

AUDIT SERVICE



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16

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OBUASI

23 FEBRUARY 2024

THE DISTRICT CHIEF EXECUTIVE
OBUASI EAST DISTRICT ASSEMBLY
TUTUKA – OBUASI

ATTENTION: DISTRICT CO-ORDINATING DIRECTOR

MANAGEMENT LETTER ON THE AUDIT OF THE OBUASI EAST DISTRICT
ASSEMBLY COMMON FUND AND OTHER STATUTORY FUNDS FOR THE PERIOD
JANUARY 1, 2023 TO DECEMBER 31, 2023.

Introduction

We have carried out the interim audit of the accounts and related records of the Obuasi East District Assembly covering the period 1 January 2023 to 31 December 2023 in accordance with the Auditor-General's mandate under article 187 (2) of the 1992 Constitution and the Audit Service Act 2000, Act 584.

2. The audit is in accordance with the Auditor-General's statutory mandate under Article 187(2) of the 1992 Constitution and Section 11(1) of the Audit Service Act 2000 (Act 584).
3. We shall be grateful for your response within 30 days upon receipt of this management letter as required by Section 29 (1) of the Audit Service Act, 2000 (Act 584).

Key Personnel

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

Name	Rank	Period
Faustina Amissah	District Chief Executive	01/01/23 – 31/12/23
Eric Aboagye - Mensah	District Co-ordinating Director	01/01/23 – 31/12/23
Kofi Akey Perlornorpe	District Finance Officer	01/01/23 – 26/06/23
Faila Mohammed	District Finance Officer	27/06/23 – 31/12/23
Jones Agyemang	District Planning Officer	01/01/23 – 31/12/23
Jacinta Ackah	District Budget Analyst	01/01/23 – 31/12/23
Gloria Tabi	Internal Auditor	01/01/23 – 31/12/23
Stella Frimpong	Human Resource Manager	01/01/23 – 31/12/23
Alhaji Shamsu Abdalla	District Transport Officer	01/01/23 – 31/12/23

Gamor Jones	District Environmental Health Officer	01/01/23 – 31/12/23
Samuel Nti-Kyeremeh	District Work Engineer	01/01/23 – 31/12/23

Audit Objectives

5. The Auditor-General shall examine in such manner as he thinks necessary the public and other government accounts and shall ascertain whether in his opinion;
 - (a) the accounts have been properly kept;
 - (b) all public monies have been fully accounted for, and rules and procedures applicable are sufficient to secure an effective check on the assessment, collection and proper allocation of the revenue;
 - (c) monies have been expended for the purposes for which they were appropriated and the expenditures have been made as authorized;
 - (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public property; and
 - (e) programmes and activities have been undertaken with due regard to economy, efficiency and effectiveness in relation to the resources utilized and results achieved.

Scope and Determination of Responsibilities

6. Our audit coverage included;
 - (a) a review of cash management with regards to economy, efficiency and effectiveness.
 - (b) The audit also reviewed budgetary control, financial reporting and the internal controls in place regarding, Procurement, Utilization of DACF and other funds, Sanitation, Disaster and Assets Management.
 - (c) The Financial Statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of management. Our responsibility is to express an independent opinion on the Financial Statements.

Audit methodology and strategy

7. We used the risk-based audit approaches for the conduct of the audit. This among others included interview of officials of the Assembly to understand and document the system, examination of transactions, review of procurement processes, procedures and 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 Procurement (Amendment) Act 2016 (Act 914), the Public Financial Management Act, 2016 (Act 921), Public Financial

Management Regulations, 2019 (LI 2378), 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 test 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 the audit.
11. As a result, our review may not have detected all weaknesses that exist or all improvement that could be made. We have prepared this management letter solely for your 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 appreciable degree of financial discipline in spite of the anomalies mentioned in this management letter. It is our hope therefore that management of the Assembly would further improve upon its operations, particularly with regards to cash management, proper project management, Utilisation of District Assembly Common Fund and other funds and safeguarding of assets as well as compliance to laws, rules, regulations and other directives.
14. Management is therefore recommended to take note of the weaknesses identified and endeavour to implement the audit recommendations made.

Summary of Significant Findings and Recommendations

15. The management of the Assembly made payments to the tune of **GH¢12,706.23** via three (3) payment vouchers without adequate attachments to the payment vouchers. We recommended that the DFO should provide detailed documents to authenticate the expenditure or refund the amount to the Assembly. **(Paragraph 23 – 28)**
16. We realized that the services fees of the SIP and the Disinfection and Fumigation Services were increased from **GH¢53,187.50** and **GH¢50,312.50** to **GH¢69,143.75** and **GH¢65,406.25** respectively. However, there was no communication justifying the adjustment. We recommended that management should pursue a refund of the excess service fees deducted from Zoomlion Ghana Ltd. **(Paragraph 29 – 34)**
17. We discovered during the audit that the DFO withheld an amount of **GH¢1,679.28** as withholding tax on goods, works and services from a total amount of **GH¢55,976.00**, but failed to pay the tax component to the Commissioner-General. We asked the DFO to ensure that the tax of **GH¢1,679.28** withheld is paid. **(Paragraph 35 – 40)**

18. Management of Obuasi East District Assembly executed and completed three projects in the district but the projects were yet to be used. We recommended to management to take immediate steps to resolve all the hindrances to the use of the projects and ensure that the projects are put to use to benefit the communities. (Paragraph 41 – 46)

Details of Findings and Recommendations

Fund Accountability and Budgetary Performance

Operational Results

19. The Assembly during the period under review, received an amount of **GH¢2,341,740.02** from DACF and other funds, while expenditure of **GH¢1,803,308.85** was incurred resulting in a surplus of **GH¢538,431.17**

Details are provided below;

Accounts Heads	Revenue 2023 GH¢	Expenditure 2023 GH¢	Surplus/ Deficit GH¢
District Assembly Common Fund	1,717,868.50	1,222,588.70	495,279.80
People With Disability	113,199.33	141,902.00	(28,702.67)
M-SHAP	11,915.84	22,271.20	(10,355.36)
MP Common Fund	439,657.72	353,574.01	86,083.71
District Development Facility (DDF)	-	710.00	(710.00)
Other Donor Support (CIDA/MAG)	59,098.63	62,262.94	(3,164.31)
Total	2,341,740.02	1,803,308.85	538,431.17

Budgetary Control

Revenue Performance

20. The review of the revenue inflows disclosed that the Assembly during the period under review received an amount of **GH¢2,341,740.02** from DACF and other funds as against an estimated figure of **GH¢7,943,194.77** resulting in an adverse variance of **GH¢5,601,454.75**
21. The Assembly therefore received **29.5%** of the expected inflows from the DACF and other funds for the period under review. Details are shown below;

Revenue Heads	Estimated 2023 GH¢	Actual 2023 GH¢	Variance GH¢
District Assembly Common Fund	6,072,320.83	1,717,868.5	(4,354,452.33)
People With Disability	210,500.00	113,199.33	(97,300.67)
M-SHAP	23,635.31	11,915.84	(11,719.47)
MP Common Fund	1,517,270.00	439,657.72	(1,077,612.28)
District Assembly Common Fund (Responsive Factor Grant)	56,370.00	-	(56,370.00)
Other Donor Support (CIDA/MAG)	63,098.63	59,098.63	(4,000.00)
Total	7,943,194.77	2,341,740.02	(5,601,454.75)

Expenditure Control

22. The total expenditure incurred by the Assembly from its DACF and other statutory funds amounted to **GH¢1,803,308.85** as against the approved estimates of **GH¢4,480,084.86** resulting in a positive variance of **GH¢2,676,776.01**. The Assembly therefore incurred expenditure within its approved estimates as detailed below;

Expenditure Heads	Estimates 2023 GH¢	Actual 2023 GH¢	Variance GH¢
District Assembly Common Fund	3,196,850.92	1,222,588.70	1,974,262.22
People With Disability	210,500.00	141,902.00	68,598.00
M-SHAP	23,635.31	22,271.20	1,364.11
MP Common Fund	954,000.00	353,574.01	600,425.99
District Development Facility (DDF)	32,000.00	710.00	31,290.00
Other Donor Support (CIDA/MAG)	63,098.63	62,262.94	835.69
Total	4,480,084.86	1,803,308.85	2,676,776.01

Cash Management

Payment made without Relevant Supporting Documents - GH¢12,706.23

23. Regulations 78(1) (a & b) of the Public Financial Management Regulations, 2019 (LI 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".
24. However, the District Co-ordinating Director (DCD) and the District Finance Officer (DFO) made payments to the tune of **GH¢12,706.23** via three (3) payment vouchers without adequate attachments to the payment vouchers. The details of the payments are attached as **appendix I**.
25. The DFO did not give any cause for this anomaly.
26. This situation could result in loss of funds to the Assembly which could be used for other developmental needs of the people within the District. Additionally, this anomaly could lead to misappropriation of funds.
27. We recommended that the DFO should provide the relevant supporting documentations to authenticate the expenditure or refund the amount to the Assembly. Failure of which DCD and DFO would be held to refund the amount into the Auditor-General's Recoveries Account with Bank of Ghana with account no: 1018331470015 in Accra.
28. Management responded that the necessary supporting documents to authenticate the expenditure incurred by the Assembly have been attached to the payment vouchers for verification and consideration. However, our verification showed that a total of **GH¢12,706.23** was still outstanding. We therefore reiterate our recommendation in paragraph 27.

Over Deduction of Service Fees without Justification- GH¢84,525.00

29. In the Service Agreement (Sanitation and Improvement Package as well Fumigation) signed between Zoomlion Ghana Limited and Obuasi East District Assembly states under the Service Fees in Clause 7 that, in consideration of the services being rendered by Zoomlion in respect of its obligation herein, the Parties have mutually agreed to a quarterly service fees of Fifty-One Thousand and Sixty Ghana Cedis (GH¢51,060.00) and Forty Thousand, two Hundred and Fifty Ghana Cedis (GH¢40,250.00) respectively from 3rd September 2018 to 31st August 2023. The service fees according to the agreement may be reviewed every April based on prevailing economic conditions and in line with the level of inflation as determined by the Statistical Services of Ghana and such review will be communicated to the Assembly before it is implemented.
30. We realized that the services fees of the Sanitation Improvement Package and the Disinfection and Fumigation Services from 2022 were increased from **GH¢53,187.50** and **GH¢50,312.50** to **GH¢69,143.75** and **GH¢65,406.25** respectively. However, there was no communication justifying the adjustment before the implementation which constitutes a violation of the agreement. Details are provided appendix II
31. The District Finance Officer could not explain the reason behind the adjustments since they did not receive any communication from Zoomlion.
32. This is a breach of contract by Zoomlion Ghana Limited. These high service fees could lead to cash drains on the coffers of the Assembly which may result to the Assembly experiencing financial challenges.
33. We therefore asked the District Co-ordinating Director for a justification of the huge adjustment in the service fees since there has not been any significant improvement in the services provided. Again, we recommended that management should pursue a refund of the excess service fees deducted from Zoomlion Ghana Ltd or explore the termination clause in the agreement to forestall any future arbitrary increases in the service fees without the consent of the Assembly.
34. According to management, provisions of the contract quoted above expired on 3rd September 2023 and was replaced by another contract signed on 4th September which provides under Clause 5 & 6 that service fees for Disinfestation and fumigation as well as Sanitation Improvement Package were reviewed to GH¢65,406.25 and GH¢69,143.75 respectively. This confirms the over deduction from the first, second and third quarters of 2023. We insist that management should take steps to the retrieval of the amount over deducted for the three quarters.

Taxes withheld not Remitted - GH¢1,679.28

35. Section 117 (1) of the Income Tax Act, 2015 (Act 896) states “A withholding agent shall pay to the Commissioner-General within fifteen days after the end of each calendar month a tax that has been withheld in accordance with this Division during the month”.
36. We discovered during the audit that the DFO withheld an amount of **GH¢1,619.28** as withholding tax on goods, works and services from a total amount of **GH¢55,976.00**, but failed to pay the tax component to the Commissioner-General as required by the Act quoted above. Details are stated below;

Date	PV No.	Cheq. No.	Particulars /Details	Payee	Amount – GH¢	Tax – GH¢
DACF						
21/12/23	21/12/23	00117 9/0011 80	Supply of 130NO.25KG rice and 25 boxes of 1litre oil for staff end year.	Mckoms 75 ventures	43,196.00	1,295.88
20/12/23	OEDA/M SHAP/23/ DEC1/YA S	00013 6	Supply of items for PLW HIV	ETORCYRI L Enterprise	12,780.00	323.40
Total					55,976.00	1,619.28

37. The DFO did not give the cause of this financial breach.
38. This is a breach of the Income Tax Act 2015 (Act 896) and it could deny the State of funds from undertaking developmental projects.
39. We asked the DCD and the DFO to ensure that the tax of **GH¢1,679.28** withheld is paid and the receipts presented to the audit team for verification. We further advised management to ensure that taxes withheld in future are paid promptly as stipulated in the tax law.
40. Management response was that the total withholding taxes of **GH¢1,679.28** were withheld and remitted to Ghana Revenue Authority on behalf of McKoms 75 Ventures and Opatec Company Ltd on the 21st of December 2023 and the original receipts have been made available for verification. However, our verification revealed that the amount of GH¢1,679.28 was still outstanding.

Infrastructural Projects

Completed projects not in use

41. Section 52 of the PFM Act, 2016 (Act 921), requires Principal Spending Officers of covered entities to institute proper control system to prevent losses and wastage.
42. Management of Obuasi East District Assembly executed and completed three projects in the district but the projects were yet to be put to use contrary to the above stated Act. The details are attached as appendix III.
43. The Engineer explained that the projects required other additional furnishing before they would be ready for use.
44. Completed projects not been used is a financial loss to state. The condition of the projects would deteriorate which would require additional funds for renovation before use leading to waste of funds.


45. We recommended to Management of the Assembly to take immediate steps to resolve all the hindrances to the use of the projects and ensure that the projects are put to use to the benefit of the communities. We also recommended that, in the budgets of projects of the Assembly, provision should be made to include all ancillaries needed to put them to use after completion.
46. The District Chief Executive during the exit conference responded that steps have been taken to ensure the projects are utilized as soon as possible.

Follow Up Action on Previous Audit Report

47. Matters arising from the previous audit report referenced AS/OB/ 6/LG.2/VOL.II/09 dated 26th May 2023 were not all resolved.

Acknowledgement

48. We are grateful to management and staff of the Assembly for the cooperation and assistance extended to our audit team during the audit.



RICHARD ASAMOAH
DISTRICT AUDITOR
OBUASI

cc:

The Deputy Auditor-General (EIDA-SZ)
Audit Service
Accra

The Head of Service
Local Government Service
Accra

The Regional Auditor
Audit Service
Kumasi

The Regional Co-Ordinating Director
Regional Co-Ordinating Council
Kumasi

The Presiding Member
Obuasi East District Assembly
Kumasi

Appendix I

Payments without adequate support documents - GH¢12,706.23

S/No	Date	PV No.	Cheq. No.	Fund	Particulars /Details	Payee	Amount GH¢	Remarks
1.	17/02/23	17/02/23	000380	MP Common Fund	Being funds released for the commissioning of classroom block at Asonkore and Ayimadukrom	DCD	6,520.00	No attendance sheets No receipts from media houses GH¢2,130.00
2.	22/06/23	21/06/23	000391/00392	PWD Fund	Being funds released as donation of cocoa spraying machines for machines	DCD	4,986.23	Provide distribution list
3.	30/8/23	OEDA/23/PWD/AUG/12/YAS	000128	PWD Fund	Being funds released for monitoring visit to PWD's	DCD	1,200.00	Provide monitoring report for each of the 12 communities
Grand Total							12,706.23	

Over Deduction of Service Fees without Justification- GH¢84,525.00

No.	Quarter	Amount per the Agreement	Amount deducted	Excess Deduction	Amount per the Agreement	Amount deducted	Excess Deduction
		SIP			Fumigation		
	1st Qtr. 2023	53,187.50	69,143.75	15,956.25	53,187.50	65,406.25	12,218.75
	2nd Qtr. 2023	53,187.50	69,143.75	15,956.25	53,187.50	65,406.25	12,218.75
	3rd Qtr. 2023	53,187.50	69,143.75	15,956.25	53,187.50	65,406.25	12,218.75
	Sub-total			47,868.75			36,656.25
			SIP	48,875.75			
			Fumigation	36,656.25			
	Grand-total			84,525.00			

APPENDIX III

Projects completed not in use

No	Project	Name of Contractor	Award date	Expected completion date	Actual Date of Completion	Contract sum	Amount paid	Period not used	Remarks
1.	Construction 1No. Community Library with 2-seater W/C Toilet and a mechanized borehole	Ahmed Abdallah Enterprise	04/11/20	18/03/21	07/12/21	267,591.75	267,592.07	Two years	Yet to install table top computers to operationalize the Library
2.	Construction and installation of 1No. Cassava Plant and Equipment	KB & K Farmers HUB and Construction Limited	06/07/22	20/11/22	20/11/22	139,872.00	139,872.00	One year, two months	Extension of Electricity to the facility
3.	Construction of 1No. 5Units NHIS Office Accommodation with Ancillary facilities	Jusbro Construction Company Limited	13/12/18	27/04/18	03/10/22	416,989.99	344,303.64	One year, three months	Handed over to the NHIA for use but they have not started using it due to lack of equipment