



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

**REPORT OF THE SPECIAL BUDGET
COMMITTEE**

ON THE

**2015 ANNUAL BUDGET ESTIMATES OF
THE GHANA AUDIT SERVICE**

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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, 2015 to Parliament on Wednesday, 19th November, 2014 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.

2.0 DELIBERATIONS

In considering the referral, the Committee met with the Board Member, Mr. Kodwo Ahlijah and two deputy director generals, Mr. Blessed Baffour Atta (F&A) and Mrs. Roberta Amissah Appiah (CAD); and officials of the Audit Service and the Ministry of Finance.

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 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 2014 Financial Year.
- d. The Budget Statement and Economic Policy of the Government of Ghana for the 2015 Financial Year.

4.0 MISSION STATEMENT

The Audit Service is one of the key oversight, accountability, and monitoring and evaluation institutions in the governance process of this country. It exists to provide independent assurance to Parliament, other stakeholders, civil society organisations and 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 and report to Parliament. This covers Constitutional, statutory and any other body or organization established by an Act of Parliament.

6.0 PERFORMANCE REVIEW FOR 2014

6.1 The delays and erratic nature of release of funds for the implementation of programmes for the year under review, was a major obstacle to the execution of most of the planned activities of

the Audit Service. Also, only 2.3% of the funds for investment activities was released to the Service this year.

Table showing releases as against approved budget

	Item	2014 Budget GH¢	Releases as of 19 th November GH¢	Balance GH¢	% Variance
1	Compensation of Employees	99,512,430	82,692,211	16,820,219	16.90
2	Goods & Services	14,702,862	10,146,002	4,556,860	31
3	Capex	4,900,500	113,099	4,787,401	97.7
	TOTAL	119,115,792	92,951,312	26,164,480	21.97

6.2 KEY ACHIEVEMENTS IN 2014

Despite these shortcomings, the Service managed to complete to a large extent the audit activities identified by the Constitution to be conducted by the Auditor-General in line with statutory requirements.

Audit Operations Programme

- ✚ The Audit Service completed and presented to Parliament, the 2013 public account reports on the Internally Generated Funds (IGFs) of selected MDAs and District Assemblies Common Fund. The Service also completed the audit of 1,758 institutions of MDAs, 187 MMDAs, and 473 Educational Institutions representing 70 percent of planned audits.
- ✚ The Service also succeeded in presenting the following reports to Parliament as per the provisions of the 1994 Constitution:
 - The District Assemblies Common Fund,
 - District Assemblies Internal Generated Funds (IGF),

- The Consolidated Fund,
- Statement of Foreign Exchange Receipts and Payment of the Bank of Ghana – December 2013,
- Performance audit report on Extension of Electricity to 1,200 Communities in Ghana,
- Performance audit report on Street Lighting Programme in Five Regional Capitals in Ghana,
- Performance audit report on the preparedness of Ghana National Fire Service to respond to fire emergencies. The rest are at various stages of completion.

↓ Audits in procurement and contract administration; GSGDA programmes, MDBS, DDP, Urban Development Grant and Food Security; computerized and electronic systems in the public sector including GIFMIS and IPPD 2; revenue management including the proceeds of taxation and grants; public debt and loans/advances; Capitation Grant and School Feeding Programme; performance of international audit assignments; and performance audits including physical infrastructure projects were also successfully conducted.

7.0 OUTLOOK FOR 2015

- ↓ In 2015, the Audit Service will continue with its core financial audit of 3,450 entities which include MDAs, MMDAs, Pre-University Educational Institutions as well as special audits.
- ↓ The Service will also conduct audits in the following areas; procurement and contract administration; GSGDA programmes, MDBS, DDF, Urban Development Grant and Food Security; computerized and electronic systems in the public sector including

GIFMIS and IPPD; revenue management including the proceeds of taxation, grants, as well as oil and gas exploration; performance audit including physical infrastructure projects; public debt and loans/advances; Capitation Grant and School Feeding Programme; and performance of international audit assignments.

8.0 2015 BUDGETARY ALLOCATION

Total Expenditure approved for the execution of the activities of the Audit Service for the 2015 fiscal year, amounts to ***One Hundred and Twenty Five Million, Five Hundred and Twenty Seven Thousand Six Hundred and Ten Cedis (GH¢125,527,610.00)***. This comprises:

Breakdown of the 2015 Budgetary Allocation of the Audit Service

	GH¢
Compensation of Employees	105,483,176
Goods and services	14,784,434
Assets	<u>5,260,000</u>
Total	<u>125,527,610</u>

9.0 OBSERVATIONS AND RECOMMENDATIONS

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

9.1 Performance Review of the 2014 Budgetary Allocations

The Committee observed that the reduction and the untimely release of the Service vote continues to pose a lot of challenges to the Service and is likely to cause some audits to fall in arrears once again to the detriment of best practices and accountability.

It was noted that the Audit Service was allocated a budget of GH¢119,115,792 for 2014 financial year. As at September 2014, total expenditure stands at GH¢84,834,393.00.

Releases obtained for goods and Services totaled GH¢10,146,002 whereas actual cash expended so far amounted to GH¢7,284,000.00 with the remaining yet to be credited by bank of Ghana.

In relation to assets, no releases were made for investments activities in 2014 despite several applications by the Service to the Ministry of Finance.

9.2 Total 2015 Budgetary Allocation to the Ghana Audit Service

The Committee noted that, budgetary requirements submitted by the Audit Service to H. E. the President, for the financial year 2015 suffered a downwards review as against the spirit of Article 179 (2) (b) of the Constitution and Section 45 (4) of the Audit Service Regulations, 2011 (C.I. 70) Constitution and the Audit Service Act.

The Committee was informed that out of proposed budgetary requirement of **One Hundred and Fifty Two Million, One Hundred and Sixty Five Thousand, Six Hundred and Ninety Seven Cedis (GH¢152,165,697.00)** only **One Hundred and Twenty Five Million, Five Hundred and Twenty Seven Thousand, Six Hundred and Ten Cedis (GH¢125,527,610)** was recommended for approval by his Excellency the President. The difference between the required budget and that which was recommended includes an amount of GH¢8,833,787 required to replace 170 field staff to enable the Service effectively carry out its responsibilities and laudable initiatives.

The Committee is again reiterating the call to MOFA to put in place measures to ensure that funds required by the Audit Service are made available and timeously according 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 of Employees

The Committee observed that allocation for Compensation for Employees for 2015 has been pegged at GH¢105,483,176 for the 1,747 employees of the Ghana Audit Service. The Votes has been broken down into two, i.e. **GH¢71,693,303 as basic salary for staff and its related allowances paid through the payroll and GH¢33,789,873** for other allowances including salary-related allowances which are **not paid through the payroll**, such as leave, clothing, fuel, maintenance and other operational allowances. Payments of the allowances not paid through the payroll gets unduly delayed with a great potential of compromising the professional integrity of personnel of the Service.

The Committee therefore, recommends that, since they are mostly operational allowances, the amount of **GH¢33,789,873** should be released alongside the Goods and Service's votes during implementation of the budget to boost moral and performance of personnel of the Service.

9.4 Replacement of 170 staff of Ghana Audit Service

Since 2012, the Service has lost over 453 members of staff from various grades through several reasons. Meanwhile, the workload of the Service continues to increase due to current reforms and emerging issues in Public Sector Financial Management and the expansion of **MMDAs by 45** more districts. Also the huge demand on the Service to validate all financial statements submitted by the MDAs and MMDAs in the districts and also to intensify payroll audits call for quick augmentation of the staff strength of the Service.

However, this laudable initiative to stem corrupt practices in the districts cannot be implemented if the Ministry of Finance does not make an additional allocation of GH¢8,833,787.00 to the Audit Service to replace the 170 recently separated staff.

The Committee's plea to the Hon. Minister of Finance is to reconsider the issue and make extra provision for the proposed replacement of the staff to enable the Service carry out its responsibilities and initiatives successfully to fight corruption and provide accountable governance to the people.

9.5 Capacity Building

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 on-going computerization of the services and accounting processes of Controller and Accountant-General's Department, the Audit Service finds itself confronted with an accounting environment where there is an increased use of IT in service delivery whereas the Service is

largely unprepared in terms of the capacity of staff to audit these IT systems and processes effectively.

The Committee therefore agreed that the Audit Service requires an upscale of its IT auditing capability through retraining of staff and the acquisition of IT auditing software and tools. There is the further need for staff of the Service to be updated on how to audit in the new programme budgeting environment.

The Committee also noted that the Audit Service has recognised these challenges and is therefore designed to position itself to deliver better quality IT and non-IT auditing services within the country's fiscal constraints.

9.6 Reduction and untimely release of funds

The Committee was informed that, new high risks audit areas would also need to be considered in the audit operations in 2015. These will include procurement, environmental, infrastructure, oil and gas, forensic and special fund audits. However, these audits are more expensive than the routine financial audits.

The Committee was informed that reduction in the budget requirement and the late release of funds will pose a lot of challenges to the implementation of these audit activities. This is likely to cause some audits to fall in arrears, to the detriment of best practices and public accountability. The delay in the implementation of other activities may also cause staff moral to further deteriorate with a resultant effect on performance in 2015.

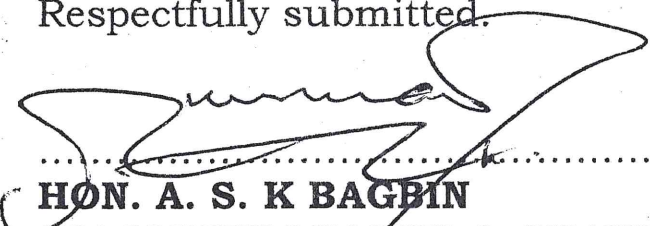
It is therefore crucial that the Service is given the needed resources at the opportune time to enable it successfully carry out its mandate

10.0 CONCLUSION

As the nation's Supreme Audit Institution, the Audit Service is responsible for promoting good governance and protecting the tax payer's interest through the audit function. The audits that are to be executed and reports issued to Parliament by 30th June each year, are seasonal in nature and require that sufficient funds are released to carry out these programmes.

In the light of the above, the Committee recommends to the House for approval, the sum of ***One Hundred and Twenty Five Million, Five Hundred and Twenty Seven Thousand Six Hundred and Ten Cedis (GH¢125,527,610.00)*** for the implementation of the programmes of the Audit Service for the 2015 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
(CLERK, SPECIAL BUDGET COMMITTEE)

10th DECEMBER, 2014

NB:

Please find attached the communication for His Excellency the President indicating the 2015 budget allocation for the Ghana Audit Service.