

ADA EAST DISTRICT ASSEMBLY

REPORT ON THE MANAGEMENT AND USAGE OF
THE DISTRICT ASSEMBLY COMMON FUND

2022

THIRD QUARTER INTERNAL AUDIT REPORT



Internal audit report for third quarter 2022 Ada East District Assembly

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EXECUTIVE SUMMARY

We reviewed the activities of the Assembly on the applications of systems, Management and usage of the **District Assembly Common Fund for the period 1st January to 30th September 2022.**

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

1.1 SUMMARY OF FINDINGS AND RECOMMENDATIONS.

1.11 ABANDONED/DELAYED PROJECT.

Our review of the contract register and monitoring of projects revealed that a DACF funded project awarded to Nefacom Company Ltd in 2016 and scheduled to be completed in 2017 has been abandoned for 6 years. The delay in completion of the project was due to delay in payment of certificates as well as variations in the bill of quantity and project design. Details on Appendix A, page 8.

RECOMMENDATION

- We recommend to management to engage the services of a professional negotiator to ensure smooth deliberations for a mutual agreement between the parties involved (i.e the Assembly and the Contractor) on the way forward.
- We recommend also to management to prioritize risk assessment of projects to prevent funds locked up and protect the Assembly from litigation.

1.12 CONTRACT REGISTER NOT UPDATED.

We noticed that, the contract register of the Assembly has not been updated. A contract sum of GHC300,000.00 for contract no. GR/AEDA/WKS/DACF/16/12 awarded to BEAYAAGOU ENTERPRISE has been fully paid as at 17/11/2021 but in the contract register it appears that there is an outstanding debt of GHC 15,000.00 as at 30th September, 2022.

Again, a total of GHC798,179.70 has been paid for a contract sum of GHC649,782.87 for contract no. GR/AEDA/WKS/DACF/19/22 awarded to

MESSRS JO2K Co LTD, clearly showing an overpayment of GHC148,396.89.
Source: Contract Register

An interview with the Accountant in-charge of DACF revealed that, the contract sum has been revised but he has not been provided with the full details from the Works Department and that accounted for his inability to update the register.

RECOMMENDATION

- We recommend to management to ensure that all details regarding a contract should be recorded promptly in the contract register.
- We recommend to the DCD/DFO/Works Engineer to present all Payment Vouchers for contracts to the Internal Audit Unit for verification before payment is made.

1.13 UNSUPPORTED PAYMENTS – GHC 24,168.00.

We observed that management of the Assembly made payments totalling GHC24,168.00 in respect of goods and services on four payment vouchers without supporting them with relevant transaction documents such as receipts, invoices and certificates of claim to authenticate the transactions. Details on Appendix B, page 10.

RECOMMENDATION

- We recommend that the DFO should ensure that the necessary supporting documents are retrieved from the officers involved for attachment onto the PVs, failure of which the said amount of GHC 24,168.00 should be recovered from the officers involved.

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 Management and proper accountability of District Assembly Common Funds for third quarter 2022.

The issues raised during the audit was 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 Assembly, the Internal Audit Unit has conducted an audit on Management and usage of the District Assembly Common Fund. The audit was conducted to ensure quality assurance on the activities of the Ada East District Assembly.

1.6 AUDIT OBJECTIVES:

Our audit was guided by section 83 of the Public Financial Management Act, 2016 (Act 921), which requires the Internal Auditor to ascertain whether;

1. Proper books of Accounts were kept;
2. Monies have been expended for the purposes for which they were appropriated, and expenditures made as authorized; and
3. Programmes and activities of the Assembly have been undertaken with due regard to economy, efficiency and effectiveness in relation to the resources utilized and results achieved.

1.7 SCOPE OF AUDIT

The audit covered the period, 1st January 2022 to 30th September 2022 for reporting in the Third quarter 2022. The audit also looked at the financial transactions of the Assembly, verified systems of operations within the period. We reviewed Payment Vouchers and cash books in this engagement.

1.8 METHODOLOGY/APPROACH

We based our conclusions on information obtained from the cash books, contract register and payment vouchers. We interviewed action officers. The audit also ascertained the extent of compliance with applicable laws, regulations and guidelines. These included the Public Financial Management Regulations 2019, (Li 2378), Public Financial Management Act 2016 (Act 921), Financial Memoranda for MMDAs 2004, Local Governance Act, 2016 (Act 936), Public Procurement Act,

2003 (Act 663), Public Procurement (Amendment) Act, 2016 (Act 914), Auditing standards and best practices.

2.0 DETAILS OF FINDINGS AND RECOMMENDATIONS

2.1 ABANDONED/DELAYED PROJECT.

CRITERIA

Section 52 of the Public Financial Management Act, 2016 (Act 921) stipulates that ‘‘A Principal Spending Officer of a covered entity, state owned enterprise or public cooperation shall be responsible for the assets of the institution under the care of the Principal Spending Officer and shall ensure that proper control systems exist for the custody and management of the assets.

CONDITION

We noted that management of the Assembly in 2016 awarded a contract amounting to GHC320,000.00 to Nefacom Company Ltd and scheduled for completion in 2017. Management has so far made a total payment of GHC131,227.20 (with the last payment done on 26th September 2021), balance as at 30th September 2022 is GHC188,772.80.

Our visit to the project site revealed that the project was abandoned by the contractor as a result of non-payment and delay in payment of certificates as well as variations in the bill of quantity and project design.

The project is 48% complete at gabble level and has been abandoned/delayed close to 6 years, meanwhile new contracts have been awarded over the period.

It should however be noted that, a similar project with the same design and requirements awarded the same year to a different contractor at Amlako has been completed and currently in use.

The Assembly has received its portion of the Common Fund during the period but did not allocate funds to complete the project on time.

Our interview with the District Works Engineer and his team revealed that, there have been several attempts by the Assembly to abrogate the contract agreement for a

total review of the entire project but there is no mutual agreement between the Assembly and the Contractor.

Details below; Appendix A

S/ N	Details	Contract Sum GHC	Stage	% Complete	Amount Paid GHC	Balance GHC	Period of delay
1.	Constructio n of 1No. 3- unit classroom block, office and store with ancilliary facilities at Elavanyo.	320,000.00	Gabble level	48	131,227.20	188,772.80	5 years and 9 months

CAUSE

The contractor is not willing to abrogate the contract for repackaging and re-award.

EFFECT

The delay in executing the project could lead to cost overrun to the detriment of other developmental projects of the Assembly.

RECOMMENDATION

- We recommend to management to engage the services of a professional negotiator to ensure smooth deliberations for a mutual agreement between the parties involved (i.e the Assembly and the Contractor) on the way forward.
- We recommend also to management to prioritize risk assessment of projects to prevent funds locked up and protect the Assembly from litigation.

MANAGEMENT RESPONSE

It was agreed at an Entity Tender Committee held on 12th October, 2022 that the District Works Engineer and his team should visit the project site to inspect and value the work done after the third certificate was paid for the necessary actions to be taken.

2.2 CONTRACT REGISTER NOT UPDATED.

CRITERIA

By Part IX paragraph 74 of the Financial Memoranda for MMDAs 2004, a contract register (D.A form 21) shall be maintained by the Assembly and shall be entered promptly as the details become available.

CONDITION

Our Audit revealed that, the contract register of the Assembly has not been updated. A contract sum of GHC300,000.00 for contract no. GR/AEDA/WKS/DACF/16/12 awarded to BEAYAAGOU ENTERPRISE has been fully paid as at 17/11/2021, but in the contract register it shows an outstanding debt of GHC 15,000.00 as at 30th September, 2022.

Again, a total of GHC798,179.70 has been paid for a contract sum of GHC649,782.87 for contract no. GR/AEDA/WKS/DACF/19/22 awarded to MESSRS JOZK Co LTD, showing an overpayment of GHC148,396.89. **Source: Contract Register**

An interview with the Accountant in-charge of DACF revealed that the contract sum has been revised but he has not been provided with the details from the Works Department and that accounted for his inability to update the register.

CAUSE

Non-compliance with applicable laws.

EFFECT

The result is double payment on the same service which the Assembly could have spent on other activities.

RECOMMENDATION

- We recommend to management to ensure that all details regarding a contract should be recorded promptly in the contract register.
- We recommend to the DCD/DFO/Works Engineer to present all Payment Vouchers for contracts to the Internal Audit Unit for verification before payment is made.

MANAGEMENT RESPONSE

Management has directed the District Finance Officer to ensure that the necessary updates are made in the contract register.

2.3 UNSUPPORTED PAYMENTS – GHC 24,168.00.

CRITERIA

Regulation 78 (1) of the Public Financial Management Regulation 2019, (L.I 2378) states that, a Principal Spending Officer of a covered entity is personally responsible for ensuring in respect of each payment of that covered entity the validity, accuracy and legality of the claim for the payment and the evidence of service received, certificate of work done and any other supporting document exist.

CONDITION

Management of the Assembly made payments totalling GHC 24,168.00 in respect of goods and services on four payment vouchers without supporting them with relevant transaction documents such as receipts, invoices and certificates of claim to authenticate the transactions.

Details below; Appendix B.

S/N	DETAILS	PV #	PAYEE	AMOUNT GHC	QUERY
1.	Being expenses incurred for organizing in-service training for management.	11/01/2022	DCD	5,000.00	No receipt. No acknowledgment certificate. No honour certificate.
2.	Being release of funds for the	15/01/2022	DCD	5,000.00	No receipts.

	preparation of District Spatial Development framework.				No certificate.
3.	Being payment for the supply of Desktop computer.	16/01/2022	Extra Jay Finest Ent.	4,368.00	No quotations attached
4.	Being funds released for the organization of community sensitization on climate change issues at Azizanya, Kewunor and Ocanseykope.	20/01/2022	DCD	9,800.00	No receipts. No honour certificate
	TOTAL			24,168.00	

CAUSE

Supervision and monitoring by the District Finance officer to ensure that relevant documents were obtained before payments were made not adequate.

EFFECTS

The authenticity of the expenditure could not be certified due to the absence of relevant supporting documents.

Such irregular payment procedure constitute a high risk of making inappropriate payment which could result in loss of public funds.

RECOMMENDATION

- We recommend that the DFO should ensure that the necessary supporting documents are retrieved from the officers involved for attachment onto the PVs, failure of which the said amount of GHC24,168.00 should be recovered from the officers involved.

MANAGEMENT RESPONSE

The District Finance Officer will retrieve the supporting documents from the Officers involved and brought to the Internal Audit Unit for 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 Public Financial Management Act, 2016 (Act 921) were evaluated. In our opinion, the system operated upon within the period was generally satisfactory.

Management should take our recommendations on the findings serious for effectiveness, efficiency and economy in the use of public funds at all levels of the Assembly and also to avoid external queries.

The status of implementation for second quarter 2022 has been attached for your information.

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

Samuel Tsitsia

(Ag. Internal Auditor)