

**IN THE FIRST SESSION OF THE SEVENTH PARLIAMENT OF THE  
FOURTH REPUBLIC OF GHANA**

**REPORT OF THE SPECIAL BUDGETS  
COMMITTEE ON THE 2017 BUDGET ESTIMATES  
OF THE GHANA AUDIT SERVICE**

**1.0 INTRODUCTION**

The Minister for Finance, Hon. Ken Ofori-Atta presented the Budget Statement and Economic Policy of the Government for the year ending 31<sup>st</sup> December, 2017 to Parliament on Thursday, 2<sup>nd</sup> March, 2017 in accordance with Article 179 of the 1992 Constitution and the Public Financial Management Act, 2016 (Act 921).

The Estimates of the Ghana Audit Service were subsequently laid before the House and referred the Special Budgets Committee for consideration and report in accordance with Order 140(4) of the Standing Orders of the Parliament.

**2.0 DELIBERATIONS**

The Committee was assisted in its deliberations by the Chairman of the Audit Service Board, The Deputy Auditor-General, Officials of the Ghana Audit Service and officials of the Ministry of Finance.

The Committee extends its profound appreciation to the Board Chairman, the Deputy Auditor-General and Officials for the assistance.

### **3.0 REFERENCE DOCUMENTS**

The Committee referred to 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 Budget Statement and Economic Policy of the Government of Ghana for the 2016 Financial Year;
- d. The Budget Statement and Economic Policy of the Government of Ghana for the 2017 Financial Year; and
- e. The Audit Service Act 2000, (Act 584)
- f. The Report of the Special Budget Committee on the Annual Estimates of the Audit Service for 2016 financial year.

### **4.0 MISSION STATEMENT**

The Audit Service is one of the key oversight, accountability, monitoring and evaluation institutions in the governance process of this country. It exists to provide independent assurance to Parliament, civil society organisations and the citizenry that public funds are not only fully utilised and accounted for, but also judiciously applied.

### **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, ensure value for money and report to Parliament. This covers Constitutional, statutory and any other bodies or organizations established by Act of Parliament.

## 6.0 2016 PERFORMANCE REVIEW

Delays and untimely release of funds for the implementation of activities of the Audit Service was a major constraint to the execution of the planned activities of the Audit Service in 2016. The inadequacy of allocation and releases of funds voted to the Service under Goods and Services hampered the execution of audit activities of the Service in 2016.

In 2016, the Service required an amount of GH¢234 million to carry out its activities but only GH¢140,611,756 was allocated. Out of a total budgetary allocation of GH¢140,611,756 to the Audit Service in 2016, an amount of GH¢132,641,512 representing 94.33% of the allocation was released by December 2016 leaving a balance of GH¢7,934,243. During the year, additional amount of GH¢647,000 was released to the Service for the Audit of Health Service Workers Salary arrears. This bring the total releases to GH¢133,342,513 representing 94.83% of the allocation. Details of the allocation and releases are presented in table 1 below:

**Table 1: 2016 releases as against approved budget**

	Item	2016 Budget Allocation GH¢	Releases as of December GH¢	% Released	Variance GH¢
1	Compensation of Employees	122,009,511	121,204,562	99.34	(804,949)
2	Goods & Services	14,496,057	11,394,951	78.61	(3,101,100)
3	Capex	4,106,188	1,826,396	44.48	(4,064,188)
4	Additional Release	-	647,000		-
	<b>TOTAL</b>	<b>140,611,756</b>	<b>133,342,513</b>	<b>94.83</b>	<b>7,934,243</b>

## **7.0 KEY ACHIEVEMENTS IN 2016**

Despite financial and operational challenges, the Service made substantial progress towards the executions of its planned audits for 2016 as mandated by the 1992 Constitution. The Audit Service however was unable to submit any audit report to Parliament in 2016

During the year under review, the Audit Service completed Audit on 2,010 institutions and Agencies of Ministries, Departments and Agencies. The Service also completed audit of 210 metropolitan, Municipal and District Assemblies across the country and 550 Educational Institutions representing 805 out of 3,463 planned audits.

## **7.0 OUTLOOK FOR 2017**

In 2017, the Audit Service will continue with its core financial audit of 3,542 entities which include MDAs, MMDAs, Pre-University Educational Institutions as well as special audits and submit the reports to Parliament.

The Service will also conduct audits in the following areas; procurement and contract administration; infrastructure, environment and special funds audit.

In 2017 the Auditor-General will complete the following audits and submit report to Parliament:

- a. Annual Report on the Public Accounts of Ghana (Consolidated Fund),
- b. Annual Report on Ministries, Departments and Agencies (MDAs),
- c. Annual Report on Metropolitan, Municipal and District Assemblies (MMDAs),
- d. Annual Report on Pre-University Educational Institutions
- e. Annual Report on Public Boards, Corporations and other Statutory Institution,
- f. Annual Report on District Assemblies Common Fund, and

- g. Special Audit Reports resulting from special audit or investigations requested by stat agencies during the year.

## 8.0 2017 BUDGETARY ALLOCATION

For the execution of the above activities, an amount of **One Hundred and Eighty-six Million, Five Hundred and Seven Thousand, Three Hundred and Eighty Ghana Cedis (GH¢186,507,380)** has been allocated to the Audit Service for the 2017 fiscal year. The amount will be disbursed among the various cost center of the Service as follow:

<b>Expenditure Item</b>	<b>Allocation (GH¢)</b>
Compensation of Employees	151,909,375
Goods and services	19,117,329
Assets	<u>15,480,676</u>
<b>Total</b>	<b><u>186,507,380</u></b>

The 2017 allocation to the Audit Service will be expended in implementing two programs namely Management and Administration and Audit Operations. The summary of the 2017 expenditure estimates of the Audit Service by budget program is presented in table 2 bellow:

**Table 2: Summary of 2017 Allocation by Budget Program**

<b>Budget program</b>	<b>2017 Allocation (GH¢)</b>	<b>% of total Allocation</b>
Management and Administration	44,478,950	23.85
Audit Operations	142,028,430	76.15
<b>Total</b>	<b>186,507,380</b>	<b>100</b>



## 9.0 OBSERVATIONS AND RECOMMENDATIONS

The Committee made the following observations and recommendations during its deliberations:

### 9.1 Performance Review of the 2016 Budgetary Allocations

The Committee noted that inadequate and untimely release of funds hampered the Audit Service in the performance of its planned activities for 2016. Out of a total requirement of GH¢234 million in 2016, only GH¢140,611,756 representing 60% was allocated to the Service for its activities. Out of the allocation, an amount of GH¢133,342,513 representing about 94.83% was released to the Service. The amount released was disbursed under the various expenditure lines. The detail allocation and releases to the various cost center is presented in table 3 below:

**Table 3: 2016 Budget Allocation and Release by Cost Center**

Expenditure Item	2016 Allocation	Releases as at 31/12/2016	Percentage released
Compensation of Employees	122,009,511	121,204,562	99.34
Goods and Services	14,496,057	11,394,951	78.61
CAPEX	4,106,188	1,826,396	44.48
Additional Release		647,000	
Total	140,611,756	133,342,513	94.83

The Committee however noted that, during the year, an additional amount of GH¢647,000 was released to the Service for the Audit of Health Service Workers Salary arrears bringing the total releases to GH¢133,342,513 or 94.83% of 2016 allocations.

The Committee noted that the insufficient and irregular release of funds affected the ability of the Auditor-General to effectively perform its mandate and submit the

required reports to Parliament. To this end, the Audit Service was able to execute only 2,770 out of 3,463 planned audits and the service is currently operating at about 60 to 70 percent of its capacity.

The Committee is of the view that the untimely release of funds to the Service could cause further delays in auditing financial activities of public officers. This does not augur for effective accountability and also fall short of best practices.

## **9.2 2017 Budgetary Requirement and Allocation**

The Committee noted that, the budgetary requirements of the Audit Service as submitted to H. E. the President, for the 2017 financial year has not be fully met. The Minister of Finance however, contrary to the provisions under Article 179 (2) (b) of the 1992 Constitution and Section 45 (4) of the Audit Service Regulations, 2011 (C.I. 70) and the Audit Service Act revised the amount downward to GH¢186,507,380. Out of this amount, GH¢180,441,704 is GoG and GH¢6,065,676 is from Development Partners. The Committee was informed that the Audit Service requires additional GH¢2.7 million and GH¢6.8 million to enable it procure additional office equipment for field staff and for the completion of work on some of its District and Regional offices across the country

The Committee is of the view that the downwards review of the requirement of the Audit Service will affect some of the planned Audit Activities of the Service. The Committee therefor urges the Ministry of Finance to put in place measures to ensure that adequate funds are made available to the Audit Service timely to enable the Service undertake its planned audit for 2017 in order to safeguard the public purse.

## **9.3 2017 Allocation**

The Committee noted that the Audit Service has been allocated an amount of **GH¢186,507,380** for its operations in 2017, The amount allocated will be expended

on two programs namely, Management and Administration as well as Audit Operation activities aimed at achieving the core mandate of the Audit Service. The 2017 allocation of the Audit Service will be disbursed among the two programs of the Service as follows:

<b>Budget Program</b>	<b>2017 Allocation (GH¢)</b>
BP1: Management and Administration -	44,478,950
BP2: Audit Operations -	142,028,430
<b>Total</b>	<b>186,507,380</b>

The allocations to the various budget programs will further be disbursed into various activities of the Service as follows:

<b>Activity</b>	<b>Allocation (GH¢)</b>	<b>%</b>
Management and Administration	45,053,761	24.16
Central Government Audits	23,561,562	12.63
Educational Institutions Audits	102,186,782	54.79
Commercial Audits	7,467,899	4.00
Special Audits	8,237,376	4.42
<b>Total</b>	<b>186,507,380</b>	<b>100.00</b>

The Committee further noted that the Service will spend an amount of GH¢6,065,676 of the allocation under Goods and Services to service a credit facility secured from KfW. This expenditure will substantially reduce the amount of funds available to the Service under Goods and Services for the implementation of its core mandate.

#### **9.4 Financial Independence of the Audit Service**

The Committee is of the view that, the amendment to the Audit Service Act that allows the Service to submit its budget directly to the President is to allow the Service some form of financial independence. While acknowledging that the



financial independence of the Audit Service must operate within the limits of the national resource availability, the Committee expressed regret at the annual reduction in the budgetary requirement of the Audit Service and non-release of approved funds.

In order to further strengthen the financial independence of the Audit Service, the Committee wish to recommend to the Minister for Finance that the Audit Service should be allowed to retain part of any saving they the make to the state arising from their audit activities as well retain part of the revenue it generates from the Audit Services it renders for international bodies.

#### 10.0 CONCLUSION

In the light of the contribution of the Audit Service to the financial good governance of our country, the Committee recommends to the House to adopt its report and approve the sum of *One Hundred and Eighty-six Million, Five Hundred and Seven Thousand Three Hundred and Eighty Cedis (GH¢186,507.380)* for the implementation of its programs for the 2017 financial year.

Respectfully submitted.

  
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**HON. OSEI KYEI-MENSAH-BONSU**  
**(MAJORITY LEADER & CHAIRMAN,**  
**SPECIAL BUDGET COMMITTEE)**

  
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**MR INUSAH MAHAMMED**  
**(CLERK, SPECIAL BUDGET COMMITTEE)**

**March, 2017**

