

IN THE FIRST SESSION OF THE SEVENTH PARLIAMENT OF THE FOURTH

REPUBLIC OF GHANA

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

ON THE

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

## **1.0 INTRODUCTION**

The 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 was laid before the House on Wednesday, 15<sup>th</sup> March, 2017 in accordance with Article 187 of the 1992 Constitution of the Republic of Ghana.

Pursuant to Order 165(2) of the Standing Orders of Parliament, the Report was referred to the Public Accounts Committee (PAC) for consideration and report.

## **2.0 DELIBERATIONS**

In considering the Report, the Committee held public hearings and invited officials from the Ministry of Food and Agriculture and the Ghana Health Service to deliberate on the findings of the Report.

## **3.0 ACKNOWLEDGEMENT**

The Committee wishes to acknowledge the invaluable contribution of the Hon. Minister of State at the Ministry of Food and Agriculture, Dr Dele Nura, the Hon. Deputy Minister of Health, Hon. Kingsley Aboagye-Gyedu the Auditor-General, Mr Daniel Domelevo and his technical team for their assistance and cooperation during the deliberations of the Committee.

Furthermore, the Committee wishes to extend its appreciation to the German International Cooperation (GIZ), the GTV for providing live coverage as well as other media houses, both electronic and print for covering the proceedings of the Committee.

#### **4.0 REFERENCE DOCUMENTS**

The Committee made reference to the following documents in the course of its deliberations:

- i. The 1992 Constitution of the Republic of Ghana;
- ii. The Standing Orders of the Parliament of Ghana;
- iii. The Audit Service Act, 2000 (Act 584); and
- iv. The Public Procurement Act, 2003 (Act 663).
- v. The Financial Administration Regulation 2004 (L.I. 1802
- vi. The Auction Sales Act, 1989 (PNDCL 230)

#### **5.0 BACKGROUND**

The Ministry of Food and Agriculture (MOFA) is the Government Agency responsible for the development and growth of the agricultural sector in Ghana whilst the Ghana Health Service (GHS) on the other hand is established under Act 525 1996, to provide and manage comprehensive and accessible health services with special emphasis on primary health care to the entire nation, in accordance with national policies.

In order to realise their broad objectives, Government allocates funds to these Agencies for the purchase of vehicles and other equipment necessary for the effective formulation and implementation of their policies and programmes.

The vehicles and equipment acquired usually get aged and become obsolete necessitating their disposal, especially so when the continuous usage is proven to be inefficient and counter-productive to the purpose for which they were acquired.

The Public Procurement Act of 2003, Act 663 as well as other laws and regulations passed by the Parliament of Ghana set out the processes by which these obsolete and unserviceable vehicles and equipment are to be disposed off.

Some institutions over the years have undertaken the disposal of vehicles and equipment but failed to observe the laid down rules and this has, on several occasions, led to public outcry on either suspected unfair practices or alleged loss of revenue to the State.

The above situations motivated the Auditor-General to conduct performance audit on the disposal of Government vehicles by the Ministry of Food and Agriculture and the Ghana Health Service between the years 2011 and 2013.

## **6.0 PURPOSE AND OBJECTIVES OF THE AUDIT**

The purpose of the Audit was to determine whether the MoFA and the GHS identified and assessed vehicles earmarked for disposal in a transparent manner. It was also to find out whether the two institutions ensured that the auction process was competitive and that all proceeds from the disposal were duly accounted for within the required time frame.

## **7.0 OBSERVATIONS**

### **MINISTRY OF FOOD AND AGRICULTURE**

The Committee made the following observations in the course of its deliberations.

### **7.1 Delay in Accounting for Auction Proceeds:**

The Committee observed that contrary to Section 15 (1) of the Financial Administration Regulation (FAR), which states that “any public officer or revenue collector who collects or receives public and trust moneys shall issue official receipts for them and pay them into the relevant Public Fund Bank Account within twenty-four hours of receipt except in exceptional cases to be identified by the Minister”, the Ministry did not account for the auction proceeds within the required time of 24hrs. The delay was up to 29 months.

The Committee was therefore of the view that there was a breach of financial discipline on the part of the Ministry as Section 21 of the FAR states “that failure to comply with regulations on collections, accounting and disclosure of Non-Tax Revenue including Internally Generated Funds is a breach of financial discipline”.

The Committee was of further view that the delayed payment of proceeds from the auction sale into the Non-Tax Revenue Account (NTRA) at the Bank of Ghana denied government the needed revenue to undertake its activities.

Mr Speaker, the Committee also observed that most of the vehicles were taken out of the premises of the Ministry before payments were effected, in contravention of Section 5.2 of the Guidelines for Disposal of Goods and Equipment by the Public Procurement Authority which amongst others states that “Collection or forwarding of the goods is normally contingent on the presentation to the Entity of evidence of payment of the sale price”.

The Committee was of the considered view that the Auctioneer, Mr Alexander Adjei of Alex Mart, did not merit the 7% commission paid to him by the Ministry of Food and Agriculture because the Auctioneer admitted during the public hearing that the vehicles were already sold and allocated to MoFA staff before he arrived at the Ministry. All that the Auctioneer did was to regularise the sale of the vehicles. Indeed, the Auctioneer was only used as a cover-up for the sale of the vehicles to the Staff of the Ministry.

The MoFA, in its response regarding delay in payment of the proceeds into the NTR Accounts, explained that they expected the Auctioneer to report back to them regarding the failure on the part of beneficiary staff to meet their financial obligations within the stipulated time, but he failed to do so and this led to the delay in accounting for the auction sale.

The explanation could not be accepted by the Committee as the Financial Administration Regulation 2004, L.I. 1802 places that responsibility on the Ministry to ensure that the money was collected and paid into the Non-Tax Revenue Account.

The Committee further observed the inability of the Ministry to tell exactly the location of the vehicles at the time of the auction. The Ministry rather explained that some of the vehicles were unserviceable and some were located at unknown locations across the country where they had broken down, and that it was the auctioneer who travelled around the country at his own expense to locate and identified the vehicles for auctioning.

The Committee was of the view that the unsatisfactory interest displayed by the Ministry during the auction period accounted for the delay in the lodgement of the proceeds of the sale into the Non-tax Revenue Account. The Auctioneer therefore had the latitude to hold the

proceeds beyond the time period stipulated by law and in addition, the Ministry felt morally obligated to allow the Auctioneer to take 7% Commission in instances where it was not deserving in order to compensate for his efforts at locating the broken down vehicles.

The Ministry accepted all the observations made by the Committee regarding the infractions of the Financial Administration Regulations (FAR). The Ministry stated that it has since learnt its lessons after the audit was conducted and that stringent measures have now been put in place to guide future auctions to comply with the Law.

## ***7.2 Lack of Transparency in the Auction Process by Auctioneer***

The Committee concurred with the observation of the Auditor-General that the auction process lacked transparency.

The Committee observed that contrary to the Auction Sales Act, 1989 (PNDCL 230) which requires that goods for sale be advertised in national daily newspapers to allow for transparency, free and fair competitiveness before auction, the following anomalies occurred:

- i. Out of twenty-four (24) auctions conducted, only one was advertised in Ho, in the Volta Region, the remaining 23 auctions were not advertised.
- ii. The Volta Region publication was done on the 3<sup>rd</sup> and 4<sup>th</sup> of July 2013 and the auction took place on the 4<sup>th</sup> and 5<sup>th</sup> of July 2013. The situation did not afford members of the public ample time to participate and to bid for the highest possible price, thereby denying the State the much needed revenue.

- iii. 23 auctions were on reserved prices, only one auction had prices higher and above the reserved price. This was as a result of lack of advertisement and for that matter lack of competition leading to loss of revenue for development.

The Committee therefore questioned the professional competence of the Auctioneer as he appeared ignorant of the laws regulating his profession during the public sitting.

The Auctioneer, Mr Alexander Adjei, in trying to prove his competence stated that he had been in practice since 2007 and had assisted more than five (5) Ministries to undertake auctions including the Attorney-General's Department.

The Committee therefore was of the view that there was a deliberate collusion between the Auctioneer and Officials of the Ministry to set aside guidelines for auction and to operate in a way that benefited individuals to the detriment of the State. Indeed, the Auctioneer did not exhibit professionalism in his work in view of the numerous infractions he committed during the auction process and Officials of the Ministry acted without due regard to their responsibility as the custodians of the properties of the State.

### ***7.3 Lack of Proper Financial Management System for Handling Proceeds of Auction Sales***

The Committee observed that the Ministry did not use proper financial management practices in accounting for proceeds from the sale of the vehicles. The designated accounting officials did not properly document the financial transactions in respect of the sales.



The Committee wondered how the Auctioneer could receive his commission without the knowledge of the Finance Department of the Ministry.

The Auctioneer confirmed to the committee that he personally deducted 7% commission from total proceeds of the auction before he paid the balance into the Non-Tax Revenue Account at Bank of Ghana. The Auctioneer could not also meet his withholding tax obligation on the 7% commission he received from the sale of the vehicles.

The Auctioneer explained that he normally pays his tax obligations based on assessment by the GRA on his earnings, it however came to light upon scrutiny that he had not filed his tax returns since 2013 including the earnings from auction of MoFA vehicles during the period.

Even though the auction took place on the 4<sup>th</sup> and 5<sup>th</sup> of July 2013, payments were only made into the NTRA in August 2014.

#### **7.4 Violation of relevant legislations on Auction**

The Committee made reference to section 29 of the Auction Sales Act, 1989 (PNDCL 230) and observed the following;

- i. The vehicles were already allocated and prices determined by the valuation of the State Transport Company.  
Section 29 of the Auction Sales Act states that "where a property for sale is bought by or on behalf of the vendor, the Commission shall not exceed 3% of the amount of which the asset has been so bought".
- ii. Therefore, the vendor, being Government had sold its vehicles to its own employees (i.e. staff of MoFA) and had to pay 3%

Commission as it was evident that members of the public did not participate in the auction that took place at the Ministry. The Auctioneer should have taken 3% for the sale that took place at the Ministry, but he took 7% commission in contravention of Section 29(3) of the Auction Sales Act.

- iii. The auctioneer further violated Sections 18(2) of the Auction Sales Act which states that the auctioneer is liable if he does not pay proceeds from the sale of properties or assets within ten (10) days of auction.

Responding to these observations, the Auctioneer agreed that he committed some infractions during the process. He admitted he did not take part in allocating vehicles and that the reserved prices were determined by State Transport Company and allocated to the Staff. He however told the committee that some of the vehicles were sold above the reserve price.

The Auctioneer admitted that his actions are in violation of Section 18 (2) and Sections 29 of Auction Sales Act, and pleaded for leniency.

The Chief Director responsible at the Ministry also admitted to the fact that there had been negligence on their part with respect to the guidelines on disposal for goods and equipment and explained that since the report of the Auditor- General was issued in 2013 they have since amended their ways of conducting similar exercise in the Ministry. The Chief Director also pleaded for leniency and apologized unreservedly on behalf of the Ministry for the lapses and promised that the situation will not be repeated under his watch.

## **8.0 OBSERVATIONS - GHANA HEALTH SERVICE**

The Committee made the following observations with respect to auction sale of vehicles by the Ghana Health Service:

### ***8.1 Delay in response to Audit queries and Withdrawal of Written Response Submitted to the Public Accounts Committee.***

The Committee observed that, even though the Ghana Health Service was granted 30 days by the Auditor General to respond to the queries raised by the Auditor-General, as required by Section 29 of the Audit Service Act, it took the Ghana Health Service 60 days to respond to the observations of the Auditor- General.

The Committee also found out that the written response of the GHS submitted to the Committee sought to cast doubt on the work of the Auditor General for not acting according to the responses they offered long after the period provided by section 29 of the Audit Service Act.

The Committee however granted leave to the Director General of the GHS to withdraw the written response submitted and apologised to the Committee and the Auditor General.

### ***8.2 Delay in the Payment of Proceeds from the Sale of Vehicles***

The Committee observed that GHS had auctioned most of the vehicles to their staff and moneys realised from the sale of the vehicles totalling **GH¢75,860** were accounted for by the Auctioneer on two different dates, amounting to **GH¢ 45,650** and **GH¢30,210** respectively to the GHS. However, these amounts were held by GHS beyond the stipulated time within which they should be lodged into the Non- Tax Revenue Account (NTRA).

The Committee expressed concern that proceeds from the sale was held by GHS and paid into the NTRA accounts on the 24<sup>th</sup> April 2017, about 72 hours before the Public Accounts Committee sitting commenced on 26<sup>th</sup> April 2017.

It also came to light that the Auctioneer paid proceeds to the GHS within the stipulated 10-day period in accordance with the Auction Sales Act.

The Director of Finance informed the Committee that the GHS has autonomous Finance departments in all the regions and was not aware about the delay in the payments into the NTRA until she saw it in the Audit Report.

### ***8.3 Non-Payment of Proceeds of Auctioned vehicles by Shelta Mart***

The Committee observed that the Auctioneer, Mr. Felix Aduadjoe of Shelta Mart, did not account for proceeds from sale of vehicles and demanded to know what measures were put in place by GHS to retrieve the money. Again the Committee noted that Shelta Mart has been indicted by the previous PAC for same reasons of non-accountability after an Audit review, and questioned why GHS contracted him again.

The Director General informed the Committee that GHS does not have any standing agreement with Shelta Mart or any other auctioneer. He explained that the auctioneers are appointed by the office of the Chief of Staff.

The Committee was informed that the GHS had sent three formal communications to the auctioneer to remind him of his indebtedness to GHS on the following dates:

- 14<sup>th</sup> February, 2014

- 19th March, 2014 and
- 15<sup>th</sup> April 2014.

All efforts by the GHS to get Shelter Mart to pay have proved futile. The GHS has therefore reported the matter to the Police as it is now beyond their control.

The Director General informed the Committee that upon receipt of a letter summoning GHS to appear before the Committee, the Transport Division contacted the Police to get the Auctioneer to appear before the Committee, but was told the Auctioneer, Shelta Mart, was sick and was receiving treatment at a herbal treatment centre in his village.

#### **8.4 Technical Assessment Team**

The Committee observed that the Head of Transport constituted the Technical committee instead of the Director General as the head of the entity as required by the law. The Committee was therefore of the view that there was lack of adequate checks and balances within the GHS.

The GHS explained that it had been the practice to set up a technical team to perform a technical assessment in the various regions and submit a request to the Director General. The Director General then directs the transport unit to set up a technical team to review the submissions from the regions and send their recommendations back to the Director General.

The GHS stated that the situation has been rectified to reflect the requirements of the law when their attention was drawn to it by the Auditor General.

## **8.5 Status of Auction of Vehicles in the Eastern Region**

The Committee noted that nine auctions were carried out in different regions during the period under review as indicated in Table 1 below:

Table 1

<b>REGION</b>	<b>NUMBER OF AUCTIONS</b>
Greater Accra	4
Norther Region	3
Volta Region	2
Eastern Region	Nil

The Committee enquired as to why auctions in the Eastern Region had not been carried out since August 2014.

The Director General informed the Committee that the Eastern Region's request for auction had not been granted by the Office of the Chief of Staff. He however further informed the Committee that approval for the disposal of the vehicles for the Eastern Region was later granted.

## **9.0 RECOMMENDATIONS**

### **MINISTRY OF FOOD AND AGRICULTURE**

#### **9.1 Unprofessional Conduct of the Auctioneer Mr. Alexander Adjei**

Considering the unprofessional conduct of the Auctioneer, Mr Alexander Adjei in the process of the auction sale, the Committee recommends to the Ghana Auctioneers Registration Board to suspend his licence and re-examine his competence at the end of the suspension term before granting him licence to operate in Ghana.

Furthermore, the Auditor General should initiate the process to recover the undeserved Commission he paid to himself in the process and if practicable, charge interest for the period he held the money and any other relevant money outside the stipulated time given by law.

The Auditor General should evaluate the transport, accommodation and other incidental costs incurred by Mr, Alexander Adjei in traveling around the country to conduct auction for the Ministry and submit same to the MoFA to be paid to Mr. Alexander Adjei for the expenses he incurred on behalf of the Ministry.

The Committee recommends to the Ministry of Food and Agriculture and the GRA to ensure that Mr. Alexander Adjei (Alex Mart) meets all his tax obligations under the transaction and file his tax returns accordingly and report to the Committee through the Auditor-General.

## **GHANA HEALTH SERVICE**

### ***10.1 Non-Payment of Proceeds of Auctioned vehicles by Shelter Mart***

The Committee recommends to the GHS to take steps including legal action if necessary to retrieve the sum of GH¢ 44,125 of auction proceeds under the custody of Mr. Felix Aduadjoe of Shelter Mart.

The Committee further recommends to the Auctioneers Registration Board to revoke the License of Shelter Mart and prevent him from practicing as an auctioneer in Ghana with immediate effect.

## 11.0 RECOMMENDATION TO GOVERNMENT

### ***Establishment of Independent Auction Valuation Board or Authority***

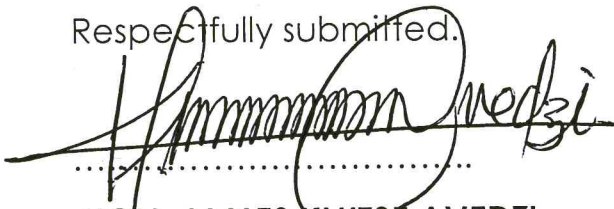
The Committee also wishes to recommend to Government to consider establishing an independent valuation Board or Authority to be responsible for the valuation of Government vehicles and supervision of auction process in Ghana instead of relying on the STC.

The committee further recommends to Government take a second look at the Financial Management System regarding the accounting for proceeds of auction sales.

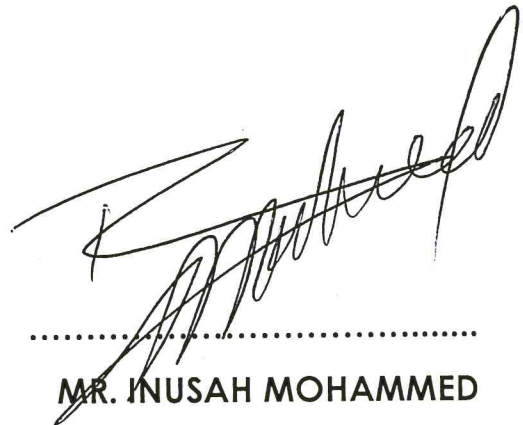
## 12.0 CONCLUSION

In conclusion, the Committee recommends to the House to adopt its report on the 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 and the recommendations made in accordance with Order 165 of the Standing Orders of the Parliament of Ghana.

Respectfully submitted.



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MR. INUSAH MOHAMMED  
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