

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 OCTOBER 01, 2016 TO MARCH 31, 2018



**Building a better
working world**

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 OCTOBER 01, 2016 TO MARCH 31, 2018

PROJECT MANAGEMENT TEAM

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

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 OCTOBER 01, 2016 TO MARCH 31, 2018

ACRONYMS AND ABBREVIATIONS

| 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 |
| 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 |

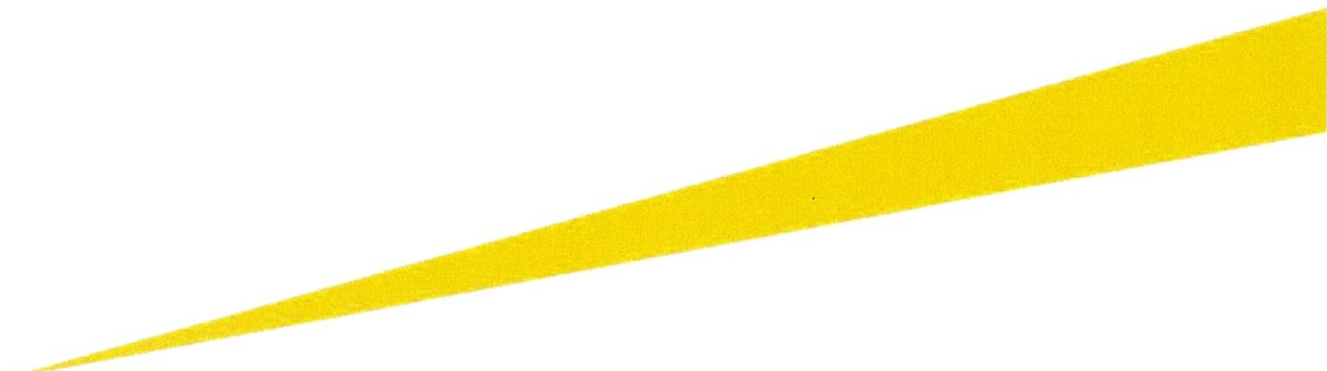
MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA
UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE MILLENNIUM CHALLENGE
COMPACT BETWEEN THE REPUBLIC OF GHANA AND THE UNITED STATES OF AMERICA FOR THE
PERIOD OCTOBER 01, 2016 TO MAARCH 31, 2018

| | Page Reference |
|--|-------------------|
| Project Management Team | I |
| Acronyms and abbreviations | II |
| 1. Transmittal Letter | 1 |
| 2. Executive Summary | |
| 2.1 Background | 2 - 3 |
| 2.2 Audit objectives and scope | 4 |
| 2.2.1 Pre-audit steps | 5 |
| 2.2.2 Fund accountability statement | 5 |
| 2.2.3 Internal control structure | 5 |
| 2.2.4 Compliance with agreement terms, applicable laws and regulation | 5 |
| 2.2.5 Other audit responsibility | 6 |
| 2.3 Summary of audit results | 7 |
| 2.3.1 Financial | 7 |
| 2.3.2 Internal control | 8 |
| 2.3.3 Compliance | 9 |
| 2.4 Synopsis of management comments | 9 |
| 3. Financial Statements | |
| 3.1 Independent auditors' opinion on the fund accountability statement | 10 |
| 3.2 Fund accountability statement | 11 |
| 3.3 Notes to the fund accountability statement | 12 - 16 |
| 3.4 Cost sharing schedule | 17 |
| 4. Report on Internal Control Structure | |
| 4.1 Independent auditors' report on internal control structure | 18 - 19 |
| 4.2 Internal control findings and recommendations | 20 - 22 |
| 5. Report on Compliance | |
| 5.1 Independent auditors' report on compliance | 23 - 24 |
| 5.2 Compliance findings and recommendations | 25 - 30 |
| 6. Status of Implementation of Prior Period Recommendations | 31 - 38 |
| 7. Appendix | |
| Management verbatim comments | |



SECTION 1

TRANSMITTAL LETTER



SECTION 2



EXECUTIVE SUMMARY

June 7, 2019

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 October 01, 2016 to March 31, 2018

Dear Sir,

We are pleased to present our audit report on the Millennium Challenge Corporation (MCC) Resources Managed by MiDA for the period October 01, 2016 to March 31, 2018.

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 October 01, 2016 to March 31, 2018 and notes to the Fund Accountability Statement).
- Section 4:** Report on internal control structure
- Section 5:** Report on compliance
- Section 6:** Status of implementation of prior period recommendations

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

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.

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 October 01, 2016 to March 31, 2018, 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 October 01, 2016 through March 31, 2018. 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 of Ghana 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 of Ghana 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 October 01, 2016 to March 31, 2018:

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 Compact Agreement;
4. Detailed Financial Plan (DFP) of MiDA;
5. Work Plan of MiDA;
6. The Program Procurement Guidelines (PPG);
7. Bank Agreements;
8. The Fiscal Accountability Plan (FAP);
9. Multi Year Financial Plan;
10. The MCC Cost Principles for Accountable Entity Operations;
11. Program financial reports, organizational charts, accounting systems descriptions, and written policies and procedures;
12. Program Procurement Guidelines;
13. Procurement Agent Agreement;
14. 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.

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 January 03, 2019.
- ii. Submitted the Planning Document to MiDA for approval on January 21, 2019.
- iii. Held an exit conference with MiDA management on February 26, 2019.
- 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.

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 OCTOBER 01, 2016 TO MARCH 31, 2018

2.3 SUMMARY OF AUDIT RESULTS

2.3.1 FINANCIAL

The tables below show the summary of the financial statements of MiDA for the period under review.

2.3.1.1 Fund accountability statement

| Description | Contract US\$ | Exp US\$ | Total US\$ |
|--|-------------------|-------------------|-------------------|
| Revenue: | | | |
| Transfer to permitted bank accounts | 6,750,000 | 4,287,962 | 11,037,962 |
| Direct payments by MCC | 9,704,867 | - | 9,704,867 |
| | <u>16,454,867</u> | <u>4,287,962</u> | <u>20,742,829</u> |
| Cost incurred: | | | |
| ECG Financial & Operational Turnaround Project - Tr1 | 4,287,195 | 95,630 | 4,382,825 |
| NEDCo Financial & Operational Turnaround Project | - | - | - |
| Regulatory Strengthening and Capacity Building Project | 869,198 | - | 869,198 |
| Access Project | 2,360 | - | 2,360 |
| Energy Efficiency & Demand Side Management | 170,282 | - | 170,282 |
| Monitoring and Evaluation (M&E) | 69,359 | - | 69,359 |
| Program Administration & Oversight | 10,919,573 | - | 10,919,573 |
| ECG Financial & Operational Turnaround Project - Tr2 | - | - | - |
| | <u>16,317,967</u> | <u>95,630</u> | <u>16,413,597</u> |
| Surplus (Excess of revenue over cost incurred) | 136,900 | 4,192,332 | 4,329,232 |
| Accounts receivable | (60,550) | - | (60,550) |
| Travel advances | (26,791) | - | (26,791) |
| Interest income | 49,273 | 2,397,221 | 2,446,494 |
| Interest transferred/utilised | (37,920) | (205,126) | (243,046) |
| Exchange difference | - | (872,792) | (872,792) |
| Opening cash balance | - | 8,279,870 | 8,279,870 |
| Cash balance | 87,703 | 13,791,505 | 13,879,208 |
| Accrued expenses and accounts payable | (210,040) | - | (210,040) |
| Fund balance | (122,337) | 13,791,505 | 13,669,168 |

2.3.1.2 Cost sharing schedule

| | Period budget US\$ | Period Actual US\$ | Period shortfall US\$ |
|--------------------------------|-----------------------|-----------------------|--------------------------|
| Cash | <u>11,557,500</u> | <u>4,287,962</u> | <u>7,269,538</u> |
| Cost share contribution | 15.11% | 20.67% | 13.04% |

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 OCTOBER 01, 2016 TO MARCH 31, 2018

2.3.2 INTERNAL CONTROL

| No. | Observation | Recommendation | Reference |
|-----|---|--|-----------|
| 1 | <p>Two log books used for one vehicle</p> <p>A vehicle in the custody of the Energy Commission with registration number GE-6813-17 purchased by MiDA as part of the Implementing Partner Agreement has two log books - One maintained by staff of MiDA and another by the staff of the Energy Commission.</p> | Records of the two log books should be consolidated into one log book for easy tracking of vehicle usage at any point in time. | 4.2.1 |
| 2 | <p>Log books not updated</p> <p>There were differences between the log books in some vehicles used by ECG as part of the Implementing Partner Agreement and the actual milometers displayed in the cars.</p> | Vehicles acquired with MCC/Compact funds should be properly monitored to avoid misuse by ensuring all log books are appropriately updated. | 4.2.2 |
| 3 | <p>Lack of clarity on the use of accrued interest on GoG contribution to the Compact</p> <p>The bank agreement with GT Bank Ghana Limited states that, the bank shall comply solely with instructions from MiDA with regards to the additional accounts (i.e. accrued interest account) without consent from any other party or MCC but there is no express provision in the FAP that indicates what the interest can be used for.</p> | Management and the Board should, in consultation with GoG, define specifically what the accrued interest should be used for. | 4.2.3 |

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 OCTOBER 01, 2016 TO MARCH 31, 2018

2.3.3 COMPLIANCE

| No. | Observation | Recommendation | Reference |
|-----|---|---|-----------|
| 1 | <p>Advances not retired on time</p> <p>Some staff did not retire their travel advances on time.</p> | Travellers should retire their advances within the time stipulated in the FAP. | 5.2.1 |
| 2 | <p>MCC and MiDA logos removed from a vehicle</p> <p>We noted during the audit that, MCC and MiDA logos on vehicle with registration number GE-6821-17 in the custody of ECG Circle office being used as part of the Implementing Partner Agreement had been removed.</p> | All assets purchased with MCC resources and in the custody of Implementing Partners should be used in accordance with the Implementing Entity Agreement (IEA) and any other directive given by MiDA pursuant to the implementation of the agreement | 5.2.2 |
| 3 | <p>Expiry of assets insurance</p> <p>Apart from motor vehicles, the insurance cover for all other assets had expired as at February 16, 2018 but had not been renewed as at the time of the audit.</p> | The insurance cover for all assets should be timeously renewed to avoid the risk of loss of assets should any incident occur. | 5.2.3 |
| 4 | <p>Taxes not withheld on payments made to local suppliers for services provided or work performed</p> <p>MiDA did not deduct and pay withholding taxes on payments made to local suppliers for goods or services during the period under review.</p> | Efforts should be made to deduct withholding taxes and pay same to the Ghana Revenue Authority (GRA). | 5.2.4 |

2.4 SYNOPSIS OF MANAGEMENT COMMENTS

We have discussed this report with management who were generally in agreement with our recommendations. No separate management letter has however been issued.



SECTION 3

FINANCIAL STATEMENTS



SECTION 3.1

INDEPENDENT AUDITORS' OPINION ON THE FUND ACCOUNTABILITY STATEMENT



Ernst & Young Chartered Accountants
 G15, White Avenue
 Airport Residential Area
 P. O. Box KA 16009,
 Airport Accra, Ghana

Tel: +233 302 779868 / 4275 / 9223 / 2091
 Fax: +233 302 778894 / 2934
 ey.com

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

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

We have audited the Fund Accountability Statement of the Millennium Development Authority (MiDA) for the period October 01, 2016 to March 31, 2018. 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.

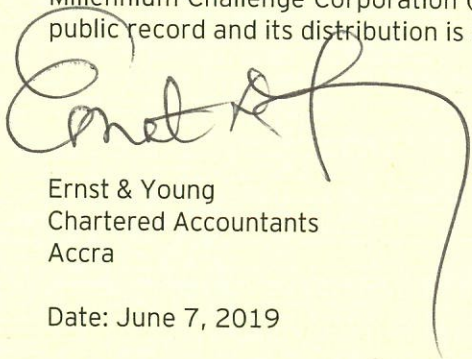
Except as discussed in the following paragraph, we conducted our audit of the Fund Accountability Statements in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 October 01, 2016 to March 31, 2018 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 June 7, 2019 on our consideration of MiDA's 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: June 7, 2019



SECTION 3.2

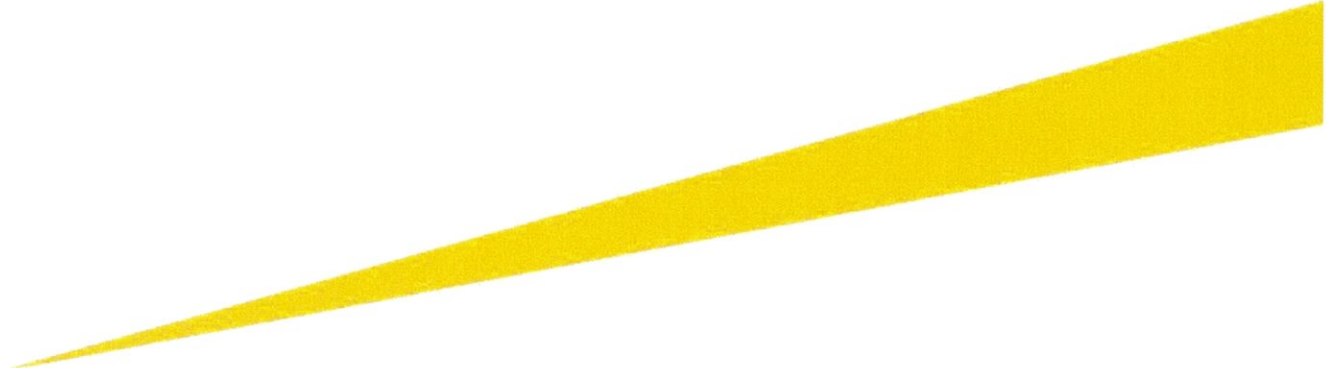
FUND ACCOUNTABILITY STATEMENT

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 OCTOBER 01, 2016 TO MARCH 31, 2018

FUND ACCOUNTABILITY STATEMENT
 FOR THE PERIOD ENDED MARCH 31, 2018

| Revenue | Note | Budget US\$ | MCC Compact funds | | GoG Funds Actual US\$ | Total for the period US\$ | Program cumulative to date US\$ | Question costs | |
|--|------|--------------------|----------------------|-------------------|-----------------------------|---------------------------------|--|---------------------|--------------------|
| | | | Actual US\$ | US\$ | | | | Unsupported US\$ | Ineligible US\$ |
| Transfer to permitted accounts | 2 | - | 6,750,000 | 4,287,962 | 11,037,962 | 24,555,988 | | | |
| Direct payments | 3 | - | 9,704,867 | - | 9,704,867 | 21,563,117 | | | |
| Total program revenue | | - | <u>16,454,867</u> | <u>4,287,962</u> | <u>20,742,829</u> | <u>46,119,105</u> | | | |
| Costs incurred | | | | | | | | | |
| ECG Financial & Operational Turnaround Project - Tr 1 | 4 | 152,744,225 | 4,287,195 | 95,630 | 4,382,825 | 8,605,371 | | | |
| NEDCo Financial & Operational Turnaround Project | | 57,720,650 | - | - | - | - | | | |
| Regulatory Strengthening and Capacity Building Project | 5 | 5,039,532 | 869,198 | - | 869,198 | 888,506 | | | |
| Access Project | 6 | 10,000,000 | 2,360 | - | 2,360 | 2,360 | | | |
| Power Sector Generation Improvement Project | | 13,051,648 | - | - | - | - | | | |
| Energy Efficiency & Demand Side Management | 7 | 26,147,799 | 170,282 | - | 170,282 | 170,282 | | | |
| Monitoring and Evaluation (M&E) | 8 | 8,818,437 | 69,359 | - | 69,359 | 340,922 | | | |
| Program Administration & Oversight | 9 | 49,700,360 | 10,919,573 | - | 10,919,573 | 24,070,475 | | | |
| ECG Financial & Operational Turnaround Project - Tr 2 | | 190,000,000 | - | - | - | - | | | |
| Total program cost | | <u>513,222,651</u> | <u>16,317,967</u> | <u>95,630</u> | <u>16,413,597</u> | <u>34,077,916</u> | | | |
| Surplus (excess of revenue over cost) | | | 136,900 | 4,192,332 | 4,329,232 | 12,041,169 | | | |
| Accounts receivable | 10a | | (60,550) | - | (60,550) | (70,582) | | | |
| Interest income | 11 | | 49,273 | 2,397,221 | 2,446,494 | 3,517,078 | | | |
| Interest transferred/utilized | 12 | | (37,920) | (205,126) | (243,046) | (485,799) | | | |
| Exchange difference | 13 | | - | (872,792) | (872,792) | (1,122,678) | | | |
| Opening cash balance | | | -* | 8,279,870 | 8,279,870 | - | | | |
| Closing cash balance | 14 | | 87,703 | 13,791,505 | 13,879,208 | 13,879,208 | | | |
| Accrued expenses and accounts payable | 10b | | (210,040) | - | (210,040) | (210,040) | | | |
| Fund balance | | | <u>(122,337)</u> | <u>13,791,505</u> | <u>13,669,168</u> | <u>13,669,168</u> | | | |

*There is no opening cash balance for MCC funds because the Compact entered into force in the period under review (October 1, 2016). The closing cash balances for the CIF were transferred to the Compact as funds received in the period under review.



SECTION 3.3

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

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 costs 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

This 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.

Receipts from Government of Ghana (GoG)

This relates to government contribution towards the base period of the compact implementation.

Costs incurred

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

Currency conversion

Revenue and cost 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 GT Bank 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 and Additional Accounts. Interest accrues in the applicable currency of each Permitted Account and Additional Accounts and is calculated on a daily basis based on the average daily balance in the Permitted and Additional Accounts. Interest rate on balances in United States Dollar accounts is calculated as a margin of 2.226% plus one month London Interbank Offered Rate (LIBOR) and interest payable on balances in the Ghana Cedis Accounts is calculated as a margin of 7.39% plus the average of inflation in the previous year and BOG forecasted inflation rate for the current year.

Accrued interest on MCC Funded Accounts are paid into the Accrued Interest Account on a monthly basis and accrued interest on the Government Funded Accounts are paid into the Additional Accounts also on a monthly basis.

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 OCTOBER
 01, 2016 TO MARCH 31, 2018

NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)

Interest (continued)

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 additional account and this is not transferred.

2. TRANSFER FROM MCC AND GOG

These are funds received for activities for the period October 01, 2016 to March 31, 2018.

| | MCC | GoG | Total | Cumulative to date |
|--------------------------------|------------------|------------------|-------------------|-----------------------|
| | US\$ | US\$ | US\$ | US\$ |
| Transfer to permitted accounts | <u>6,750,000</u> | <u>4,287,962</u> | <u>11,037,962</u> | <u>11,037,962</u> |

3. DIRECT PAYMENTS

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

| | MCC | GoG | Total | Cumulative to date |
|--|------------------|----------|------------------|-----------------------|
| | US\$ | US\$ | US\$ | US\$ |
| ECG Financial and Operational Turnaround Project | 4,016,603 | - | 4,016,603 | 4,016,603 |
| Regulatory Strengthening and Capacity Building Project | 846,498 | - | 846,498 | 846,498 |
| Energy Efficiency & Demand Side Management Program Administration and Oversight | 26,468 | - | 26,468 | 26,468 |
| Transfer from CIF | 4,796,866 | - | 4,796,866 | 4,796,866 |
| | <u>18,432</u> | <u>-</u> | <u>18,432</u> | <u>18,432</u> |
| | <u>9,704,867</u> | <u>-</u> | <u>9,704,867</u> | <u>9,704,867</u> |

4. ECG FINANCIAL AND OPERATIONAL TURNAROUND PROJECT - TR1

| | MCC | GoG | Total | Cumulative to date |
|------------------------------|------------------|---------------|------------------|-----------------------|
| | US\$ | US\$ | US\$ | US\$ |
| Modernizing ECG Operations | 2,980,189 | 95,630 | 3,075,819 | 3,075,819 |
| Private Sector Participation | 562,922 | - | 562,922 | 562,922 |
| Commercial Loss Reduction | 719,323 | - | 719,323 | 719,323 |
| Technical Loss Reduction | 9,075 | - | 9,075 | 9,075 |
| Outage Reduction | <u>15,686</u> | <u>-</u> | <u>15,686</u> | <u>15,686</u> |
| | <u>4,287,195</u> | <u>95,630</u> | <u>4,382,825</u> | <u>4,382,825</u> |

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 OCTOBER
 01, 2016 TO MARCH 31, 2018

NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)

5. REGULATORY STRENGTHENING AND CAPACITY BUILDING PROJECT

| | MCC | GoG | Total | Cumulative to date |
|---|----------------|----------|----------------|-----------------------|
| | US\$ | US\$ | US\$ | US\$ |
| Sector Performance Monitoring Capacity building | 320,109 | - | 320,109 | 320,109 |
| Tariff Review and Regulation | <u>549,089</u> | <u>-</u> | <u>549,089</u> | <u>549,089</u> |
| | <u>869,198</u> | <u>-</u> | <u>869,198</u> | <u>869,198</u> |

6. ACCESS PROJECT

| | MCC | GoG | Total | Cumulative to date |
|-------------------------------------|--------------|----------|--------------|-----------------------|
| | US\$ | US\$ | US\$ | US\$ |
| Improve Electricity Supply to MSMEs | <u>2,360</u> | <u>-</u> | <u>2,360</u> | <u>2,360</u> |

7. ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT PROJECT

| | MCC | GoG | Total | Cumulative to date |
|---|----------------|----------|----------------|-----------------------|
| | US\$ | US\$ | US\$ | US\$ |
| Development and Enforcement of Standards and Labels | 100,994 | - | 100,994 | 100,994 |
| Improve Electricity Supply to MSMEs | <u>69,288</u> | <u>-</u> | <u>69,288</u> | <u>69,288</u> |
| | <u>170,282</u> | <u>-</u> | <u>170,282</u> | <u>170,282</u> |

8. MONITORING AND EVALUATION

| | MCC | GoG | Total | Cumulative to date |
|----------------------------------|---------------|----------|---------------|-----------------------|
| | US\$ | US\$ | US\$ | US\$ |
| Training | 63,071 | - | 63,071 | 63,071 |
| Performance Indicator Monitoring | 767 | - | 767 | 767 |
| Advertisement and Evaluations | <u>5,521</u> | <u>-</u> | <u>5,521</u> | <u>5,521</u> |
| | <u>69,359</u> | <u>-</u> | <u>69,359</u> | <u>69,359</u> |

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 OCTOBER 01, 2016 TO MARCH 31, 2018

NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)

9. PROGRAM ADMINISTRATION AND OVERSIGHT

| | MCC | GoG | Total | Cumulative to date |
|--|-------------------|------|-------------------|-----------------------|
| | US\$ | US\$ | US\$ | US\$ |
| Personnel Costs | 6,244,960 | - | 6,244,960 | 6,244,960 |
| Office Rent and Utilities | 599,908 | - | 599,908 | 599,908 |
| Office Expenses | 166,995 | - | 166,995 | 166,995 |
| Vehicles and Transport Expenses | 143,865 | - | 143,865 | 143,865 |
| Fixed Assets Acquisition | 602,689 | - | 602,689 | 602,689 |
| Travel Expenses | 93,049 | - | 93,049 | 93,049 |
| Training and Capacity Building | 28,703 | - | 28,703 | 28,703 |
| Management Information System | 64,711 | - | 64,711 | 64,711 |
| Public Relations, Outreach and Adverts | 55,879 | - | 55,879 | 55,879 |
| Meeting Expenses (Board Members a | 121,489 | - | 121,489 | 121,489 |
| Social and Gender Inclusion | 86,682 | - | 86,682 | 86,682 |
| Consultants and Interim Personnel | 3,012 | - | 3,012 | 3,012 |
| External Legal Counsel | 57,692 | - | 57,692 | 57,692 |
| Fiscal & Procurement Agents | <u>2,649,939</u> | - | <u>2,649,939</u> | <u>2,649,939</u> |
| | <u>10,919,573</u> | - | <u>10,919,573</u> | <u>10,919,573</u> |

10. SUPPLEMENTAL SCHEDULES

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

a) Accounts receivable

| | 2018 US\$ |
|------------------------------|---------------|
| Tax recoverable ¹ | 33,759 |
| Advances ² | <u>26,791</u> |
| | <u>60,550</u> |

¹These 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.

²These are advances which were liquidated after the end of the reporting period. They relate to travel advances given to staff under Program and Administration and Oversight budget line and ECG Operational and Financial Turnaround Project.

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 OCTOBER 01, 2016 TO MARCH 31, 2018

NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)

b) Accrued expenses and accounts payables

| | 2018 US\$ |
|--------------------------------------|----------------|
| Consultancy accruals ³ | 88,472 |
| Personnel cost accruals ⁴ | <u>121,568</u> |
| | <u>210,040</u> |

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

⁴This 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.

11. INTEREST INCOME

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

12. INTEREST TRANSFERRED/UTILIZED

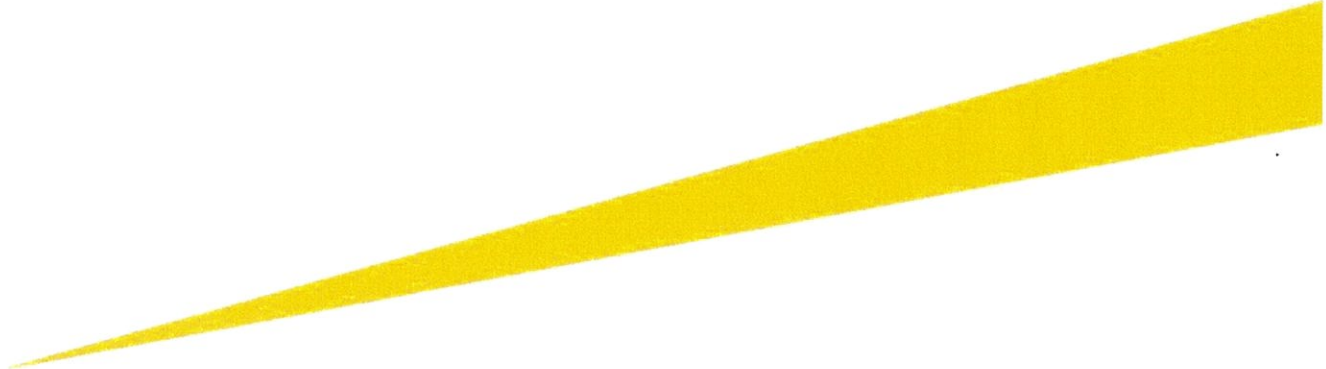
This represents interest received which was subsequently transferred to the Federal Reserve Account (Bank of New York) or utilized by MiDA for administrative expenses.

13. 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 Bank of Ghana average closing rate at the end of the period.

14. CLOSING CASH BALANCE

| | MCC US\$ | GoG US\$ | Total US\$ |
|-----------------------------|---------------|-------------------|-------------------|
| US Dollar Bank Account | 45,074 | - | 45,074 |
| Ghana Cedi Bank Account | 26,411 | 10,942,910 | 10,969,321 |
| Cash at hand | 4,866 | - | 4,866 |
| US Dollar Interest Account | 533 | - | 533 |
| Ghana Cedi Interest Account | <u>10,819</u> | <u>2,848,595</u> | <u>2,859,414</u> |
| | <u>87,703</u> | <u>13,791,505</u> | <u>13,879,208</u> |



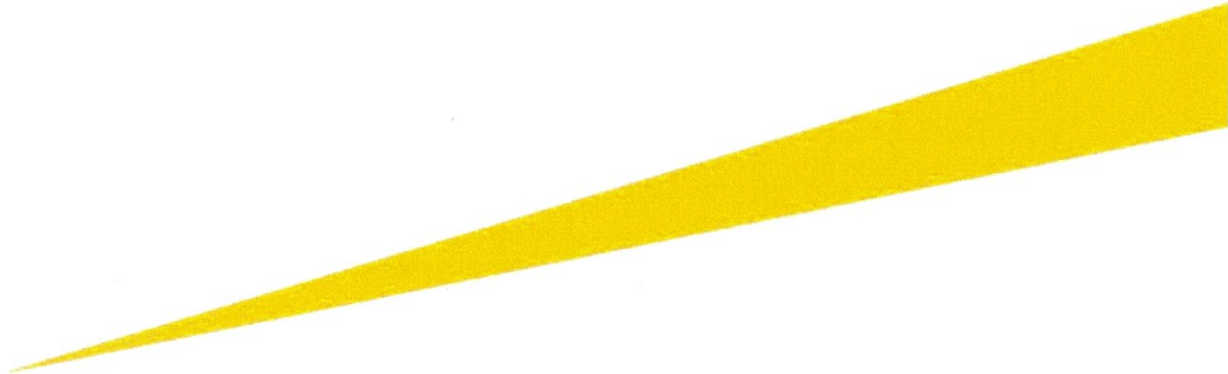
SECTION 3.4

COST SHARING SCHEDULE

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 OCTOBER
 01, 2016 TO MARCH 31, 2018

COST SHARING SCHEDULE
 FOR THE PERIOD ENDED MARCH 31, 2018

| | Period budget US\$ | Period Actual US\$ | Period shortfall US\$ | Cumulative budget | Cumulative actual US\$ | Cumulative shortfall US\$ | Questioned Cost | | Note |
|-------------------------|--------------------------|--------------------------|-----------------------------|----------------------|------------------------------|---------------------------------|--------------------|---------------------|------|
| | | | | | | | Ineligible US\$ | Unsupported US\$ | |
| Cash | 11,557,500 | 4,287,962 | 7,269,538 | 19,262,500 | 11,992,962 | 7,269,538 | - | - | |
| In-Kind | - | - | - | - | - | - | - | - | |
| Total | 11,557,500 | 4,287,962 | 7,269,538 | 19,262,500 | 11,992,962 | 7,269,538 | - | - | |
| Cost share contribution | 15.11% | 20.67% | 13.04% | 17.03% | 26% | 10.86% | - | - | |



SECTION 4

REPORT ON INTERNAL CONTROL



SECTION 4.1

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE



Ernst & Young Chartered Accountants
G15, White Avenue
Airport Residential Area
P. O. Box KA 16009,
Airport Accra, Ghana

Tel: +233 302 779868 / 4275 / 9223 / 2091
Fax: +233 302 778894 / 2934
ey.com

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
4th Floor, Heritage Tower
6th 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 March 31, 2018, and have issued our report on it dated June 7, 2019.

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 March 31, 2018, 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.

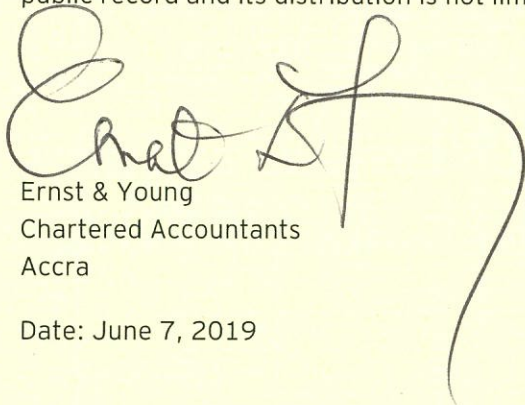
Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. A significant deficiency is a deficiency or combination of deficiencies 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:

- Two log books used for one vehicle (Section 4.2.1)
- Log books not updated (Section 4.2.2)
- Lack of clarity on the use of accrued interest on GoG contribution to the compact (Section 4.2.3)

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: June 7, 2019



SECTION 4.2

INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

4.2.1 Two log books used for one vehicle

Condition

We noted during the audit that, a vehicle in the custody of the Energy Commission with registration number GE-6813-17 purchased by MiDA as part of the Implementing Partner Agreement has two log books. One of the log books is maintained by staff of MiDA and another by staff of the Energy Commission.

Cause

This was attributed to the fact that, the vehicle is used by both staff of MiDA and the Energy Commission hence the use of the two log books to record the usage of the vehicle by both MiDA and the Energy Commission.

Criteria

For proper monitoring of the use of vehicles, it is expected that, all records pertaining to the vehicles are maintained in one log book. This will aide in determining who used the vehicle, the destination and for how long in terms of mileage.

Effect

The extent of use of vehicles cannot be easily ascertained when records are not kept in one log book.

Recommendation

Management should ensure that, records of the two log books are consolidated into one for easy tracking of vehicle usage at any point in time.

Management comments

Management agreed with the recommendation. Apparently, the Energy Commission thought their use of the vehicle viz, the mileage needed to be separated from that of the MiDA project team. We have since the release of the Audit Report instructed EC to cease henceforth the use of two logbooks for the same vehicle.

4.2.2 Log books not updated

Condition

We noted during the audit that, there were differences between the log books in some vehicles used by ECG as part of the Implementing Partner Agreement and the actual kilometers displayed in the cars. Instances noted are presented in the table below:

| Registration Number | Location | Vehicle Mileage | Logbook Mileage | Difference |
|---------------------|--------------|-----------------|-----------------|------------|
| GE 6821 - 17 | ECG - Circle | 8,032 | 7,824 | 208 |
| GE 6439 - 17 | ECG - Circle | 12,084 | 12,052 | 32 |
| GE 6812 - 17 | ECG - Circle | 18,849 | 12,274 | 6,575 |
| GE 6462 - 17 | ECG - HQ | 34,699 | 34,284 | 415 |

Cause

No reason was given for the lapse in control.

Criteria

The Fiscal Accountability Plan in section 11.6 states in part that, log books shall be kept for the purpose of recording every single movement of a vehicle undertaken on a return-to-base station basis where the base station is the Head office or Zonal office (if any) where the vehicle is attached. Drivers are also to insist that an entry is made and closed for every trip that they are asked to make with their vehicle whether accompanied or not.

Effect

The non-update of the log books contravenes section 11.6 of the Fiscal Accountability Plan. This could also lead to the abuse of the use of vehicles since no accurate records are kept.

Recommendation

Management should ensure that, vehicles acquired with MCC/compact resources are properly monitored to avoid misuse by ensuring all log books are appropriately updated.

Management comments

Management agreed with the recommendation. Per Section 11.6 of the Fiscal Accountability Plan, all logbooks for vehicles acquired with MCC resources must be updated as and when used. ECG/PDS not following these rules contravenes the requirements given for the use of the vehicles. MiDA has written a strongly worded letter to PDS asking that all Logbooks should be appropriately updated when any of the vehicles are used.

4.2.3 Lack of clarity on the use of accrued interest on GoG contribution to the compact

Condition

We noted in the bank agreement with GT Bank Ghana Limited that, the bank shall comply solely with instructions from MiDA with regards to the additional accounts (i.e. accrued interest account) without consent from any other party or MCC but there is no express provision in the FAP that indicates what the funds can be used for.

Cause

Management is of the view that, it has the right to utilise the accrued interest on the GoG contribution towards the compact for any expenditure deemed necessary through the approval of the Board of Directors.

Criteria

Given that there is clear instruction regarding what should be done with accrued interest on MCC funds, same could be done for interest accrued on funds contributed by GoG.

Effect

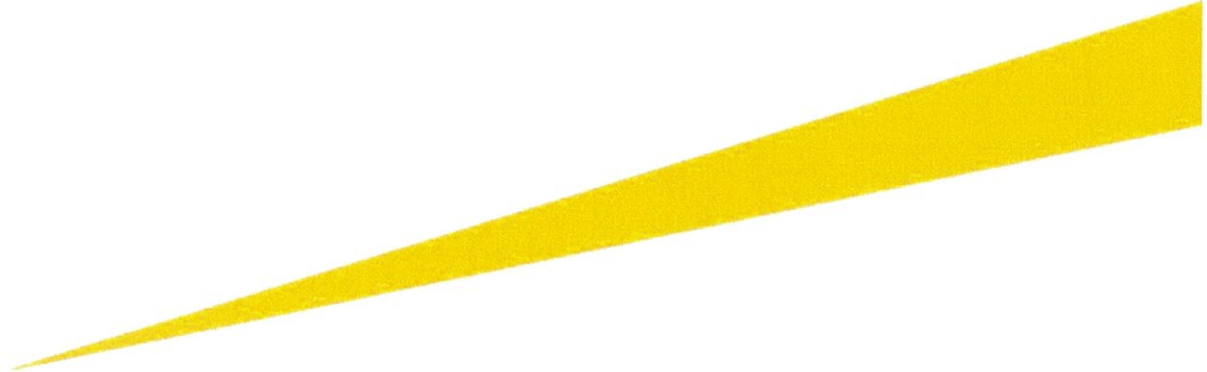
The lack of clarity on the use of the accrued interest has the potential of being used for activities that might not inure to the benefit of either the GoG or the Project.

Recommendation

Management and the Board should, in consultation with GoG, define specifically what the accrued interest should be used for. This will ensure the funds accrued can be adequately monitored in terms of compliance.

Management comments

The only reason why there is no provision in the FAP for the use of the Accrued Interest for the GoG Contribution is that it is not part of Compact Funding. As explained during the Exit Conference, MiDA's intention is to use this fund to make up for any exchange rate losses as a result of GoG's contribution being in Ghana Cedis and also to utilize it for other expenditures necessary for Compact Implementation but not approved by MCC subject to MiDA Board approval.



SECTION 5

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
6th Avenue, Ridge West
P.M.B. 56, Ministries
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 March 31, 2018 and have issued our report thereon dated June 7, 2019.

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.

- Travel advances not retired on time (Section 5.2.1)
- MCC and MiDA logos removed from a vehicle (Section 5.2.2)
- Expiry of assets insurance cover (Section 5.2.3)
- Taxes not withheld on payments made to local suppliers for services provided or work performed (Section 5.2.4)



Building a better
working world

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 June 7, 2019.

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: June 7, 2019

A large yellow wedge-shaped graphic that tapers from left to right, pointing towards the left side of the page.

SECTION 5.2

COMPLIANCE FINDINGS AND RECOMMENDATIONS

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 OCTOBER 01, 2016 TO MARCH 31, 2018

5.2.1 Travel 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, the actual-dates of retiring the advances and the number of days elapsed.

| Document Number | Date of return | Expected retirement date | Date retired | Days elapsed | Amount Advanced US\$ |
|-----------------|----------------|--------------------------|--------------|--------------|----------------------|
| 1700000100 | 11/10/2017 | 11/17/2017 | 11/23/2017 | 6 | 367.93 |
| 1700000092 | 10/14/2017 | 10/21/2017 | 10/27/2017 | 6 | 3,684.41 |
| 1700000086 | 10/08/2017 | 10/16/2017 | 10/17/2017 | 1 | 2,470.50 |
| 1700000077 | 08/12/2017 | 08/19/2017 | 09/07/2017 | 19 | 2,013.21 |
| 1700000017 | 10/09/2016 | 10/17/2016 | 10/18/2016 | 1 | 3,873.50 |
| 1700000135 | 03/03/2018 | 03/10/2018 | 03/16/2018 | 6 | 2,232.24 |
| 1700000134 | 03/03/2018 | 03/10/2018 | 03/22/2018 | 12 | 534.72 |
| 1700000138 | 03/01/2018 | 03/08/2018 | 03/12/2018 | 4 | 195.21 |
| 1700000139 | 03/01/2018 | 03/08/2018 | 03/12/2018 | 4 | 195.21 |
| 1700000140 | 03/01/2018 | 03/08/2018 | 03/12/2018 | 4 | 860.08 |
| 1700000095 | 11/28/2017 | 12/05/2017 | 12/13/2017 | 8 | 3,132.50 |
| 1700000094 | 11/22/2017 | 11/29/2017 | 12/12/2017 | 13 | 3,132.50 |
| | | | | | |
| Total | | | | | 22,692.01 |

Cause

Management explained that, the only way staff can be penalised for late retirement of advances is to deduct from their salaries at month end. The challenge however is that, staff delay but retire the advances before the end of the month to prevent deduction from their salaries. This measure is therefore not punitive enough to ensure compliance.

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 noted contravene the provisions in the Fiscal Accountability Plan.

Recommendation

Management should ensure that travellers retire their advances within the time stipulated in the FAP by instituting more punitive measures to ensure compliance.

Management comments

This issue continues to be a challenging one for MiDA. Staff were engaged to find out the causes of the late submission of Advances retirement. Management has agreed to provide explanatory note to each Expense Report in situations where it is impossible to retire within the allowed 7 days. The note will indicate the reasons for the delay and it would be attached to the Expense Report. In light of this, the FAP would be updated to reflect this. Management has also step up efforts in ensuring that Staff retire their advances within the stipulated 7 days.

5.2.2 MCC and MiDA logos removed from a vehicle

Condition

We noted during the audit that, MCC and MiDA logos on vehicle with registration number GE-6821-17 in the custody of ECG Circle office being used as part of the Implementing Partner Agreement had been removed.

Cause

Management explained that, the vehicle was branded before it was handed over to the ECG but management does not know the reason why the logos were not on the vehicle.

Criteria

The Implementing Partners are expected to adhere to all conditions based on which items are given to them for use and are not supposed to use them based on their own determined procedures.

Effect

The removal of the logos from the vehicle could open it to abuse since it will not be easily identified especially where it is used for activities not in the interest of the Program.

Recommendation

Management should ensure that, all assets purchased with MCC resources and are in the custody of Implementing Partners are used in accordance with the Implementing Entity Agreement (IEA) and any other directive given by MiDA pursuant to the implementation of the agreement.

Management comments

Agreed, MiDA wrote to ECG when the issue of the removed logo came to our attention. ECG has since restored MiDA's logo to vehicle with registration number GE 6821-17. MiDA plan to issue another letter, the Implementing Entity Agreement and the original directives that were given with the vehicles have been shared with ECG (now PDS) again.

5.2.3 Expiry of assets insurance cover

Condition

We noted that, apart from motor vehicles, the insurance cover for all other assets had expired as at 16 February 2018, but had not been renewed as at the time of the audit.

Cause

Management explained that, this was an oversight.

Criteria

Section 10.4 of the Fiscal Accountability Plan of MiDA states that "MiDA will to MCC's satisfaction, cause all program assets to be insured and will arrange such other appropriate insurance to cover against risks or liabilities associated with the operations of the Program, including requiring providers of goods, works or services for the program to obtain adequate insurance. MiDA (or, as appropriate and with MCC prior approval, another entity) will be named as the payee on any such insurance".

Effect

Failure to insure program assets is in contravention of section 10.4 of the FAP. There is also the risk of loss of cover should an unforeseen event occur.

Recommendation

Management should ensure that, the insurance cover for all assets are timeously renewed to avoid the risk of loss of assets should any incident occur.

Management comments

Agreed. MiDA has since the audit report renewed the Insurance for all the Assets.

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 OCTOBER 01, 2016 TO MARCH 31, 2018

5.2.4 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/supplier | Amount (US\$) | Tax rate | Tax not withheld (US\$) |
|--|------------------|----------|-------------------------|
| ACME TRADE HOUSE LTD. | 549,870 | 7.5% | 41,240 |
| Akroma Plaza | 4,592 | 7.5% | 344 |
| Alisa Hotel | 39,722 | 7.5% | 2,979 |
| Atlantic Computers & Electronics | 8,240 | 3% | 247 |
| Benlyn Ventures Ltd | 6,631 | 3% | 199 |
| Bentry Company Ltd | 51,152 | 7.5% | 3,836 |
| Best Western Premier Hotel | 9,390 | 7.5% | 704 |
| Broll GH Limited | 594,160 | 7.5% | 44,562 |
| Brynest Solutions | 1,200 | 7.5% | 90 |
| Capital View Hotel | 7,478 | 7.5% | 561 |
| Central Carpark Complex Ltd. | 28,721 | 7.5% | 2,154 |
| CFAO Ghana Ltd | 510,260 | 3% | 15,308 |
| Compu- GH | 14,228 | 3% | 427 |
| Eastern Premier Hotel | 23,885 | 7.5% | 1,791 |
| Expert Office Furnish Company Ltd. | 25,868 | 3% | 776 |
| GCC RESORT LTD | 15,428 | 7.5% | 1,157 |
| Ghana Consulting Engineers Association | 15,475 | 7.5% | 1,161 |
| Holiday Inn | 4,832 | 7.5% | 362 |
| Kissart Group Ltd | 29,218 | 7.5% | 2,191 |
| Monarch Hotel | 8,587 | 7.5% | 644 |
| Noda Hotel | 4,967 | 7.5% | 373 |
| Orakle Multimedia Ltd | 4,529 | 7.5% | 340 |
| Peduase Valley Resort Ltd. | 9,273 | 7.5% | 695 |
| Process Plant Automation Ltd | 50,696 | 7.5% | 3,802 |
| Sam Okudzeto & Associates | 57,692 | 7.5% | 4,327 |
| Solarwinds | 8,223 | 7.5% | 617 |
| The Royal Senchi Ltd. | 6,413 | 7.5% | 481 |
| Ultimate Supplies Ltd | 56,662 | 7.5% | 4,250 |
| Vision Consult Ltd | 18,679 | 7.5% | 1,401 |
| Volta Serene Hotel Ghana Limited | 15,304 | 7.5% | 1,148 |
| | | | |
| Total | 2,181,375 | | 138,167 |

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 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 comments

MiDA had originally disagreed with the Auditor on this matter and referred it to the Assistant General Counsel of MCC. A meeting arranged between MiDA, the Auditors and the Assistant General Counsel of MCC was inconclusive. MiDA is currently awaiting a response from MCC on the way forward. MiDA plans to implement whatever decision that comes from MCC.



SECTION 6

STATUS OF IMPLEMENTATION OF PRIOR PERIOD RECOMMENDATIONS

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 OCTOBER 01, 2016 TO MARCH 31, 2018

| Ref. Base Period Audit Report | Audit Findings | Recommendation | Status |
|----------------------------------|---|--|--|
| 4.2.1 | <p>Differences of US\$8,322.78 between the payroll register and payroll cost per the 609 (g) ITS reports</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 reconcile its payroll cost balance per the register with the 609 (g) general ledger. All reconciling items must appropriately be investigated and resolved.</p> | <p>No such differences were identified in the current period as the 609 (g) account has been closed.</p> |
| 4.2.2 | <p>Contract witnessed on behalf of a Consultancy (Iron Vine Security) by the Procurement Agent Manager</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> | <p>No such issue was identified in the current period.</p> |
| 4.2.3 | <p>Absence of a Change Management Policy</p> <p>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 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 loop holes in the application of changes to IT processes, systems and infrastructures</p> | <p>In progress as policy has been finalised but yet to be approved by management and communicated to stake holders</p> |

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 OCTOBER 01, 2016 TO MARCH 31, 2018

| Ref. Base Period Audit Report | Audit Findings | Recommendation | Status |
|----------------------------------|---|--|--|
| 4.2.4 | <p>Inadequate backup/Disaster Recovery (DR) Procedures</p> <p>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 onto tapes at the end of the month.</p> <p>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 restoration was performed during the period under review.</p> <p>MIDA currently 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.</p> <p>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).</p> <p>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.</p> <p>Management should also review the backups and restorations performed on a regular basis to ensure that they are appropriate.</p> | <p>In progress as Standard Chartered Bank has been selected and agreement finalisation is ongoing.</p> |
| 4.2.5 | <p>Lack of evidence of review of Super User activities</p> <p>We noted during our review that although the SAP application has an Audit trail's 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 (that is, Internal Audit - Normally an IT auditor with an appreciation of audit trail language and can understand or make meaning of activity logs).</p> | <p>Yet to start as our engagement with the internal audit unit revealed that they needed a final signed audit report before they kick start this recommendation.</p> |

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 OCTOBER 01, 2016 TO MARCH 31, 2018

| Ref. Base Period Audit Report | Audit Findings | Recommendation | Status |
|-------------------------------|---|--|---|
| 4.2.6 | <p>Inadequate Incident Management Process</p> <p>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. Incidents are not Logged neither are they 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> <p>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.</p> | <p>In progress as LS Incident logger has been implemented by MiDA. IT incidents are now logged and prioritised for resolution.</p> <p>Evidence of Root Case Analysis performance is yet to be provided.</p> |
| 4.2.7 | <p>Absence of Business Continuity Plan (BCP)</p> <p>We noted during our review that MiDA has no business continuity plan.</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. The plan should address the following at the minimum:</p> <ul style="list-style-type: none"> ▶ 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. <p>The BCP should be tested regularly to ensure its reliability.</p> | <p>In progress as BCP is currently in draft stage.</p> |
| 4.2.8 | <p>Non-Performance of Vulnerability and Penetration tests</p> <p>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.</p> | <p>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.</p> | <p>In progress as quotations are being solicited for this exercise.</p> |

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 OCTOBER 01, 2016 TO MARCH 31, 2018

| Ref. Base Period Audit Report | Audit Findings | Recommendation | Status |
|----------------------------------|---|--|--|
| 4.2.9 | <p>Inadequate Monitoring of IT Control Processes</p> <p>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 for 2016 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> | <p>Yet to start as our engagement with the internal audit unit revealed that they needed a final signed audit report before they kick start this recommendation.</p> |
| 4.2.10 | <p>Inadequate Server Room Physical and Environmental Controls</p> <p>We noted during our review that the server room of MiDA (Heritage Towers) where backup replications are hosted had no fire extinguisher.</p> <p>Also, access to this server room is maintained under "key and lock" 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> | <p>The recommendation had been implemented.</p> |

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 OCTOBER 01, 2016 TO MARCH 31, 2018

| Ref. Base Period Audit Report | Audit Findings | Recommendation | Status |
|----------------------------------|--|--|---|
| 5.2.1 | <p>Amount spent on lodging by CEO above the prescribed rate</p> <p>The CEO spent a daily tax exclusive rate of US\$319 on hotels for a travel made to Washington from March 05, 2016 to March 13, 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. Alternatively, there should be a clear approval process to ensure CEO's expenditure on lodging above the prescribed rate is approved where necessary.</p> | <p>No such issues were identified in the current audit period.</p> |
| 5.2.2 | <p>Advances not retired on time</p> <p>We noted during our audit that 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.</p> | <p>Not implemented. Instances of late retirement of advances were still noted in the current audit period. These have been reported in the compliance findings section of the report.</p> |
| 5.2.3 | <p>Retirement of advances not properly receipted</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>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.</p> | <p>Implemented. We sighted evidence of GT bank deposit slips indicating evidence of receipt of amounts retired.</p> |

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 OCTOBER 01, 2016 TO MARCH 31, 2018

| Ref. Base Period Audit Report | Audit Findings | Recommendation | Status |
|----------------------------------|---|---|--|
| 5.2.4 | <p>Absence of guideline on transfers or use of accrued interest on Government of Ghana (GoG) funds</p> <p>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.</p> | <p>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.</p> | <p>Partially implemented. The new bank agreement indicates that MIDA has the authority to request for use of the funds. However, there is still no clear instruction on what specifically the interest can be used for and there is no written instruction from GoG on the use of the funds.</p> |
| 5.2.5 | <p>Separate bank account not maintained for GoG interest and GoG principal contributions</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 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.</p> | <p>Implemented. The new bank agreement ensures the establishment of accounts for GoG interest earned on the principal balance.</p> |
| 5.2.6 | <p>Taxes not withheld on some payments made to local suppliers for services provided and work performed</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> | <p>Not implemented as there is no evidence of taxes withheld on payments made to local vendors. We reiterate our recommendation under the compliance section of the current audit report.</p> |
| 5.2.7 | <p>Taxes not withheld on consultancy fees paid for consulting services during the 609(g) funding period</p> <p>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.</p> | <p>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.</p> <p>Management disagreed with us on the matter and we advised that legal advice is sought to bring parity and finality to this matter.</p> | <p>No more applicable as the 609 (g) grant ended in the prior period audit.</p> |

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 OCTOBER 01, 2016 TO MARCH 31, 2018

| Ref. Base Period Audit Report | Audit Findings | Recommendation | Status |
|----------------------------------|---|--|---|
| 5.2.8 | Interest on MCC permitted accounts not remitted on time We noted that interest on MCC permitted accounts were not remitted to MCC on time. | Management should ensure that the bank transfers interest within the stipulated time agreed per the contract. | Implemented. Our review of the current period indicates that, interest on MCC permitted accounts were remitted on or before the 10 th day of the month following the quarter in which the remittance was to be effected. |
| 5.2.9 | Reports on MCC accrued interest on bank balance not sent to MiDA or Fiscal Agent within the period under review 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. | 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. | No such provision is provided in the current bank agreement. However, the bank sends to MiDA/Fiscal Agent monthly average interest rate used to compute the daily interest on balances in the permitted accounts |
| 5.2.10 | Long outstanding Tourism levy not claimed 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. | 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 has submitted the claim to the Tourism Authority but the amount is yet to be reimbursed. |
| 5.2.11 | Assets not insured during the period under review 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 February 17, 2017, except the following assets; safe leeco, rack accessories and office partitioning, which were in the Fixed Asset Register as of September 30, 2016 but were not insured as per the assets listing in the insurance contract. | Management should ensure that all the physical asset items are insured. | Not implemented as the insurance policy made available to us had expired as at February 16, 2018. |

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 OCTOBER 01, 2016 TO MARCH 31, 2018

| Ref. Base Period Audit Report | Audit Findings | Recommendation | Status |
|----------------------------------|--|---|---|
| 5.2.12 | <p>Use of Procurement Agent personnel as bid evaluation panel members</p> <p>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.</p> | <p>We recommend that management strictly adheres to the provisions of the procurement guideline</p> | <p>None was identified in the current period.</p> |



APPENDIX

MANAGEMENT VERBATIM COMMENTS

MANAGEMENT COMMENTS TO THE DRAFT AUDIT REPORT FOR THE PERIOD OCTOBER 1, 2016 THROUGH MARCH 31, 2018

4.2.1

Agreed with the recommendation. Apparently, the Energy Commission thought their use of the vehicle viz, the mileage needed to be separated from that of the MiDA project team. We have since the release of the Audit Report instructed EC to cease henceforth the use of two logbooks for the same vehicle.

4.2.2

Agreed with the recommendation. Per Section 11.6 of the Fiscal Accountability Plan, all logbooks for vehicles acquired with MCC resources must be updated as and when used. ECG/PDS not following these rules contravenes the requirements given for the use of the vehicles. MiDA has written a strongly worded letter to PDS asking that all Logbooks should be appropriately updated when any of the vehicles are used.

4.2.3

The only reason why there is no provision in the FAP for the use of the Accrued Interest for the GoG Contribution is that it is not part of Compact Funding. As explained during the Exit Conference, MiDA's intention is to use this fund to make up for any exchange rate losses as a result of GoG's contribution been in Ghana Cedis and also to utilize it for other expenditures necessary for Compact Implementation but not approved by MCC subject to MiDA Board approval.

5.2.1

This issue continues to be a challenging one for MiDA. Staff were engaged to find out the causes of the late submission of Advances retirement. Management has agreed to provide explanatory note to each Expense Report in situations where it is impossible to retire within the allowed 7 days. The note will indicate the reasons for the delay and it would be attached to the Expense Report. In light of this, the FAP would be updated to reflect this. Management has also step up efforts in ensuring that Staff retire their advances within the stipulated 7 days.

5.2.2

Agreed, MiDA wrote to ECG when the issue of the removed logo came to our attention. ECG has since restored MiDA's logo to vehicle with registration number GE 6821-17. MiDA plan to issue another letter, the Implementing Entity Agreement and the original directives that were given with the vehicles have been shared with ECG (now PDS) again.

5.2.3

Agreed. MiDA has since the audit report renewed the Insurance for all the Assets.

5.2.4

MiDA had originally disagreed with the Auditor on this matter and referred it to the Assistant General Counsel of MCC. A meeting arranged between MiDA, the Auditors and the Assistant General Counsel of MCC was inconclusive. MiDA is currently awaiting a response from MCC on the way forward. MiDA plans to implement whatever decision that comes from MCC.