

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

**REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE**

ON THE

**FINANCIAL AUDIT REPORT OF THE
AUDITOR-GENERAL**

ON

**VERIFICATION STUDY OF MULTI-DONOR
BUDGETARY INFLOWS (2010 – 2012)**

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1.0 INTRODUCTION

The Financial Audit Report of the Auditor-General on the Verification Study of Multi-Donor Budgetary Support Inflows (2010-2012) was presented to Parliament on Wednesday, 12th November, 2014. This was in accordance with article 187(2) and (5) of the 1992 Constitution of the Republic of Ghana.

In fulfilment of Order 165(2) of the Standing Orders of the Parliament of Ghana, the Report was referred to the Public Accounts Committee for examination and report.

2.0 PROCEDURE

2.1 To consider the Report, the Committee met with the Hon. Minister for Food and Agriculture, the Hon. Minister for Health and the Hon. Deputy Ministers for Finance; Gender, Children and Social Protection; Water Resources, Works and Housing; Education; Local Government and Rural Development; Deputy Attorney-General and Minister for Justice; and the Controller and Accountant-General.

2.2 Officials of the underlisted Ministries were also present at the Committee's sittings to assist in its deliberations:

- i. Ministry of Food and Agriculture;
- ii. Ministry of Health;
- iii. Ministry of Finance;
- iv. Ministry of Justice and Attorney-General's Department
- v. Ministry of Gender, Children and Social Protection;
- vi. Ministry of Water Resources, Works and Housing;
- vii. Ministry of Education;
- viii. Controller and Accountant General's Department;
- ix. National Health Insurance Authority; and
- x. Office of the Head of Civil Service.

2.3 The witnesses who appeared before the Committee subscribed to the Oath of a Witness and answered questions relating to the issues/queries raised by the Auditor-General in his Report and on issues of general public interest.

2.4 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 its deliberations.

3.0 **ACKNOWLEDGEMENT**

The Committee is grateful to all officials who were present at the Committee's sittings to assist in its deliberations. The Committee also expresses its appreciation to the Deputy Auditor-General and his technical team for their immense assistance to the Committee during the examination of the Report.

The Committee further extends its appreciation to the German Development Cooperation (GIZ) and the United States Agency for International Development (USAID) for supporting the activities of the Committee and the media for broadcasting its proceedings.

4.0 **REFERENCE DOCUMENTS**

The Committee made reference to the following documents during its deliberations:

- 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 Audit Service Act, 2000 (Act 584).
- v. The Financial Administration Regulations, 2004 (L.I. 1802).

5.0 PURPOSE AND SCOPE OF THE AUDIT

The purpose of the audit was to assess how efficiently Multi-Donor Budgetary Support transfers conformed to the procedures agreed upon in the Memorandum of Understanding (MoU) signed between Development Partners (DPs) and the Ministry of Finance and to indicate to DPs how Multi-Donor Budgetary Support (MDBS) funds are spent.

The audit reviewed all MDBS inflows that were received in the years 2010, 2011 and 2012, respectively, and assessed the controls established by the Ministry of Finance to ensure that inflows were:

- a. received by the Bank of Ghana;
- b. converted at the prevailing exchange rate;
- c. acknowledged with receipts; and
- d. accurately recorded and reported upon by the Controller and Accountant-General in the Public Accounts of Ghana.

6.0 OBSERVATIONS AND RECOMMENDATIONS

6.1 Acknowledgement of MDBS Inflows

Transfers made into the Consolidated Fund through the Bank of Ghana (BoG) by DPs under the MDBS programme for the three-year period from 2010 to 2012 amounted to GH¢1,830,042,933.26. The Committee observed that during the period under review, 53.16% of the total transfers made, totalling GH¢972,785,355.88, were not acknowledged by the Ministry of Finance.

According to the Auditor-General, failure by the Ministry of Finance to acknowledge MDBS inflows from various DPs was contrary to the Framework Memorandum signed between the Government of Ghana and DPs and section 28 of the Financial Administration Regulations, 2004, (L.I. 1802). Section 28 of the Financial Administration

Regulations, 2004, (L.I. 1802), requires the Ministry of Finance to issue an original receipt to DPs and deal with the duplicate and triplicate copies as required by the Departmental Accounting Instructions of the Controller and Accountant-General.

The Hon. Deputy Minister for Finance accepted the Committee's observation and indicated that to forestall a repetition of such an occurrence, the Ministry of Finance has directed that DP Country Desk Officers in the various Ministries, Departments and Agencies (MDAs) should be made responsible for acknowledging all transfers received.

Failure to acknowledge receipt of inflows from DPs as stipulated by the Framework Memorandum signed between Government and DPs puts the credibility of Government on the line. The Committee therefore recommends that, as a matter of urgency, the Ministry of Finance should acknowledge receipt of the transfer of GH¢972,785,355.88 which was not receipted. The Ministry should also develop a structured system of acknowledging transfers by DPs by issuing them with Government Counterfoil Receipts (GCR).

The Committee further urges the Ministry of Finance to put a mechanism in place to ensure that Desk Officers tasked to work with DPs promptly acknowledge transfers as and when they are made.

6.2 Understatement/Overstatement of Revenue

The Financial Administration Act (FAA), 2003 (Act 654), mandates the Controller and Accountant-General to prepare the Public Accounts of Ghana to include transfers from DPs, which are captured under "Grants". The Committee observed that the transfer of GH¢20,059,733.30 from the Government of Switzerland was not captured in the Public Accounts of Ghana for year 2012 but was rather credited to a different account by BoG.

The Committee further observed that an amount of GH¢33,207,877.58 equivalent to US\$19,759,536.82 received from the Government of Canada was reported as GH¢40.94 million under the heading “Grants” in the Public Accounts for the year 2012.

Officials of the Ministry of Finance informed the Committee that subsequent to the audit, the Ministry of Finance drew the attention of the Controller and Accountant-General’s Department and BoG to both errors and directed the Controller and Accountant-General’s Department to correct the anomaly by restating the 2012 figure under the caption “Grants” in the 2013 Financial Statement.

It came to the fore during the Committee’s deliberations that reconciliation of transfers made by DPs has not been regular among the Ministry of Finance, Controller and Accountant-General’s Department (CAGD) and BoG. The Hon. Deputy Minister for Finance attributed the inability of the three institutions to undertake monthly reconciliation to the irregular/periodic flow of funds from DPs. He however assured the Committee that measures have been put in place to ensure that the three institutions undertake regular reconciliation.

The Committee is of the view that understating/overstating revenue in the Financial Statement of any particular year would not give a true reflection of the Public Accounts of that year. The Committee therefore urges the Ministry of Finance, BoG and CAGD to undertake regular reconciliation of transfers made by DPs so as to prevent such errors from recurring.

6.3 Failure by MDAs to Achieve Targets

The Committee observed that some Ministries, Departments and Agencies (MDAs) could not meet the agreed performance targets and triggers outlined in the Performance Assessment Framework (PAF) developed with DPs for the years 2010 to 2012. This resulted in

variances between pledges and actual disbursements from some of the DPs.

The Committee noted that for the year 2010, for instance, 16 out of 20 triggers were met. For the year 2011, 27 out of 35 targets were met whilst 11 out of the 12 triggers set for the same year were also met. According to the Auditor-General, the triggers which were not met bordered on Government's inability to implement recommendations of a Financial Recovery Plan for electricity, which was proposed by the Public Utilities and Regulatory Commission (PURC). Again, for the year 2012, four (4) targets and two (2) triggers were not met. The following are the targets and triggers which were not met for the years 2011 and 2012:

Targets not met in the Year 2011

1. Implementation of the Medium-Term Agriculture Sector Investment Plan.
2. Making Livelihood Empowerment Against Poverty (LEAP) social payments.
3. Implementation of the National Environmental Sanitation Strategy and Action Plan.
4. Access to safe water in rural communities and small towns.
5. Adequate professional staff and operational budget in accordance with a Redesign Report of the Ministry of Water Resources, Works and Housing.
6. Timely issuance of a no-objection certificate on the MMDAs Accounting Manual.
7. Review of the Civil Service Act of 1993.

Targets not met in the year 2012

- i. Completion of school report cards by 70% of public basic schools in deprived districts.
- ii. Institution of specific measures by GoG to achieve gender parity in areas with low girl-child enrolment in Senior High Schools (SHS).
- iii. Drafting and validating a new national gender equality policy; and
- iv. Submission of a Code of Conduct for Public Officers by the Ministry of Justice.

Triggers not met in the year 2012

- i. Delivery of LEAP grants to 10,000 beneficiaries by the Ministry of Employment and Social Welfare (the LEAP programme is now under the Ministry of Gender, Children and Social Protection).
- ii. Provision of National Health Insurance Scheme (NHIS) exemptions.

The Hon. Deputy Minister for Finance admitted that the amounts disbursed by DPs were a proportionate reflection of the number of targets achieved from the years 2010 to 2012. He indicated that although MDAs have to agree on targets set in accordance with the dictates of the PAF, DPs are not bound to fulfil their pledges when targets are not met.

The following are some of the reasons given by the MDAs for not achieving some targets and triggers:

- a. Implementation of the Medium Term Agriculture Sector Investment Plan

Officials of the Ministry of Food and Agriculture (MoFA) informed the Committee that the Medium Term Agriculture Sector Investment Plan

(METASIP), 2011–2015, was meant for the implementation of the Food and Agriculture Sector Development Policy of the Ministry. Thus, METASIP was designed to achieve the following objectives:

1. Food security and emergency preparedness.
2. Increased competitiveness and enhanced integration into domestic and international markets.
3. Sustainable management of land and environment.
4. Application of science and technology to food and agriculture development.
5. Enhanced institutional coordination.

Officials of MoFA explained that the set target was for the Ministry to conduct an assessment of the contributions of DPs and GoG to the implementation of METASIP to better define funding gaps and key areas. They indicated that at the time the target was set, it was decided that the assessment should be conducted under the Public Expenditure and Institutional Review (PEIR) study which had just begun. However, the Ministry, realising that the assessment could not be conducted under PEIR, put together a Terms of Reference to enable the Ministry conduct the assessment.

Furthermore, following consultations within the Agriculture Sector Working Group, it was concluded that since METASIP was designed to cover the period 2011 to 2015, MoFA should conduct a mid-term assessment of the implementation of the Plan in year 2013. This was to reveal the progress of work done so far and also inform reprioritisation of activities, if any.

The Committee noted that the assessment has been conducted and a Report to that effect is available.

b. Inability to make LEAP Social Payments

Officials of the Ministry of Gender, Children and Social Protection informed the Committee that the Ministry could not make LEAP social payments due to delays in the processes involved in accessing the funds. They indicated that the funding arrangement with the World Bank requires that certification letters (with attached release warrants) from the Controller and Accountant-General's Department and the Ministry of Finance are to be forwarded to the World Bank before funds are released to the Ministry of Finance.

The certification letters are to affirm that Government has released the entire budgetary allocation for the LEAP Programme for a particular year to the Ministry of Gender, Children and Social Protection before the World Bank reimburses the Ministry of Finance with the amount involved. Thus, the late submission of such letters to the World Bank accounted for the late re-imburement of funds by the World Bank. However, all beneficiaries are paid their grants, including all arrears as and when the Ministry of Finance releases the funds to the Ministry.

c. Lack of Professional Staff and Operational Budget in accordance with a Redesign Report of the Ministry of Water Resources, Works and Housing.

Officials of the Ministry of Water Resources, Works and Housing informed the Committee that in year 2011, the target for the employment of professional staff at the Water Directorate was missed as a result of the cumbersome recruitment procedures the Ministry had to go through in seeking authorisation from the Head of Civil Service and the Ministry of Finance before engaging new staff. They indicated that the Ministry was however able to meet the target for employment of professional staff and having an operational budget in the subsequent years.

d. Implementation of the National Environmental Sanitation Strategy and Action Plan

The Committee noted that the Ministry of Local Government and Rural Development could not meet the target set for the implementation of the National Environmental Sanitation Strategy and Action Plan in the year 2010. Officials of the Ministry explained that the Ministry could not meet the target because the Ministry was confronted with some challenges which made it impossible for them to submit the National Environmental Sanitation Strategy and Action Plan to Parliament for consideration and adoption before implementation in year 2010. That notwithstanding, the target was achieved in year 2011 and the National Environmental Sanitation Strategy and Action Plan is now being implemented.

e. Delay in Issuing a No-objection Certificate on MMDAs Accounting Manual

The Controller and Accountant-General informed the Committee that the Controller and Accountant-General's Department has the responsibility to develop the Accounting Manual for Metropolitan, Municipal and District Assemblies (MMDAs). However, the Manual must be certified by the Auditor-General before it can become operational. The Controller and Accountant-General indicated that the process of issuing a non-objection certificate by the Auditor-General delayed due to the laborious processes involved in ensuring that the content of the Manual conforms with the various accounting laws of the country.

The Committee however noted that the process has been completed and the Accounting Manual has been deployed to the various MMDAs for use.

f. Completion of School Report Cards by 70% of Public Basic Schools in Deprived Districts

Officials of the Ministry of Education informed the Committee that 70% of public basic schools in 57 deprived Districts could not complete their school report cards in the year 2012 although the schools had submitted their data to the District Directorate of Education for collation. They explained that the target was not met because the District Directorate of Education encountered challenges in the operationalisation of the software adopted for the production of the report cards. This made it impossible for the District Directorate to transmit the report cards to the GES Headquarters. Thus, the inability of the Ministry of Education to present the consolidated report on the schools report card system to the MDDBS Secretariat.

The Committee noted, that subsequently, the challenges were surmounted and currently all public basic schools in deprived Districts submit their report cards on schedule.

g. Non-submission of a Code of Conduct for Public Officers

Officials of the Ministry of Justice informed the Committee that the Code of Conduct for Public Officers is meant to operationalise Chapter Twenty-four of the 1992 Constitution of the Republic of Ghana. They indicated that the Ministry was unable to meet the target due to delays in soliciting inputs from all stakeholders. Nonetheless, after the stakeholder consultation, the Code of Conduct for Public Officers Bill was presented to Parliament on the 16th of December, 2013, and was referred to the Committee on Constitutional, Legal and Parliamentary Affairs for consideration and report.

h. Provision of National Health Insurance Scheme (NHIS) Exemptions

The Chief Executive Officer of the National Health Insurance Authority (NHIA) informed the Committee that the NHIS Exemptions Project was

to have started in the year 2007. However, the Project could not take off because it was observed in the year 2010 that the Project development goals were not measurable. Again, NHIA's arrangements for targeting the poor were not efficient. Furthermore, it was decided that before the commencement of the Programme, the then Ministry of Employment and Social Welfare was to craft a definition for the poor and also develop a common targeting mechanism that could be adopted in identifying the poor. The framework for developing a common targeting mechanism involved:

- Collaborating with Authorities of the Capitation Grant and identifying those who qualify for the Grant;
- Collaborating with Authorities of the School Feeding Programme;
- Collaborating with Authorities of the LEAP Programme; and
- Linking up with such institutions as the Leprosaria, mental facilities, Prison Service and a host of others.

The Project was therefore restructured in year 2010 and became operational in December 2011 while its implementation started in January, 2012.

The Committee noted that in the year 2012, the target set was 38% but the NHIA achieved 29%. However, in the year 2013, the target set was 40% but the NHIA was able to achieve 47.7% as a result of the implementation of the framework for targeting the poor.

During discussions of the reasons given by the MDAs for not meeting the set targets, it emerged that the MDAs, while agreeing on set targets with the DPs, failed to ascertain whether such targets were achievable within the period under review. Again, some MDAs set targets over which they did not have absolute control since they needed inputs from Government and other Departments and Agencies to enable

them meet the set targets. As a result, delays in accessing the inputs affected their capacity to meet the set targets.

However, the MDAs achieved targets set for years 2010, 2011 and 2012 after the country had lost some of the funds meant for developmental activities.

The Committee therefore recommends that the Ministry of Finance should ensure that MDAs set achievable targets. In addition, the Ministry of Finance should ensure that funds are released on schedule to MDAs in order to avoid delays in disbursements from DPs. Furthermore, MDAs should also ensure expeditious execution of projects to minimise loss of donor inflows.

7.0 CONCLUSION

Support from DPs play a major role in the achievement of Ghana's development agenda. Since donor funds are tied to the achievement of targets agreed upon with DPs, there is the need for Government to ensure that efforts are geared towards meeting these targets.

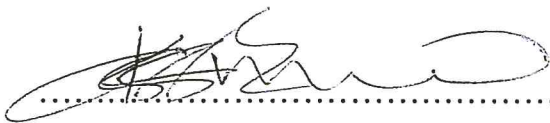
It was obvious that MDBS inflows from 2010 to 2012 were not dealt with properly by the Ministry of Finance. About 53.16% of total transfers by DPs for the period were not acknowledged by the Ministry of Finance as outlined in the Framework Memorandum signed between the Government of Ghana and its DPs.

Again, due to lack of regular reconciliation among the Ministry of Finance, the Bank of Ghana and the CAGD, there were instances of overstatement/understatement of revenue and non-capturing of some transfers in the Public Accounts for year 2012. Finally, the inability of MDAs to meet some targets agreed upon with DPs within the period under review, affected expected inflows from DPs.

The Committee therefore urges MDAs to put in place a mechanism for reporting variances between pledges and actual disbursements by DPs and also ensure that corrective actions are taken to enable them achieve agreed targets. Besides, the Ministry of Finance should ensure that funds are released to MDAs on time to avoid delayed disbursement from DPs. The Ministry of Finance should also make sure that disbursements are acknowledged promptly, reconciliations are conducted regularly and targets set by MDAs are achievable.

In the light of the above, the Committee recommends to the House to adopt its Report on the Financial Audit Report of the Auditor-General on the Verification Study of Multi-Donor Budgetary Support Inflows (2010 to 2012).

Respectfully submitted.



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ABIGAIL ABA ANSO
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