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PERFORMANCE AUDIT REPORT OF THE AUDITOR-GENERAL ON THE DISPOSAL OF GOVERNMENT VEHICLES BY THE MINISTRY OF FOOD & AGRICULTURE AND THE GHANA HEALTH SERVICE



**This report has been prepared in compliance
With Article 187(2) of the 1992 Constitution
of Ghana and Section 13(e)
of the Audit Service Act, 2000(Act 584)**

**Richard Quartey
Auditor-General
Ghana Audit Service
22March 2016**

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TRANSMITTAL LETTER

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Dear Rt. Hon. Speaker

**PERFORMANCE AUDIT REPORT OF THE AUDITOR-GENERAL
ON THE DISPOSAL OF GOVERNMENT VEHICLES BY
THE MINISTRY OF FOOD AND AGRICULTURE AND
THE GHANA HEALTH SERVICE**

I have the honour to submit to you a performance audit report on the Disposal of Government Vehicles by the Ministry of Food and Agriculture and the Ghana Health Service in accordance with my mandate under Section 187(2) of the 1992 Constitution of Ghana and Section 13(e) of the Audit Service Act which requires me to carry out performance audits.

2. The purpose of the audit was to determine whether MoFA and GHS identified and assessed vehicles earmarked for disposal in a transparent manner, ensured that the auction process was competitive and that all proceeds from the disposal were duly accounted for within the required time frame.

3. We found that the types of vehicles disposed of by the two audited entities under examination were Double Cabin Pickups, Station Wagons, Saloon Cars,

Buses, Motor Cycles, Sports Utility Vehicles (SUVs), An Ambulance, Tractors, Combined Harvesters and Motor Cycles.

4. We also found out that MOFA and GHS did not carry out the disposal of Government vehicles in a fair, transparent and competitive manner by ensuring that the disposal of the vehicles was advertised and open for the participation of the public. The two entities did not account for all proceeds realised from the disposal within the required time frame of 24 hours as stipulated in Section 15 (1) of the Financial Administration Regulations, 2004 L.I 1802. Whilst MOFA delayed the payment of proceeds into the Non Tax Revenue Account for a period of one to 29 months, GHS collected and is still holding onto proceeds totalling GH¢116,400.00 it collected from auctions it carried out.

5. In this report I have made recommendations to guide the Ministry of Food and Agriculture and the Ghana Health Service in the disposal of government vehicles.

6. I trust that this report will meet the approval of Parliament.

Yours faithfully,



RICHARD Q. QUARTEI
AUDITOR-GENERAL

THE RIGHT HON. SPEAKER
OFFICE OF PARLIAMENT
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LIST OF ABBREVIATIONS

AESD: Agriculture Engineering Services Directorate

BoG: Bank of Ghana

BoS: Board of Survey

GHS: Ghana Health Service

L.I: Legislative Instrument

MoFA: Ministry of Food and Agriculture

NTRA: Non Tax Revenue Account

PPA: Public Procurement Act, 2003 Act 663

STC: State Transport Company

TAC: Technical Assessment Committee

TOR: Terms of Reference

GLOSSARY

Auction: A method of selling in a public forum through open and competitive bidding where the items are publicly displayed and potential buyers bid with the highest bidder taking custody of the assets.

Board of Survey: A constitution of personnel of an Entity used as a tool to identify assets for disposal by carrying out physical inspection of the assets, assess cost and benefits of disposal option and recommend the best disposal option.

Commission: The fee charged to the seller by the auctioneer for providing services, usually a percentage of gross selling price of the property established by contract prior to the auction.

Moveable Assets: Assets that can be moved without alteration to the asset or other related assets and can be used after removal.

Obsolete: Any item of stores, plant and equipment which is rendered incapable of further economic use: by wear and tear, development in technology, or incompatibility with associate items.

Proceeds: Money received from the auction of vehicles.

Reserved Price: The price set as the minimum acceptable bid in an auction.

Unserviceable: A vehicle is unserviceable when it has been involved in an accident or cost of repairing outweighs the benefits of usage or spare parts are no longer available and the vehicle has been declared unusable by a competent engineer.

Valuation: A professional judgment about how much money the vehicle is worth.

Vehicle Inventory: Written list of vehicles belonging to an entity or organisation which indicates the date of acquisition, type of vehicle, vehicle and chassis number, status of vehicle, age of vehicle, and official/department vehicle is assigned to.

Vehicles: Cars, trucks, vans, ambulances, combined harvesters, tractors and motor cycles used by MoFA and GHS.

EXECUTIVE SUMMARY

The disposal of government vehicles becomes necessary when vehicles procured become redundant or unserviceable in order to make room for new and improved models to support the effective and efficient operations of the entities, each Ministry, Department or Agency of Government is required to dispose of its vehicles when they become unserviceable. The audit focused on how the Ghana Health Service and the Ministry of Food and Agriculture disposed of their unserviceable vehicles.

2. The disposal of unserviceable State Vehicles is expected to be carried out in accordance with the provisions of the Public Procurement Act, 2003 (Act 663), the Guidelines for Disposal of Goods and Equipment by the PPA, and the Financial Administration Regulation 2004 (L.I. 1802).

3. The purpose of the audit was to determine whether GHS and MoFA identified and assessed vehicles earmarked for disposal in a transparent manner, ensured that the auction process was competitive and ensured that all proceeds from the disposal were duly accounted for within the required time frame.

4. The team found that the types of vehicles disposed of by the two audited entities under examination were Double Cabin Pickups, Station Wagons, Saloon Cars, Buses, Motor Cycles, Sports Utility Vehicles (SUVs), An Ambulance, Tractors, Combined Harvesters and Motor Cycles.

5. The audit reported on how vehicles were determined to be unserviceable, how auctions were carried out, how auction proceeds were accounted for, and

the period within which auction proceeds were paid into the designated accounts.

Findings and Recommendations

GHS did not constitute Boards of Survey instead had a Technical Assessment Team that assessed and reviewed vehicles before their disposal

6. In ensuring that the identification and assessment of vehicles for disposal is transparent:
 - i. GHS should constitute a Board of Survey to review vehicles earmarked for disposal before they are valued and disposed of as unserviceable.

Auctioneers engaged by GHS and MoFA did not undertake competitive auctions to achieve value for money

7. To ensure that the auction process is transparent and competitive:
 - i. MoFA and GHS should ensure that auctioneers engaged publish all auctions in a newspaper of wide circulation for the participation of the general public.
 - ii. MoFA and GHS should ensure that their staff do not interfere in the work of the auctioneer engaged to carry out auctions. This is to allow for fairness and competitiveness in the auction process.
 - iii. MoFA should auction its unserviceable vehicles in an open and competitive manner where buyers make outright payment.
 - iv. MoFA must ensure that auctioneers engaged indicate the date on which auctions were carried out in their reports.

MoFA did not pay auction proceeds into the NTRA within the required timeframe.

8. In ensuring that all Auction Proceeds are collected, accounted for and paid in within the required timeframe:

- i. MoFA should follow up on auctioneers it engages to ensure that they pay proceeds within the required time frame as stated in the appointment letters given to the auctioneers.
- ii. MoFA should pay the auctioneers' commission on what has been collected as auction proceeds.

GHS did not account and pay a total amount of GH¢116,400.96 realised as auction proceeds to the Ministry of Finance and Economic Planning

- i. GHS should ensure that the remaining auction proceeds it collected from auctioneers amounting to GH¢51,305 is paid into the NTRA immediately
- ii. GHS should ensure that its Volta and Northern regional offices pay auction proceeds amounting to GH¢7,870 and GH¢57,225 received from auctioneers in 2013 and 2014 respectively into the NTRA
- iii. GHS should ensure that Shelter Mart refunds the remaining auction proceeds of GH¢34,625.00
- iv. GHS should ensure that it pays proceeds into the NTRA within the required time frame of 24 hours as stated in Regulation 15(1) of the Financial Administration Regulations, 2004 L.I 1802
- v. GHS should also ensure that all proceeds collected from auctions are paid in full as stipulated in Regulation 22(1) of the Financial Administration Regulations, 2004 L.I 1802.

CHAPTER ONE

INTRODUCTION

1.1 Motivation

1. It is prudent for government assets to be disposed of when they become less efficient for better functioning ones to improve performance and productivity for government business. Government entities are expected to dispose of assets they no longer have use for in a manner that seeks to achieve transparency, efficiency and in accordance with Sections 83(1&2) of the Public Procurement Act, 2003 Act 663 and Section 1.8 of the Guidelines for Disposal of Goods and Equipment as well as Section 15(1) of the Financial Administration Regulation 2004 (L.I. 1802).

2. Assets to be disposed of and the category of people who buy these assets have often been criticized by the public as they are usually people of influence such as government officials and political party activists. Ghana Integrity Initiative, (the local chapter of Transparency International, the global civil society organisation leading the fight against corruption) raised concerns about public officials taking advantage of their positions and finding ways of acquiring State Assets for themselves, families and friends¹. Between 2008 and 2013, the print and electronic media reported² on how public officials purchased state assets at low prices through non-transparent and non-competitive processes. One of such sales of Government assets involving a former Minister of State became an issue for court decision.

¹GII Alert Quarterly News Letter dated June, 2012- Issue Number 31-ISSN:0855-742X Titled A Guide to Monitoring Abuse of Incumbency: Ban the sale of State Assets to Public Officers

²www.ghananewslink.com 10/11/11, www.modernghana.com 13/06/12, www.ghanaweb.com 14/11/12

3. The President of Ghana on November 15, 2013 instructed the Chief of Staff to immediately suspend all requests by Government Officials to purchase any State vehicle assigned them for official use. In addition, the President stated that, “the disposal of aged Government vehicles must be publicly and transparently done”.³

4. The Auditor-General in the exercise of his mandate under the Audit Service Act 2000, Act 584 Section 13(e) commissioned a Performance Audit on the Disposal of Government Vehicles.

1.2 Audit Objective

5. The purpose of the audit was to determine whether MOFA and GHS disposed of government vehicles in accordance with the provisions of the Public Procurement Act 2003, (Act 663) and the Guidelines on Disposal of Goods and Equipment by the Public Procurement Authority. The following are the audit sub-objectives:

- i. To determine whether vehicles disposed of were examined by the Board of Survey to be unserviceable.
- ii. To determine whether GHS and MoFA carried out auctions of vehicles earmarked for disposal in a fair, transparent and competitive manner.
- iii. To determine whether GHS and MoFA accounted for all proceeds from the disposal of unserviceable vehicles.
- iv. To determine whether GHS and MoFA accounted for all proceeds from the sale of unserviceable vehicles within the required time frame.

³www.myjoyonline.com/news/2013/November-15th/Mahama-bans-public-officials...

1.3 Scope of the audit

6. The audit team examined the following areas of the disposal of unserviceable vehicles by the GHS and MoFA:

- Identification and Assessment of vehicles earmarked for disposal
- The auction process of unserviceable vehicles, and
- Accounting for proceeds from the disposal of unserviceable vehicles.

1.3.1 Selected Entities for the Audit

7. Ministries, Departments and Agencies (MDAs) of the State are responsible for the disposal of their unserviceable vehicles. For this audit, the team selected the Ministry of Food and Agriculture (MoFA) and Ghana Health Service (GHS) for examination of their vehicle disposal practices for the period 2011-2013 in Ghana.

MoFA

8. The Ministry of Food and Agriculture (MoFA) seeks to promote sustainable agriculture through research and technology development, effective extension and other support services to farmers, fishermen, processors and traders for improved livelihood. As a result, MoFA utilizes a fleet of vehicles and agricultural equipment to be able to achieve its objectives. The Organisational Structure of AESD of MoFA is attached as Appendix A.

Ghana Health Service

9. The Ghana Health Service is dedicated to bringing quality health care and services to every door step and household with the commitment to achieve optimum quality of life in every community in Ghana. Transport is a crucial component of service delivery in the GHS as it is a means to convey logistics and personnel, run administrative errands, provide outreach services,

and carry out-patient referrals. The organogram of the Transport Department of GHS is attached as Appendix B.

1.4 Audit questions and criteria

10. The following are the audit questions and criteria the audit team used to assess the performance of GHS and MoFA on the disposal of unserviceable vehicles.

Audit Question1:

- i. How were vehicles identified and declared as unserviceable by MoFA and GHS?
- ii. Did the BOS of GHS and MoFA issue reports on vehicles after the assessment?

Criteria:

11. In accordance with the provisions in the Public Procurement Act, 2003 (Act 663) Part VIII Section 83 (1-3), the head of an entity shall convene a Board of Survey which shall report on the vehicles and subject to a technical report on them, recommend the best method of disposal.

Audit Question 2:

- i. Did GHS and MoFA ensure that the auction processes of unserviceable vehicles were fair and competitive?

Criteria:

12. *Section 5.2* of the Guidelines on the Disposal of Goods and Equipment states that “items available for sale are to be advertised in a newspaper of wide circulation”. Also the appointment letter by the disposing entities to the

auctioneers mandates the auctioneers to advertise the auction in the National Dailies.

Audit questions 3:

- i. Did GHS and MoFA collect all proceeds from auctions of unserviceable vehicles?
- ii. Did GHS and MoFA pay all proceeds from auctioned vehicles into the Non-Tax Revenue Account?
- iii. Did GHS and MoFA account for all proceeds within the required time?

Criteria:

13. The third paragraph of the appointment letter to auctioneers by MoFA states that “auctioneers are expected to pay the auction proceeds into the Non Tax Revenue Account at the Bank of Ghana immediately after the sale, in extreme case not later than 72 hours thereafter”.

14. Paragraph 4 (iv) of the appointment letter by GHS to auctioneers states that “the Auctioneer is to hand over the proceeds accrued from the Auction sales to the appointed Accountant of the Service for payment to be effected into the NTRA”

1.5 Methods and Implementation

1.5.1 Selection of regions

15. The team visited offices of MoFA and GHS in the Greater Accra, Eastern, Volta and Northern Regions to gather information on auctions carried out and how they were conducted within the period 2011 to 2013. The Greater Accra Region was selected because of the location of the head offices of MoFA and

GHS where the auction process is initiated, Eastern and Northern Regions were selected to give the audit a geographical spread whilst the Volta Region was selected because of the low frequency of auctions carried out.

1.6 Methods of Data Collection

16. The team reviewed documents on disposals and interviewed persons who play key roles in the disposal process at the head offices of MoFA and GHS and in the regional offices of the three selected regions. Refer to Appendix C and D for details.

CHAPTER TWO

DESCRIPTIVE CHAPTER

2.0 Historical Background

17. One of Government's responsibilities is to ensure that state institutions have the equipment they need to provide the best services to the public. Government allocates funds to each MMDA to purchase goods, equipment and other needed supplies for the running of their institutions. These include moveable⁴ assets such as IT equipment (computers, printers, monitors, and scanners), machinery, office furniture and vehicles. After these assets have been used for a number of years, they deteriorate thus becoming unserviceable or obsolete and less efficient for the purpose for which they were procured, hence the need for their disposal.

18. The main reason for the disposal of vehicles in state institutions is the high maintenance cost and thereby rendering their use uneconomic. In this regard, MMDAs carry out disposals when the assets are:

- no longer required by the MMDAs due to changed procedures, functions or usage patterns
- required to be disposed of under a particular policy
- no longer complying with occupational health and safety standards
- occupying storage space and not needed in the foreseeable future, and
- beyond repair but could be sold for scrap.⁵

⁴Moveable assets are assets that can be moved without alteration to the asset or other related assets and can be used after removal

⁵Guidelines on Disposal of Goods and Equipment

19. The disposal of these assets is guided by Part VIII Sections 83(1&2) of the Public Procurement Act, Act 663 of Ghana and the Guidelines on the Disposal of Goods and Equipment by the Public Procurement Authority which spells out how disposals should be carried out.

2.1 Legal Mandate

20. The disposal of unserviceable or obsolete goods and equipment belonging to the Government is expected to be carried out in accordance with the procedures laid down in Part VIII Sections 83 & 84 of the Public Procurement Act, 2003 Act 663 and the second paragraph of Section 4.1 of the Guidelines for Disposal of Goods and Equipment. Section 15(1) of the Financial Administration Regulation 2004 (L.I. 1802) also spells out how proceeds realised from the disposal of assets is to be treated. In Ghana every government entity is responsible for managing the disposal of its unserviceable vehicles and is thus accountable for all decisions taken in the disposal process⁶.

2.2 Key Players and their Responsibilities

- ***Accountant of Disposing Entity:*** Ensures that proceeds are paid into the Non-Tax Revenue Account.
- ***Agricultural Engineering Services Directorate (AESD):*** Manages and disposes all vehicles and agricultural equipment of MoFA.
- ***Auctioneer:*** Carries out public notices in the form of advertisement in the National Dailies for any proposed assets disposal and also settles for the best buyer on earmarked assets for disposal.

⁶Section 4.1 of the Guidelines on the Disposal of Goods and Equipment

- **Board of Survey:** Reports on items earmarked for disposal and subject to a technical report on them, recommends the best method of disposal.
- **Chief of Staff:** Gives approval and authorization for the disposal of all Government assets.
- **Head of Entity:** Convenes a Board of Survey and reviews its reports.
- **State Transport Company (STC):** Conducts Technical Assessment and Valuation of vehicles earmarked for disposal.
- **Technical Assessment Committee of Entity:** Carries out technical assessment on vehicles earmarked for disposal after an initial assessment by the Board of Survey.
- **Transport Department (GHS):** Manages vehicle fleet and responsible for the disposal of vehicles identified to be unserviceable within the Entity.

2.3 System Description

21. Procurement entities are to follow procedures in the Public Procurement Act, 2003 Act 663 Part VIII Section 83 and 84 in disposing of assets declared to be unserviceable or obsolete. Below are the processes for the disposal of unserviceable vehicles by MMDAs which is shown in the form of a flow chart below

2.3.1 Identification, assessment, valuation and authorisation for vehicle disposal

22. The transport departments in Government entities identify and report on defective vehicles that need to be disposed of. These vehicles are earmarked for disposal when they have been used for a minimum of five years as in the case of GHS. The user departments in the entity identify and report in writing to the head of the entity on defective vehicles. The head of the Entity then convenes a

Board of Survey (BoS) which examines and reports on the vehicles and recommends the best method of disposal. Based on the recommendations of the BOS, the head of the entity requests the State Transport Company (STC) for the technical assessment and valuation of vehicles earmarked as unserviceable.

23. STC assess, values and submits a report on the vehicles to the head of the disposing entity. The head of the entity seeks authorisation from the Chief of Staff for the vehicles to be disposed. The Chief of Staff authorises the disposal and in some cases appoints an auctioneer to carry out the auction.

2.3.2 The auction process

24. Where the Chief of Staff does appoint an auctioneer, the head of the disposing entity engages the auctioneer to facilitate the auction of its unserviceable vehicles. The auctioneer is engaged with an appointment letter by the disposing entity. The appointment letter specifies the terms of reference which includes: publication of the auction in a newspaper of wide circulation, the period within which auction should be carried out, the account into which the auction proceeds are to be paid, the period within which the proceeds are to be paid and auction report to be submitted. The letter also specifies the auctioneers commission and admonishes the auctioneer to adhere strictly to government regulations on auctions as per Part VIII Section 83 (1&2) of the Procurement Act, 2003 Act 663.

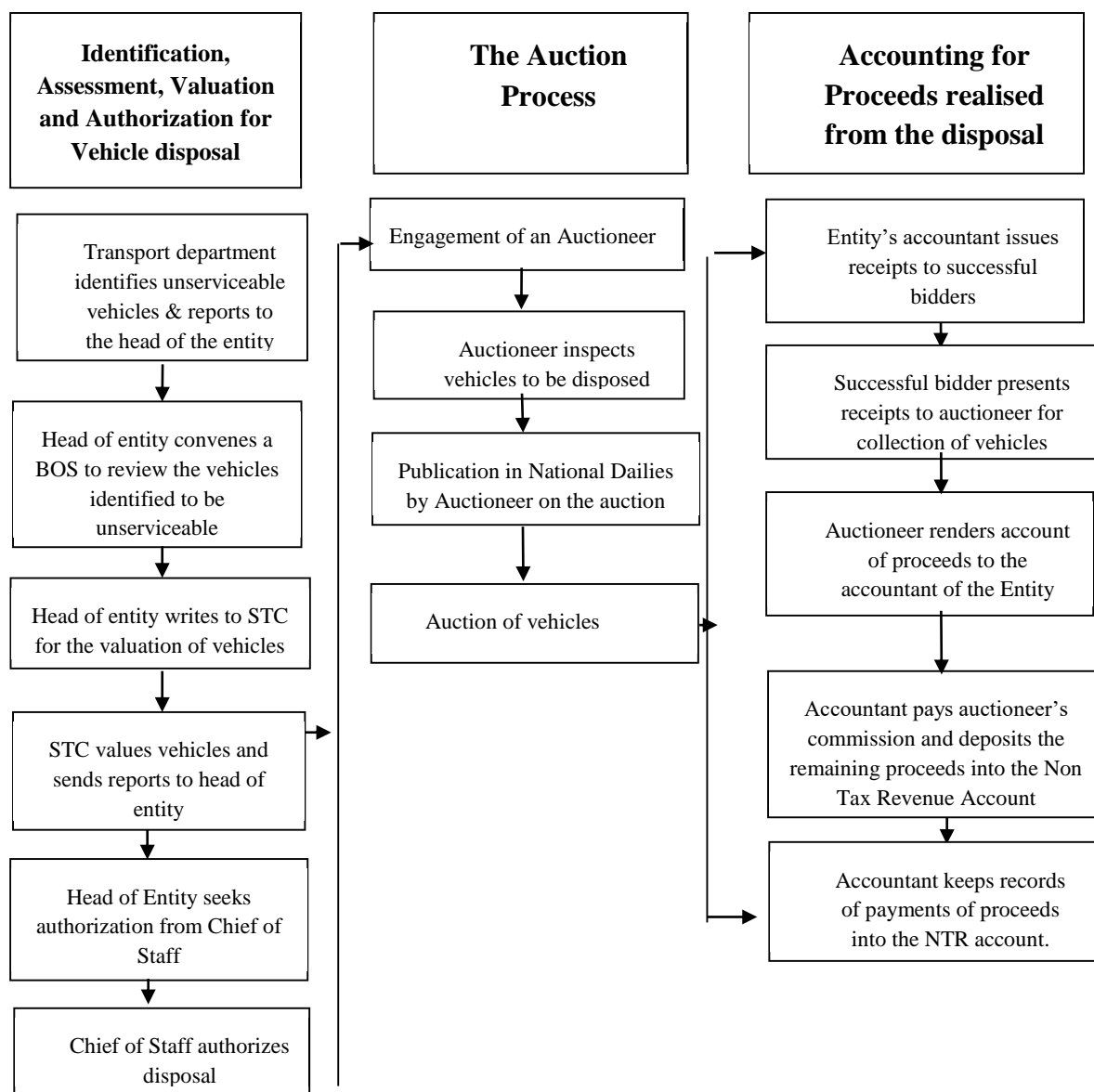
25. The auctioneer is given the list of vehicles and the prices at which they are to be sold. The auctioneer inspects the vehicles and advertises in a newspaper of wide circulation to get the general public informed on the sale of vehicles. On the date and time published in the newspapers for the auction, the auctioneer goes through the list of vehicles to be auctioned and informs the

prospective buyers present on the vehicles available for sale. The auctioneer selects the vehicles one after the other and asks for bids from prospective buyers present and the vehicle is sold to the highest bidder.

2.2.3 Accounting for proceeds realised from the disposal

26. After the auction of the vehicles, the auctioneer prepares a report on the auction indicating the date of the auction, place of auction, number of vehicles disposed, total proceeds realised and the auctioneer's commission. The auctioneer submits the report together with the amount realised from the auction to the accountant of the entity who reviews the report before paying the auctioneer his commission. Then the accountant of the entity deposits the remaining proceeds after the deduction of the auctioneer's commission into the Non Tax Revenue Account at the Bank of Ghana. The pay-in slip is attached to the auctioneers report and kept on the disposal file for reference purposes.

2.3.4 Flow chart of the disposal process



CHAPTER THREE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

3.0 Introduction

27. The disposal of unserviceable vehicles by government institutions is necessary to do away with vehicles with high maintenance cost, and to make room for new and improved models of vehicles to support the running of institutions. Each Ministry, Department or Agency of Government is mandated to dispose of its vehicles when they are unserviceable or becomes expensive to maintain. The types of vehicles that were disposed from 2011 to 2013 by the two audited entities (GHS and MoFA) were: Double Cabin Pickups, Station Wagons, Saloon Cars, Sports Utility Vehicles (SUV), Buses, tractors, combined harvesters, ambulances and Motor Cycles.

- i. Constitution of Boards of Survey to review and report on vehicles earmarked for disposal
- ii. Transparency in the auction process by auctioneers, and
- iii. Accounting for and payment of auction proceeds.

3.1 Constitution of Boards of Survey to review and report on vehicles earmarked for disposal

3.1.1 GHS did not constitute Boards of Survey but instead had a Technical Assessment Team that assessed unserviceable vehicles before their disposal

28. Section 83(1) of the Public Procurement Act, 2003, Act 663, requires the head of the entity to convene a Board of Survey (BoS) to review and report on the vehicles earmarked for disposal and subject to a Technical report, recommend the best method of disposal.

29. Our review of ten sampled maintenance reports on vehicles at GHS head office showed that vehicles were disposed of after seven years of useful life. We found from the maintenance records that vehicles disposed of within the audit period were as a result of the vehicles frequent visits to the workshop due to faulty brakes, high oil and fuel consumption, faulty clutch, radiator leakage, suspension noise, poor vehicle pulling, faulty starter, vehicle jerking and weak hubs.

30. The audit team's review of the disposal files showed that GHS did not constitute Boards of Survey to review and report on the vehicles earmarked for disposal. Instead, the head of the transport department of GHS constituted a technical assessment team that assessed vehicles earmarked as unserviceable and submitted a reported on the vehicles.

3.1.2 MOFA constituted Boards of Survey to report on vehicles earmarked as unserviceable

31. The transport department of the disposing entity is to identify and assess defective vehicles and report in writing to the head of the entity. The Head of the entity shall convene a Board of Survey in accordance with the provisions in the Public Procurement Act, 2003 (Act 663) Part VIII Section 83 (1-3).

32. The team's review of disposal files and interview of officials at the MoFA offices visited indicated that Boards of Survey were constituted to review and report on unserviceable vehicles before they were disposed of. These Boards of Survey were made up of three personnel of the Ministry whose reports indicated that the vehicles examined were uneconomically feasible to repair and recommended them to be disposed of through public auction. The reports

showed the vehicle type, number, chassis number, age and present condition of the vehicles.

Conclusion

33. GHS did not constitute BOS but formed a technical assessment team that assessed the vehicles earmarked as unserviceable before the State Transport Company (STC) assessed and valued the vehicles. MoFA on the other hand, constituted Boards of Survey that reported on vehicles earmarked for disposal before the technical assessment and valuation was carried out by the State Transport Company.

Recommendation:

- We recommend that GHS should constitute a Board of Survey to review vehicles earmarked for disposal before they are valued and disposed of as unserviceable.

GHS's response

34. GHS accepted the audit recommendation to always constitute a Board of Survey to review and report on vehicles earmarked for disposal.

3.2 Non-transparency in the auction process by auctioneers

3.2.1 Publication of the Auction

35. *Section 5.2* of the Guidelines on the Disposal of Goods and Equipment states that “items available for sale are to be advertised in a newspaper of wide circulation”. Also as per the appointment letter to the auctioneers by the disposing entities, the auctioneers are to advertise the auction in the National Dailies within 21 days from the date of appointment.

3.2.2 Auctioneers did not undertake competitive auction to achieve value for the vehicles auctioned

36. Within the period under review MoFA carried out 24 auctions in the four regions visited by the audit team. The breakdown of the auctions shown in Table 1.

Table 1: Auctions carried out by MoFA

Region(s)	Number of Auctions
Greater Accra	19
Eastern	3
Volta	1
Northern	1
Total	24

Source: Vehicle disposal file of Ministry of Food and Agriculture

37. Our review of the disposal files at MoFA in the selected regions indicated that one auctioneer carried out 23 out of the 24 auctions. We found that all the vehicles were sold to staff of MoFA. In an interview with the auctioneer, (Alex Mart) he indicated that vehicles were already allocated to staff of MoFA as well as the prices at which they were to be sold before he commenced his task. This is contrary to Section 1.8 of the Guidelines for Disposal of Goods and Equipment which states that “in the interest of promoting probity, fair dealing and openness, Procurement Entities must not sell assets to staff unless arising from a public competitive process”.

38. From our review of the disposal files we found that one out of the 24 auctions was advertised. The publication was done on the 3rd and 4th of July, 2013 in the Ghanaian Times Newspaper indicating the date, time and venue for the auction as well as the name of the auctioneer. According to the auctioneer’s

report, he conducted a public sale on the 4th and 5th of July, 2013 in the presence of the Estate Desk Officer of MoFA (Ho), representatives from the transport department of MoFA (Ho) and the Non-Taxable Revenue Department of the Ministry of Finance. The auctioneer sold all the vehicles above the reserved prices as compared to the 23 auctions carried out in the other regions where vehicles were sold at the reserved prices.

39. Officials of MoFA in the Northern Region explained that auctions in the region were not advertised due to past occurrences of auctions resulting in violence as a result of interference from political party activists. According to MoFA Officials, these persons hijacked the auction process, seized items on sale and assaulted prospective buyers, auctioneers and officials of the disposing entity conducting the exercise. Due to these reasons, the auctions were not advertised and vehicles were allocated to staff.

40. The audit team's review of the disposal files showed that GHS put up nine auctions carried out by nine auctioneers. Greater Accra Region recorded the highest number with four auctions; Northern Region recorded three auctions whilst Volta Region recorded two auctions. Eastern Region had no auction even though the region identified vehicles to be disposed of in 2012, as at August 2014 the auction process had not been carried out. Details are shown in Table 2.

Table 2: Auctions carried out by GHS

Region(s)	Number of Auctions
Greater Accra	4
Volta	2
Northern	3
Total	9

Source: Vehicle disposal file of Ghana Health Service

41. The transport manager at the head office of GHS in a discussion with the audit team stated that the respective auctioneers advertised all the nine auctions carried out. Also GHS Regional Transport Managers in an interview attested that the auctions were advertised in the Newspapers. However, the audit team's review of the disposal files showed no evidence of publication of the nine auctions carried out by the Ghana Health Service for the period 2011-2013. The audit team's review of disposal files showed that GHS sold all vehicles above their reserved prices.

42. The auctions not advertised by the auctioneers limited the number of potential bidders to bid at competitive prices that would have resulted in higher revenue generated from the disposal of the vehicles. The allocation of vehicles to staff by MoFA, reduced the scope of work of the auctioneer as he did not advertise the auctions at any cost. Also, there was loss of money to the State as the auctioneer was paid his commission without carrying out the auction. The consequences of the no auction was vehicles being bought at the quoted valuation prices which could have been higher had the auction been advertised for the participation of the public as carried out by the Volta Regional office of MoFA where the auction was advertised twice and the vehicles sold above the reserved prices.

Conclusion

43. Generally auctioneers engaged by MoFA and GHS did not ensure the auctioning process allowed for the general participation of the public to get competitive prices for the unserviceable vehicles. This was partly aided by the entity officials who had interest in purchasing the vehicles and thereby closing the auction to the public. However, auctioneers were still paid their commission

of 7% of the total proceeds when their scope of work was reduced to the collection of monies due from beneficiaries of the sale.

Recommendations

44. We recommend that MoFA and GHS should ensure that:
- auctioneers engaged published all auctions in a newspaper of wide circulation for the participation of the public, and
 - their staff do not interfere in the work of the auctioneer to allow for fairness and competitiveness in the auction process.

MoFA's response

45. MoFA accepted the recommendations and indicated that it will place adverts in the required newspapers before disposal in the future.

GHS's response

46. According to GHS, it required the selected auctioneers to advertise in public newspapers at least twice before the sales date. The oversight responsibility of the Service is to ensure that advert is placed which they did but did not cut press copies for filing. According to GHS, they will keep copies of adverts on file in future public auctions.

3.3 Accounting and payment of auction proceeds

3.3.1 MoFA did not pay auction proceeds into the NTRA within the required time frame

47. The third paragraph of the appointment letter issued by MoFA to engaged auctioneers states that "auctioneers are expected to pay the auction proceeds into

the Non Tax Revenue Account at the Bank of Ghana immediately after the sale, in extreme case not later than 72 hours thereafter”.

48. The audit team sought to determine whether MoFA ensured that auctioneers it engaged collected and paid into the NTRA all monies accruing from the auctions within 72 hours.

49. We expected MoFA to have followed up on the auctioneers to ensure that all proceeds collected on the day of the auction were paid into the NTRA the same day or latest three days after the day of the auction. The audit team’s review of auctioneers reports and BoG deposit slips at AESD (MoFA Head office) and the three regional offices visited for the period under review showed that proceeds realised from the 24 auctions carried out by two auctioneers amounted to GH¢491,553.00. Documents available to the team indicated that it took the auctioneer up to 29 months to collect and pay auction proceeds into the NTRA at the Bank of Ghana.

50. The BoG Deposit Slips on auctions carried out for the period under review indicated that the auctioneer delayed payment of proceeds from auctions into the NTRA ranging from a period of one month to 29 months. For example, an auction that was carried out in June 2012 yielded GH¢27,100. Out of this amount, the auctioneer deposited GH¢18,108.00 into the NTRA on 13/06/12 and the remaining amount of GH¢6,575.00 into the NTRA on 20/01/14. The auctioneer deducted his 7% commission of GH¢1,897.00 and also deducted GH¢527.00 which he had already paid as valuation fee to STC.

51. The Accountant of the Ministry did not follow up on the auctioneer to ensure that the proceeds were deposited into the NTRA within 72 hours of

collection. Appendix E shows details of auctioneers' payment of auction proceeds and duration within which payments were made into the NTRA.

52. The auctioneer who carried out the 23 auctions for AESD (MoFA) explained that, because all the vehicles were purchased by staff of MoFA, it was difficult for him to demand immediate payment. This resulted in late payment of proceeds into the NTRA because staff who benefitted from the vehicle sales made payments in piecemeal.

53. As per the appointment letter, MoFA engaged the auctioneer with a Terms of Reference stating the period within which the auction was to be advertised, time frame within which proceeds were to be paid into the NTRA, commission rate, and a report on the auction was to be submitted to the disposing entity by the auctioneer within a specified period.

54. However, the audit team found from the interview of officials that MoFA did not follow up on auctioneers it engaged to ensure that they acted on the terms of reference. At AESD (MoFA) the auctioneer was the same person who received payment for vehicles purchased, paid himself his full commission out of what he collected before depositing the remaining proceeds into the Non Tax Revenue Account. This practice was prevalent in all the three other regions. This practice where auctioneers deducted their full commissions when they had not collected all proceeds is contrary to FAR 2004, Section 22(1).

55. As per the appointment letter MoFA directed the auctioneers to pay the proceeds into the NTRA. However, the Ministry did not follow-up on the auctioneers to ensure they paid the proceeds into the NTRA within the required

time frame. Late payment of proceeds increases the risk of auctioneers not paying the proceeds collected and the principal sum depreciates over time.

Conclusion

56. The late payment of proceeds into the NTRA was a result of staff who purchased the vehicles paying in bits. Though MoFA engaged the two auctioneers with letters of appointment stating the Terms of Reference (TOR), they carried out the auctions without adhering to paragraph three of the TOR. This was because vehicles were already allocated to members of staff who delayed payments to the auctioneer. Since the auctioneer was not engaged through a competitive process, he could not demand prompt payment from staff for the fear of not being engaged again by the disposing entity.

Recommendations

57. We recommend that MoFA should:
- ensure that auctioning of its unserviceable vehicles is done in an open and competitive manner so that buyers who are ready to make outright payment benefit
 - follow up on auctioneers to ensure that they pay proceeds within the required time frame of 72 hours as stated in the third paragraph of the appointment letters, and also
 - ensure that the auctioneers' commission is paid on what is collected as auction proceeds.

3.3.2 GHS did not account for GH¢116,400.96 realised as auction proceeds to Ministry of Finance and Economic Planning

58. Paragraph 7 of the Authorisation letter from the Office of the President states that "Proceeds accrued from auction sales should be paid into the Non-

Tax Revenue Account at the Bank of Ghana". Paragraph IV of the Appointment letter by GHS to the auctioneers states that the auctioneer is to hand over the proceeds accrued from the auction sales to the appointed Accountant of the Service for payment to be effected into the appropriate account.

59. Review of the disposal files at GHS in the selected regions showed that the Service engaged nine auctioneers to carry out nine auctions from 2011 to 2013. The nine auctioneers paid the proceeds to the GHS Accountants at the head office and the regional offices respectively as stated in paragraph (IV) of the appointment letter to auctioneers.

60. The Head Office engaged four auctioneers who carried out one auction each in 2012. The team found receipts on the disposal file that GHS issued to two auctioneers to confirm that they had paid and accounted for auction proceeds realised. The two auctioneers paid GH¢45,650.00 and GH¢30,210.00 respectively as auction proceeds to the GHS Head Office Accountant. As at 16th June, 2014, the Ghana Health Service Head office had not paid the proceeds received from the two auctioneers for the 2012 auctions into the NTRA.

61. When the audit team drew the attention of GHS to the non-payment of auction proceeds into the NTRA, GHS paid an amount of GH¢22,984.95 into the NTRA on June 24, 2014 out of a total of GH¢85,360.00⁷ received from auctioneers leaving a balance of GH¢62,375.05. Out of this balance, GHS Head

⁷ The GH¢85,360.00 includes proceeds received from three auctioneers from the 2012 auctions at GHS head office. The auctioneers are Willico Mart GH¢45,650.00, Jonac Mart GH¢30,210.00 and Shelter Mart GH¢9,500.00.

Office paid GH¢27,914.09 into the NTRA on the 26 March 2015, leaving an amount of GH¢51,305.96⁸ to be accounted for by GHS Head Office.

62. The third auctioneer did not pay the proceeds to the Head Office instead paid the full amount of GH¢30,764.40 directly into the NTRA. The fourth auctioneer (Shelter Mart) did not pay and account for GH¢44,125.00 which he realised from the auction he carried out until the Service wrote to him on June 12, 2013 to remind him of the unpaid auction proceeds before he paid GH¢5,000.00 on June 14, 2013 and GH¢2,000.00 on July 4, 2013 respectively.

63. The Service served Shelter Mart a second reminder February 2014 and gave the auctioneer 26th February 2014 as the deadline for him to settle the debt owed the Service. The Letter indicated that the Service was going to report the matter to the Police after the given deadline. But the auctioneer failed to respond so the Service wrote a third letter dated March 19, 2014 and indicated that legal action will be taken by the Service to retrieve the remaining unpaid auction proceeds and copied the Commander In-Charge at the Ministries Police Station. The Auctioneer (Shelter Mart) then responded by paying GH¢2,500.00 to the GHS head office on April 29, 2014 leaving a balance of GH¢34,625.00 as unpaid auction proceeds.

64. Reviews of the disposal file in the Volta Region showed that GHS had two auctions carried out by two auctioneers in 2013 and realised an amount of GH¢24,715.00. Out of this amount, one auctioneer paid GH¢7,870.00 to the Ho Regional Office and the other auctioneer paid GH¢16,845.00 to the Tema office (Central Mechanical workshop) of GHS. In a discussion with the Ho Regional

⁸ This includes GH¢16,845.00 paid to the Mechanical Workshop at Tema by the Volta Regional office of GHS.

Accountant of GHS he stated that the Regional Office had not paid the proceeds into the NTRA because it has the intention of using the proceeds to maintain its Regional Mechanical Workshop and vehicles in the region. This contravenes Section 22(1) of the FAR 2004 which states that, “All public monies collected shall be paid in gross into the Public Funds Accounts and no disbursement shall be made from the money collected except as provided by an enactment”.

65. Our reviews of the disposal file in the Northern Region indicated that, three auctioneers carried out three auctions from 2011-2013 for the Regional Office. The proceeds realised amounted to GH¢57,225.00 which the auctioneers paid to the Tamale Regional Office of GHS. As at the time of the audit team’s visit in August 2014, the Tamale Regional Office had not paid the amount into the NTRA but rather lodged it in the Regional Office’s Account. In a discussion with the regional officers they were of the opinion that the regional office should use the proceeds for the maintenance and running of its vehicles since allocations from the government were not forthcoming. This according to the regional head of GHS was the main reason why the regional office had not paid the auction proceeds into the NTRA.

Conclusion

66. GHS did not state on the appointment letters to auctioneers it engaged a time frame within which proceeds were to be paid to the Entity’s accountant. GHS did not ensure auctioneers it engaged properly accounted for auction proceeds to the Entity’s accountants. This resulted in one auctioneer (Shelter Mart) misappropriating auction proceeds he realised from an auction he carried out in 2012. GHS received proceeds from three auctioneers but did not pay all the proceeds into the NTRA. Deduction of commission by auctioneers before paying the difference into the NTRA contravenes FAR 2004, Section 22(1)

which states that “All public monies collected shall be paid in gross into the Public Funds Accounts and no disbursement shall be made from the moneys collected except as provided by an enactment”.

Recommendations

67. We recommend that:

- i. GHS should ensure that the remaining auction proceeds it collected from auctioneers amounting to GH¢51,305.96 is paid into the NTRA immediately
- ii. GHS should ensure that Shelter Mart refunds the remaining unpaid proceeds of GH¢34,625.00
- iii. GHS should ensure that its Volta and Northern Regional offices pay auction proceeds amounting to GH¢7,870.00 and GH¢57,225.00 which they received from auctioneers in 2013 and 2014 respectively into the NTRA
- iv. GHS should also ensure that all proceeds from auctions are paid in full as stipulated in Section 22(1) of the Financial Administration Regulations, 2004 L.I 1802.

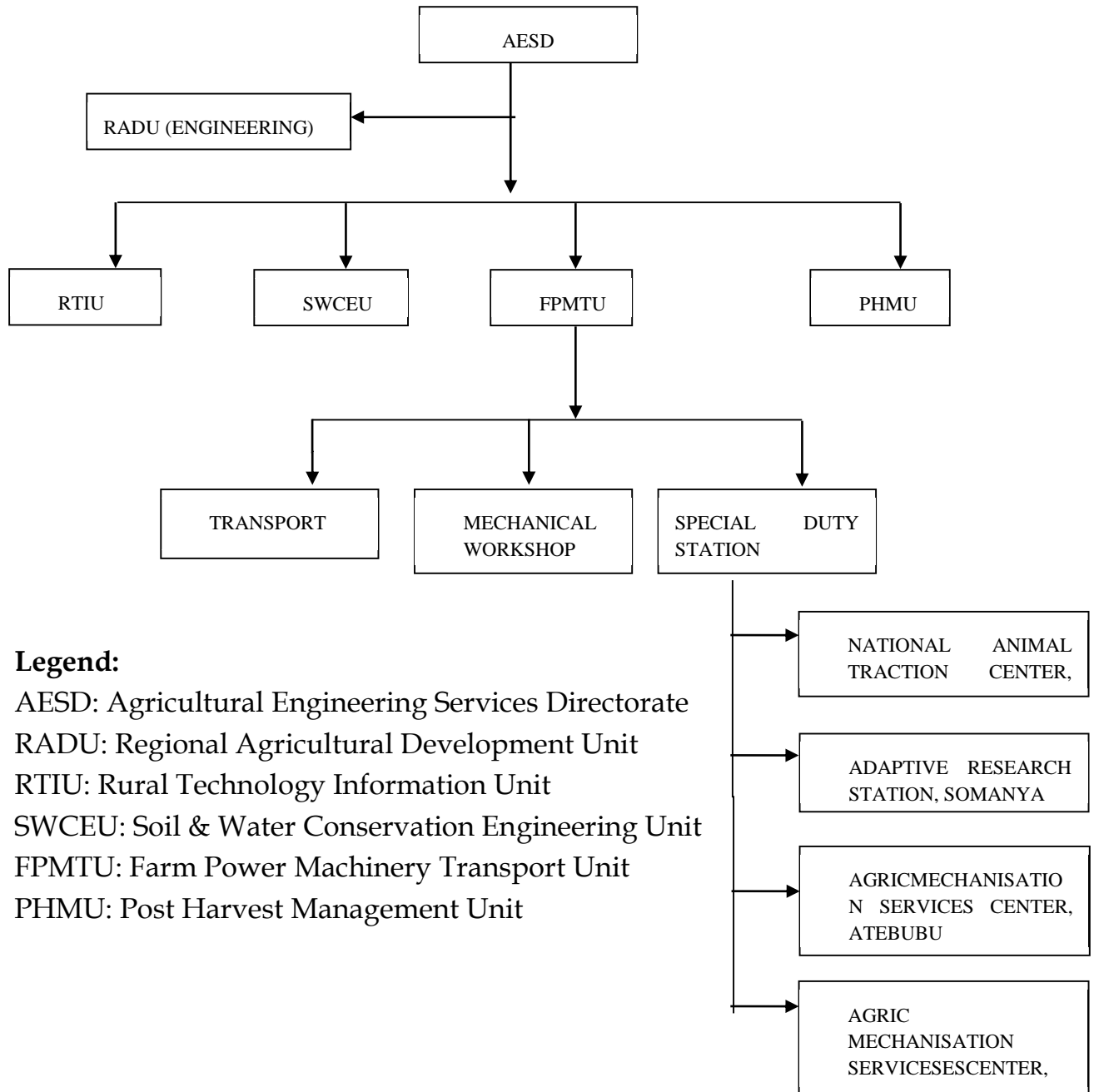
GHS's response

According to GHS, payment of auction proceeds into the NTRA delayed because the Service owed the Central Mechanical Workshop over GH¢400,000.00 and also the Service needed to repair critical delivery vehicles but there was no money. As a result, the Service fell on the proceeds with the intention to pay back after the debt owed the Central Mechanical Workshop has been cleared. According to GHS this was to help forestall possible consequential deaths of patients arising from ambulance non-availability.

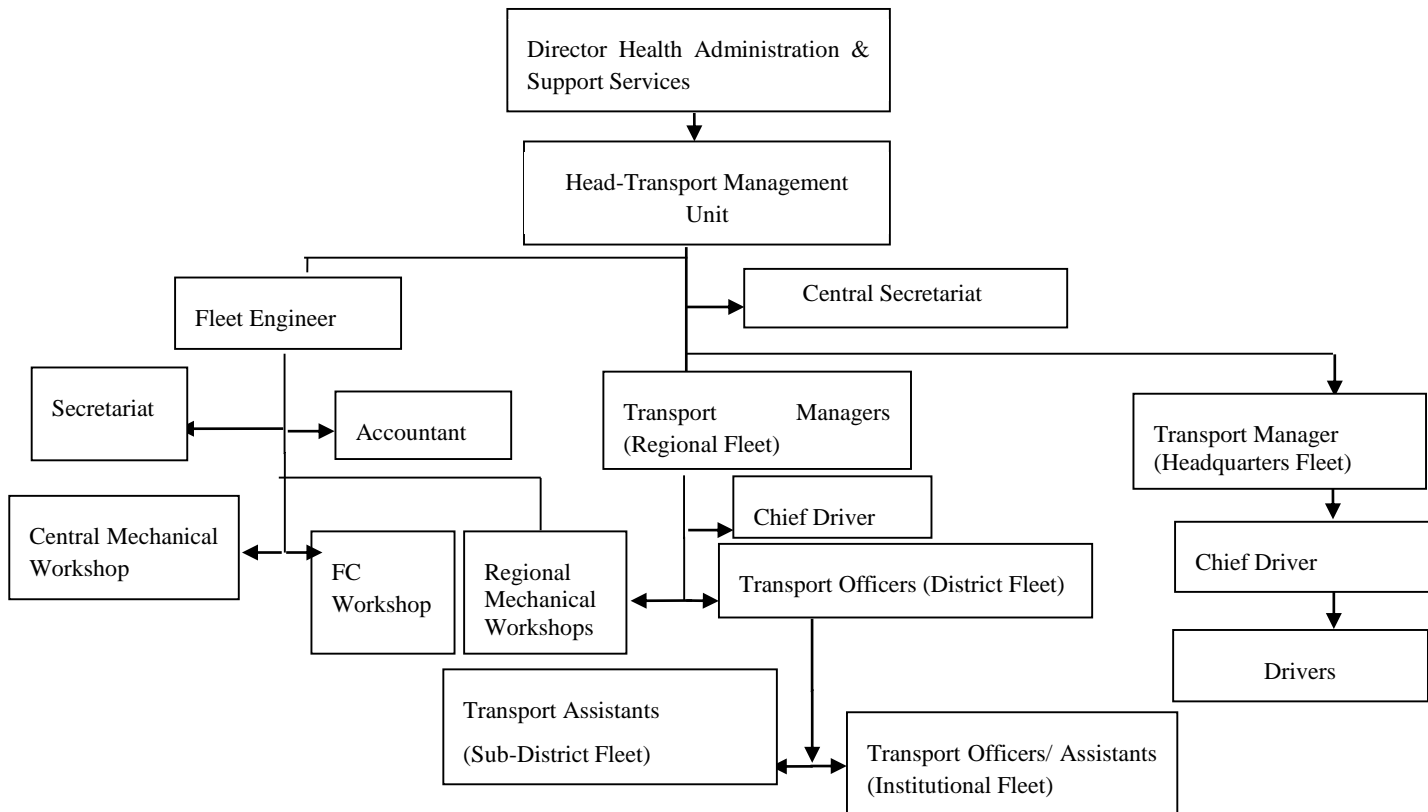
Overall Conclusion

68. MOFA and GHS did not carry out the disposal of government vehicles in a fair, transparent and competitive manner by ensuring that the disposal of the vehicles was advertised and open for the participation of the public. The two entities did not account for all proceeds realised from the disposal within the required time frame. Whilst MoFA gave the auctioneers 72 hours to pay the proceeds into the NTRA, the payments of proceeds by auctioneers delayed for a period of one to 29 months. GHS on the other hand, collected auction proceeds from auctioneers and had not paid all proceeds collected into the NTRA as at the period of the audit. This action is contrary to FAR 2004, L.I 1802 Section 15(1) which states that “ All public monies collected shall be paid in gross into the Public Funds Accounts and no disbursement shall be made from the moneys collected except as provided by an enactment”.

Organisational Structure of the Agriculture Engineering Services Directorate (AESD) of the Ministry of Food and Agriculture



Organogram of the Transport Department of the Ghana Health Service



List of Documents Reviewed

- Letters requesting for Authorization
- Authorization Letters to carry out auctions
- Auctioneer's Reports
- Auctioneers Letters of engagement
- Bank of Ghana Deposit Slips of auction proceeds
- Financial Administration Regulations 2004 LI 1802
- Guidelines for Disposal of Goods and Equipment by the Public Procurement Authority - Ghana
- Publications on Auction
- Public Procurement Act 2003 (Act 663)
- Technical Assessment Reports on vehicles
- Valuation Reports on vehicles auctioned
- Vehicle Inventories

List of Persons Interviewed

Ministry of Food and Agriculture

1. Deputy Director, AESD
2. Deputy Director Post Harvest AESD
3. Accountant, AESD
4. Regional Director, Koforidua
5. Regional Engineer, Koforidua
6. Regional Director, Ho
7. Regional Agric Engineer, Ho
8. Regional Director, Tamale.
9. Workshop Manager, Tamale
10. Transport Manager Tamale
11. Administrator Tamale
12. Assistant Agric Engineer, Tamale
13. Auctioneer, Alex Mart.

Ghana Health Service Officials

1. Transport Manager, Head Office
2. Deputy Transport Director
3. Internal Auditor, Head Office
4. Transport Officer ,Ho
5. Transport Manager, Tamale.
6. Internal Auditor, Tamale.
7. Transport Manager, Koforidua

Appendix E

Payment of Auction Proceeds and dates of payment into the Non-Tax Revenue Account by MoFA (AESD) in the Greater Accra Region

Date of auctioneer's report	Amount realized at auction GH¢	Amount paid into NTRA less valuation and auctioneers commission (GH¢)	Date of payment into NTRA
8 th Aug, 2011	21,740	3,070	08/08/2011
		652	04/07/2011
		9,260	03/05/2011
		6,808	08/08/2011
20 th Jan, 2014	6,576	2,980	20/01/2014
		3,168	29/07/2011
19 th Jan, 2012	13,270	11,570	30/12/2011
15 th June, 2012	27,100	18,108	13/06/2012
		6,575	20/01/2014
6 th Nov, 2012	20,400	3,441	06/11/2012
		8,451	08/10/2012
		6,975	12/10/2012
16 th Aug, 2012	17,400	10,840	16/08/2012
		4,750	04/09/2012
20 th Jan, 2013	17,000	12,510	14/08/2012
		3,000	20/01/2014
20 th Jan, 2014	10,400	6,620	23/03/2012
		2,600	20/01/2014
14 th Jan, 2013	14,340	6,140	30/11/2012
		6,605	04/01/2013
14 th Jan, 2013	81,900	35,162	04/01/2013
		660	11/01/2013

		40,000	31/12/2013
21 st Nov, 2012	6,650	2,230	21/11/2012
		3,955	08/08/2012
19 th Aug, 2013	22,400	20,835	16/08/2013
11 th Nov, 2013	69,710	9,580	21/07/2013
		36,177	15/07/2013
		2,600	11/11/2013
		11,826	08/07/2013
		4,200	19/07/2013
12 th Dec, 2013	8,450	4,000	03/10/2013
31 st Dec, 2013	6,000	5,580	27/12/2013
19 th Dec, 2013	27,800	15,925	12/12/2013
		9,200	15/12/2013
20 th Jan, 2014	15,500	10,670	18/10/2013
			18/10/2013
		2,330	20/01/2014
		1,000	
20 th Jan, 2014	26,700	1,000	20/01/2014
		9,300	19/07/2013
		11,081	08/07/2013
		2,790	15/07/2013
	414,836.00	375,619.00	

NB: The auctioneers failed to indicate the date on which the auctions were carried out in their reports.

Mission Statement

The Ghana Audit Service exists

To promote

- good governance in the areas of transparency, accountability and probity in the public financial management system of Ghana

By auditing

- to recognized international auditing standards, the management of public resources

And

- reporting to Parliament