

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

**REPORT OF THE SPECIAL BUDGET COMMITTEE ON THE 2008 BUDGET
ESTIMATES OF THE AUDIT SERVICE**

0.0 INTRODUCTION

The 2008 Annual Estimates of the Audit Service was referred to the Special Budget Committee for consideration and report in accordance with the 1992 Constitution and Standing Orders of the House. This was after the presentation of the Budget Statement and Economic Policy of the Government for the year ending 31st December 2008 on 15th November, 2007 by the Minister of Finance and Economic Planning, Hon. Kwadwo Baah Wiredu. The Committee met with the officials and technical teams from the Audit Service and the Ministry of Finance and Economic Planning (MOFED) and accordingly submits the following report:

2.0 BACKGROUND

2.1 Reference Documents

To discharge its assigned duties effectively, the Committee availed itself of the following documents:

- I. The 1992 Constitution of the Republic of Ghana.
- II. The Standing Orders of the House.
- III. The Budget Statements and Economic Policy of the Government of Ghana for the 2006 and 2007 Financial Years.
- IV. The Budget Statement and Economic Policy of the Government of Ghana for the 2008 Financial Year.

2.2 Aims and Objectives of the Audit Service

The Audit Service exists to enhance accountability, probity and transparency in the utilization of all public resources for good governance on behalf of the people of Ghana, by among other means:

- I.** Producing timely audit reports
- II.** Applying modern auditing methods that are efficient and cost-effective
- III.** Promoting economy, efficiency and effectiveness in the use of public resources by all, so that value-for-money is realized in the delivery of goods and services

It is expected that in undertaking these activities, the Audit Service would deliver its services competently and professionally, in accordance with international auditing standards, maintain the highest standards of excellence, honesty and integrity, whilst also creating an environment for personal career development for its entire staff.

To carry out its mandate, the Audit Service has the following, among others as its objectives for the medium to long term:

- I.** To improve the quality, timeliness and reliability of audit reports
- II.** To increase public access to audit reports
- III.** To promote increased accountability, probity and transparency in the use of public resources based on value for money principles; and
- IV.** To improve the coverage of audits amongst public institutions
- V.** To help increase the capacity of the public and civil service for accountable, efficient, timely, effective performance and service delivery; and
- VI.** To strengthen and support human resource delivery capacities.

3.0 MANDATE

The 1992 constitution mandates the Auditor-General to audit the entire public sector including;

- The courts
- Central and local government administrations,
- State owned universities and public institutions of like nature, and
- Public corporations or other bodies/ organizations established by Acts of parliament.

These institutions total over 6,775. Management reports on each of these entities have to be issued by the Auditor-General and in addition these reports are to be summarized into seven Annual Reports for the information of parliament. Besides, five (5) performance Audit Reports are submitted annually.

4.0 2007 IN RETROSPECT

The Committee was informed that as at June 2007, the Audit Service had completed 3,300 audits out of a total of 6,776 projected for the year. These comprised accounts of Central Government, Metropolitan, Municipal and District Assemblies, Pre-University Educational Institutions, Public Boards and Corporations. The audits of the remaining 3,476 are on-going. The Committee also learnt that Five Auditor-General's Annual Reports have been submitted to Parliament in relation to these accounts.

- In addition to the above-mentioned audits carried out by the Audit Service, the Service;
- State owned universities and public institutions of like nature, and
 - Public corporations or other bodies/ organizations established by Acts of parliament.
- Completed and submitted five Performance Audit Reports to Parliament.
 - Reviewed the Payroll and vetted the salary arrears of subvented organizations of these entities.
 - Reviewed the implementation of the recommendations of the Public Accounts Committee (PAC) of Parliament on previous Auditor-General's Reports.
 - Carried out parallel Performance Audits with five other AFROSAI countries on the Management of Human Resources for Effective Primary Health Care Delivery in each member country. The report has been submitted to Parliament.

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- Completed the Annual Financial Statements for 2005 and 2006. These have been audited by an external auditor appointed by Parliament and reports submitted to Parliament.
- Commenced the implementation of the Phase II of the Audit Service Reform Programme.
- Finalized the Annual Report on the audit of District Wide Assistance Project (DWAP) in the Northern Regions of Ghana.
- Carried out Information Technology (IT) Census on MDAs.
- Completed audit of 16 Ghana Missions abroad.
- Organized Training Workshop for staff of selected MDAs throughout the country in respect of the Multi-Donor Budgetary Support (MDBS).
- Organized Mobile Training Workshops on Basic Financial Auditing and Administration for all field staff in the Upper East and Upper West Regions.

The Committee was also informed that the Service was able to meet its obligation to the International Organization of Supreme Audit Institutions (INTOSAI), the AFROSAI and AFROSAI-E and benefited from the Organizations training programmes. The Committee gathered that at the moment, two Performance Auditors are on nine-month training in Performance Auditing in Canada.

4.0 OUTLOOK FOR 2008

The Committee noted that in fulfillment of the Service mandate of enhancing accountability, probity and transparency in the utilization of all public resources for good governance on behalf of the people of Ghana the following activities have been set up to be carried out during the 2008 financial year:

- ❖ Conduct Procurement Audit in accordance with the Public Procurement Act, 2003, Act 664
- ❖ Review Contracts as stipulated in the FAA, 2003, Act 654, section 17(4)
- ❖ Establish a surcharge and disallowance desk
- ❖ Extend the audit of Revenue Agencies to cover the Budgeting targets
- ❖ Audit the GPRS, the National Health Insurance Scheme Fund, District Assemblies Common Fund and Ghana School Feeding Programme as well as Millennium Development Authority (MiDA)

- ❖ Conduct new studies in areas selected for Performance Audit review and carry out six new performance audits.
- ❖ Carry out Computerized and Electronic Systems certification audits.
- ❖ Continue with the audit of the Payroll and Internally Generated Funds, certification of CAP 30 beneficiaries and vetting of salary arrears prior to release of funds by MOFEP.
- ❖ Continue with the clearance of the last batch of arrears of the Auditor-General's Report to Parliament.
- ❖ Audit Ghana's Missions abroad
- ❖ Continue with the implementation of Phase II of the Audit Service Reform Programme.
- ❖ Intensify IT training in Computer Assisted Auditing Techniques (CAATS); the Interactive Data Extraction and Analysis (IDEA) software and the Audit Command Language (ACL) software in collaboration with AFROSAI-E; and
- ❖ Organise a workshop that will design small e-learning modules on audit and IT related topics with the support of INTOSAI and International Development Initiative (IDI).

5.0 THE 2008 BUDGET ESTIMATES OF THE AUDIT SERVICE

To enable the Audit Service to undertake the programmes it has set for its self for fiscal year 2008, a total amount of **GH ₵ 14,049,117.00** has been allocated to it to be disbursed as follows:

| | |
|--------------------------------|----------------------------------|
| Personnel Emoluments | GH₵ 4,974,281.00 |
| Administration Expenses | GH₵ 6,641,166.00 |
| Service Expenses | GH₵ 1,149,600.00 |
| Investment Expenses | GH ₵ 1,284,070.00 |
| TOTAL | GH ₵ <u>14,049,117.00</u> |

6.0 OBSERVATIONS AND RECOMMENDATIONS

- I.** In pursuit of modern auditing developments Performance Audit, Forensic Audit, Environmental Audit, Computerized and Electronic Audit systems Approach, Corporate Governance and Internal Control Reviews have been mainstreamed into the functions of the Auditor General to complement the traditional financial and regularity audits which the Auditor-General is required to do. In addition, the Audit service Act requires that INTOSAI and other internationally recognized best practices should be applied by the Audit Service in the performance of its functions. The Audit Service is compliant to these new trends and the nation stands to reap tremendous benefits and savings from the combined effect of these approaches.
- II.** The committee observed that the Public Procurement Act has also injected Procurement Audit into the activities of the Audit Service. The Financial Administration Act, the Committee took due notice, has also brought new challenges to the Service's output's and impacts of budgetary allocations made to MDA's which are expected to be assessed and reported on by the service in addition to the financial audit. The committee reports to parliament of the profound usefulness of the Procurement Audit and recommend to parliament to support the service in this endeavour in pursuit of probity, accountability and good governance.
- III.** The Committee was informed of signed agreements between Development Partners and Ghana Government requiring the Audit Service to undertake audits of donor support for central and Local Government institutions using INTOSAI standards. Such Audit Reports are to serve as triggers for continued donor support. Accordingly, Parliament has to ensure that the nation derives the optimal benefits from donor support at the various levels and sectors of governance. The service must therefore be enabled to perform its responsibilities in this regard.

- IV. The Service, the Committee observed, conducts audits in the public interest or in response to request from the Executive, Parliament or other stakeholders for audit or re-audits of specific areas, institutions, or programmes. The Committee recommends to Parliament to take advantage of this to enable it properly oversight the Executive.
- V. The Committee was informed and also took notice that as a result of the cut in the service budget line, performance audits of infrastructured projects as envisioned in PFM Reports may have to be postponed. An example is the fact that the unit cost of constructing one kilometer of road in Ghana is among the highest in Africa. Whilst there appear to be a significant drop in 2001, 2002 and 2003 since 2004 the cost has been rising steadily again. The Service had hoped to identify the causes of these high estimates. Indeed the Service recently saved an MDA an amount of US\$200,000 from the original estimated cost of US\$350,000 for a project and hopes to continue saving money to the best of its ability. It is therefore most important that the Audit Service is well-resourced to ensure it continues carrying out these audits.
- VI. Total staff of the Audit Service in 1977, thirty two years ago, was 1657 compared with the current strength of 1414. Noticeably, however, contrasted with 1977, the workloads and responsibilities of the service have increased hugely. In the event, it becomes necessary to recruit additional hands. The committee recommends for increase in staff strength as the current age profile at the service is not positive
- VII. The audit is a purely service rendering outfit and is a high-trekking institution given its statutory obligations. The continuous increases in fuel prices in response to world market prices of the product obliges more spending on the running and maintenance and service costs of the Service's vehicles. This exacts a huge toll on the administration vote and whittles down the amount available for running the service.
- VIII. The Audit Service is physically present in only 60 out of the 138 administrative districts in the country and because of manpower and logistical constraints, the audits of the MMDA'S and some of the key agencies such as the Internal Revenue Service, Customs

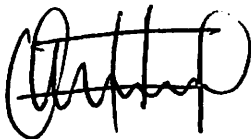
Exercise and Preventive Service at the district level are most of the time carried out in arrears. It is important, given the requirement for simultaneous audit of all MMDA'S next year, to enable the service to establish in all districts. The committee was informed of signed agreement between Development Partners and Ghana.

- IX.** The Committee noted again that the 2008 allocation of GH ¢ 14,049,117.00 to the Audit Service is even lesser than the actual expenditure for the period January to October 2007. The Audit Service intimated that, due to the 30 percent cut in its budget, planned Systems Audits into IPPD(2) to be complemented with the general payroll auditing may suffer further delays. Root causes of payroll anomalies may not be unearthed and therefore such anomalies may continue to plague the public service. Another problem the service had hoped to finally deal with, is that of non-payment of government loans. The public accounts of Ghana show that some loans contracted over 10 to 15 years ago have not been paid; new ones are being given out everyday. This indicates a weakness in control and no well structured and defined efforts are in place to collect this anomaly. This may add to our public debt and the service has to be given resource and logistic muscle to help in this direction.
- X.** The Committee observed that the Audit Service has consistently programmed to open 15 new District offices every financial year to increase audit coverage and improve the effectiveness of auditing services rendered to government institutions. So far, the Service has been able to open only 13 out of the targeted 45 new district audit offices as a result of the consistent annual cut in its budget. The committee invites parliament to strongly appeal for the release of funds for this endeavour.
- XI.** The Committee recommends that the Service be given the go ahead to recruit overtime the 300 personnel it has proposed to add to its human resource base to enable its carry out its mandate with the usual integrity and prudence.
- XII.** The Committee also recommends that the conditions of service of the Audit Service should be looked into to ensure that it is comparable that of the Revenue Agencies. Since

the terms and conditions of the Audit Service is nothing to write home about there is high attrition of staff at the Service and this is at great loss to the state.

6.0 CONCLUSION

The Committee takes this opportunity to commend the Audit Service for the good and quality work it has been doing. It is hoped that despite the lack of sufficient funds, the Service will continue to serve this nation to the best of its abilities. Therefore, without prejudice to the observations and recommendations made above which the Committee submits must be speedily considered, the committee recommends to the House, the approval of the sum of **GH¢ 14,049,117.00** for the Audit Services operations for the 2008 financial year and hopes that the Ministry of Finance and Economic Planning would provide additional funds for the Audit Service to effectively execute its mandate.



KOFI MENKAH
ASSISTANT CLERK



HON. OSEI KYEI-MENSAH-BONSU
VICE CHAIRMAN

DECEMBER 2007