

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

**REPORT OF THE SPECIAL BUDGET COMMITTEE
ON THE 2021 BUDGET ESTIMATES OF THE
GHANA AUDIT SERVICE**

1.0 INTRODUCTION

The Hon. Majority Leader and Minister for Parliamentary Affairs, Mr. Osei Kyei-Mensa-Bonsu presented the Budget Statement and Economic Policy of the Government for the 2021 financial year to Parliament on Friday, 12th March, 2021 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 Audit Service were subsequently 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 Ag. Auditor-General, Mr. Johnson Akuamoah Asiedu, Officials of the Ghana Audit Service and the Ministry of Finance.

The Committee extends its profound appreciation to the Ag. 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 2020 financial year;
- f. The Report of the Special Budget Committee on the Annual; Estimates of the Audit Service for 2020 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 2021 - 2024

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 findings 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.

6.0 2020 PERFORMANCE REVIEW

The Audit Service was allocated 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)** 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. Out of this allocation an amount of GH¢327,928,458 representing 84.10% of total allocation was released from GoG allocation as at 31st December, 2020 leaving a balance of GH¢61,977,700. Details of GoG allocation and releases for the 2020 financial years are presented in table 1 below:

Table 1: 2020 GoG Budget performance as at 30th December, 2020

	Economic Classification	2020 Budget Allocation (GH¢)	Releases as at 30/12/2020 (GH¢)	Variance (GH¢)	% Released
1	Compensation of Employees	329,906,158	280,060,623	49,845,535	84.89
2	Goods & Services	45,000,000	38,117,835	6,882,165	84.71
3	Capex	15,000,000	9,750,000	9,750,000	65.00
	Total	389,906,158	327,928,458	61,977,700	84.10

Out of a total release of GH¢327,928,458 only GH¢320,099,948 was expended leaving an amount of GH¢7,828,514 unexpended. Details of releases and expenditure for 2020 is presented in table 2.

Table 2: 2020 GoG Releases and Expenditure as at 30th December, 2020

Economic Classification	2020 Budget Releases (GH¢)	Actual Expenditure 30/12/2020 (GH¢)	Variance (GH¢)
Compensation of Employees	280,060,623	280,060,623	0
Goods & Services	38,117,835	37,454,593	663,242
Capex	9,750,000	2,584,728	7,165,268
Total	327,928,458	320,099,948	7,828,514

Development Partners Funds of GH¢5,718,700 allocated to the Audit Service was to be expended to finance the capital expenditure requirements of the Audit Service. However, there were no releases from Donor allocation to the Audit Service during the period under review.

7.0 KEY ACHIEVEMENTS IN 2020

The Audit Service made substantial progress towards the execution of its planned audits for 2020 as mandated by the 1992 Constitution. The Service during the period under review audited state institutions and submitted eleven (11) Reports to Parliament. The reports comprised six (6) statutory audits and four (4) 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, 2019. The

reports were derived from the execution of 4,256 out of the 5,456 planned audits.

During the year under review, the Audit Service completed Audit on 3,080 Central Government Institutions and Ministries, Departments and Agencies as compared to 2,419 institutions audited in 2019. The Service also completed audit of 260 Metropolitan, Municipal and District Assemblies across the country compared to 254 in 2019 and 700 Pre-Tertiary Educational Institutions as against 724 pre-university educational institutions achieved in 2019. The Service also completed audit on 14 tertiary educational institutions. The Service also completed audit of 72 Public Boards and Corporations and 14 Tertiary Educational Institutions compared to 61 and 14 respectively for the same period in 2019.

The Audit Service also conducted Audit on 72 Public Boards and Corporation, 87 traditional council and also completed 24 value for money audits.

In all 4,258 audits out of 5,458 of planned audits were initiated and completed in 2020 compared to 3,572 audit completed in 2019.

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.

8.0 OUTLOOK FOR 2021

In 2021, 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 2021 the Auditor-General will conduct audit on 4,300 entities out of 5,748 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 fourteen (14) Tertiary Educational Institutions and submit an annual report to Parliament,
- h. Conduct audit on District Assemblies Common Fund and submit Annual Report to the House,
- i. The Audit Service will also conduct value for money audits on critical infrastructure projects and government flagship programs and Audit 52 Ghana missions abroad.

- j. The Service will also continue Special Audits resulting from special audit or investigations requests by state agencies.
- k. In addition to the above, the Audit Service will also continue to undertake special audit in the following areas:
 - i. Procurement and Contract Administration.
 - ii. District Development Fund (DDF),
 - iii. Urban Development Grant and Food Security;
 - iv. IT system including GIFMS and Integrated Personnel and Payroll and Database (IPPD);
 - v. Revenue Generation;
 - vi. Performance audits including physical infrastructure projects; public debt and loans/advances; Capital Grant and School Feeding Programme; and performance of international audit assignments.
 - vii. Performance audit on General Expenditure on Covid-19, Roads construction and implementation of Free Senior High School program.

9.0 2021 BUDGETARY ALLOCATION

For the execution of the above activities, an amount of **Four Hundred and Eighty-one Million, Six Hundred and Sixty-seven Thousand, Four Hundred and Seventy-three Ghana Cedis (GH¢481,667,473)** has been allocated to the Audit Service for its activities in 2021 financial year. Out of this amount, **GH¢425,298,651** is GoG and GH¢56,368,822 is from development partners. The allocation will be disbursed among the various cost centers of the Service as presented in table 3:

Table 3: 2021 Budget Allocation by Cost Center

s/n	Expenditure Item	Allocation (GH₵) (GoG)	Allocation (GH₵) (Donor)	Total (GH₵)
1	Compensation	356,298,651	-	356,298,651
2	Goods and services	51,750,000	34,195,253	85,945,253
3	Capex	17,250,000	22,173,569	39,423,569
	Total	425,298,651	56,368,822	481,667,473

The 2021 allocation to the Audit Service will be expended in implementing two programs namely Management & Administration and Audit Operations. The summary of the 2021 expenditure estimates of the Audit Service by budget program is presented in table 4 below:

Table 4: Summary of 2021 Allocation by Budget Program

Budget program	2021 Allocation (GH₵)	% of total Allocation
Management and Administration	154,054,634	31.98
Audit Operations	327,612,839	68.12
Total	481,667,473	100.00

The 2021 allocation for Audit operations, which is the core function of the Audit Service will be disbursed among the following audit operation:

Table 5: Summary of 2021 Allocation for Audit Operations

SN	Audit Operation	2020 Allocation (GH¢)	2021 Allocation (GH¢)	Difference (GH¢)	% Incre ase
1	Central Government Audit	42,771,749	62,717,234	19,945,485	46.63
2	Local Government Audits	113,960,393	125,067,872	11,107,479	9.75
3	Educational Institutions Audit	113,371,968	108,230,485	(5,141,483)	(4.51)
4	Commercial Audits	11,966,595	12,169,193	202,598	1.69
5	Special Audits	15,642,607	19,428,055	3,785,448	24.20
Total		297,713,312	327,612,839	29,899,527	10.04

The Allocation for management and Administration has increased from GH¢97,911,546 in 2020 to GH¢154,054,634 in 2021. An increase of GH¢56,143,088 representing 31.98% increment.

Total allocation to the Audit Service has significantly increased by GH¢86,042,615 from GH¢395,624,858 in 2020 to GH¢481,667,473 in 2021 representing 21.74% over the 2020 allocation. Details of the increment among the various cost centers is presented in table 6 bellow:

Table 6: Increase in 2021 Budget Allocation by Cost Center

s/n	Expenditure Item	2020 Allocation (GH¢)	2021 Allocation (GH¢)	Difference (GH¢)	% Increase
1	Compensation	329,906,158	356,298,651	26,392,493	8.0
2	Goods and services	45,000,000	85,945,253	40,945,253	90.99
3	Capex	20,718,700	39,423,569	18,704,869	90.28
	Total	395,624,858	481,667,473	86,042,615	21.74

10.0 OBSERVATIONS AND RECOMMENDATIONS

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

10.1 Timely Release of Budgetary Allocations

The Committee noted that contrary to an arrangement between the Audit Service and the Ministry of Finance brokered by the Special Budget Committee for the upfront release of at least 50% of the appropriation for Goods and Services which relates to the core activity of audit to the Audit Service at the beginning of each year to enable it carry out its statutory audits, the Ministry of Finance continue to release funds to the Service on quarterly basis.

The Committee noted that, audits are seasonal in nature and the audit Service is required to complete its mandatory audits and submit reports to Parliament by 30th June each year. This requires that funds should be released timeously for the Audit Service to carry out its statutory audits in the first quarter of every year.

The Ag. Auditor-General informed the Committee that the primary challenge of the Service during the year under review was the irregular and untimely release of funds which affected the ability of the Audit Service to effectively perform its mandate and submit the required reports to Parliament. He explained that, quarterly release of funds affect the effectiveness and the ability of the Service to complete its statutory audits and submit timely reports to Parliament.

The Committee is of the view that the untimely release of funds to the Service could cause some audits to fall in arrears. This would derail efforts made to hold public officers accountable for the use of resources entrusted under their care. The Committee therefore urges the Ministry of Finance to release at least 50% of the appropriation for Goods and Services which relates to the core activity of the Audit to the Audit Service at the beginning of each year to enable it carry out its statutory audits.

10.2 Status of KfW Support to the Audit Service

The Committee noted that included in the Capital Expenditure allocation to the Audit Service is a loan facility amounting to the cedi equivalent of €13,500,000 secured in 2017 from KfW to enable the audit service meet some of its infrastructural requirements. Except an amount of GH¢646,125 which was accessed in 2018 to meet the Goods and Services expenditure needs of the Service , the capital expenditure component remains unutilized. The Service is unable to access the capital expenditure component of the facility for four years running. Official from the Audit Service explained to the Committee that, the facility was meant for the construction of twenty-five (25) offices for the Audit Service made up of twenty-three (23)

District offices and two (2) regional offices. However, delays in accessing the facility and increasing cost means that the facility can now construct only 19 offices thereby depriving the Service the opportunity for the construction of 6 other offices. As part of conditions precedent for accessing the facility, the Audit Service is required to engage an external contractor which in the opinion of the Attorney-General, requires Parliamentary approval in line with Article 181(2) of the 1992 Constitution.

The Committee is of the view that, the delay in the construction of office space in the districts and regions means that the Audit Service will continue to rely on MMDAs they audit for office accommodation. This arrangement could dilute the independence of the Service. In view of the need to strengthen the independence of the Audit Service and to reduce its dependence on MMDAs for office accommodation, the Committee urges the Ministry of Finance to speed up processes to seek Parliamentary approval for the procurement of contractors and consultants to allow the Audit Service drawdown on the KfW facility to support its district office project.

10.3 Special Audit Initiatives

The Committee noted with interest some special audits being undertaken by the Audit Service in 2020 including the Performance audit on some selected road projects across the country. Prominent among these is the Performance Audit on Tetteh Quarshie to Madina Road, Ayamfuri to new Obuasi Road, Bolgatanga-Bawku to Polimakon roads among others. The Committee urged the Service to expand the scope of these audit activities to cover all major

infrastructural projects and government flagship programs to which huge sums of financial resources were expended over the years.

10.4 Expanding the Scope of Asset Declaration Regime in Ghana

The Committee noted that, as part of its program for 2021 the Audit Service intends to continue its planned expansion of the scope of Asset Declaration regime to cover all 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 effective 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 Audit Service continue to lay emphasis on asset declaration by political office 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 Committee urges the audit Service to implement its earlier commitment to expand asset declaration regime to cover all public office holders from the rank of Director and above in line with Article 286 of the 1992 Constitution and Audit Service Act.

6.5 Development Partners Support to the Audit Service

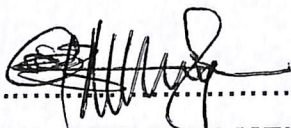
The Committee noted that as part of its budgetary requirement, the Audit Service has been allocated an amount of GH¢34,195,253 from development partners fund to support its Goods and Services expenditure for 2021. The Committee was informed that, the amount will be disbursed to support the operational activities of the Audit Service.

11.0 CONCLUSION

The Audit Service is responsible for the promotion of 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 that the citizenry derive the desired 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 Audit Service.

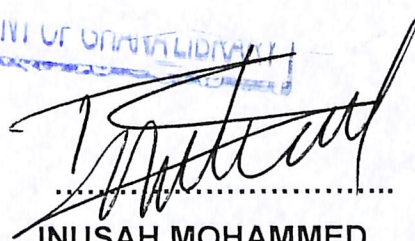
In the light of the above, the Committee recommends to the House to adopt its report and approve the sum of **Four Hundred and Eighty-one Million, Six Hundred and Sixty-Seven Thousand, Four Hundred and Seventy-Three Ghana Cedis (GH¢481,667,473)** for the implementation of the programs of the Audit Service for the 2021 financial year.

Respectfully submitted.



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HON. OSEI KYEI-MENSAH BONSU
MAJORITY LEADER AND CHAIRMAN,
SPECIAL BUDGETS COMMITTEE

PARLIAMENT OF GHANA LIBRARY



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INUSAH MOHAMMED
CLERK,
SPECIAL BUDGET COMMITTEE

March, 2021.