

**IN THE SECOND SESSION OF THE SEVENTH PARLIAMENT OF THE  
FOURTH REPUBLIC OF GHANA**

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE**

**ON THE**

**REPORT OF THE AUDITOR-GENERAL ON THE PUBLIC ACCOUNTS OF  
GHANA (CONSOLIDATED FUND)**

**FOR THE**

**PARLIAMENT OF GHANA LIBRARY**

**YEAR ENDED 31<sup>ST</sup> DECEMBER, 2015**



## **1.0 INTRODUCTION**

The Report of the Auditor-General on the Public Accounts of Ghana (Consolidated Fund) for the year ended 31<sup>st</sup> December, 2015 was presented to Parliament on Tuesday, 14<sup>th</sup> March, 2017 in accordance with article 187(2) and (5) of the 1992 Constitution of the Republic of Ghana and section 23(1) of the Audit Service Act, 2000 (Act 584) Pursuant to Order 165(2) of the Standing Orders of the Parliament of Ghana, the Rt. Hon Speaker referred the Report to the Public Accounts Committee for examination and report.

## **2.0 DELIBERATION**

2.1 The Committee met and examined the Report with the Hon. Deputy Minister for Finance Ms. Abena Osei-Asare, the Controller and Accountant-General, Mr. Eugene Ofosuhenne. Also present at the Committee's sittings were officials from the under-listed Institutions:

1. Ministry of Finance.
2. Controller and Accountant General's Department.
3. Ghana Revenue Authority.

2.2 The Assistant Auditor-General, Mr. Odame Agyekum and a technical team from the Audit Service were also present at the Committee's sittings to assist in the considerations of the Reports.

## **3.0 ACKNOWLEDGEMENT**

The Committee is grateful to the Hon. Deputy Minister for Finance and all the witnesses who were present at the Committee's sitting to assist in its deliberations.

The Committee also expresses its appreciation to the Auditor-General and his technical team for their immense assistance to the Committee throughout its deliberations on the Report.

Furthermore the Committee extends its appreciation to the media for the live broadcast of its proceedings.

#### 4.0 REFERENCE DOCUMENT

The Committee referred to the following documents during its Deliberations:

- a. The 1992 Constitution of the Republic of Ghana.
- b. The Standing Orders of the Parliament of Ghana.
- c. The Financial Administration Act, 2003 (Act 654).
- d. The Financial Administration Regulation, 2004 (L.I. 1802).
- e. The Audit Service Act, 2000 (Act 584).
- f. The Public Procurement Act 2003 (Act 663)
- g. The Internal Audit Agency Act, 2003 (Act 658)
- h. The Public Financial Management Act, 2016 (Act 921)

#### 5.0 BACKGROUND

**Section 81 (1)** of the Public Financial Management Act 2016 (Act 921) states that the Controller and Accountant- General shall within three months after the end of each financial year prepare and submit the following consolidated accounts to the Minister and the Auditor-General: **a)** the Consolidated Annual accounts of Government, including the Accounts specified in the schedule. **b)** Accounts of the Contingency Fund and **c)** Accounts of the Petroleum Funds.

Furthermore, **Section 41 (1) (b)** of the Financial Administration Act 2003 requires the Controller and Accountant General to prepare and transmit to the Auditor-General and the Minister for Finance, within a period of three months or any period that Parliament may by

resolution appoint, after the end of each financial year in respect of the financial year the Public Accounts of Ghana which shall comprise Of:

- ✓ **A Balance Sheet** showing the Assets and Liabilities of the Consolidated Fund
- ✓ **Statement of Revenue and Expenditure** of the Consolidated Fund
- ✓ **Cash Flow Statement** of the Consolidated Fund
- ✓ **Notes** that form part of the Public Accounts of Ghana

**Including the instructions issued** by the Controller in consultation with the Auditor-General.

In accordance with this provision, the Controller and Accountant General submitted the Public Accounts of Ghana (Consolidated Fund) for the year ended 31<sup>st</sup> December 2015 to the Auditor-General for audit.

**Section 15** of the Audit Service Act, 2000 (Act 584) also requires that the Auditor-General, shall upon receipt of the Public Accounts examine and certify whether in his opinion, the statements present fairly, financial information on the Accounts of Ghana and whether the statements were prepared in accordance with accounting policies of Government and the Generally Accepted Accounting Principles.

In the performance of his functions, the Auditor-General observed some inaccuracies which he included in his report for the consideration of the House. The Report also contains his opinion on the financial statements.

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

The purpose of the audit was for the Auditor-General to examine the Annual Financial Statements of the Public Accounts of Ghana and to certify whether in his opinion the statements accurately present a true and fair view of the financial information on the Public Accounts of

Ghana for the year ended 31<sup>st</sup> December 2015, whether the records are consistent with statements of the preceding year, and whether the Public Accounts of Ghana so presented are in accordance with the accounting guidelines and procedures of the Government of Ghana, as well as the generally accepted accounting standards or principles.

## **7.0 SCOPE OF THE AUDIT**

The Audit covered transactions and events in the year 2015, taking into consideration the relevant provisions of the 1992 Constitution and other relevant enactments and regulations on Statutory Funds.

The Audit assessment focused mainly on the processes followed by the Controller and Accountant General's Department in capturing transactions and events for the preparations of the Public Accounts of Ghana (Consolidated Fund) and covered the review of applications controls and data integrity of the GIFMIS system.

## **8.0 SUMMARY OF THE FINANCIAL STATEMENTS ON THE CONSOLIDATED FUND FOR THE YEAR ENDED 2015**

### **8.1 Summary of Revenue and Expenditure (Budget out-turn)**

For the year 2015, Government budgeted to generate revenue to the tune of GH¢**26,636,522,700**. Actual receipts amounted to **GH¢23,718,767,961** representing 89.05% of Revenue budgeted for the year. This out-turn showed an increase of GH¢**6,009,974,923** over the figure of GH¢**17,708,793,038** for the year 2014.

On expenditure, Government budgeted for a total of GH¢**32,615,393,304** however, actual expenditure amounted to GH¢**38,574,158,143** an increased expenditure of 18.3% over the budgeted provision. This out-turn showed an increase in expenditure by GH¢**1,029,378,093.00** over the figure of GH¢**37,544,780,050** for the year 2014.

## 8.2 Revenue performance

The main sources of revenue were from Direct taxes, Indirect Taxes, Grants and Non-Tax Revenue. Actual Revenue amounted to **GH¢23,718,767,962** in 2015.

Table 1 below shows Budgeted Receipts for 2015 as against Actual receipts for 2014.

**Table 1 2015 Revenue Projections and Actual Receipts**

Revenue items	2015 Budget GH¢	2015 Actual GH¢	Variance GH¢	2014 Actual GH¢
Direct Tax	8,849,375,163	7,722,068,381	1,127,306,782	7,024,573,751
Indirect Tax	10,834,761,744	10,235,812,934	598,948,810	7,236,689,757
Grant	2,001,764,510	2,852,768,040	(851,003,530)	995,626,782
Non-Tax Revenue	4,950,621,283	2,908,118,606	2,042,502,677	2,451,902,748
<b>Total</b>	<b>26,636,522,700</b>	<b>23,718,767,962</b>	<b>2,917,754,738</b>	<b>17,708,793,038</b>

Source: Report of Auditor-General, Public Accounts of Ghana (Consolidated Fund) 2015 pg. 21

Total revenue receipts for the year 2015 was GH¢**23,718,767,961** given a shortfall of GH¢**2,917,754,738** or **10.95%**

## 8.3 Expenditure

The actual total expenditure for 2015 amounted to GH¢**40,048,805,910**. This however excluded other statutory payments which amounted to GH¢**4,034,067,035** as shown in tables 2 and table 3 below.

**Table 2 2015 Budgeted Expenditure versus. Actual Expenditure**

Expenditure item	Budget 2015	2015 actual	Variance	2014 actual
Compensation	12,597,696,797	13,015,237,357	(417,540,553)	12,034,478,346
Goods and Services	4,600,535,450	1,896,174,688	2,704,360,762	1,923,663,227
Interest	9,349,796,464	9,084,510,936	265,285,528	7,063,447,154

Government subsidies	50,000,000	893,258,165	(843,258,165)	862,178,609
Exchange loss	-	6,823,681,990	(6,823,681,990)	10,119,216,620
Social Benefits	19,949,436	14,148,777	5,800,659	4,802,125
Other expenses	1,597,991,959	529,050,482	1,068,941,468	409,828,323
Foreign Finance	4,399,423,199	5,944,535,499	(1,545,112,309)	4,858,895,576
Consumption of fixed Assets	-	373,560,250	(373,560,250)	268,270,069
<b>Total</b>	<b>32,615,393,304</b>	<b>38,574,158,143</b>	<b>(5,958,764,839)</b>	<b>37,544,780,050</b>

Source: Report of Auditor-General, Public Accts of Ghana (Consolidated fund) 2015 pg21

**Table 3 Statutory Payments**

Statutory Item	2015	2014	Difference
GET Fund	1,023,547,899	804,820,080	<b>218,727,819</b>
DAC Fund	1,687,229,619	690,499,709	<b>996,729,910</b>
Petroleum, Road & energy Fund	227,334,517	229,880,606	<b>(2,546,089)</b>
NHIL	1,095,955,000	1,063,199,000	<b>32,756,000</b>
<b>Total</b>	<b>4,034,067,035</b>	<b>2,788,399,395</b>	<b>1,245,667,640</b>

Source: Report of Auditor-General, Public Accts of Ghana (Consolidated fund) 2015 Pg32, Note 20

#### 8.4 Balance sheet as at 31<sup>st</sup> December 2015

##### 8.4.1 Assets

Assets are mainly made up of the following:-

**Total Cash and Cash Equivalents** balance stood at **GH¢3,037,397,138 (Note 25)** as compared to a negative balance of GH¢ (139,848,788) at 31<sup>st</sup> December 2014.



**8.4.2 Receivable** balance stood at GH¢9,854,272 as at 31<sup>st</sup> December 2015 while the balance as at 31<sup>st</sup> December 2014 stood at GH¢5,976,745 an increase of 64.9%

**8.4.3 Non-Current Assets:** comprising Receivables, Equity Investments, Property, Plant Equipment, Work-In-Progress and intangible assets amounted to GH¢9,669,834,371 as at 31<sup>st</sup> December 2015 and GH¢8,326,478,056 as at 31<sup>st</sup> December,2014.The increase is 16%.The total assets as at 31<sup>st</sup> December,2015 increased by 55.2% from GH¢8,192,606,014 in 2014 to GH¢12,718,066,141

**Table 4 Summary of Assets in Balance sheet**

<b>Current/Non-Current Assets</b>	<b>2015</b>	<b>2014</b>	<b>Variance</b>
Cash&Cash Equivalent	3,037,397,138	(139,848,788)	3,177,,245,926
Receivables (Advances)	9,854,272	5,976,745	3,877,527
Prepayments	980,359	-	980,359
Receivables	1,543,519,119	1,466,075,462	77,443,657
Equity Investment	2,032,088,493	1,867,263,351	164,825,142
Plants &Equipment	4,477,564,167	3,633,213,945	844,350,222
Work in Progress	1,611,266,146	1,353,179,741	258,086,405
Intangible Assets	5,396,446	6,745,558	(1,349,112)
<b>Total Assets</b>	<b>12,718,066,140</b>	<b>8,192,606,014</b>	<b>4,525,460,126</b>

Source: Report of Auditor-General, Public Accts of Ghana (Consolidated Fund) 2015 Pg. 22

#### 8.4.5 Liabilities

**Table 5 Summary of Liabilities in Balance sheet**

<b>Current/ Non-Current Liabilities</b>	<b>2015</b>	<b>2014</b>	<b>Variance</b>
Payables	919,166,885	584,985,479	334,181,406
Trust Moneys	1,970,916,298	1,317,440,160	653,476,138
Domestic Loans	38,489,730,105	33,097,077,375	5,392,652,730
External Loans	57,328,480,809	40,897,702,192	16,430,778,617
<b>Total</b>	<b>98,708,294,097</b>	<b>75,897,205,206</b>	<b>22,811,088,891</b>

**Source: Report of Auditor-General, Public Accts of Ghana (Consolidated fund) 2015 Pg. 22**

**Note:** The total domestic Loans of **GH¢38,489,730,105** consist of short term domestic loans amounting to **GH¢18,065,536,704** and long term domestic loans amounting to **GH¢20,424,993,401** for the year ended 31<sup>ST</sup> December 2015. Similarly the total amount of **GH¢33,097,077.375** includes current and non-current domestic loans as at year ended 2014 (**see page 22 balance sheet**)

#### **8.4.6 2015 Networth.**

In the year under review Government actual expenditure of **GH¢38,574,158,143** exceeded the revenue of **GH¢ 23,718,767,962** giving a deficit of **GH¢ (14,855,390,181)**. Total assets in 2015 was **GH¢12,718,066,140** while total Liabilities was **GH¢ 98,708,294,097** giving the country a networth of **GH¢ (85,990,227,956)**.

## **9.0 OBSERVATIONS AND RECOMMENDATIONS**

The Committee made the following observations and recommendations during its deliberations:

### **9.1 Payments outside the GIFMIS System**

The Committee observed that despite the provisions made in the Public Financial Management Act 2016, Act 921 and with the introduction of the GIFMIS platform to be used in all government transactions such as payments , purchase ordering, annual budget including reporting on the Consolidated Fund are to be done using the GIFMIS platform, the Ministry of Finance and Controller and Accountant General's Department continued to make payments on behalf of some MDAs totalling **GH¢351,347,884.09** to contractors contrary to previous Audit recommendations that no payments or Government commitments shall be made outside the GIFMIS platform in order to prevent budget overruns

The Deputy Minister explained in their response on the 2014 Audit query to the Public Accounts Committee, the Ministry of Finance assured the Committee of its willingness to ensure the discontinuation of the practice where payments

are made outside the GIFMIS system, however the Ministry was unable to roll out the system to cover all MDA as expected.

The C&AG explained to the Committee that they had two modes of payments on the platform which include the ex-ante method where transactions are processed directly on the GIFMIS platform and the ex-Post method where transactions are paid and later journalised into the system. He indicated that currently it is not practicable to process all transactions ex-ante citing the problem of connectivity which requires a wide area network infrastructure needed at MDA level as well as the enormous task of training personnel to take up the task. He added that not all MDAs and all sources of funds were connected as expected at the time. He however stated that all Government of Ghana transactions are currently on the GIFMIS system.

He indicated all MDAs and hospitals who receive their salaries from the Controller and Accountant General Department have been hooked onto the GIFMIS. Again 56 Assemblies and all regional coordinating councils have also been hooked on to the platform

The Accountant General acknowledged the infraction made through payments outside the system but explained such payments were made due to the technical challenges, but it is currently being addressed and that every effort has been made to ensure all payments are done through the system in accordance with the Public Financial Management Act (PFMA) 2016, Act 921

**Recommendation:** The Committee was not satisfied with the delay in rolling out all Government agencies onto the GIFMIS system and therefore urge the Controller and Accountant General to ensure that full coverage is made in order not to waste the investment made in establishing the system.

## **9.2 Ineffective Recovery of GOG Loans**

The Committee again noted ineffectiveness in loan recoveries, for instance an amount of **GH¢1,643,714,690** was cited in the report as balance on loan recoverable while an amount of **GH¢686,578,071** was captured on Page 56. Of the report as Government of Ghana's Equity Contribution at VODAFONE GHANA COMPANY LIMITED. Included in the Loans Receivable is a total amount of GH¢8,482,555 receivable from the Republic of Guinea (GH¢7,703,500) and Republic of Upper Volta (now Burkina Faso) GH¢779,055.00

Out of the **GH¢1,643,714,690** captured in the Report as GoG loans Receivables, Accountant General has been able to recover only **GH¢ 18,785,852** from debtors and this has been paid into the Debt Recovery

Account managed by the C&AG as at 31<sup>st</sup> December 2016. The Controller submitted evidence in documents to that effect to the Auditor General.

Furthermore, the Department indicated that it has established a Government On-lending and debt recovery desk to ensure that all public debts are recovered and records updated accordingly.

Also a list of debts identified to be doubtful, amounting to **GH¢103,153,807.95** has been compiled and forwarded to the Ministry of Finance for action.

Further to this, the C &AG indicated that it has written to all Companies and Corporations to pay their indebtedness to Ghana Government.

He lamented however that most doubtful debts are owed by non-existing Companies or defunct Companies. The Controller was quick to explain that only approval by Parliament can allow these debts to be written off

**Recommendation:** The Committee commends the Controller and Accountant General for the establishment of the debt recovery desk, but urges the Controller and the Ministry of Finance to be more proactive by establishing systems to determine companies that are likely to be in default or fold up in order to ensure that what is owed to the people of Ghana is recovered is from the assets of those companies before they become defunct.

### **9.3 Inconsistencies in reported loan receivables**

The Committee again during its examination of the Auditor- General's Report observed that there were inconsistencies in reported loan receivables. For instance, the Committee noted inconsistencies in the amount reported as loan receivables against a confirmed balance from state institutions which resulted in an overstatement of **GH¢151,481,016.67**.

In response to the above, the Controller and Accountant General explained that the figures have so far been reconciled with the Corporations. He stated that an amount of **GH¢128,977,139** and **GH¢22,503,876.67** which resulted in an overstatement had been reconciled with the State Gold Mining Corporation of Ghana and restated in the financial statements.

### **Delay In Crediting Budget Support Activities.**

The Committee in its deliberation observed that Bank of Ghana delayed for over 26 months before crediting the Consolidated Fund with an amount of **£3,691,430 pounds**, which was meant for poverty reduction strategy. The Committee noted that the said amount was a result of a Memorandum of

Understanding (MOU), entered in 2008 between Ghana and United Kingdom in which the latter agreed to provide the sum of £6,000,000 to be used for poverty reduction budget support capacity building program which was to be disbursed from 2006 to 2008. However, an amount of £3,691,430.60 was received by 19th March 2013. This amount inadvertently was not credited to the Consolidated Fund until 30th June 2015, 26 months later.

The Controller and Accountant General's Department informed the Committee that following the Audit query, a follow up to the Central Bank was made to inquire on the delay. The Controller informed the Committee that the delay was due to a failure on the part of the BOG to communicate receipt of the said amount to the C&AG. He indicated that on their part, they had sent a letter to the Bank of Ghana asking them to pay interest on the delayed sum. The C&AG also tendered in a bank advice on the MOU to prove to the Committee on the follow ups made with the Central Bank so far in this regard.

**Recommendation:** The Committee expressed disappointment on the manner in which the said amount was handled by the Bank of Ghana and recommends to the Controller and Accountant General to furnish the Committee with the status of the MOU and also ensure that measures are put in place to ensure that monies received by the Central Bank on behalf of Government is automatically known by the Controller without the prompting of the Central Bank.

#### **9.4 Understatement of External Debt Balance –GH¢ 1,156,655,254.77**

The Committee observed that the Public Debt Investment Unit (PDI) of the CAGD misstated a loan received from 18 creditor institutions which resulted in an understatement of the external debt balance amounting to **GH¢1,156,655,254.77**

The position of the Auditor –General is that the understatement occurred before 31<sup>st</sup> December 2015 but the Debt Management Division (DMD) of the Ministry of Finance delayed in updating the transactions as per the generally accepted accounting practices (GAAP)

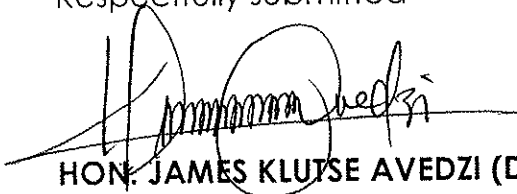
The Controller and Accountant General informed the Committee that the differences observed by the Auditor-General could be as a result of the updates done by the Debts Management Division after 31<sup>st</sup> December 2015 and indicated to the Committee that the understated figures as at date of Public sitting had been adjusted in the Public Accounts of 2016 and again that all quarterly reconciliation with regards to disbursement of external debts had been processed by the Debt Management Division and the Public Investment Division. He explained that currently DMD updates its records and informs the CAGD as soon as it disburses any sums of money

**Recommendations:** The Committee recommends to the Ministry of Finance to take full advantage of the establishment of the Debt Recovery Desk to ensure that electronic network systems are created to ensure speedy sharing of information between the Ministry and the Controller in order to nib this avoidable misstatement in order to engender trust and confidence in future financial statements.


## **CONCLUSION**

The Committee, having carefully examined the Report of the Auditor-General on the Public Accounts of Ghana (Consolidated Fund) for the year ended 31<sup>st</sup> December, 2015 recommends to the House to adopt its recommendations as the true state of the Public Accounts of Ghana (Consolidated Fund) for the year ended 31<sup>st</sup> December, 2015, and the opinion of the Auditor-General that, except for his reservation on understatement of external debt balance and the understatement of GOG On-lending loans, the accounts present fairly, in all material respects, the financial position of the Consolidated Fund as at 31<sup>st</sup> December 2015; and the results of its operations and cash flows for the year ended 31<sup>st</sup> December 2015 in accordance with Standing Order 165 of the Parliament of Ghana.

Respectfully submitted



**HON. JAMES KLUTSE AVEDZI (DR)**  
**CHAIRMAN,**  
**PUBLIC ACCOUNTS COMMITTEE**



**INUSAH MOHAMMED (MR)**  
**CLERK TO THE COMMITTEE**

**SEPT 2017**