

**ADA EAST DISTRICT ASSEMBLY  
INTERNAL AUDIT UNIT**

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**FIRST QUARTER INTERNAL AUDIT REPORT 2019**  
**HUMAN RESOURCE, AND REVENUE MANAGEMENT**

**April 10, 2019**

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## **1.0 EXECUTIVE SUMMARY**

The Internal Audit Unit conducted a Payroll Audit at the case in point of management of the Assembly in order to rationalize the payroll administration.

The audit will critically analyze the agreement with laws and regulations and assess the risk management and the adequacy and effectiveness of internal controls in place to mitigate them. The audit looked at revenue performance and early payment to bank accounts of the Assembly. Statutory deductions and subsequent payments to relevant authorities.

The audit report will comprise: the introduction, audit background, objectives, scope and limitation, methodology and thrust areas, institutions, key functional areas covered during period under review, summary of findings, conclusions, detailed audit report and expression of Internal auditors' opinion and recommendation.

## **1.1 INTRODUCTION**

The payroll audit is in two phases thus the first phase and the Second Phase. The first phase on IGF and the Second phase on GOG. We looked at the books of accounts and financial records of the Ada East District Assembly for the First Quarter 2019 in the first phase of the audit.

It was on the request of Regional coordinating Council to have the responds on the second phase of our audit work on the salaries of staff on Government of Ghana payroll (GOG) within the first quarter of 2019. We completed the second phase and dully submitted to the Chief Director of RCC.

The internal Audit Unit has no staff and therefore delayed the completion of this exercise. we present below our observations and comments in respect of the audit on IGF payroll, income and expenditure analysis for your information and necessary actions. We shall include here a copy of the first phase that has been completed in advance.

## **1.2 MANAGEMENT RESPONSIBILITY**

In accordance with Page 5 of the Internal Audit Charter and in line with auditing standards, it is the responsibility of management to formulate policies, set objectives and procedures, and design appropriate and effective internal control systems, implement and monitor policies and procedures to achieve the objectives of the Assembly.

## **1.3 INTERNAL AUDITOR'S RESPONSIBILITY**

It is the responsibility of the internal auditor to carry out an independent objective assurance service designed to add value to the Assembly's activities.

This report is prepared for the Chairperson of the Audit Committee of the District Assembly, the management of Ada East District Assembly, Internal Audit Agency, Auditor General Regional, Co-ordinating Council and other relevant third parties.

## **1.4 BACKGROUND**

The payroll audit was at the instance of management to assess the adequacy and effectiveness of the internal controls in ensuring that the objectives of payroll management were achieved.

## **1.5 AUDIT OBJECTIVES**

The purpose of this audit was to provide assurance on the adequacy of design and operation of the management framework, practices and controls in place to manage and oversee Human Resource Performance Management process to ensure its quality, fairness, transparency, and consistency.

It was also to determine that:

1. Salaries and wages are paid to legitimate and valid workers who were present at work
2. The salaries and wages paid commensurate with employees' appropriate salary scales
3. Only authorized deductions were made
4. Statutory deductions were made and paid to the appropriate agencies
5. The salary and wages of separated staff were returned to chest

6. The internal controls were adequate and effective to mitigate risks of payment of salaries and wages to ghost workers and separated staff.

## **1.6 SCOPE OF AUDIT**

The scope of the audit included Human resource management process, Performance Management process, including performance planning, monitoring, and reviewing as well as management oversight controls around the performance process.

The audit covered the period, 1<sup>st</sup> January 2019 to March 31<sup>st</sup> 2019.

The audit thrust areas were Central and Local Government Payrolls but also included in the audit are the Sanitary Inspectors and Community development and social welfare.

## **1.7 METHODOLOGY**

We used the system base audit approach. We interviewed responsible officers of the Assembly, IGF Staff and had obtained the relevant information and explanations adequate for the purpose of the audit.

We examined financial records and books of accounts.

We verified Payroll Vouchers of Assembly, Appointment Letters and Acceptance letters.

## **2.0 SUMMARY OF FINDINGS**

### **2.1 REVENUE GENERATION (GH¢97,582.21)**

We noted that the assembly generated an amount of **GH¢97,582.21** representing **40%** Of the target for the quarter. All other things being equal, the targets are high as per the factors influencing payment and collection. Yet the Assembly did well.

#### **RECOMMENDATION**

- We recommend that management should continue with the modalities, request for more National service persons with accounting background to help.
- Management should bust their interest to work harder by motivating them.
- We share an opinion that Management should reconsider adjusting the revenue target of the year downward to a reasonable figure. This would motivate revenue collection, considering other factors.

### **2.2 UNPAID STATUTORY DEDUCTIONS (GH¢6,293.20)**

We noted that an amount of **GH¢6,293.20** representing SSNIT, Income Tax and withholding tax were deducted and not paid to the appropriate authorities.

#### **RECOMMENDATION**

- We advise that the Finance Officer should take immediate steps to pay all statutory deductions to avoid the Assembly paying penalties and interest
- Management should ensure that such deductions are paid immediately as and when they are deducted. That management should require the account numbers of these institutions especially GRA. Let payment be made into that account and pay-in slips are collected to ascertain the payment receipts from the institution on their visit.

## **2.3 FAILURE TO PROMOTE IGF SAFF**

The IGF staffs have not been promoted since 2013. Some of them upgraded educationally within this period. Others are on a wrong grade without commensurate salaries to the work schedule.

### **RECOMMENDATION**

- Audit recommends that management should charge the Human Resource department to develop an internal policy system or rely on the national policy to address this issue.

### **3.0 DETAILS OF FINDING AND RECOMMENDATION**

#### **3.1 REVENUE GENERATION (GH¢97,582.21)**

##### **CRITERIA**

Assemblies are mandated by law to generate revenue for development. In accordance with the Local Governance Act, Act 936 (2016) and the Public Financial Management Act, Act 921 (2016)

##### **CONDITION**

The revenue generation for the first quarter 2019 has been very remarkable as per the cash books. We noted that, as at 31<sup>st</sup> January, the Assembly generated an amount of GH¢30,442.83 which stands for 31.20% of the total Generation for the quarter.

We observed that revenue generation for February 2019 amounted to GH¢35,806.91 representing 36.69% of the total revenue for the quarter and that of March amounted to 66,780.69 representing 68% of the total revenue for the first quarter 2019.

##### **CAUSE**

We noted that Management has put up mechanisms to enforce the activities of the collection and distribution of bills. Management deployed National service personnel and converted most revenue collectors on IGF payroll into commission collectors.

We noted that building permit and distribution of property rate bills lead to the increase in generation. The public works engineer and his team contributed much to this change. The National Service persons generated up to 19.61% representing GH¢19,136.00

## **EFFECT**

This change in revenue increase would help to increase development in the District. The Assembly could enforce the 20% local developmental projects in the District. It is a loadable model to adopt.

## **RECOMMENDATION**

- We recommend that management should continue with the modalities, request for more National service persons with accounting background to help.
- Management should bust their interest to work harder by motivating them.
- We share an opinion that Management should reconsider adjusting the revenue target of the year downward to a reasonable figure. This would motivate revenue collection, considering other factors

### **3.2 UNPAID STATUTORY DEDUCTIONS (GH¢6,293.20)**

#### **CRITERIA**

Failure to deduct tax as in section 82(2) of the Internal Revenue service Act 2000, (Act 592). Failure to remit tax deducted. Reference is made to section 88(1) Act 2000 (Act 592).

#### **CONDITION**

We noted that an amount of **GH¢6,293.20** representing SSNIT, Income Tax and withholding Tax were deducted and not paid to the appropriate authorities. SSNIT deduction amounts to GH¢1713.75, Income Tax amounts to GH¢224.30 and withholding Tax amounts to GH¢4,354.91. This figure could increase since audit was unable to verify other payment vouchers within the period under review.

#### **CAUSE**

We observe that deductions are made and not paid to GRA due to the delay of GRA officials coming to collect the tax. We ascertained that these monies in the account are further used to offset other expenses.

## **EFFECT**

The Assembly could be drag to court on failure to remit statutory deduction to the GRA. Individuals with the responsibility would be surcharged for such infractions.

## **RECOMMENDATION**

- We advise that the Finance Officer should take immediate steps to pay all statutory deductions to avoid the Assembly paying penalties and interest
- Management should ensure that such deductions are paid immediately as and when they are deducted. That management should require the account numbers of these institutions especially GRA. Let payment be made into that account and pay-in slips are collected to ascertain the payment receipts from the institution on their visit.

### **3.3 FAILURE TO PROMOTE IGF SAFF**

#### **CRITERIA**

The audit was conducted in accordance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, consistent with the Labour laws of Ghana. Also, in accordance with the Internal Audit Agency Auditing Standards, Financial Administration Act, 2003, (Act 654), Financial Memoranda for District Assemblies, Labour Act, 2003, Act 651 and Civil Service Law, 1993 P.N.D.C.L. 327.

#### **CONDITION**

The IGF staffs have been the grade since 2013 without being promoted. Some of them upgraded educationally within this period. Others are on a wrong grade without commensurate salaries to the work schedule.

We noted that most of the IGF staffs are below the current national minimum wage.

## ENROLLMENT OF IGF STAFFS

sn	NAME	SEX	AGE	JOB TITLE	LOCATI ON	REMA RKS
1.	Ampomah Okubra Emmanuel	Male	37	Principal A/c technician	Account s Office	At Post
2.	Gokah M. Christiana	Fema le		Administr ative Assistant	Ada Foah Area council	Not punctu al
3.	Gokah M. Christina	Fema le	38	Informatio n Managem ent Tech.	Foah-Main Assbly	At post
4.	Tetteh Godfred Avanu	Male	59	Taskforce	Kasseh, Market	At Post
5.	Otuchuam Daniel	Male	52	Driver	Foah-Main Assbly (mini-bus)	At Post
6.	Mottey Florence	Fema le	41	Sanitary Laborer	Foah-main Assbly	At Post
7.	Fantivi Francis K.M	Male		Security	Kasseh-Market	At post
8.	Dagojo James Teye	Male	63	Sanitary Laborer	Kunyeny a	Not puntual
9.	Maccarthy A. Ruth	Fema le	59	Sanitary Laborer	Big-Ada	At Post
10.	Tamakloe Y. Stephen	Male		Security	Kasseh-Market	At post
11.	Maccarthy Francis	Male	54	Sanitary Laborer	Kunyeny a	At post
12.	Katenor Moses	Male	53	Sanitary Laborer	Kasseh	At Post
13.	Quarshie Gershon	Male	52	Sanitary Laborer	Works Dept	At Post

					Ada-Foah	
14.	Oha Jacoson Kabu	Male	54	Sanitary Laborer	Foah-Main Assbly & Public cemetery	Sick
15.	Dagodze Kwablah	Male		Sanitary Laborer	Kunyeny a	At post
16.	Adzei Comfort	Female	37	Sanitary Laborer	Foah-Main Assbly.	At Post
17.	Agudu Sebbie Isaiah	Male	37	Taskforce	Kasseh-Market	Converted to comm. Collector
18.	Andra Angela	Female	29	Secretary	Kasseh-Area council	Not Punctual
19.	Ofoe Emmanuel	Male	39	Craftman	Works Dept.	At post
20.	Mensah Totimeh	Male	46	Security	DCD-House(Day)	At Post
21.	Nkronu T. Emmanuel	Male	75	Security	Foah-Main Assbly.	Not Punctual
22.	Longmartey Daniel	Male	43	Security	DCD-House(Night)	At Post
23.	Gadugah Ebenezer	Male	64	Security	Foah-Main Assbly	At Post
24.	Agbasi Emmanuel	Male		Sanitary Laborer	Big-Ada Public Cemetery	At Post
25.	Kpalam Ebenezer	Male	51	Taskforce	Kasseh-	Not

					Market	punctu al/sick
26.	Apronti Oforiwa Angela	Fema le		Taskforce	Kasseh- Market	Exited
27.	Akorli Yawa Vivian	Fema le		Taskforce	Kasseh- Market	Exited
28.	Sottie John	Male		Taskforce	Kasseh- Market	Conver ted to comm. Collect or
29.	Adi Tetteh Edward	Male		Security	Kasseh- Market	
30.	Atruku Ofotsu Bright	Male		Driver	Foah- Main Assbly	At Post
31.	Doku Benjamin Otu	Male	27	Taskforce	Works Dept.	At Post
32.	Portuphy Wisdom Tsatu	Male	33	Taskforce	Works Dept.	At Post
33.	Salifu Timothy Mahama	Male	35	Taskforce	Works Dept.	At Post
34.	Agbloe Stephen	Male	31	Taskforce	Works Dept.	At Post
35.	Agbloe Terkpermor	Male		Taskforce	Works Dept.	At Post
36.	Narh Ocansey Wisdom	Male	27	Taskforce	Kasseh- Market	Conver ted to comm. collect or
37.	Dogah Isaiah Narh	Male	37	Taskforce	Kasseh- Market	Conver ted to comm. collect or
38.	Dosoo Louis	Male	24	Taskforce	Kasseh- Market	Conver ted to comm.

						collect or
39.	Osuman Dawuda	Male	25	Taskforce	Kasseh-Market	Converted to comm. collect or

## CAUSE

The Assembly lacks an internal policy framework that regulates the salary increments and promotions of IGF staffs. We noted that the Assembly over the years have not regularly complied with the national policy to promote its IGF staff.

## EFFECT

It is a high risk since the other staffs on the IGF payroll with equal qualification with the GOG staffs would look inferior. This would affect effectiveness and efficiency work. It undermines the very objective of the performance contract. Delivery and productivity would be low.

## RECOMMENDATION

- Audit recommends that management should charge the Human Resource department to develop an internal policy system or rely on the national policy to address this issue.
- The human resource should identify and locate the work places of some of the staff on IGF payroll.

## CONCLUSION

It is prudent for us to include this in our conclusion. The internal control framework over the performance management process needs to be improved

to ensure its quality, fairness, transparency, and consistency across the organisation.

In recognition of the need to improve the HR- Performance Management process and enhance its contribution to the organization, certain initiatives were introduced to the Assemblies. These initiatives have positive aspects, notably enhancements to the performance management contract, including the addition of learning plans to the appraisal form and the process. While these changes are positive and directionally appropriate, there are several other areas that need to be addressed to ensure that HR – PM meets its mandate more effectively. These include the following:

- o Formally establishing a Policy to be complied with,
- o Effectively communicating to all employees and heads of Units and Departments how the process works and why they should ensure that such forms are completed in time and submitted.
- o Requiring mandatory training on the completion of the forms
- o Ensuring job descriptions are available for all positions, and
- o Incorporating employee learning and development plans into the performance management process and actually implementing such plans.

Human Resources and Audit, as guardian of the performance management process, should regularly assess the effectiveness of the process in meeting the Assembly's objectives and managing people's risk, by measuring results against predetermined standards and compliance with the Policy. Results from these periodic assessments should be reported to management and learnings should be incorporated into training programs to support continuous improvement in outcomes.

I appreciate the request of management upon audit to provide an interim report on the pay roll audit ahead of time to check financial drain on the Assembly's cash. We want to assure management that when the above recommendations are implemented, we shall achieve great results in order to streamline the pay roll administration in the Assembly. I want to apologize for the delay until this time in the submission of this report.

Audit would like to thank all participants for their cooperation and contribution in the conducting of this audit