

AUDIT SERVICE

In case of reply, the number and the date of this letter should be quoted.

My Ref: AS/OT/DAM/A/G/1/No/1/2022

Your Ref:



P. O. Box DG 74,

Dambai.

3rd February, 2022

THE DISTRICT COMMISSIONER
KRACHI EAST MUNICIPAL ASSEMBLY
DAMBAI

MANAGEMENT LETTER ON THE AUDIT OF THE KRACHI EAST MUNICIPAL ASSEMBLY'S INTERNALLY GENERATED FUNDS (IGFs) ACCOUNT FOR THE PERIOD JANUARY 1, 2022, TO DECEMBER 31, 2022.

Introduction

We have audited the IGF accounts and other related records of the Krachi East Municipal Assembly for the period January 1, 2022, to December 31, 2022, in accordance with the statutory mandate of the Auditor-General under Article 187(2) of the 1992 Constitution and Section 11(1) of the Audit Service Act 2000 (Act 584).

2. We shall be grateful for your response within 30 days upon receipt of this management letter as required by Section 11(1) of the Audit Service Act, 2000 (Act 584).
3. You are reminded that the Auditor-General has the right to evoke sanctions on you and others without further notice in line with the provisions of Section 29 (2) of the Audit Service Act, (Act 584), if you fail to act and respond to this letter within the required period.

Key Personnel

4. The following officials handled the administrative and financial duties of the Assembly during the period under review.

Name of Officer	Position	Staff ID	Period
Hon Francis kofi Okesu	MCE	N/A	1/1/2022 - 2/9/2022
Hon Joshua Makabu	Ag. Mce	N/A	5/9/2022 - 31/12/2022
Issahaku Yakubu	MCD	684074	1/1/2022 - 31/12/2022
Richard Yawson		846865	1/1/2022 - 31/12/2022
Adjei Ernest Quaye	Works Engineer	62580	1/1/2022 - 31/12/2022
Felix Ackah	Works Engineer	60874	1/9/2022 - 31/12/2022
Abass Ibrahim	MPO	914233	1/1/2022 - 28/2/2022

Adakwa Yiadom Ernest	MPO	916053	1/3/2022 – 31/12/2022
Edmund Agycman Akoboah	Procurement officer	1343810	1/1/2022 – 31/12/2022
Ernest Agbokli	MEHO	117497	1/1/2022 – 31/12/2022
Delanyo Datsomor	IA	881698	1/1/2022 – 31/12/2022
Atchu Francis	BO	911542	1/1/2022 – 31/12/2022

Audit Objectives

5. Our audit objectives are to determine whether or not;
- i) The accounts and the related records of the Assembly have been properly kept
 - ii) All public monies received have been fully accounted for in accordance with applicable rules, regulation and directions instituted by management are sufficient to ensure an effective check on the assessment, collection and proper allocation of the revenue and other resources of the Assembly
 - iii) Monies have been expended for the purposes for which they were appropriated, and the expenditures have been made as authorized;
 - iv) Essential records are maintained, and the rules and procedures applied are sufficient to safeguard and control public property.
 - v) Programmes and activities have been undertaken with due regard to economy, efficiency, and effectiveness in relation to the resources utilized and results achieved.

Scope of Audit

6. Our audit coverage included a review of cash management with regard to economy, efficiency and effectiveness. The audit also reviewed budgetary control, financial reporting and the internal controls in place regarding procurement, stores management, personnel records and Assets management.

Audit methodology and strategy

7. We used risk-based audit approaches for the conduct of the audit. This among others included interviews of officials of the Assembly to understand and document the system, examination of transactions, review of procurement procedures and review of contract records.

We issued observations to management for their responses, which we have incorporated in this Management letter.

8. We derived our audit evidence using criterion and standards from sources including the Public Procurement Act, 2003 (Act 663), as amended, the Public Financial Management Act, 2016 (Act 921), the Public Financial Management Regulation 2019 (L.I 2378), the Financial Memoranda of Assemblies, the Local Governance Act 2016 (Act 636) and Ministerial directives among other statutes.

9. We assessed and drew an overall conclusion on the effectiveness of the control environment, designed and performed substantive tests to cover a sufficient sample of expenditure transaction in each spending unit to enable us verify at 95% confidence level and 0.5% materiality level.

Limitation of our responsibility

10. We reviewed the accounts and related records and the system of control operated by management of the Assembly, only to the extent we considered necessary for the effective performance of our audit.

11. As a result, our review may not have detected all the weaknesses that exist or all improvements that could be made. We have prepared this management letter solely for your use and for use within your institution.

12. Its content should not be disclosed to any third party without our consent. We would not accept any responsibility for any reliance a third party might place upon it.

Conclusion

13. Management of the Assembly maintained some sense of financial discipline despite the anomalies mentioned in this management letter. It is our hope therefore that management of the Assembly would improve upon its operations, particularly with regards to revenue mobilization/collection, expenditure authorization, proper project management and safeguarding of assets as well as compliance to laws, rules, and regulations.

14. Management is therefore admonished to take note of the weaknesses identified and endeavour to implement and enforce the audit recommendations made.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

15. Contrary to Section 52 of the Public Financial Management Act, 2016 (Act 921), we noted during our audit that management of Krachi East Municipal Assembly alleged to have procured stationery items valued at GHC4,846.64 but could not account for the store items.

We asked management to properly account for the items, failure which the expense would be disallowed, and the cost involved jointly recovered from the authorisers of the transaction (the MCE, MCD and MFO) and same paid into the Auditor-General's Recoveries account with the Bank of Ghana, Account number 1018331470015.

16. In violation of Section 7 (1a) of the Public Financial Management Act, 2016, Act 291, we noted that management of Krachi East Municipal Assembly made payments totaling GHC7,560.00 but accounted for only GHC2,530.00 leaving an amount of GHC5,030.00 (representing 66.53%) unaccounted for.

We advised management to fully account for the outstanding balance of GHC5,030.00, failing which, the outstanding amount should be recovered jointly from the MCE, MCD and MFO and same paid into the Auditor-General's Recoveries account with the Bank of Ghana, Account number 1018331470015

17. Management in contrast with Regulation 78 of the PFMR 2019 (L.I. 2378) failed to support 5 payments made in respect of procurements of assorted items and services totaling GHC5,700.00 with the relevant expenditure authenticating documents.

We recommended that management provide the relevant supporting documents to authenticate the payments failing which the expenditure would be disallowed and the amount recovered jointly from the MCE, the MCD and the MFO and same paid into the Auditor-General's Recoveries account with the Bank of Ghana, Account number 1018331470015

18. Our audit disclosed that management paid GHC4,242.00 in respect of meetings organised in house and others attended. Management however failed to properly substantiate the payments with the relevant minutes, correspondence, signed attendance sheets and other relevant documentation.

We urged management to provide the requisite correspondence and documents to authenticate the expenditures failing which the Municipal Coordinating Director and the Municipal Finance Officer should jointly recover the total amount of GHC4,242.00 and pay same into the AG's Recoveries Account with the Bank of Ghana. Account # 1018331470015

19. In violation of Section 3(3) of the National Pensions Act, 2008, (Act 766), (as amended), we noted that management of Krachi East Municipal Assembly deducted a total amount of GHC3,349.12 as contributions to Occupational Pension Scheme (Tier 2) from the salaries of its IGF staff but failed to remit same to the second tier-fund manager.

We recommended to management to take steps to pay all mandatory contributions to the appropriate agencies to assure workers of an appreciable retirement package and benefit from their contributions.

DETAILS OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Unaccounted store items - GH¢4,846.64

20. Section 52 of the Public Financial Management Act, 2016 (Act 921), stipulates that a Principal Spending Officer shall maintain adequate records of government stores and is discharged of accountability of government stores where the stores have been.
- (a) consumed in the course of public business and records are available to show that the stores have been consumed.
 - (b) worn out in the normal course of public business and deletion from the accounts has been approved by the Minister and they have been disposed of in accordance with the directives of the Minister; or
 - (c) lost, stolen, destroyed, damaged, or rendered unserviceable other than by fair wear and tear and deletion from the accounts has been approved by Parliament.
21. We noted during our audit that management of Krachi East Municipal Assembly on 30th December 2022 vide P.V Number 2/11/22 and cheque details 003629/30/31 procured stationery items valued at GH¢4,846.64 but could not account for these store items.
22. No store records could be obtained on the transactions, our efforts to ascertain the authenticity of the procurement could not materialized for the complete absence of records to that effect.
23. Management's initial reaction was that the non-recording of the procurement transaction was an oversight, yet management could not produce any record or document in relation to the transaction.
24. We asked management to retrieve and forward for our audit review all documents pertaining to the procurement, failing this, management, for that matter the MCE, MCD and MFO should be jointly held liable to refund the amount of GH¢4,846.64 and same paid into the Auditor-General's Recoveries Account with the Bank of Ghana, Account # 1018331470015
25. Management noted our recommendation for compliance.

Partially acquitted payments - GHC 5,030.00

26 Section 7 (1.a) of the Public Financial Management Act, 2016, Act ⁹²¹ 291, spells out the duties of a Principal Spending Officer of a covered entity to include, "a Principal Spending Officer of a covered entity shall ensure the regularity and proper use of money appropriated in that covered entity."

27. Notwithstanding the above provision, we noted that management of Krachi East Municipal Assembly made payments totaling GHC7,560.00 but accounted for only GHC2,530.00 leaving GHC5,030.00 (representing 66.53%) unaccounted for. Details are provided in the table below.

S/N	PV No.	Date	Payee	Details	Total Exp.	Exp. Accounted For	Exp. Not Accounted For
1	4/1/2022	31/12/21	MCD	Servicing of official vehicle	920.00	420.00	500.00
2	7/1/2022	17/02/22	MCD	MCEs engagement with the media	4,060.00	860.00	3,200.00
3	21/2/22	10/3/2022	Vodafone Ghana Ltd	Credit cards for GIFMIS use	520.00	250.00	270.00
4	9/12/2022	23/12/22	MCD	Funds for transport and out of station	2,060.00	1,000.00	1,060.00
Total					7,560.00	2,530.00	5,030.00

28. Failure on the part of the MFO to effectively supervise the payments to ensure that the transactions were properly authenticated and fully acquitted led to the infraction which has the tendency of creating a lee way for unscrupulous officials to cash on to misappropriate scarce funds of the assembly.

29. We asked management to acquit the payments fully and appropriately. Anything short of this, the amount of GHC5,030.00 should be jointly recovered from the authorizers of the payment and same paid into the Auditor-General's Recoveries Account with the Bank of Ghana, Account # 1018331470015

30. Management indicated that the documents have since been retrieved and would be made available for our verification. They however, could not produce the said documents for our audit.

31. We reiterated our recommendation on the matter as stated in paragraph 30 above.

Unsupported Payments - GHC5,700.00

32. Regulation 78 of the Public Financial Management Regulation (PFMR), 2019, (L.I. 2378) stipulates among others that a Principal Spending Officer of a covered entity is personally liable in respect of cash payment of that covered entity, for the validity, accuracy and legality of the claim for the payment and that evidence of services received, certificates for work done and any other supporting document exists.

33. Our audit disclosed contrary to the above regulation that management paid for goods and services totaling GHC 5,700.00 but failed to support the payments with the relevant expenditure supporting documents such as invoices, official receipts, monitoring report, and signed application letter(s) to authenticate the transactions. Details are provided in the table below:

S/N	PV No.	PV Date	Payee	Purpose	Amount (GHC)	Remarks
1	12/1/22	17/02/22	MCD	Part payment for official trip to GIFMIS office	1,060.00	Application letter for set up not signed by District Director
2	14/05/22	30/05/22	MCD	Printing cost	2,490.00	No official receipt attached. Details of work printed not provided
3	16/05/22	15/04/22	MCD	Cost of monitoring activities	1,000.00	No monitoring report attached.
4	5/7/2022	25/08/22	MCD	Installation of electronic voltage protector	650.00	No official receipt attached
5	14/8/22	7/11/2022	Ghana Education Service	Contribution to GES towards USAID Leadership program	500.00	No GoG official receipt attached
Total					5,700.00	

34. The finance officer's failure to ensure that all relevant payment documents were provided before payments were made resulted in the anomaly. As a result, we could not ascertain if the expenditures were incurred in the interest of the Assembly or otherwise. The risk of the Assembly losing its scarce funds through such practice cannot be ruled out.

35. We recommended that management provide the relevant supporting documents to authenticate the payments failing which the amount of GH¢5,700.00 should be jointly refunded by the authorizers of the transactions (the MCE, the MCD and the MFO) and same paid into the Auditor-General's Recoveries Account with the Bank of Ghana, Account # 1018331470015

36. Management noted our recommendation for compliance.

Unsubstantiated Payments - GH¢4,242.00

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

38. We noted that management of Krachi East Municipal Assembly made payments totalling GH¢4,242.00 in respect of meetings organised and attended but failed to properly substantiate the payments with the relevant minutes, correspondence, signed attendance sheets and other relevant documentation. Details are provided below;

S/N	PV No.	PV Date	Payee	Purpose	Amount (GH¢)
1	6/3/22	25/03/22	MCD	MUSEC meeting expenses	1,195.00
2	16/03/22	25/03/22	MCD	Funds to organize sub-committee meetings	1,852.00
3	12/04/22	20/04/22	MCD	MUSEC meeting expenses	1,195.00
Total					4,242.00

39. In the absence of the relevant correspondence such as letters of invitation, minutes and activity reports, the audit team was unable to ascertain the basis for incurring such expenditures.

40. The practice undermines transparency and accountability. It also did not provide any reasonable assurance that the alleged meetings were organized for such expenses to be incurred and paid for.

41. The team is of the opinion that the practice if not curtailed could be an avenue for siphoning funds of the Assembly for private use.

42. We urged management to provide the requisite correspondence and documents to authenticate the expenditures failing which the authorizers of the payments (the MCE, the MCD and the MFO) should jointly recover the total amount of GHC4,242.00 and pay same into paid into the Auditor-General's Recoveries Account with the Bank of Ghana, Account # 1018331470015 and provide the evidence of recovery for audit verification.

43. Management accepted our recommendation and promised to retrieve and forward the documents for our audit verification. We however did not receive any such documents from management as at the time of the management letter.

44. We reiterated our recommendation as stated in paragraph 43 above.

Failure to remit tier-two pensions' contributions - GHC3,349.12

45. Section 3(3) of the National Pensions Act, 2008, (Act 766), (as amended), states that, "Out of the total contribution of eighteen and a half per centum an employer shall within fourteen days from the end of each month transfer the following remittances to the mandatory schemes on behalf of each worker; (a) thirteen and half per centum to the first tier mandatory Basic National Social Security Scheme; and (b) five per centum to the second tier mandatory Occupational Pension Scheme".

46. We noted that management deducted a total amount of GHC3,349.12 as contributions to Occupational Pension Scheme (Tier 2) from the salaries of some Assembly staff but failed to remit same to the second tier fund manager. Details are provided in the table below.

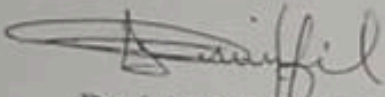
S/N	PV No.	Date	Details	Tier 2 Amount Deducted (GHC)
1	8/9/-2/22	31/12/21	Salary for December 2021	426.45
2	23/3/22	15/04/22	Salary for January 2022	336.05
3	5/4/22	26/05/22	Salary for February 2022	336.05
4	13/6/22	26/05/22	Salary for March 2022	336.05
5	2/8/22	26/05/22	Salary for April 2022	336.05
6	9/8/22	30/05/22	Salary for May 2022	336.05
7	21/9/22	06/09/22	Salary for June 2022	336.05
8	8/11/22	06/09/22	Salary for July 2022	336.05
9	12/12/22	28/12/22	Salary for August 2022	285.16
10	12/12/22	28/12/22	Salary for September 2022	285.16
Total				3,349.12

47. Failure to pay the deducted contributions on behalf of these IGF staffs to the Tier 2 fund manager could deprive the staffs' decent lifestyle when they retire from work.

48. We recommended that management should take steps to pay all mandatory contributions to ensure that workers who retire enjoy better conditions of life after they retire from active service.
49. We further recommended that the MCE, the MCD and the MFO should be held liable for any penalty that may accrue from the non-remittance of the deductions.
50. Management accepted and promised to comply.

Acknowledgement

64. We appreciate the cooperation accorded our audit team during the audit by management and staff of the Assembly.



Daniel Lopez K. Tumawu
Ag. District Auditor
District 'A'
Dambai

Cc:

The Auditor General
Audit Service
Accra.

The Deputy Auditor General (EIDA/NZ),
Audit Service,
Accra.

The Regional Auditor
Audit Service
Dambai.

The Regional Co-ordinating Director
Oti Regional Coordinating Council
Dambai.