

# ADA EAST DISTRICT ASSEMBLY INTERNAL AUDIT UNIT

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## FIRST QUARTER AUDIT REPORT

ON REVENUE MANAGEMENT

April 5, 2018

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## **1.0 INTRODUCTION**

### **1.1 Background**

In pursuance of our internal audit plan for 2018, the unit has conducted an audit covering revenue management of the Ada East District Assembly for the first quarter of 2018. 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 31<sup>st</sup> March, 2018.

### **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 1<sup>st</sup> January 2017 to 31<sup>st</sup> February, 2018.

The nature of the audit was to ascertain the status of revenue management for the year 2017 in comparison to 2016 and also the revenue performance for the first quarter of 2018 in comparison to the first quarter of 2017 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:

- if 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 appropriate measures are in place to ensure sustained revenue improvement.
- the usage of revenue.

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

2.1 Increase in revenue by Twenty-Three Percent (23%).

### **RECOMMENDATIONS:**

All revenue collectors on the District Assembly's Internally Generated Fund (IGF) pay roll should be converted to commission collectors.

Revenue collectors and members of the revenue generation team should be better motivated to improve on the good work undertaken in 2017.

2.2 Poor management of risks related to revenue mobilization.

### **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.

All revenue collectors who fail to pay in full monies collect by them on behalf of the District Assembly, should be made to pay back the monies with interest

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 cost incurred in collecting revenue from clients.

2.4 Weak conformance to Internally Generated Funds (IGF) usage 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 before funds are released.

## 2.5 DETAILED FINDINGS AND RECOMMENDATIONS

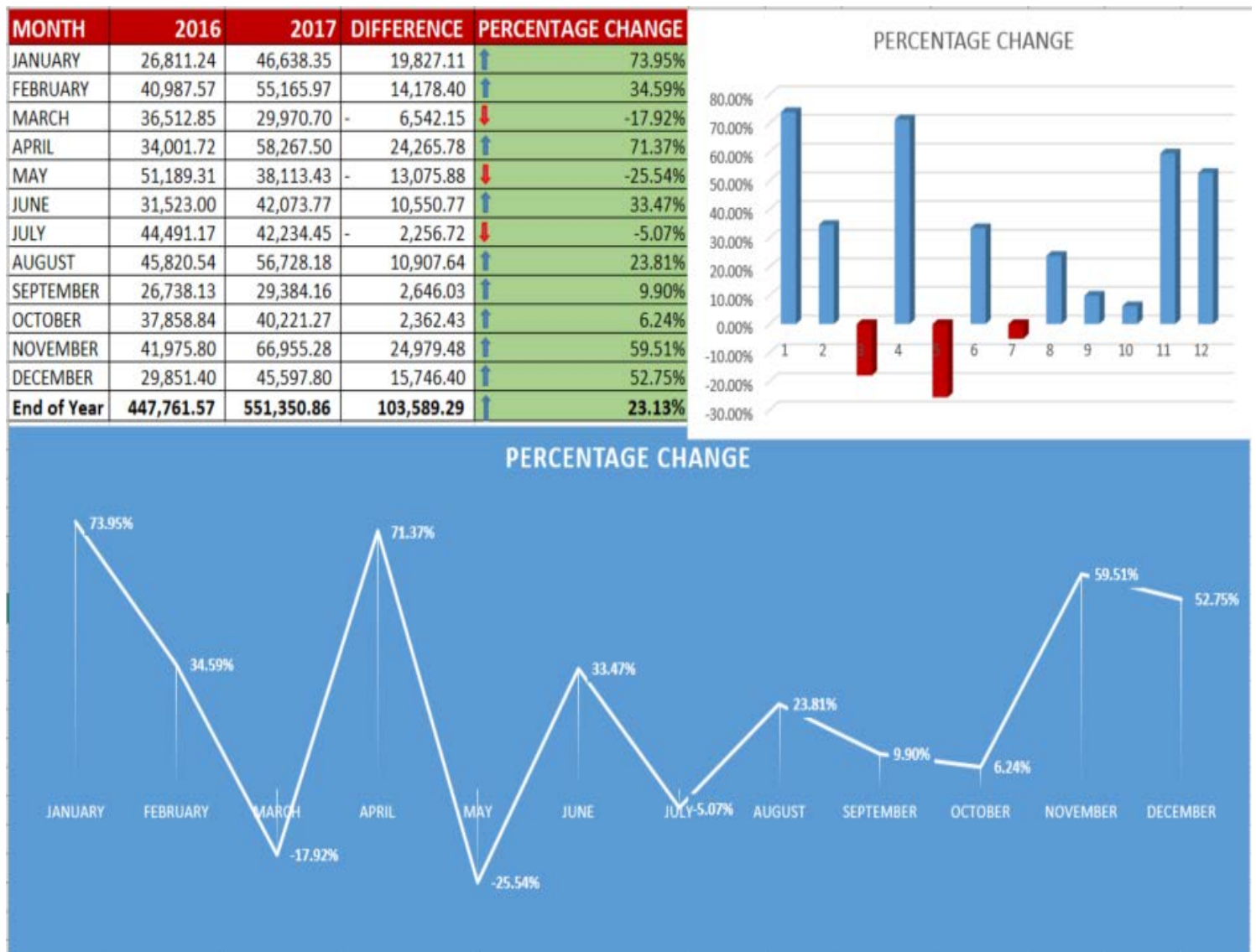
### 1. Increase in Internally Generated Funds in the first quarter

#### CONDITION

The District Assembly realized a **Twenty-Three percent (23%)** increase in Internally Generated Funds (IGF) in the 2017 financial year as compared with the 2016 financial year. The total IGF generated for 2017 stands at **Five Hundred and Fifty-One Thousand, Three Hundred and Fifty Ghana Cedi, Eighty-Six Pesewas (GH¢ 551,350.86)** while that of 2016 stood at **Four Hundred and Forty-Seven Thousand, Seven Hundred and Sixty-One Ghana Cedi, Fifty-Seven Pesewas (GH¢ 447,761.57)**.

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

Figure 1.0



The District Finance officer and his team of revenue collectors are highly commended taking into consideration the reduction in revenue budgetary figures for 2017 by **Ninety-Two Thousand, and Nine Ghana Cedi, Thirty Pesewas (GH¢ 92,009.30)** as against that of 2016 which was set at **One Million and Eight Thousand, Three Hundred and Seventeen Ghana Cedi, Thirty Pesewas (GH¢ 1,008,317.30)**.

### **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 2017 is largely linked to the pro activeness of the Finance officer and his team of revenue collectors in the issuance of final demand notices to clients and court summons issued to defaulters.

### **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**

All revenue collectors on the District Assembly’s Internally Generated Fund (IGF) pay roll should be converted to commission collectors.

Revenue collectors and members of the revenue generation team should be better motivated to improve on the good work undertaken in 2017.

2. **Poor management of Risks related to revenue mobilization.**

**CONDITION**

The District Finance Office has on a consistent bases realized differences between revenue received and amount paid into the District Assembly bank accounts. Throughout the year under review (2017), there has not been a single month where revenue received matched exactly the revenue amount paid into the bank accounts.

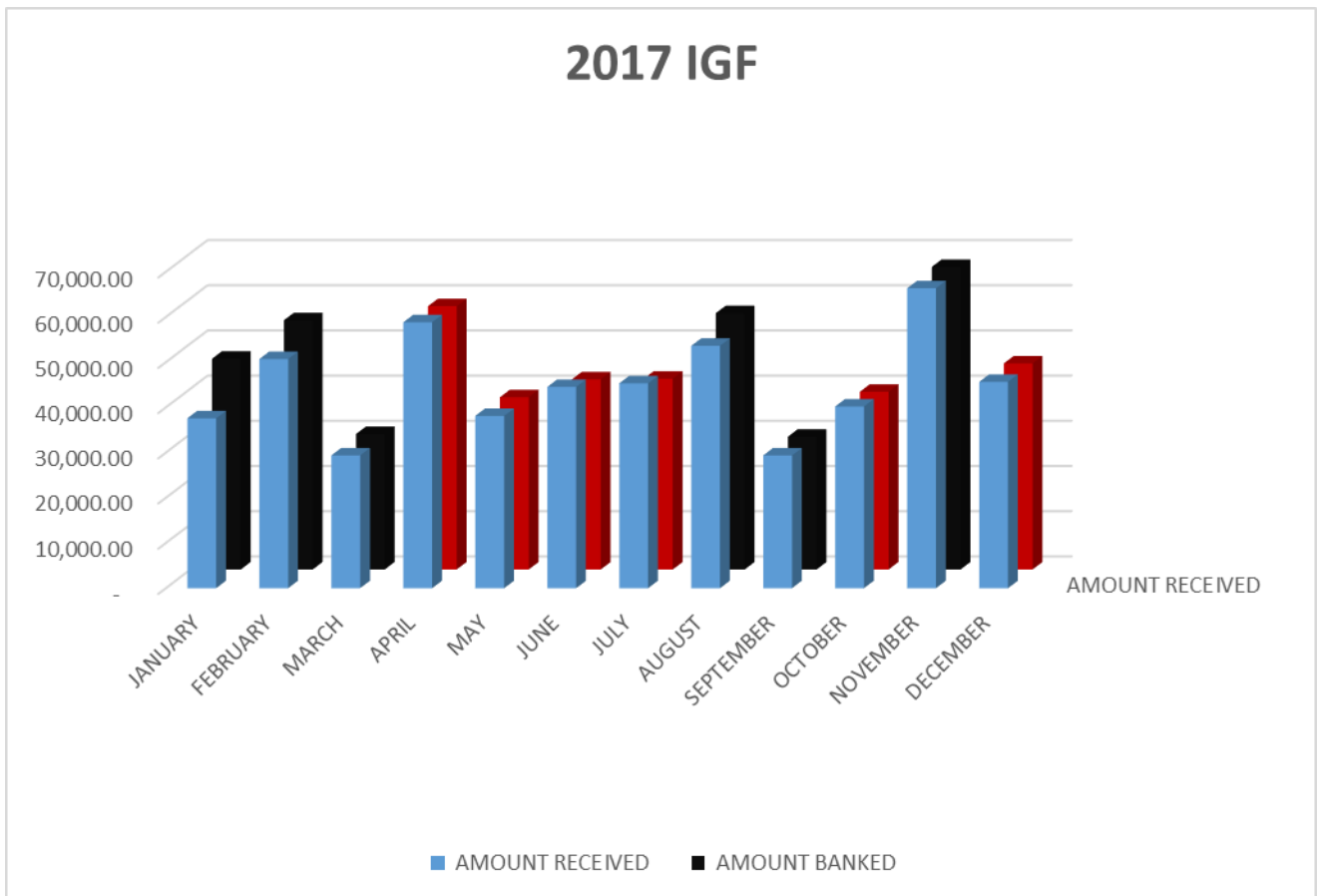
Figure 2.0 below depicts the 2017 IGF collection and deposit data.

**Figure 2.0**

**2017 IGF COLLECTION AND DEPOSIT ANALYSIS**

<b>DATE</b>	<b>AMOUNT RECEIVED</b>	<b>AMOUNT BANKED</b>	<b>DIFFERENCE</b>
<b>JANUARY</b>	<u><b>37,598.66</b></u>	<u><b>46,638.35</b></u>	<u><b>9,039.69</b></u>
<b>FEBRUARY</b>	<u><b>50,719.96</b></u>	<u><b>55,165.97</b></u>	<u><b>4,446.01</b></u>
<b>MARCH</b>	<u><b>29,396.84</b></u>	<u><b>29,970.70</b></u>	<u><b>573.86</b></u>
<b>APRIL</b>	<u><b>58,849.00</b></u>	<u><b>58,267.50</b></u>	<u><b>- 581.50</b></u>
<b>MAY</b>	<u><b>38,130.57</b></u>	<u><b>38,113.43</b></u>	<u><b>- 17.14</b></u>
<b>JUNE</b>	<u><b>44,539.24</b></u>	<u><b>42,073.77</b></u>	<u><b>- 2,465.47</b></u>
<b>JULY</b>	<u><b>45,335.45</b></u>	<u><b>42,234.45</b></u>	<u><b>- 3,101.00</b></u>
<b>AUGUST</b>	<u><b>53,638.30</b></u>	<u><b>56,728.18</b></u>	<u><b>3,089.88</b></u>
<b>SEPTEMBER</b>	<u><b>29,384.00</b></u>	<u><b>29,384.16</b></u>	<u><b>0.16</b></u>
<b>OCTOBER</b>	<u><b>40,221.27</b></u>	<u><b>39,329.18</b></u>	<u><b>- 892.09</b></u>
<b>NOVEMBER</b>	<u><b>66,379.62</b></u>	<u><b>66,955.28</b></u>	<u><b>575.66</b></u>
<b>DECEMBER</b>	<u><b>45,669.60</b></u>	<u><b>45,597.80</b></u>	<u><b>- 71.80</b></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 as mentioned in the first quarter report of 2017 on revenue.

Some revenue collectors do not account in full amounts collected on behalf of the District Assembly as also mentioned in the first quarter report of 2017 on revenue.

**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.

This also creates an avenue for unscrupulous personnel to embezzle funds without early detection.

### **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.

All revenue collectors who fail to pay in full monies collect by them on behalf of the District Assembly, should be made to pay back the monies with interest

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.

### 3. High cost of revenue generation

#### **CONDITION**

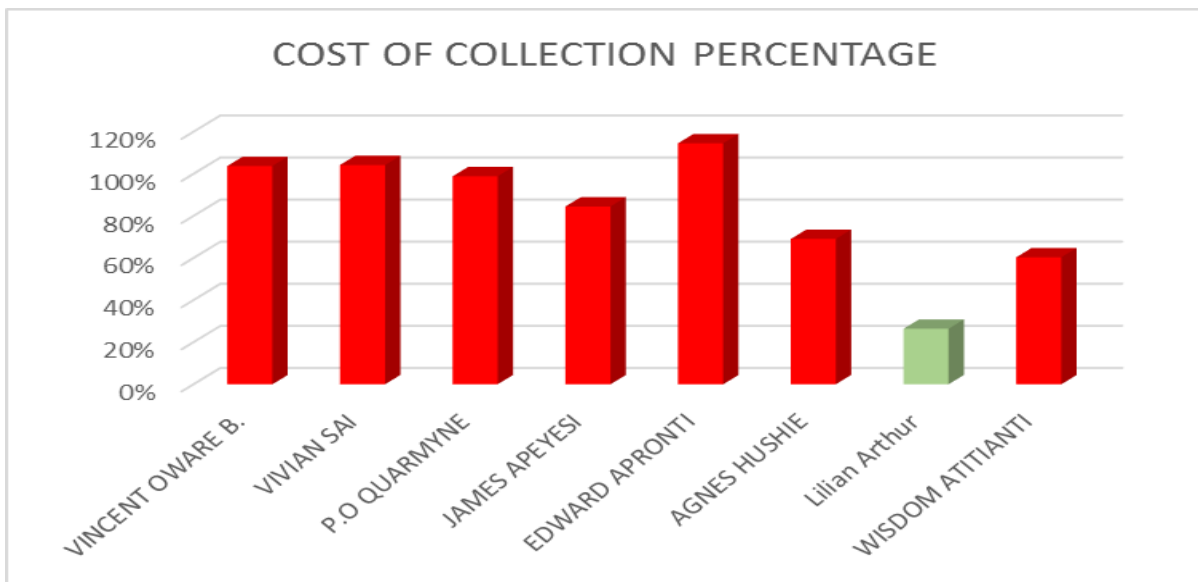
All conditions stated in the first quarter report of 2017 are still pertaining hence the repetition of all observations below.

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 cost of collecting 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. **Weak conformance to Internally Generated Funds (IGF) usage regulations**

##### **CONDITION**

Only **Five Point Zero Eight (5.08%)** of IGF was used for the undertaking of capital projects.

Several IGF Payment Vouchers (P.V's) did not obtain warrants before payments were made.

##### **CRITERIA**

As stated in the 2018 FOAT minimum requirements, at least 20% of IGF should be used for capital projects.

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 before payments are made to ensure all expenditures are budgeted for.

##### **CAUSES**

Broken down computers played a major role in the failure to secure warrants before payment since it can only be done electronically through the GIFMIS system.

##### **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 before funds are released.

Management should ensure that at least **Twenty percent (20%)** of IGF is used to undertake a capital project.

## **4.0 MANAGEMENT RESPONSE**

### **1. Increase in revenue by Twenty-Three (23%)**

We agree with your recommendations. Management is in the process of converting IGF revenue collectors to commission collectors.

Management will also take appropriate steps to motivate the revenue collectors in order to increase performance.

### **2. Poor management of risk related to revenue**

Recommendation on the above subject is well taken. Management would ensure all monies collected by revenue collectors are accounted for immediately and appropriate sanctions meted out to the defaulters.

### **3. High cost of revenue generation**

We have taken note of the recommendations. Management would ensure that more pay points are opened at Ada-Foah, Big-Ada and Kasseh to make payment early and convenient for rate payers. Other pragmatic steps to reduce cost of generation such as public education on radio will be done.

### **4. Weak conformance to internally generated fund (IGF) usage regulations.**

Management has taken note and will endeavor to do much better.

**SAAKA DRAMANI  
CO-ORDINATING DIRECTOR**

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## **5.0 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.