

ADA EAST DISTRICT ASSEMBLY

CONTROL SYSTEMS AND CASH MANAGEMENT AUDIT

2022

**SECOND 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 June 2022. **We also reviewed the procurement activities of the Assembly and the MPs Common Fund. We verified the cash flows of the Assembly on non traditional** revenue generation areas as well.

In addition, we reviewed the First Quarter 2022 Report to ascertain whether or not Management has acted on the the report. Management implemented majority of the Recommendations of the Fourth Quarter 2021 and First Quarter 2022 Reports.

1.1 SUMMARY OF FINDINGS.

1.11 FAILURE TO SUBMIT PAYMENT VOUCHERS FOR PRE-AUDITING (MPs COMMON FUND)

We reviewed twenty-one (21) Payment Vouchers in relation to MPs Common Fund amounting to **GHC 627,253.18**.

Six (6) out of the twenty-one (21) Payment Vouchers that we reviewed, were not presented to the Internal Audit Unit for Pre-Auditing, total is **GHC 54,232.23**.

RECOMMENDATION

- ✓ We recommend that, all Payment Vouchers must be submitted to the Internal Audit Unit for Pre-Auditing in accordance with Part Xiii paragraph 4-5 of the Financial Memoranda for MMDAs 2004.

1.12 UNPRESENTED VALUE BOOKS

We reviewed the control systems of the Assembly and observed that majority of the Revenue collectors present their cash books for audit without the corresponding duplicate GCRs/Market tolls/Lorrypark tickets to authenticate actual revenue generated within a specific period.

RECOMMENDATION

- ✓ We recommend that, GCRs/Market tolls/Lorry park tickets in-use/completed should be presented together with the various cash books of each Revenue collectors for audit verification **weekly**.

1.13 PAYMENT OF PENALTY ON DELAYED SSNIT CONTRIBUTION

Our Audit revealed that, the Assembly made part-payment of penalty for unpaid / delayed SSNIT contribution amounting to GHC 5,000.00 (PV#13/03/2022).

Meanwhile, commission for revenue collectors for March 2022 (income tax inclusive) amounted to GHC 6,024.57. The penalty amount could have been used to settle March commission with ease.

RECOMMENDATION

- ✓ We recommend that, the DFO should settle all outstanding SSNIT contributions.
- ✓ Again, we recommend that, henceforth, the DFO should ensure monthly payment of SSNIT contributions are done without delay.

1.14 UNACCOUNTED REVENUE

We noticed that, Five value books comprising of GCRs/Market toll/Lorry park tickets were issued out to revenue collectors and other officers by the District Finance Officer. These GCRs/Market tolls/Lorry park tickets were not returned or could not be found for accountability.

RECOMMENDATION

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

1.15 PAID PAYMENT VOUCHERS NOT STAMPED “PAID”

We noted that, majority of the Payment Vouchers (PVs) from January 2022 are not stamped “PAID”. This action is in ultra vires to the provisions in Paragraph 19 of Part ix of the Financial Memoranda for MMDAs 2004.

RECOMMENDATIONS.

- ✓ We recommend that, the DFO should ensure that all PVs are stamped “Paid” immediately payment is effected on behalf of the Assembly.

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 and proper accountability of government funds for the Second quarter 2022.

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

This report is prepared for onward 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 service 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 procurement activities.

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 30th June 2022 for reporting in the Second 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 2016 (Act 921), Financial Memoranda for MMDAs 2004, The Pensions Act 2008, (Act 766), Auditing standards and best practices.

2.0 DETAILS OF FINDINGS AND RECOMMENDATIONS

2.1 FAILURE TO SUBMIT PAYMENT VOUCHERS FOR PRE-AUDITING (MPs COMMON FUND)

CRITERIA

Part Xiii paragraph 4-5 of the Financial Memoranda for MMDAs 2004 states that,

4 “ For the purpose of the Internal Auditor’s work, there shall be kept a voucher register and he shall record all inflows and outflows payment vouchers”.

5 “ It shall be the duty of the Internal Auditor to verify that, all transactions are proper in all respects including signature authority, arithmetic accuracy, proper accounts coding, budget authority and physical verification of items”.

CONDITION

We reviewed **twenty-one (21)** payment vouchers in relation to MPs Common Fund amounting **GHC 627,253.18**.

Six (6) out of the **twenty-one (21)** payment vouchers that we reviewed, were not presented to the Internal Audit Unit for Pre-Auditing, amount involved is **GHC 54,232.23**.

Details below;

PV #	DATE	CHQ #	DETAILS	AMOUNT GHC
02/11/2021	24/11/2021	028619	Payment of school fees	3,000.00
01/02/2022	14/2/2022	028621 028622 028623	Payment for re-roofing of school block at Korpehem	17,404.00
02/02/2022	15/02/2022	028624	Release of funds in connection with supply of pieces of sanitary pad to all female candidates and mathematical sets to all 2021 BECE candidates in the district.	23,938.23
01/2/2021	31/3/2021	028603	University of Education	1,400.00
8/6/2021	01/6/2021	028604	Being funds released to pay fees.	1,500.00

21/7/2021	02/7/2021	028611	Being payment of school and hostel fees for Amediku Abigail Maadey.	6,990.00
TOTAL				54,232.23

CAUSE

Urgency of expenditure.

EFFECTS

Risk of fraud is high.

RECOMMENDATION

We recommend that, henceforth, all payment vouchers should be submitted to the Internal Audit Unit for Pre-Auditing in accordance with Part Xiii paragraph 4-5 of the Financial Memoranda for MMDAs 2004.

MANAGEMENT RESPONSE

Management agreed with our findings and assured us that they will act in accordance with Part XIII paragraph 4-5 of the Finanacial Memoranda for MMDAs 2004.

2.2 UNPRESENTED VALUE BOOKS.

CRITERIA

Section 83 (8a) of the Public Financial Management Act, 2016 (Act 921), states that; “The Internal Auditor of a covered entity shall in the performance of functions under this Act,

- a. have access to information and property required to be audited”.

CONDITION

Contrary to section 83 (8a) of the PFM Act 2016, (Act 921), Majority of the revenue collectors do not present their GCRs/Market toll/Lorry park tickets for Audit. Some of them wait and submit these values books only after completing them.

In addition, some revenue collectors also present their cash books for audit without the corresponding duplicate GCRs/Market tolls/Lorry park tickets to authenticate the actual revenue generated within a specific period.

CAUSE

This practice is seen to be the normal practice in the Assembly.

EFFECT

- ✓ It denies the Assembly from obtaining funds needed for developmental projects/programs.
- ✓ It denies the Assembly from knowing its true financial position since the figures disclosed in the cash book may or may not be the actual collections for that period.

RECOMMENDATION

- ✓ We recommend that, the DFO and Revenue head should ensure that, GCRs/Market toll/ Lorry park tickets in-use or completed should be presented together with the various cash books of each revenue collector for audit verifications weekly.

MANAGEMENT RESPONSE

Management responded that, the DFO and Revenue head have been directed to ensure that, value books and cash books of various Revenue collectors are submitted weekly to the Audit unit for verification.

2.3 PAYMENT OF PENALTY ON DELAYED SSNIT CONTRIBUTIONS

CRITERIA

Section 63 (1) and 64 (1a) of the Pensions Act 2008, (Act 766) states clearly that;

63 (1) "An employer shall remit thirteen and half per centum out of the total contributions of eighteen and a half per centum on behalf of the worker to the first tier mandatory Social Security Scheme within fourteen (14) days after the end of each month to the Trust".

64 (1) "subject to subsection (2), if the contribution is not paid within the specific period;

- a. A sum equal to three per centum per month of the contribution payable shall be added to the contribution as penalty".

Furthermore, Section 7 (1a) of the PFM states categorically that;

1. "A Principal Spending Officer of a covered entity shall;
 - a. ensure the regularity and proper use of money appropriated in that covered entity".

CONDITION

Contrarily, we noted that, the Assembly made part-payment of penalty for unpaid / delayed SSNIT contribution amounting to GHC 5,000.00 (PV#13/03/2022).

Meanwhile, commission for revenue collectors (income tax inclusive) for the month of March 2022 amounted to GHC 6,024.57. The penalty on delayed / unpaid SSNIT contribution which is GHC 5,000.00 could have been used to settle March 2022 commission.

CAUSE

Negligence.

EFFECT

Funds that could have been used to cater for other projects / programs of the Assembly are rather used to defray avoidable debts, hence overburdening the Assembly's purse.

RECOMMENDATIONS

- ✓ We recommend that, the DFO should settle all unpaid contributions.
- ✓ We recommend that, henceforth, the DFO should ensure monthly payment of SSNIT contributions without delay.

MANAGEMENT RESPONSE

Management alluded to the fact that the delay occurred due to a lack of funds at the time. The DFO has therefore been tasked to hasten the settlement of all unpaid contributions without further delay, and ensure ensure that going forward, payments of SSNIT contributions are done on monthly basis.

2.4 PAID PAYMENT VOUCHERS NOT STAMPED "PAID"

CRITERIA

Part ix paragraph 19 of Financial Memoranda for MMDAs 2004 states that, "Immediately after a **voucher** is paid, the officer who made the payment shall stamp the voucher 'Paid' together with all attached documents, **adding the date**. Where a payment is made by cheque, the cheque number shall be quoted on the **voucher**".

CONDITION

Contrary to Part ix paragraph 19 of **the Financial Memoranda for MMDAs 2004**, we **noted** that most of the Payment Vouchers (PVs) from January 2022 are not stamped "PAID". This action is in ultra vires to the provisions in paragraph 19 Part ix of the Financial Memoranda for MMDAs 2004.

CAUSE

The officers in-charge may not be aware of the afore-mentioned provision.

EFFECT.

This makes it difficult to differentiate paid PVs from Unpaid ones and could lead to duplicate entries in the general ledger.

The Audit Unit is not able to determine which Payment Vouchers are paid and those (PVs) that are not paid.

RECOMMENDATION

- ✓ We recommend that, all PVs are stamped "PAID" immediately payment is effected.

MANAGEMENT RESPONSE

Management has agreed with our findings and assured us that they will act on the recommendation.

2.5 UNACCOUNTED REVENUE**CRITERIA**

Regulation 49 of the Public Financial Management Regulations, 2019 L I 2378, states that, " A public officer who fails to comply with these regulations on collections, accounting and disclosure in respect of non-tax revenue including Internally Generated Funds is in clear breach of section 96 of the Act".

CONDITION

Contrary to regulation 49 of the PFM Regulations 2019, L I 2378, we noted that, the following Officers who signed and collected value books on behalf of the Assembly failed to disclose revenues collected.

Details are in the Table below.

S/NO	NAME	RECEIPT #	ITEM	DATE COLLECTED
1.	Wisdom Atitianti	22446001 – 22447000	Market toll	26/01/22
2.	Francis Ocansey	23985001 – 23986000 23986001 – 23987000	Lorry Park ticket Lorry Park ticket	09/03/22 09/03/22

CAUSE

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

EFFECT

Funds can easily be embezzled.

RECOMMENDATIONS

- ✓ We recommend that the DFO should retrieve value books from the said Officers for **accountability** and brought for Audit **verification**.

MANAGEMENT RESPONSE

Management responded that some of the value books are still in use.

In addition, the DFO retrieved the completed value books for accountability and audit 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.

We identified four (4) tickets amounting to GH¢ 4,000.00 as unaccounted revenue from January 2022.

Again, We noted that, a GCR (#3356701 – 3356800) signed and collected in November 2021 has not been accounted for.

We urge management to do a follow up to retrieve the revenues generated from these value books and the appropriate sanctions meted out to the Officers in possession of these valuable books in accordance with regulation 49 of the PFM Regulations 2019, L I 2378.

Furthermore, we noted that carbon shifting is on the rise among Revenue collectors within the Ada East District Assembly. If this is not curtailed, limited revenue of the Assembly will be syphoned by some few individuals to the detriment of the majority group in the District.

We urge management to take our recommendations on the findings serious to ensure value for money and for effectiveness, efficiency and economy in the use of public funds in all levels of the Assembly.

Finally, we reviewed the First Quarter 2022 reports and have prepared our status of implementation for attachment and consideration.

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

Adam Osman Musah

(Internal Auditor)