FINANCIAL MANAGEMENT SPECIALIST
THE WORLD BANK
PLOT 3 INDA VENUE AND 10TH STREET
NORTH RIDGE RESIDENTIAL AREA
ACCRA

e-TRANSFORM PROJECT (IDA, 5304-GH)
SUBMISSION OF ANNUAL FINANCIAL AUDIT REPORT FOR 2016

We submit herewith for Bank’s retention, a copy of the Annual Audit Report from the Ghana Audit Service on the eTransform Project for the period ended December 31, 2016.

The Management Letter is also attached.

cc: The Task Team Leader
eTransform Project
The World Bank
REPORT OF THE INDEPENDENT AUDITORS ON THE eTRANSFORM GHANA PROJECT, (WORLD BANK FUNDED)

UNDER

THE MINISTRY OF COMMUNICATION FOR THE PERIOD JANUARY TO 31ST DECEMBER 2016
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MoC eTRANSFORM GHANA PROJECT

INTRODUCTION
This report relates to the Operational Statement of the International Development Association (IDA) of the World Bank funded eTRANSFORM GHANA PROJECT under the Ministry of Communications of Ghana.

BRIEF PROJECT DESCRIPTION
On July 30, 2014 the Government of Ghana (GoG) and the International Development Association (IDA) of the World Bank entered into a financing agreement regarding cooperation within the ICT sector. The eTRANSFORM GHANA PROJECT is funded by the International Development Association (IDA) of the World Bank. Ministry of Communications coordinates the program, whilst the National IT Agency (NITA) and Information Technology Enabled Service (ITES) provide technical support to the project. The five-year project which became effective on 19th September, 2014 would close on 30th June, 2019 and is being funded with IDA credit facility of US$97 Million.

The Project covers four key components namely:

Component 1 - Enabling Environment for Electronic Government and Business: This component supports policies, laws, regulations and institutional capacity building to stimulate supply and demand of electronic services with the help of a transparent, secure and open environment, and will include revisions to the existing laws and regulations as may be necessary. Under this component are three sub components viz; Storage, Protection, and Opening up of Government Data, Support for Innovation Centers for Entrepreneurship, Job Creation and Institutional Capacity Building for Policy and Regulatory Institutions.

Component 2 - Support for Upgrading National Identification System and Online Verification Services: This component provides support to develop a robust national
identification system based on international standards to help prepare Ghana for a modern e-commerce industry, improved e-government services, and alleviate poverty. Support will also be extended to selected agencies and institutions in adopting electronic identification and verification services into their operating processes. The project will assist the government to link key agencies such as Electoral Commission, Birth and Death Registry, among others.

Some of the sub components include; Support for a National Electronic ID System, Support for Digitization and Integration of Digital Identity and Verification Systems into User Agency Operations.

The US$25 million earmarked for the implementation of the National ID Programme in 2016, could not be utilized because the Government of Ghana requested through the Ministry of Finance’s letter No. WBU/E-TGP/Vol. 11 of 8 June 2016 to the International Development Association (IDA) of the World Bank to re-allocate the amount to the Macro Stability Competitiveness DPO (Budget Support). This was in accordance with the President’s recommendation in 2015 that all funds tide up in slow disbursing projects be re-allocated to high priority areas to ensure efficiency and prudent financial management.

Component 3 - Scale up of Applications to improve service delivery in priority sector;
In response to the government’s request, project resources are used to support the use of ICT to improve quality and reach of services in the Health and Education sectors, where the Government of Ghana is lagging in achieving MDG goals, as well as to complete key e-applications currently being implemented under eGhana project. The project sub-components are as follows: Support for Integrated e-Health System in Ghana, Teachers’ Network, Educational Portal and capacity building, Support for e-Services and Support for existing e-Applications.
Component 4 - Project Management Support: The Ministry of Communications (MoC) serves as the Project executing agency with overall responsibility for the management of the project. Given the multi-sectoral nature of the project, the Ministry will work with relevant sector agencies for the effective implementation of the project. The MoC has had extensive experience in implementing the eGhana Project through a dedicated Project Implementation Unit which is complemented by a core group of technical specialists from the National IT Agency (NITA) and the ITES Secretariat. The PIU and technical specialists have managed the day-to-day implementation and supervision of the enabling environment, e-Government and ITES components, as well as the financial management.

Objectives of the Project:
The key objective of the five year eTransform Ghana Project is:

To improve the efficiency and coverage of Government service delivery, using ICT.

Expected output
Some of the expected outputs are:

- improving public institutions service delivery;
- fostering competitiveness and employment;
- protecting the poor and vulnerable. Project support for innovation centers and digitization will directly affect competitiveness and employment. Support for a national identity system, as well as e-health and e-education, are tools to improving the targeting of the most vulnerable in the society and alleviate poverty in Ghana, with the potential to have significant development impact
- The eTransform project will improve the reach and efficiency of Public and Private Service delivery through smart use of ICT.
- The interventions under eTransform are expected to lead to: more efficient and transparent targeting and use of limited public resources; improved
delivery of public and private sector services, especially in rural and underserved areas; trust in payment systems, and enhanced confidence in electronic business and financial transactions.

- They would also lead to diversified employment opportunities, and a more integrated and coordinated public sector that is able to make better policies and to respond effectively to citizens’ needs using trusted systems and open data.

- The project will assist the government to link key agencies, including the Births and Deaths Registries, the Department of Social Welfare, Electoral Commission, Statistics Department, Social Security and National Insurance, Immigration, Driver and Vehicle Licensing Authority (DVLA), etc., using the national identification number as a common identifier.

**AUDIT OBJECTIVES**

The following are the audit objectives:

i. To express our opinion on whether the operational statement for the project presents fairly in all material respect the financial position of the project as at 31 December 2016;

ii. To ascertain whether proper books of accounts have been kept;

iii. To ensure that IDA funds received were used for the intended purpose;

iv. To evaluate and obtain sufficient understanding of the internal control structure, assess control risk and identify reportable issues, including material internal control weakness;

v. To ensure that adequate records have been kept.

**AUDIT EVIDENCE**

The following techniques were adopted in obtaining audit evidence to enable us express our opinion:
i. Interviews;

ii. Documents analysis;

iii. Re-performance of activities;

iv. Verification of Project Assets and

v. Field Inspection of Projects

PROJECT MANAGEMENT TEAM FOR THE PERIOD

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Location</th>
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</thead>
<tbody>
<tr>
<td>Issah Yahaya</td>
<td>Chief Director</td>
<td>MoC</td>
</tr>
<tr>
<td>Nelson Offei Osae (ING.)</td>
<td>Project Coordinator</td>
<td>MoC</td>
</tr>
<tr>
<td>Victor Adadjie</td>
<td>M &amp; E Coordinator</td>
<td>MoC</td>
</tr>
<tr>
<td>Rebecca Okai</td>
<td>Procurement Specialist</td>
<td>MoC</td>
</tr>
<tr>
<td>Emmanuel Tagoe</td>
<td>Head of Accounts</td>
<td>MoC</td>
</tr>
<tr>
<td>George Atta- Boateng</td>
<td>Director General</td>
<td>NITA</td>
</tr>
<tr>
<td>Desmond Boateng</td>
<td>Director, PPME</td>
<td>MoC</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT ON THE FUND
OPERATIONAL STATEMENT OF eTRANSFORM GHANA PROJECT
FOR THE YEAR ENDED 31 DECEMBER, 2016

We have audited the financial statements of the eTransform Ghana Project, funded by
the World and coordinated by the Ministry of Communications.

Responsibilities of Project Management Team and Auditors
Management of the Ministry of Communications was responsible for the preparation of
the financial statement. Our responsibility as Auditors is to express an independent
opinion on the financial statement, based on our audit.

Basis of Opinion
We conducted our audit in accordance with international auditing standards. Those
standards require that, we plan and perform our audit to obtain reasonable assurance
about whether the financial statements are free of any material misstatements. The audit
includes, examining on a test basis, evidence supporting the amounts and disclosures
made by the project management in the financial statement. The audit also includes
assessing the accounting principles used and significant estimates made by the project
management, as well as, evaluating the overall presentation of the financial statements.

We have obtained all the information and explanations which, to the best of our
knowledge and belief, were necessary for the purpose of our audit.

Opinion
In our opinion, the operational statements present fairly, in all material respects, the
financial operations of eTransform Ghana Project of its result for the period ended 31
December, 2016.

Benjamin G. Codjoe
Deputy Auditor-General/CGAD
for: Auditor General
OPERATIONAL STATEMENT FOR eTRANSFORM PROJECT, (IDA CREDIT NO 5304-GH) FOR THE YEAR ENDED 31ST DECEMBER 2016.

<table>
<thead>
<tr>
<th>INCOME</th>
<th>NOTE</th>
<th>US$ 2016</th>
<th>US$ 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds received- Designated</td>
<td>2</td>
<td>8,225,500.00</td>
<td>8,225,500.00</td>
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<tr>
<td>Funds received - Direct</td>
<td>3</td>
<td>10,600,368.55</td>
<td>-</td>
</tr>
<tr>
<td>Interest earned on accounts</td>
<td>4</td>
<td>84,036.47</td>
<td>41,034.40</td>
</tr>
<tr>
<td>Total Funds available</td>
<td></td>
<td>18,909,905.02</td>
<td>8,266,534.40</td>
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</table>

<table>
<thead>
<tr>
<th>EXPENDITURE</th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>5</td>
<td>16,993.99</td>
<td>16,516.85</td>
</tr>
<tr>
<td>Goods</td>
<td>6</td>
<td>14,182,903.35</td>
<td>-</td>
</tr>
<tr>
<td>Consultant’s Service</td>
<td>7</td>
<td>891,462.10</td>
<td>203,075.00</td>
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<tr>
<td>Training-General</td>
<td>8</td>
<td>47,804.59</td>
<td>1,723.50</td>
</tr>
<tr>
<td>Operating Cost</td>
<td>9</td>
<td>1,230,240.13</td>
<td>196,351.57</td>
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<tr>
<td>Bank Charges</td>
<td>10</td>
<td>18,631.67</td>
<td>1,109.90</td>
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<tr>
<td>Licenses renewal</td>
<td>11</td>
<td>-</td>
<td>17,900.00</td>
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<tr>
<td>Audit fee (Global Auditors)</td>
<td>12</td>
<td>-</td>
<td>9,296.00</td>
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<tr>
<td>Total Expenditure</td>
<td></td>
<td>16,388,035.83</td>
<td>445,972.82</td>
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<tr>
<td>Surplus</td>
<td>13</td>
<td>2,521,869.19</td>
<td>7,820,561.58</td>
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MOC- eTRANSFORM PROJECT (IDA CREDIT NO 5304-GH)
BALANCE SHEET AS AT 31ST DECEMBER, 2016.

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>NOTE</th>
<th>2016 USD</th>
<th>2015 USD</th>
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<tbody>
<tr>
<td>PROJECT EXPENDITURE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Capital Expenditure</td>
<td>14</td>
<td>2,188,138.49</td>
<td>411,076.04</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>15</td>
<td>14,199,897.34</td>
<td>10,635,262.54</td>
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<tr>
<td>TOTAL PROJECT EXPENDITURE</td>
<td></td>
<td>16,388,035.83</td>
<td>11,046,338.58</td>
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<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Bank and Cash Account</td>
<td></td>
<td>2,521,869.19</td>
<td>7,820,561.58</td>
</tr>
<tr>
<td>Advances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL CURRENT ASSETS</td>
<td></td>
<td>18,909,905.02</td>
<td>18,866,900.16</td>
</tr>
<tr>
<td>CURRENT LIABILITIES</td>
<td></td>
<td></td>
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<tr>
<td>Accounts Payable</td>
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<tr>
<td>Retention Control</td>
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</tr>
<tr>
<td>Other Current Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>NET CURRENT ASSETS</td>
<td>16</td>
<td>2,521,869.19</td>
<td>7,820,561.58</td>
</tr>
<tr>
<td>TOTAL EXPENDITURE &amp; NET ASSETS</td>
<td>18,909,905.02</td>
<td>18,866,900.16</td>
<td></td>
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FINANCED BY:

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<tr>
<th></th>
<th></th>
<th>2016 USD</th>
<th>2015 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA Funding</td>
<td>17</td>
<td>18,825,868.55</td>
<td>18,825,868.55</td>
</tr>
<tr>
<td>Interest on Designated Account</td>
<td>18</td>
<td>84,036.47</td>
<td>41,031.61</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18,909,905.02</td>
<td>18,866,900.16</td>
</tr>
</tbody>
</table>
NOTE 1

ACCOUNTING POLICIES

The following are the summary of significant accounting policies adopted in the preparation of the operational statement, which has been prepared on the basis of cash receipts and disbursement.

(a) BASIS OF ACCOUNTING

The operational statement has been prepared on cash basis.

(b) RECEIPTS

This represents the total actual amount received from World Bank for the period.

(c) PAYMENTS

This represents the actual cash disbursements on eTransform Ghana project activities during the period under review.

NOTE 2&3 FUNDS RECEIVED FROM IDA (WORLD BANK)

The total amount of US$ 18,825,868.55 represents funds transferred by IDA, (World Bank) to the Ministry of Communications (Project Implementation unit) for the period.

NOTE 4 INTEREST EARNED ON THE DESIGNATED ACCOUNT

The amount of US$ 84,036.47 represents 104.8% increase in total interest earned on the balance in the designated account with UT Bank Ltd over 2015 interest earned.
NOTE 5  EQUIPMENT
The amount of US$ 16,993.99 represents 2.89% increase in the expenditure on procurement of assets for the project in 2016 over 2015.

NOTE 6  GOODS
The amount of US$ 14,182,903.35 represents the total of other non-current assets, such as computer softwares and hardwares for TICN, e-Immigration, e-Justice, e-Parliament and Vehicles for the period.

NOTE 7  CONSULTANCY SERVICE’S -US$ 891,462.10
The amount covered allowances paid to the project Management team and other consultants during the period under review and represents 338.9% increase over 2015 financial year.

NOTE 8  TRAINING- US$ 47,804.10
This represent expenditure was incurred on the training some officers of the Ministry to enhance the efficiency on the project management.

NOTE 9  OPERATING COST
The amount of US$ 1,230,240.13 represents expenditure incurred on day to day running of the project coordinating secretariat. This includes Review of implementation progress report, Facilitation of eTransform Ministerial Budget, Fuel and Lubricants, Stationery, Printing of Data Protection Commission certificates of registration and Repairs of equipment and Vehicles.

NOTE 10  BANK CHARGES - US$ 18,631.67
This represents Bank charges and Commissions paid on operating the account during the period.
NOTE 13  SURPLUS
The amount of US$ 2,521,869.19 represents the reconciled credit balance (surplus) on the project’s accounts with UT Bank as at 31st December, 2016. This represents 67.8% reduction in that of 2015 reconciled credit balance (surplus) of US$ 7,820,561.58.

NOTE 14  NON-CAPITAL EXPENDITURE
The amount of US$ 2,188,138.49 represents the total non-capital expenditure which constituted: Consultant’s Service US$ 891,462.10
Training-General US$ 47,804.59
Operating Cost US$ 1,230,240.13
Bank Charges US$ 18,631.67

NOTE 15  FIXED ASSETS
The amount of US$ 14,199,897.34 represents total fixed assets of the project.

NOTE 16  NET CURRENT ASSETS
The amount of US$ 2,521,869.19 represents project bank and cash account which comprises:
Designated Account US$ 2,490,744.35
Interest on Designated Account US$ 31,124.84

NOTE 17  This represents total IDA Funding for 2016

NOTE 18  The amount of US$ 84,036.47 represent accrued interest on Designated Account for the period.
Payment vouchers not signed by payees to acknowledge receipt - US$ 267,897.11

Criteria
Regulation 39 (c) & (d) of the FAR 2004 states ‘transactions are properly authenticated to show that amounts are due and payable; and (d) any order for disbursements that does not meet these requirements is rejected’.

Generally accepted best practice also demands that all payments vouchers be signed, dated and stamped by the payee(s) as evidence or proof of receipt of payment(s) made to them.

Condition
Contrary to the above, our audit disclosed that 17 payment vouchers with a total face value of US$ 267,897.11 raised by Management to make payment to various suppliers and service providers have not been adequately acknowledged by the payees as evidence of the payments, hence rendering the payment vouchers incomplete. Details attached as appendix “A”.

Cause
This anomaly occurred due to the failure of the Project Accountant to ensure that these requirements as demanded on the face of the payment vouchers were met before handing over the cheque(s) or cash to the payee(s).

Effect
This anomaly could be interpreted as cash or cheques not paid, since nobody signed for their collection. It was also difficult for the audit team to trace the recipient(s) of the cheque(s) since the Project Management failed to maintain a cheque register.
Recommendation
We urged the Project Accountant to comply with the regulation above by rectifying the anomaly for our verification. We also advised the Accountant to ensure that money or cheque paid should be acknowledged by the recipients.

Management response
Management acknowledged our recommendation and explained that the anomaly occurred due to direct transfer from the designated account to the payee’s bank accounts as the mode of payment prescribed by the project’s financial operation manual. Meanwhile, the payment vouchers concerned have been appropriately signed or receipted and were available for our verification which we have verified correct.

Absence of Ghana Revenue Authority receipts – USD 82,801.32

Criteria
Ghana Revenue Authority Act enjoins all withholding agents to pay to the Commissioner General all taxes that have been withheld over the period and in return collect an official Ghana Revenue Authority receipt as evidence of payment.

Condition
We observed that GRA receipts for US$82,801.32, representing taxes withheld over the period, were not obtained. Details attached as appendix “B”.

Cause
This anomaly occurred due to GRA’s delay in issuing tax receipts and certificates to cover withholding tax transferred from the project account to GRA account.

Effect
The absence of the tax receipts and certificates, made it difficult for the audit team to determine and confirm the authenticity of the payments made.
**Recommendation**

We urged management to obtain the tax receipts and certificates as soon as possible for our verification.

**Management response**

Management in their response explained that delay in obtaining the tax receipts/certificates for the various payees were due to direct transfer of withholding tax monies from the designated account to the GRA bank accounts which needed to be confirmed by GRA before issuing the receipts/certificates, hence the delay. Meanwhile, GRA receipts covering US$ 42,349.80 have been obtained and confirmed by the Audit team, leaving US$ 40,451.52.

**Non-maintainance of inventory/asset register at project sites**

**Criteria**

Section 2(n) of the FAR L1 1802 of 2004 also states that “The Head of Government Department shall compile and maintain Assets Register of the department as determined by the Controller and Accountant-General”.

**Condition**

Our visit to some of the selected project sites of the eTRANSFORM Ghana on tertiary campuses, immigration check points and regional innovation centres revealed that various items/assets such as servers, Laptops and desktop computers, work stations, routers, UPS, battery packs, various sets of furniture, supplied to these sites under the project. The caretakers or the beneficiary institutions, however failed to maintain assets registers to the items delivered to them.

We, again noted that, none of the assets at the project sites have been embossed or identified in the name of the project or the Ministry.
Cause
We attributed this anomaly to the failure of the project management team to ensure that such relevant or important records were kept in order to track and secure each asset supplied.

Effect
The non-maintenance of these registers at each project site could prevent the Project Management Team and the beneficiary authorities from knowing all the Assets the Project/Ministry has or possesses at any point in time and the possibility that unauthorised movement of the assets may be undetected leading to misplacement, abuse, pilferage, theft.

Also, the non-embossment of these assets could facilitate pilfering or substitution with similar items without the knowledge of the project authorities.

Recommendations
1. We recommended that in compliance with the above regulations, the Project Management Team should issue a directive to all their project sites to maintain and regularly the assets register to safeguard them.
2. In addition, we advised Management to emboss all the project Assets irrespective of their location for easy identification to prevent possible pilferage or substitution.

Management response
Management accepted our recommendations and stated that the Internal Audit Unit/Store Unit of the Ministry have been tasked to ensure the maintenance of the Inventory/Assets Register and facilitate the labelling of all assets at all project sites.
PROJECT INSPECTION REPORT

As part of the audit, field inspection was conducted on some equipment (gargets), computers, furniture, and other items procured and supplied to the various project sites or locations in some parts of the country under the eTransform Ghana Project.

The project sites visited included Data Protection Commission (DPC), e-Immigration project, Tertiary Institutions Access Programme (TIAP) and some Regional Innovation Centres (RIC) in Ghana.

DATA PROTECTION COMMISSION

Our visit to the Data Protection Commission (DPC) of Ghana located at Adabraka in Accra disclosed that the commission had benefited from the programme in the area of;

✓ Rented office accommodation
✓ IT Equipment such as Laptops, Projectors, Cameras, HDMI Cables, Servers, Routers and other storage devices, UPS, Battery packs, etc
✓ Electrical Gargets such as Fridges, Televisions, Microwaves, Ceiling Fans, Water Dispensers, etc as shown in the picture below;

The Working hall of the DPC with Workstations, Chairs, Laptops, Photocopier, Filing Cabinets & Shelves, Wall Arts, etc supplied to DPC under the Project