

**IN THE THIRD MEETING OF THE SECOND SESSION OF THE FIFTH PARLIAMENT OF THE FOURTH
REPUBLIC**

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE PUBLIC ACCOUNTS OF GHANA
FOR THE YEAR ENDED 31ST DECEMBER 2007 (CONSOLIDATED)**

1.0 INTRODUCTION

The Report of the Auditor-General on the Public Accounts of Ghana for the year ended 31st December 2007 (Consolidated Fund) was laid before the House on 29th June, 2009.

This Report was prepared in accordance with Article 187 of the 1992 Constitution of the Republic of Ghana which mandates the Auditor-General to audit the Public Accounts of Ghana and of all public offices, institutions, and organisations established by an Act of Parliament and submit his report to Parliament.

This Report was referred to the Public Accounts Committee (PAC) for examination and report pursuant to Order 165(2) of the Standing Orders of the Parliament of Ghana.

To consider the report, the Committee met with the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper, the Controller and Accountant General, Mr. R. K. Tuffuor, the Ag. Auditor-General, Mr. Richard Quartey and the technical team from the Ghana Audit Service and the Ministry of Finance and Economic Planning and Report as follows:

2.0 REFERENCE

Your Committee was guided in its deliberations by the following legal instruments:

- i. The 1992 Constitution of the Republic of Ghana
- ii. The Standing Orders of the Parliament of Ghana
- iii. The Financial Administration Act, 2003 (Act 654)
- iv. The Public Procurement Act 2003 (Act 663)
- v. The Audit Service Act, 2000 (Act 584)

- vi. The Internal Audit Agency Act, 2000
- vii. The Financial Administration Regulations 2004 (L.I. 1802)

3.0 REASONS FOR THE AUDIT

The Controller and Accountant General (CAG) is mandated under Sections 41(1b) and (2) as well as 44(1) of the Financial Administration Act (FAA), 2003 (Act 654), to prepare and submit to the Auditor-General for examination, the annual financial statements on the Public Accounts of Ghana. The financial statements comprise the following:

- Statement of Assets and Liabilities (Balance Sheet)
- Statement of Revenue and Expenditure
- Statement of Receipts and Payments
- Cash Flow Statement
- Notes to the accounts
- Functional classification of expenditure by Items and Heads
- Summary of expenditure by Heads and Items and
- Analyses of the position of public Debts, Grants, and Public loans funded from the Consolidated Fund, Deposits, Advances, Equity Investments, and HIPC Funds.

Section 15 of the Audit Service Act, 2000 (Act 584) requires that the Auditor-General on receipt of the accounts, examines and certifies whether in his opinion, the statements present fairly, the financial information on the accounts of Ghana and whether the statements were prepared in accordance with accounting policies of Government as well as generally accepted accounting principles.

The audit was conducted in compliance with this legal requirement.

4.0 SUMMARY OF FINANCIAL STATEMENTS ON THE PUBLIC ACCOUNTS OF GHANA FOR THE YEAR ENDED 31ST DECEMBER 2007

4.1 Revenue and Expenditure

4.2.0 Revenue Performance

The main sources of revenue for the year were Receipts from Grants, Taxes on International Trade, Non-Tax Revenue, HIPC Assistance Receipts, Direct Taxes, Indirect Taxes and Multi-Donor Relief Initiative (MDRI).

Total Revenue for 2007 amounted to GH¢3,329.81 million against the budgeted Revenue of GH¢4,774.02 million. The out turn for 2007 is 29.62% lower than budgeted. The actual for 2006 was GH¢3,084.19 million. Table 1 shows the breakdown of Revenue:

Table 1

Item	2007 Budget	2007 Actual	2007 Variance	2006 Actual
	GH¢M	GH¢M	GH¢M	GH¢M
Direct Tax	887.67	901.50	13.84	718.31
Indirect Tax	1,412.46	458.06	(954.40)	415.15
Value Added Tax	865.42	909.94	44.52	686.94
Tax on International Trade	613.65	605.07	(8.58)	510.62
Other Tax Revenue	182.39	8.98	(173.41)	163.51
Non - Tax Revenue	94.13	104.90	(10.77)	92.30
Grants	153.51	202.92	49.41	132.07
Divestiture Receipts	534.79	138.44	(419.61)	0.60
HIPC Receipts	0	0	0	167.81
MDRI Receipts	0	0	0	196.88
Total Revenue	4,744.02	3,329.81	(1,414.21)	3,084.19

4.2.1 Direct Tax

Actual Tax collected for the period amounted to GH¢901.50 million as against a projection of GH¢887.67 million. This is 1.56% higher than 2007 projections. The 2006 actual was GH¢718.31 million.

4.2.2 Indirect Tax

This consists of Sales Tax, Excise Duty and Petroleum Tax and yielded GH¢458.06 million as against a projected figure of GH¢1,412.46 million. The actual tax represents a negative variance of 67.6% of the budgeted figure for 2007, and 10.3% higher than the previous year's actual of GH¢415.15 million.

4.2.3 Value Added Tax

Value Added Tax (VAT) Collection for the period was GH¢909.94 million as against the budgeted figure of GH¢865.42 million. This represents a positive variance of 5.14% compared with the budgeted figure and an increase of 35.86% over 2006 actual figures. This figure excludes GET FUND.

4.2.4 Tax on International Trade

Taxes on international trade are made up of Import Tax and Export tax. Total Collections for 2007 amounted to GH¢605.07 million. The budgeted figure was GH¢613.65. This represents a negative variance of 1.4% and an increase of 15.6% over 2006 collections of GH¢510.62 million.

4.2.5 Other Tax Revenue Measures

Other Tax Revenue was GH¢8.99 million against a budgeted figure of GH¢182.39 million. This was 95.0% lower than the budget. The actual for 2006 was GH¢15.82 million. The actual collection for the period is in respect of Airport Tax and Reconstruction Levy.

4.2.6 Non-Tax Revenue

Non-Tax Revenue collections during the year amounted to GH¢104.90 million. This amount is 11% lower than the budgeted figure of GH¢94.13 million for the period and 14% above the previous year's figure of GH¢92.30 million.

4.2.7 Grants

Total Grants received during the year amounted to GH¢295.38 million, compared with the budgeted figure of GH¢153.51 million. This shows a positive variance of GH¢49.41 million. The actual for 2006 was GH¢132.07 million.

Budget Support inflows received are shown in the table 2 below.

Table 2 on Development Partners Grant Contributions to MDBS

NO.	DONOR	AMOUNT GH¢
1	DANISH GOV'T	5,741,824.90
2	AFD(FRANCE)	23,289,357.45
3	CIDA	13,280,099.02
4	EUROPEAN COMMISSION	26,319,720.97
5	UK	73,427,680.00
6	NETHERLANDS	30,932,551.27
7	SWISS GOVT	6,396,646.14
8	IDA	101,872,557.70
9	KFW	14,123,858.76
	Total	295,384,296.21

4.2.8 Divestiture Receipts

An amount of GH¢534.79 million was budgeted. The 2007 actual figure was GH¢138.4 million registering an adverse variance of GH¢396.35 million compared to the budgeted figure. Actual figure for 2006 was GH¢0.60 million.

4.3 Expenditure

Total expenditure amounted to GH¢3,964.30 million as against a budget of GH¢3,839.76 million. Total expenditure incurred was 3.24% higher than the budgeted figure. The previous year's figure was GH¢3,490.84 million. Details of expenditure are shown in Table 3 below.

Table 3

EXPENDITURE	2007	2007	2007	2006
	Budget	Actual	Variance	Actual
	GH¢M	GH¢M	GH¢M	GH¢M
Personnel Emoluments	1,316.70	1,440.74	124.04	1,112.30
Transfer to Households	255.09	287.96	32.87	234.69
National Health Insur. Fund		-	-	76.41
Administration	354.56	433.14	78.58	247.41
Service	102.01	132.11	30.10	86.15
Investment	723.83	364.78	(359.05)	214.78
Utility Subsidies	0	31.86	31.86	-
Public Debt Interest	364.81	517.06	152.25	415.68
Tax Refunds	21.3	26.07	4.77	14.11
District Assembly Common fund		143.00	143.00	128.07
Petroleum Related Fund		2.80	2.80	2.87
Road Fund		106.59	106.59	108.58
Other Payments	645.26	272.89	(372.37)	98.65
Road Arrears	16.5	3.69	(12.81)	7.32
Non Road Arrears	39.7	3.30	(36.40)	19.80
Contingency Expenditure		-	-	93.04
HIPC Expenditure		-	-	199.80
MDRI Expenditure		-	-	184.23
Exchange Loss		-	-	133.32
Educational Trust Fund		-	-	113.60
Grants		193.80	193.80	-
Provision for doubtful debts		4.51	4.51	-
	3,839.76	3,964.30	124.54	3,490.84

4.3.1 Personnel Emoluments

Actual Personnel Emolument paid amounted to GH¢1,440.74 million. This gave rise to an adverse variance of GH¢124.04 million when compared to the budgeted figure of GH¢1,316.70 million. The previous year's figure was GH¢1,346.98 million.

4.3.2 Administrative Expenditure

Total Administrative expenditure was GH¢433.14 million. This is 22.35% more than budgeted. The 2006 actual expenditure was GH¢288.64 million. The figure of GH¢433.14 million includes Administrative expenditure of GH¢5.44 million which has been classified under contingencies

4.3.3 Service Expenditure

Service expenditure amounted to GH¢132.11 million as against the budget of GH¢102.01 million. It resulted in an unfavourable variance of 29.50% compared to the actual expenditure. The 2006 actual expenditure was GH¢127.40 million.

The actual expenditure includes additional Service expenditure of GH¢10.69 million which has been classified under contingencies.

4.3.4 Investment Expenditure

Investment expenditure amounted to GH¢364.78 million as against the budget figure of GH¢723.83 million. This was 51.50% lower than the budgeted figure. The 2006 actual expenditure was GH¢222.80 million.

The actual expenditure includes additional Investment expenditure of GH¢13.45 million which has been classified under contingencies.

4.3.5 Public Debt Interest

Interest on public debt amounted to GH¢517.06 million. This was 41.7% higher than the budgeted figure of GH¢364.81 million and 13.04% of total expenditure. It is also 24.39% higher than the previous year's figure of GH¢415.68 million.

4.3.6 Others

Actual for the year was GH¢525.28 million. This gave rise to a favourable variance of GH¢119.98 million when compared to the budgeted figure of GH¢645.26 million. This

includes expenditure on the rehabilitation of the National Stadium, School Feeding Programme, Electrification Projects and payments to Tema Oil Refinery and Volta River Authority.

4.4 Balance Sheet items (Assets and Liabilities)

4.4.1 Assets

The Assets in the Balance Sheet are summarized as follows:

	2007	2006
	GH¢M	GH¢M
Cash and Bank Balances	1,424.36	264.02
Advances	5.94	5.16
Loans (Receivables)	665.82	669.81
Investments	103.57	125.60
TOTAL	2,199.69	1,064.59

4.4.1.2 Cash and Bank Balances

This represents balances on all bank accounts maintained as part of the Consolidated Fund.

4.4.1.3 Advances

The outstanding balance on advances amounted to GH¢5.94 million. It is made up of Special Advances to Government employees, Advances for the acquisition of motor vehicles and Advances to Government agencies for operation of Revolving Funds.

4.4.1.4 Loans (Receivables)

The balance comprises loans granted to Statutory Boards and Corporations, Companies and other foreign governments. The balance of GH¢665.82 million shows a decrease of GH¢3.99 million over the 2006 balance of GH¢669.81 million.

Loan balances amounting to GH¢5.85 million have been overdue since 1995. Out of this, provision has been made for GH¢4.51 million as doubtful debt.

4.4.1.5 Investments

The Investments held by the government are classified as follows:

	2007	2006
	GH¢M	GH¢M
Trust Funds	4.74	4.74
International Agencies	4.98	4.98
Local Investments	93.85	115.88
Total	103.57	125.60

- **Trust Funds**

Investments in Trust Funds amounting to GH¢4.74 million represent balances held by Crown Agents on behalf of Government of Ghana. This represents bequests to the Government of Ghana by Sir Alfred Jones and H. S. Newlands and managed by Crown Agents.

- **International Agencies**

Investments of GH¢4.98 million in International Agencies represent Government's Investments in International Organizations. There was no additional investment during the 2007 financial year.

- **Local Investments**

Investments amounting to GH¢93.85 million represent Government's investment in Statutory Boards, Corporations and Companies.

4.4.2 Liabilities

Liabilities in the Balance Sheet are summarized as follows:

		2007	2006
		GH¢M	GH¢M
1	Loans (Public Debt)	7,027.76	4,724.82
2	Deposits and Other Trust Monies	(137.98)	45.33
	Total	6,889.78	4,770.15

4.4.3 Loans (Public Debt)

This is made up of Domestic and Foreign Debt. Loans outstanding at the year end was GH¢7,027.76 million as compared to GH¢4,724.82 million in 2006. Included in the balance is an amount of GH¢728.18 million raised from the Sovereign Bond issued by the Government of Ghana in October 2007.

The table below shows loans received as Multi Donor Budget Support

Donor	GH¢M
AFD	12.01
IDA	102.12
TOTAL	114.13

4.4.4 Deposits and Other Trust Monies

Trust Funds balance at the end of the year was GH¢137.98 million as against GH¢45.33 million in 2006.

4.5 Net Accumulated Results (Net Balance)

Net Accumulated Results consists of Accumulated (Deficit) or Surplus on Revenue and Expenditure and Other Reserves.

The Net balance of GH¢4,705.43 million at the end of the year shows an increase of GH¢999.87 million over the corresponding figure for 2006.

5.0 OBSERVATIONS AND RECOMMENDATIONS

5.1 Arithmetical inaccuracies

The Committee observed that there were a number of errors identified with the financial statements submitted to the Auditor-General for audit. They included omissions, overstatements, non-disclosure and arithmetical inaccuracies

The Controller and Accountant General informed the Committee that these errors usually occur during the computations. When these errors are brought to the

Department's attention, steps are quickly taken to correct them and the financial statements adjusted accordingly.

He said these errors have been corrected and the new figures incorporated in the final accounts. The Department had also installed computer software which is being used to review and eliminate these inaccuracies.

5.2 Payment of unauthorized Personnel Emolument to Department of National Lotteries (DNL) totaling GH¢0.60 million

On the issue of payment of unauthorised Personnel Emolument to DNL, the Controller explained that there was an arrangement with management of DNL where Controller was to pay the salaries of their staff and DNL would reimburse the CAGD.

The CAG said the arrangement was done when DNL was made a sub vented organisation and was to pay its staff. Management of DNL requested the Department to pay its staff until such time that it would put in place its own payroll system since the CAGD already had the staff of DNL in their system.

The CAG said all outstanding balances due from the DNL have been recovered.

5.3 Poor management of Public Loans -GH¢669.30 million

The audit disclosed that loans totalling GH¢669.30 million granted to some individuals, Companies, Public Boards and Corporations some dating back to the 1960s had not been recovered. No proper records were maintained to facilitate easy tracking of the loan beneficiaries.

The CAG informed the Committee that in line with the Auditor-General's recommendations, the Department had submitted a complete list of all the loans to Ministry of Finance and Economic Planning for review.

A proposal would soon be laid before Parliament for a write-off of those which can be identified as irrecoverable.

5.4 Signing of the financial statements

The Committee observed that in its previous report on the Report of the Auditor-General on the Public Accounts of Ghana for the year ended 31st December, 2005, there was the recommendation that the financial statements should be jointly signed by the

Minister of Finance and Economic Planning and the Controller and Accountant General.

This recommendation was to ensure that the Minister for Finance approves the financial statements as the true reflection of the financial position of Government. Best practice also requires that the person responsible for the general management of the Consolidated Fund counter signs as evidence of his authentication. Unfortunately, this recommendation has not been adhered to.

The Committee wishes to reiterate its earlier recommendation and add that Financial Statements of Government should not be accepted by Parliament if they are not counter signed by the Minister responsible for Finance and Economic Planning as evidence of his authentication.

5.5 Unsubstantiated cash balances

The audit revealed that cash balance of GH¢1,467,857,929 representing the total Consolidated Fund Bank/Cash Balance were not supported with a schedule that agreed with the balance.

The total balance of GH¢951,157,924.03 on a schedule of Cash/Bank Accounts obtained from the Public Accounts Section did not also agree with the reported cash balance, revealing a difference of GH¢516,700,004.97.

No Bank Reconciliation Statements were prepared on major bank accounts to confirm the accuracy or otherwise of the balances.

The CAG responded that the list of bank accounts and balances that constitute the Consolidated Fund had been compiled and is available for review.

Recommendation

The Committee would like to request the Auditor-General to review the list and inform the Committee accordingly.

5.5 Poor recovery of Vehicle Advances

The technical team informed the Committee that a review of vehicle advances revealed poor recovery by CAGD. There were instances where recoveries were made from some MDAs whose accounts showed nil/zero balances.

Recommendation

The Committee is not happy about the management of advances at the CAGD. It therefore demands that CAGD improves the management of these advances and take the necessary steps to recover them.

5.6 Other Audit Findings

The technical team further informed the Committee that other anomalies observed during the audit include:-

- Inadequate disclosure of 12.5% Social Security Fund payments amounting to GH¢17.40 million
- Late Deletion of Names of Deceased Pensioners on Pensions Payroll
- Non-Disclosure of Divestiture Receipts amounting to GH¢159.40 million, and
- Undisclosure of Subscriptions paid in the accounts amounting to GH¢1.50 million.

The CAG informed the Committee that these anomalies have been corrected and the financial statement adjusted accordingly.

6.0 AUDIT OPINION

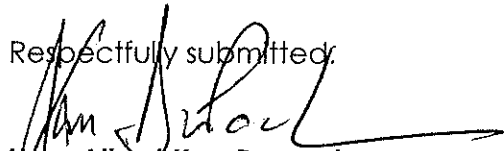
In his report, the Auditor-General indicated that except for the issue of the unsubstantiated cash balance and direct debit transfers not confirmed by the MDAs, the accounts were in accordance with the stated accounting policies of the Government of Ghana.

8.0 CONCLUSION

The Committee is not happy about the qualification of the 2007 Accounts of the Consolidated Fund. The Committee urges MoFEP and the CAGD to take steps to implement their assurances and the Committees recommendations. Steps should also be taken to ensure that the accounts are not qualified in future.

The Committee recommends to the House to adopt this report on the Report of the Auditor-General on the Public Accounts of Ghana for the year ended 31st December, 2007.

Respectfully submitted:



Hon. Albert Kan Dapaah

Chairman



Asante Amoako-Atta

Clerk, Public Accounts Committee

15th July 2010