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

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

ON THE

REPORTS OF THE AUDITOR-GENERAL

ON THE

PUBLIC ACCOUNTS OF GHANA – PUBLIC BOARDS, CORPORATIONS AND OTHER STATUTORY INSTITUTIONS FOR THE YEARS ENDED 31ST DECEMBER 2010 AND 2011

1.0 INTRODUCTION

The Reports of the Auditor-General on the Public Accounts of Ghana – Public Boards, Corporations and other Statutory Institutions for the years ended 31st December 2010 and 2011 were laid in Parliament on Tuesday, 4th June 2013 and Thursday, 18th July, 2013 respectively in accordance with article 187(2) of the 1992 Constitution of the Republic of Ghana.

Pursuant to Order 165 (2) of the Standing Orders of the Parliament of Ghana, the Reports were referred to the Public Accounts Committee (PAC) for consideration and report.

2.0 PROCEDURE

2.1 The Committee, during its consideration of the Reports, invited representatives of Public Boards, Corporations and Statutory Institutions cited by the Auditor-General for significant irregularities to appear before it as witnesses to respond to the issues raised in the Auditor-General's Reports. In all, the Committee met with officials of fifty-five (55) Public Boards, Corporations and Statutory Institutions. The teams from the Public Boards, Corporations and Statutory Institutions were led by their respective Hon. Ministers.

2.2 On appearing before the Committee, the witnesses subscribed to the oath of a witness and answered questions relating to the object and functions of their organisations, and on the issues raised in the Auditor-General's Reports.

2.3 Twenty-six (26) Institutions out of the fifty-one (51) the Committee met with had already dealt with the queries raised by the Auditor-General. Thus, the Committee's Report covers the under-listed Public Boards, Corporations and Statutory Institutions whose queries were outstanding at the time of the Committee's sittings:

i. Ghana Cocoa Board.
ii. Cocoa Marketing Company (Ghana) Limited.
iii. Social Security and National Insurance Trust.
iv. Electricity Company of Ghana.
v. National Electrification Scheme.
vi. National Petroleum Authority.
vii. Ghana Trade Fair Company.
viii. Ghana Standards Authority.
ix. School of Public Health, College of Health Sciences, University of Ghana.
x. School of Nursing, College of Health Sciences, University of Ghana.
xi. Noguchi Memorial Institute for Medical Research.
xii. University of Professional Studies.
xiii. Accra Polytechnic.
xiv. University of Mines and Technology.
xv. University of Cape Coast.
xvi. National Board for Professional and Technician Examination.
xvii. Ghana Science Association.
xviii. Abibigroma Theatre Company.

xix. Copyright Office.

xx. Legal Aid Scheme.

xxi. Law Reform Commission.

xxii. State Housing Company Limited.

xxiii. Electoral Commission.

xxiv. State Enterprises Audit Corporation.

xxv. Economic and Organised Crime Office.

2.4 The Deputy Auditor-General, Mr. Yaw Agyei Sifah and his technical team were also present at the Committee's sittings to assist in its deliberations.

3.0 ACKNOWLEDGMENT

The Committee expresses its gratitude to the Deputy Auditor-General and his technical team for the immense assistance rendered to the Committee throughout its deliberations on the Reports.

The Committee is also grateful to all the Hon. Ministers and other witnesses who appeared before it to assist the Committee in its deliberations.

The Committee further extends its appreciation to STAR-Ghana for supporting the activities of the Committee and the media for broadcasting the proceedings of the Committee.

4.0 REFERENCE DOCUMENTS

The Committee referred to the following documents during its deliberations:

i. The 1992 Constitution of the Republic of Ghana.

ii. The Standing Orders of the Parliament of Ghana.

iii. The Financial Administration Act, 2003 (Act 654).

iv. The Public Procurement Act, 2003 (Act 663).

v. The Audit Service Act, 2000 (Act 584).

vi. The Internal Audit Agency Act, 2003 (Act 658).

vii. The Value Added Tax Act, 1998 (Act 546).

viii. The Internal Revenue Act, 2000 (Act 592).

ix. The Financial Administration Regulations, 2004 (L.I. 1802).

x. The Stores Regulations, 1984.

xi. The National Board for Professional and Technician Examination Act, 1994 (Act 492).

xii. The Legal Aid Scheme Act of 1997(Act 542).

5.0 PURPOSE OF THE AUDIT

The purpose of the audit was for the Auditor-General to examine and express an opinion on the accounts of each Public Board, Corporation and other Statutory Institution.

The audit was also to evaluate the adequacy of the system of internal financial controls, compliance with relevant legislations, stated accounting policies and applicable financial rules and regulations of these organisations.

6.0 SUMMARY OF SIGNIFICANT FINDINGS

6.1 Significant findings of the Auditor-General in his Reports bordered on Outstanding Debts/Loans Recoverables, Cash irregularities, Payroll Irregularities, Contract/Procurement Irregularities, stores irregularities and Tax Irregularities. The Auditor-General also commented on the state of arrears in the preparation and submission of Annual Financial Accounts and Statements by some of the Institutions.

6.2 The Auditor-General attributed the causes of the irregularities to systemic weaknesses such as:

a. weak internal controls;
b. lack of supervision;
c. failure by Heads of Institutions to sanction wrong doers to serve as deterrent to others;
d. non-adherence to relevant rules and regulations;
e. lack of policies; and
f. improper contract management.

6.3 Presented in the Table below is a summary of the financial impacts of the irregularities uncovered by the audit.

Summary of Financial Irregularities for the periods ended 31st December, 2010 and 2011 *(All amounts expressed in Ghana Cedis)*

No.	Type of Irregularity	Total Amount (2011)	% 2011	Total Amount (2010)	% 2010	TOTAL
1	Outstanding Debts/ Loans Recoverables	99,170,464	4.8	18,863,196	33.0	118,033,660
2	Cash Irregularities	1,965,052,672	95.0	34,316,059	60.1	1,999,368,731
3	Payroll Irregularities	1,795,607	0.1	298,296	0.5	2,093,903
4	Contract/Procurement Irregularities	1,423,173	0.1	2,106,321	3.6	3,529,494
5	Stores Irregularities	-	-	71,454	0.2	71,454
6	Tax Irregularities	303,596	-	1,488,912	2.6	1,792,508
	TOTAL	**2,067,745,512**		**57,144,238**		**2,124,889,750**

i. <u>Outstanding Debts/Loans Recoverables</u>

These irregularities represent outstanding trade debtors arising from ineffective debt management systems put in place by the organisations to promptly collect debts when they fall due. Some also relate to loans to staff that remained outstanding due to non- adherence to the terms and conditions of loans and Management's non- compliance with rules and regulations pertaining to staff debtors/loans.

ii. <u>Cash Irregularities</u>

These include outstanding imprests, cash shortages, misapplication of funds, embezzlement, payments not authenticated and uncredited bank lodgments. According to the Auditor-General, these irregularities occurred as a result of poor control environment and ineffective Internal Audit systems.

iii. Payroll Irregularities

Payroll irregularities include payment of unearned salaries to separated staff, non-payment of unearned salaries to government chest and payment to staff members who were not entitled to receive those salaries. This was attributed to the lack of coordination between the Accounts Office and the various Administrative Heads as a result of which the names of separated staff continued to appear on the payroll.

iv. Contract/Procurement Irregularities

Most of the contract/procurement irregularities relate to the non-installation of equipment purchased, outstanding mobilisation advances and other factors resulting from the non-adherence to the relevant provisions of the Public Procurement Act, 2000 (Act 663). These irregularities were attributed by the Auditor-General to lack of supervisory control over procurement and contract management.

v. Stores Irregularities

Stores irregularities include non-documentation of store items and unaccounted for fuel arising from the absence of store ledgers, lack of awareness on the part of officers assigned to store duties, inadequate supervision, use of deficient and improvised log books and management's failure to procure the relevant books for record keeping.

vi. Tax Irregularities

According to the Auditor-General, tax irregularities related to failure on the part of Finance Officers to deduct withholding tax, delay in the payment of withholding tax to the Ghana Revenue Authority (GRA), purchases from non VAT registered entities, failure to obtain VAT invoices/receipts from suppliers and outstanding VAT not remitted to the GRA. Some organisations also used Social Security deductions and tax revenues to meet their operations.

7.0 OBSERVATIONS AND RECOMMENDATIONS

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

7.1 Ghana Cocoa Board (COCOBOD)

i. Overdue Indebtedness of Licensed Buying Companies to COCOBOD - GH¢3,688,491.96

The Committee noted that the under-listed Licensed buying Companies account balances showed no movements during the financial year ending 30th September, 2010.

	GH¢
SUNCOM Seed Fund	989,085.88
Ghana Cocoa, Coffee and Sheanut Farmers Association	2,626,000.00
Sunshine Commodities	49,787.16
Big Fat Company	23,618.92
TOTAL	**3,688,491.96**

The Committee is of the opinion that the non recovery of debt owed to COCOBOD by management has the tendency of negatively affecting the smooth running of the Board's operations.

The Committee therefore urges Management of COCOBOD to send reminder letters to the affected companies and actively pursue the recovery of the amounts owed by them. The Committee also recommends that COCOBOD should put in place effective and adequate mechanisms to ensure the prompt recovery of debts on due dates.

ii. Payment of Dividend to Government

The Committee observed that COCOBOD did not pay dividend into the Consolidated Fund in year 2010 despite the fact that it made profit to the tune of GH¢158,570,319. It emerged that the last time COCOBOD paid dividend into the Consolidated Fund was during the 2003/2004 financial years.

Management of COCOBOD admitted that COCOBOD has for some time not been paying dividend into the Consolidated Fund because it applies most of its profit towards the construction of "cocoa roads" in the country and also towards investments to enhance the sustainability of the Sector.

The construction of "cocoa roads" is critical for the development of the country. The Committee therefore recommends that the Finance Committee of the House should take a critical look at COCOBOD's profits application policies, particularly the management of the "cocoa roads" programme to ensure efficiency, effectiveness and value for money.

iii. COCOBOD's Assistance to CMC

The Committee observed that additional expenditure to the tune of GH¢17,750,261.00 was incurred by COCOBOD as assistance to CMC in year 2010. The Committee noted from the Audit Report that the transaction was entered in the books of CMC but could not be substantiated. There was also no confirmation of receipt of the said amount by COCOBOD.

Management of the two Companies explained that the amount constituted payment made by COCOBOD on behalf of CMC to Companies that CMC deals with in respect of its operational activities within a particular crop year. They informed the Committee that the amount has since been reconciled in the financial statements of the two Companies. Management of the two Companies however disagreed with the classification of that expenditure item as "assistance" since it was eventually set-off against the freight due CMC.

The Committee recommends that henceforth, Management of COCOBOD should ensure that effective reconciliation mechanisms are instituted among COCOBOD and its subsidiary companies to forestall the occurrence of misclassification of such material amounts in its accounts.

7.2 Social Security and National Insurance Trust (SSNIT)

i. Non-Performing Investment – Bessblock Limited

The Committee noted that SSNIT has invested in Bessblock Limited. Unfortunately, Bessblock Limited has been making losses since it commenced business. The Committee also noted that SSNIT did not obtain any strategic plan from Bessblock Limited for the purposes of monitoring its operations to ensure that it runs profitably.

Management conceded that Bessblock Limited was performing below expectation. They indicated that the low performance of Bessblock Limited was due to the fact that SSNIT and Regimanuel Grey Company Limited could not patronise the Company's products following the failure of the Dunkonah and Katamanso Housing Projects.

The Committee considers the reasons attributed by SSNIT to the low performance of Bessblock limited as untenable and is of the opinion that SSNIT did not conduct due diligence before investing in Bessblock Limited. The Committee therefore recommends that in future, SSNIT should carefully assess the economic viability of companies before investing in them. In situations where investments are failing, SSNIT's strategies of investment should be evaluated and if possible changed to ensure value for money.

ii. <u>Continuous Losses of SSNIT's Wholly Owned Subsidiaries</u>

The Committee noted that most of SNNIT's wholly owned subsidiaries were not yielding profit thus a drain on contributors' financial resources. For instance, the Committee noted that the SSNIT Guest House in Accra has not been profitable since 2002 whilst the Trust Hospital made losses in years 2006 and 2007. Losses incurred by the SSNIT Guest House in Accra and the Trust Hospital during the year ended 31st December, 2007 amounted to GH¢357,476 and GH¢2,756,000 respectively.

Again, the Sunkwa Clinic property which was acquired by SSNIT several years ago remained idle and continues to attract expenses for maintenance and security.

Officials of the Trust informed the Committee that SSNIT has taken measures to hive off the Trust Hospital and the SSNIT Guest House by registering them as Limited Liability Companies thus requiring the two entities to operate on their own without recourse to assistance from SSNIT. They indicated that upon the registration of the SSNIT Guest House and the Trust Hospital as Limited Liability Companies in 2011 and 2013 respectively, the SSNIT Guest House has been making profits whilst the Trust Hospital has also been able to pay its staff from its Internally Generated Fund.

Notwithstanding the above, the Committee recommends that SSNIT should review its non-performing investments in order to identify the cause of the losses and take appropriate measures to stem the losses.

iii. <u>Loan to GAFCO uncollected - GH¢3,000,000.00</u>

The Committee observed that an amount of GH¢3,000,000.00 granted by SSNIT to Ghana Agro Food Processing Company (GAFCO) since November 2004 remained unpaid at the time of the audit.

Management of SSNIT explained that the amount constituted an "equity loan" advanced to GAFCO on the 22nd of October, 2004 pending the definitive determination of the value of GAFCO for the purposes of SSNIT acquiring 40% equity in GAFCO. The loan was converted into equity in year 2010 when the value of GAFCO was finally determined.

As to how GAFCO was performing currently, the officials from SSNIT disclosed that the company was non-performing thus the facilities of the Company have been leased out to a private operator.

The Committee recommends that the Management of SSNIT should ensure that future investments are thoroughly appraised before acquisition in order to avoid the recurrence of situations where equity investment is made in a company only for the company to be leased out shortly thereafter due to non-performance.

7.3 Electricity Company of Ghana

i. Unidentified Debits in Ghana Commercial Bank (GCB) Accounts 2 Statement

The Committee noted that GCB Accounts 2 Statement of the Tema Region of the Electricity Company of Ghana (ECG) had been debited with amounts that could not be identified with any transaction and the debits have been outstanding since 2005. Details of these debits are as follows:

Date	Amount (GH¢)
2/3/2005	5,093.07
31/3/2005	13,158.93
31/7/2007	92,419.58
TOTAL	**110,671.58**

Even though GCB had on 28th April 2008 written to assure ECG (Tema Region) that urgent steps were being taken to resolve the problem, the issue remained unresolved as at the time of the audit.

Management of ECG however informed the Committee that subsequent to the audit, the amounts have been re-credited by the Bank and interests have been paid on them from the dates of the respective wrongful debits.

The Committee is of the opinion that such wrongful debits have the tendency of depriving the Company of the needed funds for its operational activities. The Committee therefore recommends that Management of ECG should take the necessary steps to ensure rigorous reconciliation of all its bank accounts in order to promptly detect and rectify any such anomalies when they occur.

ii. <u>JP Morgan Chase Bank – Call Account (US$21,313.40)</u>

The Committee observed that a JP Morgan Chase Bank Account of ECG with a balance of US$21,313.40 had been dormant since 2005. Again, the Bank Statement covering the said account did not show the address of the Branch where the Account was maintained.

The Committee was informed by officials of ECG that the Account in question was opened for the purposes of receiving funding from the World Bank. They indicated that subsequent to the audit, the amount has been transferred to the ECG's Account at the Ghana International Bank.

The Committee however recommends that Management of ECG should put measures in place to ensure that cash management functions of the Company are improved in order to safeguard the limited funds of the Company.

iii. System Losses

The Committee noted that the percentage of power purchased which could not be accounted for increased in year 2011. In year 2011, ECG lost about 26.6% of the total power purchased from VRA. The Auditor-General reported that the losses were described by ECG as technical and commercial. Unfortunately, ECG could not establish what percentage constituted technical or commercial losses. According to the Auditor-General, this situation deprived the Company of potential revenue from the sale of electricity in 2011 and adversely affected ECG's performance and liquidity position.

Management of ECG admitted that system loss is a major issue confronting ECG. They explained that ECG's inability to set up and bill the over 100,000 customers under the Self Help Electrification Programme (SHEP) was a contributory factor to the increase of system losses. Again, ECG's inability to account for energy consumed by prepaid metering customers further accounted for the Company's dismal performance. Management of ECG however indicated that a programme has been drawn to meter all bulk supply points with electronic meters to counter check VRA bills raised for ECG as well as meter all primary substations in order to determine technical losses in the system.

The Committee recommends that in addition to the proposed bulk and substation metering, Management of ECG should endeavour to put a mechanism in place to identify, prevent, detect and control both technical and commercial system losses.

iv. Dodowa Rural Bank (Shai Rural Bank) GH¢296,263

The Committee noted that ECG's collections deposited with the Dodowa Rural Bank (Shai Rural Bank) were not regularly transferred to the Prudential Bank, contrary to an agreement reached with the Bank. The Committee further noted a balance of GH¢296,263 in ECG's Account with the Dodowa Rural Bank had not been transferred as at May 2011 thus, depriving ECG of the use of its funds.

The Committee was informed by officials of ECG that Management took the matter up with the Bank of Ghana upon which a repayment schedule was agreed on. They indicated that the money has since been paid and ECG has stopped banking with Dodowa Rural Bank.

The Committee however recommends that Management of ECG should as a matter of urgency, liaise with the Attorney-General's office to pursue and collect interest on the amount for the period that it remained outstanding.

7.4 National Electrification Scheme

i. Accounts receivable - GH¢370,000.00

The Committee noted that overdue debtor account balances due to the National Electrification Scheme (NES) comprising an amount of GH¢250,000.00 from the Volta River Authority (VRA) in respect of black fly spraying programme and an amount of GH¢120,000 from the Ghana

Cylinder Manufacturing Company Limited (GCMCL) have been outstanding for over two years.

Officials of the Ministry of Power (formerly Ministry of Energy and Petroleum) informed the Committee that subsequent to the audit, the VRA and GCMCL's indebtedness to the National Electrification Project had been cleared.

Inasmuch as the amount owed the Project has been collected, the Committee is of the view that the inability of the Project Management Team to collect the debt owed it until they were prompted by the Auditors leaves much to be desired. According to the Auditor-General, the situation deprived the NES of the needed funds to execute the project.

The Committee therefore recommends that in future, the Ministry of Energy and Petroleum should ensure that funds earmarked for electrification projects are utilised for the intended purposes.

ii. <u>Management of Revenue Sources</u>

Electricity Company of Ghana (ECG), Volta River Authority (VRA) and Public Utilities and Regulatory Commission (PURC) are mandated by PNDC Administrative directive to impose and collect 1% levy on domestic consumption of electricity and pay same into the NES Fund account within thirty (30) days of collection.

The Committee observed that even though some remittances were received from the three (3) organisations, there were still outstanding balances to be remitted into the NES Fund account. For instance, as at the end of 2011, VRA, ECG and PURC were yet to remit a total amount of GH¢2,093,402.74 into the NES Fund account. The breakdown is as follows:

a.	VRA	GH¢400,692.27
b.	ECG	GH¢206,043.14
c.	PURC	GH¢1,486,667.33

The total debt also owed by VRA-NEDCO (Northern Electricity Department Company) to the NES as at 31st December 2010 amounted to GH₵397,346.00.

The Deputy Minister admitted that there were arrears to be paid by the three (3) organisations. However, subsequent to the audit, all the arrears have been remitted to the NES Fund account. He informed the Committee that to mitigate the situation, the Ministry of Energy and Petroleum insists on monthly reconciliation instead of quarterly reconciliation. This measure, he indicated, has ensured significant improvement in the payment of levies into the NES Fund.

That notwithstanding, the Committee is of the view that delays in the payment of the 1% levy on domestic consumption of electricity by the three institutions has the tendency of depriving the NES the needed resources to carry out its mandate of electrifying the whole country within a planned period.

The Committee therefore recommends that the Ministry of Power should ensure that the NES put measures in place to guarantee that the levy on domestic consumption of electricity by VRA, ECG and PURC is remitted to the NES within the stipulated period.

iii. <u>Deficiencies in Projects</u>

The Committee observed that during the 2010 financial year, some electrification projects which had been certified as completed by the NES were in fact uncompleted. Site inspection conducted by the Auditors revealed that electrification projects in Asunafo North, Yendi and Kassena/Nankana Municipalities and Asunafo South, Kwaebibirim, Ejisu Juaben and Nkwanta District Assemblies were uncompleted even though they had been recorded and certified in the books of the NES as completed.

In the Asunafo South District for instance, the Auditors reported that one year after the mounting of a transformer at Afutuo Nsakyera Onipa (Maame Maabra Akuraa), the project had still not been commissioned even though the community had been provided with meters. This deprived the VRA-NEDCO of the needed revenue. Again, seven communities in the Kwaebibirem District (Atobriso, Old Ntronang, Subireso1, Subireso 2, Nyinatease, Tiawa and Nkenkaasi) had not been provided with service one year after commissioning. However the Consultant's Report captured the projects in all the communities as completed projects.

The Committee therefore recommends that organisations responsible for the implementation of electrification projects should endeavour to follow up on Reports submitted by consultants in order to confirm their accuracy.

7.5 National Petroleum Authority (NPA)

i. Loan from the Bulk Oil Storage Transportation without Agreement

The Committee noted that a loan of GH¢400,000 taken by the NPA from the Bulk Oil Storage and Transportation Company (BOST) had remained outstanding since year 2006 without a loan agreement stipulating the terms and conditions of the facility.

Officials of the NPA informed the Committee that the transaction was booked as a result of some amounts transferred to the NPA when the Authority was being established. Thus, there was no agreement covering the transfer of the amount. However, upon the audit and in year 2012, the Authority in consultation with BOST agreed to off-set the outstanding loan against the operating license fees owed by BOST to the Authority.

ii. Trade Debtors

The Committee noted that out of a total income of GH¢4,341,437.00 generated by NPA in year 2010, an amount of GH¢1,944,622.00 representing 45% was in the form of debts owed by Petroleum Service Providers (PSPs). According to the Auditor-General, the situation was due to ineffective debt collection policy or the absence of a Credit Controller to recover the debts owed by PSPs.

Officials of the NPA informed the Committee that the nature of the Authority's business does not require the function of a Credit

Controller. However, to ensure that debts owed the NPA are paid promptly, the Authority currently gives all PSPs deadlines to settle their liability to the Authority. Those who fail to meet the deadline are levied with penalties and further suspended from operating until all liabilities are settled. The names of PSPs who fail to pay their license fees are also gazetted as "not in good standing".

To safeguard the revenue resources of the Authority and to prevent debts going bad, the Committee recommends that NPA should enforce its payment regime regarding the issuance and renewal of licenses to ensure that fees and revenues are collected promptly.

7.6 Ghana Trade Fair Company (GTFC)

i. <u>Repairs and Maintenance - GH¢308,535</u>

The Committee noted that the Ghana Trade Fair Company (GTFC) spent an amount of GH¢308,535.00 on Repairs and Maintenance in year 2010 as against an amount of GH¢124,724 in year 2009.

Deliberating on the reasons behind the steep increase, officials of the GTFC explained to the Committee that 95% of the facilities at the Trade Fair Centre are temporary structures that were put up for the First International Trade Fair in 1967. Thus, the GTFC in year 2010 had to use its Internally Generated Fund for the maintenance of the structures. Again, most of the underground cables at the Centre were very old and had to be replaced at a great cost from the open market.

Officials of the GTFC further indicated that as a Policy of Government and with the approval of the GTFC Board, progress is far advanced in securing Public/Private Partnership in the management of the GTFC.

The Committee appreciates the fact that most of the facilities at the Trade Fair Centre are old and needs regular maintenance. However, it is the opinion of the Committee that the GTFC cannot use a greater share of its Internally Generated Funds on regular repairs and maintenance. The Committee therefore urges the Ministry of Trade and Industry to ensure that the facilities at the Centre are upgraded.

ii. Allowances of Board of Directors

The Committee noted that the total administrative expenditure of the GTFC increased from GH₵482,934.00 in year 2009 to GH₵769,513.00 in year 2010. According to the Auditor-General, the major factor for the increase was a 170% increase in the Board of Directors' remuneration and allowances from GH¢53,031.00 in year 2009 to GH¢143,256.00 in year 2010. The Auditor-General noted that the increase was as a result of an upward adjustment in sitting allowances of the Board of Directors.

Officials of the Company informed the Committee that there was the need to review the Board allowances given what pertains in comparable organisations such as the Ghana Investment Promotion Centre (GIPC), Ghana Supply Company and Ghana Standards Authority, all of which are under the purview of the Ministry of Trade and Industry.

The Committee noted to its dismay that the Board allowances were approved by the GTFC Board contrary to the provisions of the Financial

Administration Regulations which requires that such allowances should be approved by the Ministry of Finance.

The Committee recommends that the Ministry of Trade and Industry should ensure that appropriate sanctions are applied to the individuals found culpable in the unauthorised increase in board allowances.

7.7 Ghana Standards Authority (GSA)

i. Continued Government Subvention

The Committee observed that the Ghana Standards Authority (GSA) recorded an annual surplus of GH¢3,838,166.00 and GH¢4,265,764.00 during the 2008 and 2009 financial years respectively. Considering the surpluses made by the GSA in years 2008 and 2009, the Committee questioned why the Authority was still receiving Government Subvention; a subvention which was about half of its annual surplus.

Officials of the GSA informed the Committee that the Authority needs to maintain its status as the best in West Africa and the 4th best in Africa. Thus, it is imperative that the Authority receives subvention from Government to augment its Internally Generated Funds (IGF) to enable it maintain its accredited laboratories and also acquire more modern and sophisticated laboratory equipment. They further indicated however that there is an on-going programme that is to ensure that the Authority is weaned off Government subvention.

That notwithstanding, the Committee is of the view that the Authority can sustain itself with its IGF. The Committee therefore urges the Ministry of Trade and Industry to put measures in place to ensure that the Authority is weaned off Government subvention to pave way for less endowed companies to receive more subvention from Government.

ii. Piecemeal Remittance of Withholding Tax

The Committee observed that contrary to section 88 of the Internal Revenue Act, 2000 (Act 592), the GSA made piecemeal payments to the Ghana Revenue Authority of the 5% taxes withheld on goods and services within a particular month, instead of paying the total amount withheld in full. Accordingly, the GSA could not provide schedules to support the general ledger balance of an amount of GH¢16,921.86.

Non adherence to the tax laws of the country deprives the country of the needed funds for developmental activities. The Committee therefore recommends that the management of the GSA should ensure that its finance officers adhere strictly to the tax laws of the country by promptly remitting tax revenue collected to the GRA. Management of the GSA should also ensure the full payment/remittance of withholding taxes to the Ghana Revenue Authority within the statutory stipulated time to avoid the payment of penalties.

7.8 School of Public Health, College of Health Sciences, University of Ghana

Accountable Imprest to Purchase Laptops – US$5,000.00

The Committee observed that two Research Officers of the School of Public Health who were working on "Five Alive Project" were each given an amount of US$2,500 in year 2008 for the purchase of a laptop and its accessories. Contrary to regulation 288 of the Financial Administration Regulations, 2004, the imprest was not retired as at the end of the 2008 financial year. The computers were also not available at the School for audit verification. To aggravate the situation, the procurement did not pass through the Procurement Committee neither did it pass through the Stores of the School.

Officials of the School of Public Health informed the Committee that subsequent to the audit finding, the School pursued and retrieved the said laptops from the officials involved who are no more employed by the School. The imprest granted the two officers have also been retired. They indicated that the School has put measures in place to ensure that imprests are retired when the amount granted is halfway utilised.

The Committee recommends that management of the School of Public Health should institute efficient mechanisms for the prompt retirement of imprests. The Committee further recommends that management of the School of Public Health should ensure strict adherence to the provisions of the Procurement Act, 2003 (Act 663) and also ensure that all future procurements are routed through the Procurement Committee and Stores to facilitate an effective audit trail.

i. <u>Management of Cash and Bank Balances - GH¢359,433.86</u>

The Committee noted that at the close of the 2008 financial year, the School of Public Health had a cash and bank balance of GH¢359,433.86.

The Committee recommends that the School should explore the possibility of appropriately investing such funds to generate additional income to support the running of the School's programmes.

7.9 School of Nursing, College of Health Sciences, University of Ghana

Unretired Imprest - GH¢2,350.20

The Committee observed that a total imprest amounting to GH¢2,350.20 granted to Heads of Departments and officers of the School of Nursing in year 2008 were not retired. This is in violation of the provisions of Regulation 288 of the Financial Administration Regulations, 2004 (L.I. 1802). The Auditor-General attributed the situation to the absence of mechanisms for prompt retirement of imprests.

As to the current status of those imprests, the Committee was informed by the management of the School that the imprests were treated as a 'revolving fund' and had been fully retired at the end of 2009.

The Committee nonetheless recommends that effective mechanisms be put in place by management of the School of Nursing to ensure that imprests are retired promptly. Furthermore, imprests not retired at the end of year of receipt should be treated as advances in the name of the imprest holders and deducted from their salaries.

7.10 Noguchi Memorial Institute for Medical Research

i. Outstanding Rent Receivable – GH¢2,331.10

The Committee noted that the Noguchi Memorial Institute granted Tasty Treats Enterprises, the authority to operate canteen services at a monthly rent of GH₵100.00 with effect from 1st January 2005. A further monthly rent of GH₵20.00 was imposed on Tasty Treats Enterprises from November 2005 to cater for a kitchen shed constructed by Tasty Treats Enterprises at a cost of GH₵2,628.90 which was to be absorbed by the Institute. Thus, the total rent payable by Tasty Treats Enterprises from 1st November 2005 to 31st July 2008 amounted to GH₵4,960.00 as against the cost of the kitchen shed of GH₵2,628.90, leaving an amount of GH₵2,331.10.

Deliberating on the issue, officials of the Institute informed the Committee that the amount was recovered from Tasty Treats Enterprises in year 2009. However, the documentation covering the payment was not available to the Auditors at the time of the audit but was subsequently submitted to the Auditors for verification.

In the opinion of the Committee, the situation indicates the lack of proper records keeping by the Institute. The Committee therefore recommends that Management of the Noguchi Memorial Institute for Medical Research should endeavor to keep proper books of all transactions and make them easily accessible to Auditors upon request. Furthermore, Management of the Institute should ensure that the Tenancy Agreement between the Institute and Tasty Treats Enterprises is reviewed to incorporate a clause for periodic adjustment of the rent payable.

7.11 University of Professional Studies

i. Unearned Salaries - GH¢5,934.47

The Committee observed that two officers who retired in June 2010 were wrongly paid a total amount of GH¢5,934.47 in July 2010 by the Controller and Accountant General's Department (CAGD). This was contrary to Regulation 297 of the Financial Administration Regulations (L.I. 1802) which enjoins a Head of Department to immediately stop the payment of salary to a public servant who resigns, dies or absents himself from duty without leave or reasonable cause for a period as stipulated in the regulations of the establishment.

The Vice-Chancellor of the University informed the Committee that upon the detection of the anomaly, the University notified the CAGD of the retirement of the two officers. The University also wrote to the two officials requesting them to immediately refund the unearned salaries. The University followed up with a letter dated 29th April, 2011 to request the Legon Branch of the Ghana Commercial Bank where the former officers received the unearned salaries to return the amount to Government Chest. The University later received Bank Statements of the two former officers to prove that the amounts have been debited to their accounts and returned to Government Chest.

The Committee recommends that Management of the University should ensure proper coordination between the Head of Administration and Accounts Units to ensure the provision of timely information concerning separated staff for prompt deletion of their names from the payroll. Management of the University should in future, promptly notify the Banks of retired or separated staff to enable them stop crediting their accounts with further salaries.

ii. <u>Failure to Properly Account for Fuel - GH¢37,206.00</u>

Contrary to chapter 1604 of the Stores Regulations, 1984, the Committee observed that out of fuel coupons valued at GH¢48,065.00

received by the Transport Officer of the University of Professional Studies for fuelling pool vehicles, only GH¢10,856.00 worth of fuel was recorded in log books by the University's drivers, leaving a difference of GH¢37,206.00 not accounted for.

According to the Auditor-General, the drivers of the University confirmed that the fuel recorded in the log books (GH¢10,856.00) was what they actually received. Later, the Transport Officer produced fuel receipts covering the difference of GH¢37,206.00 but the auditors were not able to confirm whether the fuel was used for official purposes or otherwise.

The Auditor-General attributed the problem partly to the University's policy of not assigning vehicles to drivers but allowing them to drive any available vehicle.

In the opinion of the Committee, this situation clearly creates a potential for misuse of fuel and therefore recommends that management of the University should as a matter of policy, ensure that drivers are assigned particular vehicles for purposes of accountability. Management of the University should also make sure that the Transport Officer improves upon his supervision of the drivers to ensure the proper maintenance of log books.

7.12 Accra Polytechnic

i. <u>Lecturer with Two Full-time Jobs</u>

As part of Government's policy to obtain optimum value for salaries paid to employees, permanent government employees are required to be engaged in only one state institution. The Committee however noted that Alhaji Mahamadu Mahamuda who was employed as a full time lecturer at the Electrical Engineering Department of Accra Polytechnic from January 2009 to August 2010 was at the same time a full time employee of the Council for Scientific and Industrial Research (CSIR). Thus, the salaries and research allowances illegally accessed by Alhaji Mahamuda from Accra Polytechnic in this regard amounted to GH¢30,143.15.

Officials of Accra Polytechnic confirmed that Alhaji Mahamadu Mahamuda was employed as a full time lecturer in January 2009. However, in August 2010, it came to the notice of the Rector that Alhaji Mahamuda was also a full time employee of the CSIR. His appointment was therefore terminated and was requested to refund all salaries and allowances paid to him from February 2009 to August 2010. Despite persistent demands by the Institution, Alhaji Mahamuda failed to refund the amount. As a result, the Institution in 2012 requested the assistance of the Economic and Organised Crime Office (EOCO) in the recovery of the amount. Management has also withheld his entitlement of GH¢2,340.00.

According to the Auditor-General, Alhaji Mahamuda explained that he used his accumulated leave from CSIR to take up the appointment at Accra Polytechnic.

The Committee is of the view that management of Accra Polytechnic failed to conduct any background check before engaging the services of Alhaji Mahamuda. The Committee therefore recommends that

Management of the Institution, in addition to withholding his entitlement totaling GH¢2,340.00, should actively pursue and collect the remaining GH¢27,803.15 and deposit same into Government Chest. The Polytechnic should also be more diligent in future employment of persons to forestall such recurrence.

7.13 University of Mines and Technology

i. Staff Loans and Advances - GH¢96,736.00

The Committee noted that staff loan advances granted by the University increased from GH¢60,026.00 at the end of 2009 to GH¢96,736.00 at the end of 2010.

The Vice-Chancellor explained to the Committee that Tarkwa, where the University is located is a mining town where accommodation is expensive and difficult to come by, and given that the University is unable to provide accommodation for all the staff in accordance with the "Conditions of Service" of the University, it has instituted a policy to assist staff who do not gain official accommodation with some advances to rent private accommodation.

The Committee however recommends that the University of Mines and Technology should strive to progressively build its own accommodation for staff in order to cut down on the huge advances granted continuously to staff. That notwithstanding, the management of the University should ensure that all outstanding staff loans and advances are recovered.

ii. Operation of FM Station

The audit disclosed that the University operated a Frequency Modulation (FM) Station called Dynamite FM. However, the operational guidelines of the FM station could not be verified, neither were the transactions of the station kept by the University. Furthermore, the transactions of the Station were not included in the financial statement of the University.

The Vice-Chancellor informed the Committee that the radio station was established by the Students Representative Council as a service to the Tarkwa Municipality in 1997. As a students' project, the University did not consider it appropriate to include the transactions of the radio station in its Financial Statements.

However, following the audit, the University has taken over the control of the Station and has constituted the FM Management Board. Operational Guidelines for the Station have also been put in place. Furthermore, an Accounts Officer from the Finance Office of the University has been attached to the Station to ensure that transactions of the FM Station are incorporated in the main University's Financial Statements. Thus, the Financial Statements of the University for years 2011 and 2012 included the transactions of the FM Station.

The Committee commends Management of the University for measures taken to implement the Auditor-General's recommendations and urges them to ensure that the operations of the FM Station are carried out efficiently.

7.14 University of Cape Coast (UCC)

i. <u>Debtors (Blocks Section) - GH¢22,438.20</u>

The Committee noted that GH¢22,438.20 worth of building blocks produced during year 2010 were sold on credit but none of the debts had been collected as at September, 2011.

The Auditor-General attributed the lapse to the failure on the part of management of the University of Cape Coast to put in place a credit sales policy. The Committee was informed by the Vice-Chancellor of the University that subsequent to the audit, the entire GH¢22,438.20 had been collected from the debtors.

Given that such a situation could put the University into financial distress, the Committee recommends that the University should put in place a Credit Sales Policy to ensure that future buyers are properly assessed before they are granted credit.

ii. <u>Debtors (Primary School) - GH¢10,000.00</u>

The Committee noted that Interlocking Construction Limited owed the University's Primary School an amount of GH¢10,000.00 since year 2009. According to the Auditor-General, the amount has been outstanding due to apathy on the part of Management of the University to recover the debt.

The Vice-Chancellor informed the Committee that the debt owed the Primary School was an advance payment granted to the Contractor for works on the rehabilitation of the UCC Primary School building under the GETFund support project. Unfortunately, the project has been suspended due to lack of funds. Management of the University has therefore agreed to set off the debt against the retention fee amounting to GH₵27,570.31 to be paid to the Contractor.

The Committee urges Management of the University to follow through with its arrangement to ensure that the amount is recovered from the Contractor.

7.15 National Board for Professional and Technician Examination

i. <u>Unauthorised and Overpayment of Allowances - GH¢9,844.50</u>

The Committee observed that a payroll examination conducted as part of the audit disclosed that three (3) officers of the National Board for Professional and Technician Examination (NABPTEX) were paid unauthorised allowances totaling GH¢4,830.30. This comprised Owner Occupier Allowance of GH¢1,938.30 and Special Allowance of GH¢2,892.00 which were not part of NABPTEX's Conditions of Service. At the instance of the Auditors, the Owner Occupier Allowance of GH¢375.00 paid to one of the officers was recovered leaving an outstanding balance of GH¢4,455.30.

The Committee further observed that two officers were overpaid a Responsibility and Entertainment Allowances to the tune of GH¢5,389.20.

Officials of NABPTEX informed the Committee that indeed, the Owner Occupier and Special Allowance paid to the officers were not part of NABPTEX's Conditions of Service. Again, the overpayment of

Responsibility and Entertainment Allowance resulted from the migration of the NABPTEX staff to the Government mechanised payroll by the Controller and Accountant General's Department.

The Committee recommends that Management of NABPTEX should take appropriate measures to recover the monies wrongfully paid to these officers and pay them into Government chest.

ii. <u>Payment of Unapproved Extra Duty Allowance - GH¢2,907.00</u>

Contrary to section 9 of the NABPTEX Act, 1994 (Act 492) which provides that Board Members are to be paid allowances as determined by the Minister for Education in consultation with the Minister for Finance, allowances totaling GH¢2,907.00 were paid to four (4) Board Members as extra duty allowance in December 2010. This allowance was not inclusive of the allowances to be paid to the Board Members.

The Committee was informed by Management of NABPTEX that the amount of GH¢2,907.00 had been refunded by the affected persons.

Indeed, the failure by Management to adhere to section 9 of Act 492 leaves much to be desired. In the opinion of the Committee, payment of unbudgeted expenditure has the tendency of adversely affecting the achievement of planned programmes of the Board. The Committee therefore recommends that in future, the Board should seek approval from the Minister for Education before the payment of any special allowances to its Members.

7.16 Ghana Science Association

Unexplained Bank Credit – GH¢523,338.53

Contrary to Regulation 165 of the Financial Administration Regulations, 2004 (L.I. 1802) which requires all releases of funds to be made in accordance with warrants issued by the Hon. Minister for Finance, the Committee noted that a total amount of GH¢523,338.53 was transferred into the Ghana Science Association's bank account numbered 01256-600672-12 at the Bank of Ghana between August 2009 and December 2010 by the Controller and Accountant General's Department (CAGD) without any supporting warrants.

Even though management of the Association wrote two letters dated 19th April 2010 and 27th April 2010 to the Bank of Ghana and the CAGD, this anomaly was still not rectified.

The National Council on Tertiary Education (NCTE), the body with oversight responsibility over the Association, subsequently requested the Association by letter referenced NC/H.3/Sf.1/v.2 and dated 15th December 2010 to transfer an amount of GH¢75,000.00 out of the GH¢523,338.53 into the NCTE's bank account for the payment of salaries of staff of NCTE's London office. The Association, in compliance with the said request, paid the amount of GH¢75,000.00 to NCTE on 5th April 2011, leaving a balance of GH¢448,338.53.

The Committee was informed by officials of the Ghana Science Association that subsequent to the audit, the remaining amount of GH¢448,338.53 has been transferred back to government chest.

The Committee attributes the occurrence of the anomaly due to failure on the part of the CAGD to act in accordance with Regulation 165 of the Financial Administration Regulations, 2004 (L.I. 1802). The Committee therefore recommends that the Controller and Accountant General should exercise effective supervision over staff of the CAGD to ensure that all officers perform their duties with professionalism and due diligence.

7.17 Abibigroma Theatre Company

i. Unpresented Payment Vouchers – GH¢2,170.73

Contrary to Regulation 262 of the Financial Administration Regulations, 2004 (L.I. 1802) which requires Heads of Departments to ensure that financial and accounting records are properly preserved, the Committee noted that the Abibigroma Theatre Company could not produce six payment vouchers amounting to GH¢2,170.73 for audit.

Officials of Abibigroma Theatre Company informed the Committee that the payment vouchers were not available for audit because the Accounts Officer was not at post during the audit. Subsequent to the audit however, the payment vouchers in question have been submitted and verified by the Auditors.

It came up during the Committee's deliberations that Abibigroma Theatre Company is understaffed, and to augment the staff strength of the Company, the Hon. Minister for Tourism, Culture and Creative Arts has given a directive for a staff audit of the Company to be conducted.

In this regard, the Committee recommends that the Ministry of Tourism, Culture and Creative Arts should as a matter of urgency ensure that the staff needs of Abibigroma Theatre Company are met. The Committee further recommends that Management of the Company should ensure that the Accounts Officer is sanctioned appropriately.

ii. <u>Items not routed through Stores - GH¢3,779.60</u>

It was noted by the Committee that procurement transactions worth GH¢3,779.60 covering vehicle tyres and batteries were not properly documented to provide the needed audit trail on the acquisition and use of the items, whilst replaced unserviceable tyres and batteries could not be produced for audit inspection.

Officials of the Company indicated that the irregularity occurred because the Company had no Storekeeper. Following the audit however, the Company has engaged the services of the National Theatre Storekeeper who has routed the items through stores. Basic value/store books have been acquired and in use by the Company. Management has also taken custody of all the unserviceable items under review and have them verified by the Auditors.

The Committee recommends that the Ministry of Tourism, Culture and Creative Arts should ensure that immediate steps are taken to engage a permanent Storekeeper for the Company.

7.18 Copyright Office

i. Improper Management of Fuel Purchased – GH¢10,300.00

The Committee noted that there were inadequate controls over fuel management. This was because there was no segregation of duties in the purchase, receipt and issuance of coupons. Contrary to chapter 1604 of the Stores Regulations, 1984, fuel coupons amounting to GH¢10,300.00 issued to drivers were not recorded in the appropriate log books.

Officials of the Copyright Office informed the Committee that the Office has now provided all vehicles with log books for entering of coupons issued. Coupon issue book is also reconciled with fuel log book regularly.

Failure to ensure that fuel coupons issued are recorded in the appropriate log books would render it difficult for the Transport Officer to ascertain whether the fuel coupons issued were used for the intended purposes. The Committee therefore recommends that the Management of the Copyright Office should put in place, an effective segregation of duties in the acquisition and issuance of fuel coupons. Furthermore, all drivers should be trained to record fuel received in their log books.

7.19 Legal Aid Scheme

i. Comprehensive Legal Aid Programme and Policy

Section 5 (a) of the Legal Aid Scheme Act of 1997(Act 542) stipulates that "the Board shall be responsible for developing a comprehensive legal aid programme and policy to be carried out throughout the country." The Committee however observed that the said programme and policy had not been developed by the Board of the Legal Aid Scheme.

Officials of the Scheme informed the Committee that even though there is no document titled "Comprehensive Legal Aid Programme and Policy", the Scheme has developed a Strategic Plan for 2009 to 2012. Following, that, a Scheme of Service was developed and approved by the Public Services Commission. A five-year Strategic Plan for 2014 to 2019 was validated by the Board and other stakeholders on the 27th of January 2014. Furthermore, a Legal Aid Guide comprising a training and operational manual is ready for submission to the Board. The officials indicated that the Scheme is confronted with inadequate funding for its operations.

The Committee therefore recommends that the Ministry of Finance should ensure that the Legal Aid Scheme is provided with the appropriate support for the successful completion and operationalisation of the Legal Aid Guide.

ii. <u>Improper Acquittal of Payments - GH¢3,674.60</u>

The Committee observed that five payments totaling GH¢2,100.00 for hotel accommodation and catering services were not supported by the appropriate receipts and VAT/NHIL invoices. Again, a photocopy of a payment voucher for GH¢500.00 was presented for audit instead of the original. Furthermore, petty cash expenditure amounting to GH¢1,074.60 were without receipts.

The Director of the Scheme informed the Committee that the hotel bills arose out of the relocation of the Director from Tamale to Accra where accommodation was not readily available. He further indicated that some receipts covering an amount of GH¢1,543.40 in respect of accommodation have been found and have been verified by the Auditors leaving an outstanding balance of GH¢1,056.60 which are being reconciled by the Scheme. Receipts covering the petty cash amount of GH¢1,074.60 has also been found and verified by the Auditors.

The Committee considers the above irregularities as a contravention of Regulation 39(c) of the Financial Administration Regulations, 2004 and therefore recommends that Management of the Scheme should ensure that proper documentation are presented for the unacquitted payments. The officers should be surcharged with the amount involved if they fail to present proper documentation to acquit the payments.

iii. Unaccounted Fuel Purchases - GH¢3,284.80

The Committee observed that fuel totaling GH¢3,284.80 allegedly purchased for two official vehicles were not recorded in the relevant log books contrary to Regulation 1604 of the Stores Regulation, 1984. This situation made it impossible for the auditors to ascertain whether the fuel was used for official purposes or otherwise.

Management of the Scheme conceded to the observation made by the Committee and indicated that the problem was due to loss of some of the log books of the Scheme. However, receipts covering the purchases have been made available and verified by the Auditors.

The Committee recommends that the fuel be accounted for and all future purchases should be appropriately recorded in the vehicle log books. Again, all journeys must be properly authorised and approved by responsible officers to help secure the fuel resources of the Scheme.

7.20 Law Reform Commission

i. <u>Non-deduction of Tax from Sitting Allowance - GH¢286.80</u>

Contrary to section 84 (1) of the Internal Revenue Act, 2000 (Act 592), the Committee noted that the required 10% tax was not withheld from Sitting Allowances amounting to GH¢2,868.00 paid in year 2007 to the Board and Tender Committee Members. This resulted in the loss of GH¢286.80 in tax revenue to the State.

Management of the Commission indicated that since their attention was drawn to the anomaly by the Auditors, they have consistently been applying the withholding tax to all Board allowances. Nevertheless, Management has been unable to recover the tax due to the Ghana Revenue Authority (GRA) because the Commission's Board was dissolved prior to the audit.

The Committee recommends that Management of the Commission should recover the amount from the payees and remit same to the GRA with interest. Furthermore, Management should ensure that tax laws of the country are strictly adhered to by officials of the Commission.

7.21 State Housing Company (SHC) Limited

i. <u>Seized Bank Accounts- GH¢8,887.27</u>

The Committee observed that the Head Office of the SHC Limited has three Bank Accounts with the SG-SSB Bank Ghana Limited. However a confirmation response from the Bank to the Auditors indicated that the SHC Limited has no such accounts with the Bank. The Auditor-General reported that initial explanation from Management pointed to the fact that the accounts were garnished by a law court some few years ago to settle some creditors and the total amount in question was GH¢8,887.27. Thus, it was not clear whether the three accounts still belonged to the SHC Limited.

The Committee was informed by the Management of SHC Limited that the SG-SSB closed the accounts without notifying the new Management which took office in 2010. However, Management is still in contact with the Bank to ensure that the amount is recovered.

In the opinion of the Committee if SHC Limited has lost ownership of the three Bank Accounts then the continuous recognition of the balances in the accounts of the Company may lead to material misstatement in its Financial Statements.

The Committee therefore urges Management of the SHC Limited to confer with the Court and the Bank to arrive at a conclusion concerning the actual state of the Bank Accounts. If it happens that SHC Limited has lost ownership of the Accounts, the balances should be written off in the books of the Company.

ii. <u>Accumulated Balance on Statutory Deductions –GH¢209,222.77</u>

The Committee noted that outstanding balances of GH¢106,586.42, GH¢34,904.35 and GH₵67,732.00 on statutory deductions for the Eastern, Volta and Northern Regions respectively were not settled. The details are as follows:

	Eastern Region GH¢	**Volta Region GH¢**	**Northern Region GH¢**
Withholding tax	35,457.80	22,352.35	20,503.00
PAYE	25,117.30	4,774.33	30,220.00
SSF	25,472.47	3,649.35	-
Provident Fund	20,538.85	4,128.32	17,009.00
Total	**106,586.42**	**34,904.34**	**67,732.00**

In the view of the Committee, the non-payment of tax deductions contravenes section 87(1) of the Internal Revenue Act, 2000 and also deprives the State the needed revenue for developmental projects. The non-payment of workers' contribution into the categorised fund accounts could deny the workers their due benefits in future.

Management of the Company acknowledged the unpaid balance of statutory deductions and informed the Committee that the situation has improved with the institution of weekly reporting from all the Regions which facilitates prompt consideration of actions and payments. They indicated that currently, the Company has no outstanding balances of statutory deductions to be settled in all its zonal cost centres.

The Committee urges Management of the Company to ensure that statutory deductions are paid promptly.

iii. Debtors not Pursued- GH¢623,336.00

The Committee noted that trade receivables and rental debtors amounting to GH¢209,760 and GH¢413,576 respectively at the Head Office had been outstanding since 2007 and there was no evidence of management pursuing the debtors for recovery.

The Managing Director of SHC Limited informed the Committee that Management has put measures in place to reduce the debt owed the Company significantly especially those relating to unpaid rent and ground rent receivables. Management has also put measures in place to increase the number of Estate Officers and strengthen its Task Force to pursue the debtors. The SHC is currently undergoing a digitization exercise to improve upon its operations and the management of its finances electronically.

The Committee urges Management to be proactive in the recovery of its debts to avoid the debts going bad.

iv. Staff Debtors - GH¢2,872.76

It was observed by the Committee that outstanding staff debtors in the books of SHC Limited amounted to GH¢2,872.76. This was in respect of some staff members who have been transferred and others who had left the organisation without settling their indebtedness.

The Managing Director of SHC Limited informed the Committee that SHC Limited had a practice of granting one month salary advance to staff every December of each year to be refunded over a ten-month period. Thus, the outstanding staff debt relates to cases where the salary advance could not be refunded fully due to the demise of a staff member, termination of appointment and those who are no longer employees of the Company. He however assured the Committee that the Company is working assiduously to recover the debts.

The Committee urges the Management of the Company not to relent on its efforts to recover the outstanding debts from the staff in order to enhance the financial position of the Company.

7.22 Electoral Commission

i. Purchases not routed through Stores- GH¢2,820.63

It was observed that a total amount of GH¢2,820.63 worth of items purchased during the period 1st December 2007 to 31st December 2010 by the Sunyani Office of the Electoral Commission were not routed through stores before use. This was in contravention of chapters 0522 and 0529 of the Stores Regulations, 1984.

Management explained to the Committee that the Commission operates a centralised procurement system. Thus, the function of the Commission's stores in the Regions is principally to receive operational store items from the Head Office and subsequently distribute them to the various Districts. The allocation of such items to the Regional Office and the Districts is made through store tally cards.

Management further indicated that the items which were not routed through stores were expendable items bought through petty cash imprest of GH¢500.00 per quarter and as a practice of the Commission, Regional Stores do not receive and record petty items bought locally at the regional level and route them through store cards before they are allocated. Following the audit observation however, Management instructed the Regional Officers to route the procurement of all petty items through tally cards before they are used.

The Committee drew Management's attention to the fact that the absence of store documentation could result in short supplies, pilfering and fictitious purchases and recommends that all future purchases should be documented in store records before they are used in accordance with the Stores Regulations.

ii. Inadequate Supporting Documents - GH¢3,039.50

Regulation 39(2a) of the Financial Administration Regulations, 2004 (L.I 1802) requires that Head of Accounts should ensure that transactions are properly authenticated to indicate payment. Contrary to the Regulation, a total expenditure of GH¢3,039.50 was made at the Sunyani Office of the Electoral Commission without the relevant supporting documents such as invoices, statements of claim and receipts.

Management of the Commission informed the Committee that they agree with the Auditor-General's observation that payments were not acquitted by the District Officers. This was because at the time of the audit, the District Officers had not submitted their outstanding returns to the Regional Directorate to cover the amount of GH¢3,039.50. Following the audit, all outstanding district returns since year 2010 have been duly submitted to the various Regional Offices.

Inasmuch as the Commission has ensured that all the payments have been acquitted, the Committee noted that the officers involved in the irregularity were not sanctioned by the Commission. The Committee therefore recommends that Management of the Commission should ensure that the officers who violated the rules are sanctioned appropriately.

7.23 State Enterprises Audit Corporation

Statutory Liabilities of the State Enterprises Audit Corporation

The Committee observed an increase in the Corporation's indebtedness to the Ghana Revenue Authority (GRA) in PAYE taxes from GH¢167,529.00 in 2009 to GH¢213,605.00 in 2010. The Corporation made no payment to the Revenue Agency during the entire year.

Management explained to the Committee that the Corporation has not been able to make any payment on its liabilities due to cash flow challenges. They indicated that the Corporation was established by L.I. 468 of 1965 under the Office of the President to conduct the audit of accounts of state owned entities at the request of the Auditor-General. The Corporation therefore operates exclusively at the request of the Auditor-General. As a result, the Corporation lost a sizeable number of its clients over the years especially in 2005 when the Auditor-General re-allocated some of its clients to other auditing firms. All efforts by the

Corporation to ensure that it is adequately resourced to enable it settle its outstanding liabilities have proved futile.

Management of the Corporation however assured the Committee of the Corporation's resolve to settle all PAYE on current basis in order not to increase the arrears level. Meanwhile, attempts have been made by the Corporation to agree on a repayment plan with the GRA to waive any penalties that may arise on the tax arrears but these efforts have not yielded any results.

The Committee is of the view that it is pertinent for the Corporation to be financially resourced. The Committee therefore recommends that the Auditor-General should engage the Corporation in the auditing of state owned entities so as to enhance the revenue base of the Corporation. The Committee also urges the Management of the Corporation to engage the GRA in serious negotiations over this settlement. The Committee further urges the Corporation to be competitive in securing more professional jobs to strengthen its capacity and revenue position.

7.24 Economic and Organised Crime Office (Formerly SFO)

i. Unlawful Retention of Monies Recovered

The Committee noted that contrary to Regulation 56 of the Financial Administration Regulations, 2004 (L.I. 1802), monies received by the Economic and Organised Crime Office (EOCO) from private and public institutions were paid into an Exhibit Account and retained for periods beyond three years without proper authorisation. As at 31st December 2009, a total amount of GH¢2,094,278.64 had accrued in the account to the detriment of the rightful individuals, institutions and/or Government.

Explaining why the EOCO would not promptly release the monies to the "victims", the Executive Director of EOCO informed the Committee that the monies being held as exhibits are not for the "victims" but for the "suspects". The monies are only given to the victims upon a ruling by the courts. He explained that the Controller and Accountant General has opened an Account into which these monies are paid pending the determination of each case, after which the relevant amounts are paid to the appropriate person, institution or Government. The Executive Director further indicated that long standing amounts, have since year 2011, been transferred into an Account designated by the Ministry of Finance.

To eliminate the risk of these exhibit funds being misapplied and in accordance with Regulation 56 of the Financial Administration Regulations, 2004, (L.I. 1802), the Committee recommends that the funds should be lodged in a sub-Consolidated Fund Account with the Controller and Accountant-General as the signatory whilst EOCO plays the role of disbursement advisor. The Committee further recommends that EOCO should not in any circumstance utilise exhibit funds for its operations.

ii. <u>Insufficient Documentation on Contract for Consultancy Services – US$50,000.00</u>

Regulation 39 of the Financial Administration Regulations, 2008 (1802) requires that Heads of Departments and Accounts are to ensure that payment transactions are properly authenticated to show that the amounts are due and payable.

It was however noted by the Committee that a consultancy contract worth US$50,000.00 awarded by EOCO (then SFO) in 2007 to one Richard Helsby of the United Kingdom to investigate alleged tax irregularities by Scancom Ghana Limited, lacked sufficient documentation. According to the Auditor-General, documents that could not be sited during the audit include the record of procurement proceedings, acknowledgment of receipt of total transfers of US$42,500.00 from the Dollar Exhibit Account and a copy of the Consultant's Report.

Officials of EOCO provided documentation during the Committee's deliberation to show that the contract was approved by the Public Procurement Authority as sole sourcing. They also explained that the contract was worthwhile as it accrued revenue of about US$13 million to the Internal Revenue Service (now Domestic Tax Revenue Division of the Ghana Revenue Authority).

The Committee considers the payment of the contract amount from the Dollar Exhibit Account to be irregular. This position was conceded by the Executive Director who informed the Committee since his assumption of office, such irregular practices have ceased.

The Committee recommends that Management of EOCO should pursue the contractor for all the invoices and receipts to complete the transaction trail.

7.25 Absence of Audit Report Implementation Committee

Section 30(1) of the Audit Service Act 2000, Act 584 states that an institution, body or organisation which is subject to auditing by the Auditor-General shall establish an Audit Report Implementation Committee (ARIC), to among other things, ensure that the head of the organisation implements matters in all audit reports.

The Committee noted that contrary to the above law, Management of the Ghana Science Association and the Copyright Office had not established an ARIC as at the time of the audit.

The Committee further noted that following the Audit, Management of the Ghana Science Association has established an ARIC which was said to be fully functional by officials of the Association. The Copyright Office on the other hand, has still not established an ARIC.

The Committee recommends that the Ministry of Justice should ensure that the Copyright Office and like-agencies are brought under the umbrella of the Ministry's ARIC to ensure prompt and effective implementation of audit recommendations.

7.26 <u>Delays in Submission of Financial Statements for Audit</u>

The Committee noted that Contrary to section 41(1) of the Financial Administration Act, 2003 (Act 654) which requires financial statements to be prepared within three months after the end of the financial year, the financial statements of institutions such as the Ghana National Petroleum Corporation, Law Reform Commission, Ghana Trade Fair Company and the School of Nursing of the University of Ghana were delayed for periods ranging from 7 months to 31 months.

It came to the fore during the Committee's deliberations that this breach of financial discipline was as a result of apathy on the part of Management of the organisations to ensure that the Accountant adhered to the provisions of the Financial Administration Act.

The Committee recommends that Management of all Public Boards, Corporations and other Statutory Institutions should take active interest in ensuring that their Accountants comply with the requirements of the Financial Administration Act and particularly, prepare the financial statements within the stipulated three months after the end of each financial year. Accountants who fail to comply with section 41(1) of the Financial Administration Act, 2003 (Act 654) should be sanctioned by Management.

8.0 CONCLUSION

The importance of Audit Report Implementation Committees in all Public Boards, Corporations and other Statutory Institutions cannot be overemphasised. The Committee observed that most of the financial irregularities and systemic weaknesses in financial management systems in the institutions could have been avoided if ARICs had been established and were functioning effectively.

The Committee therefore urges Management of all Public Boards, Corporations and other Statutory Institutions to strengthen the ARICs within their organisations in accordance with section 30 of the Audit

Service Act, 2000 (Act 584) to ensure that audit recommendations are duly implemented.

In the light of the above, the Committee recommends to the House for adoption, its Report on the Reports of the Auditor-General on the Public Accounts of Ghana – Public Boards, Corporations and other Statutory Institutions for the years ended 31st December 2010 and 2011.

Respectfully submitted.

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HON. KWAKU AGYEMAN-MANU
(CHAIRMAN, PUBLIC ACCOUNTS COMMITTEE)

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ABIGAIL ABA ANSO
(CLERK TO THE COMMITTEE)

JUNE, 2015