

**REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE**

ON THE

**PERFORMANCE AUDIT REPORT OF THE
AUDITOR-GENERAL**

ON

**PROVISION AND MANAGEMENT OF
GOVERNMENT BUNGALOWS**

NOVEMBER 2005

INTRODUCTION

1. The Performance Audit Report of the Auditor-General on Provision and Management of Government Bungalows was laid before Parliament on 18th March 2005. The Report was referred to the Public Accounts Committee for consideration and report pursuant to Order 165(2) of the Standing Orders of the House.

2. The Committee held two Sittings to consider the Report. Evidence was taken from the Deputy Minister of Works and Housing, Hon. Cecelia Abena Dapaah and other officials of the Ministry. In attendance was also the Team from the Audit Service that conducted the audit.

3. Your Committee wishes to extend its gratitude to the Deputy Minister of Works and Housing and other officials for their input.

REFERENCE

4. The under listed documents were used as reference during the Committee's deliberations:

- i. The Constitution of the Republic of Ghana, 1992
- ii. The Standing Orders of Parliament
- iii. The Financial Administration Act. 2003, Act 654
- iv. The Financial Administration Regulations 1802

BACKGROUND TO PROVISION OF BUNGALOWS

5. The provision and management of government bungalows dates back to the colonial era. The policy then was to provide accommodation to expatriate staff and a few Gold Coast civil servants assisting the colonial administration. The objective was to entice expatriate workers from U.K. to the colony. The Public

Works Department (PWD) was established in 1886 to handle the maintenance and management of these bungalows.

6. The policy was continued in the post-colonial era and the objective was to attract and maintain qualified and highly skilled personnel into the public sector. The Government in the 1970 increased the housing stock by building low cost houses for officials of the civil and public services and state corporations. The total stock of Government bungalows currently stands at about 10,630.

7. Funding for the provision and maintenance of these bungalows are derived from the Consolidated Fund and the District Assemblies Common Fund.

8. Tenants of bungalows are required to pay monthly rent to Government. The institutions responsible for the collection of monthly rents are the Controller and Accountant-General's Department, Regional Coordinating Councils and District Assemblies.

9. Other MDAs, whose officers are occupying government bungalows, are required to deduct the payable rent from the salaries of the tenants and pay same to Government chest.

10. Allocation Committees have been established at the Ministry of Works and Housing, Regional Coordinating Councils and District Assemblies whose main function is to recommend the allocation of bungalows to legible applicants, to the Minister of Works and Housing, Regional Minister and the District Chief Executive respectively for approval.

PURPOSE OF THE AUDIT

11. The audit was conducted upon complaints from tenants of government bungalows about the poor condition of such bungalows and the inability of the PWD to carryout routine maintenance of the bungalows. The other reason that informed the audit was complaints about insufficient number of bungalows.

12. The purpose of the audit was therefore to find out why many government bungalows were in poor condition and the specified roles of the agencies in the provision and maintenance of these bungalows.

SCOPE AND METHODOLOGY OF THE AUDIT

13. The audit covered the operations of the Ministry of Works and Housing (MWH), Public Works Department (PWD), Regional Coordinating Councils (RCC), District Assemblies (DAs), Controller and Accountant-General's Department (CAGD) and tenants of government bungalows.

14. Data was collected from three regions – Greater Accra, Ashanti and Volta Regions. The following criteria was used in selecting the three regions:

- (a) Greater Accra is the hub of all government activities and also represents the coastal regions where bungalows are exposed to similar environmental conditions. The Region also has the highest number of government bungalows.
- (b) Ashanti is approximately the central point of Ghana and has the second largest number of government bungalows.
- (c) Volta represents one of the least endowed regions.

15. Interviews were conducted at MWH, PWD, RCCs and DAs in the regions visited. The Audit Team also inspected government bungalows at Labone and

Roman Ridge in Accra; Danyame, Ahinsan and Chirapatre in Ashanti and; Mawuli Estates in Volta Region.

FINDINGS OF THE AUDIT

16. The findings of the audit indicate as follows:
- i. Government bungalows are in poor condition
 - ii. Rent is subsidized but the reasons and intended effects from the subsidy are vague
 - iii. The target group is broad and the intended effect vague – bungalows are used by government workers in general and private individuals.
17. The reasons for the above are unclear government policy, poor maintenance, ineffective rent collection and ineffective monitoring and supervision.

OBSERVATIONS AND RECOMMENDATIONS

UNCLEAR POLICY

18. The Committee noted from the Audit Report that the absence of a clear policy on the allocation of bungalows has led to all manner of people and organizations occupying these bungalows. These comprise government workers, private individuals, foreigners, subvented organizations and private companies.
19. The absence of a clear policy has also led to persistent rent defaults among tenants. Rents payable are equally low and there are distortions in rents paid by people occupying similar bungalows.
20. The Deputy Minister acknowledged before your Committee, the absence of an elaborate policy on the provision and management of government bungalows. She however added that the Ministry has a working document which guides it in

the allocation of bungalows and this was circularized to all Chief Directors and Regional Coordinating Directors in 1990. The document according to the Ministry outlines the objectives of the provision of government bungalows and those who qualify to be accommodated in such bungalows.

21. The Committee was further informed that the above notwithstanding, the Ministry in collaboration with the Office of the Head of Civil Service (OHCS) is developing a comprehensive policy on the provision and management of government bungalows.

Recommendation

22. The Ministry of Works and Housing should broaden consultation with stakeholders in preparing a comprehensive policy to govern the provision and management of government bungalows.

MAINTENANCE OF BUNGALOWS

23. The audit found that out of a total estimate of 10,630 bungalows spread nationwide, only 40% of these are in good condition. The remaining 60% are in various degrees of disrepair and require renovation and reconstruction in some cases.

24. The Committee noted that the poor state of these government bungalows was attributed to the following:

- i. Non-adherence to maintenance programme schedule
- ii. Insufficient budgetary allocation
- iii. Delay in release of funds.

25. The Ministry agreed with the findings of the audit but indicated further that an amount of ₵5.0billionn has been allocated to the Ministry this year (2005) for the maintenance of bungalows.

Recommendation

26. Ministry of Works and Housing should negotiate with MOFEP to set aside a percentage of rent for routine maintenance. MWH should then pursue the timely release of funds and also adhere to its maintenance programmes.

COLLECTION OF RENT

27. Even though revenue generation from rent charges on bungalows is not the primary objective for the provision of government bungalows, rent paid by tenants nonetheless form part of the revenue of Government.

28. The audit noted that the collection of rent from tenants occupying government bungalows was ineffective. The factors identified to be contributing to this phenomenon include rent default, illegal occupancy and low rent charges.

Rent Default

29. Rent default on the part of tenants i.e. refusal by tenants to pay and inability of government agencies to collect rents due. The audit indicated for instance that a review of the rent register of the Kumasi Metropolitan Assembly (KMA) showed that 30 out of 41 tenants were in arrears totalling ₵12.3million as at June 2002. At Ho, 38 tenants were in default to the tune of ₵5.9million. The audit further indicated that no effective mechanisms were applied by collecting agencies to compel tenants to pay their rent.

Illegal Occupancy

30. Illegal occupants of bungalows end up not paying rent at all. Some of these illegal occupants include retired officers who had overstayed their three-

month grace period. According to the Auditor-General at the time of compiling the audit report, the MWH was making efforts to evict 26 retired officers who had overstayed up to three years.

Low Rent Charges

31. Most government bungalows are located in prime areas where rent payable for properties located in such areas are usually very high. Commercial rents payable range from ₦8.5million to ₦25.5million per month depending on the level of luxury of the property.

32. However occupants of government bungalows, mostly public servants, pay 16% and 18% of their basic salary as rent for unfurnished and furnished apartments respectively. The rents paid range between ₦180,000 and ₦480,000 per month.

33. The audit also revealed that government employees occupying low cost houses pay between ₦10,000 and ₦80,000 per month. On the other hand private individuals occupying such houses pay between ₦0.80 to ₦4,500 per month.

34. Your Committee was informed by officials of the Ministry that the amount of rent payable and the mode of collection is determined by the Ministry of Finance and Economic Planning (MOFEP). While your Committee agrees with the above assertion, it is of the view that MOFEP would require the necessary inputs from the Ministry of Works and Housing to effect the appropriate deductions from the salaries of public servants occupying government bungalows.

35. Further, as the MDA managing and maintaining such bungalows, it is the responsibility of the Ministry of Works and Housing to advise MOFEP on the appropriate rents payable.

36. Your Committee was however informed that the comprehensive policy, which is being drafted, would review the levels of rent payable.

37. With respect to illegal occupancy, the Committee was informed by officials of the Ministry that the incident is most prevalent in the Low Cost houses, built between 1973 and 1994.

38. According to the Ministry, as a deliberate policy to house private individuals in some of these low cost houses, a total of 898 out of an overall total of 5,665 low cost houses were open to ballot by private individuals in their own capacities and not as government employees.

39. Those who won the ballots were given tenancy status in these houses and it is these individuals, according to officials of the Ministry, who are to date occupying these houses, some of whom have carried out structural works on the houses.

40. The Ministry however stated that low cost houses at Chirapre and Ahinsan estates in Ashanti Region have been bought by the tenants and are therefore not part of the stock of government bungalows.

41. The Ministry stated further that it is in the process of disposing off the low cost houses currently under the management and control of Government. The Ministry has therefore commenced the valuation of all such properties.

42. The Ministry further indicated that there were few occupants who by virtue of court actions against their respective employers for various reasons and joining the Ministry to the defenders, cannot be thrown out of occupancy.

Recommendation

43. Your Committee recommends that CAG should strengthen his monitoring role over rent collections by his department, DAs, RCCs, and state corporations to ensure prompt payment of rent collected into the Consolidated Fund.

44. Ministry of Works and Housing should also liaise with DAs and RCCs to retrieve all outstanding rents from defaulters.

45. Further, MWH and MOFEP should collaborate with the various RCCs and DAs to review upwards rent paid by tenants of low cost houses pending the sale of such Houses.

46. Illegal occupation limits the effective use of the bungalows and is therefore recommended that Allocation Committees intensify supervision and implements rules regarding ejections to the letter.

RENT NOT PAID INTO CONSOLIDATED FUND

47. The audit revealed that rents collected by RCCs and DAs were seldom paid into the Consolidated Fund. Rents collected by these agencies were treated as IGF and therefore used to finance internal activities without due approval from the MOFEP.

48. In year 2000, the Ashanti Regional Coordinating Council for instance collected an amount of ₵37million as rent and paid same into the RCCs account. This amount was used to finance the activities of the RCC. The KMA on its part collected ₵8.7million between 1999 and 2002 and paid same into the Assembly's account whilst the Ho DA collected ₵6.9m in year 2002 and failed to pay the said money into the Consolidated Fund.

49. Rents collected by State Corporations on behalf of Government are also not paid into the Consolidated Fund.

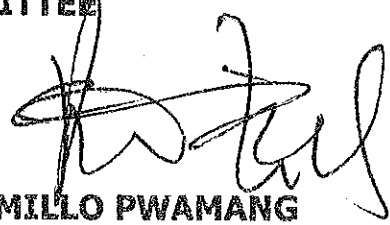
Recommendation

50. Your Committee recommends that MWH and MOFEP should recover all rent payments lodged in the accounts of the various RCCs and DAs and pay same into the Consolidated Fund.

Respectfully submitted.



**HON. SAMUEL SALLAS-MENSAH
CHAIRMAN, PUBLIC ACCOUNTS COMMITTEE**



**CAMILLO PWAMANG
CLERK, PUBLIC ACCOUNTS COMMITTEE
10TH NOVEMBER 2005**