

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

**REPORT OF THE SPECIAL BUDGET COMMITTEE
ON THE 2019 BUDGET ESTIMATES OF THE
GHANA AUDIT SERVICE**

1.0 INTRODUCTION

The Minister for Finance, Hon. Ken Ofori-Atta presented the Budget Statement and Economic Policy of the Government for the 2019 financial year to Parliament on Thursday, 15th November, 2018 in accordance with Article 179 of the 1992 Constitution and the Public Financial Management Act, 2016 (Act 921).

The Estimates of the Ghana Audit Service were subsequently presented to Parliament by President of the Republic of Ghana and in accordance with the Audit Service Act.

The estimates were laid before the House and referred to the Special Budget Committee for consideration and report in accordance with Order 140(4) of the Standing Orders of Parliament.

2.0 DELIBERATIONS

The Committee was assisted in its deliberations by the Auditor-General, Mr. Yaw Dormelevo, Officials of the Ghana Audit Service and the Ministry of Finance.

The Committee extends its profound appreciation to the Auditor-General and the other public officials for the assistance.

3.0 REFERENCE DOCUMENTS

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. Public Financial Management Act, 2016 (Act 921)
- d. The Audit Service Act 2000, (Act 584)
- e. The Budget Statement and Economic Policy of the Government of Ghana for the 2018 financial year;
- f. The Report of the Special Budget Committee on the Annual Estimates of the Audit Service for 2018 financial year;
- g. The official communication from the President of the Republic of Ghana on the estimates of the Audit Service;
- h. National Medium Term Development Policy Framework (NMTDPF) in achieving Sustainable Development Goals (SDGs) for 2019 – 2022; and
- i. Medium Term Expenditure Framework (MTEF) for 2019 - 2022

4.0 MISSION STATEMENT

The Audit Service is one of the key oversight, accountability, monitoring and evaluation institutions in the governance process of Ghana. The Mission of the Service is to promote good governance, transparency, accountability and probity in Ghana's public financial management system by auditing to recognized international standards, the management of public resources and reporting the

audit results and recommendations to Parliament. In pursuit of these objectives, the Service exists to provide independent assurance to Parliament, civil society organizations and the citizenry that public funds are not only fully utilized and accounted for, but also judiciously applied.

5.0 CORE FUNCTIONS

The core functions of the Audit Service are to:

- i. Audit the public Accounts of Ghana and all public offices and report the findings and recommendations to Parliament
- ii. Audit at the end of the first six months of the financial year a statement of the Foreign Exchange Receipts and Payments or transfers prepared by the Bank of Ghana and report the findings and recommendations to Parliament
- iii. Carry out in the public interest such special audits or reviews as the Auditor-General considers necessary and submit reports to Parliament
- iv. Ensure that the auditing activities of the Audit Service as spelt out in the Audit Service Act are carried out in accordance with international best practices;
- v. Monitor the use and management of all public funds, ensure value for money and report to Parliament. This covers Constitutional creatures and statutory or any other body or organization established by an Act of Parliament.
- vi. Ensure the effective implementation of the Assets and Liability regime

6.0 2018 PERFORMANCE REVIEW

The Audit Service was allocated an amount of **Two Hundred and Eighty-two Million, Nine Hundred and Thirty-four Thousand, Six Hundred and Sixty-four Ghana Cedis (GH¢282,934,664)** to carry out its activities for the 2018 financial year. The allocation was made of GoG GH¢264,436,664, Donor GH¢14,373,000 and an additional allocation under the Public Financial Management of GH¢4,125,000. Out of this allocation an amount of GH¢136,249,038 representing 48.16% was released as at 30th September, 2018 leaving a balance of GH¢146,685,624. The release is made of GH¢133,212,630 from GoG, GH¢646,125 from Development Partners and GH¢2,390,283 from PFM. Details of GoG allocation and releases are presented in table 1 below:

Table 1: 2018 GoG Budget performance as against approved Budget as at 30th September, 2018

	Economic Classification	2018 Budget Allocation (GH¢)	Releases as at 30/09/2018 (GH¢)	Variance GH¢	% Released
1	Compensation of Employees	218,416,854	113,099,150	105,317,704	51.78
2	Goods & Services	35,119,810	20,069,911	15,049,899	57.15
3	Capex	10,900,000	43,569	10,856,431	0.40
	Grand Total	264,436,664	133,212,630	131,224,034	48.16

As at 30th September, 2018, an amount of GH¢646,125 representing 4.50% out of a Donor allocation of GH¢14,373,000 was released to the Audit Service for its activities. The Donor budget performance for 2018 is presented in table 2 below:

Table 2: 2018 Donor Budget performance as against approved budget as at 30th September, 2018

	Item	2018 Budget Allocation (GH¢)	Releases as of 30/09/2018 (GH¢)	Variance GH¢	% Released
2	Goods & Services	2,874,600	646,125	2,228,475	4.50
3	Capex	11,498,400	0	11,498,000	0
	Grand Total	14,373,000	646,125	13,726,875	4.50

Additionally, an amount of GH¢2,390,283 (57.95%) was spent out of a PFM allocation of GH¢4,125,000 leaving a balance of GH¢1,134,717 as at 30th September, 2018.

7.0 KEY ACHIEVEMENTS IN 2018

The Audit Service made substantial progress towards the execution of its planned audits for 2018 as mandated by the 1992 Constitution. The Service during the period under review audited state institutions and submitted eight (8) statutory reports to Parliament. The reports covered the audited financial statements for MDAs, MMDAs, Public Boards and Corporations, Pre-university educational institutions, Consolidated Fund for the year ended 31st December, 2017. The reports were derived from the execution of 3,080 out of the planned 3,535 audits.

During the year under review, the Audit Service completed Audit on 2,239 Central Government Institutions and Ministries, Departments and Agencies as compared to 2,004 institutions audited in 2017. The Service also completed audit of all 216 Metropolitan, Municipal and District Assemblies across the country and 550 Pre-Tertiary Educational Institutions as against 500 pre-university educational institutions achieved in 2017. The Service also completed audit of 75 Public

Boards and Corporations and Tertiary Educational Institutions compared to 70 in the same period in 2017. In all 3,080 audits were initiated and completed in 2018 compared to 2,790 in 2017.

In addition to its statutory audits, the Service is also undertaking a number of special audits into the activities and implementation of activities of some state institutions. The Audit service has also completed the nationwide payroll audit of eight (8) out of the ten (10) regions.

8.0 OUTLOOK FOR 2019

In 2019, the Audit Service will continue with its core financial audit of all state entities which include MDAs, MMDAs, Pre-University Educational Institutions, Public Boards and Corporations as well as special audits and submit the reports to Parliament.

The Service will also conduct special audits and complete work on the nationwide payroll audits.

In 2019 the Auditor-General will complete the following audits and submit reports to Parliament:

- a. Annual Report on the Public Accounts of Ghana (Consolidated Fund),
- b. Annual Report on Ministries, Departments and Agencies (MDAs),
- c. Annual Report on Metropolitan, Municipal and District Assemblies (MMDAs),
- d. Annual Report on Pre-University Educational Institutions
- e. Annual Report on Public Boards, Corporations and other Statutory Institution,

- f. Annual Report on District Assemblies Common Fund,
- g. Complete work on the nationwide payroll audit exercise; and
- h. Special Audit Reports resulting from special audit or investigations requested by state agencies during the year.
- i. The Service will operationalize rotational audits aimed at minimizing the incidence of the effect of familiarization and the risk exposures of auditors;
- j. Implement the Audit Management Information System
- k. Undertake special audit in revenue generation and fiscal management with special focus on large and medium taxpayers.
- l. In 2018, the Audit Service will also undertake a comprehensive audit of government procurement and construction.

9.0 2019 BUDGETARY ALLOCATION

For the execution of the above activities, an amount of **Three Hundred and Sixteen Million, Four Hundred and Forty-seven Thousand, Nine Hundred and Forty-seven Ghana Cedis (GH¢316,447,947)** has been allocated to the Audit Service for its activities in 2019 financial year. Out of this amount, GH¢307,119,810 is GoG and GH¢9,328,137 is from Donors. The allocation will be disbursed among the various cost centers of the Service as presented in table 2:

Table 2: 2019 Budget Allocation by Cost Center

s/n	Expenditure Item	Allocation (GH₵) (GoG)	Allocation (GH₵) (Donor)	Total (GH₵)
1	Compensation	267,000,000	0	267,000,000
2	Goods and services	35,119,810	2,113,137	37,232,947
3	Capex	5,000,000	7,215,000	12,215,000
	Total	307,119,810	9,328,137	316,447,947

The 2019 allocation to the Audit Service will be expended in implementing two programs namely Management & Administration and Audit Operations. The summary of the 2019 expenditure estimates of the Audit Service by budget program is presented in table 3 below:

Table 3: Summary of 2019 Allocation by Budget Program

Budget program	2019 Allocation (GH₵)	% of total Allocation
Management and Administration	57,045,269	18.0
Audit Operations	259,402,678	82.0
Total	316,447,947	100

The 2019 allocation for Audit operations which is the core function of the Audit Service will be disbursed among the following audit operation:

Central Government Audit	-	GH¢35,995,714
Local Government Audits	-	GH¢103,508,142
Educational Institutions Audit	-	GH¢96,164,344
Commercial Audits	-	GH¢10,615,183
Special Audits	-	GH¢3,119,295
Total	-	GH¢259,402,678

10.0 OBSERVATIONS AND RECOMMENDATIONS

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

10.1 Expanding Scope of Audit Operations

The Committee noted that, the scope of operation of the Audit Service has expanded over the years as a result of increasing bureaucratic structures. The Auditor-General informed the Committee that, the operation of the Audit Service keep expanding following the creation of new Districts. He indicated that, the proposed creation of six additional regions in 2019 will further expand the scope of the Service significantly.

Furthermore, the implementation of a number of government policy initiatives including One District One Factory, Free Senior High School, Planting for Food and Jobs and transfer of one million Dollars to every constituency among others will lead to the transfer of substantial resources to the local level with its implication on financial oversight by the Audit Service. The transfer will require that the Audit Service intensifies and extends its audit activities to cover the utilization of these resources to promote efficiency, accountability and ensure the judicious use of these resources. The Committee is of the view that,

the expanding scope of operations of the Audit Service must correspond with increasing budgetary allocation to allow the Audit Service to perform its mandate effectively.

10.2 Inadequate Staff Strength

The Committee further observed that the Audit Service requires allocation of additional resources to recruit additional staff to augment its staff strength. This is to strengthen the human resource capacity of the Audit Service to efficiently scrutinize public expenditure and to deal with the expanding scope of audit operations. The Committee however noted that, out of a total requirement of GH¢297,699,891 for compensation in 2019, only GH¢267,000,000 was allocated leaving a funding gap of GH¢30,699,891. The Auditor-General explained to the Committee that, the Service intends to recruit additional 100 staff to augment its staff strength and replace retiring officers in 2019. However, the shortfall in Compensation allocation means that, the service will postpone its planned recruitment for 2019.

Officials from the Ministry of Finance explained to the Committee that, clearance was given to the Audit Service to recruit some 200 staff this year. They were optimistic that, the recruitment of these staff will help strengthen the human resources of the Service.

The Committee urges the Ministry to provide the needed support to the audit service to deliver on its core mandate of reducing corruption and protection of the public purse.

10.3 2019 Budgetary Requirement and Allocation

The Committee noted that, the budgetary requirements of the Audit Service as submitted to H. E. the President, for the 2019 financial year has not been fully met. The Committee noted that, contrary to Article 179 (2) (b) of the 1992 Constitution, Section 27 of the Audit Service Act 2000, Act 584 and Section 45 (4) of the Audit Service Regulations, 2011 (C.I. 70) the Ministry of Finance continue to give budget ceilings and restrictions to the Audit Service. As a result the budgetary requirements of the Audit Service was revised from GH¢387,936,567 to GH¢316,447,947 resulting in a shortfall of GH¢71,488,620.

The Committee further noted that, though the office of the president in a letter dated 14th November, 2018 communicated an annual estimate amount of GH¢316,447,911 as the 2019 expenses of the Audit Service for the consideration of Parliament, the Budget actually allocated an amount of GH¢316,447,947 to the Audit Service resulting in a marginal difference of GH¢36.

The Committee further noted that, the GoG CAPEX requirement of the Audit Service has been slashed from GH¢17,789,050 to GH¢5,000,000 creating a funding gap of GH¢12,789,050. This funding gap is expected to be financed by a capital expenditure support from KFW facility. Unfortunately, the Capital expenditure support from KFW was also reduced from GH¢23,521,000 to GH¢7,215,000 resulting in a cumulative capital expenditure financing gap of GH¢29,095,050.

The Committee was informed that, the KFW facility is required to finance the capital expenditure needs of the Service. The Committee was also informed that, GH¢14,000,000 out of the Capital expenditure requirement of the Audit Service for 2019 financial year is to be

expended on the construction of office accommodation across the regions which has stalled since 2012.

Part of the allocation will also be invested in the procurement of office equipment for the automation of the auditing process under the Audit Management Information System (AMIS) to be deployed in 2019.

The Auditor-General explained to the Committee that, the automation of the audit process has become more important in view of the fact that the financial processes and accounting procedures in all public sector institutions has been digitized.

The Committee is of the view that, to ensure an effective audit, the auditing processes of the Audit Service must equally be digitized. The downwards review of the capital expenditure requirement of the Audit Service will affect deployment of AMIS, some planned Audit Activities of the Service and the planned completion of work on its office accommodation in the districts. The Committee urges the Minister of Finance to provide the needed counterpart funding to allow Audit Service the use of KFW facility to finance its capital expenditure requirements for 2019 so as to bridge the gap in the budget shortfall to the Audit Service.

10.4 Timely Release of Budgetary Allocations

The Committee noted that inadequate and untimely release of budgetary allocations hampered the timely execution of the planned activities of Audit Service. Out of an allocation of GH¢282,934,664 only GH¢202,273,983 representing 71.50% was released to the Service as at November, 2018.

The Auditor-General informed the Committee that the primary challenge was the irregular and untimely release of funds which affected the ability of the Auditor-General to effectively perform his mandate and submit the required reports to Parliament. He indicated that audits are seasonal in nature and this require that funds should be released timeously for the Audit Service to carry out audit activities within specific periods within the year. He added that, quarterly release of funds affect the effectiveness and the ability of the Service to complete its statutory audits and submit timely reports to Parliament.

The Committee is of the view that the untimely release of funds to the Service could cause some audits to fall in arrears. This will derail efforts made to hold the managers of the public purse accountable for the use of resources entrusted under their care.

The Committee urges the Minister of Finance to release at least 50% of the appropriation for Goods and Services which relates to the core activity of the Audit upfront to the Audit Service at the beginning of each year to enable it carry out its mandatory audits.

10.5 Special Audit Initiatives

The Committee noted with interest some special audit initiatives the Audit Service intends to undertake in 2019. Prominent among these are Procurement and Contract Audit, Audit of District Development Fund, Audit of implementation of GIFMIS and Integrated Payroll and Database (IPPD), Performance audit of physical infrastructure including roads, public debt audit and special audits into government social intervention programs such as capitation grant and School feeding program.

The auditor-General explained to the Committee that, auditing is gradually shifting to determination of the efficiency and effectiveness of public spending through performance audits.

The Committee urges the Audit Service to focus more attention on its performance and special audit operations. This is to ensure that public spending is not only done in accordance with laid down rules and procedures but results in greater efficiency and effectiveness in the use of public resources.

10.6 Inability to access the KfW Loan Facility

The Committee noted that, the Government of Ghana in 2016 secured a credit facility amounting to €13,000,000 from KfW to support the Audit Service. The amount is to be invested in the construction of district offices for the Audit Service. The aim was to address the acute shortage of office accommodation facing the Service particularly at the District level.

The Committee was informed that, the Audit Service is unable to access the facility due to the inability of the project implementation unit at the Ministry of Finance to complete work on the procurement of contractors. The Service explained that, KfW has assured that the facility is available for the Audit Service to draw on subject to the payment of counterpart funds by Government and a work order from contractors.

The Committee observed that the delay in the procurement of contractors led to the inability of the Audit Service to draw on the facility. Out of a projected expenditure of GH¢14,373,000 from the KfW facility, only GH¢646,125 was accessed. The release relates to

goods and service expenditure leaving all the allocation for capital expenditure for 2018 undisbursed. In 2019, an amount of GH¢23,521,000 to was planned to expenditure to commence work on the district offices of the Audit Service. However, the Budget allocated only GH¢7,215,000.

In view of the need to strengthen the independence of the Audit Service and reduce its dependence on MMDAs for office accommodation, the Committee urges the Ministry of Finance to speed up processes for the procurement of contractors to allow the Audit Service the use of the KfW facility to support its district office project.

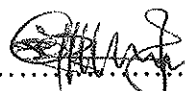
11.0 CONCLUSION

The Audit Service is responsible for promoting good governance and financial accountability through its audit functions. In line with this mandate, the Service conducts annual audit of all State institutions, Corporations, Department and Agencies that draw or controls public funds. This function is aimed at ensuring that public funds are judiciously used and accounted for to ensure the citizenry derive the desire benefits from their resources. The performance of this function requires sufficient financial resources to be release to support the Audit Service.

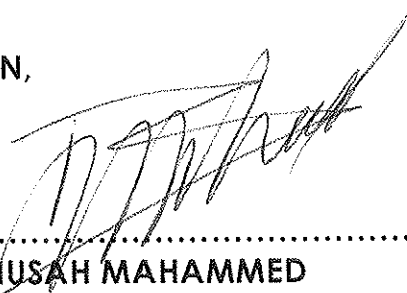
In the light of the above, the Committee recommends to the House to adopt its report and approve the sum of **Three Hundred and Sixteen Million, Four Hundred and Forty-seven Thousand, Nine Hundred and Sixty-seven Ghana Cedis (GH¢316,447,947)** for the

implementation of the programs of the Audit Service for the 2019 financial year.

Respectfully submitted.



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HON. OSEI KYEI-MENSAH-BONSU
(MAJORITY LEADER AND CHAIRMAN,
SPECIAL BUDGET COMMITTEE)



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MR INUSAH MAHAMMED
(CLERK, SPECIAL BUDGET COMMITTEE)

December, 2018.