

AUDIT SERVICE

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_____ Kumbungu _____

10 March, 20 _____

The District Chief Executive
Kumbungu District Assembly
Kumbungu



MANAGEMENT LETTER ON THE AUDIT OF THE DISTRICT ASSEMBLY COMMON FUND (DACF) AND OTHER STATURORY FUNDS OF THE KUMBUNGU DISTRICT ASSEMBLY FOR THE PERIOD 1 JANUARY 2024 TO 31 DECEMBER 2024

Introduction

We have audited the District Assembly Common Fund and other statutory Funds of the Kumbungu District Assembly, for the period 1 January 2024 to 31 December 2024 in accordance with our mandate under Article 187 (2) of the 1992 Constitution of the Republic of Ghana and Section II (1) of the Audit Service Act 2000, (Act 584).

- 2 We wish to bring to your attention and for your necessary action the following significant findings and recommendations made during the audit. We have discussed these matters with the key personnel concerned whose comments and responses where appropriate, have been incorporated in this management letter. Minor issues discussed have been left out.

3. We shall be grateful to receive your response within 30 days upon receipt of this management letter as contained in Section 29 (1) of Part III of the Audit Service Act, 2000 (Act 584). Failure or refusal to reply to this management letter within the specified period shall, if the Auditor-General directs, result in withholding of emoluments and allowances of the key personnel of the Assembly for so long as they fail to comply.
4. All unresolved issues after the 30 days of receipt of this report would lead to disallowance and surcharge by the Auditor-General in line with Article 187 (7) of the 1992 Constitution of the Republic of Ghana, where applicable.

Key personnel

5. The following officials were responsible for the administrative and financial affairs of the Assembly during the period under review:

Name	Position	Staff ID	Period
Hon. Abdul Salam Hamza Fatawu	DCE	186866	01/01/24-31/12/24
Mr. Alhassan Abdulai	DCD	708930	01/01/24-06/06/24
Ms. Ruhaima Salisu	DCD	740791	06/06/24-31/12/24
Mr. Soaliu B Mohammed	DFO	760440	01/01/24-31/12/24
Mr. Tahiru Iddrisu	DIA	663669	01/01/24-31/12/24
Mr. Tanko Sahada	DBO	813597	01/01/24-31/12/24
Ms. Belinda Bukari	DDPO	934923	01/01/24-31/12/24
Mr. Inusah Abdulai	SHRM	922603	01/01/24-31/12/24
Mr. Yakubu Abubakari	DWE	689732	01/01/24-31/12/24
Mr. Peter Addea	DEHO	20573	01/01/24-31/12/24
Mr. Alhassan Osman	DPPO	522653	01/01/24-31/12/24

Mr. Issaka Abdul kudas	DPO	-	01/01/24-27/04/24
Mr. Issahaku Abdul-Jabiru	DPO	-	27/04/24-31/12/24

Audit objectives

6. The objectives of the audit were:

- i) To ascertain whether the accounts of the Kumbungu District Assembly have been properly kept;
- ii) To determine whether all monies due the Kumbungu District Assembly have been fully accounted for, and rules and procedures applicable, were sufficient to ensure an effective check on the assessment, collection and proper allocation of the revenue;
- iii) To ascertain whether the operations are in accordance with applicable laws and regulations;
- iv) To ascertain whether funds have been expended for the purposes for which they were appropriated and the expenditures have been made as authorized;
- v) To determine whether programmes and activities have been undertaken with due regard to economy, efficiency and effectiveness in relation to the resources utilized and results achieved;
- vi) To assess whether essential records are maintained and the rules and procedures applied are sufficient to safeguard and control Kumbungu District Assembly's assets;
- vii) To ascertain the level of achievement of set targets and goals.

Scope of audit

7. Our audit covered a review of internal controls, budgetary controls, cash management, procurement and contract management, payroll, transport, and assets management. We also inspected completed and on-going projects of the Assembly. We further reviewed management's responses to our previous report.

Audit methodology and strategy

8. We adopted the risk-based audit approach. To ascertain the facts, we obtained data from documents and interviewed key personnel about their financial and administrative duties and responsibilities. We also, conducted the audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and International Standards on Auditing (ISAs).

Audit Framework and Standards

9. The audit criteria and standards were derived from the 1992 Constitution of the Republic of Ghana, legislative instruments and Acts of Parliament such as the Audit Service Act, 2000 (Act 584), Public Financial Management Act, 2016 (Act 921), Public Financial Management Regulations, 2019 (L. I. 2378), Public Procurement Act, 2003 (Act 663), Public Procurement (Amendment) Act, 2016 (Act 914), Public Procurement Regulations, 2022 (L.I 2466), Income Tax Act, 2015 (Act 896), Value Added Tax (VAT) Act, 1998 (Act 546), VAT Amendment Act 2013, (Act 870), VAT(Amendment) Act, 2017 (Act 948), VAT Regulations, 1998 (L. I. 1646), National Pensions Act, 2008 (Act 766), Local Governance Act, 2016 (Act 936), Revenue Administration Act, 2016 (Act 915), Financial Memoranda for MMDAs, 2004, Guidelines for the utilization of the DDF, DACF, PWD and MPs accounts, Rules, Circulars & Instructions, Generally Accepted Accounting Principles (GAAP). We also relied on the Audit Service value for money and accounting standards for our audit. The audit also ensured that in undertaking

transactions; economy, efficiency and effectiveness formed part of the guiding principles.

Limitation of responsibility

10. We reviewed the systems and management controls operated in the Kumbungu District Assembly only to the extent we considered necessary for the effective performance of the audit. As a result, our review may not be adequate to detect all weaknesses that exist or all improvements that could be made. We have prepared this report solely for the use of the Kumbungu District Assembly and other statutory bodies which we are mandated by law to receive copies of our report. Its contents should not be disclosed to any third parties without our consent. We will not accept responsibility for any reliance a third party might place upon it.

FINANCIAL REPORTING

Allocation of Common Fund to the Assembly

11. In compliance with Section 129 (b) of the Local Governance Act, 2016 (Act 936), the Administrator of District Assemblies Common Fund (DACF) disbursed a total amount of GH¢1,541,622.36 to Kumbungu District Assembly. Out of this amount, GH¢519,791.32 was deducted at source with the Assembly receiving a net inflow of GH¢1,021,831.04 or 66.28 per cent. Details are provided below:

PERIOD	SHARE	NALAG DUES	AIDS/HIV	SIP	FUMIGATION	NET
4 th Quarter 2023	385,405.59	1,233.30	1,927.03	53,187.50	50,312.50	278,745.26
1st Quarter 2024	385,405.59	1,233.30	1,927.03	69,143.75	65,406.25	247,695.26
2nd Quarter 2024	385,405.59	1,233.30	1,927.03	69,143.75	65,406.25	247,695.26
3rd Quarter 2024	385,405.59	1,233.30	1,927.03	69,143.75	65,406.25	247,695.26
Total	1,541,622.36	4,933.20	7,708.12	260,618.75	246,531.25	1,021,831.04

12. The amount of GH¢260,618.75 deducted at source was in favour of ZoomLion Ghana Limited (ZGL) for Sanitation Improvement Packages (SIP) and fumigation services (GH¢246,531.25), HIV/AIDS funds (GH¢7,708.12) and NALAG dues (GH¢4,933.20).

Fund balance - GH¢135,791.60

13. The fund balance of the Assembly stood at GH¢135,791.60 as at 31 December, 2024. The individual account balances were duly reconciled with their respective bank statements.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

14. The following are the summary of audit findings and recommendations:

- i. We noted from our review of PV No. 04/07/24 of 22/07/24 that, Management paid a total of GH¢9,312.00 to Baba Azinga Enterprise for servicing of the Assembly's vehicles without preparing certificates of satisfactory work done to authenticate the payments in contrast with Regulation 79 (1) of the Public Financial Management Regulation, 2019 (L.I 2378).

We recommended to Management to ensure that all payments for repairs and maintenance works are always supported with certificate of satisfactory performance before payments are made.

- ii. We noted that, Management paid a total amount of GH¢38,723.00 from the MPCF in respect of five payment vouchers for various works

undertaken without any inspection reports certifying the work done by the contractors in contravention of Regulation 79 of the Public Financial Management Regulations, 2019 (L.I.2378).

We recommended to Management to always ensure that an independent inspection is done and reports certifying the quality of work done are prepared before payments are made in future transactions.

- iii. We noted that the Assembly paid a total amount of GH¢86,803.20 for the execution of 2 projects but these projects were delayed between 36 and 44 months and were at various stages of completion in contrast with Section 52 of the Public Financial Management Act, 2016 (Act 921).

We recommended to Management of the Assembly to put the awarding of new projects on hold and use all the available resources at their disposal to complete the existing stalled projects for the benefit of the communities before awarding new projects.

- iv. We noted contrary to Section 43(1) of the Public Procurement Act, 2003 (Act 663) as amended that Management made payment totaling GH¢127,075.80 to three different contractors and/or suppliers on three paid vouchers in respect of works and procurement of goods and services without obtaining alternative quotations from at least three different suppliers/contractors.

We urged Management to ensure that at least three quotations are obtained from independent sources before contractors or suppliers are

selected in future transactions. Meanwhile, appropriate sanctions in line with the dictates of Act 663 should be applied against the DCD and DFO.

- v. We noted that Management procured Motorbike and curtains worth GH¢20,672.64 on two payment vouchers but the items procured were not captured in the approved procurement plan of the Assembly for the period under review contrary to Section 21(1) of the Public Procurement Act, 2003 (Act 663) as amended.

We recommended and Management agreed to seek retrospective approval for the transactions involved and to ensure that the Procurement Plan is regularly updated with new projects and programmes identified in the course of the financial year.

- vi. We noted that, Management procured television set and vide PV No. 08/11/24 of 21/11/24 from Ban Bon-Nya Enterprise at a total cost of GH¢16,016.64 without the necessary evaluation report to support the choice of supplier contrary to Section 19 of the Public Procurement Act, 2003 (Act 663) as amended.

We advised Management to desist from the practice and ensure procurements are supported by the required evaluation reports with the view to enhancing transparency and integrity of the procurement process.

- vii. We noted that, Management failed to publish the 2024 procurement plan of the Assembly on the website of the Public Procurement Authority

contrary to Section 21 (3) of the Public Procurement Act, 2003 (Act 663) as amended.

We urged the DCD to ensure subsequent years' procurement plans are published on the website of the Public Procurement Authority.

- viii. We noted from our review of three paid vouchers that, taxes totaling GH¢6,365.00 which were withheld from total payments of GH¢127,304.00 were not remitted to Ghana Revenue Authority contrary to Section 117 (1) of the Income Tax Act, 2015 (Act 896).

We urged Management to remit the tax amount of GH¢6,365.00 to Ghana Revenue Authority and to ensure that taxes withheld in all future transactions are promptly remitted in accordance with the provisions of the tax law.

DETAILS OF FINDINGS AND RECOMMENDATIONS

CASH IRREGULARITIES:

Payments for servicing of vehicles without certification of work done- GH¢9,312.00

15. Regulation 79 (1) of the Public Financial Management Regulation, 2019 (L.I 237) state that the Principal Spending Officer shall, on the completion of works or supply of goods or services, prepare a certification statement in respect of work and stores received, that includes quantity and particulars of works and supply, the method and results of the inspection, and any evidence supporting results.

16. On the contrary, we noted from our review of PV No. 04/07/24 of 22/07/24 that, management paid a total of GH¢9,312.00 from the DACF account to Baba Azinga Enterprise for servicing of the Assembly's vehicles without preparing certificates of satisfactory work done to authenticate the payments.
17. This anomaly was due to failure on the part of management to ensure that all repair works were properly certified before effecting payments to the service provider.
18. The lapse could lead to payment for substandard work and value for money may not be achieved.
19. We recommended to management to ensure that all payments for repairs and maintenance works are always supported with certificate of satisfactory performance before payments are made.
20. Management accepted our recommendation for compliance.

Payments without Inspection Reports - GH¢38,723.00

21. Regulation 79 (1) of the Public Financial Management Regulations, 2019 (L.I.2378) states that, "The Principal Spending Officer shall, on the completion of works or the supply of goods or services, prepare a certification statement in respect of works and stores received, that includes: the quantity and particulars of the works and supply; the method and results of the inspection, and any evidence supporting the results. Also, Regulation 79(4) of the same Regulation further provides that, where certification of works, goods, or services requires specific

expertise, the Principal Spending Officer may appoint an independent person or firm as an inspector".

22. We however noted that, Management paid a total amount of GH¢38,723.00 from the MPCF in respect of five payment vouchers for various works undertaken without any inspection reports certifying the work done by the contractors.

Date	PV No.	Cheque No.	Payee	Details	Amount- GH¢
25/09/24	04/09/24	???	Salpawuni Company Ltd	Installation of street light	18,563.00
31/10/24	13/10/24	640470	DCD	Payment for extension of electricity to Teachers bungalow at Singa	6,900.00
18/11/24	02/11/24	640472	DCD	Payment as support to Kpurim Community in the Zangbalun electoral area for their stand pipe reconnection	2,400.00
03/12/24	01/12/24	640473/75	DCD	Payment for the rehailitation of Bagurugu and Beigu boreholes	2,860.00
05/12/24	04/12/24	640480	DCD	Payment to Satani community to dredge their dam	8,000.00
Total					38,723.00

23. Management attributed the lapse to oversight on its part.

24. The Assembly stands the risk of paying for unexecuted contracts or shoddy works.
25. We recommended to Management to always ensure that an independent inspection is done and reports certifying the quality of work done are prepared before payments are made in future transactions.
26. Management accepted our recommendation for compliance.

CONTRACT IRREGULARITY:

Delayed projects - GH¢86,803.20

27. Section 52 (1) of the Public Financial Management Act, 2016 (Act 921) states 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 that proper control systems exist for the custody and management of the assets.
28. We however noted that the Assembly paid a total amount of GH¢86,803.20 for the execution of 2 projects which were awarded between October 2019 and June 2021 but have stalled for 3 to 5 years now. We also noted that these projects were delayed between 36 and 44 months and were at various stages of completion. Details attach as Appendix "A".
29. Management attributed the lapse to lack of continues flow of funds, Legal issues and misunderstanding between community and contractor.
30. When projects delay or stall, the possibility of cost overruns cannot be ruled out.

31. We recommended to Management of the Assembly to put the awarding of new projects on hold and use all the available resources at their disposal to complete the existing stalled projects for the benefit of the communities before awarding new projects.
32. Management pledged to comply with our recommendation.

PROCUREMENT AND STORES IRREGULARITIES

Uncompetitive procurements – GH¢127,075.80

33. Section 43(1) of the Public Procurement Act, 2003 (Act 663) as amended requires that the procurement entity shall request quotations from as many suppliers or contractors as practicable but shall compare quotations from at least three different sources that should not be related in terms of ownership, shareholding or directorship and the principles of conflict of interest shall apply between the procurement entities and their members and the different price quotation sources.
34. On the contrary, we noted that Management made payment totaling GH¢127,075.80 to three different contractors and/or suppliers on three paid vouchers in respect of works and procurement of goods and services without obtaining alternative quotations from at least three different suppliers/contractors. Details provided below:

Date	PV No.	Details	Supplier	Amount GH¢	Type of Account
22/07/24	04/07/24	Maintenance of Vehicle	Baba Azinga	9,312.00	DACF
08/04/24	01/03/24	Dredging of Dam at Singa	Rakmah Comp. Ltd	60,000.00	MP CF
19/09/24	01/09/24	Const. of Shea Butter processing centre	Abujam Construction Ltd	57,763.80	DPAT
		Total		127,075.80	

35. Management said it was an oversight that caused the lapse.
36. There was therefore no assurance that the Assembly had obtained Value for Money for the above procurements. The procurement lacks transparency, a condition that can result in abuse and inflation of prices to the detriment of the Assembly.
37. To ensure transparency and value for money in future transactions, we urged management to ensure that at least three quotations are obtained from independent sources before contractors or suppliers are selected in future transactions. Meanwhile, appropriate sanctions in line with the dictates of Act 663 should be applied against the DCD and DFO.
38. Management agreed to compliance with recommendation.

Procurements outside procurement plan - GH¢20,572.64

39. Section 20(1) of the Public Procurement Act, 2003 (Act 663) as amended requires a procurement entity to prepare a procurement plan to support its approved programmes and the plan should indicate contract packages, estimated cost of each package, the procurement method, and the processing steps and times.
40. On the contrary, we noted that Management procured Motorbike and curtains worth GH¢20,572.64 on two payment vouchers but the items procured were not captured in the approved procurement plan of the Assembly for the period under review. Below are the details:

Date	PV No.	Details	Supplier	Amount GH¢
21/11/24	8/11/24	Cost of motorbike and TV Set	San Don-Voy Enterprises	21,118.64
20/12/24	15/12/24	Cost of Curtains	ESAPLA Enterprises	4,454.00
TOTAL				25,572.64

41. Management indicated that, the items purchases were capture in the revised procurement plan which was not presented to the Audit Team for review.
42. Unplanned procurements have a consequential effect of throwing the Assembly's budget into disarray since it involves the use of budgeted resources for unplanned activities.
43. We recommended, and Management agreed to seek retrospective approval for the transactions involved and to ensure that the Procurement Plan is regularly

updated with new projects and programmes identified in the course of the financial year. We further recommended sanctions on the DCE and DCD for breaching Act 663 as amended.

Procurements without evaluation reports - GH¢25,470.64

44. Section 19 of the Public Procurement Act, 2003 (Act 663) as amended states, "a procurement entity shall appoint a tender evaluation panel with the required expertise to evaluate tenders and in the performance of its functions, a tender evaluation panel shall proceed according to the predetermined and published evaluation criteria".
45. We however noted that, Management procured television set and vide PV No. 08/11/24 of 21/11/24 from Ban Bon-Nya Enterprise at a total cost of GH¢16,016.64 without the necessary evaluation report to support the choice of supplier.
46. Management said it was an oversight that caused the lapse.
47. This anomaly could facilitate the procurement of substandard goods and works thereby denying the Assembly value for money on its procurement.
48. We advised Management to desist from the practice and ensure procurements are supported by the required evaluation reports with the view to enhancing transparency and integrity of the procurement process.
49. Management accepted our recommendation for compliance

Failure to publish Assembly's procurement plan

50. Section 21 (3) of the Public Procurement Act, 2003 (Act 663) as amended states: "a procurement entity shall submit to its entity tender committee not later than one month to the end of the financial year the procurement plan for the following year for approval and shall post the procurement plan on the website of the Authority."
51. We noted during the audit that, Management failed to publish the 2024 procurement plan of the Assembly on the website of the Public Procurement Authority.
52. Management said it was omission on part of the management led to the lapse.
53. This anomaly prevents the Public Procurement Authority from monitoring the procurement activities of the Assembly.
54. We recommended the sanctioning of offending officers as stipulated under section 92 of Act 663 as amended. We further urged the DCD to ensure subsequent years' procurement plans are published on the website of the Public Procurement Authority.
55. Management accepted our recommendation for compliance.

TAX IRREGULARITY:

Unremitted taxes - GH¢6,365.00

56. Section 117 (1) of the Income Tax Act, 2015 (Act 896) states that, "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".

57. We however noted from our review of three paid vouchers that, taxes totaling GH¢6,365.00 which were withheld from total payments of GH¢127,304.00 were not remitted to Ghana Revenue Authority. Details provided below.

Date	PV No.	Details	Payee	Amount GH¢	5%WHT GH¢	Type of Account
09/07/24	01/07/24	Part payment of stores for District Assembly	Tim - Tum Enterprise	28,500.00	1,425.00	DACF ✓
19/07/24	03/07/24	Payment for the construction of No1 unit classroom block	Abdul-kad Investment	38,000.00	1,900.00	DACF ✓
19/09/24	01/09/24	Payment for the construction of shea butter processing Centre -Zugu	Abuujam Enterprise	60,804.00	3,040.00	DPAT ✓
		Total		127,304.00	6,365.00	

58. Management said it was omission on part of the management led to the lapse.
59. The lapse therefore denied the state of an immediate access to tax revenue of GH¢6,365.00 to carry out its programmes and could also lead to payment of penalties by the Assembly.

60. We urged Management to remit the tax amount of GH¢6,365.00 to Ghana Revenue Authority and ensure that taxes withheld in all future transactions are promptly remitted in accordance with the provisions of the tax law.
61. Management agreed to remit the amount involved to GRA.

Acknowledgement

62. We are grateful to the District Chief Executive and staff of the Assembly for the cooperation and assistance accorded the audit team during the audit.


BASHIRU EBIN OSMAN
DISTRICT AUDITOR
SAVELUGU

Cc The Auditor-General
Audit Service
Accra

The Chief Director
Ministry of Local Government and Rural Development
Accra

The Regional Auditor
Audit Service
Tamale

The Regional Co-ordinating Director
Regional Co-ordinating Council
Tamale

Appendix A

Abandoned/delayed projects - GH¢86,803.20

No	Project Title	Location	Contractor	Contract Sum (GH¢)	Funding Source	Awarded Date	Start Date	Expected Date of Completion	Expenditure to date	Percentage of Work	Outstanding Balance
1.	Construction of 1 No.3-Unit classroom block with office, store and other ancillary facilities	Zangbalun	Sam-Kad Chana Ltd. P.O. Box 382, Tamale	209,281.90	DACF	20 th October 2019	15 th October 2020	3 rd April 2021	-	40%	209,281.90
2..	Construction of District stores for Kumbungu District Assembly	Kumbungu	Tintum Enterprise, P.O. Box 289, Tamale	195,284.50	DACF	25 th June 2021	16 th July, 2021	23 rd December, 2021	86,803.20	45%	108,481.30
				404,566.41					86,803.20		317,763.20