

ADA EAST DISTRICT ASSEMBLY INTERNAL AUDIT UNIT

FIRST QUARTER AUDIT REPORT

ON REVENUE PERFORMANCE MANAGEMENT

April 5, 2017

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1.0 INTRODUCTION

1.1 Background

In pursuance of our internal audit plan for 2017, the unit has conducted an audit covering revenue management of the Ada East District Assembly for the first quarter of 2017. This audit focused on the general revenue performance of the District Assembly taking into consideration the cost involved in the generation of revenue and the best possible ways to improve generation capacity. The audit also looked into controls and regulations put in place to protect and help improve the revenue mobilization potentials of the District Assembly. The audit also looked into the usage of revenue generated internally.

The audit specifies areas of audit, provide recommendations based on best practices and regulations of the state.

The objective of the audit team is to provide management with effective policies, procedures and practices purported to ensure economy, efficiency and effectiveness of revenue management of the District Assembly.

1.2 Audit Perspective

A walk-through test on documented operating procedures and interviews were used in the audit of revenue management. The standards for the International Professional Practices of Internal Auditing were applied in the audit. The last day of the field work was 31st March, 2017.

1.3 Scope and objective

The audit looked at the revenue management of the District Assembly, taking into consideration its capacity and potential for improvement and also regulations to safe guard revenue generated by the District Assembly for the period of 1st January to 31st March, 2017.

The nature of the audit was to ascertain the status of revenue management for the first quarter of 2017 in comparison to the first quarter of 2016 and to identify avenues for improvement in revenue management for the District Assembly. The audit was also to ascertain if controls in relations to expenditure of IGF were appropriate and were being applied appropriately to improve the management of revenue for the District Assembly.

The specific objectives of the audit are as follows:

To ascertain:

- that revenue generation status has improved.
- that controls to check revenue management and security of revenue collected are adhered to.
- the cost incurred in the generation of revenue
- that revenue expenditure conforms with regulations.

2.0 SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

2.1 Increase in revenue generated in first quarter.

RECOMMENDATIONS:

More commission collectors should be engaged in the collection of revenue to cover up for the gap in the number of revenue collectors.

Revenue collectors and members of the revenue generation team should be better motivated to improve on the good work undertaken in the first quarter.

2.2 Weak compliance with controls to check revenue management and protection of revenue collected.

RECOMMENDATIONS:

Management should ensure that all controls put in place to check revenue mobilization and the protection of revenue collected are strictly adhered to with little to no exceptions.

2.3 High cost of revenue generation.

RECOMMENDATIONS:

Publication of District Assembly Bank Account numbers to the public will also reduce the cost involved in collection of revenue.

Educating the public on how to access their bills online and pay through the District Assembly Bank Account will also reduce the pressure on funds to collect revenue from clients.

2.4 Usage of Internally Generated funds not in conformance with regulations

RECOMMENDATIONS:

Management should make a conscious effort to ensure expenditures undertaken with the District Assembly Internally Generated Funds is in conformance with all regulations and all minimum requirements are met.

The District Finance and Budget officers should ensure all payments made are warranted through the ACTIVATE before payments are made.

2.5 DETAILED FINDINGS AND RECOMMENDATIONS

1. Increase in Internally Generated Funds in the first quarter

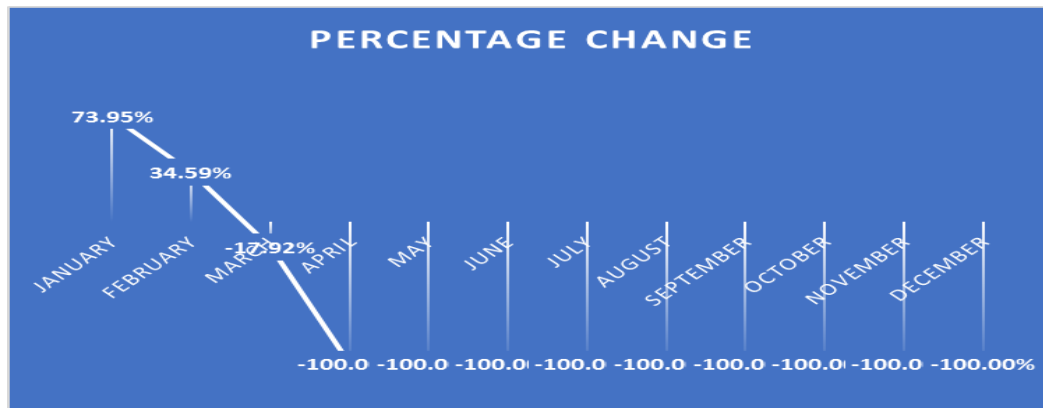
CONDITION

The District Assembly realized a **Twenty Six percent (26%)** increase in Internally Generated Funds (IGF) in the first quarter of 2017 in comparison to the first quarter of 2016. The total amount of IGF generated is **One Hundred and Thirty-One Thousand, Seven Hundred and Seventy-Five Ghana Cedis, and Two Pesewas (GH¢131,775.02)** as against the **One Hundred and Four Thousand, Three Hundred and Eleven Ghana Cedis, Sixty-Six Pesewas (GH¢104,311.66)** generated in the first quarter of 2016.

Figure 1.0 is depicting the monthly comparison between 2016 and 2017 monthly IGF generation.

Figure 1.0

MONTH	2016	2017	DIFFERENCE	PERCENTAGE CHANGE
JANUARY	26,811.24	46,638.35	19,827.11	↑ 73.95%
FEBRUARY	40,987.57	55,165.97	14,178.40	↑ 34.59%
MARCH	36,512.85	29,970.70	(6,542.15)	↓ -17.92%



The District Finance Officer and his team is highly commended for the increase in the generation of revenue.

CRITERIA

As per international best practices, Finance Officers are tasked with the duty of ensuring and promoting significant improvement in generation of revenue.

Part VIII section 1 of the Financial Memoranda, Ghana gazette 2004 which states that "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 increase in revenue generation for the first quarter is largely linked to the issuance of final demand notices to clients and court summons issued to defaulters.

The increase in the number of commission collectors can also be linked as one of the main causes for the increase in revenue generation.

EFFECTS

The District Assembly stands a better chance of being able to undertake rapid local development on its own without release of funding from Central Government.

The District Assembly will be able to meet certain revenue targets set by some donors and hence avoid the risk of losing certain donor funds to develop the district.

RECOMMENDATIONS

More commission collectors should be engaged in the collection of revenue to make up for the gap in the number of revenue collectors.

Revenue collectors and members of the revenue generation team should be better motivated to improve on the good work undertaken in the first quarter.

Management of the District Assembly should put proactive measures in place to ensure that the number of revenue collectors employed is maintained or improved upon to ensure consistent flow of revenue into the district.

Measures should also be put in place to ensure that all revenue collectors are properly motivated to carry out their duties in an effective and productive manner. A structured system of rewarding collectors who meet or exceed targets should be put in place to motivate them to meet or exceed targets.

The District Finance Officer should lay out an aggressive plan to retrieve revenue from defaulters and to ensure the public is discouraged from defaulting on their responsibility to pay their tax obligations.

2. **Weak compliance with revenue management and protection regulations.**

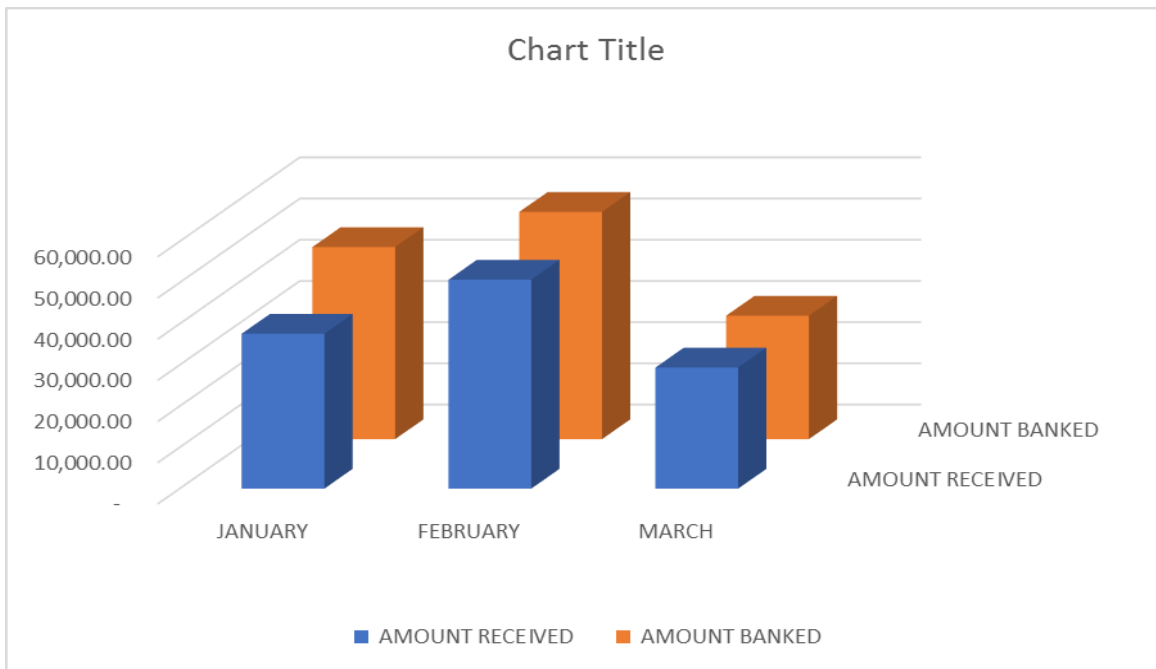
CONDITION

The District Finance Office on several occasions has failed to record transactions happening on the District Assembly's bank accounts in time to ensure an up to date records. As shown in figure 2.0, it is evident that amount received and amount banked do not reconcile.

Figure 2.0 below depicts the 2017 IGF collection structure.

Figure 2.0

DATE	AMOUNT RECEIVED	AMOUNT BANKED
JANUARY	<u>37,598.66</u>	<u>46,638.35</u>
FEBRUARY	<u>50,719.96</u>	<u>55,165.97</u>
MARCH	<u>29,396.84</u>	<u>29,970.70</u>



Revenue collectors have also on several occasions failed to record the appropriate details of revenue collection source and turn to lump different sources and clients together.

Some revenue collectors do not account in full amounts collected on behalf of the District Assembly.

CRITERIA

Part VIII section 1 of the Financial Memoranda, Ghana gazette 2004 which states that **“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.”**

Part VIII section 29 of the Financial Memoranda, Ghana gazette 2004 which states that **“Revenue Collectors shall, except where banking facilities are available, pay all money collected to the Treasury every week or more often if required by the Finance Officer. Before paying in Revenue Collectors shall balance their Cash Books. When Revenue Collectors pay in they shall produce their Cash Books and all Receipt forms in their possession. The Finance Officer shall examine the entries in the Revenue Collector's Cash Book and verify the cash balance and the balance of receipt forms on hand. Where banking facilities exist the Revenue Collector shall account for their collections daily direct to bank for the credit of the Assembly's Bank Current account. Weekly, Revenue Collectors shall present their cash books, receipt forms and paying-in- slips stamped by the bank to P the Finance Officer for inspection.”**

CAUSES

Some revenue collectors and clients make direct payments into the District bank accounts without presenting the pay in slips to the cashier for entry into the cash book which forms part of the reason for the reconciliation issues.

Laziness on the part of some revenue collectors to detail the source of collection in their cash books and in the issuance of GCRs’.

Failure on the part of revenue collectors to account fully for tickets sold and GCRs issued, to the District Finance Officer.

EFFECTS

There is difficulty in the reconciliation of cash received from revenue collectors and the amount sent or paid into the various District Assembly bank accounts, which puts the District in a situation where individuals can embezzle public funds without the immediate notice of the District Assembly.

The District Assembly also runs the risk of making false representations in its financial statement due to delayed entries made in its cash books.

There is also the difficulty of identifying specific revenue avenues and their performance making it difficult for management to draw realistic plans to improve revenue from specific revenue avenues.

RECOMMENDATIONS

The District Finance Officer should ensure full enforcement of all regulations and laws regarding the management of the District Assembly Internally Generated Funds.

Staff of the revenue unit and the District finance department should be made to undergo training sessions to build their capacity in relation to management and protection of the District Assembly Internally Generated Funds.

Management should ensure that all controls put in place to check revenue mobilization and the protection of revenue collected are strictly adhered to with little to no exceptions.

3. High cost of revenue generation

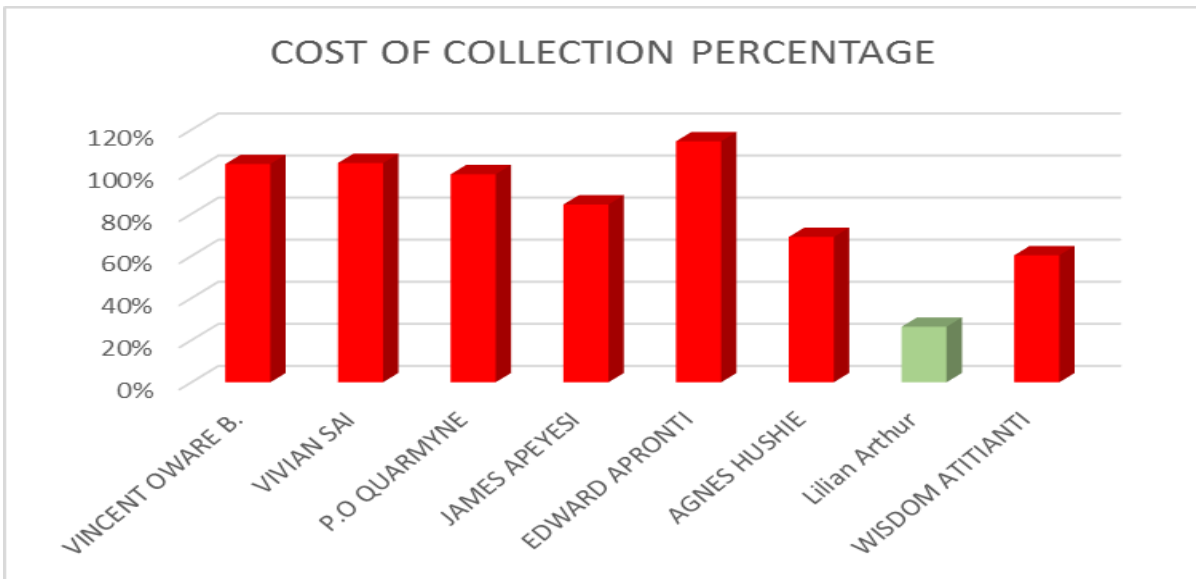
CONDITION

The District Assembly for the first quarter of 2017 has the cost involved in the generation of Internally Generated Fund (IGF) exceed **Fifty Percent (50%)** of revenue(IGF) generated.

Below is a table of sampled GOG revenue collector's performance as against salaries paid them.

The table below shows the percentage of cost involved to each collectors revenue.

NAME	FIRST QUARTER COLLECTION	FIRST QUARTER SALARY	COST PERCENTAGE
VINCENT OWARE B.	2,357.00	2,444.73	104%
VIVIAN SAI	2,386.00	2,486.28	104%
P.O QUARMYNE	1,920.00	1,898.52	99%
JAMES APEYESI	2,893.00	2,444.73	85%
EDWARD APRONTI	2,171.00	2,486.28	115%
AGNES HUSHIE	2,940.00	2,030.94	69%
Lilian Arthur	7,192.08	1,898.52	26%
WISDOM ATITIANTI	7,559.80	4,561.47	60%



It is evident that out of the eight sampled revenue collectors, only one (Lilian Arthur) is performing within the approved percentage of cost to collection ratio.

Clients of the District Assembly are unaware of the District Assembly Account numbers and hence will have to wait on revenue collectors to pay their obligations to the Assembly.

Inability of clients to access their bills without having to be physically served or having to come personally to retrieve their bills.

CRITERIA

International best practice states that the cost involved in generation of revenue of any sort should not exceed **Thirty Percent (30%)**.

As stated in the Accounting manual for MMDAs, one of the core duties of the Finance officer is ensuring that there is a sound departmental instruction for revenue generation of the District Assembly.

CAUSES

The salaries paid to revenue collectors and the cost of transporting revenue collectors to their various collection points.

The low collections made by revenue collectors on a monthly basis is one of the root causes to the high cost of revenue generation.

EFFECTS

There is no real return on the revenue generated for development of the District and the nation as a whole.

Loss of a greater chunk of revenue through payment of salaries

RECOMMENDATIONS

Publication of District Assembly Bank Account numbers to the public will also reduce the cost of involved in collection of revenue.

Educating the public on how to access their bills online and pay through the District Assembly Bank Account will also reduce the pressure on funds to collect revenue from clients.

The District Assembly should advertise and enable a function on its website to enable clients have easy access to their bills without the need to be physically served or come in person to collect bills.

4. Expenditure of Internally Generated Funds in violation of regulations

CONDITION

There are several Payment Vouchers which do not have the requisite supporting documentation to warrant payment, yet payments have been made on them.

About **Eighty Percent (80%)** of expenditures made from IGF were not warranted through the ACTIVATE within the first quarter of 2017 and hence cannot be confirmed as budgeted expenditures.

Poor management and filing of payment vouchers by the Finance Department making it difficult to trace PVs’.

CRITERIA

Part IX paragraph 13(b) of the Financial Memoranda for Metropolitan, Municipal and District Assemblies 2004, states “**Each amount received or paid, together with particulars of the date and serial number of the Receipt, Licence or Payment Voucher shall be entered separately in the appropriate "Details" column, and each month's postings shall be entered and carried to the columns provided for the monthly total and the running total to date.**”

All public funds shall be warranted through the ACTIVATE before payments are made to ensure all expenditures are budgeted for.

CAUSES

The salaries paid to revenue collectors and the cost of transporting revenue collectors to their various collection points.

The low collections made by revenue collectors on a monthly basis is one of the root causes to the high cost of revenue generation.

EFFECTS

The District Assembly runs the risk of budget over-runs since most of its expenditure is done without reference to the District budget.

The District Assembly runs the risk of not being able to meet certain targets set by some donors and central government and hence losing certain donor funds and central government funds to develop the District.

RECOMMENDATIONS

Management should make a conscious effort to ensure expenditures undertaken with the District Assembly Internally Generated Funds is in conformance with all regulations and all minimum requirements are met.

The District Finance and Budget officers should ensure all payments made are warranted through the ACTIVATE before payments are made.

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.