AMANSIE CENTRAL DISTRICT ASSEMBLY- JACOBU

FINAL

INTERNAL AUDIT REPORT FOR THE FIRST QUARTER

ON

JACOBU SMALL TOWN WATER SUPPLY SYSTEM

2020

AMANSIE CENTRAL DISTRICT ASSEMBLY

in case of reply the number and date of this letter should be quoted

TEL: 8

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JACOBU-ASHANTI
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Our Ref: SL.12/16/01B/54

Your Ref: ....

CENTRAL ADMINISTRATION

16th APRIL, 2020

THE AUDIT COMMITTEE CHAIRMAN
AMANSIE CENTRAL DISTRICT ASSEMBLY
JACOBU

SUBMISSION OF FINAL INTERNAL AUDIT REPORT ON JACOBU SMALL TOWN WATER SUPPLY SYSTEM FOR THE PERIOD JANUARY, 2019 TO DECEMBER, 2019

Please find attached the Internal Audit report on Jacobu Small Town Water Supply System for the period 1st January, 2019 to 31st December, 2019 for your necessary action.

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For: THE DIST. CHIEF EXECUTIVE
(ANTHONY BRAKO)
PRINCIPAL INTERNAL AUDITOR

Cc: OFFICE OF HEAD OF LOCAL GOVERNMENT SERVICE
ACCRA

THE HON. REGIONAL MINISTER
REGIONAL CO-ORDINATING COUNCIL
KUMASI.

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1.0 ANNUAL AUDIT REPORT ON THE ACCOUNTS OF JACOBU SMALL TOWN WATER SUPPLY SYSTEM FOR THE PERIOD 1ST JANUARY 2019 TO 31ST DECEMBER 2019.

The annual accounts of Jacobu Small Town Water Supply System for the 2019 financial year have been audited.

The following accounts and financial statements are attached to the report:

a) Statement of Revenue and Expenditure for the year ended 31st December 2019 in respect of the internally generated fund (IGF).

b) Statement of transfers into the capital Account and the Sanitation Account.

Statement of Accounts:

The accounts were properly maintained and properly kept for validation.

Estimate: Estimates or budget for 2019 financial year were prepared and approved by the Board.

Internal Controls: Internal Controls put in place during the period under review were found to be fairly satisfactory. We however, noted some weaknesses during our interim audits and these have been incorporated in the final report.

Revenue and Expenditure:

Revenue Performance:

The Board projected for a total revenue of GH¢294,785.00.

This figure represents revenue from stand pipes, private connections, registration fees and treasury bills.

The actual receipts however amounted to GH ¢226,957.95 a shortfall of ¢ 67,827.05 representing 23.01% of the budgeted revenue for the year.

We recommended that management should adopt the necessary strategies and measures to collect all revenue owned them by consumers especially institutions and private connections.

BELOW IS THE DETAILED REVENUE PERFORMANCE ANALYSIS.

Revenue Head	Budgeted Revenue GH¢	Actual Revenue GH¢	Variance GH¢
1. Revenue from stand pipes	193,185.00	110,774.00	(82,411.00)
2. Private Connections	76,800.00	92,975.50	16,175.50
3. Registration fee	8,800.00	6,360.00	(2,440.00)
4. Treasury Bills	-	1,228.45	1,228.45
5. Sanitation	15,500.00	15,220.00	(280.00)
6. Fines	500.00	400.00	(100.00)
Total	**294,785.00**	**226,957.95**	**(67,827.05)**

EXPENDITURE

The Board projected a total expenditure of GH¢279,285.00 in respect of recurrent and capital expenditure. Actual expenditure incurred however amounted to GH¢ 227,908.44

This is about Eighty two percent (82%) of the projected expenditure.

TRANSFER INTO THE SANITATION ACCOUNT

	GH¢
Balance b/f	2,345.00
Total transfers during the year	15,220.00
Total	17,565.00
Less total expenditure	(16,150.00)
Balance as at 31/12/2019	GH¢ 1,415.00

	2017	2018	2019
	GHC	GHC	GHC
Debtors	**47,680.15**	**64,407.75**	**55,015.35**

TRANSFER INTO THE CAPITAL ACCOUNT:

	GH¢
Balance b/f	22,022.27
Total deposits during the year	12,718.00
Total	**34,740 .27**
Less total expenditure	(12,500.00)
Balance as at 31/12/2017	**GH¢ 22,240.27**

INVESTMENT IN TREASURY BILLS:

A total investment in treasury bills amounted to GH¢13,716.61 as at 31/12/2019.This includes interest accrued as at the date of investment.

CREDITORS: As at 31/12/19 a total amount of GH¢19,752.00 stood in the books of the system as creditors. This was mainly unpaid electricity bills from the three (3) pumping stations and the main office.

FINANCIAL POSITION OF JACOBU SMALL TOWN WATER SUPPLY SYSTEM AS AT 31ST DECEMBER 2018.

		GH¢
Cash Balances		–
Bank Balances:		
	Regular Account	12,729.62
	Capital Account	22,240.27
	Sanitation Account	1,415.00
Investment: Treasury Bills		13,716.61
Total	**GH¢**	**50,101.50**

2.0 INTRODUCTION

We have examined the accounts and other related records of the Jacobu Small Town Water Supply System for the period 1st January 2019 to 31st December 2019. This is in accordance with part II (3&4) of the Internal Audit Agency Act, 2003 (Act 658).

The audit was to review internal controls, cash management, procurement, inventory, total revenue and expenditure for the period under review.

We have discussed our audit observations noted during the audit with key management personnel and other key stakeholders whose comment were considered before arriving at the final report.

2.1 The Objectives of the Audit were as follows:

- to establish the extent to which the policies and plans by the board during the year have been implemented by management.
- to confirm total revenue and other receipts during the year under review.
- to establish the accuracy of the Accounting and financial operations of the Board.
- to confirm the authenticity of expenditure during the year under review.

2.2 Scope of the Audit:

The scope of the audit was to review internal control, cash management, procurement, inventory, revenue and expenditure covering the period 1st January 2019 to 31st December 2019.

2.3 Methodology:

The audit was conducted in accordance with the applicable standards for the professional practices of Internal Auditing and applicable laws and regulations of Ghana. The team also took into consideration the five fundamental attributes of criteria, condition, effect, cause and Recommendation and where appropriate management responses were also included in the report.

2.4 Audit Team: The Audit was undertaken by the following Auditors:

NAME	DESIGNATION
1. Mr. Anthony Brako	Principal Internal Audit
2. Mr. Kofi Owusu Afriyie	Internal Auditor

2.5 KEY MANAGEMENT PERSONEL:

Name	Position
1. Christiana Nyameson	Board Chairperson
2. Gordon Denkyira	Board Secretary
3. Kate Aboagye Badu	Board Treasurer
4. Yaw Appiah	System Manager
5. Dominic Obeng Boafo	System Accountant

3.0 SUMMARY OF FINDINGS AND RECOMMENDATIONS

Finding I: Failure to prepare Evaluation Report

The procurement committee failed to evaluate the procurement of an item purchased for the Water Supply System in order to ensure value for money.

Recommendation I:

We recommended that the Entity procurement committee members should ensure the evaluation of items purchased.

Finding II: Failure to obtain receipt for water quality test

Management failed to obtain receipts totalling GH¢540.00 from Ghana Water Company for Water Quality test carried out.

Recommendation II:

We recommended that all the necessary receipt should be obtained from Ghana Water Company and attached to the payment vouchers.

Finding III: Overstay of Office

The management of the Water Supply System has served for a period exceeding four years starting from 14th February, 2014.

Recommendation III:

We recommended that the District Assembly should facilitate the nomination of new members unto the Board as soon as possible.

Finding IV: High staff turnover

We noted that management engaged the services of two temporal workers as secretaries within the period under review instead of employing a permanent staff for the position.

Recommendation IV:

We recommended that management should employ a permanent Secretary for the Water Supply System.

DETAILED AUDIT FINDINGS:

4.1.0 Failure to prepare Evaluation Report

4.1.1 Criteria

Best practice requires the procurement committee to evaluate the procurement of items to ensure value for money.

4.1.2 Condition

Contrary to the above, the procurement committee failed to evaluate the procurement of an item purchased for the Water Supply System in order to ensure value for money.

Details below

Date	PV No.	Payee	Details	Amount GH ¢
25/01//2019	1106	Royal Max Ventures	Purchase of Resin, Tormac 2.5x4 joint cable, P.E male Adaptor to fix pump house two pump set.	1,610.00
		Total		**1,610.00**

4.1.3 Cause

Management failure to adhere to the requirement of the Procurement Act resulted in the irregularity.

4.1.4 Effect

We therefore could not confirm that the Assembly obtained value for money in the transaction.

4.1.5 Recommendation

We recommended that the Entity procurement committee members should ensure the evaluation of items purchased or the members should be sanctioned in accordance with section 92 of the PPA, 2003 (Act,663).

4.1.6 Management response

The procurement committee has been asked to evaluate the procurement of all items purchased.

4.2.0 Failure to obtain receipt for water quality test

4.2.1Criteria

Part IX, section 13 and 14 of the Financial Memorandum for MMDA's requires that all payments should be receipted with written acknowledgement or official receipt.

4.2.2Condition

We noted that management failed to obtain receipts totalling GH¢540.00 from Ghana Water Company for Water Quality test carried out. See below.

Date	PV No.	Payee	Details	Amount GH¢
6/05/2019	1133	Ghana Water company	Water quality test for the first quarter 2019	240.00
25/01/2019	1139	Ghana Water company	Water quality test for the second quarter 2019	300.00
		Total		**540.00**

The lapse occurred on the part of the Accountant to adhere to the payment process to obtain the necessary documents.

4.2.3 Cause

The lapse occurred on the part of the Accountant to adhere to the payment process to obtain the necessary documents.

4.2.4Effect

We therefore could not confirm whether the water quality test was actually carried out.

4.2.5 Recommendation

We recommended that all the necessary receipt should be obtained from Ghana Water Company and attached to the payment vouchers.

4.2.6 Management Response

Management will ensure that all the necessary receipts are obtained and attached to the payment vouchers.

4.3.0 Overstay of Office

4.3.1 Criteria

Section 6 (i) of the District Assembly Model bye Laws for the establishment and operations of Water and sanitation Development Boards states that " Persons elected to the Board shall serve a four year term and members, subject to good behaviour shall be eligible for re-election for another four year term. No person shall serve more than two four year terms as a member of the Board.

4.3.2 Condition

Contrary to the above, the management of the Water Supply System has served for a period exceeding four years starting from 14th February, 2014.

4.3.3 Cause

Management failure to adhere to the requirement of the Model bye Laws resulted in the irregularity.

4.3.4Effect

This could result in complacency on the part of some of the Board Members and consequently the poor management of the Water System.

4.3.5 Recommendation

We recommended that the District Assembly should facilitate the nomination of new members unto the Board as soon as possible.

4.3.6 Management response

Management has written to the District Assembly informing them about the end of their tenure but the District Assembly is yet to appoint new members unto the Board.

4.4.0 High staff turnover

4.4.1 Criteria

Best practice requires staff turnover to be kept at an optimum level.

4.4.2 Condition

We noted that management engaged the services of two temporal workers as secretaries within the period under review instead of employing a permanent staff for the position.

4.4.3 Cause

The cause could be due to the failure by the Management of the Water Supply System to employ a permanent staff as the secretary.

4.4.4Effect

Management failure to employ a permanent staff for the Secretary position could lead to the misappropriation of funds and the poor execution of work assigned to them as they may lack the necessary expertise to carry out their duties.

4.4.5 Recommendation

We recommended that management should employ a permanent Secretary for the Water Supply System.

4.4.6 Management response

Management has initiated processes to recruit a permanent staff as secretary for the Water Supply System.

5.0 Recommendation

1. We recommended that the Entity procurement committee members should ensure the evaluation of items purchased.
2. We recommended that all the necessary receipt should be obtained from Ghana Water Company and attached to the payment vouchers.
3. We recommended that the Water System should obtain at least three quotations in the procurement of goods and services.
4. We recommended that management should employ a permanent Secretary for the Water Supply System.

6.0 CONCLUSION:

The overall internal controls in the system are reasonably adequate. We however observed the above mentioned control weakness. We urged management to ensure

compliance to the regulations and consider the recommendations made so as to ensure that effective controls are put in place in order to reduce risk to acceptable level.

ACKNOWLEDGEMENT:

We wish to express our sincere gratitude to the Board and the entire staff of Jacobu Small town Water Supply System for their cooperation extended to the audit team in the course of the audit.

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Brako Anthony
(Head of Audit Team)

16/02/2020........

Date

AMANSIE CENTRAL DISTRICT ASSEMBLY

STATUS OF IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATION-FIRST QUARTER 2020

NO.	Audit Findings	Recommendations	Responsible Officer	Implementation Status	Timeline	Remarks
1.	**4.1.0 Failure to prepare evaluation Report**	We recommended that the Entity procurement committee members should ensure the evaluation of items purchased or the members should be sanctioned in accordance with section 92 of the PPA, 2003 (Act,663).	Manager-JSTWSS	The evaluation report has been retrieved and attached to the payment voucher	Immediate	No further action required
	4.2.0 Failure to obtain receipt for water quality test	We recommended that all the necessary receipt should be obtained from Ghana Water Company and attached to the payment vouchers.	Accountant-JSTWSS	The receipt has been obtained and attached to the payment voucher.	Immediate	No further action required
3.	**4.3.0 Overstay of Office**	We recommended that the District Assembly should facilitate the nomination of new members unto the Board as soon as possible.	DCD	The District Assembly has facilitated the nomination of new members to the Board.	Immediate	No further action required
4.	**4.4.0 High staff turnover**	We recommended that management should employ a permanent Secretary for the Water Supply System.	Chairperson-JSTWSS	The water Board has invited qualified applicants to apply for the secretary position.	Immediate	No further action required

4.	**4.4.0 Purchases without alternative Quotations - GH₵ 6,895.00**	It was recommended to management to source for at least three quotations in the procurement goods and services.	System Management	Management now request for at least three quotations in the procurement of goods and services.	Always	No further action required