

## **MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)**

**AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE MILLENNIUM CHALLENGE COMPACT BETWEEN THE REPUBLIC OF GHANA AND THE UNITED STATES OF AMERICA FOR THE PERIOD AUGUST 14, 2013 TO SEPTEMBER 30, 2016**



**Building a better  
working world**

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PROJECT MANAGEMENT TEAM

| Name                         | Title                   | Email address  |
|------------------------------|-------------------------|--|
| Mr. Eson Martin Benjamin     | Chief Executive Officer | <a href="mailto:Meson-benjamin@mida.gov.gh">Meson-benjamin@mida.gov.gh</a>         |
| Mr. John O. Boakye           | Chief Financial Officer | <a href="mailto:jboakye@mida.gov.gh">jboakye@mida.gov.gh</a>                       |
| Charles Kendall and Partners | Procurement Agent       | <a href="mailto:ghana@charleskendall.com">ghana@charleskendall.com</a>             |
| Cardno Emerging Markets      | Fiscal Agent            | <a href="http://www.cardno.com/emergingmarkets">www.cardno.com/emergingmarkets</a> |

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ACRONYMS AND ABBREVIATION

| Abbreviation | Meaning  |
|--------------|--|
| AICPA        | American Institute of Certified Public Accountants |
| CIF          | Compact Implementation Fund                        |
| CPS          | Common Payment System                              |
| ITS          | International Treasury System                      |
| DFP          | Detailed Financial Plan                            |
| ECG          | Electricity Company of Ghana                       |
| FAP          | Fiscal Accountability Plan                         |
| GoG          | Government of Ghana                                |
| IG           | Inspector General                                  |
| MCC          | Millennium Challenge Corporation                   |
| MCDR         | Monthly Commitments and Disbursements Report       |
| MiDA         | Millennium Development Authority                   |
| MSME         | Micro, Small and Medium-sized Enterprise           |
| NEDCo        | Northern Electricity Distribution Company          |
| OIG          | Office of the Inspector General                    |
| PIA          | Program Implementation Agreement                   |
| CA           | Compact Agreement                                  |
| BA           | Bank Agreement                                     |
| PIP          | Procurement Implementation Plan                    |
| POM          | Procurement Operations Manual                      |
| PPG          | Program Procurement Guidelines                     |
| PSP          | Private Sector Participation                       |
| SAS          | Statement on Auditing Standards                    |
| GRA          | Ghana Revenue Authority                            |

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SECTION 1

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TRANSMITTAL LETTER

December 17, 2018

The Chief Executive Officer  
Millennium Development Authority  
4th Floor, Heritage Tower  
6th Avenue, Ridge West  
P.M.B. 56, Ministries  
Accra, Ghana

**Attention: Mr. Eson Martin Benjamin**

**Subject: Audit of the Millennium Challenge Corporation (MCC) Resources Managed by MiDA under the Grant Implementation Agreement and Millennium Challenge Compact between the Republic of Ghana and the United States of America for the Period August 14, 2013 to September 30, 2016**

Dear Sir,

We are pleased to present our audit report on the Millennium Challenge Corporation (MCC) Resources Managed by MiDA for the period August 14, 2013 to September 30, 2016.

Our report is structured as follows:

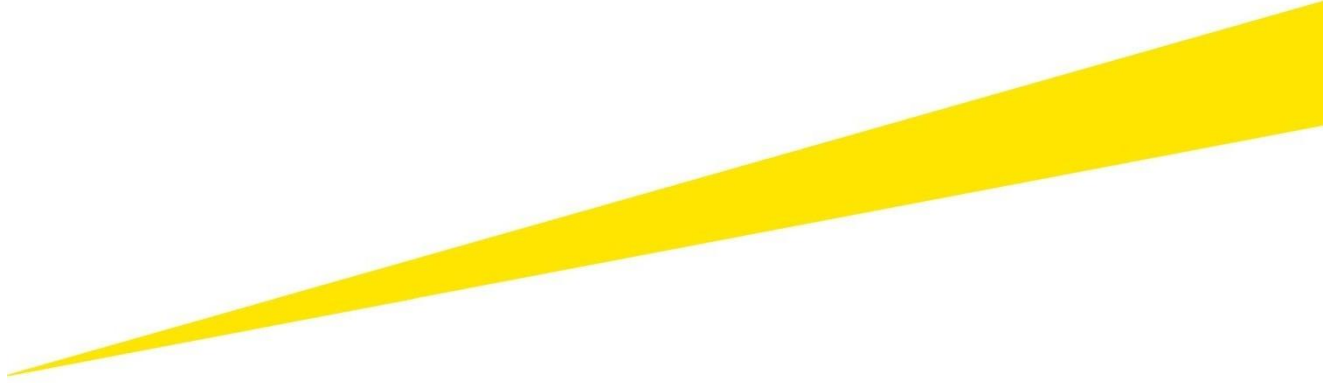
- Section 1:** Transmittal letter
- Section 2:** Executive summary which summarizes the background of the Compact, the objective and scope of the engagement, financial highlights, summary of internal control observations and recommendations, summary of compliance issues identified with recommendations, as well as the synopsis of management comments.
- Section 3:** Financial statements (Fund Accountability Statement for the Period August 14, 2013 to September 30, 2016 and Notes to the Fund Accountability Statement)
- Section 4:** Report on internal control structure
- Section 5:** Report on compliance

We would like to express our appreciation to the management and staff of MiDA and MCC for the cooperation and assistance during the course of the assignment.

Yours truly,



**Victor GBORGLAH**  
**PARTNER**



SECTION 2

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EXECUTIVE SUMMARY

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MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)  
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## 2.1 - BACKGROUND

The Republic of Ghana and the United States of America acting through the Millennium Challenge Corporation ("MCC") have entered into (A) a Grant and Implementation Agreement on August 14, 2013, under which MCC provided funding to the Government of Ghana (the "Government"), in an amount which did not exceed Eight Million United States Dollars (US\$ 8,000,000) ("Compact Development Funds" or "609(g) Funds") to facilitate the development of a Millennium Challenge Compact (the "609(g) Agreement") and (B) a Millennium Challenge Compact on August 5, 2014, under which MCC will provide funding to the Government, in an amount not to exceed four hundred and ninety-eight million, two hundred thousand United States Dollars (US\$ 498,200,000) ("MCC Funding") to facilitate poverty reduction through economic growth (the "Compact").

In addition, pursuant to the terms of the Compact, the Government committed to provide funding as a Government contribution to support implementation of the Compact in an amount equal to no less than seven and one-half percent (7.5%) of the amount of funding provided by MCC in the Compact (the "Government Contribution"). Together, Compact Development Funds, MCC Funding and the Government Contribution are herein referred to as the "Audited Funds."

The Compact provides that the Millennium Development Authority ("MiDA"), an agency of the Government, is designated as the Accountable Entity to implement the Compact and to exercise and perform the Government's right and obligation to oversee, manage and implement the Compact, including without limitation, managing the implementation of the Compact Program, allocating resources and managing procurements. The Compact objectives (the "Program Objectives") are to: (i) increase private sector investment and the productivity and profitability of micro, small, medium and large-scale businesses; (ii) increase employment opportunities for men and women; and (iii) raise earning potential from self-employment and improved social outcomes for men and women.

The Compact program consists of six Projects:

- The ***ECG Financial and Operational Turnaround Project's*** objective is to improve the quality and reliability of electricity through reduced outages and cost-effective service delivery by ECG, reduce aggregate technical, commercial and collections losses, and to ensure ECG can serve as a creditworthy and credible off-taker under power purchase agreements. The project objective will be achieved by reducing implicit subsidies (created by losses, underpricing and under-billing) and ensuring cost-recovery and re-investment in the distribution sub-sector, through introduction of private sector participation ("PSP") in the governance and management of ECG in the form of a concession, and through infrastructure and foundational investments designed to reduce losses and improve service quality. A modern, cost-reflective tariff with appropriate adjustment intervals is essential for attracting the PSP for distribution envisioned for this Compact.
- The ***NEDCo Financial and Operational Turnaround Project's*** objective is to develop NEDCo into a utility that will contribute to economic growth in the northern part of Ghana by improving its ability to recover costs and provide service to customers in a timely and effective manner. The project objective will be achieved by strengthening NEDCo's financial and operational performance and ensuring it is able to function independently and to engage with the private sector to meet their electricity needs. In addition, this Project will introduce PSP in the form of a management contract to provide operational and commercial capacity building to ensure the achievement of performance targets, and will provide infrastructure and foundational investments designed to reduce losses and improve service quality.



- The **Regulatory Strengthening and Capacity Building Project's** objective is to ensure the sustainability of all power sector investments, promote greater transparency and accountability for results in the sector, and enhance evidence-based decision making among sector institutions. This project will, therefore, ensure that the power sector is financially self-sustaining and relies less heavily on cross-subsidies among tariff categories or other direct or implicit subsidies from the Government. This project will support creation of an enabling environment for private investment in the power sector. The project objective will be achieved by strengthening independent monitoring of service quality, and improving capacity for ratemaking and other regulatory processes, including the review and restructuring of tariffs to enable the utilities to recover costs.
- The objective of the **Access Project** is to improve access to reliable electricity among MSMEs in markets and economic enclaves in urban and peri-urban areas coinciding with those regions targeted by the commercial and technical loss reduction investments of the ECG and NEDCo Financial and Operational Turnaround Projects. The Access Project is expected to increase the number of new connections in targeted areas by reducing barriers to obtaining legal connections, thereby contributing to increased productivity in markets and economic enclaves. This Project will also contribute to the overall objective of the distribution turnaround projects of reducing commercial losses and improving the financial health of the distribution companies, by decreasing the number of consumers who would otherwise seek illegal connections to the network.
- The objective of the **Power Generation Sector Improvement Project** is to reduce disruptions in electricity service due to generation shortfalls by promoting timely investments in additional installed generation capacity. This Project aims to ensure a more cost-effective fuel mix by instituting a framework for a reliable fuel supply for thermal generation. In addition, this Project will facilitate the adoption of an Integrated Resource Plan ("IRP") leading to increased potential throughput to electricity consumers and reduced energy costs to enterprises, households and industry. This Project will achieve these results by establishing a competitive tendering process for Independent Power producers ("IPPs"), by helping to finalize commercial gas supply agreements to facilitate development of gas reserves and cost-effective fuel supplies for power generation, and by securitizing the gas sector to enable reduced reliance on more costly oil-based fuels.
- The objective of the **Energy Efficiency and Demand Side Management Project** ("EE/DSM") is to reduce energy waste by consumers, thereby increasing the reserve margin between electricity supply and peak demand, making electricity available to more consumers at a lower cost than that of developing new generation capacity. In addition, this Project will improve the financial viability of ECG and NEDCo by helping Ghanaian government agencies, which comprise a significant portion of total energy demand, to reduce their energy consumption. This Project will achieve these results through the development and enforcement of standards and labels, improving energy audits, providing education and public information, and investment in demand side management infrastructure.

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## **2.2 - AUDIT OBJECTIVES AND SCOPE**

The objectives of this engagement are (1) to conduct financial audits of the MCC resources managed by MiDA under the Grant and Implementation Agreements between MCC and the Government from the period August 14, 2013 to September 30, 2016, and (2) to conduct financial audits of the MCC and Government resources, including Compact Implementation Funding, Compact Funding, and the Government Contribution managed by MiDA under the Compact agreement between MCC and the Government from the period August 5, 2014 through September 30, 2016. The audits are conducted in accordance with the U.S. Government Auditing Standards issued by the Comptroller General of the United States and the guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities (the Audit Guidelines).

The Fund Accountability Statement is the basic financial statement that has been audited and it presents MiDA's revenues, costs incurred, cash balance of funds provided to MiDA by MCC and the Government, commodities, assets and technical assistance directly procured by MCC, MiDA and the Government or an Implementing Entity for use by MiDA, the government or an Implementing Entity.

The specific objectives of the audit of the MCC resources are to:

- Express an opinion on whether the Fund Accountability Statement for the resources managed by MiDA using both MCC and Government funds presents fairly, in all material respects, revenues received, costs incurred and reimbursed, and commodities, assets, and technical assistance directly procured by MCC and the Government (including by MiDA) for the period audited in accordance with MCC rules and regulations, other implementing guidance, and the terms of the 609(g) Agreement, Compact, related agreements, conditions of award, and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate and obtain a sufficient understanding of MiDA's internal controls related to MiDA's development and implementation of the Compact using both MCC and Government funds, assess control risk and identify reportable conditions, including material internal control weaknesses. This evaluation must include the internal controls related to Government contributions required for this Compact.
- Perform tests to determine whether MiDA complied, in all material respects, with the 609(g) Agreement, Compact (including those MCC rules and regulations regarding Government Contributions), supplemental agreements and applicable laws and regulations related to MCC-funded programs. All material instances of non-compliance and all illegal acts that have occurred or are likely to have occurred must be identified. Such tests must include the compliance requirements related to the required Government contributions. Specifically, the auditor shall perform tests to determine whether MiDA complied, in all material respects, with the MCC Program Procurement Guidelines, the MCC Cost Principles for Accountable Entity Operations and the MiDA Fiscal Accountability Plan in effect during the audit period.

Based on the aforementioned, we performed the following audit procedures in respect of the period ended September 30, 2016:

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### **2.2.1 PRE-AUDIT STEPS**

We reviewed the following documents:

1. The Millennium Development Authority Act, 2015 (Act 702) as amended;
2. The Program Implementation Agreement between the United States of America acting through MCC and the Republic of Ghana acting through Millennium Development Authority;
3. The 609(g) Agreement;
4. The Compact Agreement;
5. Detailed Financial Plan (DFP) of MiDA;
6. Work Plan of MiDA;
7. The Program Procurement Guidelines (PPG);
8. Bank Agreements;
9. The Fiscal Accountability Plan (FAP);
10. Multi Year Financial Plan;
11. The MCC Cost Principles for Accountable Entity Operations;
12. Program financial reports, organizational charts, accounting systems descriptions, and written policies and procedures;
13. Program Procurement Guidelines;
14. Procurement Agent Agreement;
15. Fiscal Agent Agreement.

### **2.2.2 FUND ACCOUNTABILITY STATEMENT**

We examined the Fund Accountability Statement for activities funded with MCC resources, the revenues received for the period covered by the audit in the form of payments into permitted accounts, direct payments, as well as a GoG contribution; the costs reported by MiDA as incurred during that period; and technical assistance directly procured by MCC for the recipient's use.

The Fund Accountability Statement does not include any cost sharing contributions provided in cash or in-kind.

MiDA accepted responsibility for the statement's accuracy before the audit commenced.

### **2.2.3 INTERNAL CONTROL STRUCTURE**

We reviewed and evaluated MiDA's internal control structure related to program activities to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation and in compliance with the Fiscal Accountability Plan. The internal control was documented in the working papers. The major internal controls studied and evaluated include, but are not limited to, each revenue and expense account on the Fund Accountability Statement.

### **2.2.4 COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS**

In fulfilling the audit requirement to determine compliance with agreement terms and applicable laws and regulations related to donor activities, we at a minimum, followed guidance contained in AICPA SAS No. 74 (Superseded by AU Section 801) entitled "Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance."

Our report on compliance sets forth as findings all material instances of non-compliance.

#### 2.2.5 OTHER AUDIT RESPONSIBILITIES

We performed the following tasks:

- i. Held an entrance conference with MiDA management on June 28, 2018.
- ii. Submitted the Planning Document to MiDA for approval on 28 June 2018.
- iii. Held an exit interview with MiDA management on August 16, 2018.
- iv. We instituted quality control procedures within our firm to ensure that sufficient competent evidence was obtained through inspection, observation, inquiries and confirmations to afford a reasonable basis for our opinion regarding the Fund Accountability Statement audited. While we used our standard procedures for ensuring quality control, those procedures, at a minimum, ensured that:
  - a. audit reports and supporting working papers were reviewed by an Audit Partner who was not involved in the audit;
  - b. all quantities and monetary amounts involving calculations were footed and cross-footed; and
  - c. All factual statements, numbers, conclusions and monetary amounts were cross-indexed to supporting working papers.

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2.3 SUMMARY OF AUDIT RESULTS

2.3.1 FINANCIAL

The table below shows the summary of the financial statements of MiDA for the period under review.

| Description  | CIF                      | GoG                     | 609 g                   | Total                    |
|--|--------------------------|-------------------------|-------------------------|--------------------------|
|  | US\$                     | US\$)                   | US\$                    | US\$                     |
| <b>Total funds receipts:</b>   |                          |                         |                         |                          |
| Transfer to permitted bank accounts  | 5,824,500                | 7,705,000               | -                       | 13,529,500               |
| Direct payments by MCC   | <u>8,071,281</u>         | <u>-</u>                | <u>3,786,969</u>        | <u>11,858,250</u>        |
|  | <b><u>13,895,781</u></b> | <b><u>7,705,000</u></b> | <b><u>3,786,969</u></b> | <b><u>25,387,750</u></b> |
| <b>Total expenditure:</b>  |                          |                         |                         |                          |
| ECG Financial & Operational Turnaround Project                               | 2,938,946                | -                       | 1,283,600               | 4,222,546                |
| NEDCo Financial & Operational Turnaround Project                             | -                        | -                       | -                       | -                        |
| Regulatory Strengthening and Capacity Building Project                       | 19,308                   | -                       | -                       | 19,308                   |
| Power Sector Generation and Improvement Project                              | -                        | -                       | -                       | -                        |
| Monitoring and Evaluation (M&E)  | 271,563                  | -                       | -                       | 271,563                  |
| Program Administration & Oversight   | <u>10,628,845</u>        | <u>-</u>                | <u>2,503,369</u>        | <u>13,132,214</u>        |
|  | <b><u>13,858,662</u></b> | <b><u>-</u></b>         | <b><u>3,786,969</u></b> | <b><u>17,645,631</u></b> |
| <b>Surplus (Excess of receipts over expenditure)</b>                         | <b>37,119</b>            | <b>7,705,000</b>        | <b>-</b>                | <b>7,742,119</b>         |
| Tax receivable (Value Added Tax, Communication Service Tax and Tourism Levy) | (10,032)                 | -                       | -                       | (10,032)                 |
| Travel advances  | (18,688)                 | -                       | -                       | (18,688)                 |
| Interest income  | 23,071                   | 1,047,513               | -                       | 1,070,584                |
| Interest transferred/utilised  | (19,996)                 | (222,757)               | -                       | (242,753)                |
| Exchange difference  | <u>-</u>                 | <u>(249,886)</u>        | <u>-</u>                | <u>(249,886)</u>         |
| <b>Cash balance</b>  | <b>11,474</b>            | <b>8,279,870</b>        | <b>-</b>                | <b>8,291,344</b>         |
| Accrued expenses and accounts payable  | (255,690)                | -                       | -                       | (255,690)                |
| Prepaid expenses   | <u>5968</u>              | <u>-</u>                | <u>-</u>                | <u>5968</u>              |
| <b>Fund balance</b>  | <b><u>(238,248)</u></b>  | <b><u>8,279,870</u></b> | <b><u>-</u></b>         | <b><u>8,041,622</u></b>  |

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2.3.2 INTERNAL CONTROL

| No. | Observation   | Recommendation  | Reference |
|-----|---|---|-----------|
| 1   | <p><b>Differences of US\$8,322.78 between the payroll register and payroll cost per the 609 (g) ITS reports</b></p> <p>The payroll cost per the payroll register did not agree with the cost in the ITS reports by US\$8,322.78.</p>  | <p>Management should take measures to ensure that the payroll cost balance as per the register reconciles with the 609 (g) general ledger (ITS reports). All reconciling items must be investigated and resolved.</p> | 4.2.1     |
| 2   | <p><b>Contract witnessed on behalf of a Consultancy (Iron Vine Security) by the Procurement Agent Manager</b></p> <p>A direct contract awarded by MiDA with the approval by MCC to Iron Vine Security to install IT infrastructure for MiDA was witnessed by the Procurement Agent Manager for and on behalf of the Consultant.</p>   | <p>The Procurement Agent Manager should desist from witnessing contracts on behalf of a Consultant in order to avoid potential conflict of interest and unnecessary bid challenges.</p>                               | 4.2.2     |
| 3   | <p><b>Absence of a Change Management Policy</b></p> <p>A number of changes were made to MiDA's IT infrastructure services, for instance;</p> <ul style="list-style-type: none"> <li>✓ Migration from QuickBooks to SAP,</li> <li>✓ Migration of the operating system software from windows 7 to windows 10,</li> <li>✓ Upgrading virtualized environment alien ware from V5.5 to V6.5 and also</li> <li>✓ Change of antivirus software from Kaspersky to Sophos.</li> </ul> <p>The changes made were without references to any comprehensive change management policy to assess the impact of the changes, change classification, end user assessment etc. before implementation.</p> | <p>Management should ensure the existence and enforcement of a change management policy to identify possible loopholes in the application of changes to IT processes, systems and infrastructures.</p>                | 4.2.3     |

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| No. | Observation   | Recommendation  | Reference |
|-----|---|---|-----------|
| 4   | <p><b>Inadequate backup/Disaster Recovery (DR) Procedures</b></p> <p>MiDA has no off-Site DR site for backing up or replicating data from the production centre.</p>  | <p>Management should draft a disaster recovery plan, obtain approval and ensure immediate implementation. Management should also review the backups and restorations performed on a regular basis to ensure that they are appropriate.</p>                              | 4.2.4     |
| 5   | <p><b>Lack of evidence of review of Super User Activities</b></p> <p>Although the SAP application has an audit trail functionality, activities of super /administrator users on the SAP and other data, applications are not monitored, reviewed and signed off on a periodic basis to check the appropriateness of privilege access usage.</p> | <p>Management should ensure that activities of super users (which must be traceable to specific individuals for accountability) are logged and reviewed for propriety by independent parties.</p>   | 4.2.5     |
| 6   | <p><b>Inadequate Incident Management Process</b></p> <p>IT related incidents are escalated to the IT resource person via phone calls, walk-ins and emails before they are resolved. Logged incidents are not analysed for trends and root causes to curb repetitive incidences and ensure permanent resolutions.</p>                            | <p>Management should develop and implement a formalized incident management procedure to ensure that end-user issues are logged, analysed and resolved in a timely manner. Root cause analysis should be performed on repetitive incidents for permanent solutions.</p> | 4.2.6     |
| 7   | <p><b>Absence of Business Continuity Plan (BCP)</b></p> <p>MiDA has no BCP.</p>   | <p>Management should develop and implement a business continuity plan that will ensure prompt resumption of business operations in the event of a disaster.</p>   | 4.2.7     |
| 8   | <p><b>Non-Performance of Vulnerability and Penetration tests</b></p> <p>Although MiDA receives emails on updates and the strength of their firewall from its operators, no vulnerability and penetration test was performed during the period under review.</p>   | <p>Management should ensure continuous performance of Vulnerability and Penetration tests to identify possible loop holes in the internal network security and beef up the network security accordingly.</p>  | 4.2.8     |

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| No. | Observation   | Recommendation   | Reference |
|-----|---|--|-----------|
| 9   | <p><b>Inadequate Monitoring of IT Control Processes</b></p> <p>Although MiDA has an internal audit function that performs regular internal control reviews, general IT control reviews were not covered in the internal audit scope for the year under review. Hence no IT controls test was performed.</p>   | <p>The current Internal Audit function should be equipped with the requisite skills to perform IT controls review. Alternatively, management may consider establishing a dedicated IT Audit function or outsourcing same to a professional firm. The IT audit function will be responsible for ensuring that all IT controls are well designed, implemented and operating effectively.</p> | 4.2.9     |
| 10  | <p><b>Inadequate Server Room Physical and Environmental Controls</b></p> <p>The server room of MiDA (Heritage Towers) where backup replications are hosted had no fire extinguisher. Also, access to this server room is maintained under "lock and key" system and no log is kept for visitors to indicate who visited the server room at any particular time.</p> | <p>Management should ensure that fire extinguisher(s) are fixed at vantage locations of the server room to ensure timely prevention of any fire outbreak that can damage the servers. Also, log book should be kept for all visits to the server room or a biometric lock system should be implemented for the server room.</p>  | 4.2.10    |



MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)  
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 PERIOD AUGUST 14, 2013 TO SEPTEMBER 30, 2016

2.3.3 COMPLIANCE

| No. | Observation   | Recommendation   | Reference |
|-----|---|--|-----------|
| 1   | <p><b>Amount spent on lodging by CEO above the prescribed rate</b></p> <p>The CEO spent a daily tax exclusive rate of US\$319 on hotels for a travel made to Washington from 5 March 2016 to 13 March 2016. However, the limit on lodgement per U.S. Federal Travel Regulations website for the month provides for a rate of US\$226.</p>   | <p>Management should ensure that appropriate measures are put in place for a travelling staff not to overspend their budget. Otherwise, there should be a clear approval process to ensure that expenditure on lodging is approved where a traveller overspends.</p> | 5.2.1     |
| 2   | <p><b>Advances not retired on time</b></p> <p>Some staff did not retire their travel advances on time.</p>  | <p>Management should ensure that travellers retire their advances within the time stipulated in the FAP. Management should also ensure that the retired funds are appropriately deposited in the permitted bank account timeously.</p>                               | 5.2.2     |
| 3   | <p><b>Retirement of advances not properly receipted</b></p> <p>We were not provided with evidence in the form of receipts issued or deposit slips to advances amounting to US\$963.32 which were retired by travellers when they returned from their trips.</p>   | <p>Appropriate measures have to be instituted by management to ensure proper receipting of cash refunds by travellers.</p>   | 5.2.3     |
| 4   | <p><b>Absence of guideline on transfers or use of accrued interest on Government of Ghana (GoG) funds</b></p> <p>The bank agreement states among others that an instruction to transfer the accrued interest on GoG funds is to be drafted with the bank during the implementation of the Compact programme, however, the accrued interest transfer instruction was not prepared. Thus, interest on Government account was not transferred.</p> | <p>Management must obtain the written instructions from the Government of Ghana and follow through. Also, for expenditures incurred using accrued interest on government funds, approval must be sought before the funds are used.</p>                               | 5.2.4     |

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| No. | Observation  | Recommendation   | Reference |
|-----|--|--|-----------|
| 5   | <p><b>Separate bank account not maintained for GoG interest and GoG principal contributions</b></p> <p>MiDA did not open a separate bank account for the GoG interest earned on the principal balance. Interest on the GoG funds were maintained in the same account with the principal amount.</p>  | <p>Management of MiDA must ensure that interest account is opened for the GoG funds and all interest on the principal balance transferred to the interest account.</p>   | 5.2.5     |
| 6   | <p><b>Taxes not withheld on some payments made to local suppliers for services provided and work performed</b></p> <p>MiDA did not deduct and pay withholding taxes on some of the payments made to local suppliers for goods or services during the period under review.</p>  | <p>Efforts should be made to deduct withholding taxes and pay same to the Ghana Revenue Authority (GRA). Payments made to the GRA should be timely in order to avoid the payment of any penalties.</p>                                   | 5.2.6     |
| 7   | <p><b>Taxes not withheld on consultancy fees paid for consulting services during the 609(g) funding period</b></p> <p>During the Grant (609(g)) implementation period, MiDA did not withhold taxes on consultancy fees paid to consultants engaged. This is a default of the Section 12 of the Income Tax Act 2006 (Act 710) as amended.</p> | <p>Efforts should be made to deduct withholding taxes and pay same to the Ghana Revenue Authority (GRA). Payments made to the GRA should be timely in order to avoid the payment of any penalties.</p>                                   | 5.2.7     |
| 8   | <p><b>Interest on MCC permitted accounts not remitted on time</b></p> <p>Interest on MCC permitted accounts were not remitted to US Government account on time.</p>  | <p>Going forward, management should ensure that the bank transfers interest within the stipulated time as agreed per the signed contract.</p>  | 5.2.8     |
| 9   | <p><b>Reports on MCC accrued interest on bank balance not sent to MiDA or Fiscal Agent within the period under review</b></p> <p>The bank did not send to either MiDA or the Fiscal Agent, a report that specifies the average daily balance in each Permitted Account and the amount of interest that has accrued thereon.</p>              | <p>Management of MiDA must ensure that going forward, the bank provide the report on interest on MCC funds so that MiDA may be able to check the correctness of the computation in relation to the agreed rates as per the contract.</p> | 5.2.9     |
| 10  | <p><b>Long outstanding Tourism levy not claimed</b></p> <p>MiDA paid for Tourism levy to the tune of US\$620, however, MiDA has not filed for the refund from the appropriate Authority.</p>   | <p>Management should ensure that the appropriate government Authority which is supposed to refund the amount is identified and the necessary documents submitted by MiDA for the refund.</p>   | 5.2.10    |

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| No. | Observation   | Recommendation   | Reference |
|-----|---|--|-----------|
| 11  | <p><b>Assets not insured during the period under review</b></p> <p>Except for Motor vehicles, all assets of MiDA acquired during the period under review were not insured within the same period. Further investigations on the subsequent period revealed that, assets were insured on 17 February 2017, except the following assets; safe leeco, rack accessories and office partitioning, which were in the Fixed Asset Register as of 30 September 2016 but were not insured as per the assets listing in the insurance contract.</p> | <p>Management should review all fixed assets in the Fixed Assets Register and ensure that all the tangible assets are insured.</p> | 5.2.11    |
| 12  | <p><b>Use of Procurement Agent personnel as bid evaluation panel members</b></p> <p>Two procurement agent staff were used as members of a bid evaluation panel for the supply and installation of local area network, supply of 4 X 4 Pick-Up and Motorcycles, and supply and installation of UPS and Inverters.</p>  | <p>Management should strictly adhere to the provisions of the Program Procurement Guideline.</p>                                   | 5.2.12    |

**2.4 SYNOPSIS OF MANAGEMENT COMMENTS**

We have discussed this report with management who were generally in agreement with our recommendations, except for compliance issues numbered 6 and 7. No separate management letter has however been issued.

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SECTION 3

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FINANCIAL STATEMENTS



SECTION 3.1

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INDEPENDENT AUDITORS' OPINION ON THE FUND ACCOUNTABILITY STATEMENT



Building a better  
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## INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND MILLENNIUM CHALLENGE COMPACT

### Opinion

We have audited the Fund Accountability Statement of the Millennium Development Authority (MiDA) for the period August 14, 2013 to September 30, 2016. The fund accountability statement is the responsibility of the management of Millennium Development Authority (MiDA). Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

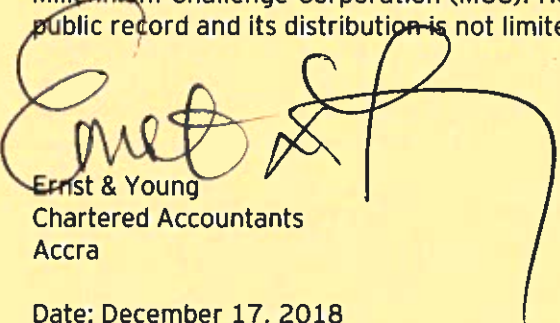
Except as discussed in the following paragraph, we conducted our audit of the fund accountability statements in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.96 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Ghana. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in Ernst & Young Global's worldwide internal quality control review program which requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other affiliate offices.

In our opinion, the fund accountability statement referred to above present fairly, in all material respects, program revenues, costs incurred and reimbursed, for the period August 14, 2013 to September 30, 2016 in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement.

In accordance with U.S. Government Auditing Standards, we have also issued our report dated December 17, 2018, on our consideration of MiDA internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent Auditors' Report in considering the results of our audit.

This report is intended for the information of Millennium Development Authority (MiDA) and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.



Ernst & Young  
Chartered Accountants  
Accra

Date: December 17, 2018



SECTION 3.2

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FUND ACCOUNTABILITY STATEMENT

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)  
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT  
 AND THE MILLENNIUM CHALLENGE COMPACT BETWEEN THE REPUBLIC OF GHANA AND THE UNITED STATES OF AMERICA FOR THE PERIOD AUGUST  
 14, 2013 TO SEPTEMBER 30, 2016

FUND ACCOUNTABILITY STATEMENT  
 FOR THE PERIOD ENDED SEPTEMBER 30, 2016

| Revenue  | Notes | MCC Funds         |                   | 609(g) Funds   |                  | GoG Funds      |                  | Cumulative<br>US\$ | Question costs      |                    |
|--|-------|-------------------|-------------------|----------------|------------------|----------------|------------------|--------------------|---------------------|--------------------|
|  |       | Budget<br>US\$    | Actual<br>US\$    | Budget<br>US\$ | Actual<br>US\$   | Budget<br>US\$ | Actual<br>US\$   |                    | Unsupported<br>US\$ | Ineligible<br>US\$ |
| Transfer to permitted accounts                         | 2     | -                 | 5,824,500         | -              | -                | -              | 7,705,000        | 13,529,500         |                     |                    |
| Direct payments  | 3     | -                 | 8,071,281         | 400,000        | 3,786,969        | -              | -                | 11,858,250         |                     |                    |
| <b>Total program revenue</b>                           |       | <b>-</b>          | <b>13,895,781</b> | <b>400,000</b> | <b>3,786,969</b> | <b>-</b>       | <b>7,705,000</b> | <b>25,387,750</b>  |                     |                    |
| <b>Costs incurred</b>                                  |       |                   |                   |                |                  |                |                  |                    |                     |                    |
| ECG Financial & Operational Turnaround Project         | 4     | 7,188,800         | 2,938,946         | -              | 1,283,600        | -              | -                | 4,222,546          |                     |                    |
| NEDCo Financial & Operational Turnaround Project       |       | 3,529,000         | -                 | -              | -                | -              | -                | -                  |                     |                    |
| Regulatory Strengthening and Capacity Building Project | 5     | 1,654,420         | 19,308            | -              | -                | -              | -                | 19,308             |                     |                    |
| Power Sector Generation and Improvement Project        |       | 4,022,000         | -                 | -              | -                | -              | -                | -                  |                     |                    |
| Monitoring and Evaluation (M&E)                        | 6     | 1,510,000         | 271,563           | -              | -                | -              | -                | 271,563            |                     |                    |
| Program Administration & Oversight                     | 7     | 10,995,780        | 10,628,845        | 400,000        | 2,503,369        | -              | -                | 13,132,214         |                     |                    |
| <b>Total program cost</b>                              |       | <b>28,900,000</b> | <b>13,858,662</b> | <b>400,000</b> | <b>3,786,969</b> | <b>-</b>       | <b>-</b>         | <b>17,645,631</b>  |                     |                    |
| <b>Surplus (Excess of revenue over cost)</b>           |       |                   | <b>37,119</b>     |                | <b>-</b>         |                | <b>7,705,000</b> | <b>7,742,119</b>   |                     |                    |
| Accounts receivable                                    | 8a    |                   | (28,720)          |                | -                |                | -                | (28,720)           |                     |                    |
| Interest income  | 9     |                   | 23,071            |                | -                |                | 1,047,513        | 1,070,584          |                     |                    |
| Interest transferred/utilized                          | 10    |                   | (19,996)          |                | -                |                | (222,757)        | (242,753)          |                     |                    |
| Exchange difference                                    | 11    |                   | -                 |                | -                |                | (249,886)        | (249,886)          |                     |                    |
| <b>Opening cash balance</b>                            |       |                   | <b>11,474</b>     |                | <b>-</b>         |                | <b>8,279,870</b> | <b>8,291,344</b>   |                     |                    |
| <b>Closing cash balance</b>                            | 12    |                   | <b>11,474</b>     |                | <b>-</b>         |                | <b>8,279,870</b> | <b>8,291,344</b>   |                     |                    |
| Accrued expenses and accounts payable                  | 8b    |                   | (255,690)         |                | -                |                | -                | (255,690)          |                     |                    |
| Prepaid expenses                                       | 8c    |                   | 5,968             |                | -                |                | -                | 5,968              |                     |                    |
| <b>Fund balance</b>                                    |       |                   | <b>(238,248)</b>  |                | <b>-</b>         |                | <b>8,279,870</b> | <b>8,041,622</b>   |                     |                    |



## NOTES TO THE FUND ACCOUNTABILITY STATEMENT

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation:

The Fund Accountability Statement of the Millennium Development Authority (MiDA) has been prepared in accordance with the modified cash basis of accounting. This implies that all amounts received in the form of cash or at bank are treated as revenue. All expenditures are treated as costs incurred except for advances which are treated as costs incurred only when they are accounted for. Accounts receivable are treated as reconciling items between the cash and fund balances.

The significant accounting policies adopted are as follows:

#### Revenue

##### Receipts From MCC

Income relates to funds from the Millennium Challenge Cooperation (MCC);

- disbursed via the Common Payment System (CPS) into Permitted Accounts at a local bank where the funds are subsequently disbursed from the local bank accounts to pay vendors or other payees, and
- transferred directly from the U.S. Treasury to the vendors of goods, works, and services received by MiDA. CPS is used to process payments in U.S. Dollars or local currency.

##### From Government of Ghana

This relates to government contribution towards the base period of the compact implementation; that is the Compact Implementation Funding (CIF) period.

#### Costs incurred

All expenditures are recognized in the books when actual cost is incurred.

#### Currency conversion

Income and expenditure for each transaction has been translated at the weighted average rates computed based on foreign exchange transactions which occurred during a month at exchange-rates published by Ecobank Ghana Limited.

At the end of each month, the USD equivalent of the balances of all non-USD cash and bank accounts are adjusted according to the published rate on that date, with differences booked into the foreign exchange-gain/loss account using the appropriate budget code.

#### Interest

The bank pays interest on all funds in the Permitted Accounts. Interest accrues and is calculated on a daily basis based on the average daily balance in the Permitted Accounts, calculated at one-month LIBOR+50 basis points on the United States Dollar account balances and month end inflation rate as published by the Bank of Ghana (BoG) plus 200 basis points on the Ghana Cedi account balances.

For the MCC funding, interest is paid into the Accrued Interest Account monthly. Interest accrues in the currency of each Permitted Account.

Interest or other earnings accrued are used for Program purposes or transferred to MCC by the MiDA.

For the GoG funds, interest accrued is maintained in the principal account and this is not transferred.

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NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)

2. TRANSFER FROM MCC AND GOG

This is funding received for activities for the period August 14, 2013 to September 30, 2016.

|                                | 2016<br>US\$<br>MCC | 2016<br>US\$<br>609(g) | 2016<br>US\$<br>GoG | 2016<br>US\$<br>Total | Cumulative to date<br>US\$ |
|--------------------------------|---------------------|------------------------|---------------------|-----------------------|----------------------------|
| Transfer to permitted accounts | <u>5,824,500</u>    | <u>-</u>               | <u>7,705,000</u>    | <u>13,529,500</u>     | <u>13,529,500</u>          |

3. DIRECT VENDOR PAYMENTS

These are direct transfers from the MCC to the vendors of goods, works, and services received by MiDA.

|  | 2016<br>US\$<br>MCC | 2016<br>US\$<br>609(g) | 2016<br>US\$<br>GoG | 2016<br>US\$<br>Total | Cumulative to date<br>US\$ |
|--|---------------------|------------------------|---------------------|-----------------------|----------------------------|
| ECG Financial and operational turnaround project       | 2,905,869           | 1,283,600              | -                   | 4,189,469             | 4,189,469                  |
| Regulatory strengthening and capacity building project | 2,400               | -                      | -                   | 2,400                 | 2,400                      |
| Monitoring and evaluation                              | 258,737             | -                      | -                   | 258,737               | 258,737                    |
| Program administration and oversight                   | <u>4,904,275</u>    | <u>2,503,369</u>       | <u>-</u>            | <u>7,407,644</u>      | <u>7,407,644</u>           |
|  | <u>8,071,281</u>    | <u>3,786,969</u>       | <u>-</u>            | <u>11,858,250</u>     | <u>11,858,250</u>          |

4. ECG FINANCIAL AND OPERATIONAL TURNAROUND PROJECT

|   | 2016<br>US\$<br>MCC | 2016<br>US\$<br>609(g) | 2016<br>US\$<br>GoG | 2016<br>US\$<br>Total | Cumulative to date<br>US\$ |
|---|---------------------|------------------------|---------------------|-----------------------|----------------------------|
| Transaction advisory services             | 2,796,600           | 1,283,600              | -                   | -                     | 4,080,200                  |
| Geographic information system consultancy | 103,509             | -                      | -                   | -                     | 103,509                    |
| Advertisement and evaluations             | <u>38,837</u>       | <u>-</u>               | <u>-</u>            | <u>-</u>              | <u>38,837</u>              |
|   | <u>2,938,946</u>    | <u>1,283,600</u>       | <u>-</u>            | <u>-</u>              | <u>4,222,546</u>           |

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NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)

5. REGULATORY STRENGTHENING AND CAPACITY BUILDING PROJECT

|                               | 2016<br>US\$<br>MCC | 2016<br>US\$<br>609(g) | 2016<br>US\$<br>GoG | 2016<br>US\$<br>Total | Cumulative to date<br>US\$ |
|-------------------------------|---------------------|------------------------|---------------------|-----------------------|----------------------------|
| Advertisement and evaluations | <u>19,308</u>       | <u>-</u>               | <u>-</u>            | <u>19,308</u>         | <u>19,308</u>              |

6. MONITORING AND EVALUATION

|                               | 2016<br>US\$<br>MCC | 2016<br>US\$<br>609(g) | 2016<br>US\$<br>GoG | 2016<br>US\$<br>Total | Cumulative to date<br>US\$ |
|-------------------------------|---------------------|------------------------|---------------------|-----------------------|----------------------------|
| Training                      | 2,359               | -                      | -                   | 2,359                 | 2,359                      |
| External data quality review  | 258,737             | -                      | -                   | 258,737               | 258,737                    |
| Advertisement and evaluations | <u>10,467</u>       | <u>-</u>               | <u>-</u>            | <u>10,467</u>         | <u>10,467</u>              |
|                               | <u>271,563</u>      | <u>-</u>               | <u>-</u>            | <u>271,563</u>        | <u>271,563</u>             |

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NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)

7. PROGRAM ADMINISTRATION AND OVERSIGHT

|                                    | 2016<br>US\$<br>MCC | 2016<br>US\$<br>609(g) | 2016<br>US\$<br>GoG | 2016<br>US\$<br>Total | Cumulative to date<br>US\$ |
|------------------------------------|---------------------|------------------------|---------------------|-----------------------|----------------------------|
| Personnel costs                    | 4,250,403           | 265,380                | -                   | 4,515,783             | 4,515,783                  |
| Office rent and utilities          | 501,341             | 67,279                 | -                   | 568,620               | 568,620                    |
| Office expenses                    | 411,468             | 65,974                 | -                   | 477,442               | 477,442                    |
| Vehicles and transport expenses    | 74,638              | -                      | -                   | 74,638                | 74,638                     |
| Fixed assets acquisition           | 725,114             | -                      | -                   | 725,114               | 725,114                    |
| Travel expenses                    | 107,027             | -                      | -                   | 107,027               | 107,027                    |
| Training and capacity building     | 11,980              | -                      | -                   | 11,980                | 11,980                     |
| Management information system      | 1,343,114           | -                      | -                   | 1,343,114             | 1,343,114                  |
| Public relations and outreach      | 173,605             | -                      | -                   | 173,605               | 173,605                    |
| Meeting expenses (Board Members)   | 52,478              | -                      | -                   | 52,478                | 52,478                     |
| Social and gender inclusion        | 97,530              | -                      | -                   | 97,530                | 97,530                     |
| Fiscal and procurement agent costs | <u>2,880,147</u>    | <u>2,104,736</u>       | <u>-</u>            | <u>4,984,883</u>      | <u>4,984,883</u>           |
|                                    | <u>10,628,845</u>   | <u>2,503,369</u>       | <u>-</u>            | <u>13,132,214</u>     | <u>13,132,214</u>          |

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MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)  
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 AMERICA FOR THE PERIOD AUGUST 14, 2013 TO SEPTEMBER 30, 2016

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NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)

8. SUPPLEMENTAL SCHEDULES

The following have been prepared as supplemental schedules to the Fund Accountability Statements required by the FAP of MiDA:

8a) Accounts receivable

|                              | 2016<br>US\$  |
|------------------------------|---------------|
| Tax recoverable <sup>1</sup> | 10,032        |
| Advances <sup>2</sup>        | <u>18,688</u> |
|                              | <u>28,720</u> |

<sup>1</sup>These are Value Added Tax (VAT), Communication Service Tax (CST) as well as Tourism Levy paid to suppliers. The amounts stated will be recovered from the Government of Ghana through the Ghana Revenue Authority.

<sup>2</sup>These are advances which were liquidated after the end of the reporting date. They relate to travel advances given to staff under the program and administration and oversight budget line.

8b) Accrued expenses and accounts payables

|                                      | 2016<br>US\$   |
|--------------------------------------|----------------|
| Consultancy accruals <sup>3</sup>    | 136,957        |
| Personnel cost accruals <sup>4</sup> | 111,640        |
| Contractor retention <sup>5</sup>    | <u>7,093</u>   |
|                                      | <u>255,690</u> |

<sup>3</sup>This represents accruals for consultancy services in respect of which invoices were received as at period end but had not been paid.

<sup>4</sup>This represents deductions made in respect of employee income tax and social security contributions yet to be remitted to the Ghana Revenue Authority and the Social Security and National Insurance Trust respectively.

<sup>5</sup>This represents amounts retained from payments to contractors to cover contract defect liability period.

8c) Prepaid expenses

|                   | 2016<br>US\$ |
|-------------------|--------------|
| Vehicle insurance | <u>5,968</u> |

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MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)  
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY  
 MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE MILLENNIUM  
 CHALLENGE COMPACT BETWEEN THE REPUBLIC OF GHANA AND THE UNITED STATES OF  
 AMERICA FOR THE PERIOD AUGUST 14, 2013 TO SEPTEMBER 30, 2016

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NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)

9. INTEREST INCOME

This relates to interest income earned on the Permitted Accounts of MiDA denominated in both Ghana Cedi and United States Dollars.

10. INTEREST TRANSFERRED/UTILIZED

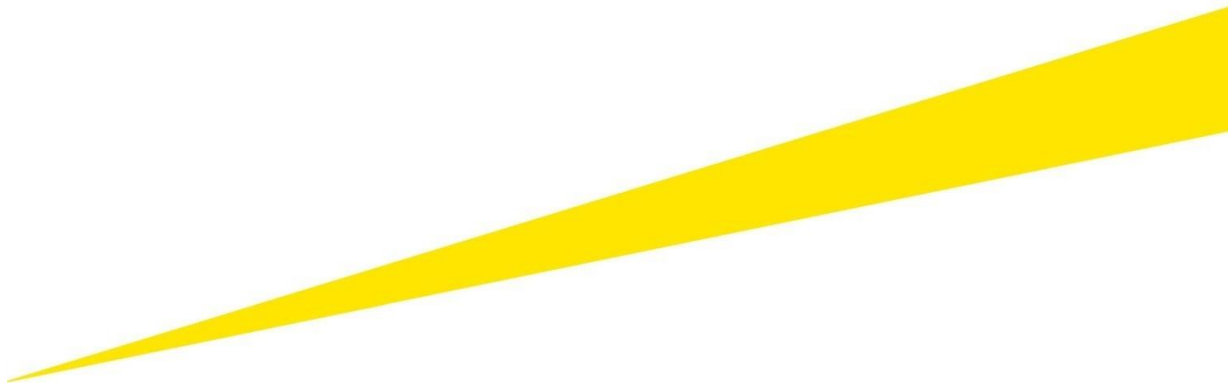
This represents interest received which was subsequently transferred to the Federal Reserve Account (Bank of New York) or utilized by MiDA for administrative expenses.

11. EXCHANGE DIFFERENCE

The exchange difference is as a result of the conversion of the Government of Ghana funds in Ghana Cedis to the USD using the prevailing Ecobank closing rates at period end.

12. CLOSING CASH BALANCE

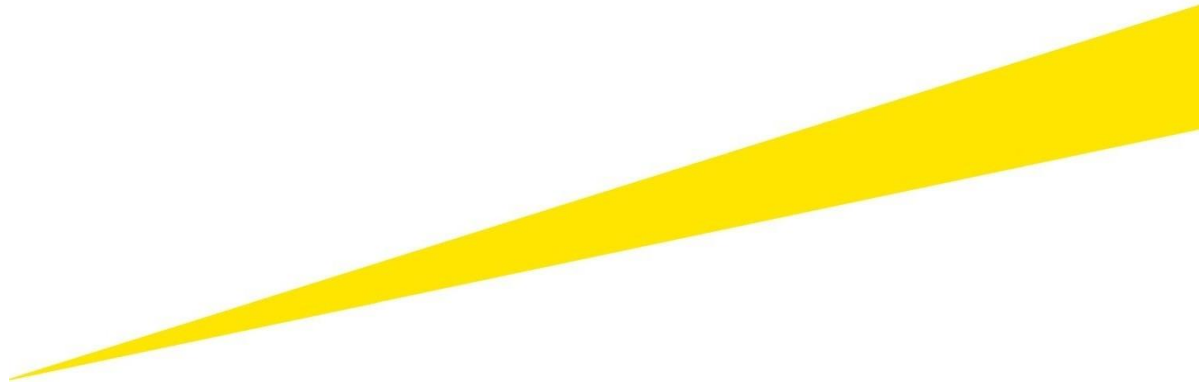
|                             | 2016<br>US\$<br>MCC  | 2016<br>US\$<br>609(g) | 2016<br>US\$<br>GoG     | 2016<br>US\$<br>Total   |
|-----------------------------|----------------------|------------------------|-------------------------|-------------------------|
| US Dollar Bank Account      | 49                   | -                      | -                       | 49                      |
| Ghana Cedi Bank Account     | 6,426                | -                      | 8,279,870               | 8,286,296               |
| Cash at hand                | 1,924                | -                      | -                       | 1,924                   |
| US Dollar Interest Account  | 35                   | -                      | -                       | 35                      |
| Ghana Cedi Interest Account | <u>3,040</u>         | <u>-</u>               | <u>-</u>                | <u>3,040</u>            |
|                             | <b><u>11,474</u></b> | <b><u>-</u></b>        | <b><u>8,279,870</u></b> | <b><u>8,291,344</u></b> |



SECTION 4

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REPORT ON INTERNAL CONTROL



SECTION 4.1

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE





Building a better  
working world

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MILLENNIUM DEVELOPMENT AUTHORITY UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE MILLENNIUM CHALLENGE COMPACT**

Board of Directors  
Millennium Development Authority  
4<sup>th</sup> Floor, Heritage Tower  
6<sup>th</sup> Avenue, Ridge West  
P.M.B. 56, Ministries  
Accra, Ghana

We have audited the Fund Accountability Statement of the Millennium Development Authority for the period ended September 30, 2016, and have issued our report on it dated December 17, 2018.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.96 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Ghana. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in Ernst & Young Global's worldwide internal quality control review program which requires each audit partner to be subjected, every three years, to an extensive quality control review by partners and managers from other affiliate offices.

The management or those charged with governance of MiDA are responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the Fund Accountability Statement in conformity with the basis of accounting described in the Fund Accountability Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Fund Accountability Statement of MiDA for the period ended September 30, 2016, in accordance with U.S. Government Auditing Standards, we considered MiDA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

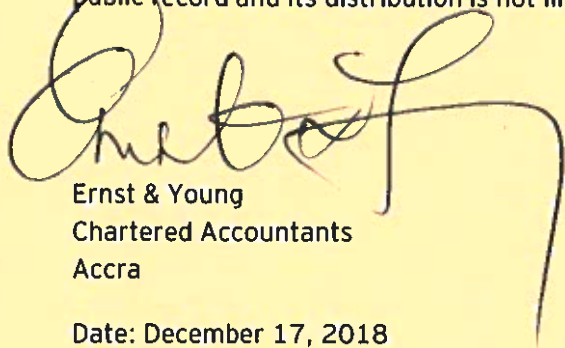
Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than material weaknesses, yet important enough to merit attention by those charged with governance.

We consider the following deficiencies in the entity's internal control to be significant deficiencies:

- Differences of US\$8322.78 between the payroll register and payroll cost per the 609 (g) ITS reports (Section 4.2.1)
- Contract witnessed on behalf of a Consultancy (Iron Vine Security) by the Procurement Agent (Section 4.2.2)
- Absence of a Change Management Policy (Section 4.2.3)
- Inadequate backup/Disaster Recovery (DR) Procedures (Section 4.2.4)
- Lack of evidence of review of Super User Activities (Section 4.2.5)
- Inadequate Incident Management Process (Section 4.2.6)
- Absence of Business Continuity Plan (BCP) (Section 4.2.7)
- Non-Performance of Vulnerability and Penetration tests (Section 4.2.8)
- Inadequate Monitoring of IT Control Processes (Section 4.2.9)
- Inadequate Server Room Physical and Environmental Controls (Section 4.2.10)

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Fund Accountability Statement will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended for the information of Millennium Development Authority (MiDA) and Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.



Ernst & Young  
Chartered Accountants  
Accra

Date: December 17, 2018



SECTION 4.2

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)  
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4.2.1 Differences of US\$8,322.78 between the payroll register and payroll cost per the 609 (g) ITS reports

Condition

We noted that the payroll cost per the payroll register did not agree with the cost in the ITS reports by US\$8,322.78. Details have been provided in the table below:

| Periods  | Payroll register |        |                | ITS reports    | Difference   |
|--|------------------|--------|----------------|----------------|--------------|
|  | GHS              | Rate   | US\$           | US\$           | US\$         |
| September 2014   | 81,503           | 3.1962 | 25,500         | -              | 25,500       |
| October 2014   | 86,686           | 3.1937 | 27,143         | -              | 27,143       |
| November 2014  | 92,704           | 3.1967 | 29,000         | 53,656         | (24,656)     |
| December 2014  | 121,437          | 3.1957 | 38,000         | 98,140         | (60,140)     |
| January 2015   | 101,215          | 3.2234 | 31,400         | 31,649         | (249)        |
| February 2015  | 106,769          | 3.4003 | 31,400         | 31,794         | (394)        |
| March 2015   | 148,811          | 3.6384 | 40,900         | 44,628         | (3,728)      |
| May 2015   | -                | -      | -              | 2,336          | (2,336)      |
| June 2016  | -                | -      | -              | 667            | (667)        |
| July 2016  | -                | -      | -              | 650            | (650)        |
| January 2015 to February 2015 - for National Coordinator   | 76,076           | 3.5384 | 21,500         | -              | 21,500       |
| September 2014 to November 2014 - for National Coordinator | 86,243           | 3.1942 | 27,000         | -              | 27,000       |
| Total  | <u>901,444</u>   |        | <u>271,843</u> | <u>263,520</u> | <u>8,323</u> |

Cause

This was attributed to exchange differences resulting from payments made by International Business Centre to the individual consultant's accounts. Management also stated that the International Business Centre also incurred some charges which were included in the individual consultant's charges indicated by the ITS report.

Criteria

It's expected that any discrepancies in accounting records are reconciled and followed up to ensure they are addressed in time. Best practice requires regular reconciliation to avoid significant differences.

Effect

The practice where discrepancies in accounting records are not addressed promptly may create opportunities for misappropriation.

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**Recommendation**

Management should reconcile its payroll cost balance per the register with the 609 (g) general ledger. All reconciling items must appropriately be investigated and resolved.

**Management comments**

The differences were attributable to exchange rate differences at the time MiDA's payroll (Pre-Compact time) were been paid directly from IBC. MCC was made aware of the discrepancies.

**4.2.2 Contract witnessed on behalf of a Consultancy (Iron Vine Security) by the Procurement Agent**

**Condition**

A direct contract awarded by MiDA with the approval by MCC to Iron Vine Security to install IT infrastructure for MiDA was witnessed by the Procurement Agent Manager for and on behalf of the Consultant.

**Cause**

According to the Procurement Agent Manager, the representative of the Consultant was only one person at the time when the contract was to be signed and giving the fact that the project had to start almost immediately, there was the need to get the witness section of the contract signed to enable the Consultant to start his work, hence the decision to sign on behalf of the Consultant.

**Criteria**

It is expected that, a Procurement Agent who is viewed as independent of Consultants do not append his/her signature to witness contracts for a consultant as this may constitute conflict of interest.

**Effect**

This practice could lead to a breach of confidentiality and may result in conflict of interest. This could also result in a bid challenge.

**Recommendation**

We recommend that the Procurement Agent Manager should desist from witnessing contracts on behalf of a Consultant to avoid potential conflict of interest and unnecessary bid challenges.

**Management comments**

In 2012/13 MCC had carried out their own internal procurement processes for how the design, and implementation of SAP MIS systems would work on MCC Compacts. The result of these procurements was that the initial design, configuration and procurement/installation of the hardware and software would be carried out by Iron Vine Security, and the subsequent SAP implementation and training would be carried out by SITA CORP. MCC had carried out three initial "Test Site" SAP system procurements in Malawi, Zambia and Indonesia and the Procurement Agent Manager had experience of the process from his time in MCA-Malawi in 2013/14.

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For the Ghana Power Compact Bill Geimer, for Iron Vine Security (the “Consultant”) arrived in MiDA in early to mid-February 2015 on the instruction of MCC given that they had already been selected. They had also submitted their Proposal to MiDA on February 18<sup>th</sup>, 2015 and by the time the Procurement Agent team had mobilized on March 2<sup>nd</sup>, 2015, Bill Geimer was completing the first deliverable prior to departure back to USA that week. The selection of Iron Vine Security had already been confirmed by MCC and the evaluation of their Proposal to MiDA had already taken place. The Procurement Agent therefore arrived in time to see the Contract being finalized by MiDA. In addition, it should be recognized that MiDA were not staffed at this point in time. MiDA Legal required that the witnesses on Contracts are known to both Parties, and the same “rule” applied to Iron Vine Security. The Procurement Agent Manager was therefore the only person who was known to both MiDA and Bill Geimer. Therefore, both Parties agreed that since there was no conflict of interest, nor could there be any Bid Challenge, and because he was the only person known to both Parties, the Procurement Agent Manager would, as a one-off, sign as a witness on behalf of Iron Vine Security.

The Procurement Agent is well aware that, where the Procurement Agent had been involved in the procurement on behalf of MiDA, that their staff should not be a witness to Contracts on behalf of Consultants.

#### 4.2.3 Absence of a Change Management Policy

##### Condition

We observed during our review that a number of changes were made to the MiDA's IT infrastructure services, for instance; the migration from QuickBooks to SAP, the migration of the operating system software from windows 7 to windows 10, upgrading virtualized environment alien ware from V5.5 to V6.5 and also the change of antivirus software from Kaspersky to Sophos. Although these changes were made, references were not made to any documented comprehensive change management policy, to assess the impact of the changes, change classification, end user assessment etc. before implementation.

##### Cause

Management is not aware of the need for this control process hence has not developed a change management policy.

##### Criteria

Change Management deals with any kind of change to the IT infrastructure and services. A well-defined and controlled process leads to the effective handling of these changes. Change Management is triggered every time a request for change is received from one of the several sources normally indicated in the change management policy. Each requested change is classified by determining its priority and impact, and afterwards the responsible change authority decides on the approval or dismissal of the change. Change Management then coordinates the incidental tasks in the context of change building, testing and release.

As an industry practice, there should be a change management policy in place to help outline and identify the class and type of change relative to current IT infrastructure, the responsibilities and the formal process undertaken to effect changes to IT services. One of the goals of the ISO 9001:2015 Standard is to enhance the requirements for addressing changes to the Quality Management System and its processes. The ISO 9001:2015 requirements provide a strong basis for the management of systems that supports the strategic direction of the organization. Clause 6.3 "Planning of changes" specifies the need for changes to the quality management system with reference to a documented change management policy.

##### Effect

The absence of the change management policy neither provides a strategic vision, nor help in identifying what a risk and control environment should look like. Absence of a change management policy leads to post implementation unrest, end-user resistance, project delays, productivity plunges, change saturation etc. Once the organization has identified its context and relevant interested parties and their relevant requirements, then identified the processes that support this linkage, addressing changes becomes an increasingly important component of continued success.

##### Recommendation

Management should ensure the existence and enforcement of a change management policy to identify possible loop holes in the application of changes to IT processes, systems and infrastructures.



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**Management comments**

Most of the migration was done in consultation with Iron Vine, MiDA's IT contractors based on current technological trends. Following the consultation with Iron Vine, MiDA IT sent out emails to all MiDA staff about the upgrades that were going to be carried out as well as the impact on all users. In Future, MiDA IT will draft and adopt a formal IT Change Management Policy.

#### 4.2.4 Inadequate backup/Disaster Recovery (DR) Procedures

##### Condition

We noted during our review that both daily and weekly Sunday backups are performed on incremental basis, for the SAP and other data. Backup is run from the production server onto a backup server hosted at the Heritage Towers and replicated on real time unto tapes at the end of the month.

Backup tapes are currently kept by the two IT personnel (in their respective houses) on a monthly rotation basis. There is currently no disaster recovery plan governing the backup and subsequent restorations. No test on restoration was performed during the period under review.

MiDA currently has no off-site disaster recovery site for backing up or replicating data from the production centre.

##### Cause

The current backup process does not ensure back up restorations and location of an off-site DR site.

##### Criteria

According to ISO 27031, an ISO standard for IT disaster recovery and business continuity, strategies to implement the required resilience should be put in place so that the principles of incident prevention, detection, response, recovery and restoration are adhered to. As an industry practice, all backups should be restored and tested to access the reliability of all backups.

##### Effect

MiDA may be unable to recover data, transactions and programs that are necessary for financial reporting in the event of data loss.

##### Recommendation

Management should draft a disaster recovery plan, obtain approval and ensure immediate implementation.

A comprehensive backup policies and procedures to guide backup and restoration of critical information relevant to financial reporting should be developed and restored. In addition, copies of the backup tapes should be kept offsite (a more secured environment such as bank storages rather than the individual houses of current IT personnel).

Backup register detailing status of backups, timing, and tape movement should be maintained and reviewed regularly. A full back up restoration should be considered for testing to assess the readiness of MiDA to recover from any unforeseen physical or system disruption that may result in data loss.

Management should also review the backups and restorations performed on a regular basis to ensure that they are appropriate.

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**Management comments**

MiDA IT Infrastructure has a comprehensive backup plan that covers disaster recovery and as such there is no room for data loss. MiDA IT has started the process of identifying a secure remote location to be used as offsite backup as opposed to keeping backup tapes at home.

#### 4.2.5 Lack of evidence of review of Super User activities

##### Condition

We noted during our review that although the SAP application has an audit trail functionality activities of super/administrator users on the SAP and other data, applications are not monitored, reviewed and signed off on a periodic basis to check the appropriateness of privilege access usage.

##### Cause

The current Internal Audit of MiDA has no IT auditor with the required skill set to review super user activity logs. Management is yet to decide whether to build local internal audit capacity for this control or outsource it.

##### Criteria

Super users refer to users of a computer system with special privileges needed to administer and maintain the system. These users have high access privileges and can perform any activity both at the front-end and the back-end of a system. A typical example of such users are system administrators.

Due to the pervasive activities that can be performed using super user profiles, it is important that the activities of users with such rights are logged, monitored and reviewed by an independent person.

ISO/IEC 27001:2013 (ISO 27001) is the international standard that describes best practice for an ISMS (information security management system). ISO 27001 demonstrates information security best practice, and requires the provision of an independent expert verification that information security is managed in line with international best practice and business objectives. This includes user access management and activity monitoring. As an industry practice, user activities of users with Administrative or Super user rights should be monitored, reviewed and signed off on a regular basis.

##### Effect

There is the risk of unauthorized/inappropriate access to the relevant programs or data. For instance, IT personnel with super user access may perform unauthorized transactions on the critical business applications and this could go unnoticed. Unmonitored super user activities also create avenues for fraud.

##### Recommendation

Management should ensure that activities of super users which must be traceable to specific individuals for accountability are logged and reviewed for propriety by independent parties (that is, Internal Audit - Normally an IT auditor with an appreciation of audit trail language and can understand or make meaning of activity logs).

##### Management comments

MiDA IT does not have super user access in SAP or any Business Application. MiDA IT is responsible for provisioning user access to new transactions and user account lockout. SITA Corporation, MiDA's SAP contractor, has the ultimate super user access. MiDA's Fiscal Agent at the moment generates monthly report on user access activities.

#### 4.2.6 Inadequate Incident Management Process

##### Condition

We noted during our review that IT related incidents are escalated to the IT resource person via phone calls, walk-ins and emails before they are resolved. Logged incidents are not analysed for trends and root causes to curb repetitive incidences and ensure permanent resolutions.

##### Cause

Management explained that they use to perform this control in the past but stopped because of increasing IT incident volumes and time constraint

##### Criteria

Incident management is a reactive process that involves detecting and recording incidents (that is, IT problems reported by end users), matching incidents against known problems, resolving incidents as quickly as possible, prioritizing incidents in terms of impact and urgency, escalating incidents to other teams to ensure timely resolution and analysis of incident history for trends, root causes and permanent resolutions.

ISO/IEC 27035 - the ISO Standard on incident handling and best practise provides a basis for a comprehensive end-to-end incidence management ensuring the need for "Incident Lessons Learnt" and Root Cause Analysis.

##### Effect

Repetitive incidences will not be corrected at the root level leading to continuous resolutions, work inefficiencies and possible financial losses. Also, Processing on the system may be hindered because potential system problems were not identified and resolved in a timely manner.

##### Recommendation

Management should develop and implement a formalized incident management procedure to ensure that end-user issues are logged, analysed and resolved in a timely manner. Root Cause analysis should be performed on repetitive incidents for permanent solutions.

Additionally, user complaints log should be periodically reviewed to ensure that open issues are timely resolved or promptly communicated to the appropriate third parties for resolution.

##### Management comments

IT has made progress on implementing an incident management process that will be shared with all staff. Future trends will be analyzed and monitored for preventive actions to be implemented.

#### 4.2.7 Absence of Business Continuity Plan (BCP)

##### Condition

We noted during our review that MiDA has no business continuity plan.

##### Cause

Management did not provide a cause for this lapse in control.

##### Criteria

The BCP defines the essential functions of the business, identify which systems and processes must be sustained, and detail how to maintain them in an event of any unforeseen contingencies. It includes the process of creating systems of prevention and recovery to deal with potential threats to a company. It should take into account any possible business disruption.

ISO 22301:2012, Societal security - Business continuity management systems - requirements, helps organizations, regardless of their size, location or activity, to be better prepared and more confident to handle operational disruption of any type. It requires the documentation, approval and test of a BCP to ensure timely recovery from disaster by organisations.

##### Effect

MiDA may not be able to resume operations within a reasonable time in the event of a disaster.

##### Recommendation

Management should develop and implement a business continuity plan that will ensure prompt resumption of business operations in the event of a disaster. The plan should address the following at the minimum:

- ▶ Key contacts in the event of a disaster.
- ▶ Details of an alternate processing centre.
- ▶ Identification of critical IT assets/business impact analysis.
- ▶ Recovery procedures for critical IT assets.
- ▶ DRP test procedures.

The BCP should be tested regularly to ensure its reliability.

##### Management comments

MiDA during its initial setup of the infrastructure made provision for full support services from all the Hardware & Software Vendors. MiDA also has a standby firewall with a standby license. MiDA's storage has standby spares for any faulty part. MiDA IT will develop a BCP with all the above clearly outlined for future use.

#### 4.2.8 Non-Performance of Vulnerability and Penetration tests

##### Condition

We noted during our review that although MiDA receives emails on updates and the strength of their firewall from its operators, no vulnerability and penetration test was performed during the period under review.

##### Cause

No cause was provided by management for the control gap.

##### Criteria

In recent times, due to the widespread internet usage, security has become a prime importance. The almost universal use of mobile and web applications makes systems vulnerable to cyber-attacks. Vulnerability assessment can help identify the loopholes in a system while penetration testing is a proof-of-concept approach to explore and exploit a vulnerability.

ISO 27001 control objective A12.6 (*Technical Vulnerability Management*) states that 'information about technical vulnerabilities of information systems being used shall be obtained in a timely fashion, the organisation's exposure to such vulnerabilities evaluated and appropriate measures taken to address the associated risk'.

The nature of information technology assets means they may have many technical vulnerabilities that could be exploited by external attacks. Automated and indiscriminate attacks target identifiable vulnerabilities in hardware and software irrespective of the organisation that has them. As an industry practice, vulnerability and penetration tests should be regularly performed to assess how robust the internal network is against possible cyber threats.

##### Effect

Internal network may not be secured against new threats and hence susceptible to cyber-attacks.

##### Recommendation

Management should ensure continuous performance of vulnerability and penetration tests to identify possible loop holes in the internal network security and to strengthen the network security according.

##### Management comments

Agreed with the recommendation. MiDA is currently in discussion with Iron Vine to see if they can perform vulnerability and penetration testing on a regular basis.

#### 4.2.9 Inadequate Monitoring of IT Control Processes

##### Condition

During our review, we noted that although MiDA has an internal audit function that performs regular internal control reviews. General IT control reviews were not covered in the internal audit scope during the period under review. Hence no IT controls test was performed.

##### Cause

The current Internal Audit of MiDA has no IT auditor with the required skill set to perform routine IT control reviews. Management is yet to decide whether to build local internal audit capacity for this control or outsource it.

##### Criteria

For an effective and fraud-free IT environment, regular general IT controls are to be tested to detect and prevent IT control weaknesses.

ISO 27001 10.1- 10.6 makes specific references to monitor general IT controls to detect and prevent unauthorized information processing activities.

##### Effect

In the current environment, deficiencies in general IT control processes may not be identified timely and may result in IT security breaches, and possible fraud.

##### Recommendation

The current Internal Audit function should be equipped with the requisite skills to perform IT controls review. Alternatively, management may consider establishing a dedicated IT Audit function or outsourcing same to a professional firm. The IT audit function will be responsible for ensuring that all IT controls are well designed, implemented and operating effectively.

##### Management comments

Agreed with the recommendation, the Internal Audit team has been tasked to acquire the requisite skills necessary to perform IT controls review. This can be achieved by training. Establishing a dedicated IT Audit function or outsourcing same for an institution of MiDA's size is not cost-effective.



#### 4.2.10 Inadequate server room physical and environmental controls

##### Condition

We noted during our review that the server room of MiDA at the Heritage Towers where backup replications are hosted had no fire extinguisher or fire detectors.

Also, access to the server room is maintained under “key and lock” system but no log is kept for visitors to indicate who visited the server room at any particular time.

##### Cause

No cause was provided by management for the control lapse.

##### Criteria

ISO-27002 seeks to prevent unauthorized physical access, damage or interference to the organization's premises and infrastructure, using controls appropriate to the identified risks and the value of the assets protected.

Also as an industry practice, access to the server room should be traceable to specific individuals at any time to ensure accountability.

##### Effect

MiDA may not be able to quickly detect or prevent fire in the sever room. Also, server room activities whether malicious or otherwise may not be traceable to an individual person.

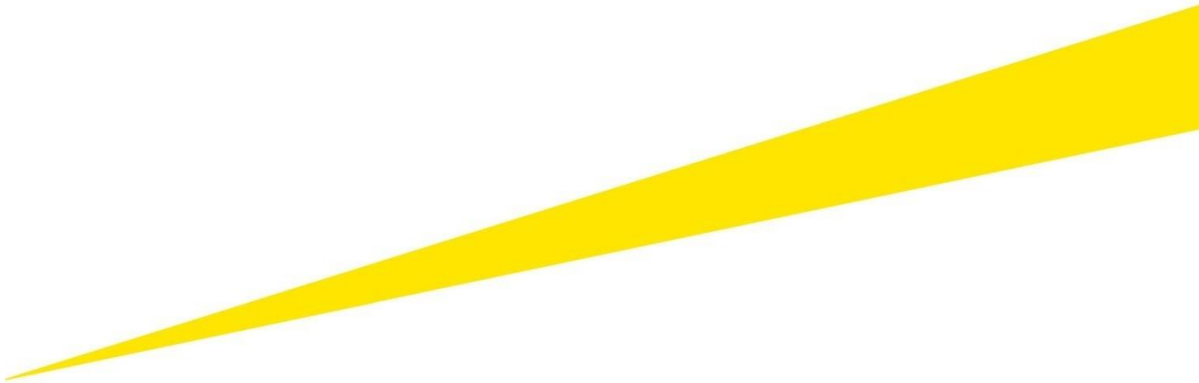
##### Recommendation

Management should ensure that the fire detectors and fire extinguisher(s) are fixed at vantage location of the server room to ensure timely prevention of any fire outbreak that can damage the servers in the server room.

Also, log book should be kept for all visits to the server room or a biometric lock system should be implemented for the server room.

##### Management comments

MiDA IT to purchase fire extinguisher for the server room as well as implement secure access to the server room.



SECTION 5

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REPORT ON COMPLIANCE



SECTION 5.1

---

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

## **INDEPENDENT AUDITORS' REPORT ON THE COMPLIANCE OF THE THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MILLENNIUM DEVELOPMENT AUTHORITY (MiDA) UNDER THE GRANT IMPLEMENTATION AGREEMENT AND THE MILLENNIUM CHALLENGE COMPACT**

Board of Directors  
Millennium Development Authority  
4th Floor, Heritage Tower  
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Accra, Ghana

We have audited the Fund Accountability Statement of the Millennium Development Authority (MiDA) under the grant implementation agreement and Millennium Challenge Compact for the period ended September 30, 2016 and have issued our report thereon dated December 17, 2018.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the Fund Accountability Statement amounts.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.96 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Ghana. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in Ernst & Young Global's worldwide internal quality control review program which requires each audit partner to be subjected, every three years, to an extensive quality control review by partners and managers from other affiliate offices.

Compliance with the terms and conditions of the Grant Implementation and Compact Agreements and related Agreements and laws and regulations applicable to MiDA are the responsibilities of MiDA's management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of MiDA's compliance with certain provisions of agreement terms, laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

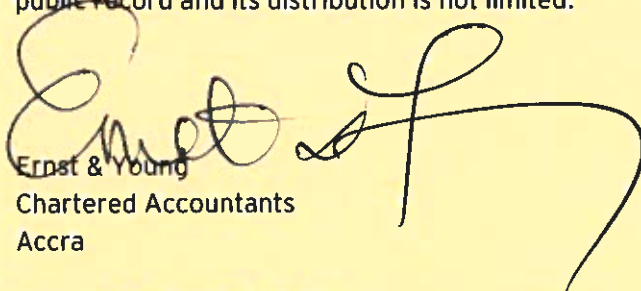
Material instances of non-compliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the Fund Accountability Statements. The results of our compliance tests disclosed the following material instances of noncompliance.

- Amount spent on lodging by CEO above the prescribed rate (Section 5.2.1)
- Advances not retired on time (Section 5.2.2)
- Retirement of advances not properly receipted (Section 5.2.3)
- Absence of guideline on transfer or use of accrued interest on Government of Ghana (GoG) funds (Section 5.2.4)
- Separate Bank account not maintained for GoG interest and GoG principal contribution (Section 5.2.5)
- Taxes not withheld on some payments made to local suppliers for services provided or work performed (Section 5.2.6)

- Taxes not withheld on consultancy fees paid to consulting services during the 609(g) funding period (Section 5.2.7)
- Interest on MCC permitted accounts not remitted on time (Section 5.2.8)
- Reports on MCC accrued interest on bank balance not sent to MiDA or Fiscal Agent within the period under review (Section 5.2.9)
- Long outstanding Tourism levy not claimed (Section 5.2.10)
- Assets not insured during the period under review (Section 5.2.11)
- Use of Procurement Agent personnel as bid evaluation panel members (Section 5.2.12)

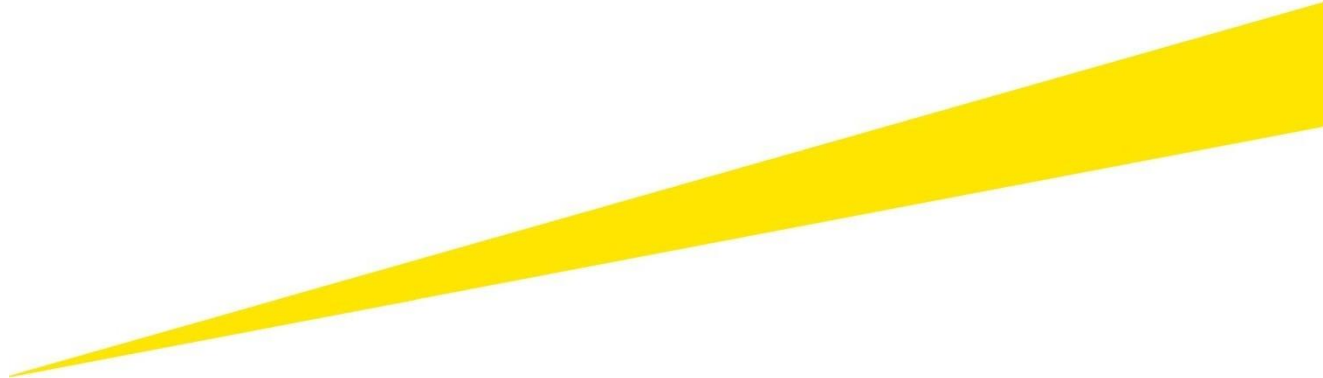
We considered these material instances of non-compliance in forming our opinion on whether MiDA's Fund Accountability Statement is presented fairly, in all material respects, in accordance with the terms of the agreements and in conformity with the basis of accounting described in note 1 to the fund accountability statement, and this report does not affect our report on the fund accountability statement dated December 17, 2018.

This report is intended for the information of Millennium Development Authority (MiDA) and Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.



Ernst & Young  
Chartered Accountants  
Accra

Date: December 17, 2018



SECTION 5.2

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COMPLIANCE FINDINGS AND RECOMMENDATIONS

**5.2.1 Amount spent on lodging by CEO above the prescribed rate**

**Condition**

The CEO spent a daily tax exclusive rate of US\$319 on hotels for a travel made to Washington from 5 March 2016 to 13 March 2016. However, the limit on lodgement per U.S. Federal Travel Regulations website for the month shows a rate of US\$226.

**Cause**

No explanation was provided for this lapse in control.

**Criteria**

The FAP requires that lodging is paid at actual costs up to the maximum allowable and all MiDA travellers are to provide receipts for lodging expenses.

Further, the FAP states that, with the exception of local rates, MiDA's travel policies and regulations are based on the U.S. Federal Travel Regulations.

**Effect**

This incident contravenes the provisions in the Fiscal Accountability Plan (FAP).

**Recommendation**

Management should ensure that appropriate measures are put in place for a travelling staff not to overspend their budget. Alternatively, there should be a clear approval process to ensure CEO's expenditure on lodging above the prescribed rate is approved where necessary.

**Management comments**

The CEO travelled to Washington for MCC's Leadership Conference and could not get a hotel within the specified rate per the US Travel Regulations. He subsequently stayed in a hotel directly across the street from MCC and the rate he paid was for a standard room. The FAP used at that time was not specific on what happens if the CEO travelled overseas and does not get a hotel within the approved Per-Diem rate. MiDA has since updated the FAP to address situations like this.

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**5.2.2 Advances not retired on time**

**Condition**

We noted during our audit that some staff did not retire their travel advances on time. The table below shows the return dates of staff, expected-dates for retiring the advances and the actual-dates of retiring the advances.

| PAF Number | Date of return | Date required to retire advance | Date retired (date on which preparer signed off the retirement document) | Number of days delayed | Amount Advanced (US\$) |
|------------|----------------|---------------------------------|--|------------------------|------------------------|
| 1700000017 | 09/10/2016     | 17/10/2016                      | 18/10/2016   | 1                      | 3,873.50               |
| 1700000020 | 01/10/2016     | 08/10/2016                      | 26/10/2016   | 18                     | 3,000.50               |
| 1700000023 | 29/09/2016     | 08/10/2016                      | 16/11/2016   | 39                     | 1,567.00               |
| 1700000004 | 24/04/2016     | 01/05/2016                      | 07/05/2016   | 6                      | 3,237.50               |
| 1700000003 | 21/03/2016     | 28/03/2016                      | 31/03/2016   | 3                      | 4,646.58               |

**Cause**

According to management, the items with PAF number 1700000023 relates to a staff who retired the funds within the prescribed time, however, the date on the final documentation submitted showed a later date. No explanation was provided for lapse in control for the remaining items.

**Criteria**

Section 11.2 of the FAP states that, MiDA travellers, whether local or international are required to submit the final travel vouchers within 7 days of the return trip and as well, refund any travel advances not utilised.

**Effect**

The instances above contravene the provisions in the Fiscal Accountability Plan.

**Recommendation**

Management should ensure that travellers retire their advances within the time stipulated in the FAP.

**Management comments**

Agreed. Management have step up their efforts in ensuring that Staff retire their advances within 7 days as stipulated in the FAP.



### 5.2.3 Retirement of advances not properly receipted

#### Condition

We were not provided with evidence of the receipts or the deposits slips to show that the following funds were refunded by travellers when they returned from their trips. The details are provided in the table below:

| PAF Number   | Date of return | Amount retired (US\$) |
|--------------|----------------|-----------------------|
| 1700000017   | 09/10/2016     | 11.26                 |
| 1700000018   | 10/10/2016     | 371.10                |
| 1700000019   | 01/10/2016     | 158.08                |
| 1700000020   | 01/10/2016     | 174.87                |
| 1700000021   | 01/10/2016     | 242.48                |
| <b>Total</b> |                | <b>957.79</b>         |

#### Cause

The Fiscal Agent stated that the travellers returned the funds by cash but the amounts were kept and used to reimburse another staff who travelled with her own money. The Fiscal Agent further stated that, the action resulted from the fact that, there were challenges with the bank and hence the funds could not be deposited at the bank at the time.

#### Criteria

Section 11.2 of the FAP states that, MiDA travellers, whether local or international are required to submit the final travel vouchers within 7 days of the return trip and as well, refund any travel advances not utilised.

#### Effect

Given that the funds were kept to defray an overspent advance, there should be a well-documented receipt that leaves a trail of the event that occurred during the period. The lack of proper documentation creates opportunities for misappropriation of funds to occur.

#### Recommendation

In events where there are disagreements between the bank and MiDA or Fiscal Agent and there is no reasonable means to deposit funds received from travellers, appropriate measures have to be instituted by management to issue formal receipts to travellers when they return their unused cash.

#### Management comments

As a general policy, all refunds related to staff advances are paid into the permitted bank accounts and the Fiscal Agent does not receive cash. An exception had to be made to this principle in this instance because FA and MiDA no longer had access to the Ecobank Account. MCC Implementation letter dated September 23, 2016 instructed FA to stop using all accounts with Ecobank effective October 1, 2016.

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The Fiscal Agent therefore thought that it was expedient to collect the cash from the staff to clear the liquidation on time in compliance with FAP rather than let them hold on to it until a new bank was established whilst GT Bank became operational in January 2017. The evidence of the cash receipt was documented on the various PAF's covering the liquidation. The Fiscal Agent has taken note of the lapses for not issuing an acknowledgement receipt to the travellers.

**5.2.4 Absence of guideline on transfer or use of accrued interest on Government of Ghana (GoG) funds**

**Condition**

Contrary to the bank agreement which states among other things that an instruction to transfer the accrued interest on GoG funds is to be drafted with the bank during the implementation of the Compact programme, we noted that the accrued interest transfer instruction was not prepared. Thus, interest on Government account was not transferred.

**Cause**

According to management, the Bank agreement which was drafted and approved for MCC permitted accounts were replicated for the GoG funds. However, it was not the intention of management to capture any guidelines on GoG interest transfers. Management further stated that, the interest was to be used to manage any foreign currency fluctuation that the GoG funds may suffer against the United States Dollar.

**Criteria**

It is expected that MiDA adheres to its own written policies and procedures which states that an instruction to transfer the accrued interest on GoG funds is drafted with the bank during the implementation of the Compact programme.

**Effect**

Since there was no agreement in place to transfer the interest on GoG account, this resulted in part of the interest being used to pay for rent charges totalling US\$222,756 (GHS 877, 280).

**Recommendation**

Management must obtain the written instructions from the Government of Ghana and follow through. Also, for expenditures incurred using government funds, approval must be sought from the Government of Ghana before the funds are used. In addition, the agreement should be amended to reflect the actual intention.

**Management comments**

MiDA had no intention of transferring interest back to the Government of Ghana. The interest amount was to be used to cover any foreign exchange fluctuations that the Ghana Cedi will suffer against the United States Dollar from the time the funds will be used as against the time the Government transferred the funds (in Ghana Cedis) to MiDA. We do not need any additional written instructions from the Government of Ghana on the use of funds. The funds were given as GoG's contribution to the Compact. This provision is no longer reflected in the new Bank Agreement.

**5.2.5 Separate bank account not maintained for GoG interest and GoG principal contributions**

**Condition**

MiDA did not open a separate bank account for the GoG interest earned on the principal balance. Therefore, interest on the GoG funds were maintained in the same account with the principal amount.

**Cause**

No explanation was provided for this lapse in control.

**Criteria**

Section 1.3 (a) (i) of the GoG bank agreement stipulates that a segregated accrued interest account be created in the name of MiDA into which account the bank shall deposit, maintain and transfer the funds as directed from time to time by the Fiscal Agent.

**Effect**

This is in contravention to the provision of the banking agreement.

**Recommendation**

Management should ensure that interest account is opened for the GoG funds to ensure that all interest on the principal balance are transferred to the interest account.

**Management comments**

The separation of bank accounts for Government of Ghana funds and Interest have been created with GT Bank.

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5.2.6 Taxes not withheld on some payments made to local suppliers for services provided or work performed

Condition

We noted during the audit that, MiDA did not deduct and pay withholding taxes on some of the payments made to local suppliers for goods or services during the period under review. Instances noted are presented below:

| Vendor Name         | Actual Disbursement Date | Funded Program Description      | FI Document No. | Amount paid (USD) | Tax (5%) thereon (USD) |
|---------------------|--------------------------|---------------------------------|-----------------|-------------------|------------------------|
| Broll Ghana Limited | 03/31/2015               | 8.1.2 Office Rent and Utilities | 1900000000      | 46,164.77         | 2,308.24               |
| Benlyn Ventures Ltd | 06/03/2015               | 8.1.5 Fixed Assets Acquisition  | 5100000014      | 53,037.72         | 2,651.89               |
| Broll Ghana Limited | 07/31/2015               | 8.1.2 Office Rent and Utilities | 1900000096      | 49,408.05         | 2,470.40               |
| Broll Ghana Limited | 09/30/2015               | 8.1.2 Office Rent and Utilities | 1900000193      | 11,339.44         | 566.97                 |
| Broll Ghana Limited | 09/30/2015               | 8.1.2 Office Rent and Utilities | 1900000194      | 50,285.48         | 2,514.27               |
| Benlyn Ventures Ltd | 11/02/2015               | 8.1.5 Fixed Assets Acquisition  | 5100000058      | 21,331.04         | 1,066.55               |
| Benlyn Ventures Ltd | 11/02/2015               | 8.1.5 Fixed Assets Acquisition  | 5100000059      | 60,356.14         | 3,017.81               |
| Broll Ghana Limited | 02/19/2016               | 8.1.2 Office Rent and Utilities | 1900000416      | 56,478.30         | 2,823.92               |
| Broll Ghana Limited | 04/21/2016               | 8.1.2 Office Rent and Utilities | 1900000469      | 140,274.30        | 7,013.72               |
| Broll Ghana Limited | 08/18/2016               | 8.1.2 Office Rent and Utilities | 1900000645      | 54,246.61         | 2,712.33               |
| <b>Total</b>        |                          |                                 |                 | <b>542,921.85</b> | <b>27,146.09</b>       |

Cause

According to management, MiDA is exempted from paying taxes and therefore not mandated to withhold taxes.

Criteria

Section 2.8 (a) of the Compact Agreement stipulates that, unless the Parties specifically agree otherwise in writing, the Government will ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Ghana, reasonable in amount and imposed on a non-discriminatory basis) ("Taxes") of or in Ghana (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Ghana).

Specifically, and without limiting the generality of the foregoing, MCC Funding will be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Ghana in connection with the

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Program; (ii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program, (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program, and (iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Program and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program except (A) natural persons who are citizens or permanent residents of Ghana and (B) legal persons formed under the laws of Ghana (but excluding MiDA and any other entity formed for the purpose of implementing the Government's obligations hereunder).

Also, Section 12 of the Income Tax Act 2006 (Act 710) as amended, states that 'nothing in section 10 or 11 shall be construed as exempting in the hands of the recipient, any amounts, including dividends, interest, or employment income, paid wholly or partly out of income exempt from tax'.

**Effect**

MiDA has not complied with section 2.8 (a) (iv) (A) as from above. More so, failure to withhold taxes makes the Authority liable to pay the Commissioner the amount of tax which has not been withheld including possible penalties, thus increasing its financial burden

**Recommendation**

Efforts should be made to deduct withholding taxes and pay same to the Ghana Revenue Authority (GRA). Payments made to the GRA should be timely in order to avoid the payment of any penalties.

Management disagreed with us on the matter and we advised that legal advice is sought to bring parity and finality to this matter.

**Management comments**

We respectfully disagree with the Auditors' assertion here on the issue of withholding taxes. Our interpretation of Section 2.8(a) of the Compact is quite clear that MiDA do not withhold any taxes from Compact Funds and MCC has affirmed this position the last time they were in country to have meetings with the Minister of Finance and officials of the Ministry. We also believe that taking withholding taxes from Compact Funds for only Ghanaian firms and individual Consultants will put them at a disadvantage in bidding for contracts.

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5.2.7 Taxes not withheld on consultancy fees paid to consulting services during the 609(g)-  
 funding period

Condition

We noted during the Grant (609(g) implementation period that, MiDA did not withhold taxes on Consultancy fees paid to Consultants engaged during the period. The table below details the fees paid to the consultants and the related taxes that should have been withheld and paid to GRA.

| Consultant            | Fees (GHS)        | Tax (5%) thereon (GHS) |
|-----------------------|-------------------|------------------------|
| Joseph Dadson         | 46,088.80         | 2,304.44               |
| Martha Armah-Kessey   | 20,915.26         | 1,045.76               |
| Nandy Ntiamoah Walker | 20,915.26         | 1,045.76               |
| Michael Ayekple       | 20,915.26         | 1,045.76               |
| Richard Kwabena Ofori | 21,371.51         | 1,068.58               |
| Adwoa Konadu Perbi    | 46,088.80         | 2,304.44               |
| John Okyere Boakye    | 161,310.80        | 8,065.54               |
| George Kofi Mortey    | 23,044.40         | 1,152.22               |
| Kwame Amanfo Boateng  | 69,133.20         | 3,456.66               |
| Mawunyo Rubson        | 71,597.84         | 3,579.89               |
| Samuel Sefa-Dedeh     | 211,441.50        | 10,572.08              |
| Nicholas Ato Hagan    | 4,104.84          | 205.24                 |
| Francis Nterful       | 5,131.05          | 256.55                 |
| Gamel Obo             | 6,950.25          | 347.51                 |
| Faustina Acheampong   | 10,262.10         | 513.11                 |
| Dorothy Djokoto       | 12,384.40         | 619.22                 |
| Vidal Creppy          | 149,788.60        | 7,489.43               |
| Total                 | <u>901,443.86</u> | <u>45,072.19</u>       |

Cause

According to management, MiDA is exempted from paying taxes and therefore not mandated to withhold taxes.

Criteria

Section 2.8 (a) of the Compact Agreement stipulate that, unless the Parties specifically agree otherwise in writing, the Government will ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Ghana, reasonable in amount and imposed on a non-discriminatory basis) ("Taxes") of or in Ghana (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Ghana).

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Specifically, and without limiting the generality of the foregoing, MCC Funding will be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Ghana in connection with the Program; (ii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program, (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program, and (iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Program and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program except (A) natural persons who are citizens or permanent residents of Ghana and (B) legal persons formed under the laws of Ghana (but excluding MiDA and any other entity formed for the purpose of implementing the Government's obligations hereunder).

Also, Section 12 of the Income Tax Act 2006 (Act 710) as amended, states that 'nothing in section 10 or 11 shall be construed as exempting in the hands of the recipient, any amounts, including dividends, interest, or employment income, paid wholly or partly out of income exempt from tax'.

**Effect**

MiDA has not complied with section 2.8 (a) (iv) (A) as from above and that it may be sanctioned by the Ghana Revenue Authority (GRA) for violating the tax laws of the country which may add to its financial burden.

**Recommendation**

Efforts should be made to deduct withholding taxes and pay same to the state/GRA. Payments to the GRA should be timely in order to avoid the payment of any penalties.

Management disagreed with us on the matter and we advised that legal advice is sought to bring parity and finality to this matter.

**Management comments**

We respectfully disagree with the Auditors' assertion here on the issue of withholding taxes. Our interpretation of Section 2.8(a) of the Compact is quite clear that MiDA do not withhold any taxes from Compact Funds and MCC has affirmed this position the last time they were in country to have meetings with the Minister of Finance and officials of the Ministry. We also believe that taking withholding taxes from Compact Funds for only Ghanaian firms and individual Consultants will put them at a disadvantage in bidding for contracts.



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5.2.8 Interest on MCC permitted accounts not remitted on time

Condition

We noted that interest on MCC permitted accounts were not remitted to MCC on time. Details of the days overdue are captured in the table below:

| Document No. | Description   | Document Date | Posting Date | Amount US\$ | Quarter end | Transfer due date | Date transferred by the bank | Days overdue |
|--------------|---|---------------|--------------|-------------|-------------|-------------------|------------------------------|--------------|
| 1300000039   | Interest transfer to MCA for April-June 2015                | 31.07.2015    | 31.07.2015   | (1,361)     | 30/06/2015  | 10/06/2015        | 21/07/2015                   | 11           |
| 1300000070   | Interest received on GHS payment account transferred to MCA | 15.10.2015    | 15.10.2015   | (4,163)     | 30/09/2015  | 10/10/2015        | 14/10/2015                   | 4            |
| 1300000100   | GHS Interest transferred to MCC for Oct-Dec 2015            | 29.01.2016    | 29.01.2016   | (5,347)     | 31/12/2015  | 10/01/2016        | 14/01/2016                   | 4            |
| 1300000155   | Interest on GHS (April to June 2016) transferred to MCC     | 15.07.2016    | 25.07.2016   | (3,167)     | 30/06/2016  | 10/07/2016        | 14/07/2016                   | 4            |
| 1300000035   | Interest transferred to MCA for the period April-June 2015  | 31.07.2015    | 31.07.2015   | (241)       | 30/06/2015  | 10/06/2015        | 21/07/2015                   | 11           |
| 1300000098   | USD Interest transferred to MCC for the period Oct-Dec 2015 | 29.01.2016    | 29.01.2016   | (256)       | 31/12/2015  | 10/01/2016        | 13/01/2016                   | 3            |
| 1300000154   | Interest on USD (April to June 2016) transferred to MCC     | 15.07.2016    | 25.07.2016   | (199)       | 30/06/2016  | 10/07/2016        | 14/07/2016                   | 4            |

**Cause**

According to management, the bank was written to on several occasions to make sure that the interests were transferred on the MCC permitted account timely, but to no avail.

**Criteria**

According to section 1.5 (b) of the MCC bank agreement, the bank is required to transfer the interest at the earlier of the following dates:

1. within the last 10 days after the last day of each calendar quarter,
2. upon the expiration and early termination of this agreement, and
3. at any other time upon the instructions of MCC.

**Effect**

The bank did not comply with this regulation in the bank agreement. This amounts to non-compliance with the banking agreement for which MiDA should have ensured that the bank complied.

**Recommendation**

Management should ensure that the bank transfers interest within the stipulated time agreed per the contract.

**Management comments**

The Fiscal Agent sent reminders to Ecobank to comply with the bank agreement in connection with the remittance of interest to MCC but to no avail. Currently, GT Bank is compliant with Section 1.5 of the Bank Agreement.

**5.2.9 Reports on MCC accrued interest on bank balance not sent to MiDA or Fiscal Agent  
within the period under review**

**Condition**

During the audit we noted that the bank did not send to either MiDA or the Fiscal Agent, a report that specifies the average daily balance in each permitted account and the amount of interest that has accrued thereon.

**Cause**

According to the Fiscal Agent Manager, emails were sent to the bank to provide the reports on interest computation to the Fiscal Agent and MiDA, but the bank did not adhere to the request.

**Criteria**

According to section 1.5 (b) of the MCC bank agreement, the bank shall provide a report to MCC, MiDA and the Fiscal Agent that specifies the average daily balance in each permitted account during the applicable period and the amount of Accrued Interest thereon.

**Effect**

The bank did not comply with this regulation in the bank agreement.

**Recommendation**

MiDA should ensure that henceforth, the bank provide the report on interest on MCC funds so that MiDA may be able to check the correctness of the computation in relation to the agreed rates as per the contract.

**Management comments**

This was among other reasons why the Bank Agreement was terminated with Ecobank. The successor bank, GT Bank is compliant with the submission of interest computation in compliance with the bank agreement.

#### 5.2.10 Long outstanding Tourism levy not claimed

##### **Condition**

We noted that MiDA paid for Tourism levy to the tune of the US\$620, however, this has not been filed with the appropriate Authority for a refund.

##### **Cause**

Management explained that they are having difficulty identifying the appropriate government agency to refund the levy, since GRA has maintained that they are not responsible for such a levy.

##### **Criteria**

Section 2.8 (c) of the Compact stipulates that if a Tax has been paid contrary to the requirements of Section 2.8 (a) or Schedule 5 of the Program Implementation Agreement, the Government will refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States dollars or the currency of Ghana within ninety (90) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MiDA) that such Tax has been paid. Failure to refund such amount within the specified time will result in interest accruing on the unpaid amount in accordance with Section 5.4.

##### **Effect**

Not claiming the Tourism levy is in contravention to the conditions in the Compact. MiDA may be deprived of resources that could have used for other purposes.

##### **Recommendation**

Management should ensure that the appropriate government Agency which is supposed to refund the amount is identified and the refund request submitted by MiDA to the Agency for the refund.

##### **Management comments**

Agreed with the recommendation. MiDA has already written to the Ghana Tourism Authority with a copy to the Ghana Revenue Authority and the Ministry of Finance requesting for a refund of the Tourism Levy. We are currently awaiting their response.

**MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)  
AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA  
UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE MILLENNIUM CHALLENGE  
COMPACT BETWEEN THE REPUBLIC OF GHANA AND THE UNITED STATES OF AMERICA FOR THE  
PERIOD AUGUST 14, 2013 TO SEPTEMBER 30, 2016**

**5.2.11 Assets not insured during the period under review**

**Condition**

Except for Motor vehicles, all other assets of MiDA acquired during the period under review were not insured. Subsequent period review has shown that some of the assets were insured on 17 February 2017 but the insurance excluded the assets listing in the table below:

| Acquisition date | Asset Description   | Legacy Asset ID | Vendor Name                | Cost (US\$)              |
|------------------|---------------------|-----------------|----------------------------|--------------------------|
| 13/02/17         | Safe Leeco          | MIDA-MA0054     | Kingdom Books & Stationery | 3,674.24                 |
| 31/07/15         | Rack Accessories    |                 | Sambus                     | 15,187.79                |
| 2-Nov-15         | Office Partitioning | MIDA-LI0002     | Benlyn Ventures Limited    | 81,613.61                |
| 3-Jun-15         | Office Partitioning |                 | Benlyn Ventures Limited    | 50,307.96                |
| 23-Jan-17        | Office Partitioning |                 | Benlyn Ventures Limited    | 6,635.58                 |
| <b>Total</b>     |                     |                 |                            | <b><u>153,744.94</u></b> |

**Cause**

According to management, they will discuss with the Insurance Company to determine whether the Office partitioning could be insured.

**Criteria**

According to section 1.3(b) (vii) of the programme implementation agreement, MiDA will, to MCC's satisfaction, cause all program Assets to be insured (including, without limitation, through self-insurance) and will arrange such other appropriate insurance to cover against risks or liabilities associated with the operations of the program, including by requiring providers to obtain adequate insurance and to post adequate performance bonds or other guaranties.

**Effect**

This is in contravention to the program implementation agreement. It also increases the financial burden of MiDA in case of damages.

**Recommendation**

Management should ensure that all the physical asset items are insured.

**Management comments**

The assets indicated above as uninsured are the office partitioning. We are yet to get an insurance company willing to insure them, most of them see that as additions to the building and given that the building has insurance, they see no point in insuring the leasehold improvements. All other assets have been insured by MiDA.

#### 5.2.12 Use of Procurement Agent personnel as bid evaluation panel members

##### **Condition**

We noted during the audit that, two procurement agent staff were used as members of a bid evaluation panel for supply and installation of local area network, supply of 4 X 4 Pick-Up and Motorcycles and supply and installation of UPS and Inverters.

##### **Cause**

Management explained that at the time of procurement, MiDA did not have personnel with the required competencies to perform the evaluation. Hence, the use of procurement agent staff.

##### **Criteria**

Bid Review and Technical Evaluation Panels per the 2009 procurement guidelines stipulates that, 'the Procurement Agent does not serve on a panel'.

##### **Effect**

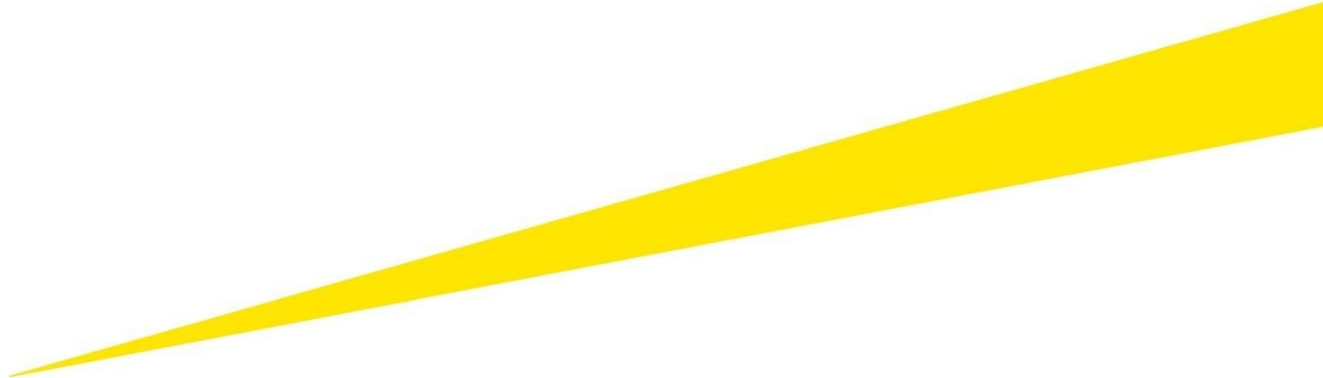
This contravene the procurement guidelines. It also poses the threat of conflict of interest for the procurement agents.

##### **Recommendation**

We recommend that management strictly adheres to the provisions of the procurement guideline.

##### **Management comments**

Agreed with the recommendation. The PA Staff were only used for MiDA internal procurements that did not involve any external members. The Procurement Agent Staff are not used on Evaluation Panels any longer.



SECTION 6

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MANAGEMENT VERBATIM COMMENTS



**Millennium  
Development  
Authority**

Economic Growth and Poverty Reduction



**MANAGEMENT COMMENTS TO THE DRAFT AUDIT REPORT FOR THE PERIOD AUGUST 14, 2013  
THROUGH SEPTEMBER 30, 2016**

4.2.1

The differences were attributable to exchange rate differences at the time MiDA's payroll (Pre-Compact time) were been paid directly from IBC. MCC was made aware of the discrepancies.

4.2.2

"The wording of the cause is not completely as explained by the Procurement Agent Manager, and this in turn affects the reasons for the recommendation.

In 2012/13 MCC had carried out their own internal procurement processes for how the design, and implementation of SAP MIS systems would work on MCC Compacts. The result of these procurements was that the initial design, configuration and procurement/installation of the hardware and software would be carried out by Iron Vine Security, and the subsequent SAP implementation and training would be carried out by SITA CORP. MCC had carried out three initial "Test Site" SAP system procurements in Malawi, Zambia and Indonesia and the Procurement Agent Manager had experience of the process from his time in MCA-Malawi in 2013/14.

For the Ghana Power Compact Bill Geimer, for Iron Vine Security (the "Consultant") arrived in MiDA in early to mid-February 2015 on the instruction of MCC given that they had already been selected. They had also submitted their Proposal to MiDA on 18<sup>th</sup> February 2015 and by the time the Procurement Agent team had mobilized on 2<sup>nd</sup> March 2015, Bill Geimer was completing the first deliverable prior to departure back to USA that week. The selection of Iron Vine Security had already been confirmed [by MCC] and the evaluation of their Proposal to MiDA had already taken place. The Procurement Agent therefore arrived in time to see the Contract being finalized by MiDA. In addition it should be recognized that MiDA were not staffed at this point in time. MiDA Legal require that the witnesses on Contracts are known to both Parties, and the same "rule" applied to Iron Vine Security. The Procurement Agent Manager was therefore the only person who was known to both MiDA and Bill Geimer. Therefore both Parties agreed that since there was no conflict of interest, nor could there be any Bid Challenge, and because he was the only person known to both Parties, the Procurement Agent Manager would, as a one-off, sign as a witness on behalf of Iron Vine Security.

The Procurement Agent is well aware that, where the Procurement Agent had been involved in the procurement on behalf of MiDA, that their staff should not be a witness to Contracts on behalf of Consultants."





# Millennium Development Authority

Economic Growth and Poverty Reduction



## 4.2.3

Most of the migration was done in consultation with Iron Vine, MiDA's IT contractors based on current technological trends. Following the consultation with Iron Vine, MiDA IT sent out emails to all MiDA staff about the upgrades that were going to be carried out as well as the impact on all users. In Future, MiDA IT will draft and adopt a formal IT Change Management Policy.

## 4.2.4

MiDA IT Infrastructure has a comprehensive backup plan that covers disaster recovery and as such there is no room for data loss. MiDA IT has started the process of identifying a secure remote location to be used as offsite backup as opposed to keeping backup tapes at home.

## 4.2.5

MiDA IT does not have super user access in SAP or any Business Application. MiDA IT is responsible for provisioning user access to new transactions and user account lockout. SITA Corporation, MiDA's SAP contractor, has the ultimate super user access.

MiDA's Fiscal Agent at the moment generates monthly report on user access activities.

## 4.2.6

IT has made progress on implementing an incident management process that will be shared with all staff. Future trends will be analyzed and monitored for preventive actions to be implemented.

## 4.2.7

MiDA during its initial setup of the infrastructure made provision for full support services from all the Hardware & Software Vendors. MiDA also has a standby firewall with a standby license. MiDA's storage has standby spares for any faulty part. MiDA IT will develop a BCP with all the above clearly outlined for future use.

## 4.2.8

Agreed with the recommendation. MiDA is currently in discussion with Iron Vine to see if they can perform vulnerability and penetration testing on a regular basis.

## 4.2.9

Agreed with the recommendation, the Internal Audit team has been tasked to acquire the requisite skills necessary to perform IT controls review. This can be achieved by training. Establishing a dedicated IT Audit function or outsourcing same for an institution of MiDA's size is not cost-effective.



# Millennium Development Authority

Economic Growth and Poverty Reduction



## 4.2.10

MiDA IT to purchase fire extinguisher for the server room as well as implement secure access to the server room.

## 5.2.1

The CEO travelled to Washington for MCC's Leadership Conference and couldn't get a hotel within the specified rate per the US Travel Regulations. He subsequently stayed in a hotel directly across the street from MCC and the rate he paid was for a standard room. The FAP used at that time was not specific on what happens if the CEO travelled overseas and does not get a hotel within the approved Per-Diem rate. MiDA has since updated the FAP to address situations like this.

## 5.2.2

Agreed. Management have step up their efforts in ensuring that Staff retire their advances within 7 days as stipulated in the FAP.

## 5.2.3

As a general policy, all refunds related to staff advances are paid into the permitted bank accounts and Fiscal Agent does not receive cash. An exception had to be made to this principle in this instance because FA and MiDA no longer had access to the Ecobank Account. MCC Implementation letter dated 23 September 2016 instructed FA to stop using all accounts with Ecobank effective 01 October 2016. FA therefore thought that it was expedient to collect the cash from the staff to clear the liquidation on time in compliance with FAP rather than let them hold on to it until a new bank was established and GT Bank became operational in January 2017. The evidence of the cash receipt was documented on the various PAF's covering the liquidation. FA took note of the lapses for not issuing an acknowledgement receipt to the traveler. The PAF No. 1700000019 for \$174.87 should be \$158.08, therefore the total amount of \$963.32 should be \$957.79.

## 5.2.4

MiDA had no intention of transferring interest back to the Government of Ghana. The interest amount was to be used to cover any foreign exchange fluctuations that the Ghana Cedi will suffer against the United States Dollar from the time the funds will be used as against the time the Government transferred the funds (in Ghana Cedis) to MiDA. We do not need any additional written instructions from the Government of Ghana on the use of funds. The funds were given as GoG's contribution to the Compact. This provision is no longer reflected in the new Bank Agreement.

## 5.2.5

The separation of bank accounts for Government of Ghana funds and Interest were created with GT Bank.



# Millennium Development Authority

Economic Growth and Poverty Reduction



## 5.2.6

We respectfully disagree with the Auditor's assertion here on the issue of withholding taxes. Our interpretation of Section 2.8(a) of the Compact is quite clear that MiDA do not withhold any taxes from Compact Funds and MCC has affirmed this position the last time they were in country to have meetings with the Minister of Finance and officials of the Ministry. We also believe that taking withholding taxes from Compact Funds for only Ghanaian firms and individual Consultants will put them at a disadvantage in bidding for contracts.

## 5.2.7

Same comments as above 5.2.6

## 5.2.8

Fiscal Agent sent reminders to Ecobank to comply with the bank agreement in connection with the remittance of interest to MCC but to no avail. Currently, GT Bank is compliant with Section 1.5 of the Bank Agreement.

## 5.2.9

This was among other reasons why the Bank Agreement was terminated with Ecobank. The successor bank, GT Bank is compliant with the submission of interest computation in compliance with the bank agreement.

## 5.2.10

Agreed with the recommendation. MiDA has already written to the Ghana Tourism Authority with a copy to the Ghana Revenue Authority and the Ministry of Finance requesting for a refund of the Tourism Levy. We are currently awaiting their response.

## 5.2.11

The Assets indicated above as uninsured are the office partitioning. We are yet to get an insurance company willing to insure them, most of them see that as additions to the building and given that the building has insurance, they see no point in insuring the leasehold improvements. All other assets have been insured by MiDA.

## 5.2.12

Agreed with the recommendation. The PA Staff were only used for MiDA internal procurements that did not involve any external members. The Procurement Agent Staff are not been used on Evaluation Panels any longer.