

PRESENTATION BY HONOURABLE P. C. APPIAH-OFORI, MEMBER OF PARLIAMENT FROM GHANA, AT THE 22ND INTERNATIONAL CONSORTIUM GOVERNMENTAL FINANCIAL MANAGEMENT CONFERENCE HELD IN MIAMI, FLORIDA, USA ON 18 - 23 MAY 2008

Introduction

Public Financial Management includes the activities that relate to preparation and control of budgets; ensuring that financial regulations and constitutional and statutory provisions, relating to management of finance, are complied with; preparation and audit of accounts; bringing irregularities, including financial malpractices, to the notice of the appropriate authorities for remedial action to prevent recurrence of such irregularities etc.

Budget Processes

Article 179(1) of the 1992 Constitution of Ghana states:

"The President shall cause to be prepared and laid before Parliament at least one month before the end of the financial year, estimates of the of the revenues and expenditures of the Government of Ghana for the following financial year"

The Government of Ghana, through the Ministry of Finance and Economic Planning religiously complies with this constitutional provision to the letter.

At the beginning of every year the government initiates processes through which article 179(1) quoted above is complied with. For a start the Ministry of Finance causes to be established Budget Committees in all the Ministries, Departments and Agencies to, among other activities, review and formulate the strategic plans based on the policies of Government, allocate resources based on objectives, outputs and activities; co-ordinate and consolidate the departmental budgets etc.

The Ministry of Finance shall, not later than seven months before the submission of the annual budget to Parliament, submit a Budget Framework Paper to the Office of the President outlining the draft preliminary constraints for the preceding budget. The Ministry issues a budget circular, five months before the submission of the government's macro-economic policy statement. The Budget circular shall also specify the sectoral and ministerial constraints within which heads of departments will prepare their budget submissions. Thereafter the Ministry issues budget instructions concerning the form of budgetary documents and statements; classification of budgetary transactions, costing activities, etc.

The next process leading to the preparation of a budget for a year is the submission of budget proposals from each department, routed through the appropriate sector Ministry, to the Ministry of Finance. Consolidated Fund Revenue and Expenditure Estimates are then prepared followed by budget hearings to review strategic plans and estimates of the departments concerned in order to ensure that the plans and estimates are in accordance with the government's macro economic policy framework. Where necessary the Ministry of Finance may require a department to make adjustments in order to fulfill the requirements of macro-economic policy and budget framework.

After other relevant processes have been completed, including consultation with the

business communities and other stakeholders where necessary, the estimates are consolidated into a Budget Statement for the year. Thereafter it is presented to Parliament for approval.

Budget processes end when the Ministry prepares and submits an Appropriation Bill to Parliament which, in turn, passes it into Appropriate Act which grants authority to the Government to withdraw money from the Consolidated Fund to finance the approved budget.

Post Budget Activities

After Parliamentary approval of the budget and the passage of the Appropriate Act, releases of funds to meet expenditure warrants start. Authority to commit funds is conveyed to departments by the issue of warrants signed by the Minister of Finance on behalf of the Government and copied to the Controller and Accountant General of Ghana.

Preparation of Monthly Accounts

Within a period of fifteen days after the end of each month the Controller and Accountant General shall prepare and transmit to the Auditor General and the Minister of Finance the Public Accounts of Ghana, for the month which shall be published in the Gazette.

Preparation of Annual Accounts

Two main annual accounts are prepared for audit. Within a period of three months after the end of each financial year, heads of Ministries, Departments and Agencies are required to cause to be prepared the relevant accounts for submission to the Auditor-General.

Similarly the Controller and Accountant General is also expected to prepare within three months after the end of each financial year the Public Accounts of Ghana in respect of the Consolidated Fund and thereafter submit the accounts to the Auditor-General and the Minister of Finance. The accounts shall comprise;

- a.) statement of the financial assets and liabilities of the Consolidated Fund at the close of the financial year annotated with such qualifying' information as may affect the significance of figures shown in the statement.
- b.) statement of the revenue and expenditure for the financial year in comparison with the approved and revised estimates for the year.
- c.) statement of transaction during the year and an analysis of the position at the end of the year for:
 - i. the public debts
 - ii. deposits and other trust monies
 - iii. the securities of government
 - iv. advances
 - v. public loans
 - vi. equity investments of the consolidated fund
 - vii. cash flow statement of the consolidated fund

Accounts for Receipts and Payments of Foreign Exchange

It is a constitutional requirement in Ghana for the Bank of Ghana to, not later than three months, after the end of the first six months of its financial year and after the end of its financial year, submit to the Auditor-General for audit a statement of its foreign exchange receipts and payments or transactions in and outside Ghana.

Non-Compliance with the Constitutional and Statutory Provisions and Regulations Dealing with Financial Management of Ghana

The Constitution and enactments of Ghana abound with provisions aimed at guaranteeing the safety and integrity of the assets of the state but some of the provisions are not fully complied with. This exposes the assets of the state to very serious risks.

The Loans Act and the Constitution of Ghana are unanimous that no loan shall be raised by the Government on behalf of itself or any public institution or authority unless the terms and conditions thereof have been approved by Parliament by a resolution.

While the government seeks approval from Parliament in respect of the terms and conditions for external loans, Parliament has not even a day been brought into the picture in respect of loans contracted locally through issue of treasury bills. For example, between 2001 and 2006, the Government of Ghana contracted local loans through the issue of Treasury Bills as detailed below:

Year	Issue	Redemption	Increase in Domestic Debt
	¢	¢	¢
2001	18,579,030,741,425	16,082,640,000,000	2,496,390,741,425
2002	20,856,803,356,000	20,307,000,050,000	549,803,691,000
2003	25,012,180,752,033	24,433,261,978,000	578,918,774,033
2004	24,023,477,990,001	24,032,403,354,000	8,925,363,999
2005	22,025,213,688,300	21,329,749,414,000	695,464,274,300
2006	25,107,293,300,000	14,410,497,154,000	10,696,796,146,000
TOTAL	135,603,999,827,759	120,595,551,950,000	15,008,447,877,759
	US\$	US\$	US\$
	13,560,399,983	12,059,555,195	1,500,844,788

As shown above, during the period under review, the Government of Ghana borrowed locally without the prior approval of Parliament a total sum of US\$13.560 billion and redeemed US\$12.059 billion of it leaving a balance of US\$1.501 billion and thereby increased the public debts of Ghana. A substantial part of the amount borrowed was lost through financial malpractices including pay roll fraud reported by the Auditor-General in his audit reports to Parliament.

Treasury bills are issued weekly and this makes it practically impossible, especially when Parliament is on recess, for the Government to seek approval for such loans. Section" of the Loans Act, 1970 (Act 335) of Ghana, however provides a solution. The Government is allowed to determine total treasury bills to be issued in a given period of time for Parliament to give approval for the terms and conditions and as long as the terms and conditions remain unchanged, the Government needs not seek approval before such loans are contracted. But the Government does not comply with this statutory provision.

The following table shows extracts from the audited public accounts of Ghana from 2001 to 2006:

Year	Narration	Budget ¢	Actual ¢	Variance ¢
2001	Salaries	2,620,000,000,000	3,011,377,503,000	391,377,503,003
	Pension	272,500,000,000	512,335,121,342	237,835,121,342
2002	Salaries	3,122,000,000,000	4,195,525,312,188	1,073,525,312,188
	Pension	713,300,000,000	682,004,552,291	31,295,447,709 (F)
2003	Salaries	5,497,511,000,000	5,480,505,664,926	17,005,335,074 (F)
	Pension	917,000,000,000	967,081,214,541	50,081,214,541 (A)
2004	Salaries	6,631,900,000,000	6,892,515,475,129	260,615,475,129
	Pension	1,054,900,000,000	1,239,849,363,855	184,949,363,855
2005	Salaries	7,272,134,000,000	8,135,885,549,605	863,751,549,605
	Pension	1,588,500,000,000	1,803,231,829,744	214,731,829,605
2006	Salaries	9,240,645,000,000	11,123,046,971,188	1,882,401,971,188 (A)
	Pension	1,826,900,000,000	2,346,911,407,080	520,011,407,080
TOTAL		40,757,290,000,000	46,390,269,964,892	5,632,979,964,892
		US\$	US\$	US\$
		4,075,729,000	4,639,026,996	563,297,996 (A)

As shown above, during the period under review, a total sum of US\$4,075,729,000 was budgeted by the government to pay the personnel emoluments of its public servants but the actual payments made amounted to US\$4,639,026,996 resulting in a total adverse variance of US\$563,297,996.

This adverse variance of US\$563,297,996 may be due to payroll fraud such as paying ghost workers and or unbudgeted salary increases or arrears, inadequate budgetary provisions, etc.

It is universally acknowledged that variances extracted must be investigated to establish the causes of such variances and reports made thereon to the appropriate authorities to take remedial actions to prevent the recurrence of such variances failing which such irregularities will continue unnoticed to the detriment of public or private finances. Regrettably enough variances extracted in the course of the management of Ghana's public finance are not investigated to establish the causes for remedial actions. Therefore if part of the above variances were the products of payroll frauds, which I have good reason to believe that they are a contributory factor because Ghana's Auditor General uncovers such frauds every year, then Ghana's Public Financial Management is not being carried out in a manner that guarantees the safety of the resources of the country.

Loss of Revenue from the Extractive Industry of Ghana

Ghana produces gold, diamond, bauxite and manganese. Section 29(2) of Ghana's Minerals and Mining Law 1986 (PNDC Law 153) states that the Minister of Finance and Economic Planning, in consultation with the Minerals Commission, shall permit holders of mining lease to retain in external accounts NOT LESS THAN 25% of the export proceeds from gold. 30% or 40% or 50% or 80% or even 100% is NOT LESS THAN 25%. Foreigners, holding mining lease in Ghana, with active connivance of the Ghanaian authorities, exploit the phrase "NOT LESS THAN" to retain in external accounts as much as 80% of the export proceeds from gold. Exports of diamond, bauxite and manganese are classified by the Government of Ghana as non-traditional exports. Holders of mining leases for such minerals can retain as

much as 100%. By this Ghana had lost huge sums of money which could have contributed to the development of the country.

About two years ago the present Government submitted a new Minerals and Mining Bill to Parliament. In the Bill the phrase "NOT LESS THAN 25%" was retained. I proposed an amendment, asking for deletion of "LESS" and in its place inserting "MORE" in order for the phrase to read "NOT MORE THAN 25%". The object of the amendment was for Ghana to benefit more from her exports of gold, but try as I did, no Member of Parliament supported me and I lost the amendment. Therefore Ghana produces gold, diamond, bauxite and manganese from which large sums of foreign exchange are earned but the country receives virtually nothing from the exports of such minerals. The country sometimes goes out to borrow as little as US\$2.5 million from external sources to support its budgets while it produces and exports large quantities of the named minerals. It is time for the managers of Ghana's Public Finance to end this loot as revenues that can contribute to the increase of national income are lost resulting in lower standard of living for the people in Ghana.

Contribution of the Auditor-General of Ghana To Ghana's Public Financial Management

The Auditor-General of Ghana is a major stakeholder in the Public Financial Management of Ghana. Under Article 187 (2) of the Constitution of Ghana, the public accounts of Ghana and of all public offices including the courts, the central and local government administrations, of the universities and public institutions of like nature, of any public co-operation or other body or organization established by an Act of Parliament. In the course of his audits, the Auditor-General detects irregularities in the management of the Public Finances of Ghana and reports thereon for remedial actions with a view to preventing the recurrence of such irregularities. He also ensures compliance with internal control measures with a view to safeguarding the resources of the country. The present Auditor-General has done a lot to improve the public Financial Management of Ghana. He has brought the audit of the Consolidated Accounts, which had been in arrears for many years, up to date.

The Role of Parliament in the Public Financial Management of Ghana

Parliament, too, is a major stakeholder in Ghana's Public Financial Management. By article 187(5) of the 1992 Constitution of Ghana the Auditor-General submits his audit reports to Parliament. In his reports he is to bring to the notice of Parliament irregularities that come to his notice in the course of his audit.

Universally it is the person to whom audit reports are submitted is the one who has to take remedial actions to prevent the recurrence of irregularities that come to his notice. Therefore since the Auditor-General reports to Parliament, it is Parliament that should bring an end to the irregularities he brings to the notice of Parliament. Regrettably enough from the time immemorial Parliament has failed to discharge this onerous responsibility to the detriment of the national economy.

Auditor-General's reports to Parliament are referred to the Public Accounts Committee of Parliament which, after painstaking evaluation of the reports, submits its reports to the House. The Public Accounts Committee's Reports are debated. But after the debates no further action is taken by Parliament to remedy the irregularities brought to its notice. Consequent upon this, the same irregularities, and even more, continue to be perpetrated unabated. In this regard Parliament of Ghana has woefully failed in its constitutional responsibilities to safeguard the resources of Ghana.

Conclusion and Recommendation

The standard of living of people in any country depends upon the size of the national income of the country. The higher the national income, all things being equal, the higher the standard of living of the people in the country enjoy. Efficient management of the finances of every country contributes to increase in national income. I therefore recommend that all participants at this conference should return home to contribute positively and effectively towards the efficient public financial management of their respective countries.