

ADA EAST DISTRICT
ASSEMBLY
INTERNAL AUDIT UNIT

THIRD QUARTER INTERNAL AUDIT
REPORT 2018

ON THE MANAGEMENT OF THE DISTRICT ASSEMBLY COMMON FUND

July 22, 2018

Table of Content

Table of Contents

1.1	INTRODUCTION	3
1.3	Internal Auditors Responsibility	3
1.4	Scope and objective:	4
2.0	SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS	5
3.0	DETAILED FINDINGS AND RECOMMENDATIONS	8
4.0	CONCLUSION	12

1.0 EXECUTIVE SUMMARY

1.1 INTRODUCTION

As part of our quality assurance to management in accordance with:

- a) Section 120 of the Local Government Act, 1993 (Act, 462)
- b) Section 16(3) of the Internal Audit Agency Act 2003 (Act 658) and the financial Memoranda, we carried out our audit in line with auditing standards and best practice.

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.

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 identify all internal control weaknesses in the system but all those that have come to our attention, have been recorded in this report and that there might be others that have escaped our detection.

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 was conducted to cover all payment records kept for the District Assembly Common Fund.

The period of review was from 1ST January to 30th September, 2018

1.5 OBJECTIVES OF THE AUDIT

To ascertain if:

1. All items procured with the Common Fund were routed through stores.
2. All applicable statutory deductions from payments have been complied with.
3. Existing controls are working properly and if they are being complied with.
4. Payments were made out of the District Assembly budget.
5. Payment vouchers have been duly acquitted.

1.6 METHODOLOGY

The methods adopted during the exercise include:

1. A one hundred percent checks (substantive audit) on all records of payment kept for payments made 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 RECOMMENDATION

2.1.1 FAILURE TO ROUTE ITEMS THROUGH STORES (GHC 64,100.61)

2.1.2 CONDITION

During our review, we observed that the Assembly paid in total, an amount of Sixty-Four Thousand, One Hundred Ghana Cedis, Sixty-One Pesewas (GHC 64,100.61) for the purchase of several items which were not routed through the stores of the District Assembly.

2.1.3 RECOMMENDATION

The store keeper together with management should ensure that procurement of all items made are received by the store keeper and reissued using the appropriate procedure.

2.2.1 UNACQUITTED PAYMENT VOUCHERS (GHC 108,867.00)

2.2.2 CONDITION

During our review, we observed that a total of eight (8) payment vouchers amounting to One Hundred and Eight Thousand, Eight Hundred and Sixty-Seven Ghana Cedis (GHC 108,867.00) spent on various activities have not been fully accounted for.

2.2.3 RECOMMENDATION

To help cure this problem, finance officer together with management should ensure that all officers who have fallen foul of this financial indiscipline acquit the vouchers or refund in part or in whole the amount received, or face any other disciplinary measure as may be prescribed by law.

2.3.1 POOR FILING PRACTICE

2.3.2 CONDITION

During our review of financial documents, the audit noted several instances where payment vouchers had been misfiled. There were instances where payment vouchers which ought to have been filed were not on file.

2.3.3 RECOMMENDATION

The finance department should strictly comply with the appropriate procedures for filing and management of financial documents.

2.4.1 FAILURE TO SPEND THROUGH BUDGET (GHC 99,620.25)

2.4.2 CONDITION

During the audit, it was observed that a total of seven (7) payment vouchers amounting to Ninety-Nine Thousand, Six Hundred and Twenty Ghana Cedis, Twenty-Five Pesewas (GHC 99,620.25) had no warrants for payment.

2.4.3 RECOMMENDATION

To ensure that all expenditures are budgeted for, management should insist on all payments being backed with a warrant generated on the District Assembly's budget through GIFMIS.

2.5.1 CONTRACT PAYMENTS WITHOUT INSPECTION REPORTS (GHC 20,057.11)

2.5.2 CONDITION

The audit found One (1) payment voucher for payment of a contract which had no inspection report to support the payment for that contract.

2.5.3 RECOMMENDATION

The finance officer should ensure that he is properly advised prior to payment for any contract by the means of an inspection report indicating that the payment requested is indeed for works done.

3.0 DETAILS OF FINDING AND RECOMMENDATION

3.1 FAILURE TO ROUTE ITEMS THROUGH STORES (GHC 64,100.61)

CRITERIA

Part IX Paragraph 13(b) of financial memoranda for Metropolitan, municipal and District Assemblies (2004) say that, all payment vouchers shall be receipted by the attachment to the Payment Voucher of the payee's official receipt. Facsimile Signature stamps shall not be used.

Section 32(1) of the FAA 2003, ACT 654.

CONDITION

During our review, we observed that the Assembly paid in total, an amount of Sixty-Four Thousand, One Hundred Ghana Cedis, Sixty-One Pesewas (GHC 64,100.61) for the purchase of several items which were not routed through the stores of the District Assembly. Thus, payment vouchers audited did not have any stores receipt voucher attached (SRV).

Below are the details of PV's that didn't have SRV's attached.

PAYEE	DETAIL	PV NO.	CHEQUE NO.	AMOUNT
ASHKOF ENTERPRISE	Being release of funds for purchase of 4 pieces 265/70 rib dunlip tyres for official use.	05/01/2018	000628 000629	5,932.80
DCD	Being release of funds for the renovation of an office at central administration.	04/02/18	00638	1,300.50
DCD	Being release of funds for the purchase of office equipment for the DCE.	03/02/18	000636 000637	4,714.31
DCD	Being release of funds for the renovation of the District's bungalow at Totimakope.	17/03/18	000666	11,249.00
DCD	Being funds release for the purchase of office furniture fpr the DCE,DCD and the DFO's office.	14//03/18	000661 000665	11,092.00

EX1414 COMPANY LIMITED	Being funds release for the purchase of laptops and external drive.	13/03/18	000661 000665	22,042.00
NORVUS TECHNOLOGY	Being funds release for the purchase of HP colour printer canon IR Laser multifunctional black and white photocopy, a printer cable and power stabilizer.	15/03/18	000663 000665	7,770.00

CAUSE

Direct purchase of items by personnel without notifying the store keeper for the office to receive the items.

Failure on the part of the finance officer to insist on the attachment of an SRV before making payment for items procured.

EFFECT

This can lead to loss of assets of the District assembly since items procured are not captured in the stores record for the update of asset register.

RECOMMENDATION

The store keeper together with management should ensure that procurement of all items made are received by the store keeper and reissued using the appropriate procedure to the requesting units or departments.

Individual personnel procurements should also be stopped with immediate effect to control the channel of procurement and ease up the work of the store keeper in capturing and issuance of SRV for procured items.

3.2 UNACQUITTED PAYMENT VOUCHERS (GH¢ 108,867.00)

CRETIRIA

Part IX sub 13 of Financial Memoranda for metropolitan, Municipal and District Assemblies says that, all payment vouchers shall be receipted in one of the following ways:

- (a) By a writing acknowledgement in ink on the payment voucher by the payee where an official receipt is not supplied; or
- (b) By the attachment to the payment voucher of the payee's official receipt. Facsimile signature stamp shall not be used.

CONDITION

During our review, we observed that a total of eight (8) payment vouchers amounting to One Hundred and Eight Thousand, Eight Hundred and Sixty-Seven Ghana Cedis (GH¢ 108,867.00) spent on various activities have not been fully accounted for.

PAYEE	DETAILS	PV NO.	CHEQUE NO	AMOUNT GH¢
DCD	Being release of funds for official trip by Hon. DCE to travel to kuala lumpur, Malaysia to participate in the nineth world urban forum from 7th-13th february,2018.	07/01/18	00633	27,319.50
DCD	Being funds release to service a meeting on Tuesday 13th March,2018 of the District Health Emergency committee in relation to lassa fever.	08/03/18	000652 000654	1,255.00
DCD	Being funds release to cater for expensed relating to the visit of Her ladyship the Chief Justice.	12/03/18	000660	3,500.00
DCD	Being release of funds for the renovation of the District's bungalow at Totimakope.	17/03/18	000666	11,249.00
SULEMAN AWAL IDDRISU	Being release of funds to embark on a study travel (mission) to the Netherlands between 13th to 18th May,2018	01/05/18	000678	3,759.00

ADA DEVELOPMENT BOARD	Being financial assistance towards the 2018 Ada Asafotufiami festival celebration as per attached.	01/08/18	000709	5,000.00
DCD	Being funds released towards the 2018 Ada Asafotufiami festival Celebration as per attached.	02/08/18		53,784.50
DCD	Being funds release towards manual desilting of Bana public Toilet as per attached.	05/08/18	000718	3,000.00

CUASE

The finance office did not ensure that all releases are properly accounted for after such monies have been spent for the intended purpose.

This also shows weak supervision from the finance officer to ensure that payment vouchers are fully acquitted.

EFFECT

The unwillingness of officers to account for releases taken shows the extent to which the control system has weakened.

This could lead to very serious levels of revenue leakage to the assembly should this trend continue.

RECOMMENDATION

To help cure this problem, finance officer together with management should ensure that all officers who have fallen foul of this financial indiscipline acquit the vouchers or refund in part or in whole the amount received, or face any other disciplinary measure as may be prescribed by law.

3.3 POOR FILING PRACTICE

CRITERIA

As stated in the Accounting Manual for MMDAs, under the heading Filing Of Vouchers “**After the vouchers have been checked and entered in the Register of Vouchers or other records, copies of the vouchers shall be filed and clearly labelled in date order. In the case of pre-numbered vouchers, they shall be filed in numerical sequence. Where a complete series of vouchers is put on the file, the file shall be examined by the control clerk. Any missing voucher shall be listed and obtained from the person holding them or responsible for forwarding them. At any given time all vouchers shall be properly secured.**”

CONDITION

During our review of financial documents, the audit noted several instances where payment vouchers had been misfiled. There were instances where payment vouchers which ought to have been filed were not on file.

CAUSE

Poor segregation of work at the finance department is the leading cause of the poor filing practice of financial documents.

EFFECT

The practice creates a challenge in locating financial documents. It could also lead to permanent misplacement of financial document.

RECOMMENDATION

Proper segregation of tasks should be implemented to avoid misfiling of documents.

The capacity of personnel at the finance department should be built to enhance their ability to understand the need for compliance with filing standards for financial documents.

The finance department should strictly comply with the appropriate procedures for filing and management of financial documents.

3.4 FAILURE TO SPEND THROUGH BUDGET (GHC 99,620.25)

CRITERIA

The acceptable practice for spending of public funds is that, the expenditure should be backed with a warrant generated from the covered entity's budget.

The Public Financial Act 2016, Act 921 states that **“A Principal Spending Officer shall commit the budget of a covered entity based on the quarterly warrants issued under this section.”**

CONDITION

During the audit, it was observed that a total of seven (7) payment vouchers amounting to Ninety-Nine Thousand, Six Hundred and Twenty Ghana Cedis, Twenty-Five Pesewas (GHC 99,620.25) had no warrants for payment.

Below are the details of payments made without warrants.

PAYEE	DETAILS	PV NO.	CHEQUE NO	AMOUNT GHC
ADA DEVELOPMENT BOARD	Being financial assistance towards the 2018 Ada Asafotufiami festival celebration as per attached.	01/08/18	000709	5,000.00
DCD	Being funds released towards the 2018 Ada Asafotufiami festival Celebration as per attached.	02/08/18		53,784.50
DIRECTOR OF EDUCATION	Being funds released for the organisation of national and Regional science, Technology, mathematics and innovation education as per attached.			1,945.00
DCD	Being funds release towards manual desilting of Bana public Toilet as per attached.	05/08/18	000718	3,000.00
MANYAWE AUTO MECHANICAL WORKSHOP	Being funds release for maintenance works on the DCE's vehicle with registration number GN1784-11	01/09/18	000772 000723	6,920.75
DIRECTOR OF EDUCATION	Being funds release towards my first day at school.	02/09/18	000725	5,000.00
MAKS PUBLICATIONS AND MEDIA SERVICES	Funds release to website subscription indebtedness.		000726 000727	24,000.00

CAUSE

Failure of the finance department to present payment vouchers to the budget unit for generation of warrants before final payments are made.

Non-connectivity to the GIFMIS platform to generate warrants for expenditure is one of the causes of the above condition.

EFFECT

This practice could lead to budgetary over runs since expenditure is not linked to the District Assembly budget.

The practice could also lead to the District Assembly making non-budgetary expenditures which could also lead to not meeting the minimum requirement for access of certain donor funds.

RECOMMENDATION

To ensure that all expenditures are budgeted for, management should insist on all payments being backed with a warrant generated on the District Assembly's budget through GIFMIS.

3.5 CONTRACT PAYMENTS WITHOUT INSPECTION REPORTS (GHC 66,933.40)

CRETIRIA

Professional and international practice prescribes that, before payments are made for any form of work done, an inspection of work done should be carried out based on which advice may be given for final payment for work done.

CONDITION

The audit found One (1) payment vouchers for payment of contract which had no inspection report to support the payment of the contracts. The PV amounts to Twenty thousand, and Fifty-Seven Ghana Cedis, Eleven Pesewas (GHC 20,057.11).

PAYEE	DETAILS	PV NO.	CHEQUE NO	AMOUNT GHC
ERNEST DE BOSCO CONSTRUCTION WORKS	Being release of fund for interim payment certificate NO.3 in connection with provision of 2 NO Mechanized borehole at Kasseh.	02/06/18	000693 000694	20,057.11

CAUSE

Failure to insist on inspection reports for contracts before making payments on the by the Finance Officer.

EFFECT

The risk of making payments for contracts that have not been executed or payments for contracts that have been poorly executed.

RECOMMENDATION

The finance officer should ensure that he is properly advised prior to payment for any contract by the means of an inspection report indicating that the payment requested is indeed for works done.

Conclusion

The Internal Audit unit is very grateful to all departments and units of the District Assembly who willingly cooperated with us to make this report possible.

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