

**IN THE FIRST SESSION OF THE FOURTH
PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA**

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**REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE**

ON THE

**REPORT ON THE AUDIT OF THE ACCOUNTS
OF THE OFFICE OF THE
AUDITOR-GENERAL**

JULY 2005

INTRODUCTION

1. The 1992 Constitution enjoins Parliament to appoint an auditor to audit the accounts of the Office of the Auditor-General. Article 187 (15) specifically states that " The accounts of the Office of the Auditor-General shall be audited and reported upon by an Auditor appointed by Parliament". Unfortunately, the first and second Parliaments of the Fourth Republic could not implement this constitutional requirement. This resulted in unaudited accounts of the Office of the Auditor-General falling into arrears of over 10 years.
2. In pursuance of the above provision of the Constitution, the third Parliament of the fourth Republic appointed Messrs. Opoku, Andoh & Co. to audit the accounts of the Office of the Auditor-General for a 10-year period – 1993 to 2002.
3. The Report from Messrs Opoku, Andoh & Co. on the Audit of the Accounts of the Office of the Auditor-General (1993-2002) was accordingly submitted to Parliament and laid before the House on 17th June 2005. In pursuance to Order 165 (2) of the Standing Orders of the House, the Report was referred to the Public Accounts Committee for consideration and report.
4. The Committee reviewed the report and evidence was taken from the Auditor-General and officials from the Audit Service. The Committee was assisted by Mr. Peter Opoku and Mr. Kwabena Asante-Poku of Messrs Opoku, Andoh & Co. in the review of the Report.
5. The Committee wishes to place on record its appreciation to the above officers for their input during the deliberations of the Committee.

REFERENCE

6. The underlisted documents guided the Committee in its deliberations.

- i. The 1992 Constitution
- ii. The Standing Orders of Parliament
- iii. The Financial Administration Decree, 1979, SMCD 221
- iv. The Financial Administration Act, 2003, Act 654
- v. The Audit Service Act, 2000, Act 584
- vi. The Financial Administration Regulations, 1979, L.I. 1234
- vii. The Financial Administration Regulations, 2004, L.I. 1802

FINDINGS AND RECOMMENDATIONS

RECORD KEEPING

7. The audit disclosed that record keeping was poor in the Office of the Auditor-General or Audit Service. The Service could not furnish the Auditors with Payment Vouchers and Imprest Cash Books for the period 1993 to 1998. Vote Service Ledgers for 1994 and 1996 and Local Purchase Orders for 1993 to 1997 were only made available after the completion of the audit.

8. The Committee was informed that record keeping has improved since the submission of the Audit Report. According to the Auditor-General, accounting records are now filed on cost center basis and staff trained on the new filing system.

9. A new accounting software, ACCPAC, has also been developed and implemented. This has facilitated the electronic storage of data.

10. A separate office space has also been created for the storage of documents.

RECOMMENDATION

11. The Committee recommends that the Service should conduct periodic and regular in-service training on records management for schedule officers.

INTERNAL CONTROLS

12. The audit revealed that internal control was weak. There were no internal control reports for 1993-1998 and there was no evidence of stock taking of the stationery store prior to February 2001. There was also no evidence of a cash count during the 10-year period of 1993 – 2002. Queries raised in the few internal audit reports made available to the Auditors were also not implemented.

13. The Auditor-General informed the Committee that measures put in place to strengthen the Internal Control System include strengthening the staff of the Internal Audit Department. Each Regional Office now has an internal audit unit headed by a Senior Officer and a qualified Accountant now heads the Internal Audit Department itself.

14. Assistant Auditors-General have also been appointed to head each regional office of the Service.

RECOMMENDATION

15. Your Committee wishes to reiterate the recommendation of the Auditors that there should be regular cash count and stock-taking to minimize the risk of embezzlement and misappropriation of funds. Further, sanctions should be instituted against officers who fail to respond or implement the recommendations of internal audit.

BUDGETARY ALLOCATIONS

16. The Auditors also noted inadequate budgetary allocation to the Service. The Auditors indicated that the Audit Service allocation since 1995 had never exceeded 65% of what was proposed.

17. The Committee was informed that inadequate budgetary allocations coupled with non-timely releases of funds had severely affected the operations of the Service particularly on its timely reporting to Parliament.

RECOMMENDATION

18. Your Committee wishes to appeal to the President to ensure that the provisions of sections 26 and 27 of the Audit Service Act, Act 584 are fully complied with. The MOFEP is also urged to ensure that funds approved by Parliament to meet the expenditures of the Service are released on timely basis.

FIANANCIAL STATEMENTS

19. The Audit report indicated that the Audit Service failed to prepare financial statements under the Treasury System of Accounting; what was prepared was the Consolidated Expenditure Returns. The Service was therefore assisted by the Auditing Firm to prepare the financial statements for audit. The required information from some district offices in Brong Ahafo and Eastern Regions could however not be made available to be incorporated in the financial statements.

20. The Auditor-General acknowledged the lapse and informed the Committee that the Service has now instituted a standardized reporting system on monthly returns for the regional and district offices and submissions are being monitored at the Head Office. He further indicated that the 2003 and 2004 draft financial statements

have been prepared and are being reviewed by the Internal Audit Department.

RECOMMENDATION

21. The Committee recommends that the Audit Service organises periodic workshops for its finance officers to sensitize them on the importance of the financial statements and the information required in those statements.

ACCOUNTING TRANSACTIONS

22. The audit revealed errors in the Vote Service Ledgers. Some payment vouchers were not entered in the Vote Service Ledgers and in situations where figures have been amended by Internal Audit, the original ones were still maintained in the Ledger. Additionally, where the original entries in the Ledger have been cancelled and replaced with the amended ones, balances carried down did not reflect the amendments.

23. The Committee noted that some of these lapses have been rectified and incorporated in the financial statements. The Service has also incorporated internal checks in the Transaction Statement to ensure that transactions are validated before entry into the Ledger.

24. The audit further noted that there was no uniformity in the preparation of personal emoluments at various outstations while copies of the payroll were not kept at the regional and district offices.

25. The Auditor-General informed the Committee that the anomaly has been rectified in the design of the standardized monthly returns, which have since been instituted.

RECOMMENDATION

26. It is recommended that the Service should regularly review the system of internal controls in order that lapses can be detected as and when they occur and measures instituted to rectify them.

UNAUTHORISED VIREMENT

27. The audit noted widespread unauthorized virement at the Head Office. Even though section 70 of L.I. 1234 allows, in specified circumstances, for savings made under one sub-head to be used to provide for extra expenditure under another sub-head, sections 71-76 require that approval must be sought for any such virement. The L.I. also cautions that such virement should not be used for capital expenditures.

28. The Auditor-General, in response to the query before the Committee, indicated that virement within expenditure heads are now approved by him. He however attributed the cause of the virement to inadequate funding and untimely release of approved appropriations from MOFEP.

RECOMMENDATION

29. The Committee recommends that the Service should strictly comply with the provisions of section 171 of L.I. 1802.

FIXED ASSETS REGISTERS

30. The audit noted that the Audit Service did not maintain any Assets Register and some of the assets of the Service were not marked with identification numbers. Physical verification of assets was not conducted either.

31. The Service informed your Committee that assets of the Service have now been compiled in a register and codes of identification of

assets agreed to. Embossment of these codes on the assets is currently in progress. The Service has also since the audit acquired Assets Tracker and Visual Personnel Director software to facilitate monitoring and reporting on its fixed assets. They further indicated that assets acquired in future are to be valued and entered into the Assets Register.

RECOMMENDATION

32. The Committee has requested the External Auditors to verify the claim by the Audit Service and report to the Committee.

STATIONERY STORE (HEAD OFFICE)

33. The Audit observed that printed Store Receipt Vouchers and Store Issue Vouchers used by the Service were not pre-numbered; the Storekeeper only numbered them when they were used. Stationery items were also kept on the floor mixed with liquid detergents and some used items.

34. The Auditor-General indicated that the printing of the above vouchers is the responsibility of the Controller and Accountant-General. It is the latter who distributes the vouchers to all Ministries, Departments and Agencies (MDAs) including the Audit Service. The Controller and Accountant General however indicated that the above was not brought to his attention and that MDAs that received unnumbered value books are enjoined to reject such value books and notify the Controller and Accountant-General.

35. The Auditor-General however indicated that new pre-numbered value books have been ordered and are awaiting delivery from CAGD. He further stated that a new office space has been earmarked at the new office block (Annex III) to accommodate the stores. The

detergents and other substances will accordingly be separated from stationery items when the building is completed.

RECOMMENDATION

36. The Committee recommends that the use of the unnumbered vouchers should be numbered and recorded in the stock register pending the receipt of the new orders. This is to avoid any further losses that might result from the use of the unnumbered books. A Stores Assistant should also be engaged to assist the Store-keeper.

IMPREST CASH

37. The audit observed that cash imprest, representing about five expenditure sub-heads to meet minor but pressing expenditures, was maintained at the Head Office. There were however no bank statements from 1993 – 1994 and therefore reconciliation was never prepared. Salary arrears and vehicle maintenance allowance were all paid into the imprest account.

38. A Cashier in-charge of the account is alleged to have embezzled a total amount of ₦165m and has since been interdicted. The case is currently pending before court.

39. Your Committee was informed that the Cashier has proceeded on compulsory retirement and his terminal benefits are being withheld pending the completion of the court trial.

40. In order to check future recurrence, the Auditor-General has stated that the cash imprest account is closely monitored and the Internal Audit Unit undertakes periodic unannounced cash count of the account.

RECOMMENDATION

41. The Committee recommends that the use of Imprest cash should be strictly in accordance with the provisions Part XIII of L.I. 1802.

42. The Committee wishes to urge the Attorney-General to ensure a speedy trial of the case.

PROCUREMENT

43. The Audit Report indicated that even though the Audit Service established a Procurement Committee, there were no records of meetings of the Committee and therefore the Auditors could not vouch whether the Service followed laid down procurement procedures.

44. The Audit Service acknowledged that the previous Procurement Committee was relatively weak but added that with the coming into force of the new Public Procurement Act, (Act 663), a new Entity Tender Committee has been constituted and is functional.

RECOMMENDATION

45. The Committee is urging the Auditor-General to ensure that the relevant provisions of Act 663 are adhered to and that the Entity Tender Committee handles all procurements for the Service.

STAFFING

46. The Auditors disclosed that they could not obtain figures for the approved staff structure of the Audit Service and that a new organizational structure was being drawn by the latter to reflect the existing staffing position. Your Committee was informed that the new organizational structure has been completed and is being implemented.

RECOMMENDATION

47. It is the opinion of the Committee that the new organizational structure should have been drawn to reflect the staffing needs of the Service and not the existing staff position. Your Committee therefore recommends that in the implementation of the new organizational structure, the Service should be guided by its staffing needs and not the staff strength currently existing.

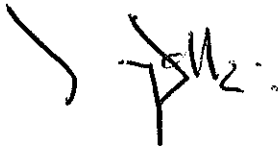
CONCLUSION

48. The Committee noted that all the financial statements for the years (1993-2002) had been qualified because of the absence of relevant supporting documents. In cases where documents were made available, transactions did not fully comply with the relevant provisions of L.I. 1234 in respect of virement.

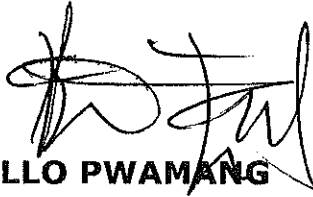
49. The Committee urges the Auditor-General to continue to improve on the financial controls so as to remove the causes of the qualification as soon as possible.

50. The Committee also wishes to draw Parliament's attention to the provisions of Art. 187(15) of the Constitution and to request that urgent steps be taken to appoint an Auditor to audit the accounts of the Office of the Auditor-General for the 2003 and 2004 financial years. This is to avoid the accounts falling into arrears as happened previously.

Respectfully submitted.



HON. SAMUEL SALLAS-MENSAH
CHAIRMAN, PUBLIC ACCOUNTS COMMITTEE



CAMILLO PWAMANG
CLERK, PUBLIC ACCOUNTS COMMITTEE

13TH JULY 2005