

Public Disclosure Authorized

# Integrated Fiduciary Assessment

## Ghana Secondary Cities Support Program

Draft Final Report

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## Acronyms and Abbreviations

ABR	Automatic Bank Reconciliation
ACs	Audit Committees
ARIC	Audit Review Implementation Committee
BoG	Bank of Ghana
CAGD	Controller and Accountant General's Department
CBRDP	Community-Based Rural Development Project
CBO	Community Based Organization
CIDA	Canadian International Development Agency
CSG	Capacity Support Grant
CSF	Capacity Support Fund
CSO	Civil Society Organization
CSU	Client Service Unit
DACF	District Assemblies Common Fund
DANIDA	Danish International Development Agency
DDF	District Development Facility
DLI	Disbursement Link Indicators
DMTDP	District Medium Term Development Plan
DP	Development Partner
DPAT	District Performance Assessment Tool
EU	European Union
FDS	Fiscal Decentralization Secretariat (within MLGRD)
FDU	Fiscal Decentralization Unit (within MoF)
FOAT	Functional and Organizational Assessment Tool
GAS	Ghana Audit Service
GIFMIS	Ghana Integrated Financial Management Information System
GoG	Government of Ghana
GSCSP	Ghana Secondary Cities Support Program
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
IAA	Internal Audit Agency
IDA	International Development Association
IGF	Internally Generated Funds
IGFF	Intergovernmental Fiscal Decentralization Framework
ILGS	Institute of Local Government Studies
IMCC	Inter-Ministerial Coordinating Committee
KfW	Kreditanstalt für Wiederaufbau
L.I.	Legislative Instrument
LG	Local Government
LGSS	Local Government Service Secretariat
MA	Municipal Assemblies
MCs	Minimum Conditions
MDA	Ministries, Departments and Agencies
MLGRD	Ministry of Local Government and Rural Development
MMA	Metropolitan and Municipal Assemblies
MMDA	Metropolitan, Municipal and District Assemblies
MoF	Ministry of Finance
NCB	National Competitive Bidding
NDAP	National Decentralization Action Plan
NDPC	National Development Planning Commission
NGO	Non-Governmental Organization
OHLGS	Office of the Head of Local Government Service
PBMED	Planning, Budgeting, Monitoring and Evaluation Directorate (MLGRD)
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIM	Project Implementation Manual
PPA	Public Procurement Authority
RCC	Regional Coordinating Council
UDG	Urban Development Grant
UDU	Urban Development Unit in MLGRD
USAID	United States Agency for International Development
WB	World Bank

# 1 Executive summary

1. An integrated fiduciary assessment of program fiduciary systems for the Ghana Secondary Cities Support Program (GSCSP) anchored on the District Assemblies Common Fund (DACF) which is a pool of resources created under Article 252 of the 1992 constitution of Ghana was undertaken on the Ministry of Local Government and Rural Development (MLGRD), the Office of the Head of Local Government Service (OHLGS), Regional Coordinating Council (RCC) offices and a representative sample of the selected twenty secondary cities which will implement the proposed GSCSP program consistent with Operational Policy/Bank Procedure(OP/BP) 9.00, Program for Results Financing.

2. Article 252 of the Constitution of the Republic of Ghana provides for the setting up of the DACF to serve as a mechanism for the transfer of resources from the central government to the local authorities (MMDAs). The Article provides that at least 5% of Ghana's total national tax revenue should be paid into the Fund for development projects. The detail on how the distribution of funds ought to be done is enshrined in law under DACF Act 455. The distribution of the Fund is based on formula developed and approved by Parliament.

3. The proposed GSCSP will finance two major areas of activity at the MA level focusing on (a) urban infrastructure investments with associated investments servicing costs (engineering design, preparation of bidding documents and supervision) and (b) capacity support activities to strengthen the institutional capacities of the MLGRD/OHLGS, RCC and the Program MAs for the achievement of the Program development objectives and results. The project financing structure will encompass USD106M of which USD90M will be from IDA and USD16M from the government of Ghana through parallel financing from the Rescue Foundation Ghana (RFG) which will be transferred to the 20 MAs participating in the project.

4. The IDA USD90M will comprise of USD87M for Urban Development Grant (UDG) for infrastructure investments and the balance of USD3M as MAs Capacity Support Grant (CSG). The remaining USD16M from GoG will be distributed as follows: RCCs -USD6M, the MLGRD-USD6M, and OHLGS-USD4M to assist with District Assemblies Performance Tool (DPAT) - which is a replacement of the Functional and Organizational Assessment Tool (FOAT) previously used to assess the operational effectiveness of the District Assemblies. The amount allocated to OHLGS will also support Program management and monitoring and evaluation by the MLGRD and capacity building activities for urban development and management by RCCs and OHLGS.

5. The assessment entailed a review of various existing reports on the performance of the District Assemblies and institutions to implement the program. It further assessed the capacity of a sample District Assemblies on their ability to record, control and manage all Program resources and produce timely, understandable, relevant and reliable information underpinning key decisions for the borrower and the Bank; ability to follow procurement rules and procedures, capacity and performance focusing on procurement performance indicators and the extent to which capacity and performance support the program development objectives

and risks associated with the program and involved implementing agencies, to ensure that implementation arrangements are adequate and risks are reasonably mitigated by the existing framework put in place for the program.

6. The assessment examined program expenditure framework to determine whether it is comprehensive and clearly defined, and also determine whether it is part of the Government of Ghana's budget and financial management processes. It also focused on key elements of planned program procurement arrangements and accompanying fraud and corruption detection and management aspects.

7. At the national level, the review noted that the PEFA ratings of 2012 published in 2013 had placed Ghana in the second tier of countries in the Africa Region in Public Financial Management performance. Whilst tepid improvement was noted leading to five "B" scores, a lot of challenges were noted. Key amongst these are: (a) significant differences between original approved budget and actual outturns when considered at the aggregate level and restricted to primary expenditure - the differences arose from procedures in place that govern supplementary budget; (b) difficulties in forecasting accurately the wage bill were also noted owing to the teething problems faced in the implementation of the Single Spine Salary (SSS) Policy which by then constituted 60% of the total non-interest recurrent expenditures and constituted about 12% of the GDP; (c) complications were noted in the presentation and coverage of the Government of Ghana financial statements on administrative basis. The legal framework provided for the preparation of financial reporting only on the Consolidated Fund as opposed to the overall central government funds. The Controller and Accountant General adopted a narrow definition of the provision and therefore did not report on retained Internally Generated Funds (IGFs), Development Partners funded investment expenditures and Statutory Funds (SFs). It was noted that there were multi-sectoral allocation items which were not allocated to individual MDAs in the appropriations but were reported under MDAs in the financial statements; (d) the level of unreported expenditure arrears remained significant by then also exemplified in the 2016 MDAs liabilities audit by the Auditor General across government. This state of affairs has continued to have significant impact on budget execution and underpinning reports; (e) budget information outlining key fiscal information was not presented in a transparent, comprehensive and user-friendly and timely manner; (f) the existing Chart of Accounts not well aligned to ensure consistency between budgeting, execution and reporting; (g) serious weaknesses in the monitoring of fiscal risks from operations of public sector entities; (h) in as far as decentralization is concerned, the 2012 PEFA noted weaknesses in the transparency of the intergovernmental fiscal relations that affected the budget credibility and its implementation; and consequently service delivery at MMDA level. While the horizontal allocation of resources between the sub-national government entities was deemed transparent and rule-based for 38% of the transfers, only 10% of the MMDAs resources came from their IGF, with the rest being dependent on transfers from government and development partners. There were significant delays referencing information on central government allocations to MMDAs, usually after the start of the fiscal years under review and for some transfers not at all.

8. The passage of PFM Act 2016 has brought to the fore delays in submission of MMDA annual financial statements to the Auditor General for audit within two months; whiles 11.1% of the existing 216 MMDAs submitted their accounts after three months in 2014, 6.9% were

late in 2015 indicating an improvement; this however rose to 18.1% in 2016 mainly due to the new legal requirements of two months as against three months prior to the new PFM Act 2016

9. Financial irregularities are still prevalent across all MMDAs; none had a clean audit report over the last three financial years 2014-2016. Though the value (in financial terms) of financial infractions has reduced from GHC54.19 million in 2015 to GHC23.09 million in 2016, the main irregularities still range from procurement malpractices, unreported IGFs, payment for unapproved expenses, stores irregularities, poor asset management, payment of 'ghost' workers, among others.

10. Notwithstanding the weaknesses above, a lot of progress has been made to address the core weaknesses identified. Improvements are noted in the draft 2018 PEFA report; Ghana has scored twelve "Bs" and three "As" in some of the weak areas in the previous assessment.

11. In terms of fraud and corruption, Ghana has done well over the ages though the trajectory deteriorated from 2015. Ghana dropped 7 percentage points from its 2015 score of 47 in the latest 2017 Corruption Perception Index (CPI) to 40 where the Global average was 43. The major drivers of corruption are: piecemeal approach of previous initiatives and lack of collective action plan to deal with corruption comprehensively and holistically, politicization by successive governments, failure to name and share and punish persons accused of corruption and more significantly failure to implement pieces of legislation including the Assets Declaration Act to combat corruption largely because of political reasons. Further, there is insufficient or selective enforcement of laws within a patrimonial social and political context coupled with loss of national values and prevalence of low levels of integrity.

12. There are challenges in procurement with systemic weaknesses set up by the Public Procurement Agency (PPA) anchored mainly on continued usage of sole sourcing, inappropriate contract management and formulation of artificial scarcity in the supply chain.

13. The assessment determined that internal audit is very weak in all MAs. Financial management system is in transition owing to the implementation of the GIFMIS from a manual accounting to an automated one. Audited financial statements are not submitted in time and consequent audit recommendations are not implemented as would be expected.

**14. Due to these reasons, the fiduciary risk is assessed for this program as Substantial after mitigation measures.**

15. Risk mitigation measures for the identified risks will be discussed with key government officials and will be further refined during appraisal of the project. The risk mitigation measures have adopted a three-pronged approach: First - a Disbursement Linked Indicator (DLI) which will be provided in the governing Financing Agreement to support further transparency of the Program systems. Secondly, specific actions have been proposed that will support the DLI and help improve efficiency and performance monitoring of the procurement system. Thirdly, enhance accountability through transparency and grievance redress mechanism.

16. An action plan for mitigation of risks has been included in the main report of the Integrated Fiduciary Program Systems Assessment.

17. Overall, the assessment concludes that the examined program financial management and procurement systems supported by fraud and corruption framework in place do provide reasonable assurance that the financing proceeds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency and accountability and for safeguarding program assets once the proposed mitigation measures have been implemented. Appropriate systems to handle the risks of fraud and corruption, including effective complaint handling mechanisms have been agreed and established.

## 2 Background and the Program's institutional arrangement

### 2.1 Description of the Program and expected results

#### Main objective

18. The main objective of the project is to improve urban governance and basic urban services in participating municipal assemblies. The GSCSP is a follow-up project to the LGCSP, which ends in June 2018. The GSCSP has a total funding of USD106 million over a four-year period 2018-2022. The project does not envisage support to Metropolitan Assemblies even though the scope of Ghana Secondary Cities has not yet been defined.

19. The GSCSP has three components: (i) a local element for Municipal Assemblies with a funding of USD90 million to be disbursed as Capacity Support Grant (CSG) and Urban Development Grant (UDG); (ii) a regional component of USD6 million to be used for monitoring and evaluation; and (iii) a national component with a funding of USD10 million meant for annual project assessment and coordination. In line with the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008) and the Busan Partnership Agreement (2012), the Program will be implemented using Ghana country systems in PFM (both at the national and sub-national levels) such as banking, procurement, financial management and reporting, and external audit through the World Bank's Program for Results (PforR) lending instrument

#### Key results

20. GSCSP has two broad result areas:

- Improvements in institutional performances – core urban management
- Improvements in core urban services – focus on CORE URBAN SERVICES (garbage collection, improve pedestrian walkways, street lightning, etc.)

21. The GSCSP will support Municipal Assemblies in five key areas; namely (i) urban public investment management, (ii) urban planning and service delivery, (iii) urban economic development and competitiveness, (iv) sustainable urban systems, and (v) urban infrastructure and service delivery. Funds allocated to component 1 of the project will be disbursed through (i) Capacity Support Grant for purposes of providing incentives to MAs in capacity building and urban system development initiatives, and (ii) Urban Development Grant to finance infrastructure projects such as roads, drainage, markets, waste management, and lighting, among others. As part of measures to enhance coordination, oversight, monitoring and evaluation, the GSCSP will equally provide support to RCCs, MLGRD, and OHLGS.

### 2.2 Program institutional framework and implementation arrangement

22. The planned GSCSP will be implemented under the umbrella of the government of Ghana District Assembly Common Fund (DACF). The Common Fund is a development Fund

that is intended to ensure equitable development of the various Assemblies in the country. The DACF Administrator is the Manager of the Fund. However, ensuring the success of the Fund is not the sole responsibility of the Administrator but a collective responsibility of all stakeholders including the government, the Administrator, officials of Metropolitan, Municipal and District Assemblies (MMDAs) that receive the fund, Ministry of Local Government and Rural Development (MLGRD), and Civil Society who benefited from the fund.

23. The GSCSP is a sequel to the LGCSP. The existing institutional framework and implementation arrangement of the LGCSP will be maintained with some adjustments made where necessary. The Planning, Budgeting, Monitoring and Evaluation (PBME) Directorate of the Ministry of Local Government and Rural Development (MLGRD) will supervise the project with MLGRD as the lead implementing agency. Both the Fiscal Decentralisation Unit (FDU) and Fiscal Decentralisation Secretariat (FDS) of MoF and MLGRD respectively and the OHLGS will collaborate to ensure activities under the project are implemented in a coordinated manner.

## 2.3 Program fiduciary arrangements

### *Program Financial management*

#### *Planning and budgeting arrangements*

24. *Overall FM objective - the Program budget is realistic, is prepared with due regard to government policy, and is implemented in an orderly and predictable manner.*

#### **General FM arrangements**

25. The GSCSP will use Government of Ghana's planning and budgeting arrangements. Ghana's strategic planning, budget formulation and budget preparation have seen significant improvement over the last two decades, especially so with the introduction of MTEF in 1996 as part of PUFMARP for medium-term budgeting, and the adoption of Program-Based Budgeting (PBB) in 2014 replacing Activity-Based Budgeting. The PBB framework defines strategic planning and budgeting with expenditure outlays to clearly identified outcomes (or results) as opposed to inputs against outputs in the erstwhile Activity-Based Budgeting approach, making it much easier to relate planned program expenditures to expected results across MDAs and MMDAs. PBB also provides a platform for aggregating all sector programs targeted at delivering the required service outcomes, the main challenges however are insufficient budget allocation and the delay in releasing funds for planned programs.

26. In addition, Composite Budgeting was introduced in 2012 at MMDAs that provided a basis for the preparation of MMDA budget with the inclusion of all decentralized government agencies thereby ensuring homogenous and an all-inclusive strategic planning process, budgeting, financial accountability and reporting, and auditing at the local level. Composite Budgeting has however not realized its full benefit due to the failure of central government to fully implement Fiscal Decentralization Framework, which allows the full transfer of funds from central government to sub-national governments in order to effectively implement their budgets and improve service delivery.

27. Budget reforms both at national and sub-national levels have resulted in streamlining budget preparation processes with the issuance of annual budget guidelines to all MDAs and MMDAs in a timely manner, which contain preliminary budget ceilings providing reasonable resource allocation levels for budget preparation. At a later stage (October/November each year) in the budget preparation process, cabinet-approved ceilings are then issued to budgetary units that allow the finalization of their annual estimates.

### **Program - specific arrangements- Sub National Level**

28. The planning and budgeting framework outlined by the National Development Planning Commission and the Ministry of Finance (MoF) will be applicable to all participating MDA and MAs in the GSCSP. Each year, MoF issues one budget guideline for both MDAs and MMDAs that includes indicative ceilings for resource allocation. District Assemblies, like Ministries, Departments and Agencies prepare medium-term (3-4 years) strategic plans, which are linked to the National Medium-Term Plan with support from NDPC in accordance with guidelines issued by NDPC. The district plans, known as the District Medium Term Development Plan (DMTDP) set out the programs and activities in the medium term. Out of the DMTDP, Annual Action Plans (APPs) are developed and costed; these form the basis for resource allocation from central government through the DACF plus district IGFs for development projects and service delivery at the district level.

29. At present, each MMDA prepares a composite budget; this captures all costed activities and programs of decentralised government agencies. These budgets are submitted to central government through Regional Coordinating Councils (RCCs). The preparation of these composite budgets involves an elaborate consultative workshop where district opinion leaders, CSOs, chiefs and all relevant stakeholders make their input. The planning and budgeting processes are coordinated by the District Planning and Coordinating Unit (DPCU), first by reviewing prior year's plans, budgets, and actual program execution progress and financial reports as a basis for formulating the current year's plans and budgets.

30. Once the budget ceilings are received, the District Coordinating Director with support from the heads of budget and finance disaggregate the MMDAs budgets ceilings according to decentralised departments, who in turn prepare their departmental budgets for consolidation by the district budget head. Just as budget hearings are organised in Accra for all MDAs, similar exercises are organised at RCCs where MMDAs defend their budget submissions.

31. All MMDAs receive their initial budget ceilings from MoF on time to allow timely preparation of budget estimates, which are also approved by assembly members on or before 31st December before the start of the new financial year. However, final budget ceilings are issued to MMDAs only after 31st December, usually in the first quarter of the new financial year once the Appropriations Act is passed by parliament. Another complication is that MMDAs prepare supplementary budget estimates specifically for DACF; this is so because the DACF formula is approved by parliament in the first quarter of the new financial year, thereby delaying MMDAs approved budget estimates.

#### *Transparency and comprehensiveness of budget*

32. *Overall FM objective - the Program budget and financial information accessible to the public*

##### **General FM arrangements**

33. Over the last 6 years, budget transparency has remained on average, scoring 50 out of 100 according to the Open Budget Index (OBI). This is consistent with PEFA ratings over the years, with a score of 'C' since 2012, and expected to remain at a 'C' based on 2018 PEFA scores. The main weaknesses identified include non-disclosure of financial assets in budget documentations submitted to parliament, absence of explanatory notes on budget implications concerning new policy initiatives, prior year's budget outturn not presented in the same format as current year's budget, and budget summary information on revenue and expenditure not consistent with the main administrative headings.

34. Historical evidence (PEFA 2009 and 2012) suggests the budget is comprehensive to a large extent, the percentage of revenue and expenditure not disclosed in the budget estimated at below 1% of national budget. Preliminary results of the 2018 PEFA however suggest that at least 18% of central government operations are outside the national budget, raising fundamental questions on budget comprehensiveness. It should however be noted that the PEFA methodology applied in 2018 differs from that of 2012 but even when assessed on the same basis as 2012, significant revenues and expenditures are outside central government operations; most of these are development partner project funds and IGFs from MDAs and MMDAs.

##### **Program - specific arrangements- Sub National Level**

35. Sub-national budget presentation, classification and comprehensiveness hinges on national policy framework and guidelines. Therefore, no specific arrangements will be made at MMDAs level that will differ from national context.

#### *Accounting and financial reporting*

36. *Overall FM objective - adequate program records are maintained, and financial reports produced and disseminated for decision-making, management, and Program reporting.*

##### **General FM arrangements**

37. The Program will use the Government's financial management mechanism, which is considered adequate. One major reform in PFM was the enactment of the PFM Act 2016, Act 921, considered to be of significant improvement compared to the Financial Administrations Act 2003. The new PFM Act 2016, seeks to bring together all PFM laws (including the Loans Act 1970) in order to improve accountability and transparency. Some key changes in the new Act include the creation of Audit Committees (to replace Audit Report Implementation Committees - ARICs) with a membership of five, three from the private sector with one of the three as chairperson, thereby strengthening financial accountability and independence. Another important change is the deadline for submission of annual financial statements to the Controller and Accountant General; Section 80 of the PFM Act 2016 now requires all MDAs

and MMDAs to prepare and submit annual financial statements within two months after the end of the preceding financial year. That said, the Financial Administration Regulation (LI 1802) of 2004 is still applicable as new regulations in consonance with Act 921 are yet to be promulgated.

38. In accordance with Sections 79 and 80 of PFM Act 2016, the Director of Finance of MLGRD (in concurrence with CAGD) will prepare quarterly financial reports, and annual financial statements in line with the current Chart of Accounts (CoA) and existing and applicable GoG financial management regulations, manuals and guidelines respectively. These reports will be submitted to the WB within the agreed timeframe as per the Financing Agreement. The Auditor General in accordance with Section 80(4) of PFM Act 2016 and the Ghana Audit Service Act 2000, Act 584 will carry out the annual external audit of the Program

39. At present, the Government uses GIFMIS for financial management and reporting. GIFMIS is fully rolled out to all 32 MDAs, plus all 10 RCCs and the existing 216 MDAs have direct access to GIFMIS for financial reporting. There are 38 new district assemblies created in March 2018; these are yet to be provisioned for GIFMIS rollout and any financial management improvement and capacity building initiatives.

#### **Program - specific arrangements- Sub National Level**

40. The Program financial management, accounting and reporting will not differ from the existing Government financial management structure. Presently, central government fund release mechanism to MMDAs for development project and service delivery is routed through DACF, likewise the DDF. The Head of Finance at MLGRD will be responsible for ensuring efficient and effective financial management, accounting and reporting as far as the Program is concerned, particularly with regards to timely receipt of all financial data from participating MAs. He/she will prepare quarterly and annual financial statements in consultation with CAGD and submit same to the WB and the Auditor General accordingly.

41. Whiles it is acknowledged that both central government and sub-national government have the same Chart of Accounts (CoA), the limited technical capacity of financial staff at MMDAs accounts for the non-usage of the GIFMIS platform even for those that have direct access to the financial management tool. Consequently, the use of Microsoft excel spreadsheets is still prevalent; this poses potential financial management risk in terms of proper classification of financial transactions.

#### *Treasury and cash management*

42. *Overall FM objective - adequate and timely funds are available to finance program implementation*

#### **General FM arrangements**

43. It is foreseen that the Program will use the Government of Ghana's cash management framework as part of the Bank's commitment to the use of country PFM systems. The formal launch of the Treasury Single Account (TSA) in August 2017, which is been operated on the

GIFMIS platform, and Government's commitment to carry through to the latter the TSA implementation plan provides assurance for a strengthened approach to PFM reforms. As part of the TSA implementation plan, a number of government bank accounts held in commercial banks have been closed and transferred to the Bank of Ghana (BoG) and by December 2017, GHC143.9 million and USD 13,752 had been transferred from commercial banks to BoG. That said, donor project bank accounts, some MDA IGF accounts and most government foreign exchange accounts are yet to be part of the TSA framework.

44. Three levels of funds flow mechanisms are foreseen in terms of the Program's treasury and cash management framework; these are:

- Flows of the GoG's own discretionary budget from the MoF to the MDA to support the program,
- Funds from the IDA through the MoF/CAGD to the Consolidated Fund
- Funds flow from the MDA (MLGRD) to the MMDA who will achieve the DLIs

45. As already indicated above, the use of country systems means that the Program will not operate a separate bank account; funds for the Program will be routed through the existing Government bank accounts (the Consolidated Fund and Sub-Consolidated Funds) for expenditure management. To track and report on program activities and expenditure, the existing CoA in GIFMIS will be used to generate the required periodic financial reports going forward.

46. It is the Bank's policy to pre-finance program activities once the Financing Agreement is signed, in lieu of achieving the required program results; this will be done. Any such advance disbursements will be made into the Consolidated Fund managed by CAGD and held at BoG. While it is acknowledged that cash is fungible, funding from IDA meant for the program will be required to be prioritized and disbursed to participating MAs in accordance with agreed schedules and timelines and in consonance with the Bank's DLIs. There will be no distinction between GoG and IDA funding; however the existing financial management and reporting framework within MLGRD, which is capable of defining codes in GIFMIS CoA, should allow easy accountability and reporting of program funds at all times.

#### **Program - specific arrangements- Sub National Level**

47. Each MMDA has a finance department. It is segregated into three units with specific responsibilities as follows: (i) financial account section responsible for bookkeeping, management and financial reporting; (ii) management account section responsible for planning, budgetary controls and expenditure management; (iii) treasury section which plays a dual role as district and MMDA treasury, responsible for cash flow management (cash receipt and bank lodgement, preparation of revenue returns, and bank reconciliations)

48. Sub-national financial management and controls follow the national system, using the same applicable PFM Act 2016, Financial Administrations Regulations 2004 but a different accounting manual issued by CAGD dated October 2011. There is no significant difference between the MDA and MMDA accounting manuals except to contextualise the MMDA accounting manual in line with existing local government laws (Local Government Act 1993,

Act 462 and DACF Act 1993, Act 455, which have been repealed and replaced with Local Governance Act 2016, Act 936).

49. MMDAs have three sets of bank accounts: (i) sub-Consolidated Fund Account, which receives all funds from central government; (ii) Operations Account, which receives funds from DACF; and (iii) IGF bank account, which receives all revenues generated locally by district assemblies. The setup of these bank accounts is to ensure proper accountability of all public funds at the district level. Financial reporting follows the dictates and guidelines of CAGD. The Assembly releases funds to decentralised departments under the Assembly and accounted for accordingly. As required by Sections 79 and 80 of PFM Act 2016, MMDAs prepare and submit periodic financial statements to the Controller and Accountant General

#### *Internal control and internal audit*

50. *Overall FM objective - There are satisfactory arrangements to monitor, evaluate, and validate program results and to exercise control over and stewardship of program funds.*

#### **General FM arrangements**

51. Parliament in 2003, passed Act 658 that established the Internal Audit Agency (IAA) as an Independent Government Institution (IGI) for purposes of ensuring internal control with specific emphasis on compliance regarding financial management laws, regulations and procedures, conducting enterprise risk assessment that will allow deployment of proper and adequate risk mitigating measures, conduct audit inspections, provide training of internal audit standards for internal auditors in the public sector, and then prepare annual report for executive action

52. Section 16 of the IAA Act 2003 mandates all MDAs and MMDAs to create internal audit units (IAUs). These units have the mandate to ensure the prevention and detection of fraud, the prevention and management of financial risk, and the control and safeguarding of public assets. In terms of audit coverage, there are about 400 out of 404 functional internal audit units across the country within the public sector, representing about 99% in terms of coverage. That said, less than 10% (total internal auditors in the public sector is about 2000) and 1% of internal auditors are certified internal auditors or qualified accountants and Certified Information Systems Auditor (CISA) respectively.

53. To further strengthen internal controls, Section 86 of the new PFM Act 2016, Act 921 requires all MDAs and MMDAs to create Audit Committees (ACs). These committees have been replaced with the erstwhile Audit Report Implementation Committees (ARICs) which were less functional and effective due to the nature of its composition, which had the head of the public institution as the chairperson of ARIC. With the new PFM Act 2016, audit committees have a membership of five with three from the private sector of which one is the chairperson; this is seen as an improvement, which will lead to enhanced accountability. Nonetheless, implementation of audit recommendations remains a challenge

54. Other legal and regulatory framework that provide a strengthened approach to internal controls at all levels of government include the Financial Administrations Regulations 2004, the Public Procurement (Amended) Act 2016, Act 914, MMDA Accounting Manual of

October 2011 and other guidelines issued regularly by CAGD. That notwithstanding, internal audit functions have largely been on pre-audit, with very little or no systemic audit functions, coupled with very little financial attention given by management and executive to strengthen internal audit functions. One key challenge is the slow pace of IT literacy and technical capacity of internal auditors and the Internal Audit Agency as a whole, especially so with the advent of Government's convergence from a manual financial management platform to a sophisticated automated system (GIFMIS). It therefore behoves on government and stakeholders to, as a matter of urgency build the capacity of IAA and internal auditors to be able to audit within an electronic and digitised environment. Gratifying to say some donors (WB & Swiss SECO) through PFM reform program are providing IT (TEAMMATE, CAATs - IDEA and Audit Command Language (ACL), etc.) training and capacity building for internal auditors in this regard but mainly for MDAs and IAA staff in Accra

### **Program - specific arrangements- Sub National Level**

55. The GSCSP will use the existing Government internal control and audit systems in spite of the weaknesses so identified. The efficiency and effectiveness of internal control and internal audit functions at MMDAs largely revolve on the technical capacity of internal auditors. Most internal auditors in MMDAs have no professional and technical qualification; presently, no MMDA across the country can boast of a qualified and certified internal auditor. These weaknesses in technical and professional capacity is however complemented by internal auditors at RCCs; at least each RCC has a qualified accountant who is the head of regional internal audit unit with staffing levels of between 3 and 5, thereby providing reasonable assurance for ensuring financial integrity and accountability by way of monitoring, evaluating and training MMDAs internal auditors.

56. The technical capacity of internal auditors at MMDAs both in ICT and regular audit experience is weak; presently, no capacity building initiatives for internal auditors on how to audit within a digitised environment. That said, each MMDA prepares annual audit plans approved by both Internal Audit Agency (IAA) and MMDA management. The internal auditors prepare and submit quarterly internal audit reports to both management and IAA within 14 days after the end of the quarter. Ad hoc audit reports are also prepared for specific internal audit assignments at the request of management. That notwithstanding, there is a high degree of lack of managerial (and political) will to implement audit recommendations to the latter. The establishment of Audit Committees (as a replacement for ARICs) though a commendable PFM reform is still at the infantry stage and cannot provide any measurable results yet. As shown in Table 5 (Annex), 96 out of 216 MMDAs audited in 2015 had cash irregularities valued at GHC25.7 million; MMDAs with cash infractions reduced to 93 in 2016 but increased in value terms to GHC32.68 million.

#### *External audit*

57. *Overall FM objective - adequate independent audit and verification arrangements are in place and take account of the country context and the nature and overall risk assessment of the program.*

### **General FM arrangements**

58. In consonance with the Bank's policy of use of country PFM systems, the Auditor General in line with the Ghana Audit Service and the 1992 Constitution will audit the GSCSP. The Ghana Audit Service (GAS) is a constitutional government agency established under Articles 187 to 189 of the 1992 Constitution of the Republic of Ghana. It is further governed by an Act of Parliament - Ghana Audit Service Act 2000, Act 584 with unlimited powers to carry out financial, performance and other external audits of all public funds. Its audit reports, which meet INTOSAI standards, are submitted to parliament for scrutiny.

59. While the Auditor-General conducts periodic audits in line with applicable laws and international standards, implementation of recommendations by the executive is very limited, leading to re-occurrence of findings every other year. That said, there appears to be some level of actions taken in recent years, prominent amongst them is the surcharging of public officers found to have misappropriated public funds - this came about as a result of a Supreme Court ruling in June 2017 ordering the Auditor-General to surcharge all public officials found culpable in financial mismanagement. This court ruling has provided an impetus for the Auditor-General and the Ghana Audit Service to carry out its constitutional duties, following from the failure of politicians to use the Financial Administration Court established by the Judicial Service as part of measures to fight corruption.

60. GAS adopts a risk-based audit methodology. It has been up-to-date with regards to completing and issuing audit reports on public accounts; to date, all reports for 2016 have been completed and submitted to Parliament. The 2017 public accounts are being audited with the expectation of completion by June 2018 in line with applicable laws. GAS has about 1770 staff of which only about 10% are fully qualified professional accountants. Again, only about 20% are fully trained on the new INTOSAI audit methodology. There is a huge gap in IT audit capacity especially with regards to conducting audit within the GIFMIS platform which is Oracle-based as well as the GRA IT infrastructure known as TRIPS (Total Revenue Integrated Processing System).

61. Parliament's Public Accounts Committee (PAC) has received and continues to receive considerable donor support to carry out its mandate effectively in terms of holding the executive accountable. PAC is more current in recent years, having completed review and scrutiny of 2015 audit reports on financial statements of government. It is currently conducting public hearing of 2016 audit reports.

### **Program - specific arrangements- Sub National Level**

62. GAS has district and regional offices, totalling about 90. Annual audit plans, with input from district offices, inform the choice of public entities to be audited each year, depending on the risk profile of these entities. At present, the Auditor General audits all MMDAs annually, with the issuance of separate audit reports. These reports are submitted to Parliament for scrutiny. Similarly, the Bank will receive copies of audit reports of the GSCSP, and express its opinion on the basis of the Auditor General's audit opinion.

63. There was improvement in terms of timely submission of MMDA annual financial statements to the Auditor General for audit; 192 and 201 out of the existing 216 submitted their annual financial statements on time in FY2014 and FY2015 respectively; this however dropped to 177 in 2016 mainly due to the new PFM Act 2016 which now requires submission of annual financial statements within two months instead of three months. Out of the 39 MMDAs that failed to meet the submission deadline, 17 were MAs.

64. None of the MMDAs and/or MAs had a clean audit report over the last three financial years 2014-2016. Financial irregularities continue to reoccur across all MMDAs; prominent among these are unreported/un-accounted IGFs, procurement irregularities, payment for unapproved expenses, loss of value (receipt) books, non collection of revenue arrears (IGF arrears), payment of 'ghost' workers, stores irregularities, judgement debts, and poor asset management. In 2016, judgement debts alone stood at GHC49.6 million; other financial infractions in 2016 amounted to GHC23.09 million as against GHC54.19 million in 2015.

### *Procurement arrangement*

#### *Legal and regulatory framework*

65. Ghana, in 2003, promulgated the Public Procurement Act, Act 663 establishing the Public Procurement Authority to harmonize all public procurement processes for purposes of securing a judicious, economic, efficient, and effective use of public funds for procuring public goods and services in a fair and transparent manner and at the same time promoting a competitive local industry. Section 35 of the amended Act 914 makes competitive procurement the default procurement method, any deviation from the norm such as restricted tender and sole sourcing must be done with justifiable proposals submitted to PPA for prior approval.

66. The law (Sections 21, 31, and 81) mandates procuring entities to publicize all procurement information such as procurement plan, bidding opportunities, contract awards, and resolution of all procurement complaints. Section 80 also provides for an administrative framework for resolving all procurement complaints, such that the aggrieved bidder reserves the right to appeal to PPA, mandating the Authority to suspend the procurement process pending resolution of the aforementioned complaint.

67. Parliament, in 2016, passed amendments to the PPA Act 2003 - PPA (Amended) Act 2016, Act 914 to among others, revise procurement thresholds, reconstitute entity tender committees, dissolve district and ministerial tender committees, categorize entity tender committees, and introduce new procurement structures for local government agencies, introduce e-Procurement and sustainable public procurement, all in a bid to strengthen procurement controls and reduce corruption

#### *Procurement practices, tools and procedures*

68. PPA has developed a number of tools, procedures and practices to facilitate the implementation of public procurement laws; these include the following:

### ***Online procurement planning tool***

69. This application allows MDAs and MMDAs to prepare annual procurement plans as required by law (Section 21 of PPA Act 2016 as amended) and submit same to PPA for approval. The tool also provides an opportunity for public access to key procurement information

### ***Common User Items Average Price List:***

70. This platform provides information on the average pricing of goods and services as well as approved suppliers' listings. The challenge however is that this platform is not developed and managed in-house, but by a private consultant and therefore could be compromised

### ***Unit Cost of Infrastructure Estimator and Infrastructure Project Budgeting Tool:***

71. This is a more recent addition to PPA's application tools under the support of the ongoing PFM reform program. It assists MDAs and MMDAs on infrastructure planning and budgeting. While this is hosted on PPA's website, the application is developed and managed by a private consultant and could be compromised as well.

### ***PPME-Assessment Tool***

72. The Public Procurement Method of Excellence (PPME) Assessment tool is an online platform accessible to all public institutions for conducting self-assessment regarding the application and compliance to all procurement laws, regulations and guidelines. It serves as a country-level Procurement Performance System for Benchmarking, Monitoring and Evaluation (BM&E) using parameters based on international best practices in Procurement and Quality Management.

### ***Statutory Audit***

73. The Ghana Audit Service is constitutionally mandated to carry out all forms of audit including procurement audit. In line with this, Section 92 of PPA Act 663 also places an obligation on the Auditor General to conduct statutory audits on all procurement activities of public entities as well as contractors, suppliers and service providers who have benefited from public funds, and make available all such reports to PPA Board upon request. Over the years, however, the concentration has been only on financial audits even though a limited number of procurement audits are conducted. In 2017, the WB organized a five-day training for the staff of GAS on Post Procurement Reviews as part of capacity building initiatives for purposes of undertaking the Bank's annual Public Procurement Review (PPR).

### ***Other improvement measures***

74. Government in 2017 created a new Ministry responsible for public procurement to among others, advise the President on all public procurement matters. A new Office of the Special Prosecutor has also been created to principally investigate and prosecute corrupt public officials on all matters including public procurement, which seems to be the largest avenue for corruption. The Bank is also supporting procurement reforms under (i) E-

Transform Project<sup>1</sup>, (ii) PFMRP<sup>2</sup>, and (iii) EFO<sup>3</sup>, with the hope of linking online procurement planning to budget and the e-Governance Program, contract management and the GIFMIS for improved transparency and accountability

### ***Procurement Planning***

75. MDAs and MMDAs prepare and submit annual procurement plans through the online procurement-planning tool to PPA in accordance with Section 21 of the PPA (Amended) Act 2016. The main challenge relates to the inability of MDAs and MMDAs to update the procurement plans in line with any changes within the budget year. This also has a negative effect on cash flow planning

### **Procurement performance in selected budgeted entities (MMDAs and MDA)**

76. Table 1 (Annex) outlines performance of procurement activities in sampled MMDAs and the Ministry of Local Government and Rural Development (MLGRD). The table assesses the lead-time from initiation of procurement to date of signing the contract. It takes between 1 to 8 months for a contract to be awarded from the initiation date. The assessment indicates that the time overdue is due to longer evaluation periods, delays in approvals, delays in award and contract signing. Municipal Assemblies sampled show better performance when compared with the national (MLGRD); one reason could be the strict deadlines for projects funded by the Urban Development Grant

### **Procurement Methods, Thresholds and Clearance levels for Ministry and Municipal procurements**

77. The Program will have two categories of entity tender committees: (i) MLGRD Tender Committee classified as category B, and (ii) Municipal Assemblies - classified under category F in accordance with Section 20 of PPA (amended) Act 2016, Act 914. The amended PPA Act outlines three independent levels of approvals for applicable thresholds as follows: For Municipal Assemblies: (i) the Head of Entity, (ii) the Municipal Tender Committee, and (iii) the Regional Tender Review Committee. At the national level - for MLGRD: (i) the Head of Entity, (ii) the Ministerial Tender Committee, and (iii) the Central Tender Review Committee. Tables 2 and 3 (Annex) outline the applicable thresholds according to the law

### **Program - specific arrangements - Sub-national**

78. The Program envisages infrastructure investments in waste management, storm water drainage, economic infrastructure, and fire and disaster management. To avoid fragmentation of urban infrastructure investments, projects are subject to a minimum investment of US\$ 0.5 million, equivalent to GH¢2,200,000<sup>4</sup>. This will therefore require approval from the Regional Tender Committee. The Regional Tender Committee meets quarterly and it takes between 2-3

<sup>1</sup> e-Gov. Proc – pilot (US\$ 5 Mil) which is ongoing - in the Pilots stage using the following agencies. 1) Volta River Authority, 2) Ghana Health Service, 3) Ghana Cocoa Board, 4) Department of Feeder Roads, 5) Tema Metropolitan Assembly, 6) Koforidua Technical University

<sup>2</sup> Sub-Comp 2.4: Public Procurement Planning & Management (US\$ 2.0 Mil) – To improve procurement planning and enhancement of economy, efficiency, transparency and accountability of the procurement process

<sup>3</sup> Support to Sustainable Public Procurement Management Systems (US\$0.50 Mil)

<sup>4</sup> US\$1=GH¢4.407 Source Bank of Ghana, dated Friday 20<sup>th</sup> April, 2018

weeks to obtain the committee's approval. That said, the Committee could also meet on *ad hoc* basis when the need arises. Therefore, participating Municipal Assemblies must be conscious of this and make the necessary steps accordingly.

79. Table 4 (Annex) summarises the procurement method thresholds as outlined in Schedule 5 of the amended PPA Act 914. The Program envisages infrastructure investment not exceeding GHC10million for Works, implying that the National Competitive Method (NCT) will be used to award contracts at the Municipal level.

#### *Procurement capacity assessment*

80. The PPA (amended) Act 914 is the governing law applicable to all public entities in Ghana, for MDAs and MMDAs alike. Each budgeted entity has the required procurement administration structures (procurement unit headed by a senior procurement officer, and a tender committee) capable of initiating and awarding contracts. The existing procurement structures have successfully managed and implemented the WB funded project - LGCSP, albeit with some capacity challenges which were addressed through backstopping from RCCs and MLGRD.

81. MLGRD has a procurement unit headed by an experienced senior procurement officer with two assistants. The head of procurement is knowledgeable in public procurement related to goods, works, and services in accordance with PPA Act. Whiles procurement records are satisfactory, there is the need for improvement in record management.

82. Most MAs have HND holders as heads of procurement unit, but lack requisite technical capacity and experience in public procurement as well as the WB's procurement procedures; these procurement officers rely heavily on staff (engineers, quantity surveyors, and planners) of the Works Department of MMDAs. Another major challenge within MAs is staff rotations/transfers - these have negative impact on procurement management. The backstopping arrangement adopted in LGCSP was very useful which will be recommended for GSCSP.

83. The main risks identified in MAs procurement include (i) non compliance with PPA Act; (ii) weak contract management, (iii) cost overruns, (iv) poor contract supervision, (v) poor document management and record keeping, (vi) payment delays , and (vii) political influence

#### **Program - specific arrangements - Sub-national**

84. The Program will use the national procurement system but with "no objection" from the Bank. Whiles technical capacity at the national level (MLGRD) is considered adequate with the required number of personnel and qualifications at Degree levels, procurement units at Municipal Assemblies are headed by HND holders with very little or no professional experience in procurement. As such, staffs (quantity surveyors, engineers, and planners) of the Works Department of the Assemblies play the lead role in procurement activities. One key

challenge relates to lack of knowledge and experience in WB procurement procedures. There is also a high attrition rate at sub-national levels.

### *Governance and accountability (fraud and corruption)*

#### *Legal and regulatory framework*

85. The Government of Ghana, over the years has introduced a number of legislations to fight fraud and corruption; key among them include the following:

- The Constitution, which in particular:
  - Requires the state to take steps to eradicate corrupt practices and abuse of power (Article 35 (8))
  - Creates the Commission on Human Rights and Administrative Justice (CHRAJ) as the primary anti-corruption body in Ghana
  - Requires anyone holding public office to submit a written declaration of all of their property or assets to the Auditor-General (Article 286), which in turn can be used to determine whether their assets exceed what they ought to own given their position and salary, and which allows CHRAJ to investigate non-compliance and to take appropriate action.
  - Creates a Code of Conduct for Public Officers in Chapter 24 that, inter alia, requires public officers not to put themselves in a position where their personal interest conflicts or is likely to conflict with the performance of the functions of their office.
- Criminal Offences Act, 1960, which includes the crime of corruption as well as various other related crimes such as fraud:
  - The Act defines corruption in seven interlinked sections that essentially make it a criminal offence to bribe a public officer or juror, with both the person offering the bribe and the person receiving it being guilty of the offence.<sup>5</sup> Although the Act makes the offence a misdemeanour, those found guilty can face up to 25 years in prison.
  - Section 179 (c) makes it a criminal offence for a public officer to corruptly or dishonestly abuse their office for private profit or benefit or for a member of the public to collaborate with a public official for the latter to corruptly or dishonestly abuse their public office for private profit or benefit.
- Customs Excise and Preventive Service (Management) Act, 1993 (PNDCL 330) that makes it an offence for an officer to request or receive a bribe or for a member of the public to offer or give a bribe (Sections 271-272).
- Value Added Tax Act 1998, Act 546 and all applicable amendments, which makes it an offence for an officer to directly or indirectly seek a payment or any other reward (Section 63)
- Public Officers Holders (Declaration of Assets and Disqualification) Act, 1998 (Act 550)
- Representation of the People Act, 1992 (PNDCL. 284), which makes bribery of voters an offence
- Audit Service Act 2000.
- Internal Audit Agency Act, 2003
- Public Procurement Act, 2003, now amended by Act 914 of 2016
- Public Financial Management Act 2016, Act 921 and the Financial Administration Regulations, 2004

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<sup>5</sup> See Sections 239-245.

- Payment Systems Act, 2003 (Act 662), that inter alia includes measures to check or prevent illegal electronic transactions or transfer of funds
- Anti-Money Laundering Act (749 of 2008).
- Economic and Organised Crime Act, 2010, which establishes EOCO to replace the previous Serious Fraud Office: Although the Act does not specifically empower EOCO to deal with corruption, the definition of the crimes it can deal with is very broad and could be (and is being) interpreted to allow EOCO to deal with cases of corruption falling outside the definition in the Criminal Offences Code
- Whistleblowers Act 2013, designed to protect those who disclose information related to breaches or likely breaches of the law (including corrupt activities); injustices; environmental degradation; endangering individual and community health and safety; and waste, appropriation or mismanagement of public resources.
- Office of Special Prosecutor Act 2018, Act 959

### *Assessment of Fraud and Corruption in Ghana*

86. All the above laws and regulations clearly show government's commitment towards fighting fraud and corruption; however, implementation has always been the main challenge. The latest (2016) CPI released by Transparency International scores Ghana 42 out of 100, a drop of 4 and 5 points compared to 2015 and 2014 respectively. Consistently, the Auditor General's annual audit reports identify increasing number of financial irregularities. The Auditor General, at the request of Government conducted an audit of MDAs liabilities relating to the fiscal year 2016; the report concluded that close to 46% (GHS5.5billion out of GHC11.8billion) of all outstanding claims submitted by MDAs have no bases. These claims were subsequently rejected.

87. A review of the Auditor General's report of MMDAs for the last three completed fiscal years 2014 to 2016 indicates growing financial irregularities. Table 5 (Annex) summarizes these irregularities, quantified in financial terms: the assessment concludes financial irregularities increased by 193% in 2015 as compared to 2014. This rose by 32% in 2016 in comparison with 2015.

88. Government in 2011 formally adopted the National Anticorruption Action Plan (NACAP). While implementation of NACAP has seen some improvements in the reportage of fraud and corruption cases, insufficient funding from Government prohibits the realisation of its intended purpose. In 2016, only 4 MMDAs out of the existing 216 reported on NACAP implementation. Table 6 (Annex) outlines corruption cases reported and investigated between 2015 and 2016; corruption cases reported and investigated are not encouraging.

89. The enactment of the Office of the Special Prosecutor Act 2018, the appointment of the Special Prosecutor in April 2018 and the passage of the new PFM Act 2016 point to government's commitment towards the fight against fraud and corruption. Particular reference is made to Sections 86 and 87 of PFM Act 2016 regarding the establishment of Audit Committees to replace the erstwhile Audit Report Implementation Committee (ARIC), specifically to strengthen the independence of members of Audit Committees to better hold

the executive accountable. That said, funding arrangements for payment of sitting allowances for members of Audit Committees is hampering their effectiveness, in addition to the appointment of professionals within local communities to become AC members.

90. In 2018, the District Assembly Performance Assessment Tool (DPAT) was introduced to replace the Functional and Organisational Assessment Tool (FOAT), mainly to strengthen anticorruption measures with the introduction of more stringent assessment criteria for funds allocation under the DACF, DDF and UDG. An example of such stringent criteria is for MMDAs financial irregularities identified by the Auditor General not to exceed 1% of Assemblies annual expenditure. Relative to 2014, the assessment concluded that financial irregularities as identified by the Auditor General were 3%, 5%, and 8% for Metropolitan Assemblies, Municipal Assemblies and District Assemblies respectively; this clearly shows that most financial management weaknesses are found in district assemblies, followed by municipal assemblies, and then metropolitan assemblies.

91. A survey conducted by Ghana Integrity Initiative in 2017 showed that majority (60% of respondents across all 10 regions of Ghana) of MMDAs is ineffective with regards to the fight against fraud and corruption.

#### *The use of Grievance Redress Mechanism and other tools to improve service delivery and the fight against fraud and corruption*

92. Grievance Redress Mechanisms (GRMs) are important instruments for promoting transparency and accountability. Recently, GRMs are increasingly recognized as critical risks mitigating tools in Bank-funded Program-for-Results operations. The GRM is necessary to provide communities an effective means to express concerns and to make remedies. It helps to promote a mutually constructive relationship with the beneficiaries of the Program by offering people the opportunity to file complaints, which are expected to be treated impartially and objectively. Therefore, the GRMs are expected to have clear responsibilities and transparent timelines for addressing grievances, including fraud and corruption within the Program. Table 7 (Annex) gives a snapshot of principles that guide GRMs.

93. The Government actively supports complaints handling in the public sector. The country's Ombudsman - Commission on Human Rights and Administrative Justice (CHRAJ) was established in 1993. It is mandated to investigate corruption allegations, breaches of the code of conduct for public officers as provided under Chapter 24 of the 1992 Constitution, and human right abuses. CHRAJ thus has three functions: (i) anticorruption commission, (ii) the Ombudsman, and (iii) human rights commission. CHRAJ exudes strong capacity and reputation with regional and district offices across the country; however, insufficient funding from central government inhibits its functional capacity.

94. One key challenge within the public service in Ghana has been the ineffectiveness of client services. This had fuelled a perception of bribery and corruption as well as decreased

commitment by the services to deliver quality service<sup>6</sup>. At municipal level, client service units (CSUs) are important accountability instruments, not only for improving services to citizens, but also identifying and fighting corruption. However, while institutional capacity of Assemblies continues to improve, accountability instruments such as CSUs remain under-developed.

### **Program - specific arrangements - Sub-national**

95. Mainstreaming CSUs in Assemblies have featured as a priority area of reform since 2007. Provision of incentives through the FOAT for assessing the DDF resulted in the creation of CSUs by MMAs; however, their effectiveness remains a challenge. FOAT assessment does not measure effectiveness of CSUs, hence the difficulty to judge their effectiveness. DPAT does not include functional CSU in its assessment, yet it supports improved capacity of sub-committees of the Assemblies' Executive Committee and Public Relations and Complaints Committee of the Assembly. An integrated ICT-based grievance redress system, anchored in the Assemblies is crucial for Ghana's secondary cities, to hence a transparent collection of grievances, and subsequently affecting the operational effectiveness of Public Relations and Complaints Committee of the Assemblies.

96. CSUs are not adequately resourced with tools and modern equipment. The CSUs do not have an integrated complaints handling program, which will help address the full spectrum of grievances for sub-national programs, including the tracking of fraud and corruption. In addition, the CSUs do not function as the focal unit to receive and address citizens' feedback or complaints at the local government level. There is also lack of qualified and competent personnel to operate CSUs especially at MMDAs.

97. There is lack of clear government policy and measurement criteria for assessing CSU. The Office of the Head of Local Government Services (OHLGS) receives yearly report on MMDAs' Performance Management Contract, however, it does not have systems for measuring the effectiveness CSU's.

98. A policy operationalising service charters began in 1999. At municipal level, service charters were developed in 10 Assemblies in 2008; the present status is unknown as there is no tracking mechanism to update the status thus far. Service charters are essential for MMDAs not only because they provide information on expected service standards, but also, serve as instruments for holding Assemblies accountable for outcomes of services provided to citizens. Service charters help build Assemblies capacity in terms of enhanced professionalism and ethical conduct, and fostering Assemblies' commitment to serve citizens. Despite their importance, lack of government policy on service charters has slowed its institutionalization. The Public-Sector Reform Secretariat, in collaboration with the CHRAJ, has developed guidelines and prototype service charters for MDAs. The Head of Local Government Service issued directives for Assemblies to develop Municipal Service Charters but not forthcoming to date. Regional Coordinating Councils, by their mandate, are well placed to monitor and evaluate local assemblies' service charters, but this is not done.

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<sup>6</sup> National Public Sector Reform Strategy (2017-2021)

99. MMAs disclosure of information to the public is weak. The development of PFM Template for Assemblies has improved disclosure of budget and fiscal information (albeit on limited scale) and active public participation in the local government budget process through town hall meetings. However, not all MMAs are consistently using these PFM templates to provide information to citizens. Moreover, while important achievements include active civil society participation in Assemblies' budgeting and financial management processes, considerable efforts need to be made to increase citizens' public access to fiscal information from Assemblies. One way to improve public access is the development and management of websites for Assemblies in order to facilitate information disclosure.

## **2.4 Program's expenditure framework**

It is anticipated that IDA resources to the project will be channelled through the DACF. The Program for Results operation will align with the DACF performance framework undertaken through the usage of the District Assemblies Performance Assessment Tool (DPAT), which is a replacement instrument of the Functional Organizational Assessment Tool (FOAT) in conjunction with the District Development Facility (DDF) originally intended to provide incentive for Metropolitan, Municipal and District Assemblies (MMDA) to operate according to national standards and laws, to improve upon the status quo and to create public accountability for MMDA operations.

The GSCP has clearly- defined program expenditures to be financed which are linked to the strategic themes and areas of Bank support through the DACF. The program elements will cover mainly three windows at local, regional and national. In the former (local window), the bulk of the resources will go towards financing CSG and UDG for Municipal assemblies to tackle urban development agenda, provide quality of infrastructure and build institutional capacity for urban management. Clear criteria for how municipal assemblies will benefit from such a window have been defined. Within the CSG, MAs will be allowed to finance a wide range of activities linked to urban management inclusive of revenue enhancement whilst within USG access to the funds to be provided will only be possible after they achieve DPAT Minimum conditions and score more than the national average on DPAT Performance measures. Within UDG category, clear performance criteria have been established and indicative performance benchmarks established. A UDG investment menu positive list has also been established - leading to establishment of a negative list. At the regional level, the funds will finance monitoring of support to MAs. At national level, the project will finance APA and program coordination. The annual work plan will ensure that it includes financing of items established on the various menus. Where necessary, the annual work plan will accommodate the flexibility contained in the program to finance costs beyond the key themes annotated above under the DPAT within the framework of the DACF. The team believes that the costing of the program and tentative annual work plans has been quite realistic and will be improved upon when the project takes off the ground. As such, the program is expected to be executed efficiently although the latest trends in government capital budget execution has been less than desirable and probably below the averages for best performers within the Sub Saharan countries.

Ghana does not perform well in terms of efficiency with other lower middle-income countries within the Sub Saharan countries. Procurement processes take significant amount of time, are inefficient, mostly subjected to sole sourced even when properly planned, and execution of

capital budgets has a lot of flaws. There appears consistent flows in program efficiency across regions that are expected to participate in the program-leading to negative impact on overall service delivery.

To address the weakness in the area, it is anticipated that some specific DLIs will be proposed within the program following (a) evidence of their contribution to the planned better performance within the framework of the DPAT(b) such DLIs will be within the ambit of MAs that will participate within the program (c) achievable results are obtainable in the time-frame being considered for the project (d) the results to be obtainable fall within the DPAT and are objectively measurable and verifiable. An indicative list of the proposed DLIs will be developed and agreed with government of Ghana which may encompass a combination of outcome and process indicators

**Proposed Disbursement Linked Indicators**

<b>Program Window</b>	<b>DLI</b>	<b>Amount (US\$ millions)</b>	<b>Program Funds Recipient</b>
<b>Local</b>	<b>DLI 1:</b> Extent to which Participating Municipal Assemblies have achieved Capacity Support Grant (CSG) Minimum Conditions	3.0	MAs
	<b>DLI 2:</b> Extent to which Participating Municipal Assemblies have scored equal to or above the national average DPAT Score	32.8	MAs
	<b>DLI 3:</b> Extent to which Participating Municipal Assemblies have achieved Urban Performance Benchmarks Targets	41.7	MAs
	<b>DLI 4:</b> Extent to which Participating Municipal Assemblies have implemented the Annual Infrastructure Services Delivery Target	12.5	MAs
<b>Regional</b>	<b>DLI 5:</b> Regional Coordinating Councils have adopted and implemented their Annual Capacity Support Plans (ACSP) for MAs	3.0	RCCs
<b>National</b>	<b>DLI 6:</b> DPAT/APA Results Published by October 1 of each FY	2.5	MLGRD
	<b>DLI 7:</b> Timely Allocation and Release of Program Funds to Municipal Assemblies; and Implementation of MLGRD/MDAs Annual Workplan to support MAs	2.5	MLGRD
	<b>DLI 8:</b> Key RCCs and MAs staff have been assigned and OHLGS Annual Capacity Building Plan (ACBP) to support MAs and RCCs has been implemented	2.0	OHLGS
<b>Total</b>		100.0	

The next section of this report will therefore discuss in detail the fiduciary issues related to the various aspects of the program as they pertain to the planned project.

## 3 Program fiduciary performance and significant fiduciary risks

### 3.1 Assessment of Program fiduciary performance

#### *Financial management arrangement*

100. Both the planning and budgeting at the central and sub-national levels have seen significant reforms that have led to measurable improvements in strategic planning and budgeting on MTEF basis. While it is acknowledged that technical capacity especially at MMDAs still requires improvement, backstopping from MoF and RCCs have provided considerable assurance for which the Program can rely on going forward.

101. The fundamental element in budget transparency and comprehensiveness relates to incomplete disclosure of IGFs and some donor fund projects and insufficient public access to key fiscal information. Improvement in this area, especially at MMDA level will require the development of websites; that said, the basic and rudimentary tool (notice boards) could still serve this purpose until a modern framework is developed. The Program will benefit from the Bank's platform for publication of all necessary fiscal data, in addition to that of MLGRD and MoF.

102. GIFMIS, an integrated financial management software, is an improvement over BPEMS, which was a budget preparation and expenditure management tool. The implementation and rollout of GIFMIS to all 35 MDAs began in 2010. It also covers 160 out of the existing 216 MMDAs and has resulted in significant improvement in financial accounting and reporting in terms of quality and timeliness of information at national and sub-national level, even though not all public funds are captured and reported on. Coverage of revenue and expenditure is however limited to the Consolidated Fund, presently; that said, efforts are being made with support from the PFM reform program mainly funded by the WB and Swiss SECO, to include IGFs and donor funded project into GIFMIS in order to improve completeness of financial reporting.

103. The adoption and formal launch of TSA in August 2017 is seen as a significant step in PFM reforms, allowing government to consolidate and know its cash position on a daily basis, with direct online access to all treasury-managed bank accounts held at Bank of Ghana. That said, there still remains considerable government bank accounts held by commercial banks (IGFs), as well as donor funded project accounts and foreign exchange accounts not part of the daily cash consolidation framework. An aspect of the treasury management system that remains a significant threat is the fungibility of cash for which program funds could be used for other pressing government needs to the detriment of the program. There are also delays (between 90 and 146 days) in release of funds to programs and insufficient funds for implementation of program activities

104. Expenditure commitment controls exist through GIFMIS but are not complied with, leading to huge expenditure arrears. There is evidence of MDAs and MMDAs committing for expenditure outside GIFMIS, also contributing to the accumulation of expenditure arrears. Whiles at least 99% of all budgeted entities (MDAs and MMDAs) have functional internal audit units with the responsibility of ensuring compliance with all financial management laws and regulations, they are less effective mainly due to low technical capacity coupled with insufficient funding to strengthen their capabilities, including the Internal Audit Agency as supervisory body. There is also weak political (and managerial) commitment to fully implement audit recommendations; this is also exasperated by funding challenges for the effective functioning of Audit Committees, which have been strengthened in terms of its independence with the passage of the PFM Act 2016.

105. Over the years, the external audit functions of GAS through improved human resources and technical capacity provide assurance of the ability to detect fraud and corruption through financial irregularities. That said, GAS urgently needs to be well equipped to perform audit in an IT (electronic) environment, especially when government's financial management platform is fully automated.

#### *Procurement arrangement and capacity assessment*

106. The legal and regulatory framework governing public procurement is strong and provides reasonable assurance for attaining value-for-money. The main challenge however is the implementation of and adherence to all rules and regulations by MDAs and MMDAs. The PPA has developed tools and guidelines to facilitate the implementation of these laws, but again compliance remains a challenge. The amended PPA Act 2016, Act 914 has removed a number of bureaucratic processes considered avenues for corruption; that said, it is too early to assess its effectiveness.

107. Procurement cadres within MMDAs in particular have very weak technical capacities. Knowledge of the Bank's procurement processes is weak; backstopping at the national level (MLGRD) is considered a good approach to bridge the technical capacity gap.

#### *Coordination among key institutions*

108. Generally, coordination among government institutions leaves much to be desired. Poor coordination among these institutions leads to fragmentation and duplication in service delivery, resulting in wastage of scarce government resources. The approach to resolving this is ensuring that all key stakeholders in the program are part of the initial program design, assigning key responsibilities with timeliness to participating stakeholders, and strengthen monitoring and evaluation through appropriate reporting mechanisms.

#### *Fraud and corruption*

109. Undoubtedly, Ghana's laws and regulations for fighting fraud and corruption are strong; however, enforcement is the key challenge. Recent actions by the Auditor General in terms of surcharging public officials who have misappropriated government funds provide an assurance that program funds will be protected and used as intended. Whiles internal administrative mechanisms (client service units) exist for complaints, they are ineffective

largely due to weak personnel and insufficient funding. CHRAJ, the constitutional body mandated to fight corruption and ensure administrative justice, is weakened by insufficient funding even though the institution has enough technical capacity to carry out its mandate.

### **3.2 Assessment of Program fiduciary risks**

110. The assessment concludes that the overall fiduciary risk of the Program is Substantial, even though some specific elements of financial management and procurement are considered high.

111. Whereas planning and budgeting framework of national and sub-national government is relatively good and capable of supporting the Program, the risk associated with treasury management is high mainly due to delays in release of and insufficient funds for program activities, fundamentally because of government's shifting of priorities and fungibility of cash.

112. The risk associated with transparency of public funds is high as not all revenues (IGFs and donor funds) and expenditures are disclosed. Expenditure commitment outside GIFMIS is considered a high risk even though control measures exist; but they are rarely complied with. Technical capacities of finance personnel especially at district assemblies to use GIFMIS is limited and considered a medium risk, the fallback plan being the intervention of staff in RCCs.

113. Internal control risks are assessed as high. This is due to factors including; systemic weaknesses in the institutional set up of the IAD, inadequate staffing at the MMDA, lack of adequate technical capacity of some staff, MMDAs senior management not following up on the audit queries, weaknesses in the Audit Committees (ACs) due to lack of funding and unavailability of qualified AC members at sub-national level.

114. The risk associated with external audit is low. GAS human and technical capacity has improved over the years, therefore capable of providing reasonable assurance and professional audit opinion on the use of Program funds.

115. The risk associated with procurement is Substantial, except for issues related to variation orders and contract overruns which are considered high.

116. Fraud and corruption risk in relation to the Program are considered to be moderate. The establishment of the Office of the Special Prosecutor, coupled with the recent practice of surcharging corrupt public officials by the Auditor General is seen as important measures aimed at reducing fraud and corruption.

## **4 Establishment of status and reference for monitoring fiduciary performance and identification of fiduciary measures which are to be included in the PAP, included as DLIs, where applicable, and/or addressed in legal documents**

### **4.1 Measures to improve performance of procurement and financial management**

#### *Measures to improve procurement performance*

117. The following are recommended measures for improving performance of procurement and financial management:

- Strengthen the technical capacity of procurement staff within participating MAs through enrolment into short and medium term procurement courses
- Increase backstopping support from national and regional procurement officers to bridge the technical capacity gap of sub-national procurement officers
- Fortify the monitoring and evaluation functions of PPA in order to detect procurement infractions in a timely manner
- Provide on-the-job training for procurement staff on the use of Bank's procurement processes as well as national procedures
- Internal auditors to be trained on procurement audit techniques in order to reduce procurement infractions

#### *Measures to improve financial management performance*

- Timely and adequate release of funds should be made a DLI in order to ensure Program activities are carried out as planned
- Regular training and capacity building on usage of GIFMIS for financial reporting should be mainstreamed into Program activities to improve accountability
- Accurate and timely preparation and distribution of Program financial and progress reports should be made a DLI in order to improve accountability
- Training and capacity building for internal auditors on risk-based auditing to reduce incidence of financial misappropriation

#### *Fraud and corruption mitigating measures*

118. The corruption mitigation measures for the GSCP should focus on the following:

- Improving collaboration between Municipal Assemblies (MAs) and CHRAJ in handling Fraud and Corruption (F&C) allegations: - the collaboration should be formalized through cooperation agreement with CHRAJ under the terms that allow (i) MAs to forward F&C allegations directly to CHRAJ; (ii) CHRAJ conducts investigation on these allegations with site visits to participating MAs to supervise the

handling of grievances and prepares annual reports on fraud & corruption of the Program

- Strengthening governance capacity of MAs in targeted areas: these areas include: (i) capacity for client services and complaints handling, by ensuring that client service units of participating MAs are equipped with tools and processes to receive and handle complaint, as well as effective collaboration with CHRAJ in handling F&C allegations; (ii) strengthening the capacity of Audit Committees to ensure the Committees have the right mix of skills, meet regularly, and annual committee activity report prepared in accordance with the new legislation; (iii) capacity for information disclosure by encouraging development of own website for coherent online presence, publication of key information on own website and notice boards; (iv) support to Government program on DPAT to introduce more stringent performance measures on F&C in the DPAT assessment

## **4.2 Immediate fiduciary weaknesses identified**

119. The immediate fiduciary weaknesses identified include the following:

- Delays in the release of Program funds: this arises as a result of the shift in focus of government priorities, in addition to the fact that cash is fungible - meaning once Program funds are transferred into the Consolidated Fund, government could use these funds without recourse to the Program
- Weak internal controls and internal audit framework: even though strong PFM laws have been enacted, historical evidence suggests that non-compliance remains extremely high thereby resulting in expenditure overruns due to over commitments usually outside GIFMIS, procurement infractions, huge expenditure arrears, low technical capacities and funding challenges for internal auditors, and very weak executive action on audit findings and recommendations
- Weak technical capacity of finance officers at MMDAs: insufficient staffing plus low technical capacity needed for accurate financial accountability and reporting in a timely manner poses a threat to successful implementation of the program.
- Inadequate procurement staff with requisite technical and professional competence at MMDAs: weak technical and professional capacity of procurement staff at MMDAs could lead to delays in procurement processes
- Inadequate government funding for fraud and corruption institutions to effectively carry out their legal mandate
- Poor coordination among government institutions

## 5 Fiduciary inputs to the Implementation Support Plan

120. The following sections summarises key fiduciary risks identified and recommended measures to reduce their impact on the effective implementation of the Program. The risks are classified under financial management, procurement, and governance and accountability.

### 5.1 Financial management

121. The fiduciary risks associated with the implementation of the GSCSP are outlined in Table 7 below

**Table 7: Financial management fiduciary risks and proposed action plan**

No	Key Risk	Level	Mitigation	By whom	By when	Type of Action (PAP, DLI)
1	Technical capacity constraints at MMDA level in terms of preparation of PBB and Composite Budget	Low	Program should include training and capacity building initiatives for staff of MMDAs in planning, budgeting, and financial management and reporting	GoG/WB	Throughout the program	PAP
2	Insufficient budget allocations for programs	Medium	Improvement in MMDA revenue mobilization drive; Building capacity of MMDA revenue officers to identify and effectively value properties and businesses for improved IGF mobilization and collection	GoG/MoF	Throughout the program	DLI
	Delays in the release of funds to MMDAs which takes between 90 and 146 days	High		GoG/MoF	Throughout the program	DLI
3.	Non-disclosure of all revenue collections at MMDAs	High	Consider the use of mobile money technology for revenue collection and accountability	MMDAs/CAGD	Throughout the program	PAP/DLI
4.	There is low technical capacity in the use of GIFMIS at MMDAs	Medium	Training and capacity building backed by incentives for producing financial reports through GIFMIS; Acknowledging that not all MMDAs are connected to GIFMIS, regional transaction processing centres located at RCCs will as much as	CAGD/GIFMIS	Within year 1 of program implementation	PAP

No	Key Risk	Level	Mitigation	By whom	By when	Type of Action (PAP, DLI)
			possible be used by participating MMDAs that have no direct access to GIFMIS			
5	Unpredictability of funds from central government	Medium	Make timely release of funds a pre-condition for other tranches in order to mitigate against this risk		Throughout the program	DLI
6	Expenditure commitments outside GIFMIS	High	Enforce punitive measures as per PFM Act 2016, Act 921. Strengthen internal audit units in order to effectively report on financial improprieties	MDAs/MMDAs	Throughout the program	DLI
7	Weak technical capacity of internal auditors in IT especially at MMDAs	Medium	Increase IT training for internal auditors at MMDAs	Program/ MoF/IAA	Within year 1 of program implementation	PAP
9	Insufficient professional internal auditors particularly at MMDAs	Medium	Introduce scholarships for internal auditors with bonding conditions	Program MoF/IAA	Throughout the program	PAP
10	Weak managerial commitment to fully implement audit recommendations	Medium	Strengthen Audit Committees (ACs) in terms of training and provide needed financial resources for AC members	MoF/IAA/MDAs/ MMDAs	Throughout the program	PAP/DLI
11	IT technical capacity of GAS is low especially undertaking audit within an electronic environment	Low	GSCSP to consider improving GAS capacity to audit in IT/electronic environment	MoF/GAS	Within year 1 of program implementation	PAP

## 5.2 Procurement

122. The main risks identified and the proposed mitigation measures are summarised in Table 8 below.

**Table 8: Procurement fiduciary risks and proposed action plan**

No	Key Risk	Level	Mitigation	By whom	By when	Type of Action (PAP, DLI)
1	lack of adequate procurement capacity	Medium	Recruit proficient Procurement Specialists	MLGRD	Before Program Effectiveness	PAP

No	Key Risk	Level	Mitigation	By whom	By when	Type of Action (PAP, DLI)
	leading to challenges of adhering to aspects of the Procurement law		(PS) MLGRD RD-PCU- (of Civil/ Engineering/QS background, PS to offer hands-on/mentoring training to existing procurement staff at both National and Local		During project Implementation	PAP
2	Possible delays in processing procurement and payment	Medium	Prepare Project Implementation Manual (PIM) for the Project with clear procurement procedures, responsibilities, process timelines;  Continuous tracking and monitoring of procurement execution and contract performance  Undertake yearly PPA procurement Assessment and report	Program MLGRD & MA	Before Project Effectiveness  During project Implementation  Yearly	PAP  PAP  PAP
3	Pre- & post-contract procurement activities with cost overruns, several and high value amendments, etc	High	GAS to undertake yearly procurement audits	Program- MA MLGRD, GAS	Yearly to be submitted with the FA	DLI
4	Weak procurement and contract management	Medium	MLGRD to identify and monitor Key Performance Indicators (KPI) on major procurements and contracts that influence strongly DLI achievement. Continually track and monitor procurement execution and contract performance with a robust Contract Management system in place	Program MLGRD & MA	Throughout Program Implementation	PAP
5	Records Keeping and Filing	Medium	Ensure all files and records pertaining to a procurement contracts are well filed and kept appropriately and individually	Program MLGRD & MA	Throughout Program Implementation	PAP
6	Delays in preparation of	Medium	Make use of the	Program	Throughout	PAP

No	Key Risk	Level	Mitigation	By whom	By when	Type of Action (PAP, DLI)
	TOR, Technical Specifications		specialized departments/units experts under the at National and Local levels as well as fall on External specialized consultant support as and when for TOR, RFP, Evaluations, etc	MLGRD & MA	Program Implementation	
7	Delays in Evaluations	Medium	Use ONLY Evaluators with the requisite knowledge and experience on the subject matter, who in addition have time to undertake the evaluation within the established time. When needed fall on external support	Program MLGRD & MA	Throughout Program Implementation	PAP
8	Competing demands on staff and transfers resulting in delays a	Medium	Better and more efficient scheduling of workload and deliverables, Avoid transfers that will cause replacement by staff with lack of knowledge on the Project implementation	Program MLGRD & MA	Throughout Program Implementation	PAP
9	Political Interference & Conflict of Interest	Medium	Enforcement of remedies if GoG does not take appropriate sanctions against officials who violate procedures, if any. The default procurement process should be open competition.	Program MLGRD & MA	As and when. Throughout Program Implementation	PAP
10	In adequate capacity at MMDA procurement Unit	Medium	Procurement Unit and Works Department should continue to strongly work together through the procurement process so that experience and knowledge and responsibility will be brought to bear on procurement implementation and management	DAs, MLGRD	Throughout Program Implementation	PAP
11	Poor performance of some service providers	Medium	Ensure appropriate selection criteria is used and followed	Program MLGRD & MA	Throughout Program Implementation	PAP

No	Key Risk	Level	Mitigation	By whom	By when	Type of Action (PAP, DLI)
			Improve monitoring and supervision always Ensure application of contract provisions accordingly and appropriately			

### 5.3 Governance and accountability (fraud and corruption)

123. Fraud and corruption associated risks in relation to the Program are summarised in Table 9 below

**Table 9: Governance and accountability fiduciary risks and proposed action plan**

No	Key Risk	Level	Mitigation	By whom	By when	Type of Action (PAP, DLI)
1	Existing staff not trained in complain handling coupled with lack of basic modern equipment	Medium	Develop ICT-based grievance redress system and provide training & capacity building to existing staff	GoG/MLGRD/Program	Within year 1 of program implementation	PAP
2	No formal linkage with anti-corruption institutions, e.g. between MMDAs and CHRAJ	Medium	- CHRAJ visits participating MAs at least once per year to supervise the handling of grievances by the MAs - Generate and maintain up-to-date records of grievances received, treated, referred to other agencies	CHRAJ/MLGRD/MMDA	Throughout Program Implementation	PAP/DLI
3	Limited transparency on the complaint handling process, e.g. lack mechanisms for tracking grievances redress.	Medium	Develop grievance redress manual/guide	MLGRD/Program	Within year 1 of Program Implementation	PAP
4	Annual report on grievance redress are not prepared	Medium	Prepare annual grievance redress report, showing grievances received, proportion treated and cases referred to CHRAJ and other agencies	MLGRD/CHRAJ	Throughout Program Implementation	PAP/DLI
5	PFM Template is not	Medium	Enforce the use of all	MLGRD/MMDA	Throughout	DLI

No	Key Risk	Level	Mitigation	By whom	By when	Type of Action (PAP, DLI)
	consistently used across assemblies		mandatory templates including PFM templates		Program Implementation	
6	Most Assemblies do not have own website	Low	-Develop websites for MMDAs (especially for participating MAs) - Ensure publication of key fiscal information on notice boards	MLGRD/Program	Throughout Program Implementation	PAP/DLI
7	Annual report is not produced and publicly accessible	Medium	Enforce preparation of all reports	MLGRD/CHRAJ	Throughout Program Implementation	DLI
8	The Audit Committee lacks the required set of members or was not constituted in accordance with the PFM law.	Medium	All participating MAs appoint Audit committee members in accordance with the PFM Act 2016	MLGRD/MMDA	Throughout Program Implementation	DLI
9	Audit Committee meetings are irregular or do not meet as required by law in some MMDAs	Medium	Audit Committee of participating MAs meets at least twice per year	MLGRD/MMDA	Throughout Program Implementation	DLI
10	Transparency of the audit committee not guaranteed – annual activity report of the committee is not prepared in some MMDAs	Medium	Annual Audit Committee report on its activities prepared	MLGRD/MMDA	Throughout Program Implementation	DLI

## 6 Annexes

**Table 1: Procurement performance in selected MMDAs<sup>7</sup>**

Category	Method	Lead time (months)	KNMA <sup>8</sup>	MMA <sup>9</sup>	HMA <sup>10</sup>	ANMA <sup>11</sup>	KWMA <sup>12</sup>	GSMA <sup>13</sup>	National <sup>14</sup>
Goods	ICT	3.5 – 5	-	-	-	-	-	-	6
	NCT	1.75 – 4.5	3	3	-	3	-	-	9
Works	ICT	3.75 – 5.3	-	-	-	-	-	-	-
	NCT	2.25 – 4.75	3	3	2	4	6	2	-
Goods/ Works/ Technical Service	RFQ	1.25	-	3	-	-	-	-	4
	SS	0.5 - 1	-	-	-	-	-	-	-
Consultancy Services	QCBS/F BS/LCS/	4.5 - 6	-	4(LCS)	-	4(LCS)	-	-	14(QCBS)
	QBS	4.5 - 8	-	-	-	-	-	-	-
	CQS/ SS/IC	2 - 3	6 (IC)	6(IC)	5(IC)	6(IC)	-	-	9(IC)

**Table 2: Threshold (in GH¢) for Approving Authority for the Ministries<sup>15</sup>**

Approving Authority	Ministry (Category A&B)		
	Goods	Works	Services
Central Tender Review Committee	Above 1,000,000	Above 15,000,000	Above 1,000,000
Entity Tender Committee	Above 100,000 to 1,000,000	Above 500,000 to 15,000,000	Above 100,000 to 1,000,000
Entity Head	Up to 100,000	Up to 500,000	Up to 100,000

**Table 3: Threshold (in GH¢) for Approving Authority for the Municipal Assemblies<sup>16</sup>**

Approving Authority	Municipal Assemblies (Category F3)		
	Goods	Works	Services
Regional Tender Review Committee	Above 400,000	Above 550,000	Above 400,000
Entity Tender Committee	Above 50,000 to 400,000	Above 90,000 to 550,000	Above 50,000 to 400,000
Entity Head	Up to 50,000	Up to 90,000	Up to 50,000

<sup>7</sup> Information obtained from their Procurement Plans

<sup>8</sup> KNMA- Kintampo North Municipal Assembly [Brong Ahafo Region]

<sup>9</sup> MMA- Mampong Municipal Assembly [Ashanti Region]

<sup>10</sup> HMA – Hohoe Municipal Assembly [Volta Region]

<sup>11</sup> ANMA – Assin North Municipal Assembly [Central Region]

<sup>12</sup> KWMA – Kwahu West Municipal Assembly [ Eastern Region]

<sup>13</sup> GSMS -Ga South Municipal Assembly [Greater Accra Region]

<sup>14</sup> National – MLGRD, LGSS

<sup>15</sup> Extract from 2<sup>nd</sup> Schedule (Section 18,20,20A, 20B and 20C) of the Act 914

<sup>16</sup> Extract from 3<sup>rd</sup> Schedule (Section 18,20,20B, 20C and 44) of the Act 914

**Table 4: Threshold for Procurement Methods<sup>17</sup>**

	Procurement Methods	Contract Value Threshold
<b>1</b>	<b>International Competitive Tendering</b>	
	a. Goods	Above GH¢10,000,000.00
	b. Works	Above GH¢15,000,000.00
	c. Technical Services	Above GH¢5,000,000.00
<b>2</b>	<b>National Competitive Tendering</b>	
	a. Goods	More than GH¢100,000.00 up to GH¢10,000,000.00
	b. Works	More than GH¢200,000.00 up to GH¢15,000,000.00
	c. Technical Services	More than GH¢50,000.00 up to GH¢5,000,000.00
<b>3</b>	<b>Price Quotation</b>	
	a. Goods	Up to GH¢100,000.00
	b. Works	Up to GH¢200,000.00
	c. Technical Services	Up to GH¢50,000.00

**Table 5: Financial Irregularities by District Assemblies from 2014 to 2016**

Type of Irregularities	2014		2015		2016	
	Amount (GHS)	Maximum Number of Assemblies	Amount (GHS)	Maximum Number of Assemblies	Amount (GHS)	Maximum Number of Assemblies
Cash irregularities	9,695,948.33	62	25,702,114.89	96	32,684,459.20	93
Contract irregularities	5,201,628.77	22	22,483,500.59	76	26,839,675.97	19
Procurement and store irregularities	2,946,452.75	18	4,721,382.42	22	10,341,200.67	19
Tax irregularities	333,163.57	20	311,365.24	29	308,310.13	26
Total	18,177,193.42		53,218,363.14		70,173,645.97	

Source: Auditor General Audit reports of MMDAs 2014 to 2016

**Table 6: Number of Corruption Cases Processed (Including cases carried over from Previous year)**

No	Institution	Cases Received Initiated		Change	Cases Investigated /Concluded		Change
		2015	2016		2015	2016	
1	CHRAJ	51	59	15.7%	26	31	19.2
2	EOCO	No report	15	-	No report	8	
3	BNI	No report	150	-	No report	200	
Total		51	224	-	26	239	

<sup>17</sup> Extract from 5<sup>th</sup> Schedule of the Act 914

**Table 7: Guiding principles on GRM**

<b>Principle</b>	<b>Description</b>
<b>Accessibility</b>	It should be accessible to everybody who would like to submit a complaint and should provide assistance to those who face barriers such as language, literacy, awareness, cost, or fear of reprisal.
<b>Predictability</b>	It should offer a clear procedure with time frames for each stage and clarity on the types of results it can and cannot deliver
<b>Fairness</b>	Its procedures should be widely perceived as fair, especially in terms of access to information and opportunities for meaningful participation in the final decision
<b>Rights compatibility</b>	Its outcomes should be consistent with applicable national and international standards and should not restrict access to other redress mechanisms.
<b>Transparency</b>	Its procedures and outcomes should be transparent enough to meet the public interest concerns at stake
<b>Capability</b>	It should have the necessary technical, human and financial resources to deal with the issues at stake.
<b>Feedback</b>	It should serve as a means to channel citizen feedback to improve project outcomes for the people