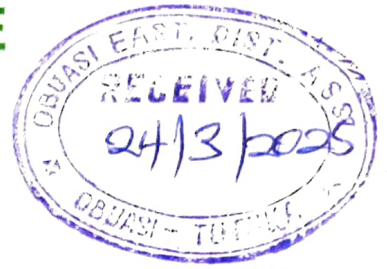


AUDIT SERVICE



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



My Ref. No: **AS/OB/EG.2/VOL.III/18**
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Tel: 233 (0) 302 664920/28/29
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..... OBUASI
21 MARCH 20²⁵

**THE MUNICIPAL CO-ORDINATING DIRECTOR
OBUASI EAST MUNICIPAL ASSEMBLY
OBUASI TUTUKA**

**MANAGEMENT LETTER ON THE AUDIT OF THE ACCOUNT OF OBUASI
EAST MUNICIPAL ASSEMBLY, DISTRICT ASSEMBLY COMMON FUND
AND OTHER STATUTORY FUNDS FOR THE PERIOD
JANUARY 1, 2024 - DECEMBER 31, 2024**

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, we have independently reviewed the financial, managerial and operational activities of the Obuasi East Municipal Assembly for the period of January 1, 2024, to December 31, 2024.

2. Our observations made during the review have been discussed with management and their responses, where appropriate, were taken into consideration in preparing this management letter.
3. We shall appreciate having your response within thirty (30) days on receipt of this management letter as stipulated in Section 29 (1) of the Audit Service Act, 2000 (Act 584).

4. Be reminded that failure to abide with the tenet of the Audit Service Act in respect to responses to this management letter will attract sanctions as spelt out under regulation 35 of Audit Service Regulation 2011 (C.I. 70).

Key Personnel

5. The following officers were responsible for the financial and administrative duties of the Obuasi East Municipal Assembly for the period under review:

Name	Rank	Period
Hon. Faustina Amissah	Municipal Chief Executive	01/01/24 - 31/12/24
Eric Aboagye Mensah	Municipal Co-ordinating Director	01/01/24 - 31/12/24
Mohammed Faila	Municipal Finance Officer	01/01/24 - 31/12/24
Jones Agyemang	Municipal Planning Officer	01/01/24 - 31/12/24
Jacinta Ackah	Municipal Budget Officer	01/01/24 - 31/12/24
Gloria Tabi	Municipal Internal Auditor	01/01/24 - 31/12/24
Samuel Nti Kyeremeh	Municipal Works Engineer	01/01/24 - 31/12/24
Abdallah Ibrahim	Procurement Officer	01/01/24 - 31/12/24

Scope and Determination of Responsibilities

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 Revenue, Expenditure, Assets and Liabilities.
- (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 objectives

7. The Auditor-General shall examine in such a manner as he thinks necessary the public and other Government accounts and shall ascertain whether in his opinion.
 - The accounts have been properly kept.
 - All funds have been fully accounted for, and rules and procedures applicable are sufficient to ensure an effective check on the assessment, collection and proper allocation of the revenue.
 - Monies have been expended for the purposes for which they were appropriated, and the expenditures have been made as authorized.
 - Essential records are maintained and the rules and procedures applied are sufficient to safeguard and control the directorate's property; and
 - Programmes and activities have been undertaken with due regard to economy, efficiency and effectiveness in relation to the resources utilized and results achieved

Audit methodology

8. We adopted the risk-based audit approach for the conduct of the audit. This among others included interviews with officials of the Obuasi Municipal Assembly to understand and document the system, examination of items, review of procurement process, procedures and review of contract records. We issued observations to management for their responses which we have incorporated in this report.
9. We derived our evidence using criteria and standards from sources such as 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) the Public Financial Management Regulations (PFMR) 2019, (L.I 2378).
10. 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 that enabled us to verify records and items at 95% confidence level and 1% materiality level.

Conclusion

11. The Obuasi East Municipal Assembly maintained some sense of financial discipline in spite of the anomalies mentioned in this management letter. It is our hope that management of the Obuasi East Municipal Assembly would further improve upon its operations, particularly with regards to expenditure authorization and approval, proper project management and safeguarding of assets as well as compliance with rules and regulations.
12. Management is therefore advised to take note of the weaknesses identified and endeavor to implement and enforce the audit recommendations made.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

- (a) We noted during the audit that the Assembly received **GH¢1,369,067.43** for First, Second and Third quarters of their share of District Assembly Common Fund for the year 2024 from the Common Fund Administrator, leaving the fourth quarter unpaid to the Assembly. We urged management of the Assembly to liaise with the Administrator of Common Fund for prompt releases of funds for development. **(Paragraph 16 -22)**
- (b) We noted during the project inspection that the Obuasi East Municipal Assembly constructed 1 No. 6-unit first Floor of an existing classroom block funded by IGF at Boete which was completed on 9 May 2024 but has since not been used. We urged the MCD to ensure that the 6-unit classroom block is used to achieve value for money, and its intended purpose. **(Paragraph 23-29)**
- (c) We noted during the audit that, the two trucks of the ZoomLion Company Ltd (ZGL) with registration Numbers: GT 6454-18 and GT 6429-18 has broken down since the year 2020 and 7th November 2024 respectively. The GT 6454-18 has been faulty and grounded at the premises of Obuasi East Municipal Assembly and the other truck GT 6429-18 has also been sent to fitting workshop in Kumasi since 7/11/2024. Again, 1 Skip refuse container has also wear out. We urged the Municipal Environmental Health Officer (MEHO) to promptly notify ZGL through the MCD anytime these equipment breaks down for quick redress/replacement. **(Paragraph 30 -38)**
- (d) Our audit of the Obuasi East Municipal Assembly Member of Parliament (MP) common fund revealed that **four** payments were made totaling **GH¢53,656.82** but only **GH¢48,356.82** was accounted for, leaving a balance of **GH¢5,300.00**

accounted for. We recommended to the Municipal Co-ordinating Director (MCD) and Municipal Finance Officer (MFO) to make sure that the officers responsible for the expenditure promptly acquit the payments or the MCD and MFO would be held liable to refund the outstanding balance of **GH¢5,300.00 into any of the Auditor-General Recoveries Account. (Paragraph39 -45)**

(e) Our review of the MP Common Fund account revealed that, an amount of **GH¢606,507.27** was the accounts balance as at the close of the year 2024, implying that the amount was not use for its intended purpose. We recommended that the MCD and the MFO should liaise with the MP on time value of money so that the funds can be used to for the benefit of the municipality. **(Paragraph46 -53)**

(f) We noted that the Municipal Coordinating Director and Finance Officer made payments from the MP Common Fund to the tune of **GH¢685,901.58** for the supply of goods and other expenses without relevant supporting documents to authenticate the payments. We asked the MCD and the MFO to ensure that the MP provide all the relevant supporting documents for our verification, failing which a refund of the amount of **GH¢685,901.00** should be made into any of the two Auditor-General Recoveries Accounts and evidence provided for the team's verification. **(Paragraph54 -60)**

FUND ACCOUNTABILITY AND BUDGET PERFORMANCE

Revenue-Grant

13. A review of the financial records shows that, between January and December 2024, the Assembly received a total revenue of **GH¢5,118,993.32** as the Assembly Share of DACF, Responsive Factor Grant MP's Common Fund, and DACF-PWD Fund. This amount shows a shortfall of 59.53% of the annual budgeted figure of **GH¢12,649,861.52** signifying a gap of **GH¢7,530,868.20** of revenue of the annual estimates.
14. A comparative analysis also indicated that total revenue increased from **GH¢2,282,641.84** in 2023 by **GH¢2,836,351.48** to **GH¢5,118,993.32** at the end of 2024 representing 124.26% increment of the prior year's figure.

Details are shown below:

Revenue Type	2024 Annual Budget GH¢	2024 Actual Revenue Amount GH¢	2023 Actual Revenue GH¢	Budget Variance %	Actual Change GH¢	Actual Change %
DACF	7,879,640.91	2,356,473.24	1,717,868.95	(70.09)	638,604.29	37.17
DACF-RFG	2,729,117.00	1,834,688.00	-	(32.77)	1,834,688.00	-
MP-CF	1,732,270.00	709,214.41	439,657.72	(59.06)	269,556.69	61.31
DACF - PWD	210,500.00	209,680.79	113,199.33	(0.39)	96,481.46	85.23
M-SHAP	11,915.61	8,936.88	11,915.84	(25.00)	(2,979.96)	(25.00)
Total	12,649,861.52	5,118,993.32	2,282,641.84	(59.25)	2,836,351.48	124.26

Expenditure Control

15. Similarly, the Assembly incurred an expenditure amounting to **GH¢5,782,227.80** a **53.96%** shortfall from the annual estimate of **GH¢12,560,443.52** on goods and services and non-financial assets during the period in review. The details below:

Expenditure Heads	2024 Annual Budget GH¢	2024 Actual Expenditure Amount GH¢	2023 Actual Expenditure GH¢	Budget Variance %	Actual Change GH¢	Actual Change %
DACF	7,966,058.91	2,536,086.30	1,222,588.70	68.16	1,313,497.60	107.44
DACF-RFG	2,639,699.00	1,823,453.02	710.00	30.92	1,822,743.02	256,724.37
MP-CF	1,732,270.00	1,183,783.08	353,574.01	31.66	830,209.07	234.80
DACF - PWD	210,500.00	233,565.40	141,902.00	(10.96)	91,663.40	64.60
M-SHAP	11,915.61	5,340.00	22,271.20	55.18	16,931.20	76.02

Total	12,560,443.52	5,782,226.80	1,741,045.91	53.96	4,041,181.89	232.11
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DETAILS OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Unrelease of fourth quarter 2024 DACF to the Assembly

16. Section 2 of the District Assembly Common Fund Act, 1993 (Act 455) states "Parliament shall annually allocate not less than five per cent of the total revenues of Ghana to the District Assemblies for development".

Section 125 of the Local Governance Act, 2016 (Act 936) states "The allocation make by parliament shall be paid into the Common Fund in quarterly instalments."

17. We noted during the audit that the Assembly received **GH¢1,369,067.43** for First, Second and Third quarters of their share of District Assembly Common Fund for the year 2024 from the Common Fund Administrator, leaving the fourth quarter unpaid to the Assembly.

The breakdown is shown below:

Date	Quarterly Releases	Fund Source	Amount
05/07/24	First Quarter	DACF	456,355.81
10/10/24	Second Quarter	DACF	456,355.81
08/12/24	Third Quarter	DACF	456,355.81
TOTAL			1,369,067.43

18. Management attributed the lapse to the Common Fund Administrator, since they have control over the releases to the Assemblies
19. Failure to release the funds to the Assembly deny the people in the municipality their developmental agenda.

20. Management responded that the Administrator of Common Fund Secretariat is responsible for the release of the Common Fund to the MMDAs, and the Assembly is yet to be credited with the fourth quarter allocation.
21. We urged management to liaise with the Administrator of Common Fund to release the Common Fund to the Assembly for timeous development.
22. Our follow-up verification indicated that the Assembly is yet to be credited with the fourth quarter allocation.

Project Completed Not in use.

23. Section 52 (1&2a) of the Public Financial Management Act, 2016 (Act 921) states "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 that proper control systems exist for the custody and management of the assets. A control system specified in subsection (1) shall be capable of ensuring that preventive mechanisms are in place to eliminate theft, loss, wastage and misuse".
24. We noted during our project inspection that the Obuasi East Municipal Assembly constructed 1 No. 6-unit first Floor of an existing classroom block funded by IGF at Boete was completed on 9 May 2024 but has since not been put to use.

Details below:

Project Detail	Location	Funding Source	Contractor	Contract Sum	Payment	Completed Date
Construction and completion of 1No. 6-unit first floor of classroom block.	Boete	IGF	Dankus Dee Company Limited	973,214.10	720,105.65	09/05/2024

25. Management failed to give the cause to this observation.

26. This has denied the community the use of the first floor of the classroom block, thereby defeating its intended purposes.
27. We urged the MCD to ensure that the 6-unit classroom block is used to achieve value for money, and its intended purpose
28. Management responded that the construction of 1 No. 6-unit First Floor classroom at Boete has now been furnished with desks from GETFUND and used.
29. Our follow-up revealed that, the Assembly have furnished the classrooms with the chairs and tables but the block is yet to be put to use.

Broken Down of Zoomlion Ghana Ltd Equipments

30. Section 52 (1) of the Public Financial Management Act, 2016, (Act 921) states "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 that proper control systems exist for the custody and management of the assets".
31. Clause 4.3 Machinery Maintenance and Replacement of Service Agreement (Sanitation Improvement Package) states "Zoomlion shall promptly replace or repair any machinery upon notification by the Assembly of damage or defects. However, in cases where the defect or damage is attributable to the negligence of the Assembly or its authorized agents, Zoomlion shall undertake repairs or replacements at the cost of the Assembly".
32. We noted during the audit that, the two trucks of the ZoomLion Company Ltd (ZGL) with registration Numbers: GT 6454-18 and GT 6429-18 have broken down since the year 2020 and 7th November 2024 respectively. The GT 6454-18 has been faulty and grounded at the premises of Obuasi East Municipal Assembly and the other truck GT 6429-18 has also been sent to fitting workshop in Kumasi since 7/11/2024. Again, 1 Skip refuse container has also worn out.
33. However, ZoomLion Company Ltd (ZGL) failed to ensure that these damaged equipments are replace or repair to serve its intended purpose as it is expected from the contract agreement. Again, the MEHO did not officially write to Zoomlion Ghana Limited to notify them on the broken down of these equipments.

Details below:

Equipment	Vehicle No.	No Required	Number Supplied	No Broken Down	Period Broken Down	CONDITION
Dongfeng Skip Truck	GT 6454-18	1	1	1	Grounded since 2020	Broke down Truck No. GT 6416-18
Dongfeng Skip Truck	GT 6429-18	1	1	1	Sent to repairs since 7/11/24	Faulty sent to repairs GT 6429-18
Skip Refuse Containers	N/A	11	11	1	Jan-Dec. 2023	1 container worn out

34. Management could not give any reason for the cause.
35. The Assembly continue to lose funds to the Zoomlion Ghana limited (ZGL) for the non-function of the above-mentioned equipments because the Administrator of Common Fund continues to deduct the Assembly's funds to ZGL to the detriment of the Assembly.
36. We urged the MEHO to promptly notify ZGL through the MCD anytime these equipment breaks down for quick redress/replacement.
37. Management responded that they have taken the necessary steps to engage ZGL to replace the Broken trucks.
38. Our follow-up indicated that the Zoomlion Ghana limited (ZGL) has not repair or replaced these equipments in question.

MEMBER OF PARLIAMENT (MP) ACCOUNT

Partly Accounted Payments - GH¢5,300.00

39. Regulation 78(1) of the Public Financial Management Regulations, 2019 (L.I 2378) requires 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 received, certificates for work done and any other supporting documents exists.
40. We noted during the audit of the Obuasi East Municipal Assembly MP Common Fund Account revealed that 2 payments were made totaling **GH¢53,656.82** but **GH¢48,356.82** was accounted for with receipts and other attachments leaving a balance of **GH¢5,300.00**. The details below.

No.	Date	PV No.	CHQ No	Details	Payee	Amount	Accounte d for	Balance
1.	07/02/24	03/02/24 /1744326	0605	Cost of Advert	MCD	3,656.82	2,856.82	800.00
2.	17/01/24	02/01/24	561-594	School fees support	MCD	50,000.00	45,500.00	4,500.00
				TOATAL		53,656.82	48,356.82	5,300.00

41. Management failed to state the cause.
42. This outstanding balance yet to be accounted could be misappropriated.
43. We recommended to the MCD and MFO to make sure that the officers responsible for the expenditure promptly acquit these payments or the MCD and MFO could be held liable to refund the amount of **GH¢5,300.00** into any of the **Auditor-General Recoveries Accounts** either with **Bank of Ghana** with account no. **1018331470015** or **Ghana Commercial Bank** with account no. **1011200005912** all at **High Street Accra**.

44. Management responded that all the relevant supporting documentation to authenticate the transactions incurred in the interest of the Assembly are available for the team's verification.
45. However, our follow-up reveal that these documents were not available, hence we reiterated the implementation of our recommendation.

Un-utilized MP Common Fund- GH¢606,507.27

46. Regulation 69 of the Public Financial Management Regulations, 2019, L.I. 2378 requires that a balance of a budget allotment that remains unused at the end of a quarter shall be carried over to the following quarter but shall lapse at the end of the financial year.
47. Again, in line with guidelines of MP Common Fund in DACF the fund is meant for the following; Infrastructure development, Education and Training, Healthcare and Sanitation, Agricultural Development, Disaster Relief, Youth and Sports Development, Women Empowerment and Community Development.
48. Our review of the MP Common Fund account revealed that, an amount of **GH¢606,507.27** was the accounts balance of the fund at the close of the year 2024, implying that the amount was not use for its intended purpose for the period under review.
49. Management failed to provide the cause for this lapse.
50. Delay in the use of the funds would lead to loss in its value which does not ensure the tenets of value for money. It also denies the people in the Municipality the benefits they would have derived from the use of funds.
51. Management failed did not respond to this observation
52. We recommended that the MCD and MFO should liaise with the MP about time value of money so that measures are taken to meet the outstanding budgetary allocations which the fund was earmarked for in order to benefit the people in the municipality.
53. Our checks at the Assembly revealed that the said amount is yet to be used.

Payments Made Without Relevant Supporting Documents GH¢685,901.58

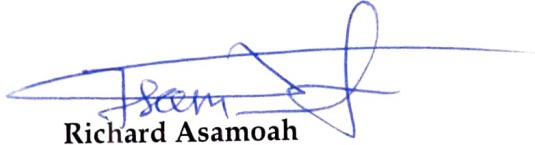
54. Regulation 78(1) of the Public Financial Management Regulations, 2019 (L.I 2378) requires that a Principal Spending Officer of a covered entity is personally responsible for ensuring in respect of each payment of that covered entity, the validity, accuracy and legality of the claim for the payment and that evidence of services received, certificates for work done and any other supporting documents exists.
55. We noted that the Municipal Coordinating Director and Finance Officer made payments from the MP Common Fund to the tune of **GH¢685,901.58** for the supply of goods and other expenses without relevant supporting documents to such as distribution list, acceptance letters from contractors and other documents. Details attached as an **Appendix**.
56. Management could not give any reason for the cause.
57. We could not therefore authenticate the appropriateness of the expenditures made in the absence of those relevant and appropriate supporting documents.
58. We asked the MCD and the MFO to ensure that the MP provide all the relevant supporting documents and forward them for our verification, failing which a refund of the amount of **GH¢685,901.00** should be made into the Auditor General's Recovery **Account No. 1018331470015** at the Bank of Ghana or **Auditor-General Recovery's Account Number 1011200005912 at GCB Bank, all at High Street** and the evidence provided for our verification.
59. Management responded that the relevant supporting documents to authenticate the validity and the legality of the various expenditures incurred on behalf of the municipal Assembly are available for verification and necessary action.
60. Management failed to provided the supporting documents during the verification.

Previous Report

61. Matters arising from the previous report referenced AS/OB/LG.1/VOL.II/232 of 04/05/2022 have been resolved.

Acknowledgement

62. We are grateful to management and staff of the Obuasi East Municipal Assembly for their co-operation 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 Regional Director
Controller and Accountant-General's Department
Kumasi

The Presiding Member
Obuasi Municipal Assembly
Obuasi Tutuka

Appendix

Payment without relevant supporting documents (MPCF)-GH/685,901.58

Date	PV No.	Cheq. No.	Particulars /Details	Payee	Amount	Misstatements
24/12/24	03/12/24	000703	Being funds released as cost of Live birds supply	MCD (Opatec)	96,140.00	No distribution list of beneficiaries.
29/12/24	05/12/24	000706	Supply of 27kg bags of rice and 17 boxes of oil	OPATEC	29,135.60	No distribution list. No acceptance letters
28/11/24	10/12/24	000712	Purchase of 200 NO 6 yards cloth	MCKOMS 75 ventures	85,280.00	No distribution list. No acceptance letters
27/12/24	08/12/24	000716	Supply of 700 NO 5kg rice	MCKOMS 75 ventures	99,736.00	No distribution list of the beneficiary
20/12/24	02/12/24	000702	Being funds released as cost of 1Ltr cooking oil	(Aisa 67 enterprise)	47,320.00	No distribution list of beneficiaries. No acceptance letters

20/12/24	13/12/24	000712	Being funds released as cost of Hampers to Assembly	(MCKOMS 75 ventures)	37,440.00	No distribution list. No acceptance letters
25/11/24	12/12/24	000715	Being funds released as cost of streetlight bulbs	(Deb-Bash ventures)	44,200.00	provide distribution list.no acceptance letter from the contractor.
01/11/24	01/11/24	000688	Being funds released as cost of building materials to the Assembly	(M/S FODAVCO COMPANY LTD)	58,282.94	provide pictorial evidence of the usage of the materials
			Supply of 110 NO 25kg rice and 45 boxes of 1litre oil to the assembly	MCKOMS 75 ventures	99,280.00	No distribution list attached. No acceptance letters
23/01/24	1560517/03/01/24	00595	Being funds to purchase rice and oil	AISA 67 ENT.	71,838.24	NO distribution list attached/ provide pre-qualification documents.
28/06/24	03/06/24	00639	Donation to dress makers Association	MCD	10,000.00	Provide receipts Acknowledging

						donation. There is no official request for financial support.
22/10/24	1814787	00679	Purchased of items for farmers day	MCD	7,248.80	Provide distribution list.
TOTAL					685,901.58	