

AUDIT SERVICE

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THE MUNICIPAL COORDINATING DIRECTOR
AYAWASO CENTRAL MUNICIPAL ASSEMBLY
KOKOMLEMLE, ACCRA

MANAGEMENT LETTER ON THE ACCOUNTS OF AYAWASO CENTRAL MUNICIPAL ASSEMBLY INTERNALLY GENERATED FUND FOR THE PERIOD 1 APRIL 2019 TO 31 DECEMBER 2019

Introduction

We have examined the records of Ayawaso Central Municipal Assembly for the period 1 April 2019 to 31 December, 2019 in accordance with our statutory mandate per Article 187 clause 2 of the 1992 Constitution of Ghana and Section 11 of the Audit Service Act, 2000 (Act 584).

2. We wish to bring to your attention for necessary action the observations and recommendations made during the audit. We have discussed these issues with key personnel concerned, whose comments and responses, where appropriate, have been taken into account in preparing this management letter.

3. We would be grateful to receive your reply to this management letter within 30 days of its receipt in accordance with Section 29 of the Audit Service Act, 2000, (Act 584) and any person who fails or refuses to reply to the audit observations within the specified period shall have his emolument and allowances withheld for so long as he/she fails to comply.

LIMITATION OF SCOPE

4. We reviewed the controls within the various processes operated by the 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 improvement that could be made.

5. We have prepared this report solely for your use and its use within the Assembly and would not accept responsibility for any reliance that a third party might place on it.

6. Key personnel

The under listed key officials were in charge of the Administration of the Ayawaso Central Municipal Assembly during the period under review.

NAME	POSITION	PERIOD
Hon Mohammed Quaye	Municipal Chief Executive	1 April 2019 To 31 Dec. 2019
Mr. K.B Acheampong	Municipal Coordinating Director	1 April 2019 To 31 Dec. 2019
Mr. Emmanuel E. Venkumine	Municipal Finance Officer	1 April 2019 To 31 Dec. 2019
Mrs. Bairchisu A. Sadique	Municipal Budget Officer	1 April 2019 To 31Dec. 2019
Mr. Suraju Faisal	Acting Transport Officer	1 April 2019 To 31 Dec. 2019
Mr. Moro Muhassan	Procurement Officer	1 April 2019 to 31 Dec, 2019
Mr. Peter Onanjiri	Internal Auditor	1 April 2019 to 31 Dec. 2019
Mrs. Thelma Segbefia	Municipal Social Works Officer	1 April 2019 To 31 Dec. 2019
Alhassan Mahama	National Disaster Management Officer	1 April 2019 To 31 Dec. 2019
Mr. Richard Appiah	Physical Planning Department	1 April 2019 To 31 Dec. 2019
Mad. ReginaNanoo	Municipal Social Works Officer	1 April 2019 To 31 Dec. 2019
Yayra Yao Akude	Planning Officer	1 April 2019 to 31 Dec. 2019

Scope of audit

7. Our review covered cash management, procurement & Stores management, project management, as well as evaluation of compliance with relevant legislations, rules, controls and policies.

Audit Objectives

8. We conducted interviews and reviewed documents in accordance with Section 13 of the Audit Service Act 2000 (584), which requires that we ascertain whether:-

- The accounts have been properly kept
- The funds received have been expended for the purpose for which they were appropriated and expenditure made has been authorized
- Essential records are maintained, and the rules and procedures applied sufficiently to safeguard and control the Assembly's assets
- Programmes and activities on the utilization of funds have been under taken to achieve value for money.

9. Summary of significant findings and recommendations

i. We observed that, between April 1 and 31 December 2019, four (4) revenue collectors and the revenue accountant failed to pay promptly to the cashier revenue totaling GH¢510,134.24 for onward lodgment into the designated bank account. The delays spanned between three (3) and 141 days.

We advised that management should ensure that revenue collectors and the revenue accountant are made to pay interest on the amount for the period of delay at the prevailing Bank of Ghana interest rate and our office notified for verification. Additionally, monitoring systems should be put in place and internal controls strengthened to avoid and prevent delays in accounting and lodgment of revenue to bank.

ii. Our audit disclosed that 12 Revenue contractors, Six (6) revenue collectors, the cashier and the Revenue Accountant failed to account for revenue collections totaling GH¢52,525.16.

We recommended to the Coordinating Director and the Municipal Finance Officer to immediately recover the amount from the revenue contractors and the officers involved, and ensure that same is lodged into the Assembly's bank account.

iii. Seven operators of restroom facilities within the Assembly's jurisdiction owed the Assembly unremitted revenue of GH¢23,190.00.

We recommended that management should take necessary steps to recover the amount involved. Additionally the restroom operators should be formally cautioned that future delays in payment would result in termination of their contracts, and the facilities taken over by the Municipal Assembly.

iv. We noted during our bank reconciliation that 11 cheques covering an amount of GH¢9,136.00 received between February and November 2019 for payment of rates to the Assembly were dishonored by the bank.

We recommended that Management should contact the clients and recover in full the amounts in respect of the dishonoured cheques.

v. We noted that a payment of GH¢2,000.00 was not fully accounted for with either the relevant receipt or acknowledgement from the beneficiary, and other expenditure documents to authenticate the payment.

We recommended that in the absence of the appropriate supporting document the amount involved should be jointly recovered from the Municipal Finance Officer and the Municipal Coordinating Director.

vi. We noted that the Assembly procured goods worth GH¢79,248.30 from Non-VAT registered entities, thus denying the state VAT revenue of GH¢2,592.21.

We recommended to the Municipal Finance Officer and the Expenditure Accountant to ensure that at all times, the Assembly would deal with only VAT registered traders, or in lieu seek a waiver from the Minister.

vii. Five official vehicles were not covered with insurance policies.

We recommended to management as a matter of urgency to insure the vehicles and our office copied with particulars of the insurance policy for verification.

viii. Our inventory check disclosed that, some assets of the Assembly had no identification marks to prevent their misuse and theft.

We recommended that management should immediately take steps to emboss the Assets and ensure that in future, in compliance with the law; items procured would as a control measure be embossed with official identification marks as soon as they are issued to user departments.

ix. Contrary to the requirements of Part X Memorandum 27 of the Financial Memoranda for Metropolitan Municipal and District Assemblies, 11 permanent staff employed to collect revenue on behalf of the Assembly were not bonded.

We recommended to management to ensure that in compliance with the law, all the 11 revenue collectors are bonded to serve as security for their duty which includes handling of cash.

Details Of Significant Findings And Recommendations

10. Financial Position as at 31 December 2019

Cash and Bank Balances:

i. Cash on Hand:

Sub-Metro Account - Nil

IGF Account - Nil

ii. **Cash at Bank – GH¢115,289.94**

The Bank balances, the particulars of which have been provided below were reconciled with certified Bank Statements and the retrospective Cash books as at 31 December, 2019.

No.	Name of Bank	Account Name	Account Number	Balance as at 31/12/2019 GH¢
1.	Ghana Commercial Bank	ACMA GCB IGF Account.	1181130001002	104,793.73
2.	Bank Of Ghana	ACMA BOG Sub-Metro Account	1018631469221	10,496.21
	Total Bank Balance			115,289.94

Delays in payment of revenue to the cashier - GH¢510,134.24

11. Regulation 46 of the Public Financial Management Regulations, 2019 (L.I. 2378) requires the Spending officer of an entity to ensure that non-tax revenue is efficiently collected and to also ensure that non-tax revenue is immediately lodged in gross within twenty-four hours in the designated consolidated fund transit bank accounts except in the case of internally generated funds retained under the enactment.

12. We observed that between 1 April 2019 and 31 December 2019, four (4) revenue collectors and the Revenue Accountant failed to pay promptly to the cashier revenue collections totaling GH¢510,134.24 for onward lodgment into the designated bank account. The period of delay was noted to have spanned between three (3) and 141 days. See details attached as Annex 'A'.

13. We attributed the anomaly to lack of effective supervision by the Revenue Accountant over the work of revenue collectors, and also inadequate supervision by the Municipal Finance Officer over the work of the Revenue Accountant to ensure that revenue collections are promptly lodged to bank.

14. The delay in accounting for and banking revenue collected could lead to diversion of public Funds to the advantage of the collectors for private gains and which pose a risk of the Assembly losing revenue.

15. We recommended that, the revenue collectors and the revenue accountant should be made to pay interest on the amount for the number of days of delay at the prevailing Bank of Ghana interest rate and our office notified for verification.

16. We also urged management to strengthen its internal control to prevent delays in accounting for, and subsequent lodgment of revenue to bank.

17. Management in agreement responded that, the observation is well noted but however assigned the delay to challenges encountered in opening an official account for the newly created Assembly.

18. We found management's response untenable because available evidence revealed that the delay in lodgment was not due to the challenges in opening an official bank account but rather a deliberate act by the collectors and the Revenue Accountant to keep public monies for personal reasons.

19. We, therefore, reiterated to management to ensure that the revenue collectors and the Revenue Accountant pay the interest that would have accrued on the revenue at the prevailing Bank of Ghana interest rate to serve as a deterrent to other officers.

Revenue not accounted for in full - GH¢52,525.16

20. Regulation 46 of the Public Financial Management Regulations, 2019 (L.I. 2378) requires the Spending officer of an entity to ensure that non-tax revenue is efficiently collected and also to ensure that non-tax revenue is immediately lodged in gross within twenty-four hours in the designated consolidated fund transit bank accounts except in the case of internally generated funds retained under the enactment.

21. Our review of revenue collection records, revealed that between 1 April 2019 and 28 February 2020, the Cashier, the Revenue Accountant and nine (9) Revenue Collectors failed to fully account for revenue collections totaling GH¢92,671.63. See details attached as Annex 'B.i.'

22. In a related development, we noted during our audit of Market and Lorry Park tolls records that, between 1 April 2019 and 28 February 2020, twelve (12) Revenue contractors and the Revenue Accountant failed to fully account for revenue collections totaling GH¢25,706.00. Details attached as Annex 'B.ii.'

23. Consequently, the Assembly was denied access the amount of GH¢118,377.63 to meet some of its planned programmes and activities.

24. We traced the anomaly to absence of effective supervision by the Municipal Finance Officer over the work of the Revenue Accountant, the Commission contractors and other revenue collectors to ensure that all revenue collected are fully accounted for and promptly paid to bank.

25. We recommended to the Coordinating Director and the Municipal Finance Officer to recover the amount from the culprits and ensure that the recoveries made are immediately lodged to bank and the particulars of the recoveries forwarded to our office for verification.

26. At the instance of the audit, management recovered a total amount of GH¢65,852.47 from the Revenue Accountant and four (4) revenue collectors, whilst 18 revenue collectors and the Revenue Accountant are yet to refund an outstanding balance of GH¢52,525.16.

Uncollected Restroom Revenue - GH¢ 23,190.00

27. Part VIII Memorandum 1 of the Financial Memoranda for Metropolitan, Municipal and District Assemblies (FM for MMDAs) requires the Finance Officer among others to supervise and enforce the punctual collection of revenue, similarly; Section 91 of the Public Financial Management Act, 2016 (Act 921) also directs that a spending officer of a Public Institution shall ensure the efficient management of the financial resources of the organization including the collection and receipt of moneys due to that institution.

28. Again, Regulation 46 of the Public Financial Management Regulations, 2019 (L. I. 2378) also states among others that “A Principal Spending Officer shall ensure that non-tax revenue is efficiently collected”.

29. Our review of the restroom ledgers for the period 1 January 2019 to 31 December 2019 revealed that, seven (7) Restroom Operators owed the Assembly unremitted revenue in the sum of GH¢35,990.00 as a result of non-payment of monthly surtax due to the Assembly. Details are attached as Annex ‘C’.

30. We attributed the anomaly to laxity on the part of the Municipal Finance Officer to supervise and enforce the punctual collection of revenue as directed in Part VIII Memorandum 1 of the FM for MMDAs.

31. Nonpayment of the monthly surtax denied the Assembly funds to maintain the restroom facilities and to execute other developmental projects within the Municipality.

32. We recommended that management should take necessary steps to recover the amount involved. Additionally the restroom operators should be formally cautioned that future delays in payment of the monthly surtax would result in termination of their contracts and the facilities taken over by the Municipal Assembly.

33. Management in agreement to the recommendation, has written caution letters to the operators to settle their indebtedness or will have their contracts terminated. Consequently, GH¢12,800.00 was recovered leaving a total amount of GH¢23,190.00 still in arrears.

Dishonored Cheques - GH¢9,136.00

34. Part IX Section 7 of the FM for MMDAs states that “In the event of a cheque received by the Assembly being dishonoured by the bank, a Payment voucher shall be prepared for the amount involved, entered in the bank column of the Cash Book and debited to an Advance Account opened in the name of the person by whom the cheque was drawn. The dishonoured cheque shall be retained by the Finance Officer and the drawer informed. When the drawer of the cheque subsequently produces cash or a cheque accepted by the bank, a receipt shall be issued and allocated to the credit of the personal advance Account after withdrawing the first receipt.”

35. Our re-performance of Bank Reconciliation statements disclosed that the Municipal Finance Officer failed to take action on 11 cheques totaling GH¢9,136.00 which were received between February and November, 2019 in respect of payment of rates to the Assembly but were subsequently dishonoured by the bank. Details are attached as Annex ‘D’

36. We attributed management’s failure to recover the amounts on the dishonored cheques from the rate-payers to negligence of duty and a violation of Part IX Section 7 of the FM for MMDAs on the part of the Municipal Finance Officer.

37. Failure to recover the amounts from the rate-payers could lead to loss of revenue and inadequate funds for the Assembly to carry out its operations and developmental activities.

38. We recommended that Management should contact the affected clients and recover in full the uncleared cheques in compliance with the FM for MMDAs.

Unsupported Payment - GH¢2,000.00

39. Regulation 78 of the Public Financial Management Regulations, 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 that evidence of services , certificates for work done and any other supporting documents exists.

40. In contravention of the above law, we noted that 16 payments totaling GH¢15,344.00 were not fully accounted for or supported with the relevant receipts, acknowledgement from beneficiaries, and other expenditure documents to authenticate the payments.

41. We attributed the anomaly to negligence on the part of the Municipal Finance Officer and the Expenditure Accountant to ensure that the relevant expenditure documents had been obtained from the payees to support the expenditures made.

42. In the absence of the expenditure documents, the propriety of the transactions was in doubt and, could therefore be a potential risk of loss of funds to the Assembly.

43. We recommended that in the absence of the relevant supporting documents the total amount of GH¢15,344.00 should be recovered from the Municipal Finance Officer and the Municipal Coordinating Director.

44. At the instance of audit, management provided the appropriate supporting documents to fully account for 15 payment vouchers totaling GH¢13,344.00 whilst the last payment voucher, which was for a payment of GH¢2,900.00 was only supported with expenditure documents covering a total expenditure of GH¢900.00; thus leaving an outstanding balance of GH¢2,000.00 which could not be accounted for with the relevant expenditure documents. Details are shown below.

Unsupported Payment - Gh¢2,000.00

Date	Details	P.V. No.	Payee	Cheque No.	Amount Released (GH¢)	Amount accounted for(GH¢)	Payment not accounted for(GH¢)
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25-06-19	Being amount released for workshop	AMCA/64/06/19	Director	000017	2,900.00	900.00	2,000.00
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Loss of VAT Revenue - GH¢2,592.21

45. Section 41 of the Value Added Tax Act, 2013 (Act 870) states that “A taxable person shall, on making a taxable supply of goods or services, issue to the recipient, a tax invoice in the form and with the details that are prescribed by the Commissioner-General”

46. We noted that the Assembly procured goods worth GH¢79,248.30 from Non-VAT registered entities thus denying the state VAT revenue of GH¢2,592.21. Details are attached as Annex ‘E’.

47. We attributed the lapse to failure by the Expenditure Accountant to ensure that the vendors from whom goods and services are procured are VAT registered entities.

48. Negligence on the part of the Expenditure Accountant to ensure compliance with the VAT law denied the State of VAT revenue totaling GH¢2,592.21.

49. We recommended to the Municipal Finance Officer and the Expenditure Accountant to ensure that the Assembly deals with only VAT registered traders, or in lieu seek a waiver from the Minister to justify the contravention.

50. We also advised management to educate its members of staff on the need to comply with the requirements of the financial management laws to avoid these violations.

51. Management responded that it has taken note of the observation and will ensure compliance.

Failure to insure Assembly’s Vehicles

52. Part XII Memorandum 62 of the Financial Memoranda for Metropolitan, Municipal and District Assemblies 2004, requires that “all vehicles of the Assembly shall be comprehensively insured”.

53. Section 52 of the Public Financial Management Act, 2016 (Act 921) also states among others that, a principal spending officer of a covered entity, state-owned enterprise or public corporation shall be responsible for the assets of the institution under the care of the Principal Spending Officer and shall ensure proper control systems exist for the custody and management of the assets.

54. On the contrary, our audit disclosed that, during the year under review management of the Assembly made use of five (5) official vehicles without obtaining insurance policies to cover them. See details below.

No.	Make of Vehicle	Registration Number	Condition	Location	Mode of Acquisition
1.	Nissan Patrol	GC2203-19	Good	ACMA	Donated by MLGRD
2.	Nissan Pick-Up (Hard Body)	GN8858-19	Good	ACMA	Donated by MLGRD
3.	Nissan Pick-Up (Hard Body)	GT7841-19	Good	ACMA	Acquired by ACMA
4.	Nissan Urvan (Mini Van)	GT7924-19	Good	ACMA	Acquired by ACMA
5.	Nissan Navara	GV86-15	At workshop for repairs	Garage	Donated by AMA

55. We traced the anomaly to non-adherence to the above law by the Acting Transport officer.

56. In the event of any unforeseen occurrence, occupants on board the vehicles and other road users may not be able to claim for compensation for insurance.

57. We recommended to management without further delay to insure the vehicles and our office copied for verification.

58. In agreement, management responded it will comply with the recommendation.

Non-Embossment Of Assets

59. Section 52 of the Public Financial Management Act, 2016 (Act 921) states among others that, a Principal Spending Officer of a covered entity, state-owned enterprise or public corporation shall be responsible for the assets of the institution under the care of the Principal

Spending Officer and shall ensure proper control systems exist for the custody and management of the assets and that preventive mechanisms are in place to eliminate theft, loss, wastage and misuse.

60. Regulations 1511 and 1513 of the Stores Regulations 1984 also requires that every item of plant or machinery shall have a Departmental number allocated to it on receipt, and the departmental plant number shall be clearly and conspicuously written on the item of plant or machinery for easy identification.

61. On the contrary, we noted during our inventory check that some assets of the Assembly were not embossed with official identification marks.

62. We attributed the lapse to non-compliance of the law by management.

63. Without official identification marks or numbers, assets could easily be stolen, misused or substituted with inferior ones without any trail.

64. We recommended that management should without delay, take steps to emboss the Assets and ensure that in future, in compliance with the law; items procured would be inscribed with official identification marks as soon as they are issued out to user departments.

65. In agreement to our recommendation, as at the close of audit, management was in the process of embossing the items.

Failure To Bond Revenue Collectors

66. Part X Memorandum 27 of the Financial Memoranda for Metropolitan, Municipal and District Assemblies 2004 stipulates that "All persons employed by the Assembly whose duties entail responsibility for cash shall be bonded with two sureties, using the security bond form (D.A. Form 19). The amount of the security shall be decided by the Assembly in each case.

67. In contravention of Memorandum 27 referred above, our audit disclosed that the management of the Assembly failed to bond 11 permanent staff whose duty entailed the collection of revenue on behalf of the Assembly. Details are attached as Annex 'F'

68. We attributed the anomaly to noncompliance to the above memorandum on the part of Municipal Finance Officer and the Revenue Accountant.

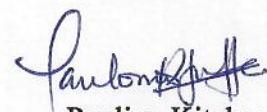
69. In the absence of guarantors it may be difficult for management to recover any revenue that may be misappropriated or embezzled by any revenue collector.

70. We, therefore recommended to management to enforce compliance with the requirements of the Financial Memoranda by ensuring that the 11 revenue collectors are bonded with guarantors or sureties.

71. Management in its response stated that the recommendation has been noted and have already issued out bond forms to the affected revenue collectors for completion and submission, however, no evidence was provided at the time of the exit conference.

Acknowledgement

72. We are grateful to management and staff of Ayawaso Central Municipal Assembly for the assistance and co-operation extended to the team during the audit.


Paulina Kitcher
District Auditor
GAR/A.M.A.

Cc:

The Auditor General (2)
Audit Service
Accra.

The Deputy Auditor-General/DAD
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The Regional Auditor/GAR
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Tema.

The Regional Co-ordinating Director
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The Presiding Member
Ayawaso Central Municipal Assembly
Kokomlemle.

The Municipal Finance Officer
Ayawaso Central Municipal Assembly
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