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AUDIT SERVICE GHANA
Good Governance and Accountability

P. O. Box 191
Odumase-Krobo
6 April 2020

THE DISTRICT CHIEF EXECUTIVE
UPPER MANYA KROBO DISTRICT ASSEMBLY
ASESEWA

MANAGEMENT LETTER ON THE AUDIT OF THE ACCOUNTS OF UPPER MANYA KROBO DISTRICT ASSEMBLY'S INTERNALLY GENERATED FUND (IGF) ACCOUNT FOR THE PERIOD 1 JANUARY 2019 TO 31 DECEMBER 2019

Introduction

We have audited the accounts and other related records of Upper Manya Krobo District Assembly's, Internally Generated Fund (IGF), Asesewa for the period 1 January 2019 to 31 December 2019 in accordance with our statutory mandate under Article 187(2) of the 1992 Constitution and Section 11 (1) of the Audit Services Act, 2000 (Act 584).

2. We wish to bring to your attention the following observations and recommendations made during the audit. We have discussed these matters with the key personnel concerned whose comments and responses, where appropriate, have been taken into consideration while preparing this management letter.

3. We shall be grateful to receive your responses within 30 days after receipt of this management letter as stipulated in Section 29 of the Audit Service Act, 2000 (Act 584) failing which your emoluments and allowances shall be withheld.

Key Personnel

4. The following officials were in charge of the administrative and financial management of the Assembly during the period under review:

S/N	Name	Position	Staff ID	Period
1.	Hon. Felix Nartey Odjar	DCE	163751	01/01/19-31/12/19
2.	Aaron Otoo	DCD	602230	01/01/19-31/08/19
3.	Majeed Ayariga	DCD	68772	01/09/19-31/12/19
4.	Victoria Ashong	DFO	28395	01/01/19-31/12/19
5.	Cosmas Komla Sagodo	DPO	912124	01/01/19 - 31/12/19

6.	Joycelyn Owusu	DBO	1101130	01/01/19-31/12/19
7.	Yankey Andrew	DWE	632022	01/01/19-01/04/19
8.	Samuel Okantey	DWE	72583	01/04/19-31/12/19
9.	Emmanuel Asante	Internal Auditor	667139	01/01/19 - 31/12/19
10.	Innocentia	Procurement Officer	937273	01/01/19-01/11/19
11.	Gabriel Nyadi	Procurement Officer	60417	01/11/19-31/12/19

Scope of Audit

5. Our audit covered a review of internal control systems, budgetary controls and fund accountability, cash management, procurement, expendable and non-expendable properties, transport and payroll. We also followed up on recommendations made in our previous audit management letter.

Audit Objectives

6. The objectives of the audit were to determine whether:

a. The assembly operated in line with approve estimates;

b. All Revenue collectable by the Upper Manya Krobo District Assembly were fully collected and promptly accounted for;

c. Expenditures were authorized and approved by the authorities concerned;

d. Rules, regulations and policies relating to revenue collections and utilization of funds for procurement of goods, services and works were complied with;

e. Expendable and non-expendable stores were fully accounted for and utilized in the interest of the Assembly;

f. Regulation, Policies, Acts and other Directives from Ministry of Finance and Economic Planning and the Ministry of Local Government and Rural Development were complied with;

g. The financial statements fairly represents the Assembly's activities for the year ended 31 December 2019.

Internal controls

7. The controls over cash management, revenue mobilisation and procurement though satisfactory, much effort is required to improve the existing system. These have resulted in breach of rules, regulations and procedures, which have been highlighted in the subsequent paragraph in this management letter.

8. Summary of significant findings and recommendations

Revenue performance

i. The Assembly generated a total revenue of GH¢581,855.71 as against an approved budget of GH¢634,000.00 in respective of Rates, Land and concessions, Licenses, Fees, Fines and Rent and others resulting in an adverse variance of GH¢52,144.29 representing 8.22% of the Assembly revenue targets for the period under review.

Expenditure

i. The total expenditure incurred for the same period amounted to GH¢631,638.06 as against the approved budget of GH¢634,000.00 for IGF and other related fund resulting in a favourable variance of GH¢2,361.94 representing 0.37% of the Assembly expenditure targets for the period under review.

Operational Result

ii. The Assembly received a total income of GH¢581,856.71 and incurred expenditure of GH¢631,638.06 resulting in a deficit of GH¢49,781.35.

iii. The Assembly made seven payments amounting to GH¢13,368.79 for various activities without committing the transactions through the Ghana Integrated Financial Management Information System (GIFMIS). We recommended to the District Coordinating Director (DCD) and the District Finance Officer (DFO) to ensure that all expenditures are made through the GIFMIS platforms to promote better financial management in the Assembly.

iv. Six payments amounting to GH¢23,075.47 made by the District Finance Officer were not supported with necessary documents to validate the transaction. We recommended a recovery of the total sum of GH¢23,075.47 from the District Coordinating Director (DCD) and District Finance Officer (DFO).

v. We noted that, the District Finance Officer released a total amount of GH¢11,841.00 on four payment vouchers for various expenditure transactions. However, out of the total amount of GH¢11,841.00 released only an amount of GH¢6,401.00 was accounted for in respect of supporting documents leaving outstanding balance of GH¢5,440.00 not accounted for. We recommended that the District Coordinating Director (DCD) and District Finance Office (DFO) should account for the total amount of GH¢5,440.00.

vi. Five fire extinguishers placed at vantage points of the Assembly have expired since October 2019. We advised management to ensure that fire-fighting equipment are serviced and maintained without delay to safeguard life and property.

vii. Management members of the Assembly who qualify as specified Civil Public Office holders to declare their assets and liabilities in accordance with Article 286 (1) of the 1992 Constitution and Public Office Holders (Declaration of Assets and Disqualification) Act, 1998 (Act 550) failed to comply with the law. Civil and Public Office holders failing to conform to the Constitution to provide for the qualification from holding specified public offices as a result of adverse finding made or criminal conviction against individual and to provide for related purposes will have themselves to be blamed.

Limitation of Responsibilities

9. We reviewed the systems and management controls operated by the Assembly only to the extent we considered necessary for the effective performance of the audit. As a result the review may not have revealed all weaknesses that exist or all improvement that could be made.

10. We have prepared this report solely for your use and use within your organization. Its content should not be disclosed to any third party without our consent. We would not accept any responsibility for reliance the third party might place upon it.

Details of significant findings and recommendations

Budgetary Control

Revenue Performance

11. The Assembly generated a total revenue of GH¢581,855.71 as against a budgeted figure of GH¢634,000.00 in respect of Rates, Land and Concession, Fees, Fines, Licences and Rent resulting in an adverse variance of GH¢52,144.29 represents 8.22% of the Assembly revenue targets for the period under review. Below are the details:

S/N	Item	Budgeted for 2019 GH¢	Actual for 2019 GH¢	Variance GH¢	Percentage (%)
1	Property Rates	36,000.00	37,566.90	1,566.90	4.35
2	Lands & Concession	23,800.00	52,956.32	29,156.32	122.51
3	Fees	409,598.00	355,401.78	(54,196.22)	(13.23)
4	Fines	37,500.00	18,460.94	(19,039.06)	(50.77)
5	Licences	102,082.00	100,551.77	(1,530.23)	(1.5)
6	Rent	25,020.00	16,918.00	(8,102.00)	(32.38)
	Total	**634,000.00**	**581,855.71**	**(52,144.29)**	**(8.22)**

Expenditure Control

12. The total expenditure incurred for the same period amounted to GH¢631,638.06 as against the approved estimates of GH¢643,000.00 resulting in a favourable variance of GH¢2,361.94. The Assembly operated within its approved estimates for the period under review. Below are the details:

S/N	Item	Budgeted for	Actual for	Variance	Percentage
		2019 GH¢	2019 GH¢	GH¢	%
1	Compensation of Employees	109,510.18	127,752.27	(18,242.09)	(16.66)
2	Goods & Services	381,207.82	358,842.38	22,365.44	(5.87)
4	General & Other Expenditure	28,000.00	38,531.00	(10,531.00)	(37.61)
5	Building & other Structures	115,282.00	106,512.41	8,769.59	7.61
	Total	**634,000.00**	**631,638.06**	**2,361.94**	**0.37%**

Operational results

13. As a result, the Assembly received a total income of GH¢581,856.71 and incurred expenditure of GH¢631,638.06 in respect of the Internally Generated Fund and other related funds resulting in a deficit of GH¢49,781.35 as shown in the table below:

Item	Amount GH¢
Revenue	581,856.71
Expenditure	631,638.06
Deficit	**(49,781.35)**

System of Accounting

Commitment of expenditure without the use of Ghana Integrated Financial Management System – GH¢13,368.79

14. Section 25 of the Public Financial Management Act 2016 (Act 921) requires Principal Spending Officers to enter any contract or arrangements that purports to commit Government to make payments into the Ghana Integrated Financial Management Information System (GIFMIS).

15. On the contrary, we noted that, the Assembly spent a total amount of GH¢13,368.79 on seven payment vouchers for various activities without committing the transactions through the GIFMIS platform. Details are below:

SN	Date	PV No.	Details	Payee	Amount GH¢
1.	29/8/19	3/9/2019	Salary for Assembly casual workers	DCD	3,526.14
2.	19/9/19	32/9/19	Commission paid to Jeak Co. Ltd.	Jeak Co. Ltd.	1,224.00
3.	1/11/2019	3/11/2019	Salary for Assembly casual workers	DCD	2,993.00
4.	25/11/19	38/11/19	Fuel Purchased	George Agbedam	1,670.00
5.	19/11/19	24/11/19	Fuel Purchased	DCD	1,556.00
6.	21/10/19	38/10/19	Commission paid to revenue collectors	DCD	1,399.65
7.	10/12/2019	9/12/2019	Fnds for GIFMIS Training to Assembly Staff	DCD	1,000.00
Total					**13,368.79**

16. Management explained that this was due to unstable internet service in the use of the GIFMIS.

17. The risk of conducting financial transaction outside the GIFMIS could lead to Assembly spending beyond its budgetary allocation.

18. We recommended to the District Coordinating Director and District Finance Officer to ensure that all expenditures are made through the GIFMIS Platform to promote better financial management in the Assembly.

19. Management responsed that, it was due to problem developed during that period and had to fall on the secretariate for repairs.

Cash management

Unsupported payments - GH¢23,075.47

20. Regulation 78(1) of Public Financial Management Regulations, 2019 (L.I. 2378) states "A Principal Spending Officer of a covered entity is personally responsible for ensuring in respect of each payment of that covered entity, that evidence of services received, certificates of work done and any other supporting documents exists".

21. Our review of payment vouchers disclosed that, the District Co-ordinating Director and the Finance Officer paid a total amount of GH¢23,075.47 on 10 payment payments vouchers but failed to support the payments without the necessary documents such as receipts, invoices, statements of claims to authenticate the transactions. Details are provided below:

SN	Date	PV No.	Description	Payee	Amount (GH¢)	Remarks
1	20/2/19	31/4/19	Final payment for car stickers, embossment	Stella Azu Danso	2,450.00	No Receipt
2	11/7/19	19/7/19	Maintenance of Plant	J-Nat Const.	1,383.47	Provide receipt
3	14/8/19	36/7/19	Training programme for hairdressers and beauticians	DCD	1,750.00	No supporting documents
4	31/7/19	50/7/19	Disability Durbar	Alfred Boafo	3,754.00	No report
5	7/8/19	9/8/19	Disability Activities	Alfred Boafo	2,455.00	No supporting documents
6	27/11/19	8/10/19	Maintenance of official vehicle No. GT 86-15	Christ the King workshop	2,369.00	No Receipt/ No works order
7	22/10/19	19/10/19	Asesewa SHS SRC Week Celebration	Asesewa SHS	1,500.00	No Receipt
8	30/12/19	20/10/19	Fuel Purhased	Star Oil Co. Ltd.	3,142.00	No Receipt
9	5/12/19	42/11/19	Payment for tonners	Joyhub Ent.	3,048.00	No Receipt
10	19/9/19	32/9/19	Commission paid to Jeak Co. Ltd	Jeak Co. Ltd	1,224.00	No Receipt
Total					**23,075.47**	

22. The anomaly was attributed to poor documentations and weak internal controls at the Assembly.

23. The practice undermined transparency and accountability which did not provide reasonable assurance that the payees actually received the monies paid.

24. We recommended a recovery of the total sum of GH¢23,075.47 from the former and current District Co-ordinating Directors Messrs: Aaron Otoo and Majeed Ayariga and the District Finance Officer Mad. Victoria Ashong.

25. Management said all payments are now supported with receipt for our verification. However, management failed to provide any evidence to that effect. We still recommended a recovery of the amount of GH¢23,075.47 from Messrs: Aaron Otoo, Majeed Ayariga and Madam Victoria Ashong respectively.

Payments not fully accounted for – GH¢5,440.00

26. Regulation 78(1) of the Public Financial Management Regulations, 2019 (L.I. 2378) states "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; that evidence of services received, certificates for work done and any other supporting documents exists".

27. On the contrary, our review of payment vouchers revealed that a total amount of GH¢11,841.00 was paid on four payment vouchers for various expenditure transactions by the District Finance Officer however, out of the total amount of GH¢11,841.00 released, only GH¢6,401.00 was accounted for leaving an outstanding balance of GH¢5,440.00 unaccounted. Details are provided below:

SN	Date	PV No.	Description	Payee	Amount on PV GH¢	Amount Accounted For GH¢	Diff. GH¢	
1	28/2/19	25/2/19	Supplementary budget for farmers day	DCD	3,211.00	1,761.00	1,450.00	DDA.
2	28/2/19	2/3/19	Stakeholders meeting on 1D1F	DCD	1,980.00	640.00	1,340.00	DFD
3	22/10/19	27/9/19	DCE meeting with youth group	DCD	3,000.00	1,500.00	1,500.00	DCE
4	22/10/19	29/9/19	Payment for 2020 Budget hearing	DCD	3,650.00	2,500.00	1,150.00	DBA.
Total					**11,841.00**	**6,401.00**	**5,440.00**	

28. Weak internal controls in the Assembly's payment system accounted for the lapse. We could therefore not authenticate the genuineness of the expenditures, which portrayed a potential risk of loss of funds to the Assembly.

29. We therefore recommended that the difference of GH¢5,440.00 should be duly accounted for by the former and current District Coordinating Directors Messrs.: Aaron Otoo and Majeed Ayariga and the District Finance Officer Mad. Victoria Ashong.

30. Management said the payment vouchers are now fully accounted for our verification. However, our followed up verification proved otherwise. We however, recommended that the total sum of GH¢5,4420.00 should be surcharged on Messrs.: Aaron Otoo, Majeed Ayariga and Mad. Victoria Ashong.

Assets management

Expired fire extinguishers -5

31. Chapter 13 Section 1305 of the Stores Regulations 1984 states that "It is the duty of all officers in charge of stores generally to ensure that adequate fire fighting equipment is provided and that such equipment shall have attached to it a card indicating the date of last test".

32. We observed during our audit that five fire extinguishers placed at vantage points of the Assembly had expired since October 2019.

33. The lapse occurred because management did not service the fire extinguishers on the date it should be serviced.

34. There could be loss of lives and properties in the event of any fire outbreak at the Assembly.

35. We advised management to ensure that the fire-fighting equipment are serviced and maintained without delay to safeguard life and property.

36. Management said they have given the extinguishers to Ghana Fire Service officers for refiling.

Declaration of Assets

Failure to declare Assets and Liabilities

37. Article 286(1) of the 1992 Constitution and Public Office Holders (Declaration of Assets and Disqualification) Act, 1998 (Act 550) requires that a person who holds a public office shall declare all properties or assets owned by or liabilities owed by him whether directly or indirectly before taking office at the end of every four years and at the end of his term of office shall submit to the Auditor-General a written declaration of all assets and liabilities owned or owed.

38. Our audit revealed that, management members of the Assembly who qualify as specified Civil and Public Office holders to declare their assets and liabilities in accordance with the 1992 Constitution and Act, 1998 (Act 550) failed to comply with the law. Below are the details:

SN	Name	Position
1.	Hon Felix Nartey Odjar	DCE
2.	Majeed Ayarega	DCD
3.	Victoria Ashong	DFO
4.	Cosmas Komla Sagodo	DPO
5.	Joycelyn Owusu	DBO
6.	Samuel Okantey	DWE
7.	Emmanuel Asante	Internal Auditor
8.	Gabriel Nyadi	Procurement Officer
9.	Eric Tettey	Presiding Member

39. Management staff explained that they were aware of the requirement to declare their assets and liabilities but were yet to declare them to the Auditor-General.

40. Under the circumstance, it will be difficult to differentiate between legitimate and illegitimate properties held when the need arises.

41. The action of affected management should be referred to the Commissioner of Human Rights and Administrative Justice for investigation by the Auditor-General.

Follow up on previous management letter

43. Action taken on the recommendations made in our previous management letter referenced number EOK/UMK/DA/MA/IGF/60 of 6/5/19 by management are provided below:

Audit findings	Para	Audit recommendation	Mgt. Response	Action taken by mgt.	Audit evidence	Team leader's remarks
Failure to nominate a Trustee for Occupational Pension Scheme - GH₵2,662.21 Management failed to remit the mandatory contribution of five per centum to an approved trustee of Occupational Pension Scheme on behalf of casual workers.	1.0 - 1.6	We recommended the appointment of a trustee for occupational pension scheme and remit the contributions to the trustee as a matter of urgency.	Management stated that they will comply with the recommendation.	Management is in the process of nominating a trustee for the Occupational Pension Scheme	Letters to a Trustee seen and verified	
Items Not Accounted for in the Store Records - GH¢4,036.00 We noted that items purchased amounting to **GH¢4,036.00** were not recorded in the stores records. As a result, we could not determine whether the items were actually received and used for authorised activities.	2.0 - 2.6	We requested the officers involved to provide evidence of receipt and utilization of the items in the store ledgers or be surcharged with the amount.	Management indicated that the items will be recorded in the stores ledgers for verification.	The items have been taken on ledger charge	Store Receipt Advice's and entry in store ledgers seen and verified	

Unsubstantiated Payments – GH¢6,060.00 We noted that four (4) PV's totalling GH¢6,060.00 purported to be the total cost of various activities embarked upon by management were without receipts, minutes or reports to substantiate the payments. There was no evidence to show that the activities were actually performed.	3.0 - 3.6	We recommended that management substantiate the payments or refund the total sum of GH¢6,060.00 to chest.	Management indicated that the relevant acquittal documents will be provided for verification.	Management has provided the relevant documentations	Copies of relevant documents seen and verified	
Failure to Pre-audit Payment Vouchers by Internal Auditor - GH¢30,488.12 We noted however, that twenty (20) payment vouchers totalling **GH¢30,488.12** were not pre-audited by the internal auditor before payments were effected.	4.0 - 4.6	We urged management to ensure that payment vouchers are pre audited by the Internal Auditor to avoid any payment irregularity.	Management noted the recommendation for compliance.	The Internal Auditor have post audited the PV's	Payment Vouchers seen and verified.	
Unpresented Payment Vouchers – GH¢23,514.35 We noted that fifteen (15) payment vouchers totalling GH¢23,514.35 were not presented for audit.	5.0 - 5.6	We urged management to make the payment vouchers available for our examination to ascertain and confirm the validity of the payments.	Management responded that the payment vouchers will be made available for our verification.	Management has provided the payment vouchers for audit review	Payment vouchers seen and verified	
Failure to Insure Official Vehicles We noted that four (4) vehicles belonging to the District Assembly have not been insured.	6.0 - 6.6	We recommended that management insure the vehicles without further delay to safeguard them and also protect occupants in times of accidents	Management noted our recommendation for compliance.	Management is yet to insure the vehicles		We requested the District Coordinating Director to ensure that the four vehicles are insured without further delay else, sanctioned would be applied.

Acknowledgment

44. The audit team is grateful to management and staff of the Assembly for their co-operation and assistance during the audit.

(COUNT ANUKWARE AKPELOO)
DISTRICT AUDITOR
ODUMASE-KROBO

Cc: The Auditor-General
Audit Service
Accra

The Deputy Auditor-General (DAD)
Audit Service
Accra

The Regional Auditor
Audit Service
Koforidua

The Regional Co-ordinating Director
Regional Co-ordinating Council
Koforidua

The District Co-ordinating Director
Upper Manya Krobo District Assembly
Asesewa

The Presiding Member
C/o Upper Manya Krobo District Assembly
Asesewa

The District Finance Officer
Upper Manya Krobo District Assembly
Asesewa