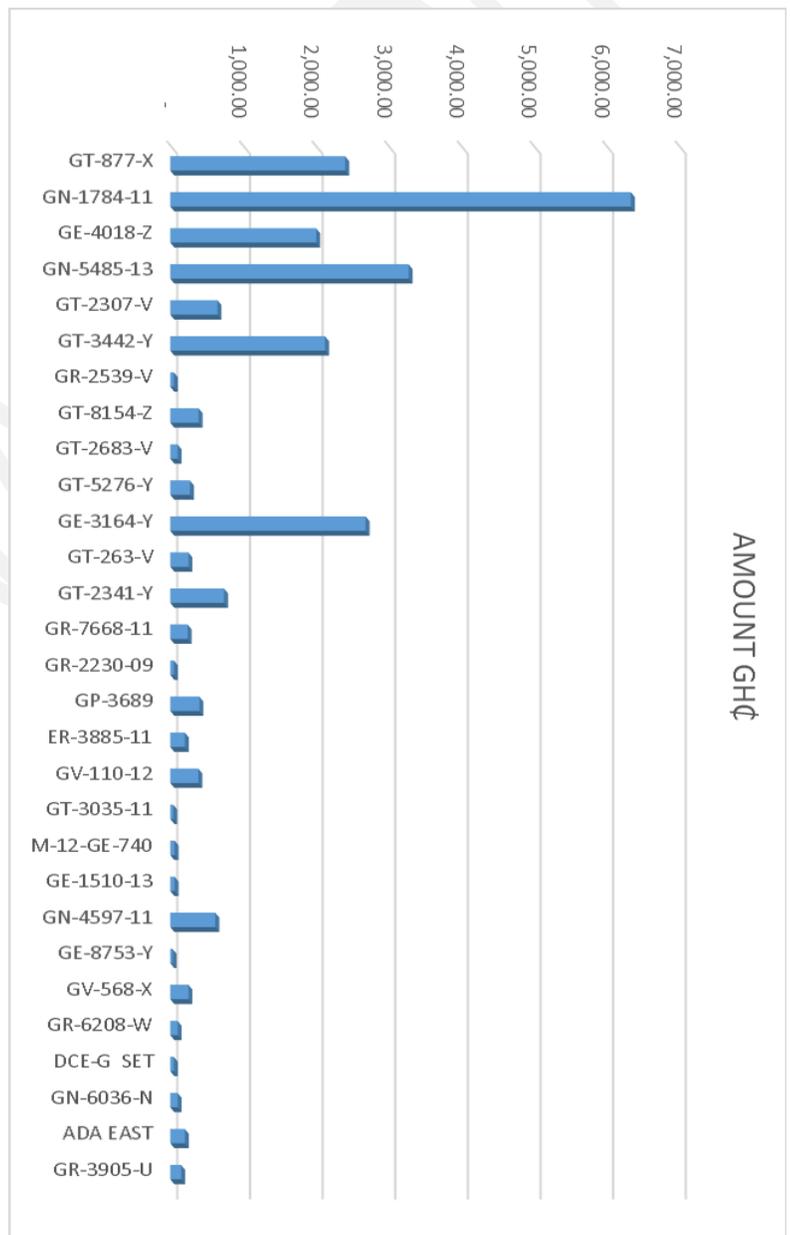
#### **CONDITION**

The Ada East District Assembly with its small pool of vehicles has managed to consume an enormous amount of fuel amounting to **Twenty Four Thousand, Two Hundred and Forty Six Ghana Cedis (GH¢24,246.00)** as at the end of the third quarter of 2015. Below is a breakdown description of the consumption statistics from start of year 2015 to end of third quarter 2015.

#### **TOTAL**

VEHICLE NUMBER	AMOUNT GH¢
GT-877-X	2,408.00
GN-1784-11	6,342.00
GE-4018-Z	2,008.00
GN-5485-13	3,282.00
GT-2307-V	650.00
GT-3442-Y	2,130.00
GR-2539-V	50.00
GT-8154-Z	390.00
GT-2683-V	100.00
GT-5276-Y	270.00
GE-3164-Y	2,690.00
GT-263-V	250.00
GT-2341-Y	740.00
GR-7668-11	240.00
GR-2230-09	50.00
GP-3689	400.00
ER-3885-11	200.00
GV-110-12	386.00
GT-3035-11	40.00
M-12-GE-740	60.00
GE-1510-13	60.00
GN-4597-11	620.00
GE-8753-Y	30.00
GV-568-X	250.00
GR-6208-W	100.00
DCE-G SET	50.00
GN-6036-N	100.00
ADA EAST	200.00
GR-3905-U	150.00

**24,246.00**



Fuel consumption cannot be directly linked with the activities of the District Assembly. Records of movement to warrant such magnitudes of fuel consumption is non-existent. There is no set weekly or monthly budgetary allocation for fuel consumption. All vehicles in the Assembly do not have vehicle log books.

### **CRITERIA**

Regulation 1604 of the Stores regulation states that **“A vehicle Log Book shall be maintained for each vehicle and shall always be carried on the vehicle. Journeys undertaken be recorded and full particulars of receipts of fuel, oil and lubricants shall be entered up daily in the Log Book by the driver. Recordings in the Log Book shall be made in duplicate. All journeys recorded in the Log Book shall be certified by the officer using the vehicle.”**.

Paragraph 63 of the Financial Memoranda 2004 states that **“a history chart shall be kept by the Co-ordinating Director for each vehicle. This chart shall show...”**

Best practice prescribes that fuel consumption by an institution should have a direct link to the operations of that institution.

International best practice has it that, at least a weekly or monthly fuel consumption projection be made to guide usage.

### **CAUSES**

Weak enforcement of regulations governing the management of transport. Management have run down the transport officer making him redundant and unable to undertake his mandate.

### **EFFECTS**

There is a difficulty in accounting for usage of fuel. There is also the risk of abuse of usage of fuel since movements are not logged.

The District Assembly also runs the risk of creating an avenue for fraudulent behavior since the management of fuel usage is loosely handled.

### **RECOMMENDATIONS**

A well thought through weekly budgetary allocation should be set for usage of fuel by the assembly. Management should set a weekly limit for usage of fuel to serve as a guide and to regulate the assembly's consumption.

Officers involved in the management of operations of transport should be duly given sufficient training in that field. Management should take key interest in supporting the transport officer by equipping and enabling him to undertake his mandate.

## 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. We also wish to have a cordial relationship with all units in future audits