

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

**REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE**

ON THE

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ON THE

**STATEMENT OF FOREIGN EXCHANGE
RECEIPTS AND PAYMENTS OF THE
BANK OF GHANA FOR THE HALF-YEAR
ENDED 31ST DECEMBER 2012**

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2012

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1.0 INTRODUCTION

The Report of the Auditor-General on the Statement of Foreign Exchange Receipts and Payments of the Bank of Ghana for the Half-Year ended 31st December, 2012 was presented to Parliament on Friday, 20th December 2013 in accordance with article 184(3) of the 1992 Constitution of the Republic of Ghana.

Pursuant to Order 165 (2) of the Standing Orders of Parliament, the Rt. Hon. Speaker referred the Report to the Public Accounts Committee for consideration and report.

2.0 PROCEDURE

- 2.1 The Committee, in considering the Report met with a Deputy Governor of the Bank of Ghana, Mr. Millison Narh, a Deputy Controller and Accountant-General, Mr. Andrews Kingsley Kufe and representatives of the Ministry of Finance, Bank of Ghana and the Controller and Accountant-General's Department.
- 2.2 On appearing before the Committee, the witnesses subscribed to the oath of a witness and answered questions relating to issues raised in the Auditor-General's Report and on issues of general public interest.
- 2.3 The Deputy Auditor-General, Mr. Yaw Agyei Sifah and a technical team from the Audit Service were also present at the Committee's sittings to assist in the consideration of the Report.

3.0 ACKNOWLEDGMENT

The Committee expresses its gratitude to the Deputy Governor, the Deputy Controller and Accountant-General and all witnesses who appeared before the Committee and assisted in its deliberations.

The Committee is also grateful to the Deputy Auditor-General and his team for their immense assistance to the Committee throughout the deliberations on the Report.

The Committee further extends its gratitude to STAR-Ghana for their immense support to its activities. Finally, the Committee extends its appreciation to the media (print and electronic) for covering its proceedings.

4.0 REFERENCE DOCUMENTS

The Committee availed itself of the following documents during its deliberations:

- a. The 1992 Constitution of the Republic of Ghana.
- b. The Standing Orders of the Parliament of Ghana.
- c. The Bank of Ghana Act, 2002 (Act 612).
- d. The Foreign Exchange Act, 2006 (Act 723).
- e. The Minerals and Mining Law, 1986 (PNDC Law 153).
- f. The Minerals and Mining Act, 2006 (Act 703).

5.0 PURPOSE AND SCOPE OF THE AUDIT

The purpose of the audit was for the Auditor-General to ascertain and obtain reasonable assurance that the Statement of Foreign Exchange Receipts and Payments of the Bank of Ghana was free

from material misstatements. It was also to ascertain whether the Bank of Ghana had maintained a proper system of internal control as well as accurate and reliable records to safeguard the foreign exchange resources of the Central Bank.

The audit covered a review of foreign exchange transactions relating to Bank of Ghana's Foreign Exchange Receipts and Payments and the Memorandum Account of Dealer Banks for the half-year ended 31st December 2012.

6.0 **OVERVIEW OF FOREIGN EXCHANGE RECEIPTS AND PAYMENTS**

6.1 Foreign Exchange Receipts

Foreign Exchange Receipts or inflows for the second-half of year 2012 were derived from cocoa, minerals, oil, capital receipts and foreign currency purchases.

The total Foreign Exchange Receipts or inflows for the period totalled US\$4,302,889,264 compared with US\$3,924,103,657 for the corresponding period of 2011. This represents an increase of US\$378,785,607 or 9.7%. According to the Auditor-General, the increase was mainly due to a rise in revenue from capital receipts, invisible receipts and revenue from oil.

The Committee noted that only the portion of BoG's forex receipts exchanged for Cedis were included in the compilation of foreign receipts. Foreign currencies which were deposited with BoG but were not surrendered for Cedis were excluded from the statement. Table 1 shows the composition of foreign exchange receipts for the

second-half of year 2012 as compared to the figures for the corresponding period of year 2011.

Table 1

Composition of Foreign Exchange Receipts for the Second Halves of years 2012 and 2011

Source of Foreign Exchange Receipts	Second-half 2012 (US\$)	Second-half 2011 (US\$)
Cocoa	1,509,341,163	2,338,031,657
Gold	413,809,120	434,616,315
Manganese	11,213,154	16,407,320
Forex Purchases (Oil Revenue)	154,648,926	92,182,466
Capital Receipts	724,035,281	157,063,708
Invisible receipts	1,489,841,620	885,802,191
TOTAL	4,302,889,264	3,924,103,657

6.2 Foreign Exchange Payments

Foreign exchange payments on the other hand, consist of payments in foreign currency by BoG in exchange for its cedi equivalent. These payments are mainly to finance oil and non-oil imports, payments by order of the Controller and Accountant-General, payments to the International Monetary Fund (IMF). Other forex payments include the sale of foreign exchange to dealer banks and forex bureaus.

Foreign exchange payments for the second-half of year 2012 amounted to US\$3,134.05 million compared with US\$3,262.07 million for the

second-half of year 2011 thus, representing a decrease of US\$128.02 million or 3.9%. Table 2 shows a summary of BoG's foreign exchange payments for the second-half of year 2012 as compared to the second-half of year 2011.

Table 2

Summary of Foreign Exchange Payments for the Second Halves of years 2012 and 2011

Item	Second-half 2012 (US\$)	Second-half 2011 (US\$)
Oil and Non-Oil	2,108,493,452	2,279,922,530
Other Imports	256,022,515	71,490,991
Capital Payments	481,978,060	488,081,282
Invisible payments	287,556,123	422,572,134
TOTAL	3,134,050,150	3,262,066,937

7.0 NET POSITION OF FOREIGN EXCHANGE RECEIPTS AND PAYMENTS

As a result of increases in revenue from oil as capital and invisible receipts and the reduction in invisible payments, BoG recorded a net surplus of US\$1,168,839,113 during the second half of year 2012. This represents an increase of US\$506,802,392 or 76.6% compared with a net surplus position of US\$662,036,721 for the corresponding period of 2011.

8.0 FOREIGN RESERVE ASSETS

BoG's Foreign Reserve Assets as at 31st December 2012 was US\$5,287,804,002. The total for the corresponding period of year 2011 was US\$5,833,697,751. This shows a decrease of US\$545,893,749 or 9.4%. According to the Auditor-General, the drop in foreign reserves resulted mainly from the decreases in BoG's fixed deposits with foreign financial institutions and holdings on Special Drawing Rights (SDR). Details of the components of the Foreign Reserve Assets are shown in Table 3.

Table 3
**BoG Reserve Assets Position as at 31st December 2012
and 31st December 2011**

ITEM	31/12/2012 (US\$)	31/12/2011 (US\$)	DIFFERENCE (US\$)
Gold	467,914,589	439,275,899	28,638,690
Holdings of SDR	399,734,685	432,635,073	(32,900,388)
Correspondent Bank Balance	991,576,881	979,746,325	11,830,556
Foreign Notes & Coins	29,105,293	18,659,013	10,446,280
Fixed Deposits	3,354,035,859	3,917,944,746	(563,908,887)
Investment in GIB London	43,436,695	43,436,695	-
Investment in Afrexim Bank	2,000,000	2,000,000	-
T O T A L	5,287,804,002	5,833,697,751	545,893,749

9.0 **OBSERVATIONS AND RECOMMENDATIONS**

9.1 Compilation Errors

During the compilation of the Statement of the Foreign Exchange Receipts and Payments by BoG, a number of errors were made. The errors include:

1. **Omissions of Capital Payments**

The Committee noted that interest payment of US\$200,421.19 to Korea EXIMBANK was omitted from capital payments. As a result, 'capital payments' was understated by that amount.

2. **Misclassification of Embassy Payments**

It was noted that rent payments of US\$1,405,990.50 for Ghana's Embassies abroad were misclassified as "other payments". Consequently, the error understated the amounts representing embassy payment in the Statement and overstated that of "other payments".

3. **Understatement of Visible Payments**

Foreign currency of £3,003,900.00 and €3,003,900.00 were included in visible payments as US Dollar in the Statement. The Committee noted these errors caused visible payments in the Statement to be understated by US\$2,480,939.50.

4. **Understatement of Invisible Receipts**

The Committee noted that BoG earned commission on forex purchases on Outstanding Bills for Collection (OBC) amounting to £16,387.46. This was however included in invisible receipts without converting the GBP into US Dollars. As a result, invisible receipts were understated by a total of US\$70,902.48.

Officials of BoG informed the Committee that following the audit, the above stated errors were corrected. To forestall a recurrence of such errors, BoG has put measures in place to minimise the manual interventions in the compilation of its data by migrating most of its processes onto the Information Technology (IT) platform.

Nonetheless, the Committee is of the view that such errors could result in inaccurate information thereby undermining the credibility of the Forex Statement. The Committee therefore recommends that the Bank should strengthen its supervision over the compilation of data and the preparation of the Statement of Foreign Exchange Receipts and Payments to forestall such occurrences.

9.2 Movement in Foreign Reserve Assets

As indicated earlier, the Foreign Reserve Assets of BoG decreased from US\$5,833,697,751 at the end of the second-half of year 2011 to US\$5,287,804,002 at the end of second-half of year 2012 representing a decrease of US\$545,893,749 or 9.4%.

The Deputy Governor of the Bank informed the Committee that foreign reserve assets are used to meet economic activities such as petroleum imports, government debt servicing and supporting Ghana's currency in trying to provide liquidity to support the market. He indicated that currently, the Bank is unable to adequately support the market due to low reserve levels, hence the recent fall of the value of the Cedi.

The Deputy Governor assured the Committee that the Bank has put in place interventions to ensure that the Bank would at all times have

enough to meet the demands of Government and also support the market.

9.3 Variance between Projections and Actuals of Capital Receipt

The Committee noted that BoG's projection for capital receipts for the half-year ended 31st December 2012 was US\$119,560,000. However, actual capital receipts totalled US\$724,035,281 representing a variance of US\$604,475,281 or 505.6%. According to the Auditor-General, the rise in capital receipts was due to increases in IMF loans, European Union (EU) grants, French grants and additional loan contracted from the United Kingdom, Switzerland, African Development Bank (AfDB) and SWAP DEALS from the Standard Chartered and STANBIC Banks.

The Deputy Governor explained that, BoG's projections were based on inputs that it received from the Ministries, Departments and Agencies (MDAs) through the Controller and Accountant-General.

The Committee therefore urges the Bank to enhance the credibility of its projections mechanism in order to avoid huge variances which may affect budget estimates of the Ministry of Finance.

9.4 Dealer Commercial Banks

The Committee observed that twenty-five (25) dealer Commercial Banks were granted license by BoG to handle foreign exchange earnings on behalf of their customers. These Commercial Banks were to submit monthly returns on their foreign exchange earnings to BoG.

Total foreign exchange earnings from the 25 authorised dealer banks as at 31st December, 2012 was US\$7,013,277,916 compared with a

total of US\$6,699,140,014 for the corresponding period of 2011 thus, representing a growth of US\$324,137,902. Table 4 shows the earnings from dealer Commercial Banks for the half years ended 31st December 2012 and 2011.

Table 4
**Schedule of Earnings from Dealer Commercial Banks for the
 Half-years ended 31st December 2012 and 2011**

	2012 (US\$)	2011 (US\$)
Non-Traditional Exports	80,047,583	80,585,065
Other Exports	1,212,848,886	841,676,023
Service Receipts	3,433,595,320	2,847,899,203
Income Receipts	119,565,050	79,011,833
Financial Transactions	147,220,192	2,606,152,486
Transfers- Inward Remittances	2,020,000,885	233,815,404
T O T A L	7,013,277,916	6,689,140,014

The Committee noted that the growth was due to a rise in earnings from other exports, income receipts and service receipts. Again, all the twenty-five dealer banks submitted their monthly returns during the period.

The Committee commends the dealer banks for submitting their returns on schedule.

10.0 CONCLUSION

For a Statement on Foreign Exchange Receipts and Payments of BoG to be used as a reliable source of information for decision-making by

policy makers and other stakeholders, the Committee is of the opinion that it should be devoid of errors, omissions and wrongful treatment of transactions.

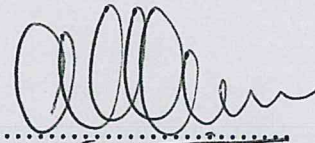
The Committee therefore urges BoG to strengthen its internal and supervisory control systems to avert the recurrence of errors, omissions and wrongful treatment of transactions in its Statements.

Finally, the Committee recommends to the House to adopt its Report on the Report of the Auditor-General on the Statement of Foreign Exchange Receipts and Payments of the Bank of Ghana for the Half-year ended 31st December, 2012.

Respectfully submitted.



HON. KWAKU AGYEMAN-MANU
(CHAIRMAN, PUBLIC ACCOUNTS
COMMITTEE)



ABIGAIL ABA ANSO
(CLERK TO THE COMMITTEE)

JULY, 2015

