

**ADA EAST DISTRICT ASSEMBLY
INTERNAL AUDIT UNIT**

SECOND QUARTER INTERNAL AUDIT REPORT FOR 2019

DACF/DDF PROJECTS AND REVENUE MANAGEMENT

JULY 8, 2019

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1.0 EXECUTIVE SUMMARY

The second quarter audit is on performance. I reviewed Fifteen (15) selected projects of the Assembly that were funded by DDF, MPCF and DACF out of Twenty Two (22) Projects. I also looked at the revenue collection in the market to ascertain whether there has been improvement in revenue generation. The control system regarding expenditure commitment was also reviewed. A draft report was submitted to the District Coordinating Director for his responds and the responses were dully incorporated into this report for onward submission to the Audit Committee, the Director General of Audit Agency, the Director General of Ghana Audit Service, and a copy to District coordinating Director, the District Chief Executive and the Regional coordinating Council.

1.1 INTRODUCTION

In accordance with Section 83 of the Public Financial management Act, 2016(Act 921) and the Audit Agency Act, 2003(Act 568), the Internal Audit Unit has audited the District Assembly Common Fund Projects and Internal Generated fund or Revenue of the Ada East District Assembly for the Second Quarter 2019.

The issues raised during the audit were communicated to management and I have received responses which were factored into the production of this report

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, and other relevant third parties.

1.4 BACKGROUND

The audit was at the instance of the Internal Audit Agency to assess the adequacy and effectiveness of the internal controls in ensuring that the objectives of DACF were achieved.

1.5 AUDIT OBJECTIVES

The objectives of the Audit are:

1. To determine whether value for money is considered when spending public funds
2. To determine and ascertain the effectiveness of the internal controls in place
3. To ascertain whether management operates within guidelines and the law

1.6 SCOPE OF AUDIT

The scope of the audit includes Common Fund thus DACF, and DDF. The audit covered the period, 1st April, 2019 to 30th June, 2019.

1.7 METHODOLOGY/APPROACH

I based my audit conclusion on information obtained from documents, interview with key personnel of the Assembly, contractors and stakeholders. I derived my audit criteria from sources such as the 2017 Common Fund Guidelines, Value for Money Audit manuals, Public Financial Management Act (Act 2016), Local Government Act 9 Act 2016) and INTOSAI Auditing standard.

LIMITATION

I reviewed the controls within the various processes operated by the District Assembly only to the extent I considered necessary for the effective performance of this Audit.

My review may not have detected all infractions that existed or improvements that could be made.

The delay in the provision of logistics such as computer (Laptop) and the release of funds to carry out this audit has affected the early completion of the audit and subsequent submission of report within time under review.

The recent District Assembly performance Assessment Tool (DPAT) has also delayed our report.

2.0 SUMMARY OF FINDINGS

2.1 COMPLETED PROJECTS NOT PUT TO USE

I observed that a completed police post and a CHIPS compound are still not in used.

RECOMMENDATION

- I recommend that the Assembly should source for funds to provide electricity and water for the CHIPS compound and also resolve the furniture issues for the police to use the police station for the benefit of the community.
- By way of accounting to the people, I advise that the facility be inaugurated before it is put to use by the Ghana Police Service.

2.2 UNCOMPLETED TOURISM CENTER (DDF)

I noted that a 2-storey District Tourism center was awarded in May 2014 at a contract sum of Two Hundred and Eighty Six Thousand, Three Hundred and Forty four and thirty (GH¢286,344.30) Ghana Cedis and still on going.

RECOMMENDATION

- The Assembly should use the Law Court to enforce the contractor to complete the project or allocate new resources to complete it since it could be a major source of revenue to the Assembly.
- The contractor (Enarcu Construction Limited) should be made to refund the extra payment to the assembly

2.3 UNREALISTIC COLLECTION OF REVENUE IN THE MARKET

A walk through test in the Market reveals that petty traders who hock in ‘pure water’ pay GH¢1.00 and GH¢2.00 tolls the same value as those who occupied big sheds.

RECOMMENDATION

- Audit recommends that management should internally review the payment of market tolls in accordance with the degree or level of business or space occupied by an individual in the market.

- Audit recommends that payment should be charged in the following procedure
 - a. Sellers who trade in pure water on plates and containers hocking should pay One (GH¢1.00) Ghana Cedis
 - b. Sellers who trade on big tables and placed at the sheds should pay Two (GH¢2) Ghana Cedis.

2.4 WRONG USE OF GCR (GH¢1400.00)

I noted that a revenue collector at Ada Foah Area Council exhausted the GCR by issuing out the original, the duplicate and the triplicate receipts to generate revenue amounting to GH¢1,400.00

RECOMMENDATION

To curb this problem occurring in the future, the Assembly should organize an in- service training for the newly recruited revenue collectors on the basic procedures of documentation, issuing of receipts and collection of revenue.

2.5 NON PAYMENT OF REVENUE COLLECTED

Revenue collectors failed to account for the sale of tickets amounting to Seven Thousand Nine Hundred and Two (**GH¢7,906.96**) Ghana Cedis and Ninety Six Pesewas. The Benjamin Company Ltd contracted by the Assembly to collect revenue did not return Two (2) GCR books of which amounts were not ascertained.

RECOMMENDATION

- The principal spending officer should ensure that non-tax revenue is immediately lodged in gross within twenty-four hours (24hr) in the designated fund transit account as in Reg. 46 (b) of (LI 2378)
- The Revenue Superintendent (Mr. Francis Agbenu) and the Revenue Accountant (Teye) should ensure that only few valued books are given to each revenue collector and new ones are issued upon completion of the first issue. The Two officers should retrieve the indebtedness or be liable for the infractions.
- The Assembly should ensure that the Benjamin Company returns the un accounted GCR books in their possession GCR No:
 1. 9494901-9495000 and
 2. 94982101-9498200

3.0 DETAILS OF FINDING AND RECOMMENDATION

3.1 COMPLETED PROJECTS NOT PUT TO USE

CRITERIA

Regulation 39(1) of the Financial Administration Regulation, 2004(LI 1802) states “A head of department shall ensure that moneys are utilized in a manner that secures both optimum value for money and the intention of parliament”

CONDITION

I however, noted that a Construction of Police Post at Big Ada and CHIPS compound at Teikpetikope–Angornya community are not in use even though the facilities were handed over to the assembly.

The Police post was awarded in November 2016 at a sum of GH¢317,332.20. The contractor has completed the project and handed over to the Assembly.

I verified that a construction of 1No. CHIPS compound awarded on the 20/11/2016 at a sum of 310,103.20 has been completed with outstanding balance of GH¢7475.04.

CAUSE

The Assembly has a different view as to that of the user agency. The user Agency demanded for furniture and other items that would make the building accommodative of which the Assembly lacks resources to provide the items. There is no light and water in the CHIPS compound.

EFFECT

Early depreciation could set in thereby increasing cost of maintenance in the future by the Assembly. There would not be value for money to incur extra cost before allocating the facilities.

The projects are exposed to theft and reptiles since both are located outskirts of the communities. The delay is depriving the community from access to health care and police protection

RECOMMENDATION

- I recommend that the Assembly should source for funds to provide electricity and water for the CHIPS compound and also resolve the furniture issues for the police to use the police station for the benefit of the community.
- By way of accounting to the people, I advise that the facilities be inaugurated before it is put to use. This would create awareness on the activities of government in the District.

3.2 UNCOMPLETED TOURISM CENTER (DDF)

CRITERIA

Section 52 of the public financial management Act, 2016 (Act 921) requires Coordinating Director, as the Principal Spending Officer to institute proper control system to prevent losses and wastage

CONDITION

I noted that a 2-storey District Tourism center was awarded in May 2014 at a contract sum of Two Hundred and Eighty Six Thousand, Three Hundred and Forty four and thirty (GH¢286,344.30) Ghana Cedis and ever since has not been completed. This project experienced overpayment up to Two Hundred and Ninety Thousand, Eight Hundred and Fifty Eight and Eighty seven (GH¢290858.87) Ghana Cedis, and yet still not completed

CAUSE

The contractor complains of late release of funds to enable him complete the project. The Assembly shares a different view since there was overpayment above the contract sum.

EFFECT

The Assembly could be charged for the unlawful cost added to the cost of the project without reviewing the contract.

The delay in its completion is denying the Assembly revenue. Re awarding would bring extra cost to the Assembly.

RECOMMENDATION

- The Assembly should use the Law Court to enforce the contractor to complete the project or allocate new resources to complete it since it could be a major source of revenue to the Assembly.
- The contractor should be made to refund the extra payment to the assembly

3.3 UNREALISTIC COLLECTION OF REVENUE IN THE MARKET

CONDITION

I observed that there is a partial treatment in the market with regards to payment of tolls. A walk through test reveals that all traders pay equal tax without reference to the degree or type of business. I also observe that revenue collectors are biased in the issuance of tickets to traders. A One (GH¢1.00) Ghana Cedis is charged to all those who trade in shed with greater quantity of goods as charged to the hocking pure water sellers and other petty traders. I realized that only items in bags are charged Two (GH¢2.00) Ghana Cedis per trader.

CAUSE

It is the inability of the Revenue officer in charge of the market to streamline the situation to be in line with the law and best practices.

EFFECT

It is a high risk since that could affect revenue collection in the market. The low generation of revenue would affect management in the discharge of their duties to pursue government agenda in bringing development to the people. (20% capital projects from IGF would be defeated)

RECOMMENDATION

- Audit recommends that management should internally review the payment of market tolls in accordance with the degree or level of business or space occupied by an individual in the market.
- Audit recommends that payment should be charged in the following procedure

- c. Sellers who trade in pure water on plates and containers hocking should pay One (GH¢1.00) Ghana Cedis
- d. Sellers who trade on big tables and placed at the sheds should pay Two (GH¢2) Ghana Cedis.

3.4 NON PAYMENT OF REVENUE COLLECTED

CRITERIA

In accordance with Regulation 50 of (LI 2378), of the Public Financial Management Act, Regulation 50 (1) States: All public moneys collected shall be paid in gross into the public funds accounts and a disbursement shall not be made from the money collected except as provided by an enactment.

Regulation 50 (2) A person who makes disbursement from public moneys collected in contravention of subsection 1 is in breach of section 96 of PFM act.

CONDITION

A revenue audit reveals that revenue collectors do not pay in full the actual amount collected. Audit did a follow up to retrieve revenue collected and not paid as from 2017 to first Quarter 2019, amounting to Ten Thousand, Two Hundred and Thirty Five Ghana Cedis and Fifty Pesewas (**GH¢10,235,50**). There is an outstanding value of Seven Thousand Nine Hundred and Two and Ninety Six Pesewas (**GH¢7,902.96**) at the time of the audit.

I noted that two (2) GCR books (9494901-9495000 and 94982101-9498200) allocated to the Benjamin Co. Ltd could not be found for audit verification.

CAUSE

The revenue superintendent has always issue more than necessary valued books to the collectors which make it difficult to track actual collection, and what has not been collected. Revenue collectors (commission collectors) do not present their books for verification.

There is a delay in the payment of allowances of commission collectors. This causes the habit of keeping part of the money generated and refusing to present their cash books for audit.

EFFECT

The Assembly would be deprived of revenue for development since moneys generated goes to individual collectors' hands. There would always be a carry forward in the payment of revenue collected if the Assembly continues to issue more than 5 valued books to the collectors.

RECOMMENDATION

- The principal spending officer should ensure that non-tax revenue is immediately lodged in gross within twenty-four hours (24hr) in the designated fund transit account as in Reg. 46 (b) of (LI 2378)
- The Revenue Superintendent (Mr. Francis Agbenu) and the Revenue Accountant (Teye) should ensure that only few valued books are given to each revenue collector and new ones are issued upon completion of the first issue. The Two officers should retrieve the indebtedness or be liable for the infractions.
- The Assembly should ensure that the Benjamin Company returns the un accounted GCR books in their possession GCR No:
 1. 9494901-9495000 and
 2. 94982101-9498200

3.5 WRONG USE OF GCR (GH¢1400.00)

CRITERIA

In accordance with Public Financial Management Regulation 56 (1) of (LI 2378), A collector who is satisfied that money tendered is in order shall issue an original receipt to the payer and shall deal with the duplicate and triplicate copies as required by Departmental Accounting Instructions.

In accordance with Public Financial Management Regulation 47 of (LI 2378), A principal spending officer shall disclose all non-tax revenue collected, lodged, or retained as part of the monthly report to the minister required under these Regulation with copies to the Controller and Accountant General and the Auditor General.

CONDITION

However, a cross check on GCR number 14/9503301-9503400 in trust for Ada Foah Area Council reveals that, a revenue collector has issued out the original receipt, the duplicate and the triplicate copies out to different payers and obtained money which was recorded in the cash book amounting to GH¢1,400.00. Audit could not ascertain whether those were the original amounts collected.

CAUSE

Lack of education as to the use of GCR

EFFECT

It is in breach of Regulation 47 of (LI 2378). It is equally illegal since the Assembly cannot account for what has been collected in reality. It amounts to fraud and in breach of section 96 of the PFM.

RECOMMENDATION

To curb this problem occurring in the future, the Assembly should organize an in- service training for the newly recruited revenue collectors on the basic procedures of documentation and issuing of receipts to payers.

CONCLUSION

I wish to express my profound gratitude to the District Chief Executive and the Co-ordinating Director for taking up a bold step to complete outing projects without awarding new contracts, and pushing through the District Assembly Office Complex to a remarkable level.

I inspected 15 projects and have captured only those with infractions. Though the District Assembly Office Complex was not captured in my audit as uncompleted project due to the level at which it has reach.

I advise that management should do the necessary arrangement to re locate to that office while adding finishing touches to the project.

The District Assembly Tourism Centre is of great issue that needs a special attention. The project stands out to provide major source of revenue if completed.

I advise that management should pay attention to the differences limiting its completion and resolve them quickly. Delayed or abandoned projects, is a breach of Section 96 of the PFM Act.

Best practices reveals that government projects when completed should be officially inaugurated and handed over to user agencies. I urge that management should rectify the issues on the completed projects and hand over to the communities.

Thank you all for your support.