

PARLIAMENT OF GHANA LIBRARY

IN THE THIRD SESSION OF THE
SEVENTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA

REPORT OF THE SPECIAL
BUDGET COMMITTEE

ON THE

2020 BUDGET ESTIMATES OF THE
GHANA AUDIT SERVICE

DECEMBER 2019

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

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1.0 INTRODUCTION

The Minister for Finance, Hon. Ken Ofori-Atta presented the Budget Statement and Economic Policy of the Government for the 2020 financial year to Parliament on Wednesday, 13th November, 2019 in accordance with Article 179 of the 1992 Constitution and Section 21(3) of the Public Financial Management Act, 2016 (Act 921).

The Estimates of the Ghana Audit Service were subsequently presented to Parliament by President of the Republic of Ghana and in accordance with the Audit Service Act.

The estimates were laid before the House and referred to the Special Budget Committee for consideration and report in accordance with Order 140(4) of the Standing Orders of the House.

2.0 DELIBERATIONS

The Committee was assisted in its deliberations by the Auditor-General, Mr. Yaw Dormelevo, Officials of the Ghana Audit Service and the Ministry of Finance.

The Committee extends its profound appreciation to the Auditor-General and the other 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. Public Financial Management Act, 2016 (Act 921)
- d. The Audit Service Act 2000, (Act 584)
- e. The Budget Statement and Economic Policy of the Government of Ghana for the 2019 financial year;
- f. The Report of the Special Budget Committee on the Annual; Estimates of the Audit Service for 2019 financial year;
- g. The official communication from the President of the Republic of Ghana on the estimates of the Audit Service;
- h. National Medium Term Development Policy Framework (NMTDPF) in achieving Sustainable Development Goals (SDGs) for 2020 – 2023; and
- i. Medium Term Expenditure Framework (MTEF) for 2020 - 2023

4.0 MISSION STATEMENT

The Audit Service is one of the key oversight, accountability, monitoring and evaluation institutions in the governance process of Ghana. The Mission of the Service is to promote good governance, transparency, accountability and probity in Ghana's public financial management system by auditing to recognized international standards, the management of public resources and reporting the

audit results and recommendations to Parliament. In pursuit of these objectives, the Service exists to provide independent assurance to Parliament, civil society organizations and the citizenry that public funds are not only fully utilized and accounted for, but also judiciously applied.

5.0 CORE FUNCTIONS

The core functions of the Audit Service are to:

- i. Audit the public Accounts of Ghana and all public offices and report the findings and recommendations to Parliament.
- ii. Audit the half year financial statements of the Foreign Exchange Receipts and Payments or Transfers prepared by the Bank of Ghana and report the findings and recommendations to Parliament.
- iii. Carry out in the public interest such special audits or reviews as the Auditor-General considers necessary and submit reports to Parliament.
- iv. Ensure that the auditing activities of the Audit Service as spelt out in the Audit Service Act are carried out in accordance with international best practices.
- v. Monitor the use and management of all public funds, ensure value for money and report to Parliament. This covers Constitutional creatures and statutory or any other body or organization established by an Act of Parliament.
- vi. Ensure the effective implementation of the Assets and Liability regime.

7.0 KEY ACHIEVEMENTS IN 2019

The Audit Service made substantial progress towards the execution of its planned audits for 2019 as mandated by the 1992 Constitution. The Service during the period under review audited state institutions and submitted sixteen (16) reports to Parliament. The reports comprised nine (9) statutory audits and seven (7) special audits. The reports covered the audited financial statements for MDAs, MMDAs, Public Boards and Corporations, Pre-university educational institutions, Consolidated Fund for the year ended 31st December, 2018. The reports were derived from the execution of 3,572 out of the 4,039 planned audits.

During the year under review, the Audit Service completed Audit on 2,419 Central Government Institutions and Ministries, Departments and Agencies as compared to 2,239 institutions audited in 2018. The Service also completed audit of 254 Metropolitan, Municipal and District Assemblies across the country compared to 216 in 2018 and 724 Pre-Tertiary Educational Institutions as against 550 pre-university educational institutions achieved in 2018. The Service also completed audit of 61 Public Boards and Corporations and 10 Tertiary Educational Institutions compared to 75 in the same period in 2018.

The Audit Service also conducted Audit on 52 Mission abroad. It also completed 45 audits on sub-vented and Non-Governmental Organization in addition to 2 value for money audits.

In all 3,572 audits out 4,039 of planned Audits were initiated and completed in 2019 compared to 3,080 in 2018.

In addition to its statutory audits, the Service also conducted a number of special audits into the activities and implementation of programs by some state institutions.

The Audit Service through its audit activities recovered a total of GH¢67,315,066.12 from individuals, public officers and state institutions who were found to have committed financial infractions in the course of performing their duties.

The Auditor-General also issued 112 Disallowance and Surcharge Certificates amounting to GH¢511,211,239.04 to individuals who either disbursed or authorize the disbursement of public funds in contravention of laid down rules and procedure. The amount is made up of GH¢218,631,026.45 disallowances and surcharge amounting to GH¢292,580,212.59.

8.0 OUTLOOK FOR 2020

In 2020, the Audit Service will continue with its core financial audit of all state entities including MDAs, MMDAs, Pre-University Educational Institutions, Public Boards and Corporations as well as special audits and submit the reports to Parliament. The Service will also conduct special audits and value for money audits to ensure there is economy and efficiency in the use of public resources.

In 2020 the Auditor-General will conduct audit on 4,212 audit units and submit Eight (8) audit reports to Parliament. The reports will be derived from the following audit activities:

- a. Annual Report on the Public Accounts of Ghana (Consolidated Fund),
- b. Conduct audit on 3,615 audit units of Ministries, Departments and Agencies (MDAs) at National, Regional and District levels and report to the House,
- c. Conduct audit on 260 Metropolitan, Municipal and District Assemblies (MMDAs) and submit a Report to Parliament,
- d. Conduct audit on 642 Pre-Tertiary institutions and submit Annual Report to Parliament.
- e. Conduct audit on eighty (80) sub-vented organizations and submit report to Parliament
- f. Conduct audit on seventy (70) Public Boards, Corporations and other Statutory Institutions and report to Parliament,
- g. Audit fifteen (15) Tertiary Educational Institutions and submit an annual report Parliament,
- h. Conduct audit on District Assemblies Common Fund and submit Annual Report to the House,
- i. The Audit Service will also conduct audit of fifty-two (52) Ghana Mission abroad and conduct four (4) value for money and IT audits.
- j. The Service will also conduct Special Audits resulting from special audit or investigations requests by state agencies.
- k. In addition to the above, the Audit Service will also undertake special audit in the following areas:
 - i. Procurement and Contract Administration
 - ii. District Development Fund
 - iii. Urban Development Grant and Food Security

- iv. IT systems including GIFMIS and Integrated Personnel and Payroll Database
 - v. Revenue Management (Both Tax and Non-Tax Revenue).
 - vi. Performance audit on physical infrastructure projects, public debt and loans and advances, Capitation Grant and School Feeding Program,
- i. In 2020, the Audit Service will also undertake international audit assignment.

9.0 2020 BUDGETARY ALLOCATION

For the execution of the above activities, an amount of **Three Hundred and Ninety-Five Million, Six Hundred and Twenty-Four Thousand, Eight Hundred and Fifty-Eight Ghana Cedis (GH¢395,624,858)** has been allocated to the Audit Service for its activities in 2020 financial year. Out of this amount, GH¢**389,906,158** is GoG and GH¢5,718,700 is from Donors. The allocation will be disbursed among the various cost centers of the Service as presented in table 3:

Table 3: 2020 Budget Allocation by Cost Center

s/n	Expenditure Item	Allocation (GH¢) (GoG)	Allocation (GH¢) (Donor)	Total (GH¢)
1	Compensation	329,906,158	0	329,906,158
2	Goods and services	45,000,000	0	45,000,000
3	Capex	15,000,000	5,718,700	20,718,700
	Total	389,906,158	5,718,700	395,624,858

The 2020 allocation to the Audit Service will be expended in implementing two programs namely Management & Administration and Audit Operations. The summary of the 2020 expenditure estimates of the Audit Service by budget program is presented in table 4 below:

Table 4: Summary of 2020 Allocation by Budget Program

Budget program	2020 Allocation (GH¢)	% of total Allocation
Management and Administration	97,911,546	24.75
Audit Operations	297,713,312	75.25
Total	395,624,858	100

The 2020 allocation for Audit operations, which is the core function of the Audit Service will be disbursed among the following audit operation:

SN	Audit Operation	2019 Allocation (GH¢)	2020 Allocation (GH¢)	Difference (GH¢)	% increa se
1	Central Government Audit	35,995,714	42,771,749	6,775,598	18.82
2	Local Government Audits	103,508,142	113,960,393	10,452,251	10.10
3	Educational Institutions Audit	96,164,344	113,371,968	17,207,624	17.90

4	Commercial Audits	10,615,183	11,966,595	1,351,412	12.73
5	Special Audits	3,119,295	15,642,607	12,505,312	400.90
Total		259,402,678	297,713,312	38,222,180	14.73

The Allocation for management and Administration has increased from GH¢57,045,269 in 2019 to GH¢97,911,546 in 2020. An increase of GH¢40,866,277 representing 71.64% increment.

Total allocation to the Audit Service has significantly increased by GH¢79,178,911 from GH¢316,447,947 in 2019 to GH¢395,624,858 in 2020 representing 25.0% over the 2019 allocation. Details of the increment among the various cost centers is presented in table 6 below:

Table 6: Increase in 2020 Budget Allocation by Cost Center

s/n	Expenditure Item	2019 Allocation (GH¢)	2020 Allocation (GH¢)	Difference (GH¢)	% Increase in Allocat.
1	Compensation	267,000,000	329,906,158	62,906,158	23.56
2	Goods and services	37,232,947	45,000,000	7,767,053	20.86
3	Capex	12,215,000	20,718,700	8,503,700	69.62
	Total	316,447,947	395,624,858	79,176,911	25.0

10.0 OBSERVATIONS AND RECOMMENDATIONS

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

10.1 Relationship between the Audit Service and Parliament

The Committee noted that, Parliament and the Audit Service are key governance institutions that must collaborate effectively to ensure accountability and fight against corruption. For this reason, in many jurisdictions, the Auditor-General is an Officer of Parliament responsible for Assisting Parliament and its Committee to effectively exercise oversight on the Executive. Effective collaboration between the Office of the Auditor-General and Parliament has worked effectively in improving Parliamentary oversight and combating corruption. The 1992 Constitution however established the Audit Service as an independent institution separate and distinct from Parliament. The collaboration between the two institutions has become more difficult as the constitution does not provide for Parliament to request the Auditor-General to conduct audits into areas of suspected malfeasance. Engagement between the two institutions has been limited to the consideration of the Reports of the Auditor-General submitted to Parliament. The lacuna created by this arrangement does not augur well for effective collaboration in preventive and pre-emptive oversight as well as dampens the spirits of the fight against corruption from the angel of the Legislature.

Auditor-General, while acknowledging the legal impediment urged Parliament and its Committees to engage the Audit Service in an informal way to draw attention to areas that require special audit so as to enhance accountability.

The Committee therefore urges Parliament and its Committees to forge a close collaboration with the Auditor-General so as to enhance Parliamentary oversight.

10.2 2020 Budgetary Requirement and Allocation

The Committee noted during its deliberations that, the budgetary requirements of the Audit Service as submitted to H. E. the President, for the 2020 financial year has not been fully met. The Committee noted that, the Ministry of Finance continue to restrict the Audit Service through the issuance budget ceilings in contravention of Article 179 (2) (b) of the 1992 Constitution, Section 27 of the Audit Service Act 2000, Act 584 and Section 45 (4) of the Audit Service Regulations, 2011 (C.I. 70). Consequently, the 2020 budgetary requirements of the Audit Service was revised marginally from GH¢399,154,295 to GH¢395,624,858 resulting in a shortfall of GH¢3,529,437.

The Committee further noted with satisfaction that, unlike previous years, 99% of the budgetary requirements of the Audit Service has been met in 2020. All the GoG requirements for Compensation, Goods and Services and Capital Expenditure, which directly relates to the core mandate of the Audit Service has been met. Capital expenditure requirement for the Service from Donor Funds (KfW) has been slightly reduced by GH¢3,529,437 from GH¢9,248,137 to GH¢5,718,700.

Officials from the Service explained to the Committee that though the reduction in capital expenditure will affect the ability of the

Service to complete its capital projects, it will not affect the ability of the Service to deliver on its core mandate.

While acknowledging the efforts of the Ministry of Finance to adequately resource the Audit Service by allocating its entire budgetary requirements under GoG, The Committee urges the Ministry to ensure timely release of funds to ensure that the statutory audits are conducted and reports submitted to the House on time.

10.3 Irregularities in the Auditor-General's Reports

The Committee observed that the Auditor-General identified irregularities amounting to GH¢8,465,250,157 in six (6) mandatory reports submitted to Parliament in 2018. The irregularities identified in the audit reports covering the public Accounts of Ghana for the 2018 financial year were largely attributed to failure of the management of the audited institutions to put in place internal control measures and ensure compliance with the rules and regulations governing financial management in Ghana. Additionally, the Auditor-General issued 112 certificates amounting GH¢511,211,239.04 made up of GH¢218,631,026.45 disallowances and GH¢292,580,212.59 surcharge certificates.

The Committee further noted that, out of this amount, only GH¢67,315,066.12 (7.95%) out of the 2018 irregularities was recovered by the Audit Service from individuals, public officers and institutions who were found to have committed financial infractions leaving the balance of GH¢8,397,935,090.88 (92.05%) unrecovered. Nothing was recovered from the surcharge and disallowances.

The Auditor-General explained that, the existing legal framework to ensure that the funds are retrieved from the affected persons is robust and sufficient. Enforcement is however a challenge. He indicated that, all the amount cannot be said to be recoverable since some of the infractions relates to legislative breaches that requires correction to remedy the defect. He further urges the Attorney-General to expedite process to retrieve monies from persons against whom surcharge and disallowance certificated have been issued.

10.4 Special Audit Initiatives

The Committee noted with interest some special audits undertaken by the Audit Service in 2019 including the audit of road projects. The Committee noted that the Service intends to extend its special audit activities to Procurement and Revenue Audits in 2020. The Committee is of the view that significant proportions of the national resources are either lost or wasted through fraudulent public procurement activities. Aside the allocation for debt servicing and compensation, significant proportion of budgetary allocations for Goods and Services and Capital expenditure are expended through the procurement process. However, procurement remain one of the most abused expenditure line thereby causing the state to lose substantial resources through procurement and procurement related corruption.

The Committee also noted that while some state institutions procure items far in excess of their requirement others do not procure items at competitive prices leading waste of state resources. These subject the state purse to massive abuses resulting in the loss of substantial resources through the procurement process.

The Committee is of the view that, because significant proportion of state resources are expended through the procurement process, the Committee urges the Auditor General to make procurement auditing part of its annual auditing activities to ensure there is value for money in the procurement goods and services in the public sector.

The Committee also expressed its displeasure at the level of abuse and leakages in revenue collection in Ghana. The abuses deny the state the required revenues to support the critical infrastructure need of the state. The Committee urges the Auditor-General to focus its audits on the Operations of Bonded Warehouses and the implementations of exemptions at the ports. The Committee further call for regular engagement between the two oversight bodies namely Parliament and the Audit Service and the revenue agencies namely Ministry of Finance and the Ghana Revenue Authority to dialogue on the most effective ways of reducing corruption and abuse in tax collection.

10.5 Asset Declaration

The Committee noted that, as part of its program for 2020 the Audit Service intends to expand the scope of Asset Declaration regime to cover 10,000 public office holders in the country. The Committee noted that, Asset Declaration is one of the control measures and checks put in place by the Constitution to reduce corruption among public office holders. The Committee is of the view that effectively implementation of the asset declaration regime would provide an effective layer in the quest to reduce corruption among public office holders. The Committee however expressed worry that the current practice which lays emphasis on asset declaration by political officer

holders to the exclusion of public servants is deficient in the fight against corruption as it leaves out significant majority of public officials in position of influence.

The Auditor-General explained that, the Audit Service intends to extend asset and liability declaration to all public office holders from the rank of Director and above consistent with the provisions in Article 286 of the 1992 Constitution and Audit Service Act. He explained that, the relevant enactment makes it mandatory for persons at the rank of a director in the public service or whose salary is equivalent to that of a director to declare their asset before taking office, after every four years and when exiting office. He assured the Committee that the 10,000 target is an estimated number of public servant who fall within the category as defined by the relevant provisions of Article 286 and the Audit Service Act 2000, (Act 584)

He urged all public officers at the rank of director and above to declare their asset and liabilities in line with Article 286 of the Constitution and the Audit Service Act.

6.6 Scope of Operation

The Committee noted that the Audit Service intends to conduct audit on some 4,212 audit units in 2020 in addition to auditing key government flagship programs for which substantial resources have been invested. In 2020, the Service intends to conduct audits on 624 Pre-Tertiary Educational Institution, 260 MMDAs, 3,124 Ministries, Departments and Agencies in across the country, 63 sub-vented organization, 52 Public Boards, Corporations and State Enterprises, 15

Tertiary Educational Institutions, Audit 52 Ghana Missions abroad and conduct 4 value for money audit.

The Service will also conduct special audits in the following area:

- Procurement and Contract Administration
- District Development Facility (DDF)
- Urban Development Grant and Food Security
- IT Systems including the GIFMIS and Integrated Personnel and Payroll Database (IPPD)
- Revenue Management (Tax and non-Tax)
- Performance audit on physical infrastructure projects, public debt, loans and advances, Capitation Grant and School Feeding Programme.

Additionally, the Service intends to audit government flagship programs including Planting for Food and Jobs, Free Senior High School Programme, One District One Factory, One Village One Dam, One Million Dollar per Constituency, Creation of new Regions and the establishment of Development Authorities.

While acknowledging the significance of each of the areas the Auditor-General intends to conduct, the Committee is of the view that, engaging in many audit activities at the same time could compromise the quality of the audit and leave audit issues unsettled. Time and financial constraint will not allow the Auditor-General to conduct effective audit, examine issues in detail and bring finality to audit observations.

The Committee therefore urges the Auditor-General to concentrate his audit operations in few areas at a time in order to ensure that

detailed examination of all issues and bring finality to all infractions identified during each of the audits.

11.0 CONCLUSION

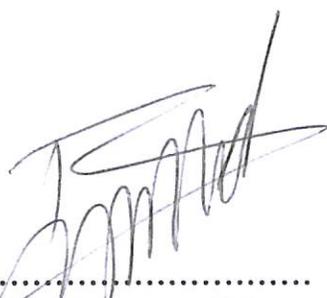
The Audit Service is responsible for promoting good governance and financial accountability through its audit functions. In line with this mandate, the Service conducts annual audit of all State institutions, Corporations, Department and Agencies that draw or controls public funds. This function is aimed at ensuring that public funds are judiciously used and accounted for to ensure the citizenry derive the desire benefits from their resources. The successful and efficient performance of these statutory function of the Audit Service requires the allocation and release of financial resources to support the activities of the Audit Service.

In the light of the above, the Committee recommends to the House to adopt its report and approve the sum of **Three Hundred and Ninety-Five Million, Six Hundred and Twenty-Four Thousand, Eight Hundred and Fifty-Eight Ghana Cedis (GH¢395,624,858)** for the implementation of the programs of the Audit Service for the 2020 financial year.

Respectfully submitted.

for 

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


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MR INUSAH MAHAMMED
(CLERK, SPECIAL BUDGET COMMITTEE)

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