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In case of reply the
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AUDIT SERVICE GHANA
Good Governance and Accountability

P. O. Box 76
Bekwai-Ashanti

23 March, 2022

BOSOME FREHO DISTRICT ASSEMBLY
RECEIVED
DATE 05-04-22
BOX 365, KONONGO-ASH.

The District Chief Executive
Bosome Freho District Assembly
Asiwa- Ashanti

MANAGEMENT LETTER ON THE AUDIT OF THE ACCOUNTS OF BOSOME FREHO DISTRICT ASSEMBLY-DISTRICT ASSEMBLY COMMON FUND (DACF & MP's COMMON FUND) AND OTHER RELATED FUNDS FOR THE PERIOD 01 JANUARY TO 31 DECEMBER 2021

Introduction

We have, in accordance with the statutory mandate in Article 187 (2) of the Constitution and section 11 (1) of Act 584 (Audit Service Act, 2000), conducted our audit on the accounts and other related records of the Bosome Freho District Assembly-Common Fund (DACF & MP Common Fund) and other related Funds for the Period 01 January to 31 December 2021.

2. We submit, for your comments and necessary action, the following observations made during the audit. The observations were discussed with management whose responses were considered in writing this report.

3. Further, in line with Section 29(1) of the Audit Service Act, 2000, we look forward to receiving your reply within 30 days on your receipt of this report.

4. Your failure to provide responses to this Management Letter within 30 days will compel the Auditor-General to withhold your emoluments and allowances in accordance with Section 29(2) of Act 584.

Key Management personnel

5. The following personalities were responsible for the administration and the financial operations of the Assembly during the period covered by the audit:

Name	Designation	Period
Hon. Yaw Danso	District Chief Executive	01/01/21 - 31/12/21
Mr. Samuel Kyei-Baffour Frimpong	Dist. Co-ordinating Director	01/01/21 - 31/12/21
Mr. Ewuntomah Issah	District Finance Officer	01/01/21 - 31/03/21
Mr. Anthony Yiyugsah	District Finance Officer	01/04/21 - 31/12/21
Mr. James Boafo	District Planning Officer	01/01/21 - 31/12/21
Mr. Jesse A. Ampong	District Budget Analyst	01/01/21 - 31/12/21
Mr. Terry Budu	District Works Engineer	01/01/21 - 31/12/21
Mr. Frederick Akuffo	District Internal Auditor	01/01/21 - 31/12/21
Mr. Smith Sitsofe Tsevi	Dist. Procurement Officer	01/01/21 - 31/12/21

Audit Objectives

6. The accounts were examined to ascertain whether:

a) The accounts have been properly kept;

b) All public moneys have been fully accounted for, and the rules and procedures applicable are sufficient to secure an effective check on the assessment and collection.

c) Essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public property.

Scope of Audit

7. The scope of audit was financial and operational in nature and covered the period from 1 January 2021 to 31 December 2021.The audit was performed to ensure that financial data was properly recorded and adequate operational procedures exist in the cash receipt function. Our audit includes cash management, procurement, contract and project management as well as validation of financial statements.

Methodology

8. The methodology adopted was in accordance with the standards for an applicable laws and regulations and include reviewing and documenting relevant systems to establish the design and operation, effectiveness of procedures.

9. We evaluated the adequacy and appropriateness of accounting procedures and practices to ascertain whether accounting transactions were accurate, complete and fully disclosed in the records of the Assembly.

10. We also interviewed officers involved in the financial and administrative functions of the Assembly to gather our audit evidence.

Audit criteria

11. We derived our audit criteria, norms, and standards from sources such as the Local Governance Act, 2016 (Act, 936), Financial Memoranda (FM) for MMDAS, Value Added Tax Act 2012 (Act 870), Public Procurement (Amendment) Act (PPA), 2016 (Act, 914) Income Tax Act 2015, (Act 896) Public Financial Management Act, 2016 (Act, 921), (Act, 896) Ministry of Finance Store Regulations (SR), 1984 and Generally Accepted Accounting Principles (GAAP). We also relied on the Audit Service Act, 2000 (Act, 584), Audit Service Financial and Risk Based Audit Manual, INTOSAI and International Standards on Auditing (ISA).

Limitation of responsibility

12. We reviewed the systems and controls operated by key management Personnel over the DACF and other funds 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 exist or improvements that could be made.

13. We have prepared this report solely for use by management of Bosome Freho District Assembly and for use by Parliament, the Ministry of Local Government and Rural Development and the Local Government Service Secretariat. Its contents should not be disclosed to any other party without our consent. We shall not accept any responsibility for reliance the other party might place upon it.

Internal Control

14. Controls instituted were quite adequate except some few lapses that have been identified in the subsequent paragraphs.

Summary of Significant Findings and Recommendations

15. Management manually processed thirteen (13) expenditures totaling GH¢132,938.01 outside the GIFMIS Platform, contrary to Section 25 (6) of the Public Financial Management Act, 2016 (Act 921). We recommended that management (District Co-ordinating Director, Mr. Kyei Baffour Frimpong, the Budget Officer, Mr. Jesse Ankah-Ampong and the District Finance Officer, Mr. Anthony Yiyugsah) should ensure that expenditures are processed through the GIFMIS Platform.

16. Management failed to corroborate six payments totaling GH₵16,447.00 with adequate expenditure supporting records, contrary to Regulation 78 of the Public

Financial Management Regulations, 2019 (L.I 2378). We recommended to the District Co-ordinating Director, Mr. Kyei Baffour Frimpong to support the payments with the requisite records within 30 days of this report or refund the amount of GH₵16,447.00 into the Common Fund account.

17. Contrary to Regulation 78 of the Public Financial Management Regulations, 2019 (L.I 2378), management did not account for an amount of GH₵9,457.60 out of a total disbursement of GH₵81,130. We recommended to the District Co-ordinating Director, Mr. Kyei Baffour Frimpong to provide the remaining records to cover the outstanding amount of GH₵9,457.00 within 30 days of this report or refund the amount involved into the DACF account.

18. Contrary to Section 7 of the Public Financial Management Act, 2016 (Act 921), we noted that management overpaid the contract sum of GH₵48,740.64 for Chlorine and snake repellent purchased from SONESIS VENTURES by GH₵11,259.36. We recommended to the District Co-ordinating Director, Mr. Kyei Baffour Frimpong to recover the overpayment of GH₵11,259.36 from the supplier immediately or refund the amount involved into the Common Fund.

19. We noted that, management misapplied the DACF amount of GH₵135,490.00 for the excavation and site clearing of Agenda 111 project (District Hospital) outside the scope of the 2019 DACF outlines and approved budget. We recommended to the DCD, Mr. Kyei Baffour Frimpong to refund the amount of GH₵135,490.00 into the DACF account immediately.

Details of Significant Findings and Recommendations

FUND ACCOUNTABILITY AND BUDGET PERFORMANCE:

20. The financial records showed that, between January and December 2021, the Assembly received a total amount of GH¢2,724,112.87 in respect of Assembly's Share of DACF, MP's Common Fund, PWD and MSHAP against a budgeted estimate of GH¢5,460,852.71. The amount received represented 49.88% of the estimated figure. The Assembly, however, incurred a total expenditure of GH¢1,943,082.77 representing 71.33% of the total revenue received or 35.58% of the corresponding budget estimate of GH¢5,460,852.71. Details are indicated in the table below:

Details	**Budget Estimate**	**Actual Amount**	**Budget Performance** ***(Actual/Budget*100)***
Revenue	GH¢	GH¢	%
Assembly's Share of DACF	3,696,391.00	1,432,480.91	38.75%
DACF-Response factor grant	1,114,461.71	905,161.00	81.21%
MP's Share	450,000.00	294,652.07	65.47%

DACF- PWD	200,000.00	89,843.57	44.92%
HIV/AIDS	-	1,975.32	-
Total Revenue	5,460,852.71	2,724,112.87	49.88%
Expenditure			
Assembly's Share of DACF	3,667,909.04	1,263,885.70	34.46%
DACF-Response factor grant	1,114,461.71	481,950.75	43.24%
COVID-19	-	10,000.00	-
MP's Share	450,000.00	130,213.40	28.93%
DACF- PWD	210,000.00	52,097.92	24.80%
HIV/AIDS	18,481.96	4,935.00	26.70%
Total Expenditure	**5,460,852.71**	**1,943,082.77**	**35.58%**

21. The succeeding paragraphs contain infractions or irregularities associated with the receipt and utilisation of the DACF and other related funds as tabulated from above.

SYSTEM OF ACCOUNTING AND INTERNAL CONTROL:

Manual Processing of Financial Transactions outside the GIFMIS Platform- GH¢132,938.01

22. Section 25 (6) of the Public Financial Management Act, 2016 (Act 921) provides that where a covered entity enters into a contract or any other arrangement that commits or purports to commit Government to make a payment, the contract or arrangement shall be approved by the Principal Spending Officer of that covered entity and the Principal Spending Officer shall enter the contract or arrangement into the Ghana Integrated Financial Management Information System (GIFMIS).

23. On the contrary, we noted that, management manually processed and paid thirteen (13) expenditures totalling GH¢132,938.01 outside the GIFMIS platform. Details are provided below:

No.	**MMDA**	**Period of operation outside GIFMIS**	**No. of PVs**	**Fund Source**	**Reason for non-compliance**	**Total Amount**
1	Bosome Freho Dist. Assembly	Nov. 2021	1	MP	Network challenge	9,734.40
3	-do-	Nov-Dec	12	DACF	-do-	23,203.61
Total						132,938.01

24. Managements attributed the cause of this infraction to network challenges.

25. The cause could be a deliberate action by management not to use the system despite a notification letter addressed to Controller and Accountant-General about the network challenges.

26. This anomaly has the tendency of misleading stakeholders of issues relating to expenditure appropriations, expenditure ceilings, payments and reporting in the GIFMIS.

27. We recommended to the key management personnel (District Co-ordinating Director, Mr. Kyei Baffour Frimpong, the Budget Officer, Mr. Jesse Ankah-Ampong and the District Finance Officer, Mr. Anthony Yiyugsah) to ensure that expenditures are processed through the GIFMIS platform to prevent over expenditure and misapplication of funds.

28. Management stated that the GIFMIS had nation-wide challenges as well as network connectivity failures, nonetheless, our recommendation was noted for compliance.

CASH MANAGEMENT

Unjustified Payments-GH₵16,447.00

29. Regulation 78 of the Public Financial Management Regulations, 2019 (L.I 2378) states, "a Principal Spending Officer of a covered entity is personally responsible for ensuring in respect of each payment of that covered entity, (a) the validity, accuracy, and legality of the claim for the payment, (b) that evidence of services received, certificate for work done and any other supporting documents exists".

30. However, management of the Assembly did not provide the necessary expenditure records to support or justify six (6) payments totalling GH₵16,447.00. We noted that:

a) expenditures relating to the previous year (2020) were not validated in the 2020 financial year as part of the indebtedness of the Assembly,

b) relevant supporting documents were not provided to authenticate fuel, drinks and other expenses,

c) detailed job order forms and records of work or services rendered were not provided to corroborate repairs and maintenance payments. Details are provided in the table below:

S/N	Date	Pv No	Detail	Payee	Gross Amount	Remark
1		52/11	payment towards environmental assessment of Assembly project	DCD	5,387.00	Expenditure relates to 2020. Not captured in the audited 2020 financial statement
2	16/12/21	17/12	cost of replacing official veh. Parts	Agalibabs Ent.	4,000.00	No report on diagnosis of fault on vehicle. Inspection report was not signed. Occurrence is doubtful. Refund
3	16/12/21	20/12	funds to do follow up on project by DCE	DCD	3,000.00	Not common Fund-related expenditure. Follow up on GETFUND Secretariate & Min. of Local Govt vague, No proof of activity Refund
4	22/12/21	30/12	cost of T&T for former DFO to assist with issues of DPAT Assessment	DCD	400.00	No evidence of activity. Refund
5	22/12/21	33/12	Payment for fuel, drinks and water for commission of class room at Tebeso 1	DCD	2,160.00	Expenditure was not retired. Refund amount.
6		41/12	payment for fuel	DCD	1,500.00	Official assignment is vague. Benefit to the Assembly cannot be measured. Expenditure is disallowed
TOTAL		**16,447.00**				

31. No reason was assigned for the lapse.

32. Consequently, the occurrence of those activities was doubtful and could be exploited for private gains at the expense of the Assembly.

33. We recommended to the District Co-ordinating Director, Mr. Kyei Baffour Frimpong to support the payments with adequate records within 30 days of this report or refund the amount of GH₵16,447.00 into the Common Fund account.

34. Management responded that, at the time of payment processing, the relevant supporting documents were attached to justify and authenticate the payments for the various transactions but when collating documents for submission, some of the

attachments were detached but have now been attached. They, however, could not provide same during our follow-up audit inspection.

Payment for Farmers' Day Celebration Not Accounted for -GH₵9,457.60

35. Regulation 78 of the Public Financial Management Regulations, 2019 (L.I 2378) states, "A principal Spending Officer of a covered entity is personally responsible for ensuring in each payment of that covered entity, (a) the validity, accuracy and legality of the claim for the payment, (b) that evidence of services received, certificates for work done and any other supporting documents exist".

36. Contrary to the above quoted regulation, management did not account for an amount of GH₵9,457.60 out of a total of GH₵81,130.00 disbursed vide a payment voucher number 1/11/2021 for the celebration of Farmers' Day. Details are furnished in the table below:

Date	PV No.	Payee	PV Amount	Value of Attachment	Difference
11/11/2021	1/11/2021	DCD	81,130.00	71,672.00	9,457.00

37. Management did not assign any reason for this lapse.

38. As a result of this accountability gap, the amount of GH₵9,457.60 remains unaccounted.

39. We recommended to the District Co-ordinating Director to provide the expenditure records within 30 days of this report or refund the amount of GH₵9,457.60 into the DACF account.

40. Management responded that the relevant supporting documents have been attached and the amount accounted for, however, they could not provide same during our follow-up audit.

Over payment of Contract Sum -GH₵11,259.36

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

42. In contravention of the above provision, the District Co-ordinating Director overpaid the contract sum of GH₵48,740.64 for Chlorine and snake repellent paid vide payment voucher number 65/11/21 of 30/11/202 by GH₵11,259.36. Details are listed in the table below:

Date	PV No.	Payee	Contract sum	Amount Paid	Difference
30/11/2021	65/11/2021	Sonesis Ventures	48,740.64	60,000.00	11,259.36

43. The District Finance Officer said the payment was in respect of two separate contracts but could not substantiate this claim with any document.

44. This irregularity, resulted in the overpayment of GH₵11,259.36 for no work done, constituting a financial loss to the Assembly.

45. We recommended to the District Co-ordinating Director, Mr. Samuel Kyei Baffour Frimpong to refund the amount of GH₵11,259.36 into the Common Fund immediately.

46. Management responded that, an amount of GH₵48,740.64 was in respect of payment of chlorine and snake repellent while the GH₵11,259.36 was payment of fuel and feeding and that, the supporting documents were detached during submission of documents for audit which have been attached. This claim was however not supported with any payment records.

Irregular Payment for Excavation and Site Clearing for 111 Project-GH₵135,490.00

47. We noted that, management expended an amount GH₵135,490.00 via three (3) paid vouchers for excavation and site clearing in respect of Agenda 111 project (District Hospital). However, the project in question constitutes a component in the cost buildup of the original contract sum awarded by the Central Government and did not conform to the approved DACF budget of the Assembly. Details of this payment are shown in the below:

S/N	Date	P.V number	Detail	Payee	Amount GH₵
1	11/11/2021	49/11	cost of clearing 20arce sit for dist. Hospital	Aduss Holy Family Co. Ltd.	35,000.00
2	-do	50/11	certificate No.2 towards clearing of 20-acre site for dist. Hospital	Aduss Holy Family Co. Ltd.	15,250.80
3	-do	51/11	Excavation to reduce level for the construction of dist. Hospital	Amaniampong company Ltd	85,240.16
	Total				**135,490.96**

48. This infraction validates Section 7 of the Public Financial Management Act, 2016 (Act 921) which requires a principal spending officer of a covered entity to ensure the regularity and proper use of money appropriated in that covered entity.

49. Even though, management posited that the Assembly received a directive to pay for the said activity from the Common Fund, they could not provide any record concerning the directive and contract document to support this assertion.

50. The discretionary payment of GH₵135,490.00 which fell outside the DACF budget, constitutes misapplication of funds and a conduit for fictitious payments.

51. We recommended to the DCD, Mr. Kyei Baffour Frimpong to provide proper records and other details, justifying the expenditures or the amount of GH₵135,490.00 would be disallowed and surcharged the DCE, Hon. Danso, the DCD, Mr. Kyei Baffour and the DFO, Mr. Anthony Yiyugsah in accordance with section 17 of the Audit Service Act, 2000 (Act 584).

52. Management responded, upon engagement with Agenda 111 team, they were asked to bear the cost of site preparation (clearing, excavation, cutting and levelling to specific dimensions). However, they could not provide any record to support this assertion.

UTILIZATION OF DACF:

53. During the year under review, the Assembly received a net DACF amount of GH¢453,962.00 out of a total gross DACF allocation of GH¢720,810.80. An amount of GH¢266,848.80 was however deducted at source in respect of Fumigation services, NALAG Dues, Sanitation Improvement Package, and HIV/AIDS. Details are provided in the table below:

Details	**2020**	**2021**			**Total**
DACF	**4th Qtr. (GH¢)**	**1st Qtr. (GH¢)**	**2nd Qtr. (GH¢)**		**GH₵**
Gross Releases	288,324.32	288,324.32	144,162.16		720,810.80
Deductions:					
Fumigation	50,312.50	50,312.50	25,156.25		100,625.00
NALAG Dues	1,264.20	1,264.20	632.10		2,528.40
SIP	53,187.50	53,187.50	26,593.75		106,375.00
HIV/AIDS	1,975.32	1,975.32	987.66		3,950.64
Total Deductions	106,739.52	106,739.52	53,369.76		266,848.80
Net Releases	181,584.80	181,584.80	144,162.16		453,962.00
MP's Common Funds	3rd Qtr. 2020	No narration	4th Qtr. 2020	2nd Qtr. 2021	
Gross Releases	55,461.41	67,320.27	79,015.89	92,854.50	294,652.07

Total Deductions	-	-	-	-	-
Net Releases	**55,461.41**	**67,320.27**	**79,015.89**	**92,854.50**	**294,652.07**

54. With respect to the MP's Common Funds, a total amount of GH¢294,652.07 was received on behalf of the Member of Parliament for Asiwa Constituency with no deduction at source.

55. We have not identified any significant observation regarding the receipt and utilization of these funding sources listed from above.

Follow-Up on Previous Report

56. Kindly refer to the table below, for the outstanding issues contained in our previous audit reports referencing, ABK/GV/LA/15/66 dated 25 February 2021, ABK/GV/LA/15/59 dated 19 March, 2020 and ABK/GV/LA/16/46 of 13 March, 2019.

Reference No. & Date	Para. No.	Findings
ABK/GV/LA/15/66 dated 25 February, 2021	22-27	Manual Processing of Financial Transactions outside the GIFMIS Platform
ABK/GV/LA/15/66 dated 25 February, 2021	28-33	Belated Issue of Expenditure Warrants
ABK/GV/LA/15/66	34-41	Misuse of Honour Certificates-GH₵54,620.00
ABK/GV/LA/15/66	42-48	Payment in Excess of Amount actually Due and Payable - GH₵12,750.00
ABK/GV/LA/15/66	49-56	Goods and Services Procured not accounted for- GH₵25,733.52
ABK/GV/LA/15/66	59-68	Source deductions not recorded in the book of accounts- GH₵621,000.00
ABK/GV/LA/15/67	71-77	Uncorroborated payment of value added tax-GH₵8,236.51
ABK/GV//LA/15/59 dated 19 March, 2020	35-41	Depletion of Contract Retention Funds- GH¢114,995.04
ABK/GV//LA/15/59 dated 19 March, 2020	46-52	Certification of Fumigation Works without Recourse to Contract Specification- GH¢157,780.00
ABK/GV//LA/15/59 dated 19 March, 2020	53-58	Payment for Ineffective Sanitation Services Rendered and without Evidence of Performance
ABK/GV//LA/15/59 dated 19 March, 2020	76-82	Delayed and Abandoned Projects- GH¢527,064.18
ABK/GV//LA/16/46 of 13 March, 2019.	6.3	Inadequacies in Contracts Signed between Zoomlion Ghana Limited and Bosome Freho Assembly
ABK/GV//LA/16/46 of 13 March, 2019.	6.4	Payment to Zoomlion Ghana Ltd. Under Sanitation Improvement Package for no work done
ABK/GV//LA/16/46 of 13 March, 2019.	9.1	Third party Certification of Fumigation Services not Provided

57. We requested that the DCD, Mr. Kyei Baffour Frimpong should expedite action on the previous issues.

Acknowledgement

58. We thank management and the entire staff for their assistance and co-operation accorded the Audit Team during the audit.

EMMANUEL MYLES MILLS
DIRECTOR OF AUDIT
BEKWAI-ASHANTI

Cc:

The Auditor-General
Audit Service
Accra

The Regional Auditor
Audit Service
Kumasi

The Regional Minister
Regional Coordinating Council
Kumasi-Ashanti