

Government Financial Reporting - Good Practices from sub-Saharan Africa

Andy Wynne, School of Management,

University of Leicester

E-mail: amw48@leicester.ac.uk

Fred Mear, Leicester Business School,

de Montfort University

E-mail: fcmacc@dmu.ac.uk

Abstract

This study attempts to codify good practices in financial reporting by sub-Saharan African governments. The study identifies, analyses and documents existing good practices from annual financial reports by central governments in sub-Saharan Africa. As such it provides a guide to governments wishing to improve the quality of their annual financial statements based on the approaches adopted by their peers.

The financial statements of a dozen governments of sub-Saharan Africa were reviewed to identify examples of good practice which were then analysed against the four broad indicative criteria which were developed for the study. Visits were made to Burkina Faso, Namibia and Tanzania to obtain further information and to discuss the needs of the key users of government financial information.

Keywords: Accountability; Financial statements; Government, Good practices; Public sector; sub-Saharan Africa

Highlights

- Reviews sub-Saharan African government annual financial statements
- Identifies, describes and codifies existing good practices
- Four broad indicative criteria are used: timeliness, understandability, openness and consistency
- Good practices could provide a basis for international accounting standards
- Existing good practices also high-light practical reform initiatives

JEL Classification

H500 National Government Expenditures and Related Policies: General

M410 Accounting

1 INTRODUCTION

Accountability, in a general sense, is a responsibility of stewards or agents to provide relevant and reliable information relating to resources under their control. For governments, accountability is the government's responsibility to justify to its citizenry the raising of public revenues and to account for the use of those public resources. Accountability information can be used to support decision making, but it also fulfils the citizenry's "right to know" how public resources have been spent (GASB 2006, page 5).

Fiscal transparency is propagated as part of a larger policy goal of good economic governance pursued to achieve poverty reduction and attain the Millennium Development Goals (MDGs). Indeed, on the African continent, the calls for more openness in the budget processes is part of a set of endeavours aimed at solving the paradox of copious natural resources and increasing donor magnanimity, on the one hand, and seemingly intractable abject poverty, on the other

hand. It is also aimed at addressing corruption and theft of State resources and money laundering, among many (United Nations Economic Commission for Africa, 2005, page ix).

It is widely accepted that, along with the auditor's report, a government's annual financial statements provide the essential financial data necessary for accountability purposes (Barton 2005, Chan, 2006 and Claassens, Marritt & van Zyl, Albert, 2005). In a parliamentary democracy, parliament sets the annual budget to authorise the government to raise taxes and to spend money as indicated. The annual financial statements are a key way in which the government later accounts to parliament and its citizens for the taxes raised and the money spent on the provision of public services (Monsen 2009). The financial statements can also include important information on the cost of implementing the government's policies, for example achievement of the Millennium Development Goals or poverty reduction (Chan, James L. and Xu, Yunxiao (2012)). The financial statements show how public resources were actually allocated, for example how much was provided for health expenditure and how much was invested in public infrastructure. They also provide a vital mechanism for monitoring adherence to agreed fiscal goals, for example the level of budget deficit and the overall level of government debt (Chan, James L. and Xu, Yunxiao (2012)). Whilst many of these benefits may derive from different accounting systems there are some common factors of good practice than should be in all such systems.

For governments which are dependent on donors for a significant proportion of their revenue, their annual financial statements are also a key document to enable the donor community to monitor adherence to agreed policies (CABRI, AFROSAI & ATAF (2010)). These may include, for example, poverty reduction strategies, the proportion of government expenditure to be allocated and actually spent on defined pro-poor expenditure (for example, primary health and education spending) and adherence to macro-fiscal targets. Since 2012 the European Commission has set benchmarks on public financial management, as part of its Budget Support disbursement criteria, to ensure good or improving standards (EuropeAid 2012).

In recent years there have been a range of studies of public financial management and budgeting by governments of sub-Saharan Africa, including, for example, studies by IDASA (Claassens, Marritt & van Zyl, Albert 2005), country studies by the Open Budget Index (2010) and PEFA (2015) reports on public financial management in many of the countries. However, these studies provide few details on the quality and content of the annual audited financial statements of these governments.

1. In the context of the Global South generally, government accounting practice has frequently been problematised by external stakeholders. Studies drawing on the neo-institutional perspective have demonstrated that resource providers such as the World Bank, IMF and other bilateral donors tend to problematise the existing cash basis of accounting of governments using various mechanisms, for instance, coercive, mimetic and normative mechanisms (Adhikari et al., 2013; Harun et al., 2012; Mir and Rahaman, 2005). As a result, the literature has concentrated on the deficiencies of government financial reporting and existing good practices have not been recognised.

This study aims to begin to address the balance by making an initial contribution to identifying, collating and documenting existing good practices in terms of annual financial reporting by central governments in sub-Saharan Africa.

1.1 Existing international public sector accounting standards

There is no internationally accepted 'best practice' for government financial reporting which has actually been widely implemented. All sub-Saharan African governments report on the modified cash basis (see Parry 2010, for a definition), so the nearest appropriate international accounting standard would be the *Cash Basis IPSAS* (International Public Sector Accounting

Standards Board, 2003), but although all 31 African countries which have been subject to PEFA have tried to adopt it (Andrews, 2010) none has actually implemented the key mandatory requirements of the Standard (over a dozen years since the standard was first issued in January 2003) (Wynne, 2012).

This situation is replicated globally and so the top down *Cash Basis IPSAS* is not working effectively. Not a single country in the world has actually implemented key requirements of the standard (Wynne, 2012) and some have argued against aspects of it. For example, the Indian Government has argued against the requirement to report payments to third parties and to consolidate government business enterprises (Government Accounting Standards Advisory Board, 2008). The gap analysis undertaken by the Government of India in 2008 commented on the requirement for consolidation and concluded that it would not be appropriate (page 9):

Though this is fundamental requirement of Cash IPSAS, it is likely to cause more distortion than bringing in clarity in the financial statements of government. In a country like India which is a federation with unitary bias, it is very difficult to even distinguish whether State Governments and local bodies are independent entities or entities controlled by the Union Government. Much of the social sector expenditure flows from Union Government to States and Local bodies. Further, consolidating Government Companies accounts with that of Government will result in artificial inflation of cash inflows and outflows and is not likely result in any improved presentation of financial statements.

The International Public Sector Accounting Standards Board was planning to fundamentally revise its *Cash Basis IPSAS* due to the low international take up (IPSAS, 2010). Although this process then stalled, the IPSAS Board did not consider this issue from its June 2010 meeting until its March 2015 meeting when it agreed to a limited review of the Cash Basis IPSAS. The development of an exposure draft of a revised Cash Basis IPSAS was to be considered at that the March 2016 meeting of the IPSAS Board (IPSAS, 2015). This was to overcome the “major difficulties that public sector entities in developing economies encounter in implementing the Cash Basis IPSAS” (IPSAS, 2015: 2). The three areas which were proposed to be addressed are consolidation, third party payments and certain disclosures for external assistance.

Many Francophone African countries are members of regional economic bodies which have issued fairly detailed directives on public sector financial reporting and related issues. This has probably increased the consistency and comparability of public sector financial statements between these states. However, this study was not able to make a comparative study of these states although the financial statements of the government of Burkina Faso were reviewed. Further details of Francophone government financial reporting are available, for example, from Bouley and Fournel (2002), Lienert (2003)

and Moussa (2004).

1.2 Aims of this paper

All sub-Saharan African governments currently display some aspects of good practice with their financial reporting – for example, the financial statements for Government A may not be very informative, but they may be produced within a few months of the financial year end and/or may be available on the Internet.

The aim of this paper is to document examples of elements or attributes of financial reporting by African governments which represent existing good practice. The paper identifies (and documents) elements or aspects of existing good practice by sub-Saharan African governments in the area of financial reporting and accountability. These attributes are then collated to identify good existing practice in sub-Saharan Africa. If all or most governments in sub-

Saharan Africa adopted all or most aspects of the good practices identified in this paper, there would be a significant improvement in financial reporting by governments across sub-Saharan Africa.

This paper reviews current practices of government financial reporting, primarily focusing on central government entities in sub-Saharan Africa by carrying out an in-depth analysis of government financial reports in selected countries. Based on these financial reports, this study identified those individuals and organisations which actually use government financial statements, the purposes for which they are used and the actual information which the users require. It also reviewed the reports from the relevant Auditors General on the quality of their government's financial statements. These findings were used to develop criteria against which to assess the usefulness of the form and content of government financial statements as well as to identify any implications for capacity building.

Developments in public financial management will be easier if they are based on a policy of further incremental or organic improvements rather than trying to implement international standards which are not based on existing good practice (Andrews, 2013). This paper provides a starting point for identifying existing good practices in annual financial reporting by the governments of sub-Saharan Africa which other governments can adopt to improve their accountability to their citizens.

Following this introduction, the next section outlines the methodology adopted for the paper and introduces the broad indicative criteria developed and adopted for the study. The following section then provides an introduction to the general format of the annual financial statements produced by governments of sub-Saharan Africa. This is followed by four sections which identify, analyse and document the existing good practices which were identified in this study against the four main indicative criteria. The paper ends with a section covering a summary, conclusions and policy implications.

2 METHODOLOGY

The first phase of the study involved obtaining the audited financial statements from a number of sub-Saharan African countries for review and analysis. *Broad Indicative Criteria* were then developed, including four key qualitative characteristics. As part of this process, reference was made to the PEFA (2015) reports on individual African countries, the ESAAG report (2006), the 2010 Open Budget Index country reports which are available for these countries and other relevant literature. What may be considered good practice was taken from the literature and the professional judgement of the author and an expert panel established for this purpose.

2. The financial statements of the following governments were reviewed to identify exemplars of good practice: Botswana, Ghana, Kenya, Mauritius, Nigeria, Rwanda, Sierra Leone, South Africa and Uganda. These countries provide a range of examples of existing good practice across sub-Saharan Africa, but as they are all Anglophone countries the financial statements are broadly similar. The author also visited Burkina Faso (Francophone), Namibia and Tanzania to obtain the financial statements of their governments and to discuss their needs with several uses of these annual accounts. The elements of good practice from these statements are noted below against each of the key qualitative characteristics we adopted.

In addition, to the annual consolidated financial statements or accounts of the consolidated fund, consideration was given to the findings and availability of the annual report of the Auditor General. These two reports, from the Accountant General and the Auditor General, are essential for the quality of financial accountability of governments (CABRI, AFROSAI & ATAF, 2011).

2.1 *Expert panel*

An expert panel was established to advise and quality review the work of the study. The members of the expert panel were:

- Reckford Kampanje – former Auditor General of Malawi (and former Accountant General)
- Maru Z Tjihumino – Accountant General of Namibia
- Joseph Onumah – Head of Accounting Department, University of Ghana Business School, Legon
- Michael Parry – Independent Consultant.

2.2 *User needs*

During the fieldwork, where possible, the the following stakeholders (amongst others) were interviewed:

- Accountants General and senior financial officials of other central government entities
- Auditor Generals and their senior staff
- Financial correspondents of the media
- Non-State Actors (civil society groups).

The aim was to identify the information which users of government financial statements need for accountability purposes, in addition to examples of good practice in financial reporting by governments. Interviews of a representative sample of internal (public officials) and external stakeholders were undertaken using the above list as a guide. Due to time constraints and availability of the individuals not all the stakeholders could be interviewed in each country.

2.3 *Broad Indicative Criteria*

Having reviewed the literature, international standards and guidance and the financial statements of these twelve governments, the the following key qualitative criteria of public sector financial reporting were identified as the framework for this study:

- **timeliness** – are the audited financial statements made public promptly after the end of the financial year to which they refer?
- **understandability** – are the financial statements clear and are the key aspects and terms explained?
- **openness** – is the key financial information of interest to politicians and the public made available?
- **consistency** – is the information consistent from one year to the next, between accounts within the same financial statements and is it reliable and free from material errors?

The justification for selecting these four criteria is summarised in the table below:

Table 1: Justification of Choice of Criteria

Criteria	Justification
1. Timeliness	The value of information decreases as the time from the reported events increases. This is because other events intervene and the opportunity to use the reported information for decisions or actions about the future becomes less feasible the longer the information is delayed.
2. Understandability	It is axiomatic that financial reports have no value unless they are understood by their intended users. Hence understandability is fundamental to financial reporting. Most users of public sector financial statements are not qualified accountants. It is essential that the Public Accounts Committee of Parliament, the fundamentally key user of public sector financial statements, is able to clearly understand the accounts, together with key stakeholders from civil society. Thus simplicity is vital for public sector financial statements.
3. Openness	Since the object of financial reporting is to convey information, any lack of openness (or transparency) reduces the value of the financial statements. Concealing or omitting important information is contrary to the objective of financial reporting.
4. Consistency	Consistency enables comparison and tracking over time. A lack of consistency from one year to the next means that the information is confusing and trends or events cannot be tracked over multiple time periods. Where changes do take place in order to improve transparency or better clarity then the impact of those should be shown so that comparisons can be effective

These criteria were agreed with the expert panel and were adapted from the following two documents.

The Cash Basis IPSAS (International Public Sector Accounting Standards Board (2003 and 2007) used the following four criteria:

- understandability
- relevance
- reliability
- comparability.

The International Public Sector Accounting Standards Board (2014) adopted the following slightly different qualitative characteristics for its conceptual framework for public sector financial reporting:

- relevance
- faithful representation
- understandability
- timeliness
- comparability
- verifiability.

3 GENERAL FORMAT OF FINANCIAL STATEMENTS

The main financial statements provided by most of the Anglophone countries are as follows:

1. Consolidated Cash Flow Statement with comparison to previous years figures (Botswana, Mauritius, Nigeria, Sierra Leone, South Africa, Tanzania and Uganda)
2. Statement of financial assets and liabilities with comparison to previous years figures (Botswana, Mauritius, Nigeria, Rwanda, South Africa and Uganda)
3. Statement of recurrent receipts and payments with comparison with the budget – often statement of the Consolidated Revenue Fund (Botswana, Mauritius, Nigeria, Rwanda (no separate statement for capital), Sierra Leone, South Africa (no separate statement for capital, but disclosed in the single statement) Tanzania and Uganda (no separate statement for capital).
4. Statement of capital receipts and payments with comparison with the budget – often statement of the Capital Development Fund (Botswana, Mauritius, Nigeria, Sierra Leone and Tanzania).

This common approach is a reflection of the public financial management laws which were enacted soon after independence. As an example, section 26 of the Exchequer and Audit Ordinance No. 21 of 1961 of Tanzania required the Treasury to prepare and submit to the Controller and Auditor General accounts showing fully the financial position of the government at the end of the financial year, including:

- Statement of Receipts and Payments for the year
- Summary statements of revenue receipts
- A statement of receipts into and issues from the Exchequer Account during the year and a balance sheet of the Consolidated Fund
- A summary of Appropriation Accounts
- A statement of outstanding public debt
- A consolidated statement of assets and liabilities
- A statement of the amounts guaranteed by the Government at the year end
- A statement of outstanding loans issued by the Government.

For the Francophone countries, the main financial statement is the annual budget out-turn (*loi de règlement*) which is presented to parliament. The draft annual budget out-turn law notes the final amounts of cash receipts and expenses that have been ordered during the year. If necessary, the law ratifies the new credits that were opened by decree (new budget lines agreed by the Council of Ministers) and approves any over-spending arising from special circumstances. It establishes the financial results for the year which include the:

- deficit or surplus resulting from the net difference between the receipts and expenses for the general and annexed budgets;
- losses or profits arising from special accounts;
- losses or profits resulting from the management of treasury operations.

The budget law authorises the transfer of the net results for the year to the permanent Treasury overdraft account.

4 EXISTING GOOD PRACTICES

Each of the four key qualitative characteristics of financial reporting agreed for this paper are considered below with examples of existing good practice from our exemplar countries.

4.1 *Timeliness*

Are the audited financial statements made public promptly after the end of the financial year to which they refer?

The basic requirement is that the audited financial statements should be submitted to the National Assembly and made public within 12 months of the end of the financial year to which they relate (for example, ESAAG 2006). This is now widely achieved by most governments in sub-Saharan Africa.

Ideally the audited accounts should be submitted to the National Assembly before the budget for the following year is considered. This will generally require the financial statements to be published within nine months of the year-end (this is now widely achieved by, for example, Burkina Faso, Mauritius, Tanzania, Uganda and South Africa). To publish the audited financial statements within nine months will usually require the financial statements to be submitted to the Auditor General within six months (which will score an 'A' under a PEFA assessment - 2011) and the Auditor General to complete their work within a further three months (PEFA only requires four months to score an 'A' - 2011).

In recent years in Ghana, the Report and Financial Statements on the Public Accounts of Ghana (Consolidated Fund) were submitted to the Auditor General three months after the close of the fiscal year.

Uganda requires the Accountant General to submit their financial statements to the Auditor General within four months of the year-end and this has been achieved in recent years. In South Africa the government's consolidated financial information is submitted to the Auditor General within five months of the year-end and the audited financial statements are then submitted to parliament within six months of the year end.

In Nigeria the constitution requires the Auditor General to report within 90 days of receipt of the accounts from the Accountant General, this was achieved for the first time in 2009. For the last three years, the annual audit reports of the Government of Mauritius have been submitted to the National Assembly within a few weeks of receipt of the financial statement from the Auditor General and within four to six months of the end of the fiscal year. The statutory limit is eight months and the Accountant General is required to submit the financial statements to the Auditor General within six months.

According to the Open Budget Survey country reports (2010) a year-end report that discusses the budget's actual outcome for the year is published six months or less after the end of the fiscal year (South Africa, Uganda) or 12 months or less (but more than six months) after the end of the fiscal year (Ghana, Namibia).

However, a number of governments are not achieving these targets, for example, the financial statements for the governments of Morocco and Tunisia are not issued until two years after the end of the financial year. Where governments do not submit their audited financial statements to the National Assembly within nine months of the end of the reporting financial year (or at the very least 12 months), then timeliness will be a priority in terms of improvements to the financial statements.

A number of other Francophone countries have periodically suffered from issuing their financial statements late; for example, in 2003 – 2005 the National Assembly of Burkina Faso cleared the backlog of annual budget out-turn reports stretching back nearly 20 years. For the last five

years the draft financial statements have been prepared and submitted to the National Assembly within six months of the end of the period when the payments are made. The annual report of the General State Inspectorate of Burkina Faso is made public in March or April of the following year and is provided to the State President, the Prime Minister, the President of the National Assembly and the donor community. It is then made available on the website of the Prime Minister.

4.2 *Understandability*

Are the financial statements clear and are the key aspects and terms explained?

Many of the key users of government financial statements (the general public and their political representatives) are not financially literate and so extra effort is needed to make sure that public sector financial statements are accessible, clear and understandable.

4.2.1 Commentary and explanations

In many countries the Accountant General provides a commentary on the financial statements and this may be complemented by the introduction to the annual report of the Auditor General. The Auditor General provides a summary and overview of the government's financial position and budget out-turn in, for example, Kenya, Uganda and South Africa.

The Accountant General in Tanzania provides a two and a half page commentary on the financial statements. In Uganda there is a commentary on the Financial Statements by the Accountant General (five pages), comments are provided on the overall level of payments, receipts and balances. A six-page overview is provided by the Accountant General (Mauritius). A seven-page review of reforms and budget out-turns etc is provided by the Accountant General of Sierra Leone which includes three graphs (including a seven year summary of revenue). In Ghana the Accountant General provides an overview of the financial statements of just over 20 pages which includes an explanation of many of the key terms. In addition five year trends are provided for revenue and expenditure and for the balance sheet. In South Africa an overview is provided by the Accountant General; this reviews the operating results (35 pages). It also shows trends over a six-year period. The financial statements for Burkina Faso provide extensive commentary explaining the results of the budget out-turn report.

Graphs may greatly help in the understanding of the financial position and trends in recent years. Charts showing five-year recurrent/capital revenue and expenditure with analysis are provided by the Accountant General of Mauritius. Graphs of total revenue and expenditure over the last five years are provided by the Accountant General of Ghana. The General Balance of the Treasury Accounts of Burkina Faso which complement the Government's financial statements include 16 graphs and eight tables showing the overall finances of the State over the previous five years. The review of operating results in South Africa includes around 40 graphs.

The 2008 financial statements for Rwanda provided a page of explanations of the key terms. Many of the key terms are explained in the accounting policies for the Government of South Africa. According to the Open Budget Survey (2010), thorough non-technical definitions of terms used in the budget and other budget-related documents are provided in Ghana and South Africa and some definitions are provided in Namibia. These explanations can be important as many public sector accounting terms have a specific meaning in different countries; for example, advances, may mean loans to individual officials, for example, to purchase a car (an asset); money released to ministries, departments or agencies to undertake specific tasks (unaccounted for expenditure or an asset); or receipts received in advance of the service being provided by a ministry, department or agency (liability) or an unretired imprest (unaccounted for expenditure or an asset).

4.2.2 Consolidation approach

Many countries provide consolidated financial statements of one sort or another, but there is a need to be clear about what is meant by consolidation and which entities are included within the consolidation. However, the cost and usefulness of consolidating the accounts of parastatal organisations or sub-national government with those of national government ministries, department and agencies is not clear (Government Accounting Standards Advisory Board, 2008). The Accountant-General of an East African country said that it would be impossible to produce consolidated accounts. After further consideration, he accepted that it would be possible, but that the costs would be significantly greater than any benefits (personal interview).

In South Africa full consolidation is not undertaken as inter-entity transactions are not necessarily eliminated (this is considered to be unnecessarily costly). As a result, the Government's main financial report is termed Consolidated Financial Information (rather than consolidated financial statements). National Departments (ministries, departments and agencies) are consolidated separately from public entities (Public entities include constitutional institutions and national public entities) as the latter use the accrual basis (South Africa). The provincial and local level entities are not included in these reports apart from transfers to provinces (South Africa). Uganda provides a clear statement on the types of entity which are included in the statements (not government business entities – except for dividends received and subventions provided). A clear statement is provided on the types of entity which are included in the statements and reference is made to lists in other documents, but no clear list is provided (South Africa).

Details are provided of significant entities controlled by the Government of Tanzania. This includes any subsidies provided for the current and previous years, the percentage of the government's holding and its value at cost for the current and previous years. This includes subsidiaries (above 50%), associates (20-50%) and shareholdings of below 20%. The financial results of these entities are not consolidated within the main financial statements. Details are also provided of the balance at the year-end (and for the previous year) of any funds operating within ministries, departments and agencies. These funds are also not consolidated within the main financial statements of the Government of Tanzania.

The governments of France the UK and the US have all faced significant problems in producing annual consolidated financial statements. The US *Government Accountability Office* (2015) has been unable to provide an opinion on the Government's consolidated financial statements for the last 18 years. The Government of India considers that full consolidation of all public sector entities, "is likely to cause more distortion than bringing in clarity in the financial statements of government" (Government Accounting Standards Advisory Board, 2008: 9) and so it does not plan to consolidate its government business enterprises or sub-national governments.

4.2.3 Legal basis and Auditor General opinion

A statement is provided on the legal basis for the financial statements and the basis of accounting which is used (modified cash) in many countries, for example, Ghana, Mauritius, Rwanda, South Africa, Tanzania and Uganda.

The opinion of the Auditor General is provided by most governments in the same document and alongside the financial statements (Botswana, Mauritius, Nigeria, Sierra Leone, South Africa, Tanzania and Uganda).

4.2.4 Functional analysis

A summary of total expenditure analysed by the standard 10 COFOG functions outlined in the *Government Financial Statistics Manual* (2001: 76) may assist in the understanding of the relative level of government spending in different areas. This is especially useful for

international comparisons as the structure of ministries, departments and agencies is different in each country. However, this standard analysis is not usually provided by African governments in the financial statements. In 2009, only two African countries provided this analysis to the IMF (Mauritius and Seychelles) and the data for the later was at least two years out of date.

A functional summary of expenditure and net lending is provided, but this does not follow the IMF GFSM analysis (Botswana) (International Monetary Fund, 2001). A summary of expenditure analysed by most of the COFOG functions (International Monetary Fund, 2001) is provided (not including Social nor Environmental Protection which are combined with General Services in “Other”) (Sierra Leone). For South Africa government expenditure is analysed into five clusters (social, justice, central government, economic and finance (rather than a functional classification)).

4.2.5 Brief reports with supporting details

Understanding and clarity may be enhanced with a short financial report, but the size of a government’s financial statements varies greatly from country to country: Botswana 605 pages; Kenya nearly 2,500 pages; Mauritius 217 pages; Nigeria 45 pages; Sierra Leone 30 pages and 30 pages of appendices; South Africa 179 pages (with 96 pages on “National Departments, the National Revenue Fund, State Debt and Tax & Loan Accounts”) and Tanzania 73 pages.

It may be that a short popular introductory document should be produced of 30 pages or less with supporting details available on the Internet for those that require it.

In a number of countries, the Auditor General provides an executive summary covering the main findings in their report, this includes Tanzania and Uganda. In Ghana, the Auditor General provides an eight-page summary of significant findings and recommendations. A summary of the report of the Court of Accounts which is sent to the National Assembly of Burkina Faso (including the declaration of consistency) is included in the annual public report of the Court of Accounts of Burkina Faso (including about 20 pages commentary on the budget).

4.2.6 Covering letters and responsibilities

Some financial statements include covering letters from the Minister of Finance and other senior officials. This demonstrates that the document is an official report from the government and may detail their respective responsibilities. The reports include statements from the Minister of Finance and the Secretary to the Treasury/ Permanent Secretary (most senior civil servant in the Ministry of Finance). The Secretary to the Treasury also signs the main statements with the Accountant General. (Uganda). A Statement of Responsibilities is provided – outlining the respective responsibilities of the Minister, Secretary to the Treasury and the Accountant General (Uganda). A preface to the financial statements is provided by the Ministry of Finance (Nigeria). A letter from Accountant General to the Financial Secretary is provided and another from the Financial Secretary to the Minister of Finance (Mauritius). The reports are signed by the Accountant General and the Director General (head civil servant of the ministry) (South Africa). The financial statements include a statement that the statements were authorised by the Ministry of Finance (Sierra Leone).

4.2.7 Other aspects

Details of development expenditure are provided by project compared to Total Estimated Cost (TEC) including previous years’ expenditure (Botswana). This shows the total costs to date of individual development or capital projects.

The financial statements are produced in a well-presented and printed colour publication for Mauritius, Nigeria, Tanzania and South Africa. This may encourage wider readership of the financial statements.

4.3 Openness

Is the key financial information of interest to politicians and the public made available?

Careful consideration needs to be given to the specific areas of interest and to providing the necessary information to the key users of government financial statements. For example, in some countries there may be concern on the level of pension arrears, in these cases appropriate information and explanations should be provided. Several countries (Ghana, Tanzania, Uganda and South Africa) provide separate audited financial statements for individual ministries, departments and agencies, so some of the detail may be provided in such accounts. Below we have only considered the contents of the central government financial statements.

4.3.1 Comparisons to budget

This appears to be a key role for government financial statements. Was the government's budget implemented in the ways agreed by the National Assembly and in line with Financial Regulations? Material over and under-spending should be reported and explained. The financial statements should be classified in the same form as the government's annual budget and in accordance with the approved chart of accounts (Sierra Leone).

Actual receipts and payments are provided, compared to budget (adjusted appropriation) by department showing actual and percentage variance and appropriations in aid are also included in the summary provided in the Auditor General's report (Kenya). Rwanda provides summary totals of internally generated revenue from types of organisations, for example, ministries, local governments etc. Details are also provided of recurrent revenue compared to budget (60 pages). Details are provided of recurrent expenditure compared to the budget and warrants (280 pages) (Botswana). Detailed line item reports are provided of budget out-turn of ministries, departments and agencies (122 pages) (Mauritius). A summary is provided by vote (for ministries, departments and agencies, embassies, hospitals and district councils) showing budget, releases and actual expenditure (Uganda).

Detailed comparisons with the budget could be excluded from the printed reports and just provided in reports on the Internet. This would reduce printing costs and so be more economic. This approach would mean that the cost of providing such information would be greatly reduced and so information could be provided on a detailed line item basis for individual front line service providers like primary schools and primary health centres.

According to the country reports of the Open Budget Survey (2010), the year-end budget report highlighting key differences between the enacted level of funds intended to benefit directly the country's most impoverished populations and the actual outcome in Ghana and South Africa (but some details are excluded) and some explanations are presented, but they lack important details in Namibia and Uganda.

4.3.2 Key budget documents

The Open Budget Partnership has identified the following eight key budget documents which should be produced at the appropriate stages of the budget cycle:

- pre-budget statement
- executive's budget proposal
- enacted budget
- citizens budget
- in-year budget reports
- mid-year budget review
- year-end budget report
- audit report

The governments of South Africa and Uganda publish all of these documents according to reports of the Open Budget Survey (2010). All of the documents are also published by at least one of the other countries we reviewed. The audit report is published by all the countries and the enacted budget by all but one. Interestingly, there are numerous instances in which these documents are produced, but not made publicly available. So governments could easily improve their level of openness by publishing these documents which are already available.

4.3.3 Government debt

The overall level of government debt is of concern in many countries. This should be reported and any changes reconciled to the balance sheet and overall budget out-turn balance.

A statement of public debt is provided with a summary of foreign currency loans (in local and relevant foreign currencies (Botswana). Details are provided in appendices of external public debt of balance and payments made on a loan by loan basis (in local currency) and original loan in currency of provider (Sierra Leone). In Uganda, there is full disclosure in a Statement of Outstanding Public Debt which is consistent with the total liabilities in the Consolidated Statement of Financial Position (balance sheet). This analyses the debt by domestic and external debt of various types. Totals for loans from individual multi-lateral organisations are provided (Uganda). A detailed listing of public debt is provided with interest rates and value in foreign currency for external debts (Mauritius). It includes a summary of total government debt analysed in to domestic and foreign debt for the last six years, also a reconciliation of the deficit per consolidation to the budget review (separate document) (South Africa). The Tanzanian financial statements provide details of individual loans provided to the Government including the provider, the debt stock in the relevant foreign exchange and Tanzanian shillings at the end of the year and for the previous year. This is analysed by main classes of provider of external assistance and types of domestic debt. The financial statements for Ghana provide a detailed analysis of domestic debt showing any changes over the year. They also provide details of foreign debt stock by donor and project showing the exchange rates and any changes during the year.

Details are provided of all issues of Treasury Bills and Bonds including interest rates (Sierra Leone).

4.3.4 Arrears

Arrears of government receipts and payments may also be of significant interest to users of government financial statements.

A summary is provided of arrears of revenues, further details are also provided for types of taxes and non-tax revenue, with the latter detailed by ministry, department and agency etc (Uganda). A statement of arrears of revenue is provided (Botswana). The National Accounting Principles for Mauritius require that revenue arrears should be reported, but not expenditure

arrears. A statement of arrears of revenue by entity compared to the previous year is provided (Mauritius and Tanzania). Further details of these arrears are then provided in the financial statements of the individual ministries, departments and agencies, for example, the arrears for the Ministry of Health and Social Welfare were for training fees (Tanzania).

Payment arrears are an area of interest, at least for the donor community, and are covered in PI-4 of the PEFA Framework (2011). However, few governments appear to report on this aspect of their finances, although, for example, the Auditor General of Kenya does report on pending bills, or payments to suppliers which were outstanding at the year end for each ministry, department and agency. The definition of payment arrears is not necessarily clear. The Monetary and Economic Union of West Africa (UMEOA in French) does, however, define this (as does the Government of Ghana) as payments not made within 90 days of the receipt of the goods or services. In Sierra Leone the balance and change to domestic and other creditors is included. In Tanzania a statement of outstanding liabilities is disclosed and is analysed by the type of arrears (for example, “Supplies (good and services)” and “Salary arrears”) rather than ministry, department or agency.

In Uganda payment arrears are more than 10% of annual expenditure but not clearly reported on in the financial statements, although some information is included in the report of the Auditor General. The 2008 Consolidated Financial statements state that: “Whereas government is committed to minimizing creation of new domestic arrears through the implementation of the commitment control system, new arrears continue to emerge due to budgetary constraints. Government will continue to take all the necessary steps to ensure that domestic arrears are gradually paid off.” (page 8). Note 21 to these accounts does show details of domestic payables (“These comprise committed creditors [often referred to as “domestic arrears”] incurred by Accounting Officers, which have not been redeemed/cleared by the year-end.”) with the comparative figure for the previous year. The Auditor General report for 2008-09 provides totals for payment arrears for the last four years and the totals by ministry or department (Uganda). The 2009 consolidated financial information provides totals and a graph for current payables for the last six years showing increases of 50%, 67% and 25% over the last three years, but with no clear explanation. The level of current payables shows the total and those owed for more than 30 days.

4.3.5 Losses

Summaries are provided of reported losses and those written off or abandoned, with details by ministry, department and agency etc (Uganda). A Statement of Stores Losses is provided – showing losses in previous years and the current year (Mauritius). Details of loss of public money provided with date, particulars, loss, recovered/written off and state of the file (Botswana). The financial statements for the Government of South Africa disclose fruitless and wasteful expenditure as a note to the accounts. A statement of losses of public moneys, stores written off and claims abandoned are provided by vote (ministries, departments and agency) compared with the previous year in the financial statements of the Government of Tanzania, more details are then provided in the financial statements of individual ministries, departments and agencies. The financial statements for Ghana provide a schedule of doubtful debts by individual public board, corporation or company.

4.3.6 Proceeds from privatisation

The proceeds from privatisation of public enterprises are disclosed (Rwanda). The financial statements for Sierra Leone provide the amounts outstanding from privatisation. This includes amounts for specific companies and the payments received during the year. Similarly for Ghana, details are provided for any outstanding payments for privatised companies. This

includes the name the company, the investor, year of privatisation, cost and amounts paid with the balance outstanding at start and end of the year with brief remarks.

4.3.7 *Outstanding loans, advances, imprest etc*

In some countries there may be an issue with outstanding or unpaid loans, this may also be a problem with advances, imprests and suspense accounts which are used to hide unauthorised payments.

Supporting statements are provided on advances and loans issued and investments held by the Government (Uganda). Statements are provided of loans outstanding and investments in commercial undertakings (Botswana). Details are provided of loans outstanding to individual public boards and corporations and to private companies (export credit guarantees) with changes over the year (Ghana).

Summaries of advances provided by ministry and directorate are provided (Botswana). The Ugandan accounts provide totals for “advances domestic” and “advances – deferred income”. The Auditor General’s report for 2008-09 provides details of advances by ministry or department in Uganda and says that these are not accounted for. Details of advances by ministry, department and agency and type of advance (cars, claims, dishonoured cheques etc) are provided (Mauritius). Totals of outstanding loans and advances provided to employees (and Members of The National Assembly) with the amount written off during the year are provided (Sierra Leone). Totals are provided by ministry, department and agency for advances for vehicles, special advances and salary advances indicating changes over the year (Ghana).

The financial statements for Burkina Faso include details of state loans, advances and repayments. This includes details of state loans to each company, the amount loaned and repaid, and the amount still to be recovered. It also provides details, in total, of loans provided to communes, provinces and members of the government and previous governments.

The Auditor General’s report for 2007-08 provides totals of funds reported in suspense and clearance accounts (Kenya). The Auditor General’s report for 2007-08 provides balances of imprests outstanding at the end of the year for each ministry or department (Kenya). The financial statements for Uganda show a figure for ‘Cash at hand - Imprest’ in total and for the previous year. The Nigerian accounts show a figure for the ‘outstanding imprest account’ for each ministry, department and agency and provide figures for the previous year. The Statement of Assets and Liabilities for Botswana shows a total figure for imprests and the report of the Auditor General provides some further details, but not by individual ministry, department and agency. The report also indicates a concern in this area expressed by the Public Accounts Committee.

4.3.8 *Investments*

Information is provided for all special funds including income/expenditure statement, balance sheet and investments (Botswana).

Details of cash balances, deposit and other bank accounts are provided (Botswana). Balances with various accounts in the Central Bank and totals for individual private banks provided which is consistent with the cash flow statement are provided (Sierra Leone). Balances are provided for the main types of cash and bank account showing the change over the year (Ghana).

Details are provided of investments in public boards and corporations, and private companies with any changes during the year (Ghana). Details are provided of significant controlled entities. This includes any subsidies provided for the current and previous years, the percentage of the government’s holding and its value at cost for the current and previous years (Tanzania).

4.3.9 *Contingent liabilities*

A summary of contingent liabilities showing the lender, nature, interest rate, repaid, maximum liability and current outstanding is provided (Botswana). Some details of contingent liabilities are provided – mainly totals in general and parastatal categories (Sierra Leone).

A summary of contingent liabilities is provided by type or organisation or liability, with a comparison to the previous year. A similar analysis is provided for commitments, with details of named ministries, departments and agencies etc (Uganda). Details of government guarantees (contingent liabilities) line by line with foreign currency details are provided (Mauritius). Summaries are provided of different types of contingent liabilities (South Africa). In Tanzania a statement of loan guarantees and export guarantees is provided giving details of the individual loans provided by the Government, the borrower, lender, size of loan and guaranteed amount. A statement is also provided of contingent liabilities (court cases against public sector entities), this includes the public sector entity, brief details of the cases and the possible value of the liabilities.

4.3.10 *Financial assistance*

Details of budget support are provided by donor (including donor currency) compared to the budget and the previous year (Rwanda - for amounts received by the central Treasury and Sierra Leone). A statement of foreign aid received (cash) is provided – by donor and recipient entity (Mauritius). A statement of foreign aid received (not cash) is also provided – by donor and recipient entity (Mauritius). This includes that received and the balance outstanding with its purpose (Mauritius). A statement of loans, grants technical assistance for development projects is reported by donor (Rwanda). Details are provided of external assistance included in the budget and actually received by the Government of Tanzania, with figures for the previous year. This includes external assistance provided by individual multilateral bodies and bilateral donors. The financial statements for the Government of Ghana provide details of external assistance received during the year analysed into grants, loans and projects grants, showing the amounts received from each donor in the currency of Ghana.

The financial statements for Burkina Faso provide details of grants and loans (including some project finance) with details of the support provided by each donor (in FCFA, the regional currency). In addition, there is a separate report from the Director General of International Cooperation on the receipts from the international partners. This is a detailed annual report for the last ten years (250 pages for 2009 issued in June 2010). A summary is provided of all aid agreements showing their amounts in the currency of origin and local currency. A summary is also provided of all aid received by country and agency (for example, the three French aid agencies) in American dollars (Burkina Faso).

According to the Open Budget Survey (2010), all sources of donor assistance are identified individually in the budget or supporting documents for Ghana and at least two-thirds of, but not all, sources of donor assistance, are identified individually in other countries (Namibia, South Africa, Tanzania, Uganda).

4.3.11 *Extractive Industries Transparency Initiative*

The following African countries are said to be compliant with this initiative according to the Initiative's website:

- Central African Republic
- Ghana
- Liberia

- Niger
- Nigeria.

4.3.12 *Secret expenditure*

According to the Open Budget Survey (2010), one percent or less of expenditure is dedicated to secret items relating to, for instance, national security and military intelligence in South Africa. Three percent or less, but more than one percent, of expenditure is dedicated to secret items in Ghana and maybe, Namibia; and eight percent or less, but more than three percent, of expenditure is dedicated to secret items in Uganda.

The Open Budget Survey (2010) also found that detailed audit reports of the annual accounts of the security sector (military, police, intelligence services) and other secret programs are provided to the legislature (or relevant committee) in Ghana and South Africa. Legislators are provided with audit reports on secret items, but some details are excluded in Tanzania and legislators are provided audit reports on secret items, but they lack important details in Namibia and Uganda.

4.3.13 *Other information of interest to citizens and the media*

Based on interviews with journalists, a leader of a significant public sector trade union and other NGOs in Tanzania and Burkina Faso, the following are their priorities in terms of financial reporting by the Government:

- the salaries and benefits of senior politicians and public officials should be made public
- the assets of senior politicians and public officials should be published when they enter office and when they leave
- the budgets, receipts and expenses of primary schools and primary health centres should be made public
- the receipts and expenses of local authorities should be published
- at least summaries of financial statements should be provided in local languages.

U4 (2008) reports that, in 2006, 28 of the 48 African countries required disclosure of income and assets by public officials. Of these, 23 countries require officials to declare their assets to an anti-corruption body or other government entity, while five publish the declarations (Cape Verde, Central Africa Republic, Liberia, Sao Tome/Principe and South Africa). See also (Messick, 2009).

In South Africa disclosure of personal assets and financial interest is required from elected officials, senior public servants, members of the National Assembly and Cabinet. In Uganda, the declaration of assets law covers all top and middle ranking public officials. Kenya, Tanzania, Uganda, and Nigeria also require that public office holders declare the assets of their spouse and children in a separate declaration, to prevent dishonest officials from hiding their assets in their spouse or relatives' names. Only separated spouses and married/independent children are usually excluded from such regimes.

Most countries make provisions for a yearly filing interval in addition to the initial declaration upon entry into office and after the end of the term.

The budgets, receipts and expenses of primary schools and primary health centres should be made public in local languages and understandable in other ways (as was the case in Uganda).

Transfers to local governments may be published on the website of the Ministry of Finance in Nigeria and Tanzania.

In Burkina Faso, for the 2010 budget a 20 page explanation was provided in five local languages.

4.4 Consistency

Is the information consistent from one year to the next, between accounts within the same financial statements and is it reliable and free from material errors?

The final characteristic, considered in this paper, is consistency which complements understandability and openness. Financial statements should be consistent between the various statements, over time and ideally between countries. In addition, with the increasing publication of quarterly (or even monthly) budget out-turn reports, it is important that these are consistent with or at least reconciled with the annual financial statements.

Technical terms and the figures should be consistent between the different financial statements. This should include, for example, a consistent value and definition of government deficit. In the Nigerian financial statements the same figures are available in the *Cash Flow* and the *Consolidated Revenue Fund* for receipts and operational payments. And the same values in the *Cash Flow Statement*, for example, for cash also appear in the Balance Sheet. Similarly the three main statements provide consistent figures for Sierra Leone. A reconciliation is provided between the “Net surplus /(deficit) as per Statement of Financial Performance” and “Net cash flow generated by operating activities” in the cash flow statement (South Africa). But this reconciliation is not easy to understand and no explanation is provided. Different values are given for cash and cash equivalents in different parts of the financial statements, for example, Note 18 provides a value of Rand 105,156,062 whilst in the Cash flow statement a figure of Rand 101,432,127 is provided (South Africa).

There has been a consistent pattern of reporting by the Government of Mauritius for more than five years, except that statement AA (cash flow statement) is now part of the main accounts. There is also a consistent pattern of reporting over the last five years for the Government of Sierra Leone. Quarterly budget out-turn reports have been produced in the same format by the Government of Tanzania for the last decade. These reports provide a ten page commentary on the budget out-turn covering expenditure, domestic revenue, grants and financing. This report is issued regularly each quarter by the Government of Tanzania. It is published on the Government’s website (where reports from the last ten years are available):

http://www.mof.go.tz/index.php?option=com_content&task=view&id=24&Itemid=38

In a number of countries, the reports of the Auditor General suggest that the quality of the accounting records needs to be improved, for example, from the report for 2008-09 the following weaknesses were noted in one middle sized sub-Saharan African country:

- poor and inadequately maintained accounting records including ledgers and trial balances
- unanalysed balances for various below the line accounts
- uncleared long outstanding balances in the statements of assets and liabilities and bank reconciliation statements
- unreconciled cashbook balances
- inaccurate brought forward balances in the statements of assets and liabilities and in various revenue statements
- material book keeping errors resulting in exclusion of expenditure from the accounts.

In a number of sub-Saharan African countries these problems have existed since the economic problems of the 1980s. In 1991, a UN report noted the following inaccurate accounting weaknesses:

- delay/failure to reconcile cash books with bank accounts
- differences between the individual accounts kept by accounting units and the summary accounts held in the central accounting system
- improperly kept accounts of budgetary expenditures (vote books)
- carelessly or unskilfully prepared accounting reports from field officers
- misclassified and wrongly coded transactions.

The annual report for the Auditor General of Uganda for 2008-09 provided the following summary of its financial audit work: “Out of 93 entities audited, 37 entities had unqualified opinions, 54 had qualified opinions, one disclaimer of opinion and one had an Adverse opinion”. Cash balances amounting to Shs.110,499,883,723 were not reported in the Consolidated Financial Statements (around 3% of total), hence understating cash position as at balance sheet date. It was also noted that internal controls to ensure proper custody and efficient utilization of government cash deposits are still inadequate (Uganda).

Clearly overcoming these fundamental weaknesses is a pre-condition for preparing high quality financial statements and may conflict with the need to produce the accounts on time.

5 CONCLUSIONS AND POLICY IMPLICATIONS

Based on the research undertaken for this paper, this section provides a summary of what we consider to be good practices in financial reporting by central governments. These results could be used to improve the capacity of African governments to provide their parliaments, media, citizens and other stakeholders with timely, clear, reliable and relevant financial statements for all their central government entities.

We consider that the key role of financial reporting by central governments is to account to the public, through their elected representatives in parliament, for the way in which the annual budget, previously agreed by parliament was implemented. To improve such accountability, budget documents and subsequent financial statements need to be more closely aligned; for example, projected borrowing and year-end levels of debt stock should be included within budget documentation. Accountability would also be improved if the most recent audited financial statements were provided with the budget documents submitted to parliament. Other items, such as payment arrears, investments, privatization proceeds, which appear in the financial statements, should also be included in budget documents at least as brief summaries.

The key aspects of existing good practices identified from the annual financial statements were analysed are summarised below against the four qualitative criteria of timeliness, understandability openness and consistency. These could be considered to be a set of success criteria against which the quality of financial reporting by other governments can be assessed. These existing good practices could also enable other countries to improve the quality of the financial reports from their central governments based on this practical experience within the region.

5.1. Timeliness - Are the audited financial statements made public promptly after the end of the financial year to which they refer?

Basic good practice is that the audited financial statements are presented to parliament and published within 12 months of the end of the relevant accounting period. This is now achieved by most African governments. A refinement is for the accounts to be published within nine

months of the end of the financial year so that they can be considered before the budget for the following financial year is agreed by parliament. This is currently being achieved by, for example, Mauritius, Tanzania, Uganda and South Africa.

5.2. *Understandability* - Are the financial statements clear and are the key aspects and terms explained?

Extra effort is needed to ensure that public sector financial statements are accessible, clear and understandable by their users. In many countries the Accountant General provides a commentary on the financial statements and this is complemented, in some countries, by the report of the Auditor General. These commentaries are made more understandable with the inclusion of graphs and charts. In addition, the inclusion of a glossary or explanation of key terms can assist users to understand the technical language which is used. A summary of the financial results for the last few years may also help to provide the context for the government's financial statements.

The entities which are covered by the main accounts of the government are indicated or listed in many of the financial statements of governments of sub-Saharan Africa. However, none of the statements we reviewed consolidate all controlled entities and government business enterprises are almost always excluded. Such a consolidation is currently a core requirement of the *Cash Basis IPSAS*, but this may be revised (IPSASB 2015).

The financial statements usually include reference to their legal basis and the formal opinion of the Auditor General.

The length of the financial statements varies greatly from nearly 2,500 pages in Kenya to only 30 pages for the main report in Sierra Leone. In a number of countries, the Auditor General provides an executive summary covering the main findings in their report, this includes Tanzania and Uganda. The provision of such an executive summary may significantly increase the understandability and clarity of the financial statements.

Understandability is also dependent on the information provided given that there are different systems of accounting being used. The core question of how well the information is presented and understandable to the target audience (civil society, legislature, citizenry) was better dealt with than the information required for country comparisons by external stakeholders such as members of the donor community, international debt markets, foreign exchange markets where consistency of information to allow cross-country comparisons is more important. There is additionally the relationship of different accounting and economic data being presented in ways that can be confusing as the definitions of statistical information and different technical definitions of accounting information can be complex.

5.3. *Openness* - Is the key financial information of interest to politicians and the public made available?

Comparisons of actual payments and receipts to the budget agreed by parliament are a key role for public sector financial statements and are provided by all the financial statements reviewed for this study. However, the level of detail varies from country to country and significant variances between the budget and the actual results are not necessarily clearly explained.

Details of government debt are provided in most of the financial statements we reviewed. This may include individual loans (Botswana), details of interest rates and the value in foreign currency of external debts (Mauritius) and changes over the year and the relevant exchange rates (Ghana).

Many countries provide details of arrears for revenue and this may be analysed by ministry, department and agency with a comparison with the previous year (Mauritius, Tanzania and

Uganda). Fewer governments report on payment arrears and common definitions are not used, although these have been developed for those Francophone countries that are members of UMEOA (Monetary and Economic Union of West Africa).

Several governments provide details of losses, fruitless or wasteful expenditure. This may include individual cases (Botswana) or the total for each ministry, department and agency (Tanzania).

Proceeds of privatisation are reported by several governments and some include details of outstanding payments (Ghana). Similar details are often reported of outstanding loans, advances and imprests and may include details written off during the year. Listings are also usually provided of government investments. Details are provided of contingent liabilities by several governments, especially loan guarantees (Tanzania). These may include details of individual cases (Mauritius) or only summary amounts (South Africa).

Details of financial assistance received from individual donors are often reported and may include the amounts in the local currency and the currency of the donor (Rwanda). The figures are usually analysed into loans and grants. However, Mauritius is one of the few countries that provides details of most of its project or non-cash aid.

The Open Budget Survey (2010) indicates that in many countries little or no information is provided on spending in areas defined as 'secret', although this is less than three per cent of expenditure in Ghana, Namibia and South Africa.

Key users of government financial information (for example, journalists, trade unions and other NGOs) indicate that they would like to see further details of the salaries and other benefits paid to senior politicians and public officials. Only five countries publish the asset declarations of such individuals. Users would also be interested in the payments and receipts of primary service facilities including schools and health centres.

5.4. Consistency - Is the information consistent from one year to the next, between accounts within the same financial statements and is it reliable and free from material errors?

In some financial statements the figures are clearly consistent between the different statements (Nigeria and Sierra Leone). However, other governments may provide different figures, for example, for cash and cash equivalents in different parts of their financial statements.

Some governments have been able to report in a consistent format over the last five years (Mauritius and Sierra Leone). The Government of Tanzania provides a 10-year history of quarterly budget out-turn reports on its website, but these are not clearly consistent nor reconciled with the associated annual financial statements.

5.5 Policy Implications

This paper is predicated on the view that existing good practices in sub-Saharan Africa in terms of annual financial reporting by governments had not previously been studied, analysed or documented. It was felt that international standards should be based on existing good practices and so the first step in their development and refinement should be the codification of existing good practices. The timing and sequencing of public financial management reforms should be clear to build on existing strengths as well as focusing on weaknesses as identified by PEFA assessments. The lack of recognition of good practice can place in danger successful development of PFM systems and may in some cases reduce the overall effectiveness of PFM reform.

The international accounting standard which is promoted most widely across sub-Saharan Africa by the international financial institutions, the development partners and professional organisations is the Cash Basis IPSAS. However, the main requirements of this standard have

not been implemented in any country in sub-Saharan Africa, or indeed across the world (Wynne, 2012). This may be because the standard was not developed from codified good practice, for example, a key requirement is for full consolidation of the financial results of all organisations controlled by the government (International Public Sector Accounting Standards Board, 2007). However, this objective has yet to be achieved by any government in the world including Australia, New Zealand and UK (Wynne, 2012).

It is hoped that this paper can be used to further improve the capacity of African governments to provide their parliaments, media, citizens and other stakeholders with timely, clear, reliable and relevant financial statements for all their central government entities. This is necessary for accountability purposes and can change the focus to a more positive one of building on current good practices rather than just highlighting poor practice.

Implementing such good practice can best be achieved by peer review and joint working by regional officials rather than dependence on international consultants bring outside expertise, but lacking essential knowledge of local conditions, cultures and practices. As a result, it is hoped that regional bodies, for example, ESAAG (regional body for Accountants General) and AFROSAI-E (regional body for Auditors General) will find the information identified by this paper useful in developing regional guidance for their members.

The paper provides a starting point for identifying existing good practice in annual financial reporting by the governments of sub-Saharan Africa. The *Declaration on Good Public Financial Governance* prepared for the African ministers of finance in March 2011 (CABRI, AFROSAI & ATAF, 2011) recommended, “support for the implementation of consistent accounting standards across government and strengthening financial reporting practices” (page 5). It is hoped that this paper will facilitate the achievement of this objective.

The existing good practice identified in this report, if more widely adopted across sub-Saharan Africa, would increase the level of accountability of governments to their citizens. It will also increase the level of comparability of financial statements between governments and so facilitate international comparisons.

It is recognised that a number of pre-conditions will be necessary before the good practice outlined in this paper can be widely implemented. These will include an appropriate legal framework (with supporting regulations, manuals and policies), the availability of staff with suitable experience and adequate capacity within the office of the Accountant General (including IT infrastructure) and line ministries.

The study would benefit from being extended to cover the financial statements of a larger range of African governments, especially those of Francophone countries. In addition, as suggested earlier, this study could be replicated in other regions of the world and this would provide the comprehensive information which is needed to develop practical international public sector accounting standards for the public sector which are based on existing good practice and should therefore be more practical and attainable.

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