

ADA EAST DISTRICT ASSEMBLY INTERNAL AUDIT UNIT

2018 FOURTH QUARTER INTERNAL AUDIT REPORT ON REVENUE MOBILIZATION

This report has been prepared under Section 16 (4) of the Internal Audit Agency Act, 2003 (Act 658) for submission in accordance with Section 83 (2) of the Public Financial Management Act 2016, (Act 921)

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Internal Auditor

28TH, DEC, 2018

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1.0 EXECUTIVE SUMMARY

1.1 INTRODUCTION

In accordance with Section 16(3) of the Internal Audit Agency Act 2003 (Act 658), Section 83(1), 83(3) of the Public Financial Management Act 2016 (Act 921) and the Financial Memoranda, the Audit was carried out in line with auditing standards and best practice.

The audit looked at control systems regarding Revenue mobilization, other areas of revenue generation, limitations and a review of the 2017 fourth quarter report which deals with the functionalities of the Area Councils.

1.2 MANAGEMENT RESPONSIBILITY

In accordance with Page 5 of the Internal Audit Charter and in line with auditing standards, the onus lies on 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.

We would like to draw management's attention to the fact that due to the inherent limitations of audit, this exercise might not be able to outline all weaknesses in the system regarding revenue generation and identification of new areas to deploy.

This report is prepared for the Chairperson of the Audit Committee of the District Assembly, the management of Ada East District Assembly and other relevant third parties.

1.4 SCOPE OF THE AUDIT

The audit covered the periods of 2018 with particular reference to 2017 Fourth quarter report.

The unit examines Targets set in 2017 and 2018. Cashbooks and Official Receipts for the period. The embarked-on field investigations within the jurisdiction of the Assembly to ascertain facts regarding the audit. The period of review was from 1ST October to 31ST December, 2018

1.5 OBJECTIVES OF THE AUDIT

- a. To revamp Revenue mobilization and increase internally generated fund.
- b. To ascertain whether or not certain control systems regarding revenue generation are best implemented.
- c. To ascertain whether recommendations of fourth quarter 2018 internal audit report has been implemented

1.6 METHODOLOGY

The methods adopted during the exercise include:

1. Substantive audit on all records within the period under review (Cashbooks, payment vouchers, cheque stocks)
2. Interviews and observation.
3. Review of controls of the existing systems and analytical review of data obtained.

2.0 SUMMARY OF FINDINGS AND RECOMMENDATIONS

2.1.1 NONEXPLOITED AREAS OF REVENUE

2.1.2 CONDITION

We reviewed the revenue collecting system on the butchers, (slaughter house fees) and space rent on the 50 meters space from the middle of the road to the edge of the roads of the Ada East District, and have discovered that the internal controls were very weak or to put it bluntly, the internal controls were nonexistent. A probe into the issue reveals that the construction of the slaughter house which could have united these butchers at a common market for the formulation of data and easy collection of revenue was abandoned due to court issues.

Our interview with traders reveals that people who own houses closer to the road side rent out the space belonging to government and collect temporal structure fees.

An amount of Five Hundred and Twenty-Nine Ghana Cedis (**GHC529.00**) is paid to land lords as rent per month and a total of Six Thousand, Three Hundred and Forty Ghana Cedis (**GHC6,340.00**) per year.

Majority of these traders do not pay Business Operating permit since 2016, those who pay said they were not given receipts each time they pay.

Figure 1. Depicts a sample of 16 store owners, their contacts, how much they pay and who they pay to.

N0	NAME	TELEPHONE	AMT PER MONTH	TOTAL	LAND LORD'S NAME	LAND LORD'S TELEPHONE NO.
1	Abigail Ahadjee	0242156203	GH 50	GH 600	Simon Zotorvie	0246362720
2	KWESI AHOKO	0241429566	GH 25	GH 300	Simon Zotorvie	0246362720
3	EMMANU	0243584577	GH 30	GHC	Simon	024636272

	EL ASEM			360	Zotorvie	0
4	YUSIFF LASISI	0241800204	GH 30	GH C360	Simon Zotorvie	0246362720
	ALI RAZAK	0241144180	GH 30	GH 360	Simon Zotorvie	0246362720
6	COMFORT MOZONU	0240044960	GH 30	GH 360	Simon Zotorvie	0246362720
7	EMMANU EL VERDO	0249210742	GH 30	GH 360	Simon Zotorvie	0246362720
8	ENOCK LAWEREH	0242033047	GH 30	GH 360	Simon Zotorvie	0246362720
9	NIKOYE ABRAHAM	0205268211	GH	GH		
10	PAUL BABAMAM	0545945150	GH 40	GH 400	DOMAKO	0541806057
11	ADIYA ABIB	0243258929	GH 60	GH 720	JOHN	
12	JOHN AGBOZO	0242818171	GH 30	GH 360	Simon Zotorvie	0246362720
13	MICHEAL CHAMBA	0555142410	GH 30	GH 360	Simon Zotorvie	0246362720
14	FELICIA NARTEY	0246557362	GH 30	GH 360	Simon Zotorvie	0246362720
15	DOMINIC ODO	0247232627	GH 60	GH 720	ODEI	0247232627
16	YEBOAH SHOE SELLER	0557621948	GH 20	GH 240	SISTER COMFORT	
TOTAL			GH 529.00	GH 6,340.00		

2.1.3 RECOMMENDATION

- A. The Revenue Unit in collaboration with the Public Works department should institute mechanisms to collect business operating permit and rent space from individuals who trade within the 50metres space along the main road in the District.
- B. Management to call on the District Environmental Health Officer to take steps to identify and register all butchers, screen and license them.
- C. The revenue Unit should assign a revenue collector to follow up and collect revenue from these butchers.
- D. Management should ensure that the internal structures of our institution must work to avoid leakages of revenue.
- E. Institute a comprehensive review on the monitoring and evaluation of revenue collection and banking of revenue collected
- F. Management should call Mr. **Simon Zetorvie** for a dialogue to avert the situation if possible assign him to collect for a percentage.

2.2.0 LOW REVENUE GENERATION

2.2.1 CONDITION

During our review, we observed that, the Assembly performs poorly in revenue mobilization. In contrast, other sister Districts who have no traditional revenue generation areas, do mobilize more revenue than Ada East District Assembly.

Apathy on the part of the Assembly to sensitize public on the mandate and activities of the Assembly. There is lack of education on how money is spent in the assembly. Poor administrative capacity to assess the base and enforce the payment of tax and other rates.

During our review on whether or not we meet Revenue targets set for the years proves zero. Except for 2018 when the Assembly exceeded revenue target midyear with an increase of 95% growth.

Revenue targets over view

YEAR	BUDGETED EXTEMATES GH¢00.	ACTUALS GH¢00.
2018	810208.24	852001.10
2017	916308.34	542998.75

2.2.2 RECOMMENDATION

1. Management should put up a conscious effort to revalue all immovable properties of cooperate bodies within the District.
2. Management should use the Police and the Court system to enforce payment of rates, fees and licenses by prosecuting defaulters.
3. Management should introduce a new business operating permit to capture and develop a data base for all businesses in our jurisdiction in order to avoid tax evasion.
4. The Assembly through Assembly members should organize frequent public education to sensitize the public on payments of rates, fees and licenses.
5. The Chief Executive should educate the society on the difference between Assembly operations and party politics.

2.3.0 NONPAYMENT OF (GH¢37,747.27) TO AREA COUNCILS

2.3.1 CONDITION

They form a critical part of Ghana's governance structure as they bring democracy to the doorstep of the local community. In this regard, the internal audit unit reviews the fourth quarter report of the 2017 to ascertain whether recommendations of this vital area have been implemented.

An interview with the Finance officer revealed that he failed to compute and remit the 2% common fund, in accordance with the 2017 guidelines to the substructures because Management have not instructed him to do so.

QUARTERS	AMOUNT RECEIVED (2017) GH¢00.00	2% REMITTANCE GH¢00.00
FIRST QUARTER	362,248.24	7,244.96
SECOND QUARTER	418,229.03	8,364.58
THIRD QUARTER	84,660.42	1693.21
FURTH QUARTER	456,652.41	9133.05
TOTAL (2017)		26,435.80

QUARTERS	AMOUNT RECEIVED (2017) GH¢00.00	2% REMITTANCE GH¢00.00
FIRST QUARTER	254,097.11	5,081.94
SECOND QUARTER	311,476.53	6,229.53
THIRD QUARTER	00.00	00.00
FOURTH QUARTER	00.00	00.00
TOTAL (2018)		<u>11,311.47</u>
2017 AND 2018 REMITTANCE		<u>37747.27</u>

2.3.2 RECOMMENDATION

Management should calculate the 2% of DACF and forward into their account as a start off to motivate them to put up their best and institute a control system to monitor the use of such funds.

The presiding member (PM) should hold a separate meeting with all members of the assembly to drive home the argent need to support in revenue mobilization.

The Finance and administration subcommittee chairman should institute measures as to how to mobilize revenue for the Assembly to move forward.

3.0 DETAILS OF FINDING AND RECOMMENDATION

3.1 NONEXPLOITED AREAS OF REVENUE

CRITERIA

Section 17(a) of the Financial Administration Regulations 2004 states that a head of department shall ensure that all nontax revenue is immediately collected and immediately lodged in the designated bank account.

Paragraph three of page 16 of the Financial Memoranda for District Assemblies provide that all amounts received by an Assembly shall be supported by the issue to the payer of one of the following receipt forms: General Counterfoil Receipt, License, etc.

Section 146. (1) of (Act 936) A District Assembly shall levy general or special rates for the amount considered necessary to raise sufficient funds to meet expenditure.

CONDITION

We also reviewed the revenue collecting system of the butchers, (slaughter house fees) and space rent on the 50 meters space from the edge of the roads of the Ada East District and we discovered that the internal controls were very weak or to put it bluntly, the internal controls were nonexistent. A probe into the issue reveals that the construction of the slaughter house which could have united these butchers at a common market for the formulation of data and easy collection of revenue was abandoned.

Our interview with traders reveals that people who own houses closer to the road side rent out the space belonging to government and collect temporal structure fees.

An amount of Five Hundred and Twenty-Nine Ghana Cedis (**GHC529.00**) is paid to land lords as rent per month and a total of Six Thousand, Three Hundred and Forty Ghana Cedis (**GHC6,340.00**) per year.

Majority of these traders do not pay Business Operating permit, those who pay said they were not given receipts each time they pay.

Figure 1. Depicts a sample of 16 store owners, their contacts, how much the pay and who they pay to.

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4	YUSIFF LASISI	GH 30	GH 360	Simon Zotorvie	0246362720
5	ALI RAZAK	GH 30	GH 360	Simon Zotorvie	0246362720
6	COMFORT MOZONU	GH 30	GH 360	Simon Zotorvie	0246362720
7	EMMANUEL VERDO	GH 30	GH 360	Simon Zotorvie	0246362720
8	ENOCK LAWEREH	GH 30	GH 360	Simon Zotorvie	0246362720
9	NIKOYE ABRAHAM	GH	GH		
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13	MICHEAL CHAMBA	GH 30	GH 360	Simon Zotorvie	0246362720
14	FELICIA NARTEY	GH 30	GH 360	Simon Zotorvie	0246362720
15	DOMINIC ODO	GH 60	GH 720	ODEI	0247232627
16	YEBOAH SHOE	GH 20	GH 240	SISTER COMFORT	

	SELLER				
TOTAL		GH 529.00	GH 6340.00		

CAUSE

1. No revenue collector was assigned to the slaughter house to collect slaughter house fees.
2. The Environmental Health Officer who helps in revenue issues, did not screen the butchers, he failed to identify these groups for licensing.
3. No General Counterfoil Receipts were issued to the butchers to cover the payments of slaughter fees.
4. The Assembly over look other revenue areas such as space rent for temporal and permanent structures at the road sides of the major road.
5. No comprehensive monitoring on revenue collectors

EFFECTS

Major size of revenue about GH¢6000.00 per month from space rent is lost and leaked into the hands of landlords.

These affects the provision of 20% Of capital project from IGF, Assembly suffers since nontax revenue from operations of butchers and licenses are not taped to augment the lot.

RECOMMENDATION

- G. The Revenue Unit in collaboration with the Public Works Engineer should institute mechanisms to collect business operating permit and rent space from individuals who trades within the 50metres space along the main road in the District.
- H. Management call on the District Environmental Health Officer to take steps to register all butchers, screen and license them.
- I. The revenue Unit should assign a revenue collector to follow up and collect revenue from these butchers.
- J. Management should ensure that the internal structures of our institution must work to avoid leakages of revenue.
- K. Institute a comprehensive review on the monitoring and evaluation of revenue collection and banking of revenue collected

- L. Management should call Mr. **Simon Zetorvie** for a dialogue to avert the situation
- M. The environmental health officer should be task to identify the butchers, screen them for registration.

3.2 LOW REVENUE GENERATION

CRITERIA

Section 144 of the local Government Act 2016, (Act 936) states, A District Assembly shall be the only authority to levy rates for a district despite any customary law to the contrary.

Section 145(1) of (Act 936) A District Assembly shall levy sufficient rates to provide for the total estimated expenditure to be incurred by the District Assembly during the period in respect of which the rate is levied.

(2) A District Assembly may levy rates for an additional amount required to cover expenditure previously incurred by the District Assembly to meet contingencies or to defray any expenditure which needs to be defrayed.

(3) The additional rates may be made and levied before the date on which payment is received in respect of the immediate rates.

Section 146. (1) of (Act 936) A District Assembly shall levy general or special rates for the amount considered necessary to raise sufficient funds to meet expenditure.

CONDITION

During our review, we observed that, the Assembly performs poorly in revenue mobilization. In contrast, other sister Districts who have no traditional revenue generation areas, do mobilize more revenue than Ada East District Assembly.

Apathy on the part of the Assembly to sensitize public on the mandate and activities of the Assembly. There is lack of education on how money is spent in the assembly. Poor administrative capacity to assess the base and enforce the payment of tax and other rates.

During our review on whether or not we meet Revenue targets set for the years proves zero. Except for 2018 when the Assembly exceeded revenue target midyear with an increase of 95% growth.

Revenue targets over view for 2018 and 2017

YEAR	BUDGETED EXTEMATES GHC	ACTUALS GH¢00
2018	810208.24	852001.10
2017	916308.34	542998.75

CAUSE

1. explicit and intentional tax evasion and resistance from tax payers.
2. Constant and continues use of the police and the court to address issues of revenue evasion has not been recognized.
3. Corruption (exchange of tickets with food items/ gifts) including embezzlement, delay in payment of revenue to the bank which contradicts Regulation 22(1) of FAR 2004(LI 1802) by revenue collectors and their receiving accountants.
4. Pressure on the finance department to provide optimistic projection and achievable targets in the budget.
5. Political pressure on tax administrators to relax on revenue collection.
6. Many of the properties within our jurisdiction are not valued thereby giving us little rates.

EFFECTS

Assembly would be in capacitated in terms of development and supports for national and local activities. The Assembly in the long run would ground up and would not be able to function administratively.

It would in the long run undermine the integrity and the powers of the Assembly to generate revenue. Also, it would reduce the truth and confidence reposed on the Assembly from the public.

Failure on the part of the Assembly to prosecute individuals who disobey the law would warrant the few individuals who are loyal to be demoralized and would soon join the cue of disobedience.

RECOMMENDATION

6. Management should put up a conscious effort to revalue all immovable properties of cooperate bodies within the District.
7. Management should use the Police and the Court system to enforce payment of rates, fees and licenses by prosecuting defaulters.
8. Management should introduce a new business operating permit to capture and form a data base for all businesses in our jurisdiction in order to avoid tax evasion.
9. The Assembly through Assembly members should organize frequent public education to sensitize the public on payments of rates, fees and licenses.
10. The Chief Executive should educate the society on the difference between Assembly operations and party politics.

3.3 NONPAYMENT OF (GH¢37,747.27) TO AREA COUNCILS

CRETIRIA

In accordance with **L.I 1589**, management is mandated to transfer 5% of District Assemblies common fund and 50% of locally mobilized revenue to the sub district structures.

District Assembly Common Fund guidelines for disbursement of the fund outlines that up to **2%** should be used for the establishment and strengthening of the Zonal, Urban and Area councils.

Section **39(1) of FAR 2004 (L. I 1802)** states that: A head of department shall ensure that moneys are utilized in the manner that secures both optimum value for money and the intention of parliament.

The **Local Government Act, Act 936, 2016**, the Council Members were to keep records of all datable persons and properties in the Districts, assist any person authorized by the Assembly to collect revenue, organize communal labor and voluntary works, educate people in their rights, privileges and responsibilities, and

assist the Council to provide focal point for discussion on local matters and make recommendations to the assembly.

CONDITION

They form a critical part of Ghana’s governance structure as they bring democracy to the doorstep of the local community. In this regard, the internal audit unit reviews the fourth quarter report of the 2017 to ascertain whether recommendations of this vital area have been implemented.

An interview with the Finance officer revealed that he failed to compute and remit the 2% common fund, in accordance with the 2017 guidelines to the substructures because Management have not instructed him to do so.

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FOURTH QUARTER 00.00

00.00

TOTAL (2018)

11,311.47

2017 AND 2018 REMITTANCE

37747.27

CUASE

A meeting with the area councils revealed that, the Area council are non-functioning because:

1. The assembly did not give them moral, financial and administrative support
2. The communities are non-responsive to tax paying if collectors of tax are indigenes persons from the catchment area.
3. The area councils have no separate standing Bank Accounts
4. Management failed to open operational Bank Accounts.
5. unwillingness of most Assembly Members to support the course

EFFECT

The unwillingness of Area council chairpersons to work effectively will affect the growth of revenue and the preparation and submission of other relevant documents by functionality. Administratively, such areas of important would be dormant and nonfunctional.

RECOMMENDATION

Management should calculate the 2% of DACF and forward into their account as a start off to motivate them to put up their best and institute a control system to monitor the use of such funds.

The presiding member (PM) should hold a separate meeting with all members of the assembly to drive home the argent need to support in revenue mobilization.

The Finance and administration sub committee chairman should institute measures as to how to mobilize revenue for the Assembly to move forward.

CONCLUSION

We appeal to management to look at the issues critically and assign responsibilities to other staffs to do a follow up to take up the challenge to avert the situation. Management should provide the needed logistics to aid these appointed staffs to function appropriately.

Report prepared by:

ADAM OSMAN MUSAH

(District Internal Auditor)