

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)

AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE MILLENNIUM CHALLENGE COMPACT BETWEEN THE REPUBLIC OF GHANA AND THE UNITED STATES OF AMERICA FOR THE PERIOD APRIL 01, 2019 TO MARCH 31, 2020



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PROJECT MANAGEMENT TEAM

Name	Title	Email address
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ACRONYMS AND ABBREVIATIONS

Abbreviation	Meaning
AICPA	American Institute of Certified Public Accountants
BA	Bank Agreement
CA	Compact Agreement
CIF	Compact Implementation Fund
CPS	Common Payment System
DFP	Detailed Financial Plan
ECG	Electricity Company of Ghana
EEDSM	Energy Efficiency and Demand Side Management
FAP	Fiscal Accountability Plan
GoG	Government of Ghana
GRA	Ghana Revenue Authority
ITS	International Treasury System
MCC	Millennium Challenge Corporation
MCDR	Monthly Commitments and Disbursements Report
MiDA	Millennium Development Authority
MSME	Micro, Small and Medium-sized Enterprise
NEDCo	Northern Electricity Distribution Company
PIA	Program Implementation Agreement
PIP	Procurement Implementation Plan
POM	Procurement Operations Manual
PPG	Program Procurement Guidelines
PSP	Private Sector Participation
SAS	Statement on Auditing Standards



SECTION 1

TRANSMITTAL LETTER

February 15, 2021

The Chief Executive Officer
Millennium Development Authority
4th Floor, Heritage Tower
6th Avenue, Ridge West
P.M.B. 56, Ministries
Accra, Ghana

Attention: Mr. Martin Eson-Benjamin

Subject: Audit of the Millennium Challenge Corporation (MCC) Resources Managed by MiDA under the Grant Implementation Agreement and Millennium Challenge Compact between the Republic of Ghana and the United States of America for the Period April 01, 2019 to March 31, 2020

Dear Sir,

We are pleased to present our audit report on the Millennium Challenge Corporation (MCC) Resources Managed by MiDA for the period April 01, 2019 to March 31, 2020.

Our report is structured as follows:

Section 1: This transmittal letter

Section 2: Executive summary which summarizes the background of the Compact, the objective and scope of the engagement, financial highlights, summary of internal control observations and recommendations, summary of compliance issues identified with recommendations, as well as the synopsis of management comments.

Section 3: Fund Accountability Statements (for the Period April 01, 2019 to March 31, 2020 and notes to the Fund Accountability Statements.

Section 4: Cost-sharing schedule

Section 5: Report on internal control structure

Section 6: Report on compliance

Section 7: Status of implementation of prior period recommendations

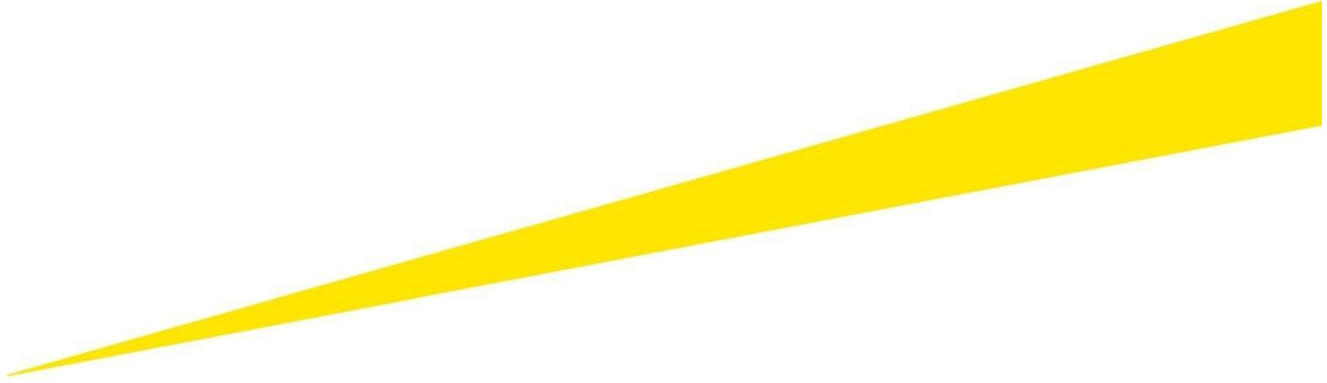
Section 8 Management verbatim comments

We would like to express our appreciation to the management and staff of MiDA and MCC for the cooperation and assistance during the course of the assignment.

Yours truly,



Victor GBORGLAH
PARTNER



SECTION 2

EXECUTIVE SUMMARY

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
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2.1 - BACKGROUND, OBJECTIVE AND SCOPE

2.1.1 BACKGROUND

The Republic of Ghana and the United States of America acting through the Millennium Challenge Corporation (“MCC”) have entered into (A) a Grant and Implementation Agreement on August 14, 2013, under which MCC provided funding to the Government of Ghana (the “Government”), in an amount which did not exceed Eight Million United States Dollars (US\$ 8,000,000) (“Compact Development Funds” or “609(g) Funds”) to facilitate the development of a Millennium Challenge Compact (the “609(g) Agreement”) and (B) a Millennium Challenge Compact on August 5, 2014, under which MCC will provide funding to the Government, in an amount not to exceed four hundred and ninety-eight million, two hundred thousand United States Dollars (US\$ 498,200,000) (“MCC Funding”) to facilitate poverty reduction through economic growth (the “Compact”).

In addition, pursuant to the terms of the Compact, the Government committed to provide funding as a Government contribution to support implementation of the Compact in an amount equal to no less than seven and one-half percent (7.5%) of the amount of funding provided by MCC in the Compact (the “Government Contribution”). Together, Compact Development Funds, MCC Funding and the Government Contribution are herein referred to as the “Audited Funds.”

The Compact provides that the Millennium Development Authority (“MiDA”), an agency of the Government, is designated as the Accountable Entity to implement the Compact and to exercise and perform the Government’s right and obligation to oversee, manage and implement the Compact, including without limitation, managing the implementation of the Compact Program, allocating resources and managing procurements. The Compact objectives (the “Program Objectives”) are to: (i) increase private sector investment and the productivity and profitability of micro, small, medium and large-scale businesses; (ii) increase employment opportunities for men and women; and (iii) raise earning potential from self-employment and improved social outcomes for men and women.

The Compact program consists of six Projects:

- The ***ECG Financial and Operational Turnaround Project’s*** objective is to improve the quality and reliability of electricity through reduced outages and cost-effective service delivery by ECG, reduce aggregate technical, commercial and collections losses, and to ensure ECG can serve as a creditworthy and credible off-taker under power purchase agreements. The project objective will be achieved by reducing implicit subsidies (created by losses, underpricing and under-billing) and ensuring cost-recovery and re-investment in the distribution sub-sector, through introduction of private sector participation (“PSP”) in the governance and management of ECG in the form of a concession, and through infrastructure and foundational investments designed to reduce losses and improve service quality. A modern, cost-reflective tariff with appropriate adjustment intervals is essential for attracting the PSP for distribution envisioned for this Compact.
- The ***NEDCo Financial and Operational Turnaround Project’s*** objective is to develop NEDCo into a utility that will contribute to economic growth in the northern part of Ghana by improving its ability to recover costs and provide service to customers in a timely and effective manner. The project objective will be achieved by strengthening NEDCo’s financial and operational performance and ensuring it is able to function independently and to engage with the private sector to meet their electricity needs. In addition, this Project will introduce PSP in the form of a management contract to provide operational and commercial capacity building to ensure the achievement of performance targets and will provide infrastructure and foundational investments designed to reduce losses and improve service quality.

- The **Regulatory Strengthening and Capacity Building Project's** objective is to ensure the sustainability of all power sector investments, promote greater transparency and accountability for results in the sector, and enhance evidence-based decision making among sector institutions. This project will, therefore, ensure that the power sector is financially self-sustaining and relies less heavily on cross-subsidies among tariff categories or other direct or implicit subsidies from the Government. This project will support creation of an enabling environment for private investment in the power sector. The project objective will be achieved by strengthening independent monitoring of service quality, and improving capacity for ratemaking and other regulatory processes, including the review and restructuring of tariffs to enable the utilities to recover costs.
- The objective of the **Access Project** is to improve access to reliable electricity among MSMEs in markets and economic enclaves in urban and peri-urban areas coinciding with those regions targeted by the commercial and technical loss reduction investments of the ECG and NEDCo Financial and Operational Turnaround Projects. The Access Project is expected to increase the number of new connections in targeted areas by reducing barriers to obtaining legal connections, thereby contributing to increased productivity in markets and economic enclaves. This Project will also contribute to the overall objective of the distribution turnaround projects of reducing commercial losses and improving the financial health of the distribution companies, by decreasing the number of consumers who would otherwise seek illegal connections to the network.
- The objective of the **Power Generation Sector Improvement Project** is to reduce disruptions in electricity service due to generation shortfalls by promoting timely investments in additional installed generation capacity. This Project aims to ensure a more cost-effective fuel mix by instituting a framework for a reliable fuel supply for thermal generation. In addition, this Project will facilitate the adoption of an Integrated Resource Plan ("IRP") leading to increased potential throughput to electricity consumers and reduced energy costs to enterprises, households and industry. This Project will achieve these results by establishing a competitive tendering process for Independent Power Producers (IPPs), by helping to finalize commercial gas supply agreements to facilitate development of gas reserves and cost-effective fuel supplies for power generation, and by securitizing the gas sector to enable reduced reliance on more costly oil-based fuels.
- The objective of the **Energy Efficiency and Demand Side Management Project** ("EE/DSM") is to reduce energy waste by consumers, thereby increasing the reserve margin between electricity supply and peak demand, making electricity available to more consumers at a lower cost than that of developing new generation capacity. In addition, this Project will improve the financial viability of ECG and NEDCo by helping Ghanaian government agencies, which comprise a significant portion of total energy demand, to reduce their energy consumption. This Project will achieve these results through the development and enforcement of standards and labels, improving energy audits, providing education and public information, and investment in demand side management infrastructure.

2.1.1.1 PROGRAM UPDATES

Out of the six projects stated under section 2.1.1 above, only three were actively implemented up to the date of this report as the underlisted were cancelled due to the reasons provided.

- NeDCo Financial and Operational Turnaround project due to the inability to meet certain timelines for public-private partnership.
- Power Generation Sector Improvement Project which was cancelled because it was linked to the successful implementation of the ECG Private Sector Participation agreement that was cancelled along the way; and.
- Access project cancelled because of funding issues and the impact of COVID-19.

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2.1.2 - AUDIT OBJECTIVES AND SCOPE

The objectives of this engagement are to conduct financial audit of the MCC and Government resources, including Compact Implementation Funding, Compact Funding, and the Government Contribution managed by MiDA under the Compact agreement between MCC and the Government from the period April 01, 2019 through March 31, 2020. The audits are conducted in accordance with the U.S. Government Auditing Standards issued by the Comptroller General of the United States and the guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities (the Audit Guidelines).

The Fund Accountability Statement is the basic financial statement that has been audited and it presents MiDA's revenues, costs incurred, cash balance of funds provided to MiDA by MCC and the Government, commodities, assets and technical assistance directly procured by MCC, MiDA and the Government or an Implementing Entity for use by MiDA, the government or an Implementing Entity.

The specific objectives of the audit of the MCC resources are to:

- Express an opinion on whether the Fund Accountability Statement for the resources managed by MiDA using both MCC and Government funds presents fairly, in all material respects, revenues received, costs incurred and reimbursed, and commodities, assets, and technical assistance directly procured by MCC and the Government (including by MiDA) for the period audited in accordance with MCC rules and regulations, other implementing guidance, and the terms of the 609(g) Agreement, Compact, related agreements, conditions of award, and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate and obtain a sufficient understanding of MiDA's internal controls related to MiDA's development and implementation of the Compact using both MCC and Government of Ghana funds, assess control risk and identify reportable conditions, including material internal control weaknesses. This evaluation must include the internal controls related to Government contributions required for this Compact.
- Perform tests to determine whether MiDA complied, in all material respects, with the 609(g) Agreement, Compact (including those MCC rules and regulations regarding Government of Ghana Contributions), supplemental agreements and applicable laws and regulations related to MCC-funded programs. All material instances of non-compliance and all illegal acts that have occurred or are likely to have occurred must be identified. Such tests must include the compliance requirements related to the required Government contributions. Specifically, the auditor shall perform tests to determine whether MiDA complied, in all material respects, with the MCC Program Procurement Guidelines, the MCC Cost Principles for Accountable Entity Operations and the MiDA Fiscal Accountability Plan in effect during the audit period.
- Review prior audit recommendations to ensure corrective actions have been taken in accordance with MCC Guidelines.

Based on the aforementioned, we performed the following audit procedures in respect of the period April 01, 2019 to March 31, 2020:

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2.1.3 PRE-AUDIT STEPS

We reviewed the following documents:

1. The Millennium Development Authority Act, 2015 (Act 702) as amended;
2. The Program Implementation Agreement between the United States of America acting through MCC and the Republic of Ghana acting through Millennium Development Authority;
3. The Compact Agreement;
4. Detailed Financial Plan (DFP) of MiDA;
5. Work Plan of MiDA;
6. The Program Procurement Guidelines (PPG);
7. Bank Agreements;
8. The Fiscal Accountability Plan (FAP);
9. Multi Year Financial Plan;
10. The MCC Cost Principles for Accountable Entity Operations;
11. Program financial reports, organizational charts, accounting systems descriptions, and written policies and procedures;
12. Program Procurement Guidelines;
13. Procurement Agent Agreement;
14. Fiscal Agent Agreement.

2.1.4 FUND ACCOUNTABILITY STATEMENT

We examined the Fund Accountability Statement for activities funded with MCC resources, the revenues received for the period covered by the audit in the form of payments into permitted accounts, direct payments, as well as a GoG contribution; the costs reported by MiDA as incurred during that period; and technical assistance directly procured by MCC for the recipient's use.

MiDA accepted responsibility for the statement's accuracy before the audit commenced.

2.1.5 COST SHARING SCHEDULE

We reviewed the cost sharing schedule based on the multi-year financial plan for the Compact which indicates the expected contributions of the Government of Ghana. According to the Compact Agreement, the Government will make a contribution of no less than seven- and one-half percent (7.5%), in addition to any other fiscal cost of the Government, of the amount of MCC Funding provided under the compact towards meeting the program and Project objectives.

2.1.6 INTERNAL CONTROL STRUCTURE

We reviewed and evaluated MiDA's internal control structure related to program activities to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation and in compliance with the Fiscal Accountability Plan. The internal control was documented in the working papers. The major internal controls studied and evaluated include, but are not limited to, each revenue and expense account on the Fund Accountability Statement.

2.1.7 COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

In fulfilling the audit requirement to determine compliance with agreement terms and applicable laws and regulations related to donor activities, we at a minimum, followed guidance contained in AU Section 801 entitled "Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance."

Our report on compliance sets forth as findings all material instances of non-compliance.

2.1.8. INDIRECT COST RATES

MiDA (the recipient) does not have an MCC-authorized provisional indirect cost rate. In view of this, no procedures were performed in that respect.

2.1.9 COMMON PAYMENT SYSTEM

The Common Payment System was reviewed to determine whether MiDA complied with MCC's policies and procedures regarding the Common Payment System. This included among other things whether MiDA had adequate systems in place to monitor the amount of periodic spending authority authorized by MCC.

2.1.10 OTHER AUDIT RESPONSIBILITIES

We performed the following tasks:

- i. Held an entrance conference with MiDA management on May 19, 2020.
- ii. Submitted the planning document to MiDA for approval on May 27, 2020.
- iii. Held an exit conference with MiDA management on September 15, 2020.
- iv. We instituted quality control procedures within our firm to ensure that sufficient competent evidence was obtained through inspection, observation, inquiries and confirmations to afford a reasonable basis for our opinion regarding the Fund Accountability Statement audited. While we used our standard procedures for ensuring quality control, those procedures, at a minimum, ensured that:
 - a. audit reports and supporting working papers were reviewed by an Audit Partner who was not involved in the audit;
 - b. all quantities and monetary amounts involving calculations were footed and cross-footed; and
 - c. All factual statements, numbers, conclusions and monetary amounts were cross-indexed to supporting working papers.

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2.2 SUMMARY OF AUDIT RESULTS

2.2.1 FINANCIAL

The tables below show the summary of the consolidated Fund Accountability Statement of MiDA for the period under audit.

2.2.1.1 Consolidated Fund Accountability Statement

Consolidated	Prior period	Current period	Program cumulative
	US\$	US\$	US\$
Funds received	70,272,932	54,596,981	124,869,913
Costs incurred	(58,661,685)	(61,718,270)	(120,379,955)
Surplus/(Deficit) (Excess of revenue over cost incurred)	11,611,247	(7,121,289)	4,489,958
Net reconciling items	1,150,035	(4,035,626)	(2,885,591)
Opening cash balance	-	12,761,282	-
Cash balance	12,761,282	1,604,367	1,604,367
Accrued expenses and accounts payable	(214,744)	(3,761,918)	(3,761,918)
Fund balance	12,546,538	(2,157,551)	(2,157,551)

2.2.1.2 Cost Sharing Schedule

	Period budget	Period Actual	Period shortfall
	US\$	US\$	US\$
Cash	-	-	-
Cost share contribution*	-	-	-

*There was no budgeted amount to be contributed by the Government of Ghana within the period under review. This was due to the de-obligation of the second tranche of the compact agreement at which point no expense had been incurred against the GoG contributions. All expenses incurred were against the MCC funds which will be transferred to tranche one (1) of the compact.

2.2.2 INTERNAL CONTROL

No.	Observation	Recommendation	Reference
1	<p>Lack of clarity on the use of interest accrued on GoG funds and the interest not accounted for in the fund accountability statement</p> <p>Our review of the fund accountability statement in the prior periods revealed that there was no clarity on the use of interest accrued on the GoG contributions to the Compact. However, in the current year, the entire amount has not been accounted for in the fund accountability statement.</p>	<p>Management and the Board should, in consultation with Government, define specifically what the accrued interest should be used for and consistently accounted for.</p>	5.2.1

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2.2.2 INTERNAL CONTROL (continued)

No.	Observation	Recommendation	Reference
2	<p>Logbooks not updated</p> <p>We noted during the audit that there were differences between the logbooks in some vehicles used by MiDA and the actual kilometres displayed in the cars.</p>	<p>Management should ensure that, vehicles acquired with MCC/Compact resources are properly monitored to avoid misuse by ensuring all logbooks are appropriately updated.</p>	5.2.2
3	<p>Lack of evidence of review of Super User Activities</p> <p>Although the SAP application has an audit trail's functionality activities of super /administrator users on the SAP, other data applications are not monitored, reviewed and signed off on a periodic basis to check the appropriateness of privilege access usage.</p>	<p>Management should ensure that activities of super users, which must be traceable to specific individuals for accountability, are logged and reviewed for propriety by independent parties (that is, Internal Audit - Normally an IT auditor with an appreciation of audit trail language and can understand or make meaning of activity logs).</p>	5.2.3
4	<p>Non-Performance of Vulnerability and Penetration tests</p> <p>We noted during our review that although MiDA receives emails on updates and the strength of their firewall from its operators, no vulnerability and penetration test was performed during the period under review.</p>	<p>Management should ensure continuous performance of Vulnerability and Penetration testing to identify possible loopholes in the internal network security and beef up the network security accordingly.</p>	5.2.4
5	<p>Inadequate Monitoring of IT Control Processes</p> <p>During our review, we noted that although MiDA has an internal audit function that performs regular internal control reviews, general IT control reviews were not covered in the internal audit scope during the period under review. Hence no IT controls test was performed.</p>	<p>The current Internal Audit function should be equipped with the requisite skills to perform IT controls review. Alternatively, management may consider establishing a dedicated IT Audit function or outsourcing same to a professional firm. The IT audit function will be responsible for ensuring that all IT controls are well designed, implemented and operating effectively.</p>	5.2.5

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2.2.3 COMPLIANCE

No.	Observation	Recommendation	Reference
1	Travel advances not retired on time Some staff did not retire their travel advances on time.	Travellers should retire their advances within the time stipulated in the FAP.	6.2.1
2	Taxes on bonus not properly computed We noted during the audit that bonus paid to some staff was undertaxed by US\$477 due to taxing the excess bonus at the graduated rates separately instead of consolidating with the annual earnings of the staff.	Management should ensure that, the correct rates are applied when taxes are to be computed on bonuses to avoid being surcharged by the Ghana Revenue Authority in case there is a tax audit. Management should also decide on what to do to ensure the tax difference is appropriately paid.	6.2.2

2.3 SYNOPSIS OF MANAGEMENT COMMENTS

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

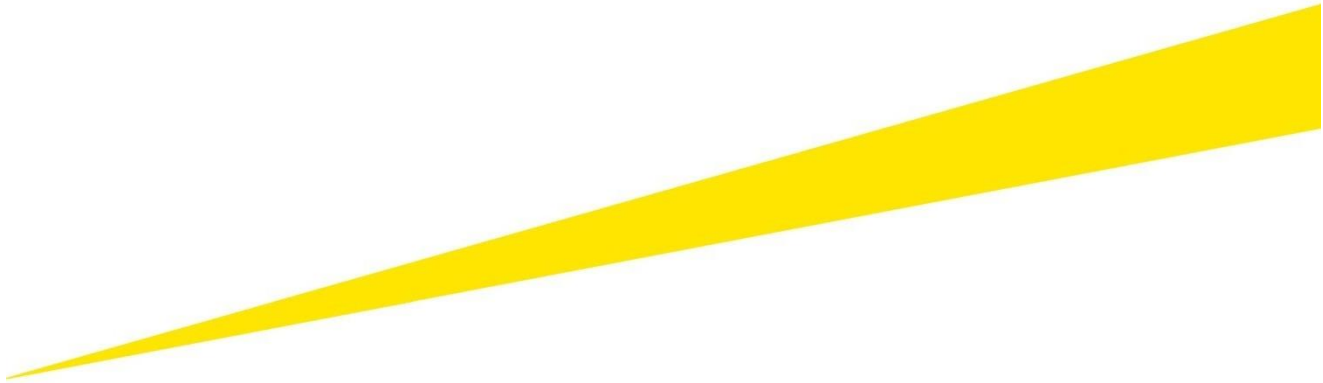
2.4 STATUS OF PRIOR AUDIT RECOMMENDATIONS

We reviewed prior audit recommendations on internal control and compliance to ensure management has implemented the recommendations or what remedial actions are being undertaken. Our review showed that some of the recommendations have been implemented. Those that are yet to be implemented have been reiterated in the current year's internal control and compliance findings.



SECTION 3

FUND ACCOUNTABILITY STATEMENTS



SECTION 3.1

INDEPENDENT AUDITOR'S OPINION ON THE CONSOLIDATED FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND MILLENNIUM CHALLENGE COMPACT

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

We have audited the Fund Accountability Statement of the Millennium Development Authority (MiDA) for the period April 01, 2019 to March 31, 2020. The Fund Accountability Statement is the responsibility of the management of MiDA. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit of the Fund Accountability Statement in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.96 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Ghana. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in Ernst & Young Global's worldwide internal quality control review program which requires each audit partner in our office to be subjected, every three years, to an extensive quality control review by partners and senior managers from other affiliate offices.

In our opinion, the Fund Accountability Statement referred to above present fairly, in all material respects, program revenues, costs incurred and reimbursed, for the period April 01, 2019 to March 31, 2020 in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement.

Without qualifying our opinion, we draw your attention to the fact that the results of our tests disclosed that, in the prior periods, there was no clarity on the use of interest accrued on the GoG contributions to the Compact. However, in the current period, the entire amount has not been accounted for in the Fund Accountability Statement.

In accordance with U.S. Government Auditing Standards, we have also issued our report dated February 15, 2021 on our consideration of MiDA's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent Auditors' Report in considering the results of our audit.

This report is intended for the information of Millennium Development Authority (MiDA) and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

SUPPLEMENTAL INFORMATION

Our audit was conducted for the purpose of forming an opinion on the fund accountability statement as a whole. The Note 17 is presented for purposes of additional analysis and is not a required part of the fund accountability statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the fund accountability statement.

The information has been subjected to the auditing procedures applied in the audit of the fund accountability statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the fund accountability statement or to the fund accountability statement itself, and other additional procedures in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States of America.

In our opinion, the supplementary information is fairly stated in all material respects in relation to the fund accountability statement as a whole.

A handwritten signature in cursive script that reads "Ernst + Young".

Ernst & Young
Chartered Accountants
Accra

Date: February 15, 2021



SECTION 3.2

FUND ACCOUNTABILITY STATEMENTS

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE
 MILLENNIUM CHALLENGE COMPACT BETWEEN THE REPUBLIC OF GHANA AND THE UNITED STATES OF AMERICA FOR THE PERIOD APRIL 01, 2019 TO MARCH 31, 2020

CONSOLIDATED FUND ACCOUNTABILITY STATEMENT - (COMPACT, CIF, 609(g) AND GOG)
 FOR THE PERIOD APRIL 01, 2019 TO MARCH 31, 2020

Revenue	Note	Budget	Prior period	Current period	Program cumulative	Question costs	
		US\$	US\$	US\$	to date	Unsupported	Ineligible
					US\$	US\$	US\$
Transfer to permitted accounts	2a	-	30,999,030	8,625,000	39,624,030		
Direct payments	3a	-	39,273,902	45,971,981	85,245,883		
Total program revenue		<u>-</u>	<u>70,272,932</u>	<u>54,596,981</u>	<u>124,869,913</u>		
Costs incurred							
ECG Financial & Operational Turnaround Project - Tr 1	4a	175,859,225	23,201,697	41,123,052	64,324,749		
NEDCo Financial & Operational Turnaround Project	5	57,720,650	650,719	428,183	1,078,902		
Regulatory Strengthening and Capacity Building Project	6a	5,039,532	1,752,806	361,546	2,114,352		
Access Project	7	10,000,000	20,164	221,603	241,767		
Power Sector Generation Improvement Project		13,051,648	-	-	-		
Energy Efficiency & Demand Side Management	8	26,147,799	1,017,846	4,354,091	5,371,937		
Monitoring and Evaluation (M&E)	9a	8,818,437	475,000	928,364	1,403,364		
Program Administration & Oversight	10a	50,100,360	31,543,453	7,668,621	39,212,074		
ECG Financial & Operational Turnaround Project - Tr 2	11	190,000,000	-	6,632,810	6,632,810		
Total program cost		<u>536,737,651</u>	<u>58,661,685</u>	<u>61,718,270</u>	<u>120,379,955</u>		
Surplus/ (Excess of revenue over costs incurred)			11,611,247	(7,121,289)	4,489,958		
Accounts receivable	12		(61,117)	5,963	(55,154)		
Interest income	13a		5,201,153	45,823	5,246,976		
Interest transferred/utilized	14a		(982,346)	(4,250,402)	(5,232,748)		
Exchange difference	15		(3,007,655)	162,990	(2,844,665)		
Opening cash balance	16a		-	12,761,282	-		
Closing cash balance	16a		12,761,282	1,604,367	1,604,367		
Accrued expenses and accounts payable	17		(214,744)	(3,761,918)	(3,761,918)		
Fund balance			<u>12,546,538</u>	<u>(2,157,551)</u>	<u>(2,157,551)</u>		



Martin Eson-Benjamin
 2021.02.15 14:40:02 Z

Chief Executive Officer



Digitally signed by John Boakye
 Date: 2021.02.15 14:00:45 Z

Chief Financial Officer

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE
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FUND ACCOUNTABILITY STATEMENT - COMPACT FUNDS
 FOR THE PERIOD APRIL 01, 2019 TO MARCH 31, 2020

Revenue	Note	Budget	Prior period	Current period	Compact Funds cumulative to date	Question costs	
		US\$	US\$	US\$	US\$	Unsupported US\$	Ineligible US\$
Transfer to permitted accounts	2b	-	13,200,000	8,625,000	21,825,000		
Direct payments	3b	-	<u>27,415,652</u>	<u>45,971,981</u>	<u>73,387,633</u>		
Total program revenue		-	<u>40,615,652</u>	<u>54,596,981</u>	<u>95,212,633</u>		
Costs incurred							
ECG Financial & Operational Turnaround Project - Tr 1	4b	145,555,425	18,445,650	33,991,037	52,436,687		
NEDCo Financial & Operational Turnaround Project	5	54,191,650	650,719	428,183	1,078,902		
Regulatory Strengthening and Capacity Building Project	6b	3,385,112	1,733,498	361,546	2,095,044		
Access Project	7	10,000,000	20,164	221,603	241,767		
Power Sector Generation Improvement Project		9,029,648	-	-	-		
Energy Efficiency & Demand Side Management	8	26,147,799	1,017,846	4,354,091	5,371,937		
Monitoring and Evaluation (M&E)	9b	7,308,437	203,437	928,364	1,131,801		
Program Administration & Oversight	10b	38,704,580	18,392,551	7,668,621	26,061,172		
ECG Financial & Operational Turnaround Project - Tr 2	11	<u>190,000,000</u>	-	<u>6,632,810</u>	<u>6,632,810</u>		
Total program cost		<u>484,322,651</u>	<u>40,463,865</u>	<u>54,586,255</u>	<u>95,050,120</u>		
Surplus (Excess of revenue over costs incurred)			151,787	10,726	162,513		
Accounts receivable	12		(61,117)	5,963	(55,154)		
Interest income	13b		84,193	45,823	130,016		
Interest transferred/utilized	14b		(73,897)	(41,891)	(115,788)		
Opening cash balance	16b		-	<u>100,966</u>	-		
Closing cash balance	16b		100,966	121,587	121,587		
Accrued expenses and accounts payable	17		(214,744)	(3,761,918)	(3,761,918)		
Fund balance			<u>(113,778)</u>	<u>(3,640,331)</u>	<u>(3,640,331)</u>		

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE
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FUND ACCOUNTABILITY STATEMENT - CIF
 FOR THE PERIOD APRIL 01, 2019 TO MARCH 31, 2020

Revenue	Note	Budget	Prior period	Current period	CIF Cumulative to date US\$	Question costs	
		US\$	US\$	US\$		Unsupported US\$	Ineligible US\$
Transfer to permitted accounts	2c	-	5,824,500	-	5,824,500		
Direct payments	3c	-	<u>8,071,281</u>	-	<u>8,071,281</u>		
Total program revenue		-	<u>13,895,781</u>	-	<u>13,895,781</u>		
Costs incurred							
ECG Financial & Operational Turnaround Project - Tr 1	4c	7,188,800	2,938,946	-	2,938,946		
NEDCo Financial & Operational Turnaround Project		3,529,000	-	-	-		
Regulatory Strengthening and Capacity Building Project	6c	1,654,420	19,308	-	19,308		
Power Sector Generation Improvement Project		4,022,000	-	-	-		
Monitoring and Evaluation (M&E)	9c	1,510,000	271,563	-	271,563		
Program Administration & Oversight	10c	<u>10,995,780</u>	<u>10,647,532</u>	-	<u>10,647,532</u>		
Total program cost		<u>28,900,000</u>	<u>13,877,349</u>	-	<u>13,877,349</u>		
Surplus (Excess of revenue over cost incurred)			18,432	-	18,432		
Interest income	13c		23,071	-	23,071		
Interest transferred/utilized	14c		(23,071)	-	(23,071)		
Surplus transferred to compact (tax receivable and cash)			<u>(18,432)</u>	-	<u>(18,432)</u>		
Fund balance			<u>-</u>	<u>-</u>	<u>-</u>		

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE
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FUND ACCOUNTABILITY STATEMENT - 609(g)
 FOR THE PERIOD APRIL 01, 2019 TO MARCH 31, 2020

Revenue	Note	Budget	Prior period	Current period	609(g) Cumulative to date	Question costs	
		US\$	US\$	US\$	US\$	Unsupported US\$	Ineligible US\$
Direct payments	3d	-	3,786,969	-	3,786,969		
Total program revenue		-	<u>3,786,969</u>	-	<u>3,786,969</u>		
Costs incurred							
ECG Financial & Operational Turnaround Project - Tr 1	4d	-	1,283,600		1,283,600		
Program Administration & Oversight	10d	<u>400,000</u>	<u>2,503,369</u>	-	<u>2,503,369</u>		
Total program cost		<u>400,000</u>	<u>3,786,969</u>	-	<u>3,786,969</u>		
Surplus (Excess of revenue over cost incurred)			=====	=====	=====		
Fund balance			=====	=====	=====		

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE
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FUND ACCOUNTABILITY STATEMENT - GOG CONTRIBUTIONS
 FOR THE PERIOD APRIL 01, 2019 TO MARCH 31, 2020

Revenue	Note	Budget	Prior period	Current period	GoG cumulative to date	Question costs	
		US\$	US\$	US\$	US\$	Unsupported US\$	Ineligible US\$
Transfer to permitted accounts	2d	-	11,992,962	-	11,992,962		
Total program revenue		-	11,992,962	-	11,992,962		
Costs incurred							
ECG Financial & Operational Turnaround Project - Tr 1	4e	23,115,000	533,502	7,132,015	7,665,517		
Total program cost		23,115,000	533,502	7,132,015	7,665,517		
Surplus/(deficit) of revenue over cost incurred			11,459,460	(7,132,015)	4,327,445		
Interest income	13d		5,093,889	-	5,093,889		
Interest transferred/utilized	14d		(885,378)	(4,208,511)	(5,093,889)		
Exchange difference	15		(3,007,655)	162,990	(2,844,665)		
Opening cash balance	16c		-	12,660,316	-		
Closing cash balance	16c		12,660,316	1,482,780	1,482,780		
Fund balance			12,660,316	1,482,780	1,482,780		

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SECTION 3.3

NOTES TO THE FUND ACCOUNTABILITY STATEMENTS

NOTES TO THE FUND ACCOUNTABILITY STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation:

The Fund Accountability Statements of the Millennium Development Authority (MiDA) have been prepared in accordance with the modified cash basis of accounting. This implies that all amounts received in the form of cash or at bank are treated as revenue. All costs are treated as costs incurred except for advances which are treated as costs incurred only when they are accounted for. Accounts receivable are treated as reconciling items between the cash and fund balances.

The significant accounting policies adopted are as follows:

Revenue

Receipts from MCC

This relates to funds from the Millennium Challenge Cooperation (MCC);

- Disbursed via the Common Payment System (CPS) into Permitted Accounts at a local bank where the funds are subsequently disbursed from the local bank accounts to pay vendors or other payees, and
- Transferred directly from the U.S. Treasury to the vendors of goods, works, and services received by MiDA. CPS is used to process payments in U.S. Dollars or local currency.

Receipts from Government of Ghana (GoG)

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

Costs incurred

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

Currency conversion

Revenue and cost for each transaction has been translated at the weighted average rates computed based on foreign exchange transactions which occurred during a month at exchange-rates published by GT Bank Ghana Limited.

At the end of each month, the USD equivalent of the balances of all non-USD cash and bank accounts are adjusted according to the published rate on that date, with differences booked into the foreign exchange-gain/loss account using the appropriate budget code.

Interest

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

Accrued interest on MCC Funded Accounts are paid into the Accrued Interest Account on a monthly basis.

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
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 PERIOD APRIL 01, 2019 TO MARCH 31, 2020

NOTES TO THE FUND ACCOUNTABILITY STATEMENTS (CONTINUED)

Interest (continued)

Interest or other earnings accrued are used for Program activities or transferred to MCC by MiDA.

2. TRANSFER TO PERMITTED ACCOUNTS

These are funds received directly from MCC by MiDA through the permitted accounts for program activities that are locally paid for.

a. CONSOLIDATED

	Prior period US\$	Current period US\$	Cumulative to date US\$
Transfer to permitted accounts	<u>30,999,030</u>	<u>8,625,000</u>	<u>39,624,030</u>

b. COMPACT

	Prior period US\$	Current period US\$	Cumulative to date US\$
Transfer to permitted accounts	<u>13,200,000</u>	<u>8,625,000</u>	<u>21,825,000</u>

c. CIF

	Prior period US\$	Current period US\$	Cumulative to date US\$
Transfer to permitted accounts	<u>5,824,500</u>	<u>-</u>	<u>5,824,500</u>

d. GoG

	Prior period US\$	Current period US\$	Cumulative to date US\$
Transfer to permitted accounts	<u>11,992,962</u>	<u>-</u>	<u>11,992,962</u>

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
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3. DIRECT PAYMENTS

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

a. CONSOLIDATED

	Prior period US\$	Current period US\$	Cumulative to date US\$
ECG Financial and Operational Turnaround Regulatory Strengthening and Capacity Building Project	31,775,490	38,727,184	70,502,674
Energy Efficiency & Demand Side Management	1,705,752	276,000	1,981,752
NEDCo Financial and Operational Turnaround	627,995	3,936,013	4,564,008
Monitoring and Evaluation	646,351	-	646,351
Access to Electricity Project	331,144	808,962	1,140,106
Program Administration and Oversight	-	152,057	152,057
Transfer from CIF	4,168,738	2,071,765	6,240,503
	<u>18,432</u>	<u>-</u>	<u>18,432</u>
	<u>39,273,902</u>	<u>45,971,981</u>	<u>85,245,883</u>

b. COMPACT

	Prior period US\$	Current period US\$	Cumulative to date US\$
ECG Financial and Operational Turnaround Regulatory Strengthening and Capacity Building Project	17,586,021	38,727,184	56,313,205
Energy Efficiency & Demand Side Management	1,703,352	276,000	1,979,352
NEDCo Financial and Operational Turnaround	627,995	3,936,013	4,564,008
Monitoring and Evaluation	646,351	-	646,351
Access to Electricity Project	72,407	808,962	881,369
Program Administration and Oversight	-	152,057	152,057
Transfer from CIF	6,761,094	2,071,765	8,832,859
	<u>18,432</u>	<u>-</u>	<u>18,432</u>
	<u>27,415,652</u>	<u>45,971,981</u>	<u>73,387,633</u>

c. CIF

	Prior period US\$	Current period US\$	Cumulative to date US\$
ECG Financial and Operational Turnaround Regulatory Strengthening and Capacity Building Project	2,905,869	-	2,905,869
Monitoring and Evaluation	2,400	-	2,400
Program Administration and Oversight	258,737	-	258,737
	<u>4,904,275</u>	<u>-</u>	<u>4,904,275</u>
	<u>8,071,281</u>	<u>-</u>	<u>8,071,281</u>

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
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NOTES TO THE FUND ACCOUNTABILITY STATEMENTS (CONTINUED)

d. 609(g)

	Prior period US\$	Current period US\$	Cumulative to date US\$
ECG Financial and Operational Turnaround	1,283,600	-	1,283,600
Program Administration and Oversight	<u>2,503,369</u>	<u>-</u>	<u>2,503,369</u>
	<u>3,786,969</u>	<u>-</u>	<u>3,786,969</u>

4. ECG FINANCIAL AND OPERATIONAL TURNAROUND PROJECT - TR1

a. CONSOLIDATED

	Prior period US\$	Current period US\$	Cumulative to date US\$
Private Sector Participation	7,425,485	2,417,450	9,842,935
Modernizing ECG Operations	8,737,004	7,198,758	15,935,761
Commercial Loss Reduction	1,161,069	2,886,998	4,048,067
Technical Loss Reduction	5,788,906	28,376,750	34,165,657
Outage Reduction	<u>89,233</u>	<u>243,096</u>	<u>332,329</u>
	<u>23,201,697</u>	<u>41,123,052</u>	<u>64,324,749</u>

b. COMPACT

	Prior period US\$	Current period US\$	Cumulative to date US\$
Private Sector Participation	3,345,285	2,417,451	5,762,736
Modernizing ECG Operations	8,130,262	6,843,621	14,973,883
Commercial Loss Reduction	1,161,069	2,886,998	4,048,067
Technical Loss Reduction	5,719,801	21,599,871	27,319,672
Outage Reduction	<u>89,233</u>	<u>243,096</u>	<u>332,329</u>
	<u>18,445,650</u>	<u>33,991,037</u>	<u>52,436,687</u>

c. CIF

	Prior period US\$	Current period US\$	Cumulative to date US\$
Transaction Advisory Services	2,796,600	-	2,796,600
Geographic Information System Consultancy	103,509	-	103,509
Advertisement and Evaluations	<u>38,837</u>	<u>-</u>	<u>38,837</u>
	<u>2,938,946</u>	<u>-</u>	<u>2,938,946</u>

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY
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NOTES TO THE FUND ACCOUNTABILITY STATEMENTS (CONTINUED)

d. 609(g)

	Prior period US\$	Current period US\$	Cumulative to date US\$
Transaction Advisory Services	<u>1,283,600</u>	<u>-</u>	<u>1,283,600</u>

e. GoG

	Prior period US\$	Current period US\$	Cumulative to date US\$
Modernizing ECG Operations	446,906	355,136	802,042
Technical Loss Reduction	<u>86,596</u>	<u>6,776,879</u>	<u>6,863,475</u>
	<u>533,502</u>	<u>7,132,015</u>	<u>7,665,517</u>

5. NEDCO FINANCIAL AND OPERATIONAL TURNAROUND PROJCT

	Prior period US\$	Current period US\$	Cumulative to date US\$
Modernizing NEDCo Operations	<u>650,719</u>	<u>428,183</u>	<u>1,078,902</u>

*This project was cancelled during the reporting period. Any costs that will be reported subsequent to this period are costs incurred but not paid for as at March 31, 2020. No further commitments shall be made on this project.

6. REGULATORY STRENGTHENING AND CAPACITY BUILDING PROJECT

a. CONSOLIDATED

	Prior period US\$	Current period US\$	Cumulative to date US\$
Sector Performance Monitoring Capacity building	382,284	85,546	467,830
Tariff Review and Regulation	<u>1,370,522</u>	<u>276,000</u>	<u>1,646,522</u>
	<u>1,752,806</u>	<u>361,546</u>	<u>2,114,352</u>

b. COMPACT

	Prior period US\$	Current period US\$	Cumulative to date US\$
Sector Performance Monitoring Capacity building	382,284	85,546	467,830
Tariff Review and Regulation	<u>1,351,214</u>	<u>276,000</u>	<u>1,627,214</u>
	<u>1,733,498</u>	<u>361,546</u>	<u>2,095,044</u>

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
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NOTES TO THE FUND ACCOUNTABILITY STATEMENTS (CONTINUED)

c. CIF

	Prior period US\$	Current period US\$	Cumulative to date US\$
Advertisement and Evaluations	<u>19,308</u>	<u>-</u>	<u>19,308</u>

7. ACCESS PROJECT

	Prior period US\$	Current period US\$	Cumulative to date US\$
Improve Electricity Supply to MSMEs	20,164	57,217	77,381
Improve Service Delivery/Strengthening	<u>-</u>	<u>164,386</u>	<u>164,386</u>
	<u>20,164</u>	<u>221,603</u>	<u>241,767</u>

*This project has been cancelled and costs reported are up to the current reporting period. No further costs are expected to be incurred.

8. ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT PROJECT

	Prior period US\$	Current period US\$	Cumulative to date US\$
Development and Enforcement of Standards and Labels	364,962	931,006	1,295,968
Improve Electricity Supply to MSMEs	291,854	1,604,988	1,896,842
Education and Public Information	110,745	220,397	331,142
Demand Side Management Infrastructure	<u>250,285</u>	<u>1,597,700</u>	<u>1,847,985</u>
	<u>1,017,846</u>	<u>4,354,091</u>	<u>5,371,937</u>

9. MONITORING AND EVALUATION

a. CONSOLIDATED

	Prior period US\$	Current period US\$	Cumulative to date US\$
Training	65,450	103,365	168,815
Performance Indicator Monitoring	393,562	783,116	1,176,678
Advertisement and Evaluations	<u>15,988</u>	<u>41,883</u>	<u>57,871</u>
	<u>475,000</u>	<u>928,364</u>	<u>1,403,364</u>

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
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NOTES TO THE FUND ACCOUNTABILITY STATEMENTS (CONTINUED)

b. COMPACT

	Prior period US\$	Current period US\$	Cumulative to date US\$
Training	63,091	103,365	166,456
Performance Indicator Monitoring	134,825	783,116	917,941
Advertisement and Evaluations	<u>5,521</u>	<u>41,883</u>	<u>47,404</u>
	<u>203,437</u>	<u>928,364</u>	<u>1,131,801</u>

c. CIF

	Prior period US\$	Current period US\$	Cumulative to date US\$
Training	2,359	-	2,359
External Data Quality Review	258,737	-	258,737
Advertisement and Evaluations	<u>10,467</u>	<u>-</u>	<u>10,467</u>
	<u>271,563</u>	<u>-</u>	<u>271,563</u>

10. PROGRAM ADMINISTRATION AND OVERSIGHT

a. CONSOLIDATED

	Prior period US\$	Current period US\$	Cumulative to date US\$
Personnel Costs	15,060,649	4,580,129	19,640,778
Office Rent and Utilities	1,554,474	399,174	1,953,648
Office Expenses	772,094	134,998	907,092
Vehicles and Transport Expenses	348,438	116,131	464,569
Fixed Assets Acquisition	1,386,856	55,306	1,442,162
Travel Expenses	331,594	60,265	391,859
Training and Capacity Building	63,681	45,870	109,551
Management Information System	1,466,146	37,824	1,503,970
Public Relations, Outreach and Advocacy	433,955	43,232	477,187
Meeting Expenses (Board Members)	273,665	56,887	330,552
Social and Gender Inclusion	207,050	6,982	214,032
Consultants and Interim Personnel	10,655	7,152	17,807
External Legal Counsel	102,979	41,299	144,278
Office of the Attorney General	54,126	7,937	62,063
Fiscal and Procurement Agents	9,410,862	1,781,084	11,191,946
Audit and Compliance	<u>66,229</u>	<u>294,351</u>	<u>360,580</u>
	<u>31,543,453</u>	<u>7,668,621</u>	<u>39,212,074</u>

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA
 UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE MILLENNIUM CHALLENGE
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 PERIOD APRIL 01, 2019 TO MARCH 31, 2020

NOTES TO THE FUND ACCOUNTABILITY STATEMENTS (CONTINUED)

b. COMPACT

	Prior period US\$	Current period US\$	Cumulative to date US\$
Personnel Costs	10,544,866	4,580,129	15,124,995
Office Rent and Utilities	985,854	399,174	1,385,028
Office Expenses	294,130	134,998	429,128
Vehicles and Transport Expenses	273,800	116,131	389,931
Fixed Assets Acquisition	661,742	55,306	717,048
Travel Expenses	206,401	60,265	266,666
Training and Capacity Building	51,701	45,870	97,571
Management Information System	123,032	37,824	160,856
Public Relations, Outreach and Advocacy	260,350	43,232	303,582
Meeting Expenses (Board Members)	221,187	56,887	278,074
Social and Gender Inclusion	109,520	6,982	116,502
Consultants and Interim Personnel	10,655	7,152	17,807
External Legal Counsel	102,979	41,299	144,278
Office of the Attorney General	54,126	7,937	62,063
Fiscal and Procurement Agents	4,425,979	1,781,084	6,207,063
Audit and Compliance	66,229	294,351	360,580
	<u>18,392,551</u>	<u>7,668,621</u>	<u>26,061,172</u>

c. CIF

	Prior period US\$	Current period US\$	Cumulative to date US\$
Personnel costs	4,250,403	-	4,250,403
Office Rent and Utilities	501,341	-	501,341
Office Expenses	411,468	-	411,468
Vehicles and Transport Expenses	74,638	-	74,638
Fixed Assets Acquisition	725,114	-	725,114
Travel Expenses	125,714	-	125,714
Training and Capacity Building	11,980	-	11,980
Management Information System	1,343,114	-	1,343,114
Public Relations and Outreach	173,605	-	173,605
Meeting Expenses (Board Members)	52,478	-	52,478
Social and Gender Inclusion	97,530	-	97,530
Fiscal and Procurement Agents	<u>2,880,147</u>	-	<u>2,880,147</u>
	<u>10,647,532</u>	-	<u>10,647,532</u>

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA
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NOTES TO THE FUND ACCOUNTABILITY STATEMENTS (CONTINUED)

d. 609(g)

	Prior period US\$	Current period US\$	Cumulative to date US\$
Personnel costs	265,380	-	265,380
Office Rent and Utilities	67,279	-	67,279
Office Expenses	65,974	-	65,974
Fiscal and Procurement Agents	<u>2,104,736</u>	<u>-</u>	<u>2,104,736</u>
	<u>2,503,369</u>	<u>-</u>	<u>2,503,369</u>

11. ECG FINANCIAL AND OPERATIONAL TURNAROUND PROJECT - TR2

	Prior period US\$	Current period US\$	Cumulative to date US\$
Fiscal and Procurement Agents	-	2,120,755	2,120,755
Audit and Compliance	<u>-</u>	<u>4,512,055</u>	<u>4,512,055</u>
	<u>-</u>	<u>6,632,810</u>	<u>6,632,810</u>

*This project with a budget of US\$190,000,000 has been de-obligated. Expenses reported in the current year represent contracts signed and were being implemented prior to the de-obligation. These contracts are expected to be implemented to the end despite the de-obligation except that no new commitments shall be made in respect of this project. The expenses incurred will be transferred to tranche one (1) in the subsequent period.

12. ACCOUNTS RECEIVABLE

	Prior period US\$	Movement in the period US\$	Cumulative to date US\$
Tax Recoverable ¹	(40,514)	(14,640)	(55,154)
Advances ²	<u>(20,603)</u>	<u>20,603</u>	<u>-</u>
	<u>(61,117)</u>	<u>5,963</u>	<u>(55,154)</u>

¹This represents movement in the taxes receivable for the period in respect of Value Added Tax (VAT), Communication Service Tax (CST) as well as Tourism Levy. The amounts stated will be recovered from the Government of Ghana through the Ghana Revenue Authority.

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
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NOTES TO THE FUND ACCOUNTABILITY STATEMENTS (CONTINUED)

13. INTEREST INCOME

a. CONSOLIDATED

	Prior Period US\$	Current Period US\$	Cumulative to date US\$
MCC Permitted Accounts Interest Accrued	107,264	45,823	153,087
GoG Permitted accounts Interest Accrued	<u>5,093,889</u>	<u>-</u>	<u>5,093,889</u>
	<u>5,201,153</u>	<u>45,823</u>	<u>5,246,976</u>

b. COMPACT

	Prior Period US\$	Current Period US\$	Cumulative to date US\$
MCC Permitted Accounts Interest Accrued	<u>84,193</u>	<u>45,823</u>	<u>130,016</u>

c. CIF

	Prior Period US\$	Current Period US\$	Cumulative to date US\$
MCC Permitted Accounts Interest Accrued	<u>23,071</u>	<u>-</u>	<u>23,071</u>

d. GoG

	Prior Period US\$	Current Period US\$	Cumulative to date US\$
GoG Permitted accounts Interest Accrued	<u>5,093,889</u>	<u>-</u>	<u>5,093,889</u>

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

MiDA ceased recognizing interest earned on the GoG funds in the Fund Accountability Statement in the current period.

14. INTEREST TRANSFERRED/UTILIZED

a. CONSOLIDATED

	Prior Period US\$	Current Period US\$	Cumulative to date US\$
MCC Permitted Accounts Interest Transferred ¹	(96,968)	(41,891)	(138,859)
GoG Permitted Accounts Interest Utilized/Derecognized ²	<u>(885,378)</u>	<u>(4,208,511)</u>	<u>(5,093,889)</u>
	<u>(982,346)</u>	<u>(4,250,402)</u>	<u>(5,232,748)</u>

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
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NOTES TO THE FUND ACCOUNTABILITY STATEMENTS (CONTINUED)

b. COMPACT

	Prior Period US\$	Current Period US\$	Cumulative to date US\$
MCC Permitted Accounts Interest Transferred ¹	<u>(73,897)</u>	<u>(41,891)</u>	<u>(115,788)</u>

c. CIF

	Prior Period US\$	Current Period US\$	Cumulative to date US\$
MCC Permitted Accounts Interest Transferred ¹	<u>(23,071)</u>	<u>-</u>	<u>(23,071)</u>

¹This represents interest received which was subsequently transferred to the Federal Reserve Account (Bank of New York).

d. GoG

	Prior Period US\$	Current Period US\$	Cumulative to date US\$
GoG Permitted Accounts Interest Utilized/Derecognized ¹	<u>(885,378)</u>	<u>(4,208,511)</u>	<u>(5,093,889)</u>

¹Interest accrued on the GoG Permitted Accounts was used by MiDA to pay for expenses in the prior period which were not permitted to be paid for with Compact Funds. The balance of US\$4,208,511 (US\$5,093,889 under Note 13b less US\$885,378 as shown above) not utilized as at the end of the prior period was derecognized from the Fund Accountability Statement in the current period.

15. EXCHANGE DIFFERENCE

The exchange difference is as a result of the conversion of the Government of Ghana funds in Ghana Cedis to the USD using the prevailing Bank of Ghana average closing rate at the end of the period.

	Prior Period US\$	Current Period US\$	Cumulative to date US\$
GoG Permitted Account Bank Balance	(2,383,850)	(460,815)	(2,844,665)
GoG Interest Account ¹	<u>(623,805)</u>	<u>623,805</u>	-
	<u>(3,007,655)</u>	<u>162,990</u>	<u>(2,844,665)</u>

¹This amount represents the accumulated exchange difference on the revaluation of the GoG Interest bank balance that has been derecognized from the Fund Accountability Statement.

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA
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NOTES TO THE FUND ACCOUNTABILITY STATEMENTS (CONTINUED)

16. CLOSING CASH BALANCE

a. CONSOLIDATED

	Prior period US\$	Current period US\$
US Dollar Bank Account	39,718	17,096
Ghana Cedi Bank Account	9,120,544	1,566,951
Cash at Hand	6,019	6,092
US Dollar Interest Account	941	698
Ghana Cedi Interest Account	<u>3,594,060</u>	<u>13,530</u>
	<u>12,761,282</u>	<u>1,604,367</u>

b. COMPACT

	Prior period US\$	Current period US\$
US Dollar Bank Account	39,718	17,096
Ghana Cedi Bank Account	44,933	84,171
Cash at Hand	6,019	6,092
US Dollar Interest Account	941	698
Ghana Cedi Interest Account	<u>9,355</u>	<u>13,530</u>
	<u>100,966</u>	<u>121,587</u>

c. GoG

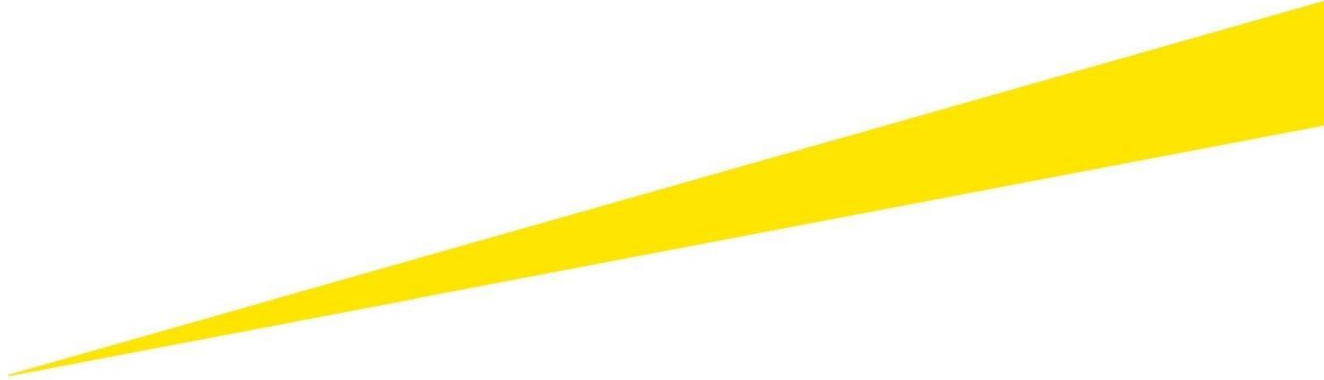
	Prior period US\$	Current period US\$
Ghana Cedi Bank Account	<u>12,660,316</u>	<u>1,482,780</u>

17. SUPPLEMENTAL INFORMATION

The following has been prepared as a supplemental information to the Fund Accountability Statements required by the FAP of MiDA.

	Prior period US\$	Current period US\$
Consultancy Accruals*	<u>214,744</u>	<u>3,761,918</u>

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



SECTION 4

COST-SHARING SCHEDULE

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SECTION 4.1

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE COST-SHARING SCHEDULE

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE COST SHARING SCHEDULE OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND MILLENNIUM CHALLENGE COMPACT

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

We have reviewed the accompanying Cost-sharing schedule of Millennium Development Authority (MiDA) for the period April 01, 2019 to March 31, 2020. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants (AICPA). The purpose of our review was to determine if the Cost-sharing schedule is fairly presented in accordance with the basis of accounting described in note 1 to the cost-sharing schedule. We also considered internal control related to the provision of and accounting for cost-sharing contributions.

A review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data. It is substantially more limited in scope than an examination, the objective of which is to express an opinion on the cost-sharing schedule. Accordingly, we do not express such an opinion.

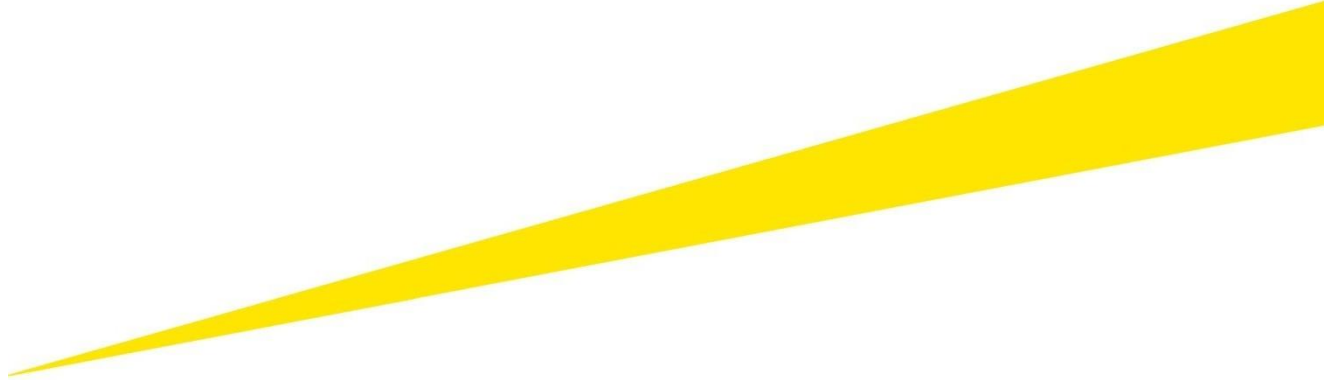
Based on our review, nothing came to our attention that caused us to believe that the Millennium Development Authority did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule.

This report is intended for the information of Millennium Development Authority (MiDA) and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.



Ernst & Young
Chartered Accountants
Accra

Date: February 15, 2021



SECTION 4.2

COST-SHARING SCHEDULE

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA UNDER THE GRANT AND IMPLEMENTATION
 AGREEMENT AND THE MILLENNIUM CHALLENGE COMPACT BETWEEN THE REPUBLIC OF GHANA AND THE UNITED STATES OF AMERICA FOR THE
 PERIOD APRIL 01, 2019 TO MARCH 31, 2020

COST-SHARING SCHEDULE
 FOR THE PERIOD ENDED MARCH 31, 2020

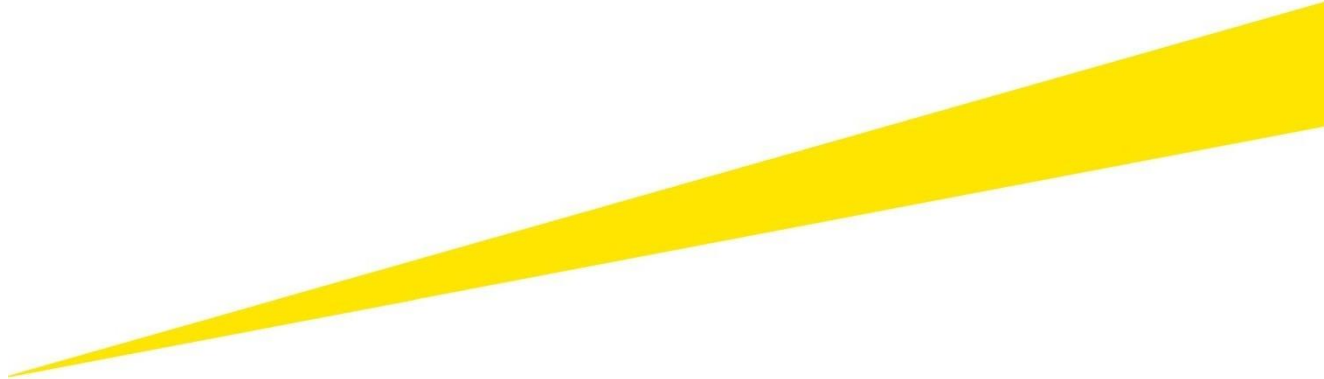
	Period budget US\$	Period Actual US\$	Period shortfall US\$	Cumulative budget	Cumulative actual US\$	Cumulative budget to actual shortfall US\$	Questioned Cost		Note
							Ineligible US\$	Unsupported US\$	
Cash	-	-	-	23,115,000	11,992,962	11,122,038	-	-	3
In-kind	-	-	-	-	-	-	-	-	
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,115,000</u>	<u>11,992,962</u>	<u>11,122,038</u>	<u>-</u>	<u>-</u>	
Cost share contribution	-1	-1	-1	7.5% ²	10.6% ³	48% ⁴	-	-	

¹There was no budgeted amount to be contributed by the Government of Ghana within the period under review. This was due to the de-obligation of the second tranche of the compact agreement.

²This represents the cumulative budgeted contribution per the Multi-Year-Financial-Plan as a percentage of the budget to be contributed by MCC.

³This represents a percentage of the cumulative actual contribution made by the Government of Ghana to the actual cumulative contribution made by MCC.

⁴This represents the percentage of difference between the cumulative budgeted contribution to be made by the Government of Ghana and actual contribution made as at the end of the current audit period.



SECTION 4.3

NOTES TO THE COST SHARING SCHEDULE

NOTES TO THE COST SHARING SCHEDULE

1. BASIS OF PREPARATION

The cost sharing schedule is prepared in accordance with MCC's Guidelines for Country Contributions, Under the Compact agreement between MCC and the Government of Ghana. According to the Compact Agreement, the Government will make a contribution of no less than seven- and one-half percent (7.5%), in addition to any other fiscal cost of the Government of the amount of MCC Funding provided under the compact towards meeting the program and Project objectives.

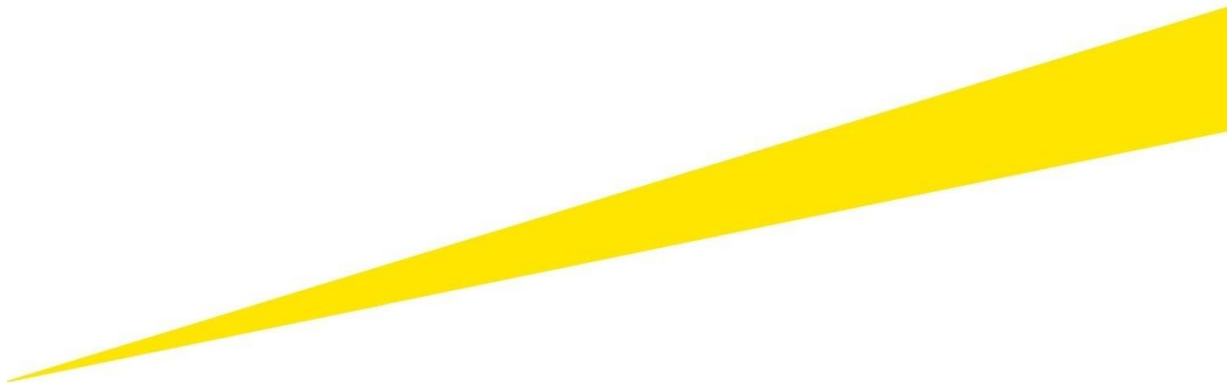
2. PERIOD SHORTFALL

Per the Multi-Year Financial Plan, there was no contribution allocated to the Government of Ghana within the current audit period and no contribution was made. This was due to the de-obligation of the Second Tranche of the Compact funds amounting to US\$190,000,000.

3. CUMULATIVE CONTRIBUTION

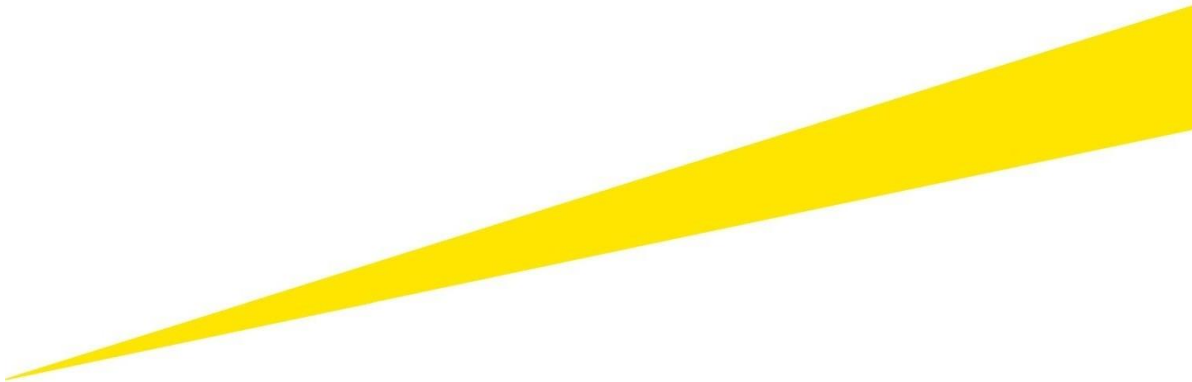
The Government of Ghana cumulative contribution shortfall up to March 31, 2020 in respect of budget against actual was 48%.

However, Government of Ghana actual contribution from inception to March 31, 2020 as a percentage of cumulative contribution by MCC is 10.6% which exceeds the agreed 7.5% stipulated in the Compact agreement.



SECTION 5

REPORT ON INTERNAL CONTROL



SECTION 5.1

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MILLENNIUM DEVELOPMENT AUTHORITY UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE MILLENNIUM CHALLENGE COMPACT

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

We have audited the Fund Accountability Statement of the Millennium Development Authority for the period ended March 31, 2020 and have issued our report on it dated February 15, 2021. We also reviewed a separate cost-sharing schedule.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.96 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Ghana. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in Ernst & Young Global's worldwide internal quality control review program which requires each audit partner in our office to be subjected, every three years, to an extensive quality control review by partners and senior managers from other affiliate offices.

The management or those charged with governance of MiDA is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the Fund Accountability Statement in conformity with the basis of accounting described in the Fund Accountability Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Fund Accountability Statement of MiDA for the period ended March 31, 2020, in accordance with U.S. Government Auditing Standards, we considered MiDA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than material weaknesses, yet important enough to merit attention by those charged with governance.

We consider the following deficiencies in the entity's internal control to be significant deficiencies:

- Lack of clarity on the use of interest accrued on GoG funds and the interest not accounted for in the fund accountability statement (Section 5.2.1).
- Logbooks not updated (Section 5.2.2).
- Lack of evidence of review of Super User activities (Section 5.2.3).
- Non-performance of vulnerability and penetration tests (Section 5.2.4).
- Inadequate Monitoring of IT Control Processes (Section 5.2.5),

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Fund Accountability Statement will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended for the information of Millennium Development Authority (MiDA) and Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Ernst + Young", is positioned above the printed name of the firm.

Ernst & Young
Chartered Accountants
Accra

Date: February 15, 2021



SECTION 4.2

INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

5.2.1 Lack of clarity on the use of interest accrued on GoG funds and the interest not accounted for in the Fund Accountability Statement

Condition

Our review of the Fund Accountability Statement in the prior periods revealed that there was no clarity on the use of interest accrued on the GoG contributions to the Compact. However, in the current year, the entire amount has not been accounted for in the fund accountability statement.

Cause

Management explained that, the interest accrued on the GoG funds is not part of the Compact or program funds and therefore a separate set of records have been created for it in the books of MiDA hence the need not to include it in the Fund Accountability Statements for the Compact Funds. Management further explained that, the GoG interest account is outside the scope of this audit.

Criteria

Given that there is clear instruction regarding what should be done with accrued interest on MCC funds, same could be done for interest accrued on funds contributed by GoG. In addition, including the interest account on GoG funds in the bank agreement of which the bank has confirmed for the purpose of audit as part of MiDA bank accounts for the Compact, it is expected that, activities on those accounts be included in the Fund Accountability Statement for purposes of accountability and consistency with prior periods.

Effect

The amount excluded from the Fund Accountability Statement amounting to US\$4,208,511 could be subjected to misapplication since the Government of Ghana is not aware of the accrued amounts.

Recommendation

Management and the Board should, in consultation with the Government of Ghana define specifically what the accrued interest should be used for and consistently accounted for.

Management comments

As explained previously, the MiDA Board has agreed that the Accrued Interest Account will be used to cover any foreign exchange fluctuations that the Ghana Cedi will suffer against the United States Dollar from the time the funds will be used as against the time the Government transferred the funds (in Ghana Cedis) to MiDA, In addition, the accrued interest is also used for other expenditures which cannot be accommodated under Compact Funds. Any payment from the accrued interest account must be approved by the MiDA Board. The Board is currently made up of Six (6) cabinet Ministers including the Finance Minister. Any approval from the Board is deemed to be an authorization from the Government of Ghana. On the issue of the Fund Accountability Statement, MiDA's Financial System separates each accounting from the sources of funds (Compact, CIF and the Government of Ghana), since the accrued interest is neither Compact nor Program Funds, including that in the FAS for Compact or the Program Funds will be misleading and therefore a new source of funds had been created in SAP for that.

5.2.2 Logbooks not updated

Condition

We noted during the audit that there were differences between the logbooks in some vehicles used by MiDA and the actual kilometers displayed in the cars. Instances noted are presented in the table below:

Vehicle Registration Number	Location	Vehicle Mileage	Logbook Mileage	Difference
		Kilometres	Kilometres	Kilometres
GE - 6825 - 17	MiDA office	48,671	48,489	182
GN - 1733 - 15	MiDA office	140,383	139,549	834
GN - 1002 - 15	MiDA office	102,986	102,769	217

Cause

Management explained that, this was due to the COVID-19 pandemic where staff mostly worked from home and there might have been oversight in updating the logbooks especially where the vehicles were used by persons other than the regular users.

Criteria

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

Effect

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

Recommendation

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

Management comments

Agreed with the Auditors. However as explained to them, the lack of logbooks update was due to the Covid-19 pandemic where most staff mostly worked from home and there might have been an oversight in updating the logbooks. The vehicles were also used by persons other than the regular users. This is the first time such a lapse had happened with MiDA's own vehicles and we will ensure that it never happens again.

5.2.3 Lack of evidence of review of Super User activities

Condition

We noted during our review that although the SAP application has an audit trail functionality, activities of super/administrator users on the SAP and other data applications are not monitored, reviewed and signed off on a periodic basis to check the appropriateness of privilege access usage.

Cause

The current Internal Audit Unit of MiDA has no IT Auditor with the required skill set to review super user activity logs. Management is yet to decide whether to build local internal audit capacity for this control or outsource it.

Criteria

Super users refer to users of a computer system with special privileges needed to administer and maintain the system. These users have high access privileges and can perform any activity both at the front-end and the backend of a system. A typical example of such users are system administrators.

Due to the pervasive activities that can be performed using super user profiles, it is important that the activities of users with such rights are logged, monitored and reviewed by an independent person.

ISO/IEC 27001:2013 (ISO 27001) is the international standard that describes best practice for an ISMS (information security management system). ISO 27001 demonstrates information security best practice and requires the provision of an independent expert verification that information security is managed in line with international best practice and business objectives. This includes user access management and activity monitoring. As an industry practice, user activities of users with Administrative or Super user rights should be monitored, reviewed and signed off on a regular basis.

Effect

There is the risk of unauthorized/inappropriate access to the relevant programs or data. For instance, IT personnel with super user access may perform unauthorized transactions on the critical business applications and this could go unnoticed. Unmonitored super user activities also create avenues for fraud.

Recommendation

Management should ensure that activities of super users, which must be traceable to specific individuals for accountability, are logged and reviewed for propriety by independent parties (that is, Internal Audit - Normally an IT Auditor with an appreciation of audit trail language who can understand or make meaning of activity logs).

Management comments

We continue to maintain that this is a specialist function we admit MiDA's Internal Audit team does not have at the moment. While best practice encourages an independent review of the activities of super users, with respect to MiDA, we consider the risk level of abuse of super user rights to be low and may not justify the hiring or engaging of a third-party to undertake this activity. In our opinion, juxtaposing the possible expense of bringing in an outside expert against accepting the potential risk impact for abuse it is our view that this is a risk that MiDA should tolerate.

5.2.4 Non-performance of vulnerability and penetration tests

Condition

We noted during our review that although MiDA receives emails on updates and the strength of their firewall from its operators, no vulnerability and penetration tests were performed during the period under review.

Cause

Management explained that, this was due to the time left to the end of the Compact and the tight budget under which the Compact activities have to be executed.

Criteria

In recent times, due to the widespread internet usage, security has become a prime importance. The almost universal use of mobile and web applications makes systems vulnerable to cyber-attacks. Vulnerability assessment can help identify the loopholes in a system while penetration testing is a proof-of-concept approach to explore and exploit a vulnerability.

ISO 27001 control objective A12.6 (*Technical Vulnerability Management*) states that 'information about technical vulnerabilities of information systems being used shall be obtained in a timely fashion, the organisation's exposure to such vulnerabilities evaluated and appropriate measures taken to address the associated risk'.

The nature of information technology assets means they may have many technical vulnerabilities that could be exploited by external attacks. Automated and indiscriminate attacks target identifiable vulnerabilities in hardware and software irrespective of the organisation that has them. As an industry practice, vulnerability and penetration tests should be regularly performed to assess how robust the internal network is against possible cyber threats.

Effect

Internal network may not be secured against new threats and hence susceptible to cyber-attacks.

Recommendation

Management should ensure continuous performance of vulnerability and penetration tests to identify possible loopholes in the internal network security and to strengthen the network security according.

Management comments

The draft Terms of Reference (TOR) was prepared and shared with the Procurement Agent. It was pending finalization and inclusion in the next Procurement Plan revision. This was after it was determined that Iron Vine Security LLC cannot undertake this exercise. With Covid-19 pandemic, MiDA temporarily suspended the procurement activity as it required the prospective consultant to physically visit the office. Considering that the Compact is due to end next year, it may not be practical to procure a firm to undertake this activity.

5.2.5 Inadequate monitoring of IT control processes

Condition

During our review, we noted that although MiDA has an internal audit function that performs regular internal control reviews, general IT control reviews were not covered in the internal audit scope during the period under review. Hence no IT controls test was performed.

Cause

The current Internal Audit of MiDA has no IT Auditor with the required skill set to perform routine IT control reviews. Management is yet to decide whether to build local internal audit capacity for this control or outsource it.

Criteria

For an effective and fraud-free IT environment, regular general IT controls are to be tested to detect and prevent IT control weaknesses.

ISO 27001 10.1- 10.6 makes specific references to monitor general IT controls to detect and prevent unauthorized information processing activities.

Effect

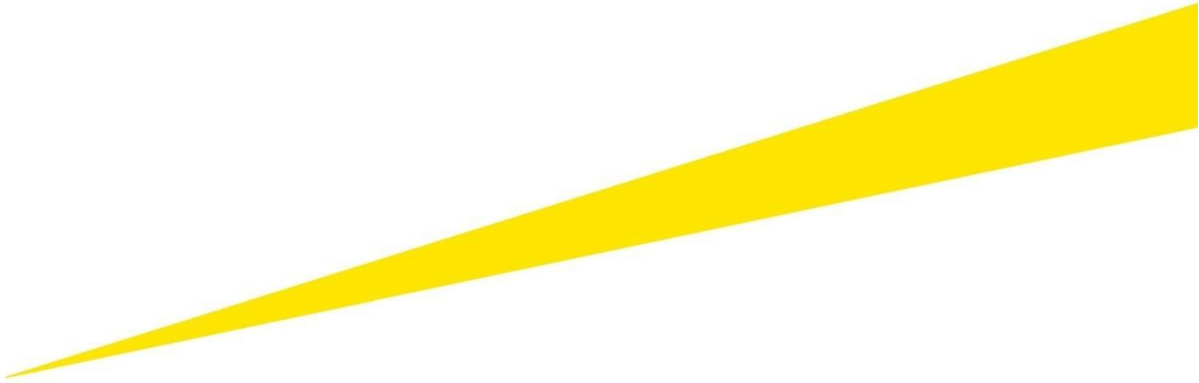
In the current environment, deficiencies in general IT control processes may not be identified timely and may result in IT security breaches, and possible fraud.

Recommendation

The current Internal Audit function should be equipped with the requisite skills to perform IT controls review. Alternatively, management may consider establishing a dedicated IT Audit function or outsourcing same to a professional firm. The IT audit function will be responsible for ensuring that all IT controls are well designed, implemented and operating effectively.

Management comments

Agreed with the recommendation. MiDA's current Internal Audit team do not have the requisite skills to perform IT controls review. However, with less than one year left of the Compact the Internal Audit team is of the view that establishing a dedicated IT Audit function or outsourcing same for an institution of MiDA's size is not cost-effective.



SECTION 6

REPORT ON COMPLIANCE



SECTION 6.1

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

INDEPENDENT AUDITOR'S REPORT ON THE COMPLIANCE OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MILLENNIUM DEVELOPMENT AUTHORITY (MiDA) UNDER THE GRANT IMPLEMENTATION AGREEMENT AND THE MILLENNIUM CHALLENGE COMPACT

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

We have audited the Fund Accountability Statement of the Millennium Development Authority (MiDA) under the grant implementation agreement and Millennium Challenge Compact for the period ended March 31, 2020 and have issued our report thereon dated February 15, 2021. We also reviewed a separate cost-sharing schedule.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the Fund Accountability Statement amounts.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.96 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Ghana. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in Ernst & Young Global's worldwide internal quality control review program which requires each audit partner in our office to be subjected, every three years, to an extensive quality control review by partners and senior managers from other affiliate offices.

Compliance with the terms and conditions of the Grant Implementation and Compact Agreements and related Agreements and laws and regulations applicable to MiDA are the responsibilities of MiDA's management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of MiDA's compliance with certain provisions of agreement terms, laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We also performed tests of MiDA's compliance with certain provision of agreement terms and laws and regulations applicable to the provision of cost-sharing contributions.

Material instances of non-compliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the Fund Accountability Statements. The results of our compliance tests disclosed the following material instances of noncompliance.

- Travel advances not retired on time (Section 6.2.1)
- Taxes on bonus not properly computed (Section 6.2.2)

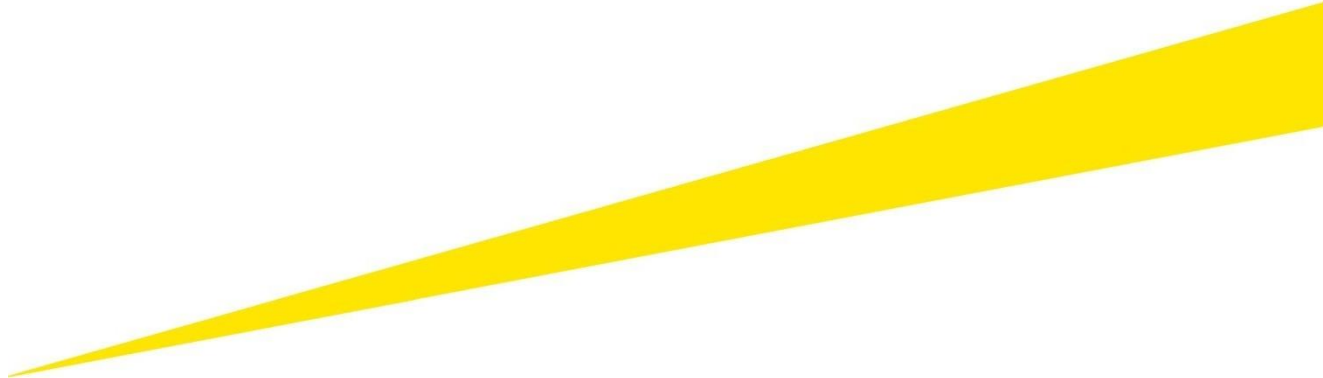
We considered these material instances of non-compliance in forming our opinion on whether MiDA's Fund Accountability Statements are presented fairly, in all material respects, in accordance with the terms of the agreements and in conformity with the basis of accounting described in note 1 to the Fund Accountability Statement, and this report does not affect our report on the Fund Accountability Statements dated February 15, 2021.

This report is intended for the information of Millennium Development Authority (MiDA) and Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Ernst + Young".

Ernst & Young
Chartered Accountants
Accra

Date: February 15, 2021



SECTION 6.2

COMPLIANCE FINDINGS AND RECOMMENDATIONS

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA
 UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE MILLENNIUM CHALLENGE
 COMPACT BETWEEN THE REPUBLIC OF GHANA AND THE UNITED STATES OF AMERICA FOR THE
 PERIOD APRIL 01, 2019 TO MARCH 31, 2020

6.2.1 Travel advances not retired on time

Condition

We noted during our audit that some staff did not retire their travel advances within seven (7) working days after the date of return. The table below shows the return dates of staff, expected-dates for retiring the advances, the actual-dates of retiring the advances and the number of days elapsed.

Document Number	Date of return	Date required to retire advance	Date retired	Number of days delayed	Amount US\$
2000003777	18/07/2019	25/07/2019	29/08/2019	35	1,965
2000003534	24/05/2019	31/05/2019	17/06/2019	17	5,505
2000003536	09/05/2019	16/05/2019	17/05/2019	1	3,935
2000003593	24/05/2019	31/05/2019	01/10/2019	123	2,654
2000003970	16/08/2019	23/08/2019	26/08/2019	3	2,537
Total					16,596

Cause

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

Criteria

Section 11.2 of the FAP states that, MiDA travellers, whether local or international are required to submit the final travel vouchers within 7 days of the return trip and as well, refund any travel advances not utilised.

Effect

The instances above noted contravene the provisions in the Fiscal Accountability Plan.

Recommendation

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

Management comments

Agreed with the recommendation. However, there were valid reasons for the delay in retiring the advances and as indicated in the FAP, the individuals submitted explanatory letters detailing the reasons for the delay which was attached to each advance documentation.

Auditor's further comments

Management has provided explanatory letters detailing the reasons for the delay in retiring the advances. Management should endeavour to attach those letters to the advance documentations as that was not the case at the time of the audit. Management should further inform staff to ensure all supporting documents for advances are properly safeguarded as the explanatory letters were substantially in respect of missing documentation.

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)
 AUDIT OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY MiDA
 UNDER THE GRANT AND IMPLEMENTATION AGREEMENT AND THE MILLENNIUM CHALLENGE
 COMPACT BETWEEN THE REPUBLIC OF GHANA AND THE UNITED STATES OF AMERICA FOR THE
 PERIOD APRIL 01, 2019 TO MARCH 31, 2020

6.2.2 Taxes on bonus not properly computed

Condition

We noted during the audit that bonus paid to some staff was undertaxed by US\$477 due to taxing the excess bonus at the graduated rates separately instead of consolidating with the annual earnings of the staff. The details are presented below in the table below:

Name of staff	Bonus in excess of 15%	MiDA tax on excess bonus	Excess bonus tax recomputed at 30%	Difference
	US\$	US\$	US\$	US\$
Julius Kwame Kpekpena	2,404	536	721	185
Michael Kwatia Awuah	1,407	287	422	135
Yvonne Adzo Fiadjo	1,849	398	555	157
Total	5,660	1,221	1,698	477

Cause

Management explained that, the computation was done based on consultation with the Ghana Revenue Authority.

Criteria

Section 4.11.2 (b) of the Practice Note on Gains or Profits from Employment under the Income Tax Act, 2015 (ACT 896) as amended states that "Where an employer pays a bonus to an employee during a year of assessment, the employer shall, where the total bonus payments made by that employer to the employee during the year of assessment exceeds fifteen percent of the annual basic salary of that employee:

- (i) add the excess payments to the employment income of that employee for that year; and
- (ii) withhold tax from the total amount obtained in accordance with the First Schedule of the Act".

Effect

Noncompliance with the provisions of the Act and the Practice Note issued by the Ghana Revenue Authority could lead to MiDA being surcharged for the tax difference.

Recommendation

Management should ensure that, the correct rates are applied when taxes are to be computed on bonuses to avoid being surcharged by the Ghana Revenue Authority in case there is a tax audit. Management should also decide on what to do to ensure the tax difference is appropriately paid.

Management comments

Agreed with the recommendation. Management has decided to withhold the tax differences from the salary of the individual staff members. The plan is to do the deductions in October and November 2020 payroll.



SECTION 7

STATUS OF IMPLEMENTATION OF PRIOR PERIOD RECOMMENDATIONS

PRIOR PERIOD INTERNAL CONTROL FINDINGS

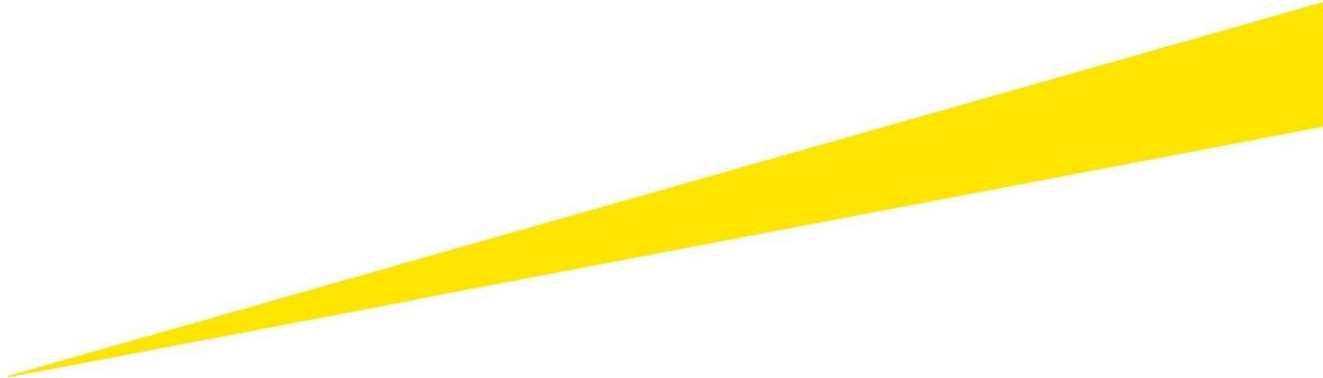
No.	Observation	Recommendation	Status
1	<p>Contract executed before signing</p> <p>A contract to facilitate the purchase of land for the Oyarifa Primary substation was executed with MiDA and invoiced by the agent before a formal contract was signed with the agent/vendor.</p>	<p>Management should ensure that, prior to the execution of any contract, a properly documented agreement is signed to avoid any conflict after execution especially with regards to contract sum.</p>	<p>Implemented. No such instance was identified in the current period.</p>
2	<p>Lack of clarity on the use of accrued interest on GoG contribution to the Compact</p> <p>The bank agreement with GT Bank Ghana Limited states that, the bank shall comply solely with instructions from MiDA with regards to the additional accounts (i.e. accrued interest account) without consent from any other party or MCC but there is no express policy that indicates what the interest can be used for.</p>	<p>Management and the Board should, in consultation with GoG, define specifically what the accrued interest should be used for.</p>	<p>Not implemented. Management have rather excluded all interests accrued on GoG funds from the Fund Accountability Statement in the current period. This has been reported in the current period internal control findings. Refer to page 35. Section 5.2.1.</p>
3	<p>Inadequate incident management process</p> <p>IT related incidents are escalated to the IT resource person via phone calls, walk-ins and emails before they are resolved. Logged incidents are not analysed for trends and root causes to curb repetitive incidences and ensure permanent resolutions.</p>	<p>Management should ensure root cause analysis is performed on repetitive incidents for permanent solutions.</p>	<p>Implemented. We obtained evidence of logged incidences which were analysed and frequently occurring ones were identified and remediated.</p>
4	<p>Lack of evidence of review of Super User activities</p> <p>Although the SAP application has an audit trail's functionality activities of super /administrator users on the SAP and other data applications are not monitored, reviewed and signed off on a periodic basis to check the appropriateness of privilege access usage.</p>	<p>Management should ensure that activities of super users (which must be traceable to specific individuals for accountability) are logged and reviewed for propriety by independent parties (Internal Audit - Normally an IT Auditor who appreciates audit trail language and can understand or make meaning of activity logs).</p>	<p>Not implemented. We reiterate the recommendation in the current period audit findings. Refer to page 37. Section 5.2.3.</p>

PRIOR PERIOD INTERNAL CONTROL FINDINGS (CONTINUED)

No.	Observation	Recommendation	Status
5	<p>Non-performance of vulnerability and penetration tests</p> <p>We noted during our review that although MiDA receives emails on updates and the strength of their firewall from its operators, no vulnerability and penetration test was performed during the period under review.</p>	<p>Management should ensure continuous performance of Vulnerability and Penetration testing to identify possible loopholes in the internal network security and beef up the network security accordingly.</p>	<p>Not implemented. Only Statement of Work (SoW) has been prepared and submitted to the Procurement Agent. We reiterate our recommendation in the current period audit findings. Refer to page 38. Section 5.2.4</p>
6	<p>Inadequate monitoring of IT control processes</p> <p>During our review, we noted that although MiDA has an internal audit function that performs regular internal control reviews, general IT control reviews were not covered in the internal audit scope during the period under review. Hence no IT controls test was performed.</p>	<p>The current Internal Audit function should be equipped with the requisite skills to perform IT controls review. Alternatively, management may consider establishing a dedicated IT Audit function or outsourcing same to a professional firm. The IT audit function will be responsible for ensuring that all IT controls are well designed, implemented and operating effectively.</p>	<p>Not implemented. We reiterate our recommendation in the current audit findings. Refer to page 39. Section 5.2.5.</p>

PRIOR PERIOD COMPLIANCE FINDINGS

No.	Observation	Recommendation	Status
1	<p>Travel advances not retired on time</p> <p>Some staff did not retire their travel advances on time.</p>	Travellers should retire their advances within the time stipulated in the FAP.	Not implemented. We reiterate our recommendation in the current year audit findings. Refer to page 42. Section 6.2.1.
2	<p>Taxes not withheld on payments made to local suppliers for services provided or work performed</p> <p>MiDA did not withhold taxes on payments made to local suppliers for goods or services during the period under review.</p>	Efforts should be made to deduct withholding taxes and pay same to the Ghana Revenue Authority (GRA) as required.	Implemented. All payments made to local vendors/contractors were subjected to withholding taxes from September 01, 2019 except for contracts that were signed without provisions to withhold taxes. Management explained it was difficult to amend such contracts for withholding tax purposes. The implementation was thus applied prospectively.
3	<p>Expiry of assets insurance cover</p> <p>Apart from motor vehicles, the insurance cover for all other assets had expired as at February 16, 2018 but had not been renewed for the period under audit.</p>	Management should ensure that, the insurance cover for all assets are timeously renewed to avoid the risk of loss of assets should any incident occur.	Implemented. Insurance cover for assets was up to date for the period under audit.
4	<p>Long outstanding Tourism levy not refunded to MiDA</p> <p>We noted that MiDA paid for Tourism levy to the tune of the US\$620, however, this has been filed with the appropriate Authority for refund, but the refund has not been collected.</p>	Management should ensure that the appropriate government Authority effects the refund to MiDA.	Implemented. The amount in question was reimbursed by the Ghana Tourism Authority on May 21, 2019.



SECTION 8: APPENDIX

MANAGEMENT VERBATIM COMMENTS



5.2.1

As explained previously, the MiDA Board has agreed that the Accrued Interest Account will be used to cover any foreign exchange fluctuations that the Ghana Cedi will suffer against the United States Dollar from the time the funds will be used as against the time the Government transferred the funds (in Ghana Cedis) to MiDA, In addition, the accrued interest is also used for the other expenditures which cannot be accommodated under Compact Funds. Any payment from the Accrued Interest Account must be approved by the MiDA Board. The Board is currently made up of Six (6) cabinet Ministers including the Finance Minister. Any approval from the Board is deemed to be an authorization from the Government of Ghana. On the issue of the Fund Accountability Statement, MiDA's Financial System separates each Accounting from The Sources of Funds (Compact, CIF and the Government of Ghana), since the Accrued Interest is neither Compact nor Program Funds, including that in the FAS for Compact or the Program Funds will be misleading and therefore a new source of funds had created in SAP for that.

5.2.2

Agreed with the Auditors. However as explained to them, the lack of logbooks update was due to the Covid-19 pandemic where most staff mostly worked from home and there might have been an oversight in updating the logbooks. The vehicles were also used by persons other than the regular users. This is the first time such a lapse had happened with MiDA's own vehicles and we will ensure that it never happens again.

5.2.3

We continue to maintain that this is a specialist function we admit MiDA's Internal Audit team does not have at the moment. While best practice encourages an independent review of the activities of super users, with respect to MiDA, we consider the risk level of abuse of super user rights to be low and may not justify the hiring or engaging of a third-party to undertake this activity. In our opinion, juxtaposing the possible expense of bringing in an outside expert against accepting the potential risk impact for abuse it is our view that this is a risk that MiDA should tolerate.

5.2.4

The draft Terms of Reference (TOR) was prepared and shared with the Procurement Agent . It was pending finalization and inclusion in the next Procurement Plan revision. This was after it was determined that Iron Vine Security LLC cannot undertake this exercise. With Covid-19 pandemic, MiDA temporarily suspended the Procurement Activity as it required the prospective consultant to physically visit the office. Considering that the Compact is due to end next year, it may not be practical to procure a firm to undertake this activity.

5.2.5


Agreed with the recommendation. MiDA's current Internal Audit team do not have the requisite skills to perform IT controls review. However, with less than one year left of the Compact the Internal Audit team is of the view that establishing a dedicated IT Audit function or outsourcing same for an institution of MiDA's size is not cost-effective.

6.2.1

Agreed with the recommendation. However there were valid reasons for the delay in retiring the advances and as indicated in the FAP, the individuals submitted explanatory letters detailing the reasons for the delay which was attached to each Advance documentation.

6.2.2

Agreed with the recommendation. Management has decided to withhold the tax differences from the salary of the individual staff members. The plan is to do the deductions in October and November 2020 payroll.

 Digitally signed
by John Boakye
Date: 2021.02.02
14:50:28 Z

John Boakye
Chief Financial Officer