

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



REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT ON THE AUDITOR-GENERAL ON THE MULTI DONOR BUDGETARY SUPPORT PROGRAMME FUNDED AUDIT OF SELECTED FLOWS IN THE GOVERNMENT OF GHANA ACCOUNTS FOR THE YEARS ENDED 31ST DECEMBER 2006 AND 31ST DECEMBER 2007

1.0 INTRODUCTION

The Report on the Auditor-General on the Multi Donor Budgetary Support Programme Funded Audit of Selected Flows in the Government of Ghana Accounts for the years ended 31st December 2006 and 31st December 2007 was laid before the House on 2nd March, 2010.

This audit was conducted in accordance with Article 187 (2) and (5) of the 1992 Constitution which mandates the Auditor-General to audit the Public Accounts of Ghana and submit his report to Parliament and the Memorandum signed between the Government of Ghana and the European Union.

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 this report, the Committee met with the Deputy Auditor-General, Mr. Richard Asiedu and the technical team from the Ghana Audit Service and reports 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)

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- vi. The Internal Audit Agency Act, 2003 (Act 658)
- vii. The Financial Administration Regulations 2004 (L.I. 1802)

3.0 BACKGROUND TO THE MULTIDONOR BUDGETARY SUPPORT AUDIT

The Multi-Donor Budgetary Support Programme (MDBS) started in 2003 and aims to provide the Government of Ghana with direct budgetary support. Such funds are not earmarked for any particular projects or programmes.

It has entailed the direct transfer of agreed inflows to the Bank of Ghana for translation into cedis and lodgment into the Consolidated Fund. All such funds received are to be treated as budgetary revenue for the period.

To limit the extent of fiduciary risk that could be associated with the large inflows under the Programme, an annual audit is commissioned to verify inflows under the Programme, transfer of funds into the Consolidated Fund and an audit of selected flows from the Consolidated Fund expenditures.

These audits had been largely system review oriented, and were intended to provide an independent opinion on the financial statements and the effectiveness of the system of internal control of the audited organizations.

As part of the audit, the Auditor-General is expected to make an opinion on the financial statements examined.

4.0 AUDIT OBJECTIVES

The overall objective of the audit was to provide an independent opinion on the financial statements and to review and report on the effectiveness of the system of internal controls of the audited organizations.

It was also to assess that the receipt and utilization of donor transfers followed the procedures laid down in the Financial Administration Act 2003, (Act 654), the Financial Administration Regulations (FAR) of 2004 and the Framework Memoranda signed between the Donor Partners and GoG.

The audit of the Ministries, Departments and Agencies (MDAs) and the Metropolitan, Municipal and District Assemblies (MMDAs) were to ascertain whether:

- the, accounts had been properly kept;
- all monies collected had been fully accounted for, and rules, regulations and procedures established were enough to provide an effective check on the assessment, collection and proper allocation of the revenue,

- monies had been judiciously used for the purposes for which they were appropriated and expenditures made as authorised;
- essential records were maintained and rules and procedures applied were sufficient to safeguard and control the nation's assets;
- financial business had been conducted with due regard to economy, efficiency and effectiveness; and
- the annual accounts of the MDAs and MMDAs gave a true and fair view of their financial positions.

4.1 Purpose of the Audit

The audit was carried out in accordance with the 1992 Constitution and the Memorandum of Understanding signed between the Government of Ghana and the European Union.

Even though the issues raised have already been captured in the Auditor-General's Reports to the House on the Public Accounts of Ghana for the years ended 31st December, 2004 and 2005, this report was prepared for submission to the donors (EU) in accordance with the Memorandum signed and copies sent to the House for Parliament's information.

4.2 Audited entities

The 2006/ 2007 audit focused on the following

- Donor inflows during the period of audit
- Accounts of the Ministry of Water Resources, Works and Housing
- Revenue Statements of Customs, Excise and Preventive Service (CEPS)
- Accounts of 20 MMDAs nationwide

5.0 SUMMARY OF SIGNIFICANT AUDIT FINDINGS

5.1 SUMMARY FINDINGS WITH RESPECT TO THE MDAS

5.1.1 Ministry of Water Resources, Works and Housing

Inadequate guidance and direction in the preparation of financial statement

There was inadequate guidance and direction in the preparation of financial statements at the MWR WH including Departments and Agencies under the MWR WH

The Ministry and its Agencies were unclear as to their reporting responsibilities in terms of reports to be submitted at the end of each financial period as well as the format those reports should follow.

Attention was drawn to improper maintenance of accounting records which posed a major challenge to an effective internal control system through the following:

- improper maintenance of vote service ledgers;
- failure to reconcile differences between financial statement balances and vote service ledger balances, and
- inconsistencies in cash book entries.

Cash irregularities

Cash irregularities found in the MWRWH and the Departments and Agencies under it include:

- un-presented payment vouchers;
- payment vouchers with insufficient supporting documents;
- un-authorized payments;
- failure to take account of or understatement of Internally Generated Fund revenue;
- failure to review bank reconciliation statements; and
- lack of information on direct payments made by the Controller and Accountant General's Department on behalf of the MDA.

Payroll irregularities

A number of issues involving unearned salaries were observed due to delays in the receipt of payroll vouchers from the Controller and Accountant General's Department.

5.1.2 Customs, Excise and Preventive Service

Tax collection irregularities

Tax irregularities noted in CEPS are:

- outstanding debts from traders;
- inadequate monitoring of indebtedness;

- petroleum tax arrears;

Cash/other irregularities

Other improprieties that were reported on were:

- delay in transfer of funds to BoG;
- Non- presentation of exemption of import duty payments authorisation;
- lack of evidence of re-exportation of temporary imported goods;
- failure to auction goods within stipulated period; and
- inadequate monitoring of the transportation of seized goods.

5.2 Metropolitan, Municipal and District Assemblies (MMDAs)

Cash irregularities

Cash management issues were noted in the selected MMDAs as follows:

- non-acknowledgement of District Assemblies Common Fund revenue receipts;
- over-drawn bank accounts; and un-approved disbursements;
- failure to obtain VAT receipts/invoices;
- failure to bank IGF revenue daily;
- non- recovery of long outstanding staff advances;
- non-deduction of withholding tax and failure to remit amount deducted to the Internal Revenue Service (IRS);
- District Assemblies Common Fund (DACF) releases recorded at net value instead of in gross;
- non-payment of Social Security Fund (SSF) contributions on behalf of employees;
- payment vouchers without adequate supporting documents;
- failure to account for imprests; and
- payments without indication of account head to be charged

Procurement and stores management

The procurement and stores omissions observed related to failure to procure from VAT registered entities, items purchased not routed through stores, non-establishment of procurement units and non preparation of procurement plans. Lack of adequate supervisory control over the transactions was a principal contributory factor.

Contract irregularities

Contract management issues such as overpayment of mobilisation advances, contract payments without Engineers' certification, failure to withhold contract retention, delay in execution of contracts, and failure to up-date contract register, among others were identified.

Payroll irregularities

Payroll issues identified, caused by weaknesses in the internal control systems and laxity on the part of the management, include failure to certify monthly mechanized salary vouchers and non-recovery of payment of unearned salaries.

6.0 OBSERVATIONS AND RECOMMENDATIONS

6.1 Issues raised in the Auditor-General's Report

The technical team informed the Committee that under the framework memoranda between the Government and the Donor Partners, the Auditor-General is to conduct annual audits into the donor funds received as budgetary support.

Since the donor inflows are part of the Consolidated Fund, the audit covered the whole accounts of these institutions. Findings in this report are similar to those found in the 2006 and 2007 Public Accounts Reports on the MDAs that was submitted to the House.

With respect to the issues on the Municipal, Metropolitan and District Assemblies, the Auditor-General conducted audits on the accounts of the various MMDAs for these periods. The Auditor-General submitted his report on the accounts of the District Assemblies for the period 2001 to 2004. This has been submitted to Parliament. His Report on the accounts of the District Assemblies for the period 2005 to 2008 would soon be laid in Parliament.

Recommendation

As noted in the earlier Report, the Committee wishes to reiterate its recommendations as captured in its Report on the Auditor-General's Report on the Public Accounts of Ghana for the years ended 31st December, 2006 and 2007.

6.2 Inflow of Donor Funds

The audit revealed that In-flows from the Development Partners were not transferred within the stipulated time into the Central Treasury account. In-flows from Agence Francaise de Développement (AFD) were not transferred promptly into the Foreign Exchange account at BoG as expected. Furthermore, donor funds amounting to €27,999,800 (GH¢39,037,521) were credited directly to the Central Treasury account without passing through the Foreign Exchange account (MDBS transit account) at BoG.

Recommendation

The Committee recommends that the Ministry of Finance and Economic Planning should ensure that donor funds are transferred within the stipulated time into the Central Treasury account.

6.3 Accounting Manual

The audit revealed that most of the institutions were not preparing financial statements.

Recommendation

On the issue of non-preparation of financial statements, the Committee noted that this issue has been captured in its earlier report and therefore wishes to reiterate its recommendation in that report and organize training programs for them.

6.4 Tax irregularities in CEPS Operations

The technical team informed the Committee that there were a number of tax lapses and irregularities. These irregularities may impact negatively on the country's revenues.

Recommendation

The Committee reiterates its recommendations in the Auditor-General's Report on the Public Accounts of Ghana for years ended 31st December, 2006 and 2007 and demands that the management of CEPS should review the tax collection machinery. CEPS should also aggressively recover all overdue taxes and strengthen internal control systems and procedures to ensure sound financial management of the Service.

6.5 Cash irregularities with respect to MMDAs

On the MMDAs, the technical team informed the Committee that most of the cash irregularities found were caused by laxity in revenue and expenditure control, and the flagrant disregard for financial regulations.

Recommendation

The Committee recommends that MMDAs should strengthen their internal control systems by instituting measures which ensure strict compliance with financial rules and regulations.

Furthermore, management of these MMDAs should ensure effective functioning of Internal Audit Units within the assemblies to help reduce the incidence of these irregularities

The MMDAs should tighten supervisory controls over purchases and ensure that Store Regulations, Financial Administration Regulations and the Public Procurement Act of 2003 are strictly complied with.

Appropriate measures should be put in place to identify, in a timely manner, separated staff on the monthly payroll and to ensure the withholding and transfer of unearned salaries into the Consolidated Fund.

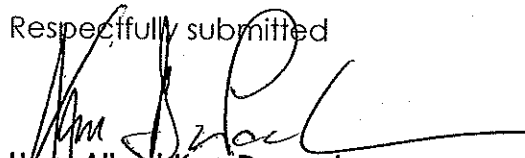
7.0 CONCLUSION

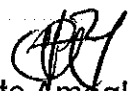
As indicated earlier, this Report of the Auditor-General was prepared and submitted to the Donor Partners in compliance with the Framework Memoranda signed between them and GoG to ensure that the funds are used for what they were intended for.

The Report was submitted to Parliament to inform the House of the audit.

The Committee recommends to the House to adopt this Report on the Report of the Auditor-General on the Multi Donor Budgetary Support Programme Funded Audit of Selected Flows in the Government of Ghana Accounts for the years ended 31st December 2006 and 31st December 2007.

Respectfully submitted


Hon. Albert Kan Dapaah
Chairman, Public Accounts Committee


Asante Amoako-Alfa
Clerk to the Committee

27th October, 2010