

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

REPORT OF THE SPECIAL BUDGET COMMITTEE

ON

**THE 2016 BUDGET ESTIMATES OF THE GHANA
AUDIT SERVICE**

DECEMBER, 2015

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

**REPORT OF THE SPECIAL BUDGET COMMITTEE ON THE 2016 ANNUAL
BUDGET ESTIMATES OF THE GHANA AUDIT SERVICE**

1.0 INTRODUCTION

The Hon. Minister for Finance, Mr. Seth Terkper presented the Budget Statement and Economic Policy of the Government for the year ending 31st December, 2016 to Parliament on Friday, 13th November, 2015 in accordance with article 179 of the 1992 Constitution.

Pursuant to Order 140(4) of the Standing Orders of the House, the Budget Estimates of the Ghana Audit Service were referred to the Special Budget Committee by the Rt. Hon. Speaker for consideration and report to Plenary.

2.0 DELIBERATIONS

In considering the referral, the Committee met with one of the Board Members, Mr. Kodwo Ahlijah and two Deputy Director Generals, Mr. Blessed Baffour Atta (F&A) and Mrs. Roberta Amissah Appiah (CAD). Other officials of the Audit Service and the Ministry of Finance were also present.

The Committee extends its profound appreciation to them for their invaluable input during the deliberations.

3.0 REFERENCE DOCUMENTS

The Committee referred to the following documents during deliberations:

- a. The 1992 Constitution of the Republic of Ghana.

- b. The Standing Orders of the Parliament of Ghana.
- c. Letter from H. E. the President on 2016 Budget Estimates of the Audit Service.
- d. The Budget Statement and Economic Policy of the Government of Ghana for the 2015 Financial Year.

4.0 MISSION STATEMENT

The Service is responsible for promoting good governance and protecting the tax payer's interest through the audit function that ensures accountability whilst demanding propriety on the part of public officials in line with Article 35 (8) of the Constitution.

5.0 CORE FUNCTIONS

The core functions of the Audit Service are to:

- i. Ensure that the auditing activities of the Audit Service as spelt out in the Audit Service Act are carried out in accordance with best international practices; and
- ii. Monitors the use and management of all Public funds and reports to Parliament. This covers Constitutional, statutory and any other body or organization established by an Act of Parliament.

6.0 PERFORMANCE REVIEW FOR 2015

6.1 As usual, reduction and delays in the release of funds for the implementation of the 2015 planned audits activities, hampered the execution of many of the programmes of the Service.

TABLE 1.
SHOWING EXPENDITURE TREND AS AGAINST THE APPROVED BUDGET
FOR 2015

	Item	2015 Approved Budget GH¢	Actual Expenditure as at December 2015 GH¢	Balance GH¢	Variance %
1.	Compensation of Employees	105,483,176.00	79,077,994.77	26,405,181.23	25
2.	Goods & Services	14,784,434.00	7,320,024.00	7,464,410.00	50.45
3.	Capex	5,260,000.00	-	5,260,000.00	100
	TOTAL	125,527,610.00	86,398,018.77	39,129,591.23	31.17

From the above Table, out of the approved budget of **GH¢125,527,610** for 2015 financial year, actual expenditure by way of cash received as at December 2015 amounted to **GH¢86,398,018.77** made up of **GH¢79,077,994.77** for Compensation of Employees and **GH¢7,320,024.00** for Goods and Services. In relation to CAPEX, no releases have been made for investments activities despite several applications by the Service to the Ministry of Finance.

6.2 KEY ACHIEVEMENTS IN 2015

6.2.1 The Service was able to conduct 1,742 audits representing 53% of the planned audits of 3,250. This included 1,182 MDAs, 103 MMDAs, 357 educational institutions, 95 public boards and corporations, and five Special and IT audits.

6.2.2 The Service was able to present only six statutory Audit Reports to Parliament as at November 2015 in line with its constitutional responsibility. The reports were presented several months after the constitutional deadline of 30th June, 2015.

6.2.3 As part of measures to clean up the payroll data, out of a total of 47,186 employees whose salaries were suspended by the Controller and Accountant-General's Department (CAGD), 44,496 employees were restored onto the payroll after verification by the Service. Names of the remaining 2,690 employees who did not present themselves for validation have had their names taken off the payroll thereby saving the state valuable resources. The programme is ongoing in the ten regions to ensure that, only deserving employees are paid their due.

7.0 OUTLOOK FOR 2016

- 7.1 The Service will conduct and present to Parliament, its regular audit operations, consisting of 3,335 entities which include MDA's, MMDA's, Pre-University Educational Institutions as well as special Audits.
- 7.2 The Service will also conduct audits in the areas of procurement and contract administration, GSGDA programmes, MDBS, DDF, Urban Development Grant, Food Security, GIFMIS, IPPD; revenue management including the proceeds of taxation, grants as well as oil and gas exploration.
- 7.3 In addition, the Service will endeavour to conduct Performance Audits on physical infrastructure projects, public debts and loans, capitation grant and the school feeding programme, as well as performance of international audit assignments.
- 7.4 Also, audits in highly computerized and electronic environment, such as the GIFMIS and the IPPD; revenue management as well as in oil and gas receipts.

8.0 2016 BUDGETARY ALLOCATION

The total allocation approved for the execution of the activities of the Audit Service for the 2016 fiscal year amounts to **One Hundred and Forty Million, Six Hundred and Eleven Thousand, Seven Hundred and Fifty Six Cedis (GH¢140,611,756.00)**. The Breakdown is as follows:

Breakdown of the 2016 Budgetary Allocation of the Audit Service

	GH¢
Compensation of Employees	122,009,511
Goods and services	14,496,057
Capex	4,106,188
Total	<u>140,611,756</u>

9.0 OBSERVATIONS AND RECOMMENDATIONS

The Committee made the following observations and recommendations during deliberations:

9.1 Performance Review of the 2015 Budgetary Allocations

As shown in Table 1, the Audit Service was allocated a budget of **GH¢125,527,610** for 2015 financial year. As at December 2015, total expenditure stands at **GH¢86,398,018.77 with a variance of 31%. GH¢79,077,994.77** of the amount was used for Compensation of Employees and **GH¢7,320,024** for Goods and Services. No releases were made for investments activities despite several applications by the Service to the Ministry of Finance.

The Committee continues to observe reduction and delays in the release of funds for the implementation of set programmes of the Service. These persistent problems cause some of the Services' constitutional, statutory and professional audits to fall in arrears to the detriment of best practices and in contravention of the Constitution. For instance, it was noted at the Hearing

that, out of 9 statutory Audit Reports to be presented to Parliament in the year, the Service was able to present only 6 Reports to Parliament well past the constitutionally stipulated date.

9.2 Total 2016 Budgetary Allocation to the Ghana Audit Service

The Audit Service submitted a request to H. E. the President, a sum of **One Hundred and Eighty-Seven Million, Five Hundred and Nine Thousand, Four Hundred and Eight Cedis (¢187,509,408.00)** for the implementation of its 2016 programmes, however, in view of the current fiscal challenges facing the country, the President recommended for approval by Parliament, an allocation of **One Hundred and Forty Million, Six Hundred and Eleven Thousand, Seven Hundred and Fifty Six Cedis (GH¢140,611,756.00) to the Commission for 2016**. The Committee was pleased to note that, this allocation was agreed upon through series of consultations with the Service and Ministry of Finance, taking into consideration the priority areas of the Audit Service.

Notwithstanding the above, the Committee is reiterating its earlier calls to MOFA to put in place extra measures to ensure that funds required by the Audit Service are made available and timeously in accordance to the work and cash plan that is usually presented to the Ministry of Finance by the Service. This would ensure that audit assignments required to be conducted annually, between January and May are completed and Reports submitted to Parliament by 30th June as per constitutional stipulations.

9.3 Compensation, Training and Retooling of Employees

9.3.1 The Committee observed that, although Compensation for Employees, constitute 87% of the total 2016 Budget allocation of the Audit Service, there is still the need for the Service to recruit and train more field operatives to adequately take care of additional audit responsibilities that have come up as a result of the merging of the three revenue agencies into the Revenue Authority and the passage of L.I. 1961 which seeks to fully integrate the

activities of all the decentralized departments into the MMDAs. This requires the recruitment, training and retooling of field staff to improve audit coverage and productivity.

9.3.2 Furthermore, the creation of 45 new districts in 2012, entailed the creation of 11 more government agencies in each district, 13 more MDA agencies in each Municipality, and 16 more departments in each Metropolitan Assemblies. These have increased the workload of the Audit Service, without a corresponding increase in staffing levels.

The Committee was made aware that, the Audit Service has made provision in the 2016 Budget for the recruitment and training of 107 new employees to augment the current staffing levels and build their capacity to handle modern IT audit systems and processes effectively. It is the expectation of the Committee that, this Provision will be given serious consideration by MOFA when the request is made.

9.4 Procurement of Laptops

The Committee noted that, emerging legislations and Public Sector Financial Management Reforms such as (GIFMIS) influenced the direction of audits of the Service. Also with the merger of IRS, VAT & CEPS into the Ghana Revenue Authority as well as the computerization of the services and accounting processes of Controller and Accountant-General's Department, the Audit Service has to operate in a highly computerized environment. This requires a major retooling and capacity building of audit staff to respond adequately to the new environment.

In the 2016 Budget, among other working equipment, the Service has budgeted for the acquisition of 1700 laptops and other IT auditing software and tools for its field officers to operate effectively in the new computerized environment. The Committee was made to understand that, without the

laptops, the field staff cannot carry out any meaningful audit assignment and would be unproductive.

The Committee considers it a sheer waste of resources for Government to continue remunerating field operatives of the Service and not equip them adequately to work. It was therefore agreed with the Director of Budget of the Ministry of Finance that, the Ministry will release Two Million Cedis **(GH¢2,000,000.00)** of 2016 Capex of the Audit Service in early January to enable it procure laptops at least for its field operatives as soon as practicable.

9.5 Salary Allowances not paid through the Payroll

The Committee was also made aware of an outstanding balance of Eleven Million, Three Hundred and Twenty Thousand, Three Hundred and Eleven Cedis **(GH¢11,320,311.00)** for operational and staff allowances partly for the third and fourth quarters of 2015. The Committee was implored upon by the Officials of the Service that, delays in the payments of the allowances not paid through the payroll create room for inappropriate behaviour and the potential of compromising the professional integrity of personnel of the Service.

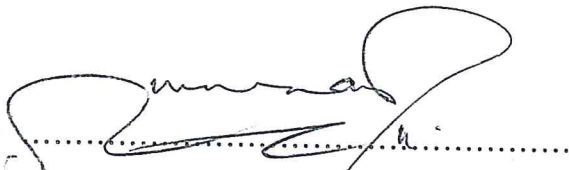
The Committee therefore, recommends that, from next year, such allowances should be released alongside the Goods and Service's votes during implementation of the budget to boost morale and performance of personnel of the Service.

10.0 CONCLUSION

Article 35 (8) of the Constitution enjoins the State to take steps to eradicate corrupt practices. The Audit Service acts as the watchdog for protecting the public purse through its audit functions to ensure accountability, good governance and propriety on the part of Public Officials. It is therefore imperative that, this very important institution is adequately resourced and within reasonable time to enable it carry out its constitutional mandate effectively.

The Committee recommends to the House for approval, the sum of **One Hundred and Forty Million, Six Hundred and Eleven Thousand, Seven Hundred and Fifty Six Cedis (GH¢ 140,611,756.00)** for the implementation of the programmes of the Audit Service for the 2016 financial year.

Respectfully submitted.



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HON. A. S. K BAGBIN
(MAJORITY LEADER & CHAIRMAN,
SPECIAL BUDGET COMMITTEE)



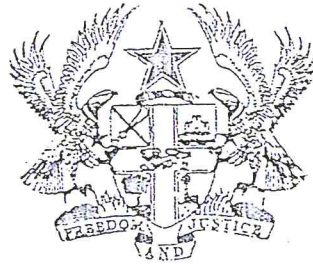
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AKUA DUROWAA OWUSU AGYEKUM (MRS.)
(CLERK, SPECIAL BUDGET COMMITTEE)

14th DECEMBER 2015.

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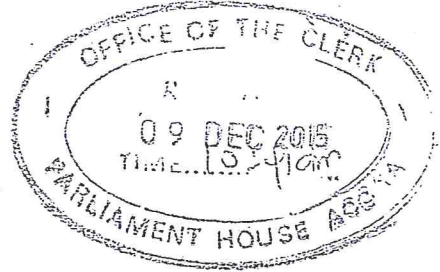
Please find attached the communication from His Excellency the President indicating the 2016 budget allocation for the Ghana Audit Service.



Republic of Ghana

13th November, 2015

THE RIGHT HON. SPEAKER OF PARLIAMENT
OFFICE OF THE PARLIAMENT
PARLIAMENT HOUSE
ACCRA



Right Honourable Speaker,

ANNUAL ESTIMATES OF THE AUDIT SERVICE FOR 2016

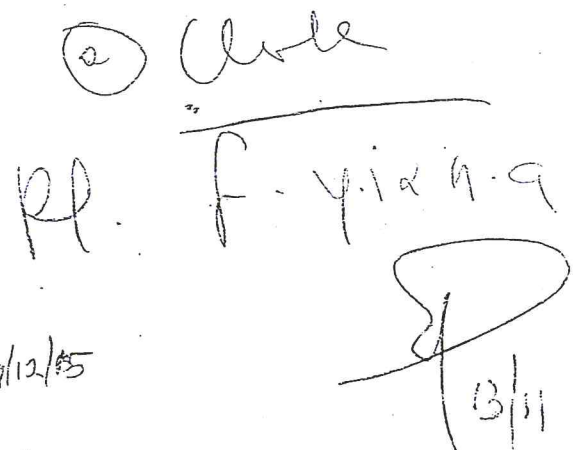
Pursuant to Article 179 of the Constitution, I forward herewith, to be laid before Parliament, the annual estimates of the Audit Service for 2016.

The Audit Service is requesting for an amount of One Hundred and Eighty-Seven Million, Five Hundred and Nine Thousand, Four Hundred and Eight Ghana Cedis (GH¢187,509,408.00) for its operations in 2016.

In view of the current fiscal challenges facing the country, it is recommended that the sum of One Hundred and Forty Million, Six Hundred and Eleven Thousand, Seven Hundred and Fifty-Six Ghana Cedis (GH¢140,611,756.00) be considered for approval for the Audit Service

Please accept, Right Honourable Speaker, the assurances of my highest consideration.


JOHN DRAMANI MAHAMA
PRESIDENT OF THE REPUBLIC OF GHANA


PP. F. Y. I. A. A. G.
B/11

Approved 9/12/15
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