

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



REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE PUBLIC ACCOUNTS OF GHANA
FOR THE YEAR ENDED 31ST DECEMBER 2008 (CONSOLIDATED FUND)

1.0 INTRODUCTION

The Report of the Auditor-General on the Public Accounts of Ghana for the year ended 31st December 2008 (Consolidated Fund) was laid before the House on 10th November, 2009.

The 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 Auditor-General, Mr. Richard Quartey and the technical team from the Ghana Audit Service and the Ministry of Finance and Economic Planning we 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 BACKGROUND

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 Minister of Finance, within a period of three months or any period that Parliament may by resolution appoint, in respect of the financial year the Public Accounts of Ghana which comprises :

- i. A Balance Sheet showing the Assets and Liabilities of the Consolidated Fund
- ii. A statement of revenue and expenditure of the Consolidated Fund
- iii. Cash Flow Statement of the Consolidated Fund and
- iv. Notes that form part of the accounts of Ghana

The Public Accounts of Ghana are to be prepared in accordance with Generally Accepted Accounting Principles and in accordance with 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 31st December 2006 to the Auditor-General for audit.

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.

4.0 SUMMARY OF THE 2008 FINANCIAL STATEMENTS ON THE PUBLIC ACCOUNTS OF GHANA

4.1 Revenue and Expenditure

The summary of Revenue and Expenditure for the year is as follows:

	Budget GH¢M	Actual GH¢M	Variance GH¢M	Actual 2007 GH¢M
Revenue	4,442.72	4,505.65	62.94	3,329.81
Expenditure	4,391.99	5,384.98	(993.00)	3,964.30
Surplus/(Deficit)	50.73	(879.33)	(930.06)	(634.49)

4.2 Revenue performance

Total Revenue for 2008 amounted to GH¢4,505.65 million, exceeding the budget estimate of GH¢4,442.72 million by 1.42%. The outturn indicates a 37.20% increase over the outturn in 2007.

The breakdown is as follows:

Item	Budget GHM	Actual GHM	Variance GHM	Actual 2007 GHM
Direct Tax	1,222.43	1,109.18	(113.25)	901.50
Indirect Tax	1804.73	1,551.03	(253.71)	1,938.55
Non Tax Revenue	699.71	1,156.36	456.65	243.34
Grants	715.85	689.09	(26.76)	202.92
TOTAL	4,442.72	4,505.65	62.94	3,329.81

4.2.1 Direct Tax

Direct taxes comprising Personal Income Tax, Taxes on Self-Employed, Company Tax, Communication Service Tax and Other Taxes collected for the year, amounted to **GH¢ 1,109.18 million** as against a projection of GH¢1,222.43 million. This is 9.26% lower than the projection for the year and 23.04% higher than the outturn in 2007.

4.2.2 Indirect Tax

Indirect tax yielded **GH¢1,551.03 million** as against a projected figure of GH¢1,804.73 million. The outturn indicates a 14.06% decrease against the budget figure and a further decrease of 20% over the total collection for 2007.

4.2.3 Non-Tax Revenue

Non-Tax Revenue collected during the year amounted to **GH¢1,156.36 million**, exceeding the projection of GH¢699.71 million by 65.26%. The outturn is 375.20 % higher than the outturn for the previous year, 2007. Divestiture proceeds for the year amounted to GH¢986.57 million.

4.2.4 Grants

Total Grants received during the year amounted to GH¢689.09 million as against the budgeted figure of GH¢715.85 million. This outturn indicates a 3.74% decrease compared with the budgeted figure and a 239.59% increase over that of year 2007.

4.3 EXPENDITURE

Total expenditure amounted to GH¢5,384.98 million as against the budgeted amount of GH¢4,391.99 million. Total expenditure incurred was 29.85% higher than expected and also 43.85% higher than 2007 expenditure.

The breakdown is as follows:

	2008 Budget GHM	Actual 2008 GHM	Variance 2008 GHM	Actual 2007 GHM
Personnel Emoluments	1,559.89	2,052.81	(492.92)	1,440.74
Transfer to Household	318.04	397.19	(79.15)	287.96
Administration	385.64	408.65	(23.01)	465.00
Service	157.60	206.58	(48.98)	132.11
Investment	788.51	688.46	100.05	364.78
Public Debt Interest & Charges	466.46	750.50	(234.08)	517.06
Other Expenditure	-	432.65	(432.65)	558.34
Provision for Doubtful Debts	-	-	-	4.51
Grants	715.85	498.12	217.74	193.80
TOTAL EXPENDITURE	4,391.99	5,384.98	(993.00)	3,964.30

4.3.1 Personnel Emoluments

Actual Personnel Emolument paid amounted to GH¢2,052.81million,which was 31.60% higher than the budgeted sum and 42.48% increase over the outturn recorded during the same period in 2007.

4.3.2 Transfer to Household

Transfers to Households in the form of Pensions, Gratuities and Social Security paid during the year was GH¢397.19 million as against GH¢318.04 million budgeted. There was therefore an over expenditure of GH¢ 79.15 million which was 24.89% over the budgeted figure and 37.93% over the outturn for 2007.

4.3.3 Administration Expenditure

Total Administration expenditure was GH¢408.65million. This is 5.97% more than the budgeted sum. This includes contingencies, utilities, subscriptions and others. The 2007 actual expenditure was GH¢465.00 million.

4.3.4 Service Expenditure

Service expenditure amounted to GH¢206.58 million as against the budget figure of GH¢157.60 million. This resulted in an unfavorable variance of 31.07% compared with the figure of budgeted figure and 56.37% increase over that of 2007.

4.3.5 Investment Expenditure

Investment expenditure amounted to GH¢688.46 million as against the budgeted figure of GH¢788.51 million. The outturn was 12.69% lower than budgeted for, and 88.73 % higher than that of 2007.

The actual expenditure includes additional Investment expenditure of GH¢12.73 million which was classified under contingencies

4.3.6 Public Debt Interest and Charges

Interest and Charges on Public Debt amounted to GH¢750.50 million, representing 50.2% higher than the budgeted figure of GH ¢466.46 million and 37.16% higher than the outturn for 2007.

4.3.7 Other Expenditure

The actual total figure for the year was GH¢750.50 million. Details of the expenditure are stated in the notes to the accounts.

4.3.8 Grants

Total grants disbursed during the year amounted to GH¢498.12 million

4.4 BALANCE SHEET

4.4.1 Assets and Liabilities

4.4.1.1 Assets

The Assets in the Balance Sheet are summarized as follows:

	2008 GHC'000	2007 GHC'000
Cash and Bank Balances	(4.71)	1,467.86
Advances	6.78	5.94
Loans (Receivables)	860.19	665.82
Investments	642.52	103.57
Deposit-Vodafone Guarantee	327.84	0
Total	1,822. 63	2,243.19

4.4.1.2 Cash and Bank Balances

The net negative balance of GH4.71m million 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¢6.78million. 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 loans balance comprises loans granted to Statutory Boards and Corporations, Companies and foreign governments. The balance of GH¢860.19 million shows an increase of GH¢29.19 million over the 2007 balance of GH¢665.82 million.

Loan balances amounting to GH¢5.85 million have been overdue since 1995. Out of this, provision was made for GH¢4.51 million as doubtful debt in 2007.

4.4.1.5 Investments

The Investments held by the government are classified as follows:

	2008 Millions	2007 Millions
Trust Funds	4.17	4.74
International Agencies	4.98	4.98
Local	633.37	93.85
TOTAL	642.52	103.57

- **Trust Funds**

Trust Funds amounting to GH¢4.17 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, which is managed by Crown Agents.

- **International Agencies**

Government Investment of GH¢4.98 million in International Agencies represents its Investments in International Organizations. There was no additional investment during the 2008 financial year.

- **Local Investments**

Investments amounting to GH¢633.37 million represent Government's investment in Statutory Boards, Corporations and Companies.

4.4.2 Liabilities

Liabilities in the Balance Sheet are summarized as follows:

	2008 GHC	2007 GHC
Loans (Public Debt)	9,758.03	7,027.76
Deposits and Other Trust Monies	502.72	(137.98)
Total	10,260.75	6,889.78

4.4.2.1 Loans (Public Debt)

This is made up of Domestic and Foreign Debt. Loans outstanding at the end of the year was GH¢9,758.03 million as compared to GH¢7,027.76 million in 2007

4.4.2.2 Deposits and Other Trust Monies

Deposits and Other Trust monies balance at the end of the year was GH¢ 502.72 million as against GH¢ (137.98) million in 2007.

4.5 Net Accumulated Results

Net Accumulated Results consists of accumulated (deficit)/surplus on revenue and expenditure and other reserves. The balance of GH¢ (8,438.12) million, at the end of the year, showed an increase of GH¢3,791.54 million over the corresponding figure for 2007.

5.0 OBSERVATIONS AND RECOMMENDATIONS

5.1 Errors identified in the Draft accounts

The audit revealed that there were some challenges in the preparation of the Accounts. These include:

- **Dispute over loan balances** of 14 institutions totalling GH¢ 676,485,503
- Government Share holdings in some listed companies were covered by certificates which would confer ownership right on Government. Out of a sample of 50 companies, only 14 companies had share Certificates as evidence of GoG's stake in them, and
- Errors made up of omission, non-disclosure, among others

On the issue of **Dispute over loan balances disclosed in the Public Accounts**, the Controller and Accountant General (CAG) said a program is being undertaken in conjunction with the Ministry of Finance and Economic Planning to reconcile these balances. So far, a number of them have been reconciled with the institutions.

On **Government equity not covered with shares certificates**, the CAG informed the Committee that share certificates have been obtained for all companies which have not been divested.

On the **financial errors** identified by the Auditor-General, the CAG informed the Committee that the Department has taken steps to correct the errors as identified by the Auditor General before the final accounts were finalised.

On how these errors could be completely eliminated, CAG intimated that there would be the need to computerise the system. This would help reduce human interference. It was indicated that most of the errors arose as a result of the manual inputting. The CAG indicated that if the issue of inputting was addressed, most of the issues would be resolved.

5.2 Payment of Unauthorized Personnel Emoluments (PE) to the Department Of National Lotteries (National Lotto Authority)

The audit revealed that during the period, CAGD had made unauthorised P. E. payments of GH¢1.20 million to DNL but had not updated its records on recoveries of made so far.

The CAG informed the Committee that the records are up to date and that all outstanding payments have been fully recovered.

5.3 Transfer of funds into GoG/ Vodafone Escrow Accounts – GH¢315.80 million

Due to a delay in providing information on transfers into GoG/Vodafone's Escrow accounts, a total amount of GH¢315.80 million, being funds paid into the Escrow account, could not be verified.

The technical team from the Audit Service explained that some information on the transfer of the funds were provided to the Auditor-General's Office on 30th June, 2009. Unfortunately, due to the Auditor-General's constitutional reporting obligation, he was unable to verify the document at the time.

The CAG informed the Committee that the total amount was expensed in the 2009 accounts and that all the information concerning these transactions is available for verification.

Recommendation

The Committee requests the Auditor-General to follow up on this matter and report to the Committee within 120 days.

5.4 Outstanding payments from divested state owned Enterprises –GH¢13.80 million

The audit revealed that out of a total amount of GH¢29.80 million due from the sale of 39 State Owned Enterprises between 1991 and 2008, only GH¢16.20 million had been recovered for leaving an outstanding balance of GH¢13.8 million.

The Committee was informed that some of the investor's indebtedness had been outstanding for more than 10years. Notwithstanding these overdue balances, no evidence of demand notices from the Divestiture Implementation Committee reminding the investors of their indebtedness was sighted. Furthermore, this indebtedness was not disclosed in the Public Accounts

5.5 Salary related issues

On the delays in the payment of salaries, the CAG explained that they did not originate from his outfit as the salary inputs of staff of the various Ministries, Departments and Agencies (MDAs) do not originate from his Department.

He explained that it is the duty of the Personnel Payroll Section (PPS) of the MDAs to prepare and verify payroll inputs of their organisations to the CAGD for the payment of salaries.

He said the delays arose from a number of factors which include Issuing of appointment letters without financial clearance and delays by the PPS of the various MDAs to input newly recruited staff.

On newly appointed teachers not being paid on time, the CAG indicated that based on the current system of the Ministry, newly appointed teachers first report at their new stations. Inputs had to be submitted from the head of their new stations to the PPS of the Ministry of Education before they are submitted to the CAGD for payment. Delays in the process would literally lead to delays in the payment of their salaries.

He said it takes about three months for a newly appointed person to receive his or her salary barring any delay.

He therefore urged the PPS of the various Ministries, Departments and Agencies to timely input the names of their newly appointed staff to enable the CAGD to pay their salaries on time.

On unearned salaries, the CAG said the PPS was also responsible for the deletion of names from their payroll. He said CAGD would continue to process salaries as presented to it by the PPS until the PPS adds or deletes names from their payroll.

5.6 Decentralisation of the payroll

On decentralising the payroll, The CAG indicated that the Personnel Emoluments item is the single largest expenditure item for government. It would therefore be risky to put such an item in the hands of the various MDAs to administer.

He further explained that any slight changes in the budget for the Personnel Emoluments could throw the whole national budget out of balance.

The Deputy Minister also informed the Committee that it is much easier and less risky for the government to effectively monitor issues of personnel if the payment of salaries is centralised. He however conceded that there are a number of challenges with the current system. He said Government is committed to resourcing the CAGD so that they can perform their functions more effectively. He said government is in the process of implementing a new system known as the Government Integrated Financial Management Information Systems (**GIFMIS**) which is aimed at improving the management of the payroll in the country.

5.7 Accounting Manuals

The CAG informed the Committee that the Accounting Manual for the MDAs and the MMDAs are at their final stages of preparation. When completed training section would be organised to educate the MDAs and MMDAs on them.

Recommendation

The absence of these manuals has resulted in a number of anomalies in the accounting function at the various MDAs.

The Committee therefore recommends that CAG should quickly begin educating the MDAs on this manual and monitor to ensure adherence to it. This in the Committee's view would go a long way to improve accountability.

5.8 Implementation of the Single Spine Salary Structure (SSSS)

On whether the Single Spine Salary would take off in July as scheduled, the Controller and Accountant General informed the Committee that the Department was yet to receive directive to pay salaries in line with the proposed structure.

He however cautioned that with such a major changeover, the Department should be given enough time to successfully move onto the new system. This would go a long way to reduce errors that usually arise with such changes. He said in 2007-2008, when the Department moved from the IPPD 2 to IPPD it resulted in a lot of salary issues including several overpayments and underpayments.

5.9 Non-Preparation of Financial Statements by MDAS

The audit revealed that the accounts of the various MDAs were not prepared and submitted to the Controller and Accountant General to enable him to prepare the Consolidated Fund Accounts and to satisfy their regulatory requirement.

Due to the failure of the MDAs to submit their accounts on time, the Department resorted to confirming releases from their Department to the MDAs. It was these figures that were used to prepare the accounts. In fact the Public Accounts of Ghana is supposed to be a consolidation of the financial statements of the MDAs.

Recommendation

The inability of the Ministries to prepare annual financial statements is as a result of the absence of an effective Public Financial Management (PFM) System to capture all accounting transactions in the public sector to permit the preparation of financial statements.

The Committee takes a serious view of the absence of an effective Public Financial Management (PFM) System in the country. Sound PFM system supports accountability and efficiency in the management of public resources and service delivery which are critical to the achievement of public policy objectives. Sound PFM institutions and procedures and a functioning system of checks and balances curb corruption and enhance integrity and accountability.

The Committee urges Parliament to demand that the Minister gives an undertaking that this anomaly will be corrected with immediate effect.

6.0 AUDIT OPINION

The technical team from the Ghana Audit Service informed the Committee that the Auditor General expressed concern about the inability of the MDAs to prepare timely financial statements for use in the preparation of the consolidated financial statement on the public accounts and other errors committed in the preparation of the accounts. Concerns were also raised on the numerous incidences of overstatement during the preparation of the Public Accounts.

Due to this, the preparation of the accounts was not consistent with the underlying information from the MDAs.

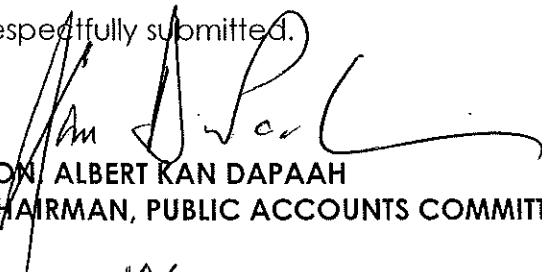
7.0 CONCLUSION

The Committee took note of the daunting task involved in preparing the financial statements of the Public Accounts of Ghana given the limited resources and other constraints. There is however the need to ensure that errors as identified by the Auditor General are minimised if not completely eliminated.

On the Single Spine Salary Structure, the Committee is surprised that as at the time of Hearing, CAGD has not received any directives to pay salaries in line with this structure. For the structure to be implemented without any hitches, it is important that the necessary directives are given to the relevant stakeholders so that the necessary steps would be taken to ensure a smooth implementation. The Committee therefore urges the Minister for Finance to take this matter seriously to ensure that the new salary structure is implemented properly.

The Committee recommends to the House to adopt this report on the Report of the Auditor-General on the Public Accounts of Ghana (Consolidated Fund) for the year ended 31st December 2008.

Respectfully submitted.



HON. ALBERT KAN DAPAAH
CHAIRMAN, PUBLIC ACCOUNTS COMMITTEE



MR. ASANTE AMOAKO ATTA
CLERK TO THE COMMITTEE

Thursday 8th July 2010