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Good Governance and Accountability

P. O. Box 407

Kumasi

3 March, 2020.

AMANSIE CENTRAL DISTRICT ASSEMBLY
RECEIVED
DATE 3/03/20
JACOBU

The District Coordinating Director
Amansie Central District Assembly
Jacobu.

MANAGEMENT LETTER ON THE AUDIT OF THE DISTRICT ASSEMBLY COMMON FUND AND OTHER FUND -ACCOUNTS OF AMANSIE CENTRAL DISTRICT ASSEMBLY FOR THE PERIOD 1 JANUARY 2019 TO 31 DECEBER 2019

Introduction

We have audited the accounts and other related records of the Amansie Central District Assembly's Share of the District Assemblies common Fund (DACF) and other statutory funds for the period January 2019 to December 2019 in accordance with our statutory mandate under Article 187(2) of the 1992 constitution, Section II(1) of the Audit Service Act, 2000 (Act 584) and guidelines of the Administrator of the DACF as well as the Ministry of Local Government and Rural Development.

2. We wish to bring to your attention for necessary action the following observations, comments and recommendations made during the audit. We have discussed these matters with the key personnel concerned and their responses where appropriate have been incorporated in this report.

3. We shall be grateful to receive your formal response within 30 days after the receipt of the report in accordance with Section 29 of the Audit Service Act, 2000 (Act 584) and be reminded of sub Section (2) which states "A person who fails or refuses to reply to the audit observations within the period specified in subsection (1) shall, if the Auditor-General so directs, have his emoluments and allowances withheld for so long as the person fails to comply".

Management team

4, The administrative and financial affairs of the funds of the Assembly during the reporting period were managed by the following officials:-

Name of Officer	*Designation*	*Staff ID*	*Period*
Hon. Nana Kwame A. Boateng	DCE	-	1/1/2019 – 31/12/2019
Mr. Charles Attah-Mensah	DCD	19000	1/1/2019 – 31/12/2019
Mr. Ernest Nkyira	DFO	100985	1/1/2019 – 31/12/2019
Ms. Vida Osei Agyemang	DPO	913780	1/1/2019 – 30/9/2019
Mr. Michael Fiifi Mensah-Sey	DPO	972285	1/10/2019 – 31/12/2019
Mr. Emmanuel Osei Sarpong	DBO	913415	1/1/2019 – 31/10/2019
Mr. Daniel Annum Tetteh	DE	741462	1/1/2019 – 31/12/2019
Mr. Patrick Marfo Antwi	DBO	921042	1/11/2019 – 31/12/2019
Mr. Emmanuel Kwame Adu	Procurement Officer	972287	1/1/2019 – 31/12/2019
Mr. Owusu Cosmos	Storekeeper	895335	1/1/2019 – 31/12/2019
Mr. Anthong Brako	DIA	713774	1/1/2019 – 31/12/2019

Scope of audit

5. We reviewed the existing internal controls for the receipt, disbursement and accountability of the DACF and other special funds. We also examined disbursement, contract and project management as well as stores and procurement procedures to ensure that the Assembly complied with the financial guidelines for the utilization of such funds and follow up on issues raised from previous management letter to ascertain the status of implementation.

Audit objectives

6. Our audit objectives were:

i. To ascertain whether proper records of accounts were properly kept;
ii. To ascertain whether compliance with rules, regulations laws and policy guidelines were adhered to ensure financial discipline;
iii. To confirm that funds allocated were used for the intended proprammes activities; and
iv. To ensure that resources were used with due regard to efficiency, effectiveness and economy to ensure value for money.

Audit criteria and methodology

7. We derived our audit criteria, norms and standard from sources such as the Public Financial Management Act (PFMA), 2016 (Act, 921) Public Procurement Act 2003, (Act 663) as amended Act 2016 (Act 914). VAT Act, 2013. We also relied on the Audit Service Act, 2000 (Act, 584), Audit Service Financial and Risk Based Audit Manual, INTOSAI and International Standards on Accounting (ISA) and Revenue Administration Act 2016 (Act 915).

Limitation of responsibility

8. We reviewed the system and management controls operated by Amansie Central District Assembly only to the extent we considered necessary for the effective performance of this audit. As a result, our review may not have detected all weaknesses that exist or all improvements that could be made. We have prepared this management letter solely for your use. Its contents 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.

System of accounting

9. The Assembly began processing its financial transactions on the GHIFMIS payment platform in 2017 and used the results in the preparation of the Assembly's financial returns and statements. The Assembly however continued to process its financial transactions using an accounting system management acquired in 2017. The Assembly also pays an annual maintenance fee to the Developer to undertake financial and administrative activities such as cash books, ledgers, fixed assets management, generation of account balances and preparation of financial statement. The Assembly generates from the system its financial returns and submit to Controller and Accountant-General's Department and Auditor-General. The management obtain approval for the system from the GHIFMIS secretariat.

Internal controls

10. Under Section 7(b) of the Public Financial Management Act, 2016 (Act 916), the Coordinating Directors, as Principal Spending Officers of Assemblies are responsible for ensuring regularity and proper use of funds, authorize commitments within approved ceilings and manage the resources received, held or disposed of by the Assembly. In the exercise of these duties a Coordinating Director shall establish an effective system of risk management, internal control and internal audit in respect of the resources and transactions of the Assembly to prevent fraud and violations of laws, regulations and provision of contracts and agreements.

11. The overall internal controls on receipts and disbursement of funds were reasonably adequate and effective in operation as exemplified below:-

i. All the funds received are properly recorded
ii. All payment vouchers were duly authorized
iii. Significant payments were made by cheques
iv. All the assets and equipment have been embossed with the identification mark of the Assembly
v. Procurement procedures were adhered to
vi. Assets register is properly kept.

However, a few exceptions noted which are highlighted in the ensuing paragraphs for redress.

Summary of significant findings and recommendations

12. The key issues identified were:-

a) Our review disclosed that between fourth quarter 2018 and second quarter 2019 a quarterly source deduction of GH¢40,250.00 was made by the Administrator of District Assembly Common Fund from the Assembly's share of the Common Fund instead of the revised fee of GH¢35,000.00 resulting in excess deductions of GH¢5,250.00 yielding into overpayment of GH¢21,000.00 to Zoomlion Ghana Company. We recommended that the excess deductions of GH¢21,000.00 should be recovered from Zoomlion Ghana Limited and the Administrator of District Common Fund notified to stop the excess deductions.

b) Contrary to clause 5 of the service agreement signed between Zoomlion Ghana Limited and the Assembly, we noted that Zoomlion Ghana Limited failed to replace three broken containers at various locations where they were withdrawn. We recommended to management to contact Zoomlion Ghana Limited and demand replacement of the worn out containers or in default, suspend further payment to Zoomlion Ghana Limited.

c) Our audit also revealed some unfavourable clauses in two agreements which were signed between the Assembly and Zoomlion Ghana Limited on 1 January 2014 on sanitation Improvement Packages and Disinfestations as well as Fumigation service. We recommended to management to consider reviewing the Agreements in line with the terms and conditions applied.

Details of findings and recommendations

Budgetary performance

13. The Assembly's total approved revenue for the 2019 fiscal year amounted to GH¢7,288,955.00 whilst the total expenditure to be incurred also amounted to GH¢7,288,955.00. Details are provided below:-

Revenue	Approved Budget Estimate GH¢	Actual Revenue GH¢	Variance GH¢	Percentage of Actual (%)
I.G.F.	558,765.93	539,082.40	(19,683.53)	96.48
GoG-Salary	1,689,548.61	1,621,340.24	(68,206.37)	95.96
DACF	3,278,655.99	1,594,446.38	(1,684,209.61)	48.63
MP's C.F.	432,483.77	380,007.68	(52,476.09)	87.87
D.D.F.	896,172.91	896,172.91	-	100
P.W.Ds	163,932.80	113,762.58	(50,170.22)	69.40
GoG-Transfers	269,394.99	150,392.79	(119,002.20)	55.82
Total Revenue	7,288,394.99	5,295,206.98	(1,993,748.02)	72.65
EPENDITURE				
I.G.F.	558,765.93	422,792.53	135,973.40	75.67
GoG-Salary	1,689,548.61	1,741,944.24	(52,395.63)	103.10
DACF	3,278,655.99	1,263,812.28	2,014.843.71	38.55
MP's C.F.	432,483.77	319,303.90	113,179.87	73.83
D.D.F.	896,172.91	559,940.26	336,232.65	62.48
P.W.D.'s	163,932.80	114,228.00	49,704.80	49.68
GoG-Transfers	269,394.99	205,732.83	63,662.16	76.37
Total Expenditure	7,288,955.00	4,627,754.04	2,661,200.96	63.49
Surplus/Deficit	-	667,452.94	667,452.94	-
	-			

14. The Assembly's total revenue for the period covering January to 31 December 2019 amounted to GH¢5,295,206.98 compared with the estimated revenue of GH¢7,288,394.99 indicating a variance or shortfall of GH¢1,993,748.02 or 72.65%.

15. Our analysis also revealed that the Assembly could not meet its revenue targets for the period under review. However, the Assembly realized a total

revenue of GH¢5,295,206.98 and incurred a total expenditure of GH¢4,627,754.04 to score a surplus of GH¢667,452.94.

16. For the period covered by the audit, a total amount of GH¢1,594,446.38 was released to the Assembly by the Administrator of the Common Fund as its share of the District Assemblies Common Fund (DACF). Details are provided below:-

Period	*Amount Released*
3rd Quarter 2018	327,580.72
4th Quarter 2018	327,580.72
1st Quarter 2019	313,094.98
2nd Quarter 2019	313,094.98
3rs Quarter 2019	313,094.98
	GH¢1,594,446.38

17. As at 31 December 2019, the fourth quarter funds due the assembly had not been released by the Administrator of DACF. An indication that releases of the fund to the Assembly were not on timely basis.

18. The delay in the release of the funds has serious repercussion on the development programmes of the Assembly since contractors are not paid early resulting in late completion of projects.

Procurement of goods, works and services

Excess fumigation source deductions – GH¢21,000.00

19. Our review of the 2014 service agreement on Disinfestation and Fumigation signed between the Assembly and Zoomlion Ghana Limited disclosed that the Assembly was to pay a quarterly service fee of GH¢35,000.00 effective January 2014.

20. Our review of District Assembly Common Fund (DACF) release letters however disclosed that between fourth quarter 2018 and second quarter 2019, a quarterly source deduction of GH¢40,250.00 was made by the Administrator of District Assembly Common Fund (ADACF) from the Assembly's share of the Common Fund instead of the revised fee of GH¢35,000.00 resulting in excess deductions of GH¢5,250.00 per quarter.

21. In effect a total amount of GH¢161,000.00 was deducted at source by the Administrator of District Assembly Common Fund (ADACF) and paid to Zoomlion Ghana Limited instead of GH¢140,000.00 resulting in overpayment of GH¢21,000.00 to the company.

22. Management's failure to appraise themselves with the content of the agreements and the District Assembly Common Fund (DACF) release letters resulted in the anomaly.

23. We recommended that the excess deductions of GH¢21,000.00 (GH¢5,250.00 per quarter) should be recovered from Zoomlion Ghana Limited and the Administrator of District Assembly Common Fund (ADACF) notified to stop the excess deductions.

24. Management accepted that the agreement was reviewed in July 2019 and took effect from January 2019 after Zoomlion Ghana Limited has requested for the need to review the service agreement.

Failure to replace worn out refuse containers

25. Clause 5 of the Service agreement signed between Zoomlion Ghana Limited and the Amansie Central District Assembly on 1 January 2014 requires that Zoomlion Ghana Limited shall provide 11 refuse containers and two refuse trucks to the Assembly and to replace or repair without delay, the machinery upon being notified by the Assembly of any defect on the refuse containers.

26. Quarterly service fees of GH¢42,550.00 was deducted at source by ADACF from the Assembly's share of the DACF and paid to the company in respect of the trucks and the refuse containers.

27. Our project inspection of the containers indicated that, Zoomlion Ghana Limited failed to replace three broken containers at various locations where they were withdrawn, thus causing environmental pollution.

28. This situation occurred as a result of management failure to enforce the agreement entered into between the Assembly and the company which resulted in the Assembly paying for services not fully performed.

29. We recommended to management to contact Zoomlion Ghana Limited and demand replacement of the worn out containers or in default, suspend further payment to Zoomlion Ghana Limited.

30. Management noted our recommendation for compliance and explained that in spite of new refuse truck and other containers provided by Zoomlion Ghana Limited in 2016, management had already contacted management of the company for replacement of all the worn-out containers and also provide additional refuse truck to ensure environmental cleanliness in the communities within the district.

Inclusion of unfavourable clauses in the agreement with Zoomlion Ghana Limited

31. Regulation 200 of Financial Administration Regulation 2004, L.I. 1802 states that officer signing any document or record pertaining to accounts shall ensure that it is proper to sign the document or record, and the signature shall be evidence of the officer accepting responsibility of the propriety of the document or records. The signing of a document or record without adequate evidence of the propriety of the document or record constitutes negligence, and disciplinary action shall be taken accordingly.

32. Our review disclosed that the Assembly signed with Zoomlion Ghana Limited on Sanitation Improvement Packages (SIP) and Disinfestations/Fumigation Service on 1 January 2014. Both contracts which were expected to last for period of four and five years respectively disclosed certain unfavourable clauses as indicated below:-

i. The Agreement shall be deemed as renewal automatically where the Assembly does not serve motice for either renewal or termination of the Agreement 30 days prior to its expiration; and

ii. Zoomlion Ghana Limited can unilaterally increase the service fee every April,

33. This situation could be attributed to failure by management not to refer the agreement to its counsel for proper interpretation.

34. In the absence of valid clauses, the contractor, Zoomlion Ghana Limited is not bound to comply with the terms and conditions of the agreement. Under this circumstances, the Assembly stands to lose in the event of any legal tussle thereby causing financial loss to the Assembly.

35. We recommended to management to consider reviewing the Agreement in line with the terms and conditions applied.

36. Management responded that the agreement was prepared by Zoomlion Ghana Limited and the Ministry of Local Government and Rural Development on behalf of the Assembly. However, management had accepted and promised to draw the Ministry's attention to it for immediate redress.

Follow up on previous audit report No. AR/DC/DA/1/37 of 27 February 2019

37. We reviewed the status of implementation of the recommendations made in our previous management letter under reference and found that there were no outstanding issues.

Acknowledgement

38. We wish to thank the District Chief Executive and staff of the Amansie Central District Assembly for their co-operation and assistance during the audit.

Mchimito

DISTRICT AUDITOR
ASSISTANT DIRECTOR OF AUDIT
DISTRICT 'C' KUMASI
CHRISTOPHER K. MENSAH)

Cc:- The Auditor-General
Audit Service
Accra.

The Regional Auditor
Audit Service
Kumasi.

The Regional Co-ordinating Director
Amansie Central District Assembly
Kumasi.

The District Finance Officer
Amansie Central District Assembly
Jacobu.

The Presiding Member
Amansie Central District Assembly
Jacobu.