

AUDIT SERVICE

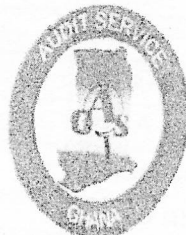
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Good Governance
and Accountability

P. O. Box 407

Kumasi

18 April, 2023

The Municipal Co-ordinating Director
Suame Municipal Assembly
Suame



MANAGEMENT LETTER ON THE AUDIT OF THE DISTRICT ASSEMBLY'S COMMON FUND (DACF) AND OTHER STATUTORY FUNDS OF THE SUAME MUNICIPAL ASSEMBLY, FOR THE PERIOD 1 JANUARY 2023 TO 31 DECEMBER 2023

We have conducted audit of the District Assembly's Common Fund (DACF) and other statutory funds of the Suame Municipal Assembly covering the period 1 January 2023 to 31 December 2023 in accordance with our statutory mandate as stipulated in Article 187(2) of the 1992 Constitution of the Republic of Ghana and Section II (I) of the Audit Service Act, 2000, (Act 584).

2. We wish to bring to your attention the following observations, comments and recommendations made during the audit. We have discussed these matters with the key personnel concerned whose comments and responses where appropriate, have been taken into consideration in the preparation of this Management Letter.
3. We shall be grateful to receive your response within 30 days on receipt of this letter as stipulated in Section 29(1) of the Audit Service Act 2000, (Act 584).
4. 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 allowance withheld for so long as the person fails to comply as stipulated in Section 29(2) of the Audit Service Act 2000, (Act 584).

Key Personnel

5. The officers mentioned below were responsible for the Administrative and Financial functions of the Assembly for the period under review.

MCA
F.N.A

NAME	STAFF NO.	POSITION	PERIOD
Hon. Maxwell Ofori Boakye		MCE	01/01/23-31/12/23
Johnson Nyarko	71850	MCD	01/01/23-31/12/23
Richard Amoah	80288	MFO	01/01/23-31/12/23
Busia Benjamin Opoku	82678	MPO	01/01/23-31/12/23
Bernard Annun	717890	MBA	01/01/23-31/12/23
Emmanuel Effaa Yeboah	694556	Engineer [Head of Works]	01/01/23-31/12/23
Abdallah Mohammed	923741	Municipal Procurement Officer	01/01/23-31/12/23
Collins Adu Poku	696734	Municipal Internal Auditor	01/01/23-31/12/23

Audit Objectives

6. The audit was guided by Section 13 of the Audit Service Act, 2000 (Act 584) and Public Financial Management Act, 2016 (Act 921); and requires that we ascertain whether:

- i. The Assembly's share of the District Assembly Common Fund (DACF), Member of Parliament Common Fund (MP), District Development Fund (DDF), were fully accounted for and disclosed in the books properly;
- ii. The relevant legislation, Public Financial Management Act, and the Local Government Act were complied with in the utilization of the DACF.
- iii. Award of contracts are in accordance with the Public Procurement Act, 2003 (Act 663); PPA Amendment Act, 2016, (Act 914) as well as DACF Guidelines.
- iv. Disbursement of Funds are authorized and approved by the authorities concerned and are within the approved budget.
- v. Contracts awarded have been executed and are being utilized.

Scope of Audit

7. The audit covered Fund Accountability and Budgetary Performance, System of Accounting and Internal Control, Cash Management, review of Internal Control Systems, Utilization of DACF, Stores/Inventory Management, Human Resource and Payroll Management, Procurement of Goods, Works & Services, Infrastructural Projects, Transport and Asset Management.

8. We also conducted project inspection on some of the projects undertaken by the Assembly.

Audit Methodology/Strategy

9. We adopted the risk based audit approach. We reviewed data, documents and interviewed key personnel of the Assembly. We also conducted the audit in accordance with the International Standards of Supreme Audit Institution Standards (ISSAIs), INTOSAI and AFROSAI-E Standards and International Standards on Auditing (ISAs).

10. We derived our audit criteria from the 1992 Constitution of the Republic of Ghana, the Public Financial Management Act, 2016 (Act 921), Public Procurement Act, 2003 (Act 663),

Audit Service Act 2000, (Act 584), Local Government Act, 1993 (Act 462), District Assemblies Common Fund Act 1993(Act 455), Income Tax Act, 2015(Act 896), Value Added Tax (VAT) Act, 1998 (Act 546), VAT Regulations, 1998 (L.I. 1646), Financial Memoranda for Metropolitan, Municipal and District Assembly (MMDAs) 2004, Guidelines for the Utilization of the DACF and Generally Accepted Accounting Principles (GAAP).

Limitation of Responsibility

11. We reviewed the systems and management controls operated by the Suame Municipal Assembly only to the extent we considered necessary for the effective performance of the audit. As a result, our review may not have detected all weaknesses that existed or improvements that could be made. We have prepared this report solely for your use and within your Ministry. Its contents should not be disclosed to *any third party* without our consent. We shall not accept any responsibility for the reliance that a third party might place upon it.

Internal Control

12. In our view, the internal controls instituted by Management were fairly effective in ensuring adequate control over revenue and expenditure. However, some lapses noted, are enumerated in the ensuing paragraphs.

Summary of Findings and Recommendations

13. DACF

- i. Management of Suame Municipal Assembly made a total payment of GH¢14,550.00 from DACF Fund for two activities but were not supported with relevant expenditure documents such as receipt and report to authenticate the transactions. We recommended for the recovery of the amount of GH¢14,550.00 from the Municipal Coordinating Director and the Municipal Finance Officer.

PWD and MSHAP

- ii. As at 31 December 2023, the Assembly have not fully utilized the PWD and MSHAP funds allocated to them. We recommended that Management should ensure that the funds are fully disbursed for the planned activities,

Details of Findings and Recommendations

A. Fund Accountability and Budgetary Performance

Revenue Performance

14. The review of inflows to the Assembly disclosed that the Assembly received DACF and other statutory funds totaling GH¢38,010,126.81 under the period reviewed as against estimated figure of GH¢49,278,000.00 resulting in a short fall of GH¢11,267,873.19.

15. The Assembly therefore received 77.13 percent of the expected statutory in-flows for the year ended 31 December, 2023 as shown below:

Revenue Heads	Budgeted (GH¢)	Actual (GH¢)	Variance (GH¢)
GOG-Compensation	6,707,803.19	6,093,068.50	(614,734.69)
		4,390,673.16	(1,874,927.34)
DACF – Assembly	6,265,600.50		
DACF – MP	538,712.55	1,029,657.72	490,945.17
DACF – PWD	200,000.00	113,930.57	(86,069.43)
		22,063.70	(27,936.30)
DACF- MSHAP	50,000.00		
HIPC	1,034,417.84	60,000.00	(974,417.84)
Other Donors Support Transfers	59,098.63	59,098.63	-
GKMA	150,000.00	-	(150,000.00)
		35,545	
Goods and Services- Decentralized Department	95,000.00	.60	(59,454.40)
District Development Facility	2,298,056.62	-	(2,298,056.62)
UDG Transfer Capital Development Project	31,879,310.67	26,206,088.93	(5,673,221.74)
TOTAL	49,303,000.00	38,010,126.81	(11,267,873.19)

16. The unfavourable variance of GH¢11,267,873.19 occurred partly because of District Development Facility and GKMA funds which were not released to the Assembly. This had affected the execution of programmes and developmental projects earmarked for the year.

Expenditure Performance

17. The total expenditure incurred by the Assembly from its DACF and other funds amounted to GH24,646,799.43 as against total budgeted expenditure of GH¢49,303,000.00. The actual expenditure incurred in the year 2023, was less than the planned expenditure by GH¢24,656,200.57. Details are shown below:

Expenditure Heads	Budgeted (GH¢)	Actual (GH¢)	Variance (GH¢)
Established Post	6,707,803.19	6,093,068.50	614,734.69
		4,483,383.25	
District Assembly Common Fund	6,265,600.50		1,782,217.25
MP's Common Fund	538,712.55	444,431.40	94,281.15
Disability Fund[PWD]	200,000.00	71,397.00	128,603.00
MSHAP	50,000.00	25,392.25	24,607.75
DDF	2,298,056.62	1,070,405.31	1,227,651.31
MAG	59,098.63	-	59,098.63
GOG- Decent. Depts	120,000.00	26,741.80	93,258.20
		12,331,979.92	
UDG	31,879,310.67		19,547,330.75
GKMA	150,000.00	-	150,000.00
HIPC/SIF	1,034,417.84	100,000.00	934,417.84
Total	49,303,000.00	24,646,799.43	24,656,200.57

18. The favorable variance of GH¢24,656,200.57 occurred mainly due to UDG expenditure which fell below the budgeted figures by GH¢19,547,330.75, representing 79.38 percent of the overall variance.

Financial /Operational Results

19. The Assembly for the period under review received a total amount of GH¢38,010,126.81 from the Administrator of DACF and other earmarked funds. The relative expenditure for the period was GH¢24,646,799.43 resulting in a positive variance [suplus] of GH¢13.363,327.38.

DACF Releases and deductions

20. The total Gross DACF Receipts for the period under review amounted to GH¢4,412,736.86. Out of this figure, an amount of GH¢1,124,815.28 relates to the year 2022 which was received in 2023. Details below:

DACF Receipts	4thQuarter 2022	1stQuarter 2023	2ndQuarter 2023	3rdQuarter 2023	TOTAL [GH¢]
Gross	1,124,815.28	1,038,291.02	1,124,815.28	1,124,815.28	4,412,736.86
<i>Less: Deductions instructed by the Assembly</i>					
Fumigation Revised 30% upwards	74,750.00	57,500.00	74,750.00	74,750.00	281,750.00
30% increase (FUM) 2 nd Qtr 2022	17,250.00	-	17,250.00	17,250.00	51,750.00
NALAG Dues	3,599.41	3,322.52	3,599.41	3,599.41	14,120.75
SIP Revised by 30% upwards	93,437.50	71,875.00	93,437.50	93,437.50	352,187.50
30% increase (SIP) 2 nd Qtr 2022	21,562.50	-	21,562.50	21,562.50	64,687.50
Aids/HIV	5,624.08	5,191.46	5,624.08	5,624.08	22,063.70
Total Deductions	216,223.49	137,888.98	216,223.49	216,223.49	786,559.45
NET	908,591.79	900,402.04	908,591.79	908,591.79	3,626,177.41

21. Total DACF deductions for 2023 was GH¢786,559.45 representing 17.82 percent of the total gross share. The net amount was GH¢3,626,177.41.

Gross Receipts-Member of Parliament's Common Fund [MP's CF]

22. The total Gross Receipts for Member of Parliament's Common Fund [MP's CF] for the period under review amounted to GH¢398,362.66. Out of this figure, an amount of GH¢244,020.2 which related to 2022 was received in 2023. The amount therefore received for 2023 was GH¢156,364.46. There were no deductions for the period as shown below:

Quarter	2022	2023	GRAND TOTAL GH¢
3rd qtr. 2022	96,887.17	-	96,887.17
4th qtr. 2022	145,111.03	-	145,111.03
1st. Qtr. 2023	-	78,182.23	78,182.23
2nd Qtr. 2023	-	78,182.23	78,182.23
TOTAL	244,020.2	156,364.46	398,362.66

Cash Management

DACF

Unsubstantiated Payments -GH¢14,550.00

23. We noted that Management of Suame Municipal Assembly made a total payment of GH¢14,550.00 from DACF Fund for various activities but were not supported with relevant expenditure documents such as receipts and reports to authenticate the transactions. Details are shown below:

DATE	PV NO.	PAYEE	DETAILS	AMOUNT [GH¢]	ACTION TO BE UNDERTAKING
27/04/23	13/4/23	MHD	Payment to support the activities of the Municipal Health Directorate	4,550.00	Provide official receipt from the Municipal Health Directorate
18/05/23	15/05/23	MCD	Payment in support of Department of Social Welfare and Community Development Programs	10,000.00	Provide report on sensitization on teenage pregnancy and importance of education
		TOTAL		14,550.00	

24. This contradicts Section 7 of the Public Financial Management Act, 2016 (Act 921), and Regulation 78 of the PFMRs, 2022 (L.I.2378) which instructs the Principal Spending Officer of a covered entity to be 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 also ensure that evidence of the service received, certificates for work done and any other supporting documents exist.

25. Management explained that the receipt and the report were kept in separate files and were not attached to the payment vouchers.

26. Payments not properly substantiated could lead to payment for goods not supplied or services not rendered to the Assembly.

27. We recommended for the recovery of the amount of GH¢14,550.00 from the Municipal Coordinating Director and the Municipal Finance Officer.

28. Management responded that the receipt was attached to the payment voucher but could not produce them for audit scrutiny.

Failure to fully utilize PWD and MSHAP funds - GH¢87,284.67

29. Section 7 of the Public Financial Management Act 2016, (Act 921) states amongst others that a Principal Spending Officer of a covered entity shall ensure the regularity and proper use of money appropriated in that covered entity.

30. Guidelines for the Disbursement and Management of the District Assembly Common Fund Allocation to Persons with Disability (NCPD/GFD, 2010) state among others to;

(a) Minimization of poverty among all PWDs particularly those outside the formal sector of employment

(b) The enhancement of their social image through dignified labour.

31. Contrary to the guidelines, and Section 7 of the Public Financial Management Act 2016, (Act 921), we noted that the Assembly, had not fully utilized the PWD and MSHAP Funds allocated to them as at 31 December 2023. Details as per bank statements are provided below:

FUND	PWD	MSHAP	TOTAL
Balance as at 31 December 2023	75,337.93	11,946.74	87,284.67

32. Management explained that the payment to the beneficiaries' process could not be completed before the audit. The Disability Fund Management Committee had to approve disbursement before payment could be made.

33. Non-utilization of program funds defeats the purpose for which the funds were released.

34. We recommended that management of the Assembly should initiate necessary action to disburse the funds on the planned activities.

35. Management responded that the cheques were written in the names of the individual beneficiaries. Some did not take the cheques immediately to the bank.

Acknowledgement

36. We wish to express our gratitude to the Municipal Chief Executive and his Management Staff for their co-operation during the period of audit.


DISTRICT AUDITOR
DISTRICT 'D' KUMASI
(ANTWI DUAH)
DIRECTOR OF AUDIT