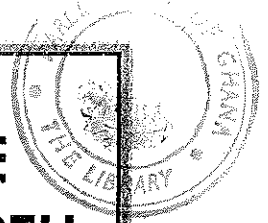


**IN THE SECOND SESSION OF THE  
FOURTH PARLIAMENT OF THE FOURTH  
REPUBLIC OF GHANA**



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**REPORT OF THE  
PUBLIC ACCOUNTS COMMITTEE**

**ON THE**

**REPORT ON THE AUDIT OF THE  
ACCOUNTS OF THE OFFICE OF THE  
AUDITOR-GENERAL**

**30<sup>TH</sup> OCTOBER 2006**

## **INTRODUCTION**

1. Parliament, pursuant to Article 187(15) of the 1992 Constitution of Ghana appointed Messrs. Opoku Andoh and Co. to audit the accounts of the Office of the Auditor-General for the 2003 and 2004 financial years.
2. The Report from Messrs Opoku Andoh and Co. on the Audit of the Accounts of the Office of the Auditor-General was accordingly submitted to Parliament and laid before the House on 29<sup>th</sup> June, 2006 and referred to the Public Accounts Committee for consideration and report.
3. The Committee sat on 18<sup>th</sup> July and 25<sup>th</sup> October, 2006 to review the Report. Evidence was taken from officials from the Audit Service. The Committee was assisted by Mr. K. Asante-Poku and Mr. S.W.K Andoh of Messrs Opoku Andoh and Co. during its deliberations.

## **ACKNOWLEDGEMENT**

4. The Committee wishes to extend its appreciation to officials from the Audit Service and Messrs Opoku Andoh and Co. for their input and contributions during the deliberations.

## **REFERENCE**

5. The following documents were used as reference during the Committee's deliberations:
  - i. The Constitution of the Republic of Ghana, 1992
  - ii. The Standing Orders of Parliament
  - iii. The Audit Service Act, 2000 (Act 584)

- iv. The Financial Administration Act, 2003 (Act 654)
- v. The Financial Administration Regulations (FAR), 2004 (L.I. 1802)

## **FINDINGS AND RECOMMENDATIONS**

### **INTERNAL CONTROLS**

6. The Audit Report noted that, for the two years under review, the Internal Audit Department of the Audit Service did not carry out any in-depth audit assignment that could have had some positive impact on the internal controls due to staff constraints. There was no evidence of cash counting during the two years under review.

7. Your Committee was informed that the Service has since May 2006 appointed 15 staff members into the Internal Audit Department as part of measures to strengthen the internal control systems of the Service. Some of these officers are to be posted to the Regional Internal Audit Offices to ensure continuous monitoring of transactions at the Regions and Districts.

### **Recommendations**

8. Your Committee wishes to reiterate the recommendation of the Auditors that the recruitment of staff for the Internal Audit Department should be vigorously pursued to ensure that all the Regional Offices have internal auditors.

### **BUDGETARY ALLOCATION AND SELF ACCOUNTING**

9. The Audit Report once again raised concern about the financial autonomy of the Auditor-General. The Report noted that MOFEP consistently adjusted downwards, the budget proposals of the Audit Service Board before submitting same to Parliament, contrary to the provisions of the Audit Service Act, 2000 ( Act 584).

10. In addition, the appropriation of funds for the activities of the Audit Service was being controlled by MOFEP; Personal emoluments and investment votes of the Audit Service were under the direction and still being controlled by Controller and Accountant-General (CAG) contrary to section 27 of the Audit Service Act, and principle 8 of INTOSAI's Charter on the independence of any Supreme Auditing Institution. Access to funds for the Administration and Service expenditures prior to 2004 was also under the treasury accounting system.

11. In addition, the release of funds for service activities was highly irregular and this hampered the work of the Service.

12. Management informed your Committee that the Audit Service Board is pursuing the autonomy of the Service as stipulated in the Audit Service Act, 2000 (Act 584), with the Executive and Parliament. Management further indicated that the irregular release of funds was adversely affecting their audit plans, service delivery and therefore appealed to PAC to take up the issue with MOFEP.

#### Recommendation

13. Your Committee wishes to urge the MOFEP to comply with the requirements of section 27 of the Audit Service Act to ensure that the Service is financially independent in line with principle 8 of the INTOSAI Charter.

14. Furthermore, as the Committee with direct working relationship with the Auditor-General, your Committee wishes to recommend that budget of the Audit Service be referred to Committee for consideration as practiced in other jurisdictions. The close working relation between the two institutions provides the Committee with a better appreciation

of the concerns of the Audit Service regarding its budget and what Parliament expects the Auditor-General to deliver.

### **FINANCIAL STATEMENTS**

15. The External Auditors disclosed that the Service failed to report on the depreciation of fixed assets, valuation of stationery and allied stocks which were found to be substantial at the Head Office.

16. Management indicated to your Committee that recommendations have been made to the Audit Service Board on the appropriate rates to be used in computing depreciation of fixed assets and valuation of stationery and allied stocks. Management was still awaiting the decision of the Board. Also, a computer is now being used in the stationery stores to enable the Service perform full stores accounting.

#### **Recommendation**

17. The Committee recommends that management of Audit Service should pursue the issue of depreciation of its fixed assets and valuation of stationery and allied stocks with the Audit Service Board to ensure that the Balance Sheet of the Service reflects the true financial position of the Service at the end of each financial year.

### **ACCOUNTING TRANSACTIONS**

18. The Report under consideration noted that there was less reliance on the use of cash books, vote service ledgers, the payroll among others due to the computerization process. However, it was noted that the computerization process still has some way to go before it can make the desired impact on prompt and reliable retrieval of accounting information.

19. Management indicated to your Committee that it had intensified the computerisation process by the provision of laptop computers to all

regional finance officers to enable them consolidate all financial records that are sent to Head Office for the completion of annual financial statements. In addition, workshops have been organized for finance officers to address the short falls of the computerisation process.

#### Recommendation

20. Your Committee recommends that management of Audit Service should pursue continuous training of its accounting staff through workshops, especially those in the regions and districts to ensure prompt and reliable retrieval of accounting information and the timely production of annual financial statements from the laptop computers provided to the regional finance officers.

#### **PROCUREMENT**

21. The Auditors observed that there were no records of meeting for the Entity Tender Committee for the period under review, except two meetings held in late 2004.

22. Management informed your Committee that the Entity Tender Committee membership is not complete because the Greater Accra Regional Caucus in Parliament is yet to nominate its representative to serve on the Tender Committee.

23. Your committee is of the view that the absence of the Greater Accra Regional Caucus representative should not debar the Tender Committee from meeting. The absence of one member does not affect the Tender Committee's ability to obtain the needed quorum for a meeting.

#### Recommendation

24. The above observation notwithstanding, your Committee recommends that the Auditor-General should inform the Clerk to

Parliament for the latter to remind the Greater Accra Regional Caucus to nominate a Member to serve on the Tender Committee.

In the meantime, your Committee wishes to appeal to the Chairman of the Greater Accra Regional Caucus to ensure that a Member is nominated to serve on the Tender Committee in conformity with the Public Procurement Act, 2003 (Act 663).

#### **WINNEBA DISTRICT OFFICE**

25. The audit disclosed that the Winneba District Office was sharing its office space with a Co-operative Union. This was observed to be highly inappropriate given the confidential nature of the Service's work.

#### **Recommendation**

26. The Committee wishes to recommend that Audit Service management should make provision in its 2007 budget towards the construction of the Winneba District Office to safeguard its assets and documents.

#### **FUNDING FOR THE AUDIT SERVICE**

27. The Committee observed that the scope of work of the Audit Service has increased with the creation of new public sector institutions and Statutory Funds such as the Millenium Development Authority, the National Health Insurance Council, GETFund, National Identification Authority, Microfinance and Small Loans Scheme, Venture Capital Trust Fund, District Assembly Common Fund, Road Fund, Heavily Indebted Poor Country Fund, Social Investment Fund, Students Loans Trust Fund, Teaching & Learning Innovation Fund, Capitation Grant and School Feeding Programme Fund.

28. Unfortunately there has not been a corresponding increase in funding to the Audit Service to enable the Service audit these Institutions and Funds.

Recommendation

29. Your Committee accordingly recommends that appropriate budgetary provision should be made by Managers and Administrators of the above mentioned Institutions and Funds to finance the cost of audit by the Auditor-General.

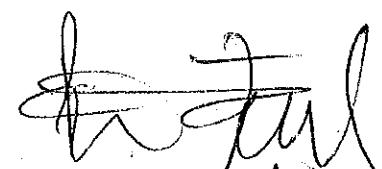
**CONCLUSION**

30. Your Committee noted a marked improvement in the operations of the Office of the Auditor-General as compared to the previous years' Report.

31. The Committee however wishes to urge the Auditor-General to expedite action on the implementation of all outstanding issues noted in the Report under consideration and the previous Report of the External Auditors.

32. Respectfully submitted for adoption by the House,

  
**SAMUEL SALLAS-MENSAH (HON)  
CHAIRMAN, PUBLIC ACCOUNTS  
COMMITTEE**

  
**CAMILLO PWAMANG (MR)  
CLERK, PUBLIC ACCOUNTS  
COMMITTEE  
30<sup>th</sup> October 2006**