

ADA EAST DISTRICT ASSEMBLY

CONTROL SYSTEMS AND CASH MANAGEMENT AUDIT

2022

FIRST QUARTER INTERNAL AUDIT REPORT



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EXECUTIVE SAMMARY

We reviewed the activities of the Assembly on the applications of systems and Cash Management for the period of January 2022 to March 2022. We also reviewed the procurements of items for People with Disability. We verified the cash flows of the Assembly on non traditional revenue generation areas and the traditional revenue generating areas as well. We identify revenue collectors who failed to remit revenue as collected. We did a follow-up to retrieve all revenues collected and not paid to Assembly Account.

In addition, we reviewed the Fourth Quarter 2021 Report to ascertain whether or not Management has acted on the the report. Management implemented majority of the Recommendations of the First, Second, Third and Fourth Quarter 2021 Reports. The Assembly has distributed varied items ranging from fridges to farm product and assorted provisions to people with Disability within the District.

1.1 SUMMARY OF FINDINGS.

1.11 LACK OF INVESTMENT

We reviewed the cash inflow systems of the Assembly and have realized that the Assembly do not invest on non traditional revenue areas.

RECOMMENDATION

- ✓ We recommend that, the Assembly should invest into vegetable farming on its fallow lands to ugment the traditional revenue areas.
- ✓ That management should rely on the Agric Director for advise

1.12 UNACCOUNTED GENERAL COUNTERFOIL RECEIPTS (GCRs)

We verified that, Eight General Counterfoil Receipts (GCRs) were issued out to revenue collectors and other officers by the District Finance Officer in 2021. These GCRs were not returned or could not be found for accountability.

RECOMMENDATION

- ✓ We recommend that, the DCD and the DFO should ensure that, the GCRs are retrieved, accounted for and brought to audit for verification.

1.13 UNACCOUNTED REVENUE

We noted that, revenue collectors failed to account for **GH¢2,539.99** generated in 2021. The collectors use new GCRs issued to them, to offset the revenue collected with the previous GCR.

RECOMMENDATIONS.

- ✓ We recommend that, management should take action by naming and shaming all those who failed to account for what is collected in order to retrieve the monies.
- ✓ We recommend that, the DFO should only issue out Tickets or GCRs to revenue collectors based on the advise and approval of the Internal Auditor.

1.14 PAYMENTS WITHOUT RELEVANT ATTACHMENTS

We identified infractions on various Payment Vouchers (PVs) amounting to **GH¢42,240.00**. These infractions ranges from original attachment of receipts and other relevant documents to authenticate those transactions.

RECOMMENDATION

- ✓ We recommend that, the action Officer retire the payment of GH¢5,000.00 with the original receipts of payment and tax certificate or refund the amount.
- ✓ We recommend that, action officers named in the various infractions and the District Finance officer (DFO) should resolve the issues and present to audit for verification or refund the said monies.

1.2 INTRODUCTION

In accordance with Section 83 of the Public Financial Management Act, 2016 (Act 921) and the Internal Audit Agency Act, 2003 (Act 658), Regulation 37 of the Internal Audit Regulation, the Internal Audit Unit has audited the Accounts of the Ada East District Assembly on Cash Management, Disability fund, local investment and proper accountability of government funds for the First quarter 2022.

The issues raised during the audit had been discussed at an exit conference with management before the compilation of the final report.

This report is prepared for submission to the Audit Committee of Ada East District Assembly, the Management of Ada East District Assembly, Internal Audit Agency, Auditor General, Regional Coordinating Council and other relevant parties according to law.

1.3 MANAGEMENT RESPONSIBILITY

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.

1.4 INTERNAL AUDITOR'S RESPONSIBILITY

It is the responsibility of the Internal Auditor to carry out an Independent Objective Assurance Services designed to add value to the Assembly's activities.

- **VISION AND MISSION**

The **vision** of the Internal Audit Unit is to provide independent, objective assurance and consulting services designed to add value and improve the Organization's operations.

The **mission** of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit activity would help Organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

1.5 BACKGROUND

In pursuance of the Internal Audit plan for 2019-2022 and the Annual Action Plan of the Assembly, the Internal Audit Unit has conducted an audit on Cash management and the functionality of the System. The audit was conducted to ensure quality assurance on the activities of the Ada East District Assembly to verify the control systems, thus the generation of revenue and local investment opportunities, procurement activities in the District and the District Assembly Common Fund on Persons with Disability.

1.6 AUDIT OBJECTIVES:

The objective is to:

1. Ascertain whether proper books of Accounts were kept in accordance with financial laws and regulations,
2. Assess the completeness of Payment Vouchers (PVs),
3. Assess the accuracy of Expenditure classification codes for all transactions,
4. Analyze the management of Cash Inflows and Outflows,
5. Proper distribution and allocation of resources.

1.7 SCOPE OF AUDIT

The audit covered the period, 1st January 2021 to 31st March 2022 for reporting in the First quarter 2022. The audit also looked at the financial transactions of the Assembly, verify systems of operations and the cash management within the period. We inspected the stores of the Assembly. We reviewed Payment Vouchers and cash books in this engagement.

1.8 METHODOLOGY/APPROACH

The audit is based on audit conclusions on information obtained from the cash books, Stores receipt vouchers, General counterfoil receipts (GCR) register and payment vouchers. We interviewed action officers. We also based our audit on observations. We derived our audit criteria from sources such as the Li 2378 of 2019, Public

Financial Management Act 921 (Act 2016), District Assembly Common Fund Guidelines on Disability and Auditing standards and best practices.

2.0 DETAILS OF FINDINGS AND RECOMMENDATIONS

2.1 LACK OF INVESTMENT.

CRITERIA

The Local Government Act 1993, Act 462 lists ten main sources of revenue for local authorities. While receipts from the Common Fund constitute a major source of revenue for the Assembly, landed property remains the single largest and most reliable source of locally generated funds.

CONDITION

We reviewed the cash inflow systems of the Assembly and have realized that the Assembly does not invest on non traditional revenue areas.

We noted that the Assembly depends only on the traditional revenue generation areas such as property rate, building permit, business operation permit etc for its activities.

However, the potential of land as a source of revenue generation has not been exploited to its fullest, since there has been over concentration on property rate as the main source of income from property. There is no doubt that, if the Assembly took advantage of the numerous opportunities offered by land as a source of revenue, we could significantly increase our revenue base and rely less on the Common Fund. For the purposes of this Audit, we will look at the fallow lands in the Assembly.

CAUSE

The desired returns in farming in the past unfavourable.

EFFECT

The Assembly will continually record low revenue returns and lack sufficient funds to finance its developmental programs.

RECOMMENDATION

- ✓ We recommend that, the Assembly should invest into vegetable farming on its/other fallow lands in the Assembly to augment the traditional inflow of revenue.
- ✓ That, management should rely on the Agric Director for advise.

MANAGEMENT RESPONSE

Management responded that they have taken note of the recommendation but alluded that previous investment made by the Assembly did not yield a good results

2.2 UNACCOUNTED GENERAL COUNTERFOIL RECEIPT (GCRs)

CRITERIA

In accordance with Regulation 38(1) a-c, the following documents shall represent evidence of tax and non tax revenue and other monies owed to the government and other entities.

- (a) A deposit-slip issued by Bank of Ghana or a Commercial Bank for deposit into a revenue transit account of a treasury single Account:
- (b) An electronically-generated deposit -slip of an electronic fund tranfer to a revenue transit Account of a treasury single Account
- (c) All official receipts issued by a cashier of an office of Ghana Revenue Authority or a covered entity.

CONDITION

Contrary to Regulation 38(1) of the Public Financial Management Regulation, we noted that, there was no prove of payment by the following officers who signed and collected GCRs from the treasury.

Table 2

No.	NAME	DATE ISSUED	GCR RANGE
1.	ADAMAH MENGELE	20/10/21 07/12/21	3355501-3355600 3356601-3356700
3.	PROSPER TACHIE	24/5/21	3351001-3351100
4.	FRANK ABIMA	30/8/21	3354201-3354300 3354301-3354400

CAUSE

Lack of monitoring and supervision.

EFFECT

Management risk to loose huge monies into individual hands. The Assembly could be charged of abetting in financial crime.

RECOMMENDATION

- ✓ We recommend that, the DCD and the DFO should ensure that the GCRs are retrieved, accounted for and brought to audit for verification

MANAGEMENT RESPONSE

Management stated that they have taken note of our recommendation. Management at an exit conference requested the Internal Auditor to write to the officers requesting them to submit the GCRs to the Unit.

2.3 UNACCOUNTED REVENUE

CRITERIA

A principal spending officer shall in accordance with Regulation 46:

- (a) Ensure that non-tax revenue is efficiently collected
- (b) Ensure that non-tax revenue is immediately lodged in gross within forty-eight hours in the designated transit bank accounts'

52. (1) where any moneys are paid to Government as part of a public or official ceremony, the moneys shall be paid within forty-eight hours into the appropriate public Fund accounts in compliance with this Regulation.

(3) a public officer who contravenes subregulation (1) is in breach of section 96 of the Act.

CONDITION

A review on the 2021 cash books of revenue collectors revealed that collectors do not remit all non tax revenue generated. Contrary to section 52 (3) of the Regulation, revenue collectors account for part or half of what has been generated to treasury. We noted that collectors use the proceeds of a new GCR to account for the previous completed GCR or market tickets. We reviewed from the financial books of revenue collectors an amount of **GH¢5,575.14**, as outstanding payment in 2021. Within the period under review, based on our follow ups, an amount of **GH¢3,035.15** was accounted for remaining **GH¢2,539.99** as in the table below.

REVENUE COLLECTORS WITH OUTSTANDING PAYMENTS

Table 3.

S/NO	NAME	AMOUNT COLLECTED (2021-2022) GH¢	AMOUNT PAID (2021-2022) GH¢	OUTSATANDING PAYMENT GH¢
1.	BOAKYE KWABENA	16,836.69	16837.80	1.11
2.	IGNATIUS KABUTEY KWARTENG	9,405.00	9,082.00	323.00
3.	ADAMAH MENGELE	10,840.00	10,181.00	659.00

4.	EDWARD APRONTI	14,671.36	14,630.28	41.08
5.	ELIZABETH MACCARTHY	16,230.00	16,228.00	2.00
6.	S. T AGBENU	6,184.00	6,174.00	10.00
7.	P.O QUARMYNE	18,466.00	18,396.00	70.00
8.	WISDOM ATITIATI	34,589.26	34,491.35	97.91
9.	JAMES APEYESI	2,561.00	2,389.00	172.00
10.	CONFORT ALABISON	20,995.00	19,830.00	1,165.00
	GENERAL TOTAL	133,941.62	131,401.63	2,539.99

CAUSE

Lack of monitoring and evaluation of GCRs and Tickets issued out to revenue collectors.

EFFECT

Revenue leakages. It denies the Assembly from obtaining the total revenue generated for its programs and policies.

RECOMMENDATIONS

- ✓ We recommend that, management should take action by naming and shaming all those who failed to account for what is collected in order to retrieve the monies.
- ✓ We recommend that, the DFO should only issue out Tickets or GCRs to revenue collectors based on the advise and approval of the Internal Auditor.
- ✓ We recommend that, the DFO should ensure that completed GCRs/Tickets are retired/returned and signed in the stock register before a new one is issued.

MANAGEMENT RESPONSE

Management responded that they appreciate the Unit's effort to retrieve the said amount and the Internal Auditor and the District Finance Officer should continue to follow up to ensure that the money is fully paid.

2.4 PAYMENTS WITHOUT RELEVANT ATTACHMENTS

CRITERIA

Best practices ensures that, payment must be substantiated with original bill and original receipts not photocopied receipts.

CONDITION

We noted that, twelve (12) payment vouchers amounting to GH¢42,240.00 were honoured without the necessary supporting documents. We observed that, GH¢5,000.00 out of the GH¢42,240.00 was paid as accommodation to support the new Magistrate posted into the District without original bill and receipt. The various infractions are depicted in table 4 below.

Tble 4
UNSUPPORTED PAYMENTS

SLN	Particulars	PV No.	A/C No.	Amount GHC	IRREGULARITY
1.	Being payment to purchase extension cord.	12/02/2022	3	50.00	Honor certificate, DCD Secretary
2.	Being funds to motivate National Service Personnel for uploading 2022 budget statement.	11/02/2022	3	300.00	No Signed list. Mujeeb
3.	Being payment to purchase office items for DCE/DCD.	01/02/2022	District Sanitation.	1,560.00	No Receipts. Florence
4.	Being release of funds to cater for out of station and fuel.	03/02/2022	District Sanitation.	1,950.00	Signed list. Latif
5.	Being funds to attend workshop on Public Financial	05/02/2022	District Sanitation.	2,620.00	Fuel receipts. Signed list. DFO

	Management for DCD/DFO.				
6.	Being funds released to purchase GOIL fuel coupons.	01/02/2022	CBRDP	10,000.00	Fuel Receipts/Receipts Distribution List. Latif
7.	Being release of funds to purchase value books.	02/01/2022	3	6,500.00	Refund of GHC400.00. DFO
8.	Being request of funds for fuel and out of station to solve audit issues.	21/01/2022	1	800.00	No fuel receipts, No tax on out of station.
9.	Being request of funds to convey recycling machine from Accra to Ada	20/01/2022	1	2,500.00	No Receipt. Mujeeb
10.	Being request for funds to purchase fuel.	15/01/2022	1	10,000.00	No Receipt. Latif
11.	Being expenses incurred on Principal Executive Officer to attend a validation workshop.	10/01/2022	1	960.00	No Receipt of Accomodation. Evans

UNWARRANTED PAYMENTS

Date	Particulars	PV NO.	A/C	Amount GHC	Remark
21/01/2022	Being payment of funds to cater for accommodation of newly posted District Magistrate as per attach	03/01/2022	DEDA Transport	5,000.00	Photocopied Receipts were attached.
				42,240.00	

CAUSE

Audit could not tell reasons for retiring an expenditure with photocopied documents, the action could be seen as double payment.

EFFECT

If encouraged would lead to double payments of an expenditure or fraudulent activity to misuse public funds.

RECOMMENDATION

- ✓ We recommend that, the action Officer retire the payment of GH¢5,000.00 with the original receipts of payment and tax certificate or refund the amount.
- ✓ We recommend that, action officers named in the various infractions and the District Finance officer (DFO) should resolve the issues and present to audit for verification or refund the said monies.

MANAGEMENT RESPONSE

The District finance officer responded by providing the necessary attachment for our verification.

3.0 CONCLUSION

The control systems put in place to mitigate risk in the Assembly by the Principal Spending Officer in accordance with Section 52 of the PFM were evaluated. In our opinion, the system operated upon within the period was generally satisfactory.

Expenditures as reviewed were with minor and major infractions that needs to be addressed in order to avoid surcharge and refund of funds.

We observed that, the Assembly reported a cash in hand of GH¢81.07 in January Financial Statement and GH¢3,349.07 in the February Statement which is contrary to reality. We established a cash in hand of GH¢4,970.93 within the period under review.

We identified an amount of GH¢42,240.00 as irregularities without proper documentation, GH¢11,307.34 as revenue collected and not remitted to Assembly, (GCRs not submitted for accountability, and overpayment of commission to commission collectors). These amounts to GH¢53,547.34 as outstanding revenue collected and irregularities in the expenditures committed in the later part of 2021 and early 2022. Within the period, we retrieved from revenue collectors as outstanding revenue amounting to GH¢8,272,19 remaining an amount of GH¢3,035.15.

We urge management to do a follow up to retrieve the remaining amount from Revenue Collectors. We also urge the District Finance Officer to strengthen the control system to avoid the reoccurrence of this act.

We assessed the Assets of the Assembly and the Stores. We acknowledge proper record keeping and the issuance of Stores Receipt Vouchers, procurement made for people with disability were distributed to those persons who applied.

We reviewed the Second,Third and Fourth Quarter reports and have prepared our status of implementation for attachment and consideration.

We urge management to take our recommendations on the findings seriously to ensure value for money and to register effective, efficient and economy in the use of public funds in all levels of the Assembly.

We are grateful to all and sundry for their support and participation during this engagement.

Adam Osman Musah

(Internal Auditor)