

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

REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE

ON THE

REPORT OF THE AUDITOR-GENERAL

ON THE

STATEMENT OF FOREIGN EXCHANGE
RECEIPTS AND PAYMENTS OF THE
BANK OF GHANA FOR THE HALF-YEAR
ENDED 30TH JUNE 2013

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1.0 INTRODUCTION

The Report of the Auditor-General on the Statement of Foreign Exchange Receipts and Payments of the Bank of Ghana for the Half-Year ended 30th June, 2013 was presented to Parliament on Tuesday, 24th June 2014 in accordance with article 184(3) and 187(5) of the 1992 Constitution of the Republic of Ghana.

In accordance with Order 165 of the Standing Orders of the House, the Rt. Hon. Speaker referred the Report to the Public Accounts Committee for consideration and report.

2.0 PROCEDURE

- 2.1 To consider the Report, the Committee met with a Deputy Governor of the Bank of Ghana, Mr. Millison K. Narh, a Deputy Controller and Accountant-General, Mr. Andrews Kingsley Kufe and representatives of the Ministry of Finance, Bank of Ghana and the Controller and Accountant-General's Department.
- 2.2 On appearing before the Committee, the witnesses subscribed to the oath of a witness and answered questions relating to issues raised in the Auditor-General's Report and on issues of general public interest.
- 2.3 The Deputy Auditor-General, Mr. Yaw Agyei Sifah and a technical team from the Audit Service were also present at the Committee's sittings to assist in the consideration of the Report.

3.0 ACKNOWLEDGMENT

The Committee expresses its appreciation to the Deputy Governor, the Deputy Controller and Accountant-General and all witnesses who appeared before the Committee for their cooperation.

The Committee is also grateful to the Deputy Auditor-General and his team for availing themselves to assist in its deliberations.

The Committee further extends its appreciation to STAR-Ghana for its immense support to the activities of the Committee. Finally, the Committee extends its appreciation to the media (print and electronic) for covering its proceedings.

4.0 REFERENCE DOCUMENTS

The Committee availed itself of the following documents during its deliberations:

- a. The 1992 Constitution of the Republic of Ghana.
- b. The Standing Orders of the Parliament of Ghana.
- c. The Bank of Ghana Act, 2002 (Act 612).
- d. The Foreign Exchange Act, 2006 (Act 723).
- e. The Minerals and Mining Law, 1986 (PNDC Law 153).
- f. The Minerals and Mining Act, 2006 (Act 703).

5.0 PURPOSE OF THE AUDIT

The purpose of the audit was for the Auditor-General to ascertain and obtain reasonable assurance that the Statement of Foreign Exchange Receipts and Payments of the Bank of Ghana (BoG) was

free from material misstatements. It was also to ascertain whether BoG had maintained a proper system of internal controls as well as accurate and reliable records to safeguard the foreign exchange resources of the Central Bank.

6.0 OVERVIEW OF FOREIGN EXCHANGE RECEIPTS AND PAYMENTS

6.1 **BoG's foreign exchange receipts** for the half-year ended 30th June 2013 were derived from cocoa, gold, manganese, oil revenue, capital and invisible business transactions. Foreign exchange receipts for the first half of year 2013 totaled US\$2,489,029,208 compared with US\$2,168,434,943 for the first half of year 2012. This represents an increase of US\$320,594,265 (14.8%). Table 1 shows the composition of foreign exchange receipts for the first-half of year 2013 compared with the figures for the corresponding period in year 2012.

Table 1

Composition of Foreign Exchange Receipts for the First Halves of years 2013 and 2012

Item	First-half 2013 (US\$)	First-half 2012 (US\$)
Cocoa	264,215,798	302,719,084
Gold	343,860,642	396,819,112
Manganese	11,986,477	8,277,923
Oil	136,598,783	131,392,190
Capital Receipts	733,847,742	783,670,559
Invisible receipts	998,519,766	545,556,075
TOTAL	2,489,029,208	2,168,434,943

6.2 **Total Foreign Exchange Payments** for the half-year ended 30th June 2013 consisted of payments in foreign currency by BoG in exchange for their Cedi equivalent. These payments are mainly to finance Oil and Non-Oil imports, payments by order of the Controller and Accountant-General, International Monetary Fund (IMF) payments. Other foreign exchange payments include the sale of foreign exchange to dealer banks and Forex Bureaus.

Total Foreign Exchange payments for the period amounted to US\$3,209,368,473 compared with US\$3,512,124,741 for the corresponding period of year 2012. This represents a decrease of US\$302,756,268 (8.6%). Table 2 shows a summary of the Bank of Ghana's foreign exchange payments for the first-half of year 2013 compared with the first-half of year 2012.

Table 2

Summary of Foreign Exchange Payments for the First Halves of years 2013 and 2012

Item	First-half 2013 (US\$)	First-half 2012 (US\$)
Oil and Non-Oil	1,733,389,198	2,645,927,174
Other Imports	32,845,720	119,585,993
Capital Payments	1,263,144,759	459,402,242
Invisible payments	179,988,796	287,209,333
TOTAL	3,209,368,473	3,512,124,741

7.0 FOREIGN EXCHANGE RECEIPTS

7.1 Cocoa

As at 30th June 2013, total foreign exchange receipts surrendered to BoG by Ghana Cocoa Board (COCOBOD) amounted to US\$264,215,798. This figure, compared with the figure of US\$302,719,085 as at 30th June 2012 showed a decrease of US\$38,503,287 (12.7%).

Total Tonnage Exported

Total tonnage of cocoa beans and cocoa products exported for the period amounted to 552,398 tons. Table 3 shows the breakdown of tons of cocoa beans and cocoa products exported during the first-half of years 2013 and 2012.

Table 3

Breakdown of Cocoa Beans and Cocoa Products for the first-half of years 2013 and 2012

Item	June 2013	June 2012	Difference
Cocoa Beans	450,163	503,517	(53,354)
Cocoa Products	102,235	81,669	20,566
Total	552,398	585,186	(32,788)

7.2 Gold

Total gold earnings surrendered to BoG as at 30th June, 2013 amounted to US\$343,860,642. This figure was lower by US\$52,958,470 over the total amount of US\$396,819,112 received for the first-half of year 2012. These inflows represent portions of

proceeds that were remitted to the country through BoG by licensed gold exporters. Percentages surrendered were between 20% and 100% of total gold exports and the total quantity of gold exported during the period was 1,769,312 ounces as against 1,937,886 ounces for the corresponding period of year 2012.

7.3 **Manganese**

Total Foreign Exchange Receipts surrendered by the Ghana Manganese Company to BoG amounted to US\$11,986,477. This represents 20% of total export proceeds surrendered by the Ghana Manganese Company. The Company retained the remaining 80% to meet its import needs.

7.4 **Oil and Gas**

Total receipts from oil represent the allocation made from the Petroleum Holding Fund for Annual Budget Funding Amount (ABFA). During the period, a total amount of US\$136,598,783 was allocated to support the national budget compared with US\$131,392,190 for the half-year ended 30th June 2012. This represents an increase of US\$5,206,593.

7.5 **Capital Receipts**

Total Capital Receipts in the form of loans and grants for the half year 2013 amounted to US\$733,847,742. This figure represents a decrease of US\$49,822,817 (6.4%) compared with the figure of US\$783,670,559 for the corresponding period of year 2012. According to the Auditor-General, the decrease was mainly due to the decrease in receipt from grants and loans from Canada, United Kingdom, African Development Bank and Denmark.

7.5 Invisible Receipts

For the first-half of the year 2013, total invisible receipts amounted to US\$998,519,766 compared with US\$545,556,075 for the corresponding period of year 2012. This shows an increase of US\$452,963,691 (83%).

8.0 FOREIGN EXCHANGE PAYMENTS

8.1 Visible Import Payments

Visible Import Payments for the first-half of year 2013 amounted to US\$1,766,234,919. Compared with the figure of US\$2,765,513,167 for the corresponding period of 2012, it shows a decrease of US\$999,278,248 (36%). The Committee noted that the decrease arose as a result of the fall in forex sales to commercial banks to finance the purchase of crude oil and to dealer commercial banks to finance the import needs of their customers. Table 4 shows Visible Import Payments for the first-half of years 2013 and 2012.

Table 4

Visible Import Payment for the First-half of years 2013 and 2012

ITEM	JUNE 2013 (US\$)	JUNE 2012 (US\$)	DIFFERENCE (US\$)
Oil	1,135,478,142	1,398,762,504	(263,284,362)
Non-Oil	597,911,057	1,247,164,670	(649,253,613)
Other Imports	32,845,720	119,585,993	(86,740,273)
T O T A L	1,766,234,919	2,765,513,167	(999,278,248)

8.2 Capital Payments

Capital payments which included loan repayments to bilateral and multilateral institutions totalled US\$1,263,144,759 for the period

under review. This figure represents an increase of US\$803,742,517 (174.9%) compared with US\$459,402,242 for the half-first of year 2012. The increase was attributed mainly to upsurge in interest payments on Bank for International Settlement (BIS) facility and on a 3-year bond as well as the repayment of BIS US\$300.00 million Bridging Facility and Swaps Deal (STANBIC/SCB). Table 5 shows the details of Capital Payments made for the first-half of years 2013 and 2012.

Table 5

Capital Payments for the First-Half of years 2013 and 2012

	JUNE 2013 (US\$)	JUNE 2012 (US\$)	DIFFERENCE (US\$)
Misc. Capital Payments	296,127,975	237,227,361	58,900,614
Interest on Sovereign Bond	31,875,000	31,875,000	-
Interest on 5year Bond	9,114,070	-	9,114,070
Interest on 3year Bond	40,576,899	16,952,229	23,624,670
Redemption of Gov't. 5year Bonds	-	71,774,156	(71,774,156)
Redemption of Gov't. 3year Bonds	168,838,404	66,468,089	102,370,315
IMF Loan Repayments	15,968,822	16,128,756	(159,934)
Interest on BIS Facility	439,667	333,667	106,000
Repayment of BIS US\$300 million Bridging Facility	600,000,000	-	600,000,000
IMF Charges	203,923	417,579	(213,656)
World Bank 2year Cedi Denominated	-	18,225,405	(18,225,405)
SWAP Deal (STANBIC/SCB)	100,000,000	-	100,000,000
T O T A L	1,263,144,759	459,402,242	803,742,517

8.3 Invisible Payments

Total Invisible Payments for the first-half of year 2013 amounted to US\$179,988,796 compared with US\$287,209,332 for the corresponding period of year 2012. This represents a decrease of US\$107,220,536 (37.3%). The decrease resulted mainly from the fall in payments in respect of management and technical services payment to contractors and embassy transfers during the period under review. A breakdown of Invisible Payments for the first-half of years 2013 and 2012 is shown in Table 6.

Table 6

Invisible Payments for the First-half of years 2013 and 2012

Year	30th June 2013 (US\$ Million)	30th June 2012 (US\$ Million)
Manpower and Training	6.63	5.88
Embassy Transfers	39.91	49.40
Management & Technical Services Fees	10.95	12.86
Capital Subscriptions	2.80	2.24
Progress Payment Contractors	16.16	137.70
Sundry Payments	103.54	79.20
TOTAL	179.99	287.28

9.0 **NET POSITION OF FOREIGN EXCHANGE RECEIPTS AND PAYMENTS**

BoG recorded a net deficit of US\$720,339,265 during the first-half of year 2013 compared with a net deficit of US\$1,343,689,798 for the corresponding period of year 2012 representing a decrease of US\$623,350,533 (46.4%). Although

BoG recorded increases in receipts from crude oil and invisible receipts during the period under review, this was inadequate to meet the increase in capital payments.

10.0 FOREIGN EXCHANGE RESERVE ASSETS

BoG's reserve position as at 30th June 2013 was US\$4,910,654,194. The corresponding figure for the previous year was US\$4,098,116,219. The Reserve Assets therefore increased by US\$812,537,975 (19.8%). The growth was attributed mainly to increases in all reserve items with the exception of holdings in Special Drawing Rights (SDR) which witnessed a marginal fall. Details of the components of Foreign Exchange Reserve Assets as at 30th June 2013 and the corresponding period of year 2012 are shown in Table 7.

Table 7

BoG Reserve Assets Position as at 30th June 2013 and 30th June 2012

ITEM	JUNE 2013 (US\$)	JUNE 2012 (US\$)	DIFFERENCE (US\$)
Gold	465,554,306	438,652,532	28,901,774
Holding of SDR	373,995,627	407,670,847	(33,675,220)
Correspondent Bank Balance	437,689,814	162,562,109	275,127,705
Foreign Notes & Coins	47,572,143	12,321,667	35,250,475
Fixed Deposits	3,245,812,392	3,031,472,369	214,340,023
Investment in GIB London	58,270,050	43,436,695	14,833,355
Sovereign Funds	277,759,862	-	277,759,862
Investment in Afrexim Bank	2,000,000	2,000,000	0
TOTAL	4,910,654,194	4,098,116,219	812,537,975

11.0 OBSERVATIONS AND RECOMMENDATIONS

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

a. Interest on Delayed Payment

The Committee noted that due to delays in payments, government through BoG paid an amount of US\$424,727.00 to China International Water and Electric Company as interest on delayed payment for work done on the Tetteh Quarshie - Mamfe road during the period under review. Again, an amount of US\$3,531,717.00 was paid to the same Company as interest on delayed payment during the first-half of year 2012.

Officials of the Ministry of Finance informed the Committee that government had to pay interest on delayed payments due to cash flow challenges that were experienced during the execution of the Project.

The Committee expressed concern about the huge sums of money paid as interest on delayed payments. To avert such payments, the Committee recommends that Ministries, Departments and Agencies should ensure that contracts are awarded only when the requisite funds for the execution of the project are available and cash flow projections clearly indicate the availability of funds to pay for works certificates as and when they are due.

b. Gold Earnings Surrendered to BoG by Gold Exporters

The Committee observed that gold earnings surrendered to BoG by licensed gold exporters represented 13% of total foreign exchange receipts of US\$2,489,029,208 for the period under review. Table 8

shows the list of Gold Companies operating in Ghana and their percentages surrendered to BoG for the half-year under review:

Table 8

Schedule of Gold Receipts surrendered during the First-half of year 2013

Company	Surrender (%)	Amount (USD) Surrendered
AGC Limited (Obuasi)	20	32,811,393.19
AG GAG Limited (Anglogold Ashanti-Iduapriem)	20	30,200,211.88
Bogoso Gold Ltd. (Golden Star)	20	22,033,011.88
Abosso Goldfields Ltd.	25	29,238,648.58
Wexford Goldfields Ltd. (Golden Star)	20	29,690,849.70
Prestea Sankofa Gold Ltd.	25	4,176,161.04
Perseus Limited	20	28,762,401.93
Chirano Goldmines Ltd.	20	62,074,040.02
Newmont Ghana Limited	-	-
Noble Gold Limited	20	6,382,765.20
Owere Mines	100	2,060,187.11
Goldfields Limited	20	96,021,750.06
XTRA Gold Mining Company	60	409,221.75
TOTAL		343,860,641.80

The issue of retention levels by mining companies operating in the country continues to be of great concern to the Committee particularly, the 100% retention granted to Newmont Ghana Limited. During the Committee's deliberations on the Statement of Foreign Exchange Receipts and Payments of BoG for the half-year ended, 30th June 2012, it came to the fore that the retention levels

for these companies are non-reviewable for the duration of their Agreements. The Hon. Minister for Finance however assured the Committee that the Ministry of Finance has constituted a Committee to take a second look at the laws and regulations governing the mining sector and make appropriate recommendations for the consideration of Government.

Officials of the Ministry of Finance informed the Committee that the Ministry has started renegotiating the agreements with the mining companies particularly with regard to their retention levels and the payment of royalties.

The Committee urges the Hon. Minister for Finance to expedite action on the renegotiations with the mining companies in order to achieve a fair and optimum surrender of foreign exchange to BoG.

c. Payment for Oil imports

The Committee noted that payment for oil imports dropped from US\$1,398,762,504 in the half-year ended 30th June 2012 to US\$1,135,478,142 in the half-year ended 30th June 2013. However, BoG's projection for oil payments during the period was US\$895,000,000. Thus, payment for oil imports for the half-year ended 30th June, 2013 depicts an unfavourable variance of US\$240,478,142.

Officials of BoG explained that BoG went beyond its projected figure during the period because following the depreciation of the cedi, there was the need for BoG to support payments for oil imports. The Bank therefore sourced funding from counter parties

such as the BIS on short term basis and also entered into SWAP deals to enable it make payments for oil imports.

d. Compliance by Dealer Commercial Banks

The Committee observed that twenty-six (26) dealer Commercial Banks were expected to submit monthly returns on their foreign exchange earnings to BoG. As at 30th June 2013, all the 26 dealer commercial banks that operated in the first-half of year 2013 fully submitted their returns on their foreign exchange earnings to BoG. The total foreign exchange earned through the dealer Commercial Banks was US\$7,109,522,612.

The Committee was satisfied with the level of compliance by the dealer banks and urges BoG to continue to ensure that the level of full compliance is sustained.

12.0 CONCLUSION


BoG has the responsibility of ensuring the efficient management of the country's foreign exchange receipts and payments. The Committee noted that there has been some improvement in BoG's internal control systems to ensure that accurate and reliable records are in place to safeguard the country's foreign exchange resources.

However, of grave concern to the Committee is the issue of cash flow challenges which resulted in the payment of interest on delayed payment to contractors and the retention levels by mining companies operating in the country particularly, the 100% retention granted to Newmont Ghana Limited.

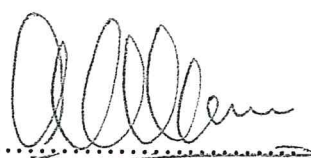
The Committee therefore urges Ministries, Departments and Agencies to ensure that contracts are awarded only when cash flow projections clearly indicate the availability of funds to pay for works certificates as and when they are due. The Committee also urges the Ministry of Finance to ensure that a fair and optimum surrender of foreign exchange to BoG by mining companies is achieved.

Finally, the Committee recommends to the House to adopt its Report on the Report of the Auditor-General on the Statement of Foreign Exchange Receipts and Payments of the Bank of Ghana for the Half-year ended 30th June, 2013.

Respectfully submitted.



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



.....
ABIGAIL ABA ANSO
(CLERK TO THE COMMITTEE)

JULY, 2015

