

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

**REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE ON
THE AUDITOR-GENERAL'S REPORTS**

**ON THE
PUBLIC ACCOUNTS OF GHANA
FOR THE YEARS ENDED
31ST DECEMBER, 1998 AND 1999**

**MINISTRIES, DEPARTMENTS AND
OTHER AGENCIES OF THE
CENTRAL GOVERNMENT**

DECEMBER, 2003

INTRODUCTION

1. The Reports of the Auditor-General on the Public Accounts of Ghana (Ministries, Departments and other Agencies of the Central Government) for the years ended 31st December 1998 and 1999 were laid before the House and referred to the Committee by Mr. Speaker for consideration and report in accordance with Standing Order No. 165(2).

2. The Committee held 23 sittings during the normal Meeting of the House and 18 sittings during the recess periods at which evidence was taken from some Ministers of State, Deputy Ministers, Chief Directors and Officials of the various Ministries, Departments and other Agencies (MDAs) of the Central Government.

REFERENCE DOCUMENTS

3. Your Committee referred to the following documents during its deliberations:

- i. The 1992 Constitution;
- ii. The Standing Orders of Parliament;
- iii. The Financial Administration Decree (FAD) SMCD.221;
- iv. The Financial Administration Regulations (FAR) LI 1234;
and
- v. The Financial and Accounting Instructions (FAI).

ACKNOWLEDGEMENT

4. The Committee wishes to express its sincere thanks to the various Ministers of State and other Heads of Institutions for their assistance during its deliberations.

SCOPE OF REPORT

5. In its deliberations, the Committee placed premium on some of the recurring issues in the financial administration of the various MDAs. The Committee focused on the causes of the lapses associated with the administration of public institutions. Whilst noting the existing policies, financial and administrative guidelines governing the institutions and other relevant instructions, the Committee discussed with the various Heads, evolving best practices, policies and measures required to improve the system.

OBSERVATIONS

6. Some of the recurring issues observed by the Committee in the Reports include:

- a. Misappropriation and Embezzlement of Funds
- b. Misapplication of Funds
- c. Prepayment for Goods and Services
- d. Payroll Fraud and Irregularities
- e. Expired Drugs
- f. Denial of Auditor's Right of Access to Records and Information

- g. Arrears of Rent

DELIBERATIONS

7. The Committee considered all the findings of the Auditor-General and where appropriate, ensured the recovery of public funds. In cases where action could not be immediately taken, the Committee directed the respective MDAs to implement the recommendations of the Auditor-General. The Audit Report Implementation Committees of the various MDAs were instructed to do so and report back to your Committee.

8. Your Committee has also requested the Auditor-General to attach in his subsequent Report to the House on MDAs, a schedule indicating the extent to which the recommendations have been implemented.

FINDINGS

Misappropriation and Embezzlement

9. Your Committee observed with serious concern, the numerous cases of misappropriation and embezzlement of public funds. This observation cuts-across all the MDAs and the sums involved ranged from ₦500,000.00 to ₦500,164,329.00. An accumulated figure of about ₦1.4billion was noted to have either been misappropriated or embezzled by Public Officials between 1997 and 1999.

10. Key Ministries such as Education, Health, Food and Agriculture – were the worst victims of this rape by public officials. For instance A total of about ₦933 million and ₦93 million was noted to have either been misappropriated or embezzled by officials of the Ministry of Health and Ministry of Education respectively from 1997 to 1999.

11. Your Committee noticed that a major cause of this phenomenon is lack of supervision. Officers entrusted with public revenues are not closely monitored by their superiors to ensure that such revenues are either used for the purposes intended or paid into public chest. For instance, the Upper East Regional Treasury Officer, Mr. George Gyapong, with the connivance of others, misappropriated a total amount of ₦500,164,329.00. Two former District Treasury Officers in 1997 also drew cheques totalling ₦46,609,800.00 in the name of some suppliers and other officials in some government departments and misappropriated the amount. Further, an Accountant of Hohoe Government Hospital misappropriated revenues collected amounting to ₦47,083,920.00. The Accountant was able to do this because he was allowed to keep cash receipts for a long period of time before payment into government chest.

12. It is the view of your Committee that these misappropriations could have either been avoided or minimised if supervising officers ensured that officials entrusted to collect revenues for the State, promptly lodged such monies into government accounts.

13. Another noticeable cause of the high rate of misappropriations and embezzlements within the public sector is the inadequate numbers of professional accounts officers.

14. Your Committee observed that officers with little or no knowledge in accounting or the rules governing financial administration in the public service are often made to take charge of such matters as a result of the absence of qualified officers. This situation is particularly prevalent within the Regional and District Units. The few qualified officers in these Ministries mostly refuse posting to the rural and deprived areas.

15. Your Committee further observed that in cases where these lapses were detected, there was lack of commitment in applying the required sanctions. The sanctioning regime as stipulated in the FAD and FAR and the various Finance and Accounting Instructions are also outmoded and not deterrent enough. These laws are outdated and do not now serve the purpose for which they were intended. What is more worrying is that where these lapses were detected, the sanctions were either not applied at all, and in some cases the officers were merely transferred to another department to take charge of higher responsibilities.

16. Your Committee noted for instance that some officers of CAGD against whom adverse findings were made, were transferred to other departments without the knowledge and consent of the Head of the Institution where the malfeasance was detected.

17. This attitude of CAGD seriously undermined effective and efficient financial administration of the MDAs.

18. Another cause of the continued recurrence of the above financial malfeasance is the weak internal audit system in MDAs. Internal audit is meant to act as the first line of financial controls and accountability. Yet internal audit departments compromised their positions and in many cases are marginalized by their Management

19. In situations where internal audit was able to detect some lapses, your Committee observed Management's failure to take prompt action on the reports. Some of these internal audit reports ended up on the shelves. Some cases of misappropriation and embezzlement could have been dealt with and some recoveries made promptly had Management acted on these Internal Audit reports.

Misapplication of Funds

20. Your Committee also noted with concern the way and manner in which public funds are being used for purposes not approved by

Parliament. Total misapplications recorded by the Auditor-General in his Reports was approximately ₵2.6 billion.

21. Notable among these include the misapplication of an amount of ₵1,462,134,658.99 by the Judicial Service. The amount was withdrawn from the Service's Deposit Account and used in supplementing its subvention. An amount of ₵958,145,464.00 was also withdrawn from the Guard Duties Account of the Ghana Police Service for the construction of residential flats.

22. The Committee observed that, delays in the release of Funds by the Ministry of Finance (MOF) to meet programmed expenditure of MDAs is the primary cause of this phenomenon. Because of the recurring scenario of revenue insufficiency, the MOF often ends-up, after the passage of the Appropriations Act by Parliament, rationing the disbursement of funds to MDAs. This situation sometimes compels public officers to compromise on the rules governing the financial management of their departments, in order to satisfy urgent and important expenditure items.

23. For instance, as a result of delay in releasing funds to the Luanda Mission, the Ministry of Foreign Affairs (MFA) had to direct the Beijing Mission, to transfer a total of US\$50,000.00 from its locally generated revenue to the Luanda Mission instead of lodging

that money into the Consolidated Fund. This amount has since not been reimbursed by either the Mission in Luanda or the MFA.

Pre-Payment for Goods and Services

24. Section 17(1)(a) of the FAD stipulates that no payment shall be made for work done, goods supplied or services rendered whether under a contract or not, unless in addition to any other voucher or certificate that is required, the head of the government department concerned, or any other officer authorized by such head of department certifies that the work has been performed, the goods have been supplied or the services have been rendered, as the case may be, and that the price charged is according to the contract or if not specified by the contract, is reasonable.

25. Your Committee, in its deliberations, noted with concern, the flagrant disregard for this provision of the FAD and CAG Circular No. T.7/87 of 17th February 1987. Some of the notable cases include the following:

- a. Part-payment of an amount of ₡17m by the Military Academy and Training School (MATS) for the supply of two computers and a copier.
- b. Office equipment worth ₡38.3m paid for by the MLGRD
- c. Items worth ₡20,129,000.00 paid for by MLGRD.

- d. Furniture worth ₦22m paid for by the Ministry of Youth and Sports.
- e. Payment of ₦128,291,625.00 for the supply of two pick-ups by the Ministry of Trade and Industry.

26. The Committee came across instances where the prepayment for goods and services often resulted in;

- a. The goods and services being delivered at a time that they were not needed, or
- b. The delivery not meeting the contract specifications, or
- c. The goods not delivered at all.

27. One would have expected that in cases of non-compliance with contractual obligations by contractors and service providers, the necessary reliefs would have been sought in accordance with the terms of the contract. Rather than penalizing such contractors, some MDAs end-up agreeing to an upward revision of contract sums for no stated reasons.

28. In almost all the cases that the Auditor-General detected, the non-delivery of goods or services after advance payments have been made, your Committee noted that no efforts were made by Management to ensure that either the goods or services were delivered or provided or, the amounts refunded. Action was only

taken on the matter on receipt of summons from your Committee in 2001/ 2002.

29. It is the considered view of your Committee that departmental heads do not take audit queries seriously and should in future be held liable for the loss that may result from their inaction.

Pay-roll Fraud and Irregularities

30. Pay-roll fraud and irregularities continue to constitute a major challenge to successive governments in Ghana. "Ghost names" continue to find their way into Government's payroll despite several efforts by Government and Parliament to arrest the problem. An accumulated amount of over ₵630million was noted to have been paid wrongfully to officials as salaries and allowances between 1997 and 1999.

31. Your Committee observed five broad areas in which payments to non-existing workers and workers not entitled such payments persist.

- a. Payment of salaries to non-existing officers or employees.
- b. Duplicated payments, viz, drawing of salary from two or more public sector institutions.
- c. Payment of salaries to officers who retire from the public service and receiving pension but have been re-engaged into the public service

- d. Payment of un-entitled allowances or commissions to public servants.

32. The issue of payroll fraud and irregularities is pronounced in the Ministries of Education, Health, Local Government and Rural Development and Food and Agriculture. For instance, an amount of ₵200,606,916.00 was recorded under the Ministry of Health whilst the Ministry of Education recorded an amount of ₵82,617,264.00.

33. Your Committee identified the centralization of the payroll at the CAGD as one of the causes of this phenomenon. There is no network of the payroll system in the country. It is difficult for officers of the CAGD in Accra to identify for deletion, names of persons which have been inputted into the payroll by the Districts but who are no longer in the service.

34. Notable is the late or non-submission of inputs on officers who were no longer in the public service through deaths, dismissals, vacation of posts and resignations. Coupled with ineffective internal audit systems, detection of such aberrations takes some time.

35. Official collusion between the center and the local level is another factor.

36. It has been observed by the Committee that the problem has not abated. Recent audit reports rather reveal alarming findings.

Expired Drugs

37. Another recurring issue identified in the Auditor-General's Report by the Committee is that of expired drugs. This issue, though limited to the MOH and the Veterinary Services Department of the MOFA, is nonetheless disturbing given the volume and value of drugs that expire yearly. In 1998 and 1999, drugs worth ₦205 million were noted to have expired under the MOH whilst a total of about ₦430 million worth of vaccines and drugs were noted to have expired under the Veterinary Services Division of MOFA as at June 2003.

38. Your Committee observed that one of the primary causes of expired drugs is the procurement of drugs by the Central Medical Stores of the MOH in excess of demand. The Central Medical Stores thus end up dumping these drugs on the Health Institutions even though such excess drugs have not been requested by the Institutions. The explanation for such action was that it was necessary to always prepare for emergency situations.

39. Added to the above is the fact that the shelf life of some drugs is too short. The tendency for such drugs to expire is thus quite high.

40. Furthermore, some donations by charitable institutions sometimes comprise of expired drugs or drugs not required at all or are generally slow moving drugs.

41. The procedure for the disposal of expired drugs also came up for scrutiny by the Committee. Expired drugs can only be disposed off upon approval by the Inspectorate Division of the MOF, EPA and the Food and Drugs Board. The Committee was told how difficult and frustrating it was to obtain such an approval. The delay in disposing of such drugs has always attracted adverse comments from the Auditor-General.

42. The Committee was however informed that since 1999 the MOH has changed its policy on procurement of drugs. Procurement of drugs from 1999 to date has been demand driven i.e. upon request.

43. Additionally, there is 10% retention on all drug purchases as a way of ensuring that deliveries meet the required MOH specifications before full payment of contract sums.

Denial of Auditors Right of Access to Records and Information

44. The issue of the refusal of the Ministry of Defence to allow the Auditor-General to audit the Ministry came up for scrutiny by the

Committee. The persistent denial by the Ministry of Defence of the Auditor-General to audit records on arms, ammunition, aircrafts, and naval ships of the Ghana Armed Forces was due to the notion that the security of the nation would be compromised. Those who held that view rationalized that the Ghana Armed Forces were self-auditing and that was sufficient. The Committee held a different view.

45. The Ministry however stated that it now allows the Audit Service, access to records of military armaments and military institutions and the physical inspection of some military hardware. What the military does not permit is the physical inspection of ammunition. The usual security concerns were raised.

46. The Committee is not persuaded by such arguments and calls on the Ministry of Defence to allow for full disclosure in accordance with the constitutional mandate of the Auditor-General.

Rent Arrears

47. Another common recurrence noticed by the Committee during its consideration of the Auditor-General's Reports is the non-payment of rent by officers occupying government residential premises.

48. A total rent arrears of \$50million remained outstanding at the time of the audit in 1998. Some arrears could be traced to 1992. By its intervention, the Committee was able to recover a portion of the amount. However a considerable amount remained unrecovered as at the time of compiling this report.

49. The Committee noted the failure of schedule officers to submit the requisite rent inputs to the CAGD for the necessary deductions to be effected from the salaries of these officials as the primary cause and directed that action be taken. There were however instances where prompt action was not also taken by officials of CAGD on inputs submitted by schedule officers of the respective MDAs.

50. The Committee also noted that in an attempt to attract professionals to the rural areas, particularly medical staff, some District Assemblies unilaterally waived the payment of rent on the official accommodation of these officers. This was seen by the District Assemblies as an incentive.

51. Whilst the Committee appreciates the efforts of these Assemblies to incentivate professional staff posted to the Districts concerned, it is the considered view of the Committee that the Assemblies have no power to grant such waivers. The proper thing to do is for the District Assemblies to pay the rent on behalf of the occupants to the Central government, the owner of the premises, or

obtain the appropriate waiver approvals from the Central Government.

52. Your Committee further noted that the rents payable by the occupants of government bungalows are too low. These rents are far below the cost of routine maintenance of these facilities. The consequence of this is the bad state of most government bungalows. The Committee urges government to take a second look at this policy.

Attendance Upon Committee by Ministers of State

53. The response of some Ministers to the invitations of the Committee is to say the least, contemptuous of Parliament. Ministers of State persistently failed to appear before the Committee on very inexplicable excuses. The refusal by these Ministers to appear before the Committee and answer queries raised by the Auditor-General affected the timely reporting by the Committee to the House.

54. Your Committee observed that whilst Ministers are readily willing and able to attend upon the respective select Committees to push through annual appropriations and other requests, the same cannot be said of their preparedness to attend upon the Public Accounts Committee (PAC) to account for the utilization of the monies voted for the running of their respective MDAs. Most Ministers, instead, instruct their Directors who are usually reluctant to

make definite pronouncements on issues, to attend. These Directors end-up deferring questions put by Members to the same Ministers.

55. A case in point is where your Committee issued four different invitations to the Minister of Health to attend upon the Committee, the first of which was dated 26th August 2002 but none was honoured. The Minister only honoured the fifth invitation dated 2nd May 2003 after the Committee took a very serious view of that behaviour and gave an indication to issue a summons for his attendance in accordance with the Constitution and the Orders of the House. Your Committee received similar treatment from the Ministers of Education, Local Government and Rural Development, Communication, and Food and Agriculture.

56. The Committee takes a very serious exception to that attitude and hopes that it will in future not be given the opportunity to apply the full force of the provisions under the Constitution and the Standing Orders of the House.

RECOMMENDATIONS

Misappropriation and Embezzlement:

57. The Committee recommends the strengthening of internal controls and procedures. Internal Audit Units should be strengthened by appointing well qualified officers and equipping them with the necessary tools to enable them execute their task. The

powers granted these Units should also be enhanced and backed by appropriate statute.

58. Furthermore, officers found to have misappropriated or embezzled funds should be made to refund the sums involved with interest in addition to the institution of the appropriate court action.

59. The Committee also urges the various Audit Report Implementation Committees in the MDAs as established by the Audit Service Act, Act 584, to ensure the implementation of the recommendations of the Public Accounts Committee and the Auditor-General and report same to the Committee by 31st March, 2004.

Misapplication

60. The Committee recommends strict compliance with all the financial rules and regulations and desist from applying public funds for purposes not provided for by the Appropriations Act. The Central Medical Stores in Tema used money in the Drugs account for non-drug related expenses. Your Committee however recommends that in such cases the institution must seek the appropriate approval in order to prevent abuse of the Drugs Accounts. We will also urge the MOF to ensure the timely release of funds for programmed expenditures. The Committee wishes to entreat all MDAs to effectively prioritize their needs in the drafting and implementation of their budgets.

Pre-Payment for Goods and Services

61. A Spending Officer's signature on a voucher makes that officer responsible for the propriety of any payment thereof as provided by section 232 of L.I. 1234. Accordingly, Officers who append their signatures on vouchers for payment for goods or a service not rendered should be held liable for such pre-payments.

62. The Committee also recommends that recipients for those monies should refund the money with interest at the prevailing commercial rates and should be black-listed for further contracts.

Payroll Irregularities

63. The Committee recommends that the Audit Service undertake periodic head count of personnel of the Public Service. Accordingly, the Minister of Finance should ensure that additional funds are made available for the purpose.

64. Your Committee further recommends that Heads of Department should furnish the CAGD with names and levels of indebtedness of Officers three months prior to their retirement to enable recovery of the debts from the officers' end of service entitlements.

Expired Drugs

65. The Committee recommends periodic review of the Ministry of Health's procurement procedure. Additionally, the Ministry should carefully evaluate drug donations by benevolent organizations and individuals in order to avoid dumping.

66. The Committee further recommends the streamlining of the cumbersome procedure for the disposal of expired drugs.

67. The Select Committee on Health may be authorized by the House to take up the matter and investigate the disposal of expired drugs and dumping of drugs and report back to the House within three months for its consideration.

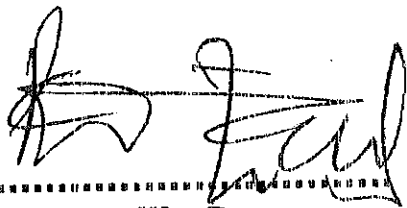
Rent Arrears

68. The Committee recommends that officers who fail to effect the necessary rent deductions should be surcharged with the amount.


69. Further, the Ministry of Finance, Ministry of Works and Housing and the Land Valuation Board should review the rent rates payable every five years. The Committee recommends that District Assemblies pay on behalf of workers who are being incentivated to work in these Districts.

70. The Internal Audit Agency Bill, just passed by the House should be implemented with dispatch to assist in clearing up the stables.

71. Respectfully submitted.



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Mr. Camillo Pwamang
Clerk, Public Accounts
Committee
16th December 2003



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Hon. A.S.K. Bagbin
Chairman, Public Accounts
Committee
16th December 2003.