REPUBLIC OF GHANA

Ghana:
Public Expenditure & Financial Accountability (PEFA) Performance Review

Final Report

Client:
SECO on behalf of the
Government of Ghana

June 2013

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ECORYS

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GOVERNMENT FISCAL YEAR (FY)

1 January – 31 December

PEFA ASSSESSMENT PERIOD

FY 2009, FY 2010, FY 2011

TIME OF ASSESSMENT

November 2012

In case of reply the
number and date of this
letter should be quoted

Our Ref. **No:** ***B.9/13/PEMU/PEFA.MGL***

Your Ref.

REPUBLIC OF GHANA

MINISTRY OF FINANCE
P. O. BOX MB 40
ACCRA

MANAGEMENT RESPONSE TO THE 2012 PEFA ASSESSMENT

Acknowledgement

1. On behalf of the Government of Ghana (GoG) I would like to express my sincere gratitude to the 2012 PEFA Consultants - M/S Ecroys Nederland BV- for the tremendous effort in conducting the PEFA assessment and for putting together the report. Our appreciation also goes to our sponsors German and International Development Cooperation (GIZ) and the Swiss State Secretariat for Economic Affairs (SECO) for their support in making it possible to have yet another Public Expenditure and Financial Accountability Assessment (PEFA).

2. We also acknowledge all the efforts of the Steering Committee and the Senior officials of all Ministries, Departments and Agencies who took the time off their busy schedule to provide information for the assessment.

Conduct

3. This is the third successive Public Expenditure and Financial Accountability Assessment and it incidentally coincides with the ongoing major Public Financial Management Reforms. The PEFA Performance Measurement Framework has served as an effective tool for policy dialogue on the PFM performance and practice in the country and also helped in strengthening and reforming PFM systems. Indeed, the reform programs have been informed by observations from previous PEFA assessments.

Observations on the PEFA Scoring

4. It is a fairly comprehensive performance measurement framework, which also comments on the full functional scope of a country's PFM systems using 28 indicators and 3 additional indicators of the impact of donor practices on PFM. Further, the narrative to each indicator provides an opportunity to give understanding and insight to PFM systems and practices. It is also worthy to note that the PEFA indicators have also undergone some changes as a reflection of comments from Country experiences.

5. This report has undeniably provided the Government a guide to comprehend with the country's PFM situation and a tool for which Government would have policy dialogue on the sequencing and pacing of reforms emanating from this PEFA report.

6. However, the scoring has limitations of assessing some of the critical factors that crucially support PFM outcomes and a scoring for the reforms. Secondly, a number of critical initiatives have been undertaken by Government which are improving PFM outcomes and has made the economy stronger albeit with some challenges.

7. Consequently, it is the wish for Government to complement the PEFA results with a report on these critical issues and the reform agenda over the period. The purpose is to disabuse the wrong interpretation of the scoring to the performance of the PFM reform.

8. We would therefore, entreat all to read that report which was supported by GOG and GIZ.

9. In conclusion, it is important to note that, the Government is committed to ensure that the Government's Agenda is achieved.

HON. SETH TERKPER
MINISTER

Table of contents

Acronyms and Abbreviations

ABFA	Annual Budget Funding Amount
AfDB	Africa Development Bank
AG	Auditor General
AGA	Autonomous Government Agencies
ARIC	Audit Report Implementation Committee
BPEMS	Budget and Public Expenditure Management System
BoG	Bank of Ghana
BS	Budget Support
CAG	Controller and Accountant General
CAGD	Controller and Accountant General Department
CDD	Centre for Democratic Development
CEPS	Customs, Excise and Preventive Service
CF	Consolidated Fund
CoA	Chart of Accounts
COCOBOD	Ghana Cocoa Board
COFOG	Classification of the Functions of Government
CS-DRMS	Commonwealth Debt Recording and Management System
CSO	Civil Society Organisation
DAC	Development Assistance Committee (OECD)
DACF	District Assemblies Common Fund
DANIDA	Danish International Development Agency
DDF	District Development Facility
DMD	Debt Management Department
DMS	Debt Management Strategy
DP	Development Partner
DP-PAF	Development Partner Performance Assessment Framework
DSA	Debt Sustainability Analyses
EERD	External Economic Relations Division
ERFD	Economic Research and Forecasting Division
EU	European Union
FAA	Financial Administration Act
FAR	Financial Administration Regulations
FOAT	Functional and Organisational Assessment Tool
FY	Fiscal Year
GAS	Ghana Audit Service
GDP	Gross Domestic Product
GCMS	Ghana Customs Management System
GETFund	Ghana Educational Trust Fund
GES	Ghana Education Service
GFS	Government Financial Statistics
GIFMIS	Government Integrated Financial Management Information System
GITMIS	Ghana Income Tax Management Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GH¢	Ghanaian Cedi (local currency)
GoG	Government of Ghana
GRA	Ghana Revenue Authority

GSGDA	Ghana Shared Growth and Development Agenda
GPRS	Ghana Poverty Reduction Strategy
HQ	Head Quarters
IAA	Internal Audit Agency
IAU	Internal Audit Unit
ICT	International Competitive Tendering
IGF	Internally Generated Funds
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IRS	Internal Revenue Service
IPPD	Integrated Personal Payroll Database
HIPC	Heavily Indebted Poor Countries
LBC	Licenced Buying Company
LTIPS	Large Taxpayer Information Processing System
LTO	Large Taxpayers Office
MDAs	Ministries, Departments, Agencies
MDBS	Multi Donor Budget Support
MMDA	Municipal Metropolitan and District Assemblies
MDRI	Multilateral Debt Relief Initiative
MLGRD	Ministry of Local Government and Rural Development
MOFEP	Ministry of Finance and Economic Planning
MOH	Ministry of Health
MTEF	Medium-Term Expenditure Framework
MTO	Medium Taxpayers Office
NBFI	Non-Banking Financial Institutions
NDPC	National Development Planning Commission
NCT	National Competitive Tendering
NGO	Non-Governmental Organisation
NHF	National Health Fund
NHIF	National Health Insurance Fund
NHIL	National Health Insurance Levy
NREG	Natural Resource and Environmental Governance
NTRU	Non-Tax Revenue Unit
NYEP	National Youth Employment Programs
NR	Not Rated
OASL	Office of the Administrator of Stool Lands
OECD	Organisation for Economic Co-operation and Development
PAC	Public Accounts Committee
PAF	Performance Assessment Framework
PBB	Program Based Budgeting
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure Tracking Survey
PI	Performance Indicator
PFM	Public Finance Management
PIP	Public Investment Programme
PPA	Public Procurement Authority
PPME	Public Procurement Model of Excellence
PPP	Public Private Partnership
PPS	Payroll Processing Section
RAGB	Revenue Agencies Governing Board

SAGA	Semi-Autonomous Government Agency
SEC	State Enterprise Commission
SECO	Swiss State Secretariat for Economic Affairs
SN	Sub-National
SMTDP	Sector Medium Term Development Plan
SOE	State Owned Enterprise
SS	Single Source
SSSS	Single Spine Salary Structure
SSPP	Single Spine Pay Policy
STO	Small Taxpayers Office
TIN	Tax Identification Number
trips™	Total Revenue Information and Processing System
TSA	Treasury Single Account
VAT	Value Added Tax
VATS	Value Added Tax Service
VIPS	VAT Integrated Processing System
WB	World Bank

Disclosure of Quality Assurance Mechanism

The following quality assurance arrangements have been established in the planning and preparation of the PEFA assessment report for the Ghana, final report dated 14/06/2013.

1. Review of Concept Note and/or Terms of Reference

- Draft concept note and/or terms of reference were submitted for review to the following reviewers:
- 1) BSS Economic Consultants (comments on draft concept note submitted on 9 May 2012)
- 2) PEFA Secretariat (comments on revised draft concept note submitted on 13 September 2012)
- 3) SECO, Bern (comments on draft submitted on 10 May 2012)
- 4) PEFA Steering Committee (commented the draft on 11 September during its meeting).

Final concept note and/or terms of reference were adopted on 3rd October 2012 by the PEFA Steering Committee.

2. Review of draft report(s)

- Draft report dated 18 December 2012 was submitted for review on 4 January 2012 to the following reviewers:
- 1) Mr. Stefan Pfaeffli, Lucerne University of Applied Sciences and Arts
- 2) PEFA Secretariat
- 3) Developing partners included in the PEFA Assessment: Mr. Thomas Benninger, Switzerland SECO; Mr. Michael Corlin, Denmark DANIDA; Mrs. Eline Okudzeto, African Development Bank AfDB, Mr. Harald Kueppers, GIZ/Good Financial Governance Program; Mrs. Janet Mortoo, European Union EU; Mr. Santiago Herrera, World Bank WB; Mr. Pran Konchady, International Monetary Fund/IMF
- 4) Government of Ghana, including Ministry of Finance, Public Procurement Authority, Ghana Revenue Authority, Ghana Audit Services, Controller and Accountant General Department.

3. Review of final draft report

A revised final draft assessment was forwarded to reviewers on 6 June 2013 and included a table showing the response to all comments raised by the Government of Ghana. The consultant had submitted responses to comments raised by all reviewers on 18 March 2013. Responses on the comments by the Government of Ghana were those submitted during the Validation Workshop on 7/8 February 2012. The Government later submitted further comments to which the Team Leader responded on 6 June 2013 (see above).

4. The quality assurance arrangements are described in the final report.

PEFA assessment report Ghana, March 2013

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the '**PEFA CHECK**'.

PEFA Secretariat, September 18, 2013

Integrated Summary Assessment

This Public Expenditure and Financial Accountability (PEFA) performance review assessment is the third assessment following two earlier assessments in 2006 and 2009. The main objective of the current assessment is to track the progress since the last assessment. The assessment follows the PEFA Framework methodology and supporting guidelines and clarifications to the Framework. No deviations from the methodology were made.

This report presents the indicator-led assessment of the functioning of the public financial management (PFM) systems in Ghana and measures the progress achieved since the previous assessment. Following the philosophy of the PEFA framework this performance review report does not comment on policy and capacity issues. It also does not include any specific recommendations for PFM improvements. However, following the Terms of Reference (TOR) a separate report will be prepared under the same contract to advice on future considerations for PFM reforms in respect to their sequencing and prioritisation as well as institutional and organisational arrangements for their implementation.

This section of the report provides an integrated assessment and a summary of the main performance changes in the functioning of the PFM systems in Ghana since the PEFA assessment of 2009 against the six core dimensions of PFM performance in the performance Measurement Framework, and the extent to which this performance may impact upon the achievement of the three main objectives/outputs of a sound PFM namely aggregate fiscal discipline, strategic allocation of resources and efficient service delivery.

I. Integrated Assessment of PFM Performance

A. Credibility of the budget

There remain significant difference between the originally approved budget and the actual outturns when considered at the aggregate level and restricted to primary expenditures. This deviation was particularly big for the 2011 fiscal year. One of the factors that explain the large deviation is reflected by the Supplementary Budget procedures. The law allows to adjust the estimates in case of the windfall in revenue. So when compared with the revised estimates, approved by the parliament through Supplementary procedures the deviations will be smaller. Most importantly however, the large deviation are also largely due to the ineffective establishment control and commitment control. There are also difficulties in forecasting accurately the wage bill (particularly as result of the implementation of the Single Spine Salary Policy) which constitutes about 60% of the total non-interest recurrent expenditure and about 12% of GDP[1]. All the above mentioned factors, in combination with unpredictable budget releases result in expenditure outturns beyond budget ceilings and consequently accrual of expenditure arrears.

The comparison of the Appropriation figures and the outturns in the Financial Statements on administrative basis is complicated by their different presentation and coverage. The legal framework provides for the preparation of financial reporting only on the Consolidated Fund as opposed to the overall central government funds. The Controller and Accountant General (CAG)

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1 Source: Budget Statement and Fiscal Data 2011.

adopted a narrow definition of this provision and does not report on retained Internally Generated Funds, Development Partners funded investment expenditure and Statutory Funds. There are also multi-sectoral allocations items which are not allocated to individual Ministries, Departments, Agencies (MDAs) in the Appropriations but are reported on under MDAs in the financial statements. This complicates the assessment of the variance in expenditure composition and the extent to which reallocations between budget heads during execution have contributed to variance in expenditure composition. The variance in expenditure composition, when assessed on the Consolidated Fund expenditure only, reveals significant deviations at the level of individual ministries, departments and agencies.

The level of reported expenditure arrears remains to be significant and has substantial budgetary implications. While some improvements in the monitoring of the expenditure arrears took place since the previous assessment and more information is available on the stock of expenditure arrears; the reported stock of expenditure arrears seems to be underestimated. Expenditure arrears are observed not only for goods and services, and assets, but also for salaries and wages. This is mainly a result of the long delays in processing new hires in the Integrated Personal Payroll Database (IPPD). Although the commencement certificate has been reinvigorated in 2010 to strengthen the commitment control, it did not prove to be fully effective since it does not apply to ongoing investment contracts (which can be renewed and have substantial budget implications), and there are cases when no commencement certificate is obtained for new projects.

B. Comprehensiveness and transparency

The budget is fairly comprehensive and there is public access to a number of key fiscal documents. There remain however weaknesses in terms of comprehensiveness of the budget information and fiscal reports (which is largely due to the fragmented approach to budgeting and reporting), and the comprehensibility and timeliness of this information.

The budget documentation submitted for the legislative review is fairly comprehensive but it misses some important elements which facilitate its scrutiny. While it includes information on macroeconomic assumptions, fiscal balance and debt financing, new policy measures, it lacks an explanation and estimation of the implications these measures have on the budget. The budget documentation as presented currently does not include summarised budget data in a consistent format and does not facilitate the comparison of the budget performance across years.

While the availability of key fiscal information to the public allows accountability for various stages of the budget cycle, the available information is not presented in a transparent, comprehensive, user-friendly and timely manner and in some cases with delay. The available information is to a large extent technical and difficult to comprehend for non-professionals. While Financial Statements of the Consolidated Fund are available to the public, the individual accounts for MDAs and Statutory Funds are not. The available information on contract awards is not comprehensives, while information on resources available to primary service delivery units is lacking.

One of the factors that contribute to the comprehensibility of the budget documentation and fiscal reports is that the current budget classification system is not consistently and comprehensively applied during all stages of budget cycle and across all functions. One of the pre-requisites of a well-functioning PFM system is a Chart of Accounts (CoA) that is able to ensure consistency between budgeting, execution and reporting. While the CoA was revised in line with the Government Financial Statistics (GFS) Manual 2001 and introduced in the preparation of the Fiscal

Year (FY) 2012, it is not yet consistently applied across these three core areas. Even stronger, the current classification structure is not yet consistently applied across all functions including, sector planning, MTFF, Medium-Term Expenditure Framework (MTEF), budget ceilings, intergovernmental fiscal transfers, budget warrants and releases, commitment control, accounting and financial reporting on expenditure returns etc. MTEF is prepared based on administrative and economic classifications. The budget does not yet follow strictly the GFS based functional classification. One of the difficulties with the new GFS based classification is that GFS standards do not accommodate development expenditure. Under the new GFS based classification, development expenditures are considered as assets. However not all assets (i.e. capital expenditure) are necessarily development expenditure. If not properly dealt with reporting on development expenditure may become meaningless.

There are substantial weaknesses in the monitoring of fiscal risks from the operations of public sector entities. While there is a system in place for monitoring of financial performance of selected State Owned Enterprises and subvented agencies, there is no mechanism for analysing and consolidating this information into a statement on the overall fiscal risk which may have an impact on the budget. This is in particular explained by the current fragmented institutional arrangements for monitoring of fiscal risks and unclear or conflicting responsibilities of responsible stakeholders. The weaknesses in reporting on Public Private Partnership and bridging loans and other off-balance financial instruments undermines the comprehensiveness of the budget and remains an area for potential fiscal risks to the budget.

Weaknesses in transparency of the inter-governmental fiscal relations affect the budget credibility and implementation, and consequently the service delivery at the MMDAs (Municipal Metropolitan and District Assemblies) level. The horizontal allocation of resources between SNG entities is transparent and rule-based only for approx. 38% of the transfers. Only 10% of the MMDAs resources come from their Internally Generated Revenue, the rest being dependent on transfers from the government and development partners. Information on central government allocations to MMDAs becomes available with significant delays after the start of the fiscal year and for some transfers not at all. Even when information on available resources is provided to the MMDAs for the three main funding sources (i.e. District Assemblies Common Fund (DACF), District Development Facility (DDF) and Minerals Fund), the actual transfers may be substantially delayed. This gives raise to the accumulation of arrears and undermines the implementation of their budget and makes the overall budgeting process meaningless.

C(i). Policy-based budgeting

A Medium-Term Expenditure Framework is formally in place and almost all sectors/MDAs have costed sector plans. However policy-based budgeting practice remains deficient in many respects. The main factors that undermine the effectiveness of the adopted policy-based approaches and tools relate to the lack of establishment of basic pre-requisites such as budget credibility, effectiveness of a MTFF as an instrument for top-down budgetary discipline, predictability in budget releases and expenditure control.

The linkage between sector plans and strategies and annual budget remain weak. Not all sector strategies are fully costed; in some cases the costing includes only the new investments and neglects any recurrent costs. Only few sector plans are developed within a fiscal space. This makes the strategies a wish list rather than reflect a careful prioritisation of projects. In combination with the lack of an effective institutional framework for selection of public investments, this doesn't support the linkage of the annual budget process with the sector plan; on contrary, the selection of the new investment projects is merely a political decision. There are cases when projects which were not included in the sector plans are introduced in the budget. The policy-based budgeting is affected by the lack of a meaningful bottom up participation in the budget preparation particularly at the early stages. There is no platform at the moment involving a broader group of stakeholders for discussing and reconciling inter-sectoral priorities, except for the Cabinet discussions that set the final ceilings but only in October which is late in the budget preparation process.

Further, the MTFF has not yet been instituted as an instrument of fiscal discipline based upon three year rolling forecasts. Although budget ceilings to MDAs are provided for three years, the focus is on the budget year while the two outer years are indicative. The budget submissions of the line ministries as a rule exceed significantly the budget ceiling provided by the Ministry of Finance and Economic Planning (MOFEP). The MOFEP guidance for the preparation of the budget submissions is generally clear and comprehensive and includes ceilings although these are approved by the Cabinet only after the budget hearings. The ceilings cover less than 10% of the funds eventually to be appropriated. While the budget process occurs in line with a predetermined budget calendar, the budget calendar is issued with increasing delays and MDAs have limited time to prepare their submission. For all fiscal years under review, however, the Budget Appropriations were approved by the Parliament prior to the start of the fiscal year.

C(ii). Predictability and control in budget execution

Revenue administration is gradually strengthening as result of the modernisation of the Ghana Revenue Authority which brought under one umbrella and took over the responsibility for tax administration from the former three revenue services i.e. Internal Revenue Services (IRS), Customs, Excise and Preventive Service (CEPS) and Value Added Tax Service (VATS). The modernisation process involves redesigning and improving business processes and procedures, intensifying and expanding the use of IT. Despite the multiple changes, the new organisation and structures are not fully operational yet and the new business processes are not fully applied yet. In some cases, the old and new systems are still being used concurrently; in other cases the old systems have been abolished but the new ones not yet implemented. This to some extent affects the performance of the revenue administration.

There are a number of elements which adversely affects the volume of domestic revenues. While the legal framework for revenue administration is generally clear and comprehensive, there remain weaknesses in respect to the extent of exemptions and discretionary powers for the application of tax assessments, setting penalties and applying wavers. Also the volume of tax arrears remains relatively large. As a result of the modernisation and decentralisation of operations to districts, information on tax arrears is collected at the district level and not aggregated and monitored at the centre. The same applies for reconciliations, which are done at the district level. There is no complete reconciliation of tax assessments, collections, arrears and transfers. The ongoing implementation of the trips™ may help resolve some of these issues.

The current practices of cash planning, the lack of reliability and short horizon of ceilings for expenditure commitment, as well as weak commitment control lead to accrual of arrears, a fact which ultimately impacts upon the quality of the service delivery. Lack of liquidity is one of the main reasons for outstanding bills. This at its turn is partly influenced by the lack of regular information on the cash balances held in the sub-Consolidated Fund accounts, the balances in the retained Internally Generated Funds (IGF) accounts and project/programme accounts managed by

Development Partners (DPs). The cash planning at the beginning of the year is informed by procurement plans and cash flow requirements. The latter are however not updated during the year; this, in combination with the lack of up-to-date information on the cash balances in all government bank accounts, affects the quality of cash flow forecasting. Weaknesses in cash management impact upon management of budget releases to facilitate expenditure. The implementation of the Treasury Single Account (TSA) may help resolve this issue unless IGFs and DPs funds will be left outside this arrangement.

The current warrant mechanism, General and Specific Warrants, and Release Warrants, allows controlling to a large extent the overall level of payments from the Consolidated Fund, but it is not effective in controlling expenditure against commitments. This leads to accumulation of expenditure arrears and undermines the quality of the service delivery and the value-for-money for public expenditures. The reinvigoration of the Commencement Certificate for new investment expenditure has addressed partially this problem, but it does not serve as an effective commitment control either. Outstanding bills at the year-end have to be paid out of the next year’s budget most probably at the expense of planned service delivery. The new Government Integrated Financial Management Information System (GIFMIS) is expected to address these weaknesses although it will depend on the extent of the roll-out of GIFMIS to service delivery units.

There remain substantial weaknesses in expenditure control. While the rules and procedures are generally clearly established and described in the regulatory framework and internal guidelines, they are often not adhered to. Compliance to formal procedures and/or the use of informal procedures seem to be a challenge across many areas in the budget execution. Non-compliance runs the risk of leakages of funds and wasteful spending.

There are no changes in the performance of the payroll and procurement systems since the previous assessment. The main weakness in the management of payroll remains to be the lack of an establishment database which should serve as a control mechanism for new entries, promotions and transfers entered in the personnel database. The personnel and payroll databases are directly linked, but cumbersome administrative procedures lead to long delays in processing the changes in the personnel database and likely contribute to accumulation of expenditure arrears. The procurement system seems to function well from the formalistic point of view. The legal framework is fairly comprehensive and transparent, and establishes competitive bidding as the default procurement method and defines the circumstances under which restricted and sole source tendering can be applied. There is also a fairly independent administrative procurement complaints system. On the other hand, there is lack of information on the contracts awards available to the public on a regular basis and in a comprehensive manner; and there is lack of reasonably complete information on the volume of contracts awarded by methods other than competitive bidding which are justified in accordance with the legal framework. The deficiencies in transparency of the procurement process, in combination with the lack of objections and appeals from the suppliers, raises questions about the effectiveness of the procurement system and whether it delivers value for money. Also some procuring entities employ pragmatic solutions in response to the delays in the release of funds which undermine the effectiveness of the procurement system and ultimately the value for money for the service delivered.

Internal audit function is still at its infancy. The largest part of the internal audit time is spent on pre-auditing transactions, which is ex-ante check of compliance to the rules and procedures; limited time is allocated to post audits and systemic issues. While most of the spending units have instituted Audit Report Implementation Committees (ARICs), many of them are not yet functioning.

The lack of a well-functioning mechanism for ensuring the implementation of the recommendation and management response does not contribute to improving the internal audit and its impact on functioning of the PFM systems.

C(iii). Accounting, recording and reporting

Accuracy, integrity and timeliness of public accounts remains to be a challenge. The Auditor General reports make reference to various examples which illustrates such caveats. This is further reinforced by the current reconciliation and reporting practices. The Controller and Accountant General Department (CAGD) managed bank accounts, comprising the treasury main account, the sub-consolidated fund accounts for MDAs, DP fund accounts and IGF accounts, are reconciled on a monthly basis but with significant delays of up to three months. Reconciliation of bank accounts which fall outside this reconciliation arrangement is done for some accounts quarterly and for some accounts annually. It takes 8 weeks for MDAs and MMDAs to acquit some of the cash advances, but still with significant amount of un-acquitted cash imprest, uncleared balances being brought forward.

Substantial challenges remain in respect to reporting practices. The new Chart of Accounts has been introduced and implemented in the 2012 budget. The implementation of the 2012 budget is using only partially GIFMIS. A lot of information is still collected manually. The implementation of the new CoA resulted in delays of longer than three months in the preparation of monthly accounts. The monthly financial reports include information only on expenditure but not on commitments. These reports are not accompanied by any commentary on the extent to which the budget implementation is on track. The public accounts in the current form do not allow a full comparison of revenue and expenditure against the Budget Appropriations. Financial Statements prepared by the CAG cover only transactions out of the Consolidated Fund and comprise revenues, expenditures, liabilities and financial assets. Financial statements do no encompass full information on retained IGFs, arrears, and DP financed projects/programmes. Individual Financial Statements on MDAs are prepared; these include information on retained IGFs. The accuracy of the financial statements is likely affected by the delays in collecting information on expenditure from districts, particularly in ministries where significant amounts of budget funds is spent at district level. Further the accuracy and timeliness of the Public Accounts prepared by the CAG are undermined by the legal framework which requires both the MDAs and the CAG to finalise and present their accounts on the same date.

Another element which exhibits weak performance relates to the unavailability of information on resources received by service delivery. No Public Expenditure Tracking Survey (PETS) has been carried out since 2008 and the new CoA does not seem to have the possibility to track what has been delivered and used by the primary service delivery units.

C(iv). External scrutiny and audit

The external audit is well established and professional and adheres broadly to INTOSAI (International Organisation of Supreme Audit Institutions) auditing standards but copes with capacity challenges which largely are responsible for the delays in issuance of external audit reports, except for the audit reports on the Consolidated Fund and MDAs. The external audit covers about 92% of total government revenue and expenditure and fair audit time is spent on financial audits and systemic issues. While the external audit deals with systemic issues, the focus of the audit is on transaction testing and compliance.

The legislative scrutiny of the budget proposals and external audit reports is challenged by two aspects. One of the main challenges in the legislative review of the budget is the lack of time which is left for meaningful debate on the budget in the House. The parliament has clear although fairly simple procedures for the scrutiny of the budget and the audit reports; these are elaborated in the Standing Orders. The current arrangements do not envisage for a Technical Office which would support the select committees in their scrutiny of the budget proposals. Consequently most of the time is spent on organising the review process and individual review of the budget proposals. The limited time left is not sufficient for a meaningful debate in the House. The effectiveness of the scrutiny of external audits is adversely affected by the backlog in the examination of audit reports by the legislature, which undermines the actuality of the discussions, and ineffective follow-up on its recommendations. As the Public Accounts Committee (PAC) itself notes, the same errors and issues reoccur each year, indicating that its recommendations are not being addressed effectively.

The table below presents the overall scoring of the performance indicators.

Table 1.1 Overall summary of PFM Performance Scores

PFM Performance Indicator (PI)		Scoring Method	Dimension Ratings				Overall Rating
			i.	ii.	iii.	iv.	
A. PFM-OUT-TURNS: Credibility of the budget							
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	C				C
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	NR	A			NR
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	C				C
PI-4	Stock and monitoring of expenditure payment arrears	M1	D	D▲			D
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency							
PI-5	Classification of the budget	M1	C▲				C
PI-6	Comprehensiveness of information included in budget documentation	M1	C				C
PI-7	Extent of unreported government operations	M1	A	C			C+
PI-8	Transparency of inter-governmental fiscal relations	M2	C	D	D		D+
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	C	C			C
PI-10	Public access to key fiscal information	M1	B				B
C. BUDGET CYCLE							
C(i) Policy-Based Budgeting							
PI-11	Orderliness and participation in the annual budget process	M2	C	C	A		B
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	C	A	C	C	C+
C(ii) Predictability and Control in Budget Execution							
PI-13	Transparency of taxpayer obligations and liabilities	M2	D	A	C		C+
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	C	C	C		C
PI-15	Effectiveness in collection of tax payments	M1	B	A	D		D+
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	C	D	C		D+
PI-17	Recording and management of cash balances, debt and guarantees	M2	B	C▲	C▲		C+
PI-18	Effectiveness of payroll controls	M1	A	C	B	B	C+
PI-19	Competition, value for money and controls in procurement	M2	B	D	D	B	C
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	D	B	C		D+
PI-21	Effectiveness of internal audit	M1	C	B	C		C+

PFM Performance Indicator (PI)		Scoring Method	Dimension Ratings i.	ii.	iii.	iv.	Overall Rating
C(iii) Accounting, Recording and Reporting							
PI-22	Timeliness and regularity of accounts reconciliation	M2	D	C			D+
PI-23	Availability of information on resources received by service delivery units	M1	D				D
PI-24	Quality and timeliness of in-year budget reports	M1	C	C	C		C
PI-25	Quality and timeliness of annual financial statements	M1	C	A	C		C+
C(iv) External Scrutiny and Audit							
PI-26	Scope, nature and follow-up of external audit	M1	C	B	C		C+
PI-27	Legislative scrutiny of the annual budget law	M1	C	B	C	D	D+
PI-28	Legislative scrutiny of external audit reports	M1	D	B	B		D+
D. DONOR PRACTICES							
D-1	Predictability of Direct Budget Support	M1	A	D			D+
D-2	Financial info provided by donors on project and program aid	M1	B	C			C+
D-3	Proportion of aid that is managed by use of national procedures	M1	C				C

II. Assessment of the impact of PFM weaknesses

1. Aggregate Fiscal Discipline

Fiscal discipline is enriched by relatively reliable revenue estimates, the single authority for contracting loans and well-functioning practices in recording, reconciliation and reporting on debt portfolio and service. The annually conducted Debt Sustainability Analysis and Debt Management Strategy provide for setting realistic financing and debt levels. Nevertheless, fiscal discipline is weak and remains a substantial concern. Challenges in fiscal discipline are mainly determined by weaknesses in expenditure control, commitment control and cash management. The high unpredictability of funds and substantial delays in the release of funds as well as ineffective expenditure controls, reflected particularly by accrual of expenditure arrears, the lack of an establishment control and commitment control, undermine the achievement of fiscal discipline. Also the challenges in the accuracy and timeliness of the in-year reporting, along with the difficulties in consistently comparing estimates with outturns, hinders monitoring of the budget implementation and taking subsequent corrective actions to limit the adverse effect on the fiscal position. Finally, fiscal discipline is undermined by the lack of a systematic mechanism for monitoring fiscal risks from public entities and Sub-National Governments which pose a substantial risk through their impact on the budget. Whilst the rapidly increasing petroleum revenue offers prospects for improving short-term fiscal stability, the effectiveness and impact of the new arrangements for the management of petroleum revenue, particularly in respect to improving predictability of resources and stabilising funding of the budget, remains yet to be proven.

2. Strategic Allocation of Resources

Some elements for strategic allocation of resources have been put in place, however they are either not fully operational or have not yet achieved their full benefits. Strategic allocation of resources is hindered by a number of elements in Ghana. First, the fragmented nature of the budget and reporting on outturns does not allow for a meaningful analysis of efficiency and effectiveness of public spending. The lack of an effective Monitoring and Evaluation mechanism does not allow for a proper feedback and corrective measures based on the lessons learned and changes in priorities. Second, the lack of a meaningful medium term perspective in budgeting and little bottom-up involvement in the budget preparation undermine the linking of spending to policy objectives and development of forward expenditure estimates and prioritisation of expenditures. While sector strategies are generally aligned with Ghana Shared Growth and Development Agenda (GSGDA), most of them do not include personnel costs and only some of them are fully costed and developed within a fiscal frame. Also the spending proposals do not tally with the actual available resources and the implementation derails as result of encroaching priorities like the SSSP. The wage bill represents a significant part of the budget. Strategic allocation of resources has been crowded out by the implementation of the SSSP. This, in combination with a weak institutional framework for selection of investment priorities undermines further the strategic allocation of resources. Also the lack of effective commitment control and delays in MOFEP releases to MDAs, as well as the lack of ability to track resources received by front line service delivery units, undermine the allocation of resource to strategic priorities.

3. Efficient Service Delivery

The weaknesses in the fiscal discipline to a large extent have repercussions on the efficiency of the service delivery. Non-compliance with internal control systems most probably impacts upon service delivery through potential waste of resources. The implementation of the TSA is expected to contribute to improvement in treasury operations and consequently facilitate better service delivery, but the implementation of the TSA is at its early stage. Payroll controls have been generally effective, but service delivery is affected by delays in processing of information in the IPPD, and the existence of ghost workers on the payroll. Civil society and private sector representatives suggest that it is common practice for the suppliers to increase bidding prices to compensate for anticipated delays in government payments which adversely affects the efficiency of the service delivery. The efficiency in delivery of services is also affected by the big number of unfinished projects which have been implemented for many years, but in spite of the resources spent on these projects are still of no benefit to government and the public at large.

III. Change in performance since the previous assessment

The PEFA performance indicators represent high-level aggregate measures and therefore do not necessarily capture all details. Inconsistencies in the application of the methodology and the assessment itself as result of changes in methodology, different definitions or assumptions, different sources of data etc. may not necessarily facilitate a direct comparison of the scores. While the PEFA methodology provides a direct basis for tracking performance over time, the changes in scores, for the above-mentioned reasons, need to be interpreted with care to be meaningful.

Direct comparison with the scores from the previous assessment can be made for the majority of performance indicators. In ten cases the scores are not directly comparable for the following reasons:

- Changes in the methodology
  - For the following three indicators i.e. PI-2, PI-3 and PI-19 the methodology for scoring and calibration of indicators has been revised in January 2011.
- No rate awarded in one of the assessments
  - PI-4 (no rate awarded in the 2009 assessment) and PI-2 (no rate awarded in the 2012 assessment). In both cases the scoring was challenged by the lack of required data.
- Different basis for the assessment (i.e. interpretation/application of the methodology, definition, data source etc.)

- For PI-7(ii) the previous assessment applied a different interpretation of the definition of "unreported" and considered internal reports as sufficient for being qualified as "reported". The "PEFA Fieldguide" issued in 2012 clarifies that information is considered to be reported on if included in fiscal reports or shown in a separate document presented to legislature.
- For PI-27(iii) the calibration for "B" and "C" scores are identical. Under such situation, PA correctly awarded by default the highest score "B". The "PEFA Fieldguide" issued in 2012 issued a clarification on when "B" and "C" scores should be awarded, and would imply a "C" score for both the PA and current assessment.
- The data used for the assessment of D-3 was drawn from different sources and therefore the scores are not directly comparable.

- The performance in the PA was probably underrated or overrated
  - PI-6 overrated in respect to the inclusion in the budget documents of the estimates of the impact on the budget of the new policy proposals;
  - PI-10 overrated in respect to the public access to all contract awards;
  - PI-11(ii) overrated in respect to the limited relevance of the ceiling;
  - PI-12(iii) overrated in respect to the existence of costed strategies. While fully costed strategies exist for sectors representing 25-75% of primary expenditure, they are inconsistent with fiscal aggregates; this inconsistency was overrated in the PA;
  - PI-15(iii) overrated in respect to the existence of complete reconciliation between tax assessments, collections, arrears records and receipts by the treasury. Officials claim that the situation did not change since the previous assessment and the *complete* reconciliation was not done .
  - PI-26(i) overrated in respect to the nature of external audit. The narrative in the PA justifies a "C" score while a "B" score has been awarded. External audit includes elements of systemic audit but the focus remains on transaction and compliance.
  - PI-12(i) underrated in respect to the extent to which the multi-year forecasts are "rolling". The PA has taken a more sophisticated view on that. The "PEFA Fieldguide" issued in 2012 clarifies the meaning of the "rolling basis" i.e. more sophisticated aspects of linking annual forecast are included in the requirements for "A" and "B" while for a "C" score it is sufficient that the multi-year forecasts are made annually.

Based on the degree to which performance can be compared, the table below summarised the changes in performance since the previous assessment .

Changes in performance	Number of PIs	PIs directly comparable	PIs not directly comparable
Improvement in performance	4	PI-9, PI-21, PI- 28	D-3
Slippage in performance	4	PI-22, PI-23, PI-24, D-1	-
No changes in performance	22	PI-1, PI-5, PI-8, PI-13, PI-14, PI-15, PI-16, PI-17, PI-18, PI-20, PI-25, D-2	PI-3, PI-4, PI-6, PI-7, PI-10, PI-11, PI-12, PI-19, PI-26, PI-27,
Performance changed cannot be assessed	1	-	PI-2

When considering the aggregated performance at the indicator level, rather than at the dimension level, no change in performance could be identified for 22 performance indicators. Improvements in performance could be identified for 4 performance indicators and slippages in performance also for four indicators. Due to the lack of comprehensive data the performance of PI-2 and, consequently, the change in performance since the PA cannot be assessed.

Main performance improvements were observed in the following areas:

- There was an improvement in the *oversight of fiscal risk from Sub National Governments (PI-9)* due to improvement in the timeliness and comprehensiveness of the financial reports submitted by MMDAs as well as consolidation on the fiscal position of the MMDAs by the central government.
- Improvement in the *effectiveness of the internal audit (PI-21)* as result of the improvements in implementation of audit recommendations by MDAs from 15% in the previous assessment to 53% at the time of the current assessment.
- Improvement in the *legislative scrutiny of external reports (PI-28)* as result of the improved transparency and extent of public hearing on key findings undertaken by the legislature. Since 2009 the Parliament started broadcasting of hearings on TV and radio. This seems to have impacted upon the responsiveness of the senior management as to the implementation of the recommended measures.
- Increase in the *proportion of aid which is managed through national procedures (D-3).*

While not yet reflected in the score, other improvements in performance could be observed in the following areas:

- While the *stock of expenditure arrears (PI-4)* continues to pose a substantial challenge, the development and implementation of the strategy for Management of Expenditure Arrears reflects an improvement in the transparency of the expenditure arrears and the efforts which were made to broaden the coverage of information on arrears as well as their monitoring.
- *Timeliness of budget approval by legislature (PI-11(iii)).* Appropriations Bill has been passed before the start of the FY during the last FYs.
- *Clarity and comprehensiveness of tax liabilities (PI-13(i)).* Ghana Revenue Authority (GRA) was established and is modernised. The legal framework has been partly reviewed. New legislation that governs oil revenue management has been enacted.
- *Controls in taxpayer registration system (PI-14(i)).* The Tax Identification Number (TIN) has become unique and through the implementation of trips^{TM} a registration module became operational. This ensures the direct electronic linkage between the GRA and the Registrar-General department databases.
- *Consolidation of government cash balances (PI-17(ii))* which has been facilitated by the closure of about 1,500 government bank accounts in the process of developing TSA.
- *Contracting of loans (PI-17(iii)).* The development and implementation of the Medium Term Debt Management Strategy 2012-2014 sets overall ceilings of public debt-to GDP (Gross Domestic Product) ratio and outlines criteria for external and domestic debt, a fact which resulted in more transparent criteria for the issuance of loans.

Slippages in performance were observed in the following areas:

- *Timeliness and regularity of accounts reconciliations (PI-22)* as result of the increased time necessary to complete the back reconciliations process (PI-22(i)).
- *Availability of information on resources received by service delivery units (PI-23)* as no survey on resources transferred to primary service delivery units was conducted during the period under review, and such information cannot be retrieved from the current systems.
- *Quality and timeliness of in-year budget reporting (PI-24)* as result of the deterioration of the timeliness of the issue of in-year budget reports (PI-24(ii)). The introduction and implementation of the new CoA and the associated difficulties are responsible for the delays in finalisation of the in-year reports.

- *Predictability of direct Budget Support (D-1)* since in-year predictability of direct budget support appears to have deteriorated during the period under review as result of discontinuing the practice of agreeing on quarterly disbursement estimates before the beginning of the fiscal year for most of the Budget Support provided.

Other slippages which did not affect the overall score of the PIs, but the individual dimensions, include:
- increasing delays in issues budget calendar and diminishing period for MDAs to prepare their budget proposals (PI-11(i));
- discontinuation of the inclusion of the project investment criteria in the budget circular for FY2010 and 2011 (PI-11(ii)).

The other reform measures are either still ongoing or they have had no impact on the scoring yet. The table below summarises the comparability of scores and the change in performance since the previous assessment.

Table 1.2 Change in performance since previous assessment

	PFM Performance Indicator	Scoring Method	2009	2012	Comparable (Y/N)	Change
A. PFM-OUT-TURNS: Credibility of the budget						
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	C	C	Y	no
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	C	NR	N[2]	NA
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	B (C[3])	C	N[4]	no
PI-4	Stock and monitoring of expenditure payment arrears	M1	NR	D	N	no
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency						
PI-5	Classification of the budget	M1	C	C	Y	no
PI-6	Comprehensiveness of information included in budget documentation	M1	B[5]	C	N	no
PI-7	Extent of unreported government operations	M1	A[6]	C+	N	no
PI-8	Transparency of inter-governmental fiscal relations	M2	D+	D+	Y	no
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	D+	C	Y	↑
PI-10	Public access to key fiscal information	M1	A[7]	B	N	no
C. BUDGET CYCLE						
C(i) Policy-Based Budgeting						
PI-11	Orderliness and participation in the annual budget process	M2	A	B	N[8]	no

2 The methodology for the this indicator has been revised in 2011.
3 Using revised methodology.
4 The methodology for this indicator has been revised in 2011.
5 The performance in the previous assessment was probably overrated.
6 The scores are not entirely comparable. The difference in scoring of the second dimension is due to a different interpretation of the two assessment of the meaning of “unreported”.
7 The performance in the previous assessment in respect to public access to all contract awards was probably overrated.
8 Dimensions (i) and (iii) are directly comparable, and dimension (ii) is not entirely comparable; its performance was probably overrated in the previous assessment.

	PFM Performance Indicator	Scoring Method	2009	2012	Comparable (Y/N)	Change
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	C+	C+	N[9]	no
C(ii) Predictability and Control in Budget Execution						
PI-13	Transparency of taxpayer obligations and liabilities	M2	C+	C+	Y	no
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	C	C	Y	no
PI-15	Effectiveness in collection of tax payments	M1	C+	D+	Y	no
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	D+	D+	Y	no
PI-17	Recording and management of cash balances, debt and guarantees	M2	C+	C+	Y	no
PI-18	Effectiveness of payroll controls	M1	C+	C+	Y	no
PI-19	Competition, value for money and controls in procurement	M2	B+	C	N[10]	no
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	D+	D+	Y	no
PI-21	Effectiveness of internal audit	M1	D+	C+	Y	↑
C(iii) Accounting, Recording and Reporting						
PI-22	Timeliness and regularity of accounts reconciliation	M2	C	D+	Y	↓
PI-23	Availability of information on resources received by service delivery units	M1	B	D	Y	↓
PI-24	Quality and timeliness of in-year budget reports	M1	C+	C	Y	↓
PI-25	Quality and timeliness of annual financial statements	M1	C+	C+	Y	no
C(iv) External Scrutiny and Audit						
PI-26	Scope, nature and follow-up of external audit	M1	C+	C+	N[11]	no
PI-27	Legislative scrutiny of the annual budget law	M1	D+	D+	N[12]	no
PI-28	Legislative scrutiny of external audit reports	M1	D+	D+	Y	↑
D. DONOR PRACTICES						
D-1	Predictability of Direct Budget Support	M1	A	D+	Y	↓
D-2	Financial info provided by donors on project/program aid	M1	C+	C+	Y	no
D-3	Proportion of aid that is managed by use of national procedures	M1	D	C	N[13]	↑

IV. Prospects for PFM Reforms

Recent and ongoing reforms efforts are discussed in Chapter 4. The ambitious reform agenda and the fragmentation of the PFM reforms and their implementation pose substantial risks in attaining full benefits from these reforms. A comprehensive, overarching and coordinated Framework for PFM reforms with a thoroughly determined sequencing and prioritisation taking into account their

9 Dimensions (i) is not directly comparable. The previous assessment might have been underrated as result of a harder interpretation of the requirements.

10 The methodology for the this indicator has been revised in 2011.

11 PI-26(i) is not entirely comparable. The narrative in the previous assessment justifies a C score while a “B” score is awarded. The score of this dimension has been most probably overrated.

12 For PI-27(iii) the calibration for “B” and “C” scores is identical. Under such situation, the PA correctly awarded by default the highest score “B”. However, the “PEFA Fieldguide” issued in 2012 a clarification on when “B” and “C” scores should be awarded, which implies a “C” score for both the PA and current assessment.

13 The data used for the scoring in 2009 and 2012 are drawn from different sources, and therefore not directly comparable.

feasibility (when considering the political economy context) and country capacity is perhaps the most essential pre-requisite for success of the reforms.

1 Introduction

1.1 Objective of the PFM-PR

In line with its continued commitment to Public Financial Management (PFM) reforms, the Government of Ghana (GoG), with support from its Development partners (DPs) has decided to undertake the third Public Expenditure and Financial Accountability (PEFA) assessment in 2012. Previous assessments were conducted in 2006 and 2009.

The objective of the current assessment, as envisaged by the Terms of Reference (ToR), is twofold:

1. To prepare an assessment of the status of PFM using the full PEFA Framework, tracking progress since the 2009 assessment;
2. To advise the Government of Ghana and its Development Partners on further measures to improve the design and implementation of PFM reforms in Ghana.

The ToR duly acknowledges that the standard PEFA methodology does not require recommendation to accompany the diagnosis. The current PFM-PR assessment represents the output of the first objective.

To respond to the second objective, a report on measures for the way forward on design and implementation of PFM reforms will be presented separately. This will be informed by the findings of the current PEFA assessment in terms of the strengths and the weaknesses of the function of the PFM systems, as well as recent evaluation and review of PFM reforms in Ghana and lessons learned.

1.2 Process of preparing the PFM-PR

Assessment team

The assessment was conducted by ECORYS, a research and consulting company based in the Netherlands, who was selected through a competitive international bidding launched and financed by SECO. The assessment team consisted of four consultants: Corina Certan (Team Leader), Frans Ronsholt, Andrew Mackie and Charles Hegbor.

Role and involvement of various stakeholders

The assessment was financed and contractually administered by SECO. The assessment was managed by the PEFA Steering Committee. During the field mission the team met on a weekly basis with the PEFA Steering Committee to discuss the progress and outstanding issues. The Steering Committee was composed of MOFEP officials representing the Government of Ghana and representatives of the following DPs: Swiss State Secretariat for Economic Affairs (SECO), Danish International Development Agency (DANIDA), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), African Development Bank (AfDB). The European Union (EU), World Bank (WB) and International Monetary Fund (IMF) provided comments to the draft report.

MOFEP appointed Samuel Arkhurst (MOFEP, Public Expenditure Management Division) as the focal person on behalf of GoG to manage the day-today process. He led a team of MOFEP staff who provided extensive logistic support during the mission to the assessment team. MOFEP team provided temporary office space for the consultants during the mission and a Conference Room for the meetings with various stakeholders. Most of the meetings were organised by MOFEP and took place at MOFEP premises. The PEFA assessment team gratefully acknowledges all the support, efforts, time, water and snack supply provided by the MOFEP staff, but above all their patience.

Other stakeholders' participation (including GoG at various levels, the Audit Service, the Parliament, as well as representatives of the Civil Society Organisations (CSOs), NGOs, private sector) included selective participation at the introductory PEFA workshops, the interviews with the assessment team and the validation workshop. The assessment team greatly appreciates the cooperation of all participants.

Development Partners were represented in the Steering Committee through which they were being updated on the progress of the assessment. Selected Development Partners also participated in a meeting to discuss the progress with PFM reforms and the corresponding challenges and responded to a questionnaire in respect to DP practices.

Assessment process

The field mission took place during 29 October - 17 November 2012. Since not all key meetings could take place during this period and the extent of the outstanding evidence which needed to be collected, on the request of the assessment team, the Steering Committee decided to extend the field work with one week. During this week additional interviews were conducted and outstanding evidence collected.

The mission started with a 2-day full training workshop held on 30 and 31 October to inform and train government officials and other stakeholders on the PEFA Framework and its application. The workshop was based on the standard PEFA Secretariat course. The workshop comprised: (i) a general session which provided a general introduction to the PEFA Framework; (ii) a technical session which provided more in-death information on the performance indicators, their calibration and information requirements. This session was complemented with case studies and exercise which allowed the participants to get practical experience in application of the Framework, scoring performance Indicators, interpreting the scoring and drawing conclusions on what the score may tell to the government and other stakeholders.

After the workshop, the team held numerous meetings with the key departments and units of the Ministry of Finance and Economic Planning (MOFEP), key units of the Controller and Accountant General Department (CAG), key divisions and units of the Ghana Revenue Authority (GRA), several line ministries and agencies, Statutory Funds, the Parliament, Ghana Audit Service, Bank of Ghana, as well as various representatives of development partners, the private sector, and the civil society. The list of people who were consulted is included in the Annex. Only few persons interviewed were involved in the previous assessment. For most of them the current PEFA assessment was the first affiliation with the PEFA framework. The team also visited the Dodowa District Assembly.

Due to the time constraints and the large number of interviews which were conducted during the first field mission, the consultants did not manage to involve all Civil Society Organisations (CSOs) suggested in the ToR including Ghana Commission for Human Rights and Administrative Justice (CHRAJ), Integrated Social Development Centre (ISODEC), Institute for Democratic Governance (IDEG), and the Send Foundation, as well as professional bodies such as the Institute of Chartered Accountants (ICA) Ghana, selected economic/ financial journalists, and other public interest groups.

A second mission to Ghana, which took place in the week of 4-8 February, allowed the three consultants to conduct additional interviews to clear outstanding issues and to validate the preliminary finding of the assessment. This report represents the final PEFA Performance Report and takes into account the comments received from various stakeholders on the first draft submitted by the consultants. The PEFA Secretariat and the Development Partners submitted their comments in written. The validation Workshop which took place in Accra on the 4th and 5th of February served as a platform for the discussion and validation of the findings of the draft report with government officials (represented by MOFEP officials, two line ministries, CAGD, GRA, and the Parliament) and collect specific comments. The team's responses to all comments received was presented to the Steering Committee in a separate document.

Capacity building

The Government of Ghana appointed four officials to work closely with the team during the assessment in order to contribute to building the country's capacity in understanding, applying and interpreting the PEFA framework and the assessment results. Two officials, Samuel Arkhurst and Nelly Mireku, were from MOFEP and two officials, Gilbert Nyaledzigbor and Doli-Wura Zakaria, were from the CAGD. The two officials from the CAGD accompanied the assessment team to most of the interviewees. The two officials from MOFEP provided continuous advice during and after the mission on critical issues. The additional MOFEP logistics support team were present at most of the meetings, which were conducted in the premises of the MOFEP.

Quality Assurance

A Quality Assurance (QA) process to ensure the credibility of the current assessment was initiated at the early stage of the assessment. The Concept Note (CN) and the ToR were reviewed by the Ministry of Finance and Economic Planning (MOFEP), Development Partners, selected international PFM consultants and the PEFA Secretariat. SECO, the financing agency, has informed the PEFA secretariat about the Government intention to obtain the approval seal of the PEFA Secretariat under the PEFA Check requirements.

1.3 Methodology

The assessment was conducted following the PEFA Performance Measurement Framework described in the revised PEFA manual of January 2011. Further guidance and clarifications to the Framework were used including the "PEFA Fieldguide" (May 2012), Guidance on Evidence and Sources of Information (February 2007) and the Clarifications to the PFM Performance Measurement Framework of September 2008 issued by the PEFA Secretariat.

The assessment was based on the information and data which is available in the public domain and which was provided by the interviewed stakeholders following specific requests of the assessment team. A list of documents reviewed is included in the Annex. For many indicators, the accuracy of the assessment can be as good as the accuracy of data provided. In particular interpretation of quantitative fiscal data was not always straightforward and advice from MOFEP and CAGD was engaged.

One of the objectives of the assessment is to track changes in performance since the last PEFA Performance Assessment (PA) which was conducted in 2009. While the PA was considered as a baseline for measuring the changes in performance, the assessment was not limited to identifying changes under specific performance indicators. One of the distinctive features of the PEFA Framework is its recognition of the inter-linkages that exist between various PFM functions and consequently PEFA indicators. Given the importance of these inter-linkages, and that changes in performance of one dimension can affect the performance of other indicators, the methodological approach was not restricted in identifying only the recent changes, but paid due attention to the functioning of the PFM systems as a whole and the impact of recent changes on the system as a whole not only on the respective function.

A critical analysis of the comparability of the scores was part of the calibration of individual dimensions and performance change. In cases when no changes in performance were identified, but the score either deteriorated or improved, as well as in cases when the score changed, but no changes in performance could be identified, a recalibration of score was performed for the purpose of measuring and justifying the change in performance.

Due to the revision of the PEFA Framework and consequently changes of three Performance Indicators, the comparison of these indicators is not possible in the strict sense. For the other indicators the scores were generally comparable except in few cases where the two assessments had a different interpretation of the PEFA Framework calibration requirements.

1.4 Scope of the assessment

Consistent with the PEFA Framework, the PFM-PR assessment covers the operations of central government institutions comprising ministries, departments and their district offices, agencies and deconcentrated entities and statutory funds, excluding the District Assemblies Common Fund (DACF). The assessment does not cover the sub-national government entities, state-owned enterprises and Special Funds other than what is covered by performance indicators PI-7, PI-8 and PI-9.

The assessment provides a snapshot of the situation at the time of the assessment i.e. November 2012. The assessment of individual indicators may, however, reflect (i) the performance /status as at the moment of assessment, or (ii) performance over the last completed fiscal year, or (iii) performance over the last (two or three) completed fiscal years. The narrative of each indicator emphasises the reference period for which the assessment is made.

2 Country Background Information

2.1 Description of country economic situation

2.1.1 Country context

Ghana is a Lower Middle Income Economy[14] , rich in mineral resources and with a population exceeding 24 million. Mining has become an important industrial sector of the Ghanaian economy and is a large contributor to domestic revenue and GDP. Following the offshore discovery of oil in 2007, often referred to as Jubilee Field, the oil production began in December 2010. As result of further oil and gas exploration and production, the amount of revenues is expected to increase.

The table below present some key macroeconomic indicators for Ghana. Preliminary data suggest that Ghana managed to reduce inflation to a single digit. The GDP growth for 2011 is projected to increase sharply from 8% in 2010 to more than 14% (8.7% non-oil). GDP growth in 2011 was driven by oil revenues and strong export performance of cocoa and gold. Ghana boasts one of the highest GDP per capita ratios in Africa. Despite the positive developments in the GDP growth, the impact on household income and non-oil sectors remains modest. About 27% of Ghana's population were living on less than USD1.25 per day in 2011.

Although the strong economic performance since the mid-1990s had a positive effect on poverty reduction, income inequalities, particularly as reflected by the poverty gap between north and south, remains significant. Poverty reduction remains one of the main challenges and is addressed across most of national strategies and plans.

Table 2.1 Selected economic indicators

	2008	2009	2010	2011 prel.
Population and unemployment				
Total population, millions		23.82	24.39	24.97
Annual population growth, %		2.38%	2.35%	2.33%
National account and prices (annual % change)				
GDP constant 2006 prices	8.4	4.0	8.0	14.4
Real GDP (nonoil)	8.4	4.0	6.4	8.7
Real GDP per capita	5.7	1.4	5.3	11.5
CPI (annual average), %	16.5	19.3	10.7	8.7
External sector (% of GDP)				
Balance of Payments				
Current account balance (incl. grants)	-11.9	-5.4	-8.4	-9.2
Trade balance	-17.5	-8.6	-9.2	-8.0
Capital and Financial Account	11.6	16.7	13.3	11.7
Overall balance of payments	-2.8	4.0	4.3	1.6
Official grants	0.8	1.1	0.6	0.6
External public debt (incl. IMF)	16.2	19.5	20.0	19.7
Total donor support	4.8	4.9	3.5	2.5

Source: IMF, IMF Country Report No. 12/201, July 2012; WB for population data: http://iresearch.worldbank.org/PovcalNet/index.htm?0,3

[14] With World Bank figures of GDP per capita at about $1,100 in 2009 (up from $650 in 2007), Ghana was upgraded to a lower middle-income country.

The provisional estimates of Ghana's balance of payments for 2011 recorded a surplus of 1.6% of GDP. The development of the overall balance of payments has been affected by the deterioration in the current account deficit over the last years from -5.4% of GDP in 2009 to -9.2% of GDP in 2011. This deterioration was mainly due to the worsening of the trade balance as well as the increase in net outflows with regards to the services, income and current transfers account[15].

Ghana's total outstanding external debt stock as share of GDP was stable during the last three years; at the end of 2011 it stood at 19.7% of GDP. Multilateral creditors continued to hold the largest proportion of the total external debt portfolio. Total donor support has been decreasing over the last three years and stood at 2.5% of GDP in 2011.

2.1.2 Overall government reform programme

The "Ghana Shared Growth and Development Agenda" (GSGDA) represents the medium term development strategy of the Government of Ghana for the period 2010-2013 and builds on the lessons learned from its predecessors, Ghana Poverty Reduction Strategy I (GPRS-I) and GPRS-II. The thematic areas under the GSGDA are:

- ensuring and sustaining macroeconomic stability;
- enhancing international competitiveness in Ghana's private sector;
- accelerated agricultural modernisation and sustainable natural resource management;
- oil and gas development and management; infrastructure,
- energy and human settlements development;
- human development, productivity and employment; and
- transparent and accountable governance.

The GSGDA emphasises the need for continued macroeconomic stability and greater executive efficiency, transparency and accountability for further poverty alleviation. It also underlines the important role of the MTEF and monitoring and evaluation (M&E) for effective implementation of the GSGDA. The GSGDA also emphasises the need to accelerate the decentralisation process and in particular the need to increase the capacity of the districts to generate internal funds and manage them transparently.

2.1.3 Rationale for PFM reforms

At the moment there is no overarching and coordinated Public Financial Management Reforms strategy in Ghana to guide the PFM reforms based on the sequencing and prioritisation of reforms in the medium to long term, taking into account the capacity to implement reforms, as well as the political economy context which to a large extent may determine the feasibility and pace of the implementation of reforms.

The ongoing reforms in Ghana are quite ambitious especially when considering the existing capacity constraints. The ongoing PFM reforms are fragmented and guided mainly by projects or strategies in individual areas like the introduction of the Program Based Budgeting (PBB), introduction of GIFMIS, modernisation of the GRA, implementation of the TSA, introduction of Composite Budgeting etc. While there is generally a coordination mechanism in the context of individual PFM reform programmes, there is no coordination across all PFM reforms projects and programmes. There is also no overall mechanism for Monitoring and Evaluation of PFM Reforms which could allow to draw lessons and make necessary adjustments with the view of increasing the effectiveness and impact of reforms. This, to a large extent, undermines the appreciation of

[15] Source: BoG.

interlinkages among various PFM functions and the impact which reforms in one area can have one the reforms in another area. Ultimately the lack of a single, coordinated and overarching strategic framework for PFM reforms undermines the effectiveness of PFM reforms so far.

2.2 Description of budgetary outcomes

2.2.1 Fiscal performance

Fiscal performance has been mixed over the past four years. The government budgetary operations do not exhibit a steady picture in respect to the overall deficit during the last years. The table below provides a summary of the central government's fiscal operations. After increasing in 2009, it has decreased in 2010 and preliminary figures show a significant improvement in 2011. The overall fiscal deficit in 2011 stood at -1.1% of non-oil GDP before arrears and at -4.4% after arrears (see the table below).

The decrease in the overall deficit was the result of improvements in tax revenue administration. In response to fluctuating inflation rates and growing national debt, the government introduced several fiscal measures in 2009, including a change from the flexible royalty regime under which companies paid the minimum rate of three percent, to a flat rate of five percent in 2010. As a result of these measures, the fiscal deficit has decreased, and the growth of debt stock has been slowed.

Table 2.2 Central government budget (in percent of non-oil GDP)

	2008	2009	2010	2011 prel.
Total revenue and grants	16.0	16.5	16.9	20.8
- Own revenue	13.3	13.5	14.5	18.6
- Grants	2.7	3.0	2.4	2.2
Total expenditure	24.0	20.5	22.8	21.7
Recurrent	14.8	13.4	15.2	15.0
- Non-interest expenditure	12.6	10.6	12.1	12.1
- Interest expenditure	2.3	2.8	3.1	2.9
Capital expenditure	9.1	7.1	7.6	6.7
- domestic financed	6.1	2.7	3.2	3.5
- foreign financed	3.0	4.4	4.4	3.1
Overall balance				
Before arrears	-8.0	-4.1	-6.0	-1.1
After arrears	-8.5	-5.8	-7.2	-4.4
Financing	8.9	5.6	6.5	4.3
- divestiture receipts (net)	2.3	0.0	-1.0	-1.0
- foreign (net)	0.6	2.6	2.6	1.5
- exceptional financing (debt relief, bilateral)	0.3	0.2	0.2	0.2
- domestic financing (net)	5.7	2.8	4.7	3.6

Source: IMF, IMF Country Report No. 12/201, July 2012.

Ghana's middle-income status and oil receipts seem to have resulted in a change in the dynamics of financing of capital expenditure and financing of the fiscal deficit. The improvement in the fiscal space allows the country to seek more non-concessional sources of finance to meet its development needs. This however may bring along fiscal risk if the government will not give proper consideration to debt sustainability and new public investment decisions. The fiscal position is also adversely affected by the significant stock of expenditure arrears which need to be cleared.

2.2.2 *Allocation of resources*

The allocation across sectors has remained rather stable over the last two years. Since sectoral data on the actual outturn on the overall government expenditure cannot be collated easily and to avoid any misinterpretation, Table 2.3 presents the allocation across sectors based on (1) the Appropriations Acts, which cover overall expenditure (including GoG funds, Statutory Funds, IGFs, DPs funds), and (2) the audited Public Accounts, which are prepared for the GoG Consolidated Fund only.

Table 2.3 Actual budgetary allocations by sectors (as percentage of total expenditures)

	2010	2011	2010	2011
	Appropriations (total incl. IGF, Donor)		Audited public accounts i.e. GoG	
Administration	14%	14%	14%	14%
Economic	13%	13%	8%	9%
Infrastructure	10%	12%	6%	13%
Public safety	7%	7%	15%	16%
Social, incl.	39%	39%	54%	47%
- Health	11%	12%	10%	10%
- Education	26%	25%	41%	34%
Multi-sectoral	16%	15%	4%	1%
Total expenditure	100%	100%	100%	100%

Source: Appropriations Acts 20010, 2011; Report of the Auditor General on the Public Accounts 20010, 2011.

When considering the overall expenditure (based on the estimates) all the sectors retained the same allocation with the exception of infrastructure which share increased by 2%. The increase is mainly through GoG funds. The largest allocation is for the social sector, which is responsible for almost 40% of total expenditure. About 25% of all expenditure is allocated to the education sector. This allocation reflects a slight decrease it terms of overall estimates, but a more significant decrease, from 41% to 34%, when considering the actual outturn from the GoG funds.

The budgetary allocations by economic classification remain fairly constant over the last years. The only very significant variation relates to wages and salaries and reflects the effect of the implementation of the Single Spine Pay Policy. Historically the share of the capital expenditure was slightly higher than wages and salaries. As result of the implementation of the SSSP the share of wages and salaries surpassed the overall capital expenditure. According to the Budget Statement 2011, the wage bill for fiscal year 2011 was estimated at 12 percent of GDP, making it one of the highest in sub-Saharan Africa. More than 75 percent of the total wage bill and the associated SSSP increases go to employees in only three ministries including Education, Health and Local Government.

The relatively high and increasing share of wages and salaries is reflected in the decreasing share of capital expenditures, a fact which may pose a challenge for the future investments (particularly in combination with the lack of an effective institutional framework for public investment decisions), and consequently undermine the sustainability of the economic growth.

Table 2.4 Actual budgetary allocations by economic classification (as percentage of total expenditures)

	2008	2009	2010	2011
Recurrent expenditures	62%	65%	67%	69%
Recurrent non-interest expenditure	52%	51%	53%	56%

	2008	2009	2010	2011
- wages and salaries[16]	28%	33%	30%	38%
- goods and services	9%	8%	9%	6%
- transfers	12%	8%	9%	10%
- Reserve Fund	4%	2%	5%	3%
Interest expenditure	9%	14%	14%	13%
- domestic	7%	10%	11%	11%
- foreign	3%	3%	3%	3%
Capital expenditures	38%	35%	33%	31%
- domestic	26%	13%	14%	16%
- foreign	13%	22%	19%	14%
Total expenditure	100%	100%	100%	100%

Source: IMF, IMF Country Report No. 12/201, July 2012.

Five statutory funds (District Assemblies Common Fund, Road Fund, Ghana Education Trust Fund, Petroleum Fund and National Health Insurance Fund, Petroleum Fund) are allocated earmarked revenue sources by legislation. These sources amount to close to 20% of all tax and non-tax revenue of central government. The funds are allowed to spend the resources only on goods, services and capital expenditure in their respective sectors (including some through transfer payments from National Health Insurance Fund (NHIF)).

2.3 Legal and institutional framework for PFM

2.3.1 The legal framework for PFM

The legislative foundations for the Public Financial Management in Ghana have their origins in the Constitution (1992) from which a range of specific laws and regulations emanate. The main PFM laws are the Financial Administration Act (2003) and the Financial Administration Regulations. The table below presents an overview of the main laws and regulations that guide the PFM systems in Ghana. The main guidance of the legal framework in respect to specific areas is discussed in more detail in the narrative of the respective Performance Indicators.

Table 2.5 Overview of the main laws and regulations governing PFM in Ghana

Area	Description
General	- The Constitution (1992) sets the basis for PFM.
Budget preparation and execution	- The Financial Administration Act (2003) and Financial Administration Regulations (2004) define in detail the roles, functions and responsibilities in management of government revenue and expenditure. They also define the accounting, control and reporting systems. - MDA Retentions Act, 2007 (Act 735) which among others gives legal backing to MDAs to retain IGFs.
Tax administration	- General laws governing tax administration: Ghana Revenue Management Act, 2009 (Act 791); Taxpayer identification Numbering System Act, 2002 (Act 632). - *General laws for direct and indirect taxes*: Internal Revenue (Registration of Business) Act, 2005; Internal Revenue Act, 2000 (Act 592) and amendments; Internal revenue Regulations (LI 1675); Value Added Tax, 1998 (Act 546); Value Added Tax (VAT) Regulations, 1998 (LI1646) and

16 Excludes deferred wage payments.

Area	Description
	amendments; Customs, Excise and Preventive Service (Management) Law 1993 (PNDCL 330) - *Laws governing specific taxes and duties*: Cocoa Duty Act, 1974; Ghana Cocoa Board Act, 1984; Cocoa Industry (Regulation) Act, 1968; Minerals and Mining Act, 2006 (Act 703); Ghana National Petroleum Corporation Law, 1983 (PNDCL 64) (GNPC Law); Petroleum Exploration and Production (PEP) Act, 2011); Petroleum Revenue Management Act , Act 805, 2011 (PRMA); Petroleum Commission Bill; Petroleum Income Tax Law, 1987 (PNDCL 188) (PIT Law); Customs and Excise (Petroleum Taxes and Petroleum Related Levies) Act, 2005 (Act 685); Local Content and Local Participation in Petroleum Activities – Policy Framework (March 2012).
Public sector entities	- Subvented Agencies Act (2006) - Statutory Corporations (Conversion to Companies) Act, 1993 (ACT 461). - Companies Code Act 179 which regulates in particular the payment of dividends. - Interim Management Committees (Public Board and Corporations) Act, 1982 (PNDCL 6). - State Enterprise Commission (SEC) Law (1987) PNDCL 170
Expenditure control and internal audit	- Public Procurement Act (2003), - Internal Audit Agency Act (2003). - Loans Act (1970)
External Audit	- Audit Service Act (2000)
Legislative oversight	- The Constitution and the Standing Orders of Parliament
Decentralisation	- The Constitution (Chapter 20) which identifies some imperatives for achieving the envisaged decentralization - Local Government Act (1993) - Local Government Service Act (2003) - Local Government Service Regulations (2008) - District Assemblies Common Fund Act (1993) - Chieftaincy Act (2008) - Office of the Administrator of Stool Lands Act (1994)
Banking and financial laws	- Anti-Money Laundering Act, 2008, Act 749 - Banking (Amendment) Act, 2007, Act 738 - Borrowers and Lenders Act, 2008, Act 773 - Foreign Exchange Act, 2006, Act 723
Other	There is no Freedom of Information Act. A draft law has been drafted and submitted to Parliament in 2010 but it has not been approved yet.

Since the previous assessment no major revisions of the legal framework took place except in the area of tax administration. A GRA Act was enacted in 2009 and entered into force in 2010 and created the need for the revision and update of the linked legislation. In 2011 the Petroleum Revenue Management Bill and the Petroleum Commission Bill were enacted. As a result of this, the Petroleum Commission was established as the body responsible for the regulation and management of utilisation of petroleum resources and coordination of the policies in relation to them.

As a result of the Modernisation of the Revenue Administration and the entering into force of the GRA Act, the legal and regulatory framework for tax administration is currently being reviewed. Ongoing efforts are currently undertaken in respect to the following Laws: Value Added Tax (VAT) Legislation - a new Draft has been produced and presented to parliament; Internal Revenue law - a draft Bill is under review; Income Tax Law, Customs Law and Excise Law - the review is now in final stage of drafting; Tax Administration Act (TAA) - a draft Act, which brings together the administrative provision of the three primary Acts governing tax administration in Ghana, was developed.

Further, also the current MDA Act is being reviewed particularly with the view of specifying the IGFs which is currently not covered by the Act. The Ministry of Finance intends to introduce in 2013 a new Retention Policy which will lead to a National Policy on non-tax revenue.

In the Budget Statement 2011, the government emphasised its intention to work on a new and comprehensive budget law to effectively regulate the management of the entire public finances, and to undertake in this regard a comprehensive review of all existing legislation governing public financial management to ensure compliance with the constitution and effective management of public funds. The Ghanaian government is also considering the introduction of a fiscal responsibility law to expand the existing Financial Administration Act of 2003[17].

In the audit report on FY2011, the Auditor General made a proposal to rectify the fragmentation of reporting on Public Funds (the Consolidated Fund and other Public Funds). He submitted a proposal on the role of CAG to the Constitutional Review Commission for the amendments to Chapter 13 (Articles 175-177) of the 1992 Constitution. Key issues which need to be addressed in the Auditor's General opinion include: empowering the CAGD to have oversight responsibility on all Public Funds and prepare comprehensive Public Accounts; and the need for rationalisation of submission date of Public Accounts by CAGD and MDAs/MMDAs[18].

2.3.2 The institutional framework for PFM

Ghana is a Constitutional democracy centred on the 1992 Constitution. The President of Ghana is both head of state and head of government, and of a multi-party system. The *executive* power is exercised by the government. Ghana has 10 administrative regions and 216 districts. The political authorities in the districts are the Districts Assemblies.

The Constitution vests the *legislative* power in both the government and Parliament, the latter comprising a unicameral 230-member body plus the Speaker. To become law, legislation must have the assent of the president, who has a qualified veto over all bills except those to which a vote of urgency is attached. This relates also to the Appropriations Act – which becomes a law only after the assent of the president. The Parliament reviews and debates the budget proposals and the audit reports. The Parliament has a number of Select Committees which are dealing with the fiscal oversight including:

- the *Sector Select Committees* – which are involved in the review of the sector specific budget estimates;
- the *Finance Committee* – which examines the budget estimates of the Office of the President and Government Machinery, the National Identification Authority, the National Development Planning Commission and the Ministry of Finance and Economic Planning ;
- the *Special Budget Committee* – which reviews the budget estimates of the Autonomous institutions, including the District Assemblies Common Fund, the Parliament, the Electoral Commission, the National Commission for Civic Education, the National Media Commission, the Ghana Audit Service, and the Commission of Human Rights and Administrative Justice; and
- the *Public Accounts Committee* – reviews the external audit reports and the public accounts.

[17] According to the Ghana Revenue Watch website.
[18] The current legislation requires them to submit the accounts on the same day.

The constitution vests the *judicial* power in the Judiciary which is independent of the executive and the legislature. The Constitution (Art 126) establishes the structure of the Judiciary including the Superior Courts of Judicature (comprising the Supreme Court; the Court of Appeal; and the High Court and Regional Tribunals) and such lower courts or tribunals as Parliament may by law establish. The Judiciary has jurisdiction in all civil and criminal matters including in those pertaining to PFM areas like tax and procurement disputes.

The Constitution vests the *executive* authority in the President who in consultation with the Council of State appoints the Auditor General; the District Assemblies Common Fund Administrator; the Chairmen and other members of the Public Services Commission; the Lands Commission; the governing bodies of public corporations; and National Council for Higher Education.

The public sector comprises 39 ministries, departments and agencies, five Statutory Funds, more than 30 state owned enterprises (SOEs) and 216 MMDAs. The table below summarises the core responsibilities of the major PFM players.

Table 2.6 Overview of the role and responsibility of the main PFM players

Institution	Main role and responsibility in PFM
Parliament	Legislative oversight of the budget, external audit reports and financial statements.
Ghana Audit Service	Ghana Audit Service (GAS) is the monitoring and accountability organ of the state, and the Supreme Audit Institution (SAI) of Ghana. GAS is a constitutional body under the direction of a seven (7) member governing board. GAS is headed by the Auditor General who is mandated to audit the public accounts of Ghana and all public offices including Metropolitan, Municipal and District Assemblies, Public Corporations and Organisations established by an Act of Parliament and report the findings to Parliament.
ARIC	In line with the Audit Service Act, ARICs are responsible for the follow-up on the findings of the internal audit as well as external audit and PAC.
Internal Audit Agency (IAA)	The IAA exercises oversight responsibility over internal audit practice in the public services by setting standards, providing quality assurance and supporting capacity building for good corporate governance, effective risk management and controls.
MOFEP	The Ministry of Finance and Economy is responsible for the formulation and implementation of financial, fiscal and monetary policies; and the mobilisation, allocation and management of financial resources. Its main divisions related to PFM responsibilities comprise: Budget Division including the Public Expenditure Management Unit), Economic Research and Forecasting Division, External Resources Division, Debt Management Division.
CAGD	The Constitution and the Administration Act, 2003, Act 654 provides the legal framework that governs the operations of the Controller and Accountant General's Department (CAGD) and the functions of the Controller and Accountant-General (CAG) of Ghana. The CAG is the Government's Chief Accounting Officer, and is the chief advisor to the Minister of Finance and the Government on accounting matters. The CAG is responsible to make disbursements and establish bank accounts on behalf of the government, as well as to prepare the financial statements for the Consolidated Fund.
GRA	The GRA administers the tax laws of the country and collects taxes. Since 2011 it replaces the Ghana Revenue Agencies Governing Board and brings the three individual institutions (Internal Revenue Service (IRS), Customs, Excise and Preventive Service (CEPS) and VATS (Value Added Tax Service)) under one umbrella.
Main central agencies	The *National Development Planning Commission* (NDPC) is empowered by the Constitution (Art 87) to advise the President on development planning policy and strategy. The *Public Service Commission* (PSC) is responsible for the supervision and regulation of entrance and promotion examinations, recruitment, appointment into or promotions within

Institution	Main role and responsibility in PFM
	the Public Services and the establishment of guidelines on the terms and conditions of employment in the public services" The *State Enterprise Commission* (SEC) is responsible for the oversight of the state owned enterprise. It is accountable to the office of the President. The *Office of the Head of Civil Service* (OHCS) is the successor of the Establishment Secretariat and is responsible for the Human Resource Management for the entire Ghana Civil Service.
MDAs	The Chief Director of a MDA is the head civil servant and the accounting officer, and is responsible for the management of the implementation of the budget and achievement of departmental outputs.
MMDAs	MMDAs – represent the Sub-National Government i.e. the local authorities in Ghana. The MMDAs Budget Framework consists of IGF funded expenditure, transfers from the central government including DACF, DDF and other.
MLGRD	The Ministry of Local Government and Rural Development (MLGRD) is responsible for coordination and implementation of decentralisation. It is also responsible for mobilisation and allocation of resources to MMDAs, monitoring and evaluation of the implementation of the MMDAs budgets and the achievements of their expected outputs. The Inter-Ministerial Coordination Committee (IMMC) on Decentralisation is responsible for the coordination and oversight of the implementation of the decentralisation policy.
BoG	The Bank of Ghana (BoG) acts as the banker and funding agent of the GoG. The BoG keeps record of all public sector borrowing.

The structure of the Ministry of Finance and Economic Planning underwent some organisational changes since the Previous Assessment. An updated organogram is however not yet available. The main changes include the creation of a Real Sector Division, Fiscal Decentralisation Unit, Non-Tax Revenue Unit, Public Investment Division and reorganisation of the Debt Management Division. Also the Policy Analysis and Research Division has been reorganised and transformed into Economic Research and Forecasting Division. The effectiveness and the benefits of the newly created divisions are still to be accomplished.

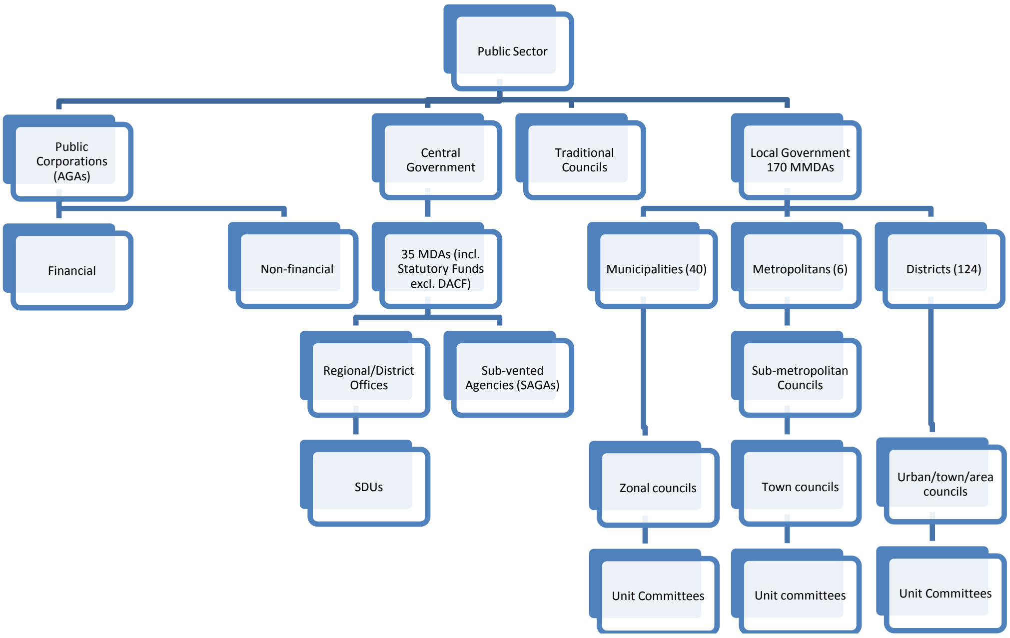
2.3.3 Key features of the PFM system

The PFM-PR assessment covers the operations of central government institutions comprising ministries, departments and their district offices, agencies and deconcentrated units as well as Statutory Funds, except the District Assemblies Common Fund (DACF). The assessment does not cover the sub-national government entities and public enterprises other than what is covered by performance indicators PI-7, PI-8 and PI-9.

The diagram below makes a simple overview of the public sector in Ghana. It shows that central government represents broadly there layers i.e. (i) 35 MDAs, (ii) their district/regional offices and Subvented Agencies (or, in other terms SAGAs such as universities and research institutions), and (iii) the service delivery units (SDUs) across the country. Central Government' transfers to the Statutory Funds are treated as direct charges to the consolidated fund, but as a separate legal and autonomous entity (established by an Act of Parliament) are managed by subvented Fund Secretariat or Board of Trustees. Normally these would not be part of the central government. However, since these funds are used to carry out government policies and provide service on behalf of the central government MDAs (i.e. GETFund provides additional funding for provision of education at all levels) for the purpose of this assessment they are considered as being part of the central government. An exception is the DACF, since it represents a vertical allocation of public funds to sub-national government and is therefore considered external to the operation of the central government.

There is a dual governing system at the Sub-National Government level in Ghana. This is represented by (i) the Traditional Authorities, with oversight at the central level by the Ministry of Chieftaincy Affairs, and (ii) the District Assemblies, with oversight by the Ministry of Local Government and Rural Development. The local government system comprises 170 Municipal, Metropolitan and District Assemblies (MMDAs) and is characterised by a four-tier governing structure including (i) 40 Municipalities, 6 Metropolitan and 124 Districts Councils; (ii) sub-Metropolitan Councils, (iii) Zonal, Urban, Town and Area Councils, and (iii) Unit Committees. MMDAs have two main sources of funding: (i) transfers from the central government including DACF, District Development Facility (DDF), Mineral Development Fund (MDF), counterpart contribution to projects funded by Development Partners (DPs), other transfers for personnel emoluments and administration, and (ii) internally generated funds collected as property rates, levies, tolls, license, fines etc.

In respect to the scope of the assessment, in addition to the SNG, external to the central government operation are considered also the operations of the Autonomous Government Agencies which have separate accountability mechanisms and their own PFM systems (e.g. budgets and accounting systems). In the case of Ghana these are represented by the financial and non-financial Public Boards, Corporations, and Statutory Institutions. Some examples of these are the Ghana Cocoa Board (COCOBOD), Ghana National Petroleum Commission (GNPC), Social Security and National Insurance Trust (SSNIT) etc. The SSNIT is a statutory public Trust charged with the administration of Ghana's National Pension Scheme and operating as a non-bank financial institution. It is responsible for the management of the basic National Social Security Scheme referred to as the 1st Tier of the Pension Scheme. SSNIT is self-financing through the contributions of members and returns on the investments of the funds.



The financial year for MDAs and MMDAs is identical. It runs from 1st January to 31 December. The Government of Ghana claims to adopt a modified cash accounting basis for the preparation of its account. However the legal and regulatory framework does not establish a clear cut off date. Some of the Statutory Funds (i.e. GETFund) prepare their accounts on an accrual basis. Their inclusion in the government public accounts is therefore not straight forward.

The reporting format of the budget documents specifies four main types of categories of expenditure estimates: (1) Government of Ghana expenditure which originate from the Consolidated Fund, (2) the retained internally generated fund (IGF) expenditure which represent government expenditure from the revenues generated by MDAs and spent through bank accounts controlled by them, (3) the separately financed and managed Funds whose transfers are treated as direct charges to the Consolidated Fund but managed by subvented Fund Secretariats, and (4) the Development Partner financed projects and programmes. The CAGD has a narrow interpretation of its legal and regulatory remit envisaged in the FAA 2003 and prepares the public accounts only for the transactions emanating from the Consolidated Fund. The audited financial statements provide actual outturns only for the GoG consolidate fund expenditure. Statutory Funds are reported in the accounting notes, while expenditure from IGFs and DPs funds are not included in the financial statements. The fragmentation of reporting as well as the presentation of budget information does not allow a straightforward identification of the share of public expenditure that is made by the central government.

Since December 2010 Ghana has been extracting oil and this has since become an important source of revenue. Oil revenues are subject to special financial management arrangements and governed by the Petroleum Revenue Management Act 2011. This includes the establishment of a Petroleum Holding Fund from which resources are transferred to (i) the Annual Budget Funding Amount (ABFA) held in the Consolidated Revenue Fund for the implementation of the annual budget, (ii) Ghana Stabilisation Fund from which resources may be mobilised in response to revenue shortages emanating from price fluctuations, and (iii) Ghana Heritage Fund to be used once the oil and gas deposits are exhausted. The forecasts on oil revenue are included in the overall revenue forecasts in the three year medium term fiscal framework.

Ghana has a three-year perspective in budget and adopted Medium Term Expenditure Framework for its budgetary process. However, the out years do not guide future budget considerations nor is the MTEF implemented on a rolling basis. During the reference period the budget was a combination of Line Item Budget (approximately 70% of primary expenditure) and Activity Based Budget approach within the MTEF. In 2012 a new Chart of Accounts (CoA) compliant with the Government Financial Statistics (GFS) reporting standards was introduced. The government intends to transit to a Programme Based Approach to budgeting. The wage bill remains very high and was increased further as a result of the implementation of the single spine salary policy.

Expenditure management remains to a large extent manual. There are ongoing changes due to implementation of the Ghana Integrated Financial Management Information System (GIFMIS). At the time of assessment hardware had been installed and the network rolled out to the headquarters in the Accra based-ministries. At the moment only the General Ledger and Purchasing and Accounts Payable (P2P) module are operational though it covers only the operations from the Consolidated Fund. Payroll management is facilitated by a separately implemented Integrated Personnel and Payroll database which directly links the personnel database and the payroll database but lacks a direct linkage to an establishment database. Personnel management is decentralised but the payroll payments are centralised. Procurement is decentralised to procurement entities. The Public Procurement Act applies to all public entities not only central government. The independent Public Procurement Authority (PPA) is responsible for the regulation and oversight of the public procurement.

Internal Audit in Ghana is overseen by Internal Audit Agency and the implementation of matter arising from internal audit is overseen by the Audit Report Implementation Committees (ARIC). The external audit has jurisdictional control over all public sector entities including MDAs, MMDAs, Statutory Funds, SAGAs, AGAs, and Public Enterprises.

3 Assessment of PFM Systems, processes and institutions

3.1 Budget credibility

3.1.1 PI-1 Aggregate expenditure out-turn compared to original approved budget

This central government PEFA assessment covers the fiscal years 2009, 2010 and 2011. The budget documentation, including budget circulars, present estimates along with budget figures for two–outlying years. The financial reports segregate debt service payments and financial asset transfers from expenditure payments.

The reporting formats of the budget documentation specify four main categories of expenditure estimates: namely, (1) Government of Ghana expenditure (GoG; corresponding to government expenditure whose sources are originated centrally through the Consolidated Fund), (2) the retained internally generated fund expenditure (IGF; corresponding to government expenditure whose sources are originated directly by MDAs and retained and spent through bank accounts controlled directly by them); (3) the separately financed and managed Funds (including the GOG financed statutory funds whose transfers are treated as direct charges to the Consolidated Fund though managed by sub-vented Fund Secretariats, and (in 2009 and 2010) the DP financed HIPC (Heavily Indebted Poor Countries) fund and Multilateral Debt Relief Initiative (MDRI) held in separate bank accounts at the Bank of Ghana); and (4) the DP financed projects and programmes.

Primary expenditure excludes all Development Partner financed projects and programmes, and HIPC and MDRI financed expenditure. The District Assemblies Common Fund (DACF) is excluded as it represents a vertical allocation of public funds to sub national government and so should remain external to central government budgetary considerations.

The results presented in Table 3.1 (see detailed data in the Annex 5) show that actual expenditure deviated from budgeted estimate by more than 15% in one year, 2011. This resulted from better than budgeted revenue performance, which was used, following the supplementary procedures, to finance expenditures across all categories but specifically focused on addressing substantial outstanding commitments. This performance corresponds to a C rating under the PEFA methodology.

It is worth noting that while the statutory fund transfers are established as non-discretionary direct charges under the law, the execution of such transfers during the period under review did not strictly adhere to the law. The actual amounts transferred significantly deviated from the approved statutory allocations for all statutory funds e.g. GETFund deviations were 49%, 25.4% and 14.9% below allocations during the three years under review.

Table 3.1 Comparison of Budget estimates against Actuals (primary expenditure, GH¢)

	2009	2010	2011
Primary original expenditure	6,384,034,282	7,951,361,640	8,417,598,121
Primary outturn	5,805,487,260	8,019,246,647	11,372,417,347
Aggregate expenditure deviation	-578,547,022	67,885,007	2,954,819,226
Aggregate expenditure deviation,%	-9.1%	0.9%	35.1%

Source: MOFEP.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-1	Aggregate expenditure out-turn compared to original approved budget	C	C	Actual primary expenditure deviated from expenditure estimates by over 15% for one of the years considered. Deviations were 9.1%, 0.9% and 35.1% respectively.
Comparability of score with the previous assessment and performance change: Performance in line with the 2009 Assessment.				

3.1.2 PI-2 Composition of expenditure out-turn compared to original approved budget

This indicator compares primary expenditure, budgeted and actual, at a sub-aggregate level across the main administrative headings[19]. The first dimension measures the extent to which reallocations between budget heads during execution have contributed to variance in expenditure composition without taking the contingency vote into consideration. The use of a contingency vote is considered in the second dimension. The assessment is made for the central government and is based on the last three completed fiscal years FY (2009, 2010, 2011).

(i) Extent of variance in expenditure composition

To score PI-2 requires the primary expenditure, both budgeted and actual, to be compared across the main administrative heading. The way in which budget and outturn data is presented in Ghana makes scoring of this indicator challenging for the following reasons. Firstly a number of budgeted expenditure items are not allocated to budget heads in the Appropriations Act. These include outstanding commitments, transfers to households and other transfers and subsidies. Secondly, the audited financial accounts (prepared by the CAGD) do not provide outturns for all categories of primary expenditure. No reporting on actual expenditure is provided for retained internally generated fund expenditure and other transfers and subsidies are only partially reported on and not presented in the same classification as the budget documentation or Appropriations Acts. GoG financed statutory funds are reported on only in the accounting notes. As a result of these challenges it was not possible to rate this indicator for the overall central government operations.

Consistent information exists by administrative classification for the Consolidated Fund operations. Consolidated Fund represents about 88% of overall central government operations excluding donor funds and DACF. IGFs represent less than 10% of the overall expenditure. The results for the Consolidated Fund are presented in Table 3.2. For all three years considered the composition variance was above 15% which reflects a “D” score performance. This weak performance is consistent with high level of expenditure arrears (PI-4), ineffectiveness of the fiscal framework as an instrument for fiscal discipline (PI-11, 12), weak predictability of funds for commitment of expenditure and delays in the release of funds (PI-16), weaknesses in the expenditure control and commitment control (PI-20), lack of an effective establishment control (PI-18).

(ii) The average amount of expenditure actually charged to the contingency vote

The Appropriations Act includes four budget line items under multi-sectoral category: (i) Contingency, (ii) Subscriptions, (iii) Utilities, and (iv) Intra-sectoral. The CAGD financial statements capture subscriptions and utilities directly since they are paid as such. For contingency and intra-sectoral budget line items, these are vired by the Finance Minister during the budget implementation in accordance with Section 171 of Financial Administration Regulations (FAR) to other lines items or sectors and are therefore reported as expenditure under the budget line of the corresponding MDA. For the purpose of calculating the amount of expenditure actually charged to

19 The PEFA methodology was modified in 2011 to present more clearly the issue of contingency votes in the calculations. As result of this PI-2(i) was revised and a second new dimension was added.

the contingency vote, all these four items are considered as “contingency vote”. The average amount of expenditure actually charged to the “contingency vote” over the last three years when calculated for the Consolidated Fund is 2.4% (see Table 3.2). This is less than 3% and when extending the scope of the calculations to the overall expenditure the amount will be even lower. An “A” score can be awarded.

Table 3.2 Consolidated Fund expenditure composition variance of (%)

	2009	2010	2011
Total expenditure variation i.e. PI-1	7.4%	8.3%	68.1%
Composition variance i.e. PI-2(ii)	15.5%	20.8%	37.3%
Contingency share of budget i.e. PI-2(ii)	2.8%	2.7%	1.5%
Average contingency share		2.4%	

Source: Author’s calculations derived from the Appropriations Acts and Auditor general Reports on Public Accounts for 2009, 2010, 2011. Data used for the calculations is presented in Annex 5b.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-2	Composition of expenditure out-turn compared to original approved budget	C	NR	Scoring Method M1.
(i)	Variance in expenditure composition excluding contingency items	NA	NR	The available data does not allow to score this dimension for the overall central government operations. The audited financial statements prepared by the CAGD are presented in a different classification as the budget documentation or Appropriations Act i.e. some expenditure are not allocated to budget heads in the Appropriations and information on some categories of primary expenditure, IGFs, and transfers and some transfers and subsidies is lacking in the financial statements. The performance of the Consolidated Fund operation if equivalent to a “D” score.
(ii)	Average amount of expenditure actually charged to the contingency vote	NA	A	Actual expenditure charged to the “contingency vote” was on average less than 3% of the original budget.
Comparability of scores and performance change: (i) The scores are not comparable due to the change in the PEFA methodology. (ii) The scores are not comparable due to the change in the PEFA methodology.				

3.1.3 *PI-3 Aggregate revenue out-turn compared to original approved budget*

This indicator compares actual total domestic revenue to the originally budgeted domestic revenue for the last three fiscal years completed[20].

[20] The PEFA methodology was modified in 2011 to reflect the fact that under-realization of revenue has more serious consequences than over-realization.

Domestic revenue includes tax and non-tax revenues. Tax revenues are collected by Ghana Revenue Authority (GRA) which was established in 2009 in accordance with Ghana Revenue Authority Act 2009, Act 791 and replaces the previous tax revenue agencies in the administration of taxes and customs duties in the country i.e. the Customs, Excise and Preventive Service (CEPS), the Internal Revenue Service (IRS), the Value Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB) Secretariat. Non-Tax Revenues includes Internally Generated Fund (IGF) collections by MDAs including fees and charges, licences, fines, sales of goods, dividends, divestiture proceeds etc. The non-tax revenues are managed by the Non-Tax Revenue Unit (NTRU) in the Ministry of Finance and Economic Planning (MOFEP).

Other sources of revenues are the revenues from oil, minerals and cocoa. Oil production in Ghana commenced in late 2010. Revenue collected as royalties and participating interest is part of the non-tax revenues. Revenue from down-stream oil and upstream oil is collected by GRA as part of the tax revenues. Due to the tax holidays given to companies, GRA collected no corporate tax revenue from upstream oil during the reference period. Cocoa exports and mining (principally gold mining) are two other main gears of the Ghana economy. The Ghana Cocoa Board (COCOBOD), a public corporation, is responsible for the procurement and export of all the country's cocoa. Export duty is fixed at 2.5% of gross FOB. The Minister has no discretionary powers to neither alter export duty nor grant exemption of export duty. Export duty is collected by Cocobod and paid direct into consolidated fund. Most of the revenue from cocoa is paid to the producers. The mining companies, regulated by the Minerals Commission under the Ministry of Lands, Forestry and Mines pay mining royalties to the GRA.

In 2011 direct taxes represented about 34% of GoG revenues, indirect taxes 26%, non-tax revenues 15%, and international trade taxes about 13%. A comparison of budgeted versus actual revenues demonstrates actual revenue shortfalls in 2009 (by 4.4%) and 2010 (by 6.5%), and exceeding revenue estimates by 27% in 2011 (see Table 3.3 below). The substantial increase in 2011 was the result of a combination of factors including improvements in tax revenue administration, favourable windfalls from mining sector, higher than expected GDP growth in the service and industry sectors, higher non-tax revenues, as well as the inclusion in the budget of some oil revenue as a result of the passage of the Petroleum Revenue Management Act.

Table 3.3 Comparison of Budgeted and Actual GoG Revenue Receipts (domestic revenue, GH¢'000)[21]

	2009 Budget	2009 Actual	2010 Budget	2010 Actual	2011 Budget	2011 Actual
Direct Taxes	1,554,542.5	1,716,906.2	2,235,385.5	2,453,953.1	3,334,799.5	4,036,566.3
Indirect Taxes	1,917,425.6	1,598,607.4	2,119,654.8	1,992,632.1	2,393,050.0	3,117,343.9
International Trade Taxes	922,508.9	762,667.7	1,141,444.1	1,146,148.6	1,335,863.8	1,515,962.2
National Health Insurance	375,209.2	318,995.2	480,907.7	388,011.6	477,672.7	550,152.8
Import Exemptions	464,800.0	318,459.6	237,228.2	386,424.2	260,837.7	634,572.4
NTR	590,851.3	870,333.1	1,916,402.6	1,226,114.8	1,355,667.6	1,822,003.4
Other Revenue	109,780.0	88,011.8	132,990.0	137,339.4	141,630.0	135,044.4
Total GOG	5,935,117,462	5,673,980,934	8,264,012,863	7,730,623,824	9,299,521,315	11,811,645,305
Deviation	-261.1		-533.4		2,512.1	
Deviation, %	-4.4%		-6.5%		27%	

Source: MOFEP fiscal data.

[21] The calculations are based on the fiscal data provided by the MOFEP as opposed to the audited public accounts which report on a net basis after offsetting revenues which do not fall within the remit of the Consolidated Fund.

There are multiple stakeholders involved in the revenue forecasting. The Tax Policy Unit of the MOFEP coordinates the tax revenue forecasting, while the Non-tax Revenue unit coordinates the forecasting of non-tax revenues. Inputs are provided by the Bank of Ghana (on exchange rate, Balance of Payments, imports and exports), Real Sector Division (on sector specific developments and economic growth), Ghana Statistical Service (on GDP and inflation), and GRA on historical and expected tax revenues. The Budget division of the MOFEP consolidates all inputs and determines the ultimate revenue estimates. The Tax Policy Unit employs two simple models for forecasting tax revenues. The in-house model incorporates such macroeconomic variables as GDP, inflation and average yearly exchange rate and is based on a simple extrapolation of the effective tax rate for previous years. Other variables determining the economic developments that may affect production, imports and exports are not considered. The in-house model is preferred above the model developed by the Duke University because the results of the Duke model are usually lower than of the in-house model, and are influenced by the lack of sufficient time series. The forecasting entails two elements, forecasting of tax revenues based on the current policies, and calculation of the fiscal impact of the new policies. Delays in the implementation of the new policies normally adversely affect the actual revenue outturn for the budget year.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-3	Actual domestic revenue compared to originally approved budget	C[22]	C	Domestic revenue collection was 95.6% of budgeted domestic revenue estimates in 2009, 93.5% in 2010 and 127% in 2011 i.e. actual domestic revenue was between 92% and 116% of budgeted domestic revenue in at least two of the last three years.
Comparability of scores and performance change: Based on the revised methodology the deviations in FY 2006-2008 were 96.4% in 2006, 94.1% in 2007 and 116.8 % in 2008. The score under the revised methodology equates to “C” i.e. actual domestic revenue was between 92% and 116% of budgeted domestic revenue in at least two of the last three years.				

3.1.4 PI-4 Stock and monitoring of expenditure payment arrears

This indicator measures the extent to which there is a stock of expenditure arrears, and the extent to which the systemic problem is being brought under control and addressed. The assessment of the first dimension is as of the end of last FY 2011. The assessment of the second dimension is as of the end of last two FYs (2010, 2011).

Background to expenditure arrears

The current legal and regulatory framework does not provide for an unequivocal definition of expenditure arrears. In practice stakeholders at different levels (i.e. ministries and agencies, CAGD/MOFEP, GAS etc.) adopt different definitions for expenditure arrears. The lack of a formal unequivocal definition implies that only outstanding bills at the end of the fiscal year emanating from expenditure files submitted for payment become automatically expenditure arrears. It excludes obligations incurred which remain unprocessed for payment and so reported arrears data represents only a partial picture of the current status of unpaid bills or after suitable aging expenditure arrears. This is the definition adopted by the Auditor General, except for road construction and Statutory Funds expenditure. Road constructions and Statutory Funds unpaid claims become in arrears if payment has not been made within 90 days and 30 days

[22] Using revised methodology.

correspondingly from receipt of the claim/invoice. MOFEP adopts the same definition for road and Statutory Funds arrears[23]. For all other types of expenditures, MOFEP considers outstanding claims in arrears only when the payment order has been signed by the CAGD but not made. Ministries and agencies consider the claims being in arrears after these are sent to CAGD for payment[24]. The difference in the definition of arrears at different levels is responsible for the possible misunderstandings in the discussion on expenditure arrears. It also contributes to the different figures on expenditures arrears observed from different sources.

(i) Stock of expenditure payment arrears

The precise estimate of the stock of arrears is challenging due to the lack of consistent and uniform data on the stock of arrears arising as result of adoption of different definition of arrears at different levels. The stock of arrears and the clearance of arrears reported on by various sources (e.g. Auditor General, MOFEP, line ministries etc.) differ even for the same items like road arrears which are less controversial than other types of expenditure arrears. That said though, it is still possible to score the dimension because even the most conservative of estimates clearly demonstrate very high levels for the stock of expenditure arrears.

Following the high priority given to the management of arrears by the Minister of Finance in the 2009 Supplementary Budget, MOFEP developed a “Strategy for the Management of Arrears”. As part of this strategy an attempt was made in 2009 to estimate the stock of arrears for the central government operations. Starting with 2010 MOFEP extended the scope of domestic arrears to include liabilities of some SOE’s arising from short and long term loans and other commitments owed to creditors. Arrears associated with SOEs appear to be as large as road and non-road arrears together (see Table 3.4). These are however not reported on in the Fiscal Data but used for internal management purposes. When considering projects and statutory expenditures only, the stock of arrears represents about 10% of the total primary expenditure. While significant efforts were made to clear the stock of arrears in the last years, in 2010 the stock of arrears increased more than twice, and while it decreased in 2011 it remained above the 2009 level. This performance implies a D score for this dimension.

Table 3.4 Stock of arrears as of the end of the fiscal year (million GH¢)

	2008	2009[25]	2010	2011
Projects	830.4	386.0	1,280.9	808.8
Roads	125.1	138.3	312.1	0
Energy	581.2	93.9	422.7	407.9
Others (o/w (MDAs)	124.1	153.8	546.0	400.9
Statutory	301.3	537.7	748.0	281.0
Education Funds	49.2	101.0	141.8	38.8
DACF	35.1	172.3	116.7	-
National Health Fund	100.0	164.4	115.8	-
Social Security Fund	109.1	100.0	373.7	242.2
Others (o/w SSPP)	7.9	-	-	-
Sub-total projects & statutory arrears	1,131.7	923.7	2,028.9	1,089.8
Change in respect to previous year (%)	-	82%	220%	54%
Total primary expenditure (see PI-1)	-	5,805	8,019	11,372
Stock as % of total primary expenditure	-	16%	25%	10%

23 Ministry of Roads has a different notion of road arrears.
24 Officials from MOFEP suggest that in some cases it can take up to 4 months for the invoice to reach CAGD.
25 The “Strategy for the Management of Arrears” prepared by MOFEP (June 2011) provides a much higher estimate of the stock of arrears for 2009 i.e. GH¢ 1.43 billion of which GH¢ 0.85 billion for projects and GH¢ 0. 57 billion for Statutory Funds.

	2008	2009[25]	2010	2011
SOEs	-	-	1,771.8	1,127.0
Tema Oil Refinery	-	-	1,256.9	567.7
Volta River Authority	-	-	465.5	215.9
Bulk Oil Storage and Transport Company	-	-	49.4	49.4
Utilities	-	-	-	212.0
National Petroleum Authority	-	-	-	82.0
Others	-	-	-	-
Unprocessed releases (o/w CAGD)	-	-	-	-
Total stock of arrears	1,131.7	923.7	3,800.6	2,216.8

Source: MOFEP, "Management of Arrears" hard copy provided on 09-11-2012 and published on the website in December 2012[26].

Given the narrow definition of arrears adopted by MOFEP and that the stock of arrears reported in the table above covers mainly the project arrears and arrears from Statutory Funds, the actual stock of expenditure arrears is higher. Interviews with MDAs revealed that expenditure arrears generally exist for all types of expenditure funded from the Consolidated Fund (i.e. salaries, goods and services, assets). Given the delays in the release of funds to MDAs (except for salaries and wages), accrual of expenditure arrears for the other types of expenditures (i.e. goods and services, and assets) is non-avoidable. The delays in processing new hires into the payroll are responsible for salary arrears.

- Salaries - This type of expenditure is non-discretionary and money is released without delays and in line with the General Warrant. Expenditure arrears on salaries and wages represent retrospective payments mainly resulting from delays in entering new hires into the payroll system (see PI-19). Processing of new hires may in some cases take longer than 6 months. CAGD does not monitor these arrears but these can be significant particularly in the case of new teachers. Under the current legal framework all newly trained teachers have to be recruited, if they qualify, regardless of whether corresponding provisions were made for in the budget. The notes to the accounts included in the Report of the Auditor General on the Consolidated Fund for 2011 indicate clearance of pension arrears of about GH¢109 million and GH¢21 million in 2010 and 2011 respectively. This suggests also the existence of pension arrears.
- Goods and services - Expenditure arrears arise as a result of accruing outstanding bills resulting from commitments and contracts which cannot be honoured due to lack of cash. Expenditure controls by the Treasury is done at the end of the expenditure cycle. At the MDAs level there is lack of adequate management and control of commitments. The issuance of purchase orders and/or contract is not subject to effective expenditure limits provided for by the Specific monthly Warrants. Some existing contracts can be renewed without being subject to the approval process. The limits are imposed only at the payment stage by the Treasury depending on the available cash. Ministry of Education reported that as of November 1st 2012 it was not able to pay any of the suppliers for this year.
- Assets - For this type of expenditure a commencement certificate was re-introduced in 2010 with the view of strengthening commitment control and consequently limiting accrual of expenditure arrears. MDAs may enter into an expenditure commitment prior to raising a commencement certificate. MDAs apply for a commencement certificate normally after the supply contract has been signed. Contracts which exceed the value of the commencement certificate or were rejected a commencement certificate by MOFEP lead to accrual of expenditure arrears.

[26] Source: http://www.mofep.gov.gh/sites/default/files/news/management_of_arrears_Handing_Over_Notes_2012.pdf (retrieved February 4, 2013).

Given the lack of consistent data on the stock of arrears it is difficult to make an accurate judgement on the magnitude of the change in the stock of arrears. The increase in the stock of arrears can reflect accrual of new arrears as well as a more accurate estimate of the stock of arrears. Nevertheless, as illustrated in Table 3.5, MOFEP is making significant efforts in clearing expenditure arrears. In 2011 payment of arrears was more than 7 times higher than the original estimate and more than twice higher than the revised budget estimate. In line with the “Strategy for Management of Arrears” liquidation of the stock of arrears is mainly done either through cash payments or the rescheduling of the liabilities through the issuance of bonds to creditors.

Table 3.5 Payment of arrears (GH¢)

	2009	2010	2011	2012 Estimate
Road Arrears (net change)	75,906,216	187,500,000	312,110,477	250,000,000
o/w Commitments & certs for works done	75,906,216	187,500,000	312,110,477	250,000,000
Non-road arrears	550,581,784	454,125,681	1,536,486,771	1,141,030,000
o/w other outstanding payments	466,314,184	409,925,681	1,277,986,771	1,141,030,000
o/w DACF	35,067,600	24,200,000	116,700,000	0
o/w GETFund	49,200,000	20,000,000	141,800,000	0
Total arrears paid	626,488,000	641,625,681	1,848,597,248	1,391,030,000

Source: MOFEP Fiscal Data 2009, 2010, 2011; Budget Statement 2012 and authors’ calculations.

(ii) Availability of data for monitoring the stock of expenditure payment arrears

There is currently no systematic and consistent mechanism for monitoring expenditure arrears. The current legal and regulatory framework envisages for reporting on commitments at the end of year, but does not require MDAs to report on in-year commitments. The in-year reporting therefore does not capture expenditure commitments and consequently does not facilitate monitoring of arrears.

As part of the budget preparation process MDAs are requested to take stock of their payments arrears and make corresponding provision for in their budget. MDAs are able to determine the stock of outstanding bills, but they don’t monitor it systematically and cannot provide information on the age profile of the pending bills. MOFEP’s Budget Guidelines demand MDAs to budget for arrears; it is not clear, however, whether all MDAs provide information on their outstanding bills to MOFEP and how these are incorporated in the budget. According to MOFEP instructions, payment arrears have priority on the next year’s budget. Ministries claim that they strive to pay its pending bills on a first-come-first-served basis.

While MDAs should be in the position to provide information on the stock of arrears for the expenditure they make the payments and the CAGD should be in a position to provide information on the stock of arrears for expenditure through centralised payment system, MOFEP does not have a consistent centralised system for monitoring and reporting on arrears. The table below summarises the current practice of monitoring expenditure arrears for various types of expenditures.

Table 3.6 Current practice for monitoring expenditure arrears by type of expenditure

	2011 million GH¢	Ratio	Remarks
Wages and salaries	4,534	69%	There is no special monitoring of accrual of arrears in wages and salaries. However, CAGD and MDAs report that significant delays

	2011 million GH¢	Ratio	Remarks
			occur in processing new recruitments and promotions and their capturing in IPPD. This leads to unreported arrears.
Goods and services	724	11%	There is no central monitoring of expenditure arrears for goods and services. Payments are made by MDA based on the funds released by CAGD. Delays in Release Warrants, which are issues based on monthly cash ceilings reflected in the General Warrant and available cash, point out to accrual of expenditure arrears. While MDAs may defer some of activities, they will incur/commit expenditure for core activities (e.g. utilities etc.) before the money will be released by MOFEP. MDAs have no systematic mechanism for monitoring these arrears; this is generally limited to the position of outstanding bills.
Domestic investment[27]	1,341	20%	Payments for domestic investments are made by the CAGD; this should generally allow to monitor the outstanding bills for investments. The process and nature of the Commencement Certificates[28] does not allow control of commitments prior to entering them. Ongoing contracts however can be extended or renewed without necessarily following this procedure. Expenditure commitments for investments are in practice often made prior to applying for a Commencement Certificate. While Commencement Certificates provide a better control mechanism of overall expenditure it does not necessarily limit the expansion of contractual obligations. This in combination with cash limitations lead to potential accrual of arrears.
Total GoG expenditure[29]	6,600	100%	

Source: MOFEP, derived from PI-1 data.

The lack of an effective commitment control mechanism and management of in-year expenditures, as well as the relatively high stock of arrears, suggest that accrual of arrears continue to pose a significant risk to the budget. The high level of arrears also suggest that the government is not achieving full value for money for its procurement, as the private sector tends to price in the cost of delayed payments. While there is no direct evidence, the discussions with CSOs and private sector representatives suggest that it is common practice to increase prices in order to compensate for payment delays.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-4	Stock and monitoring of expenditure payment arrears	NS	D	Scoring Method M1.
(i)	Stock of expenditure payment arrears (as a percentage of actual total expenditure for the	NS	D	There is no unequivocal definition of the expenditure arrears and no systematic and consistent mechanism for monitoring and measuring expenditure arrears. The stock of

27 Excluding Statutory Funds.

28 Following the President's Directive of October 1, 2010 all MDAs must seek authorization, through Commencement Certificates, from MoFEP *before* undertaking any Investment Activity (both new and on-going) in their Budgets. The Ministry of Finance and Economic Planning was directed not to honor any request for payment that is not supported by the said Warrant.

29 Excluding interest payments and foreign financed capital investment.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
	corresponding fiscal year) and a recent change in the stock			arrears as reported by MOFEP represents about 10% of the total primary expenditure but this figure is understated and represents only a partial picture of the current status of unpaid bills. The figure excludes obligations incurred which remain unprocessed for payment or after suitable aging expenditure arrears; and it covers mainly projects and Statutory Funds arrears, but disregards other types of expenditures arrears like for wages and salaries, goods and services. Given that the actual stock of arrears is higher it significantly overpasses the benchmark of 10% required for a D score.
(ii)	Availability of data for monitoring the stock payment arrears	D	D▲	There is no systematic and consistent mechanism for monitoring and management of expenditure arrears at the central level. Information on expenditure arrears is generated annually as part of the budget preparation exercise, but this information is not complete. Ad-hoc exercises are conducted to take stock of expenditure arrears but given the lack of a consistent definition and monitoring mechanism the accuracy of this information is controversial.
Comparability of scores and performance change: (i) No change in performance of this indicator. However, efforts were made to address the high level of arrears. A Strategy for Management of Arrears has been developed in 2010. Information on the stock of arrears became more comprehensive although it remains to be understated and inconsistent. The available information allows to score this dimension as opposed to the previous assessment when the available information was not sufficient for scoring. (ii) No change in the score of this indicator. Efforts however were made since the previous assessment to broaden the coverage of the information on arrears and to make it more transparent.				

Ongoing reforms

The government intends to address and reduce expenditure arrears through stronger commitment and expenditure controls, which are expected to be applied once GIFMIS will become fully operational. Nevertheless, given that only activities funded from the Consolidated Fund are being processed through the system, management and control of arrears outside Consolidated Fund will remain an area of concern.

3.2 Comprehensiveness and transparency

3.2.1 PI-5 Classification of the budget

This indicator assesses whether the budget classification and the chart of accounts are directly aligned so that, government accounts, budget execution reports and other budget execution data can be produced with a break-down that corresponds to the documentation for the proposed and approved budget. The assessment is based on the last completed Fiscal Year 2011.

The 2011 budget was prepared in a format that reflects economic and administrative classifications. Expenditure ceilings were provided on administrative basis. Budget hearings and negotiations were conducted also on administrative basis. The current institutional arrangements do not facilitate budget discussions on functional (sectoral) or programme basis. Some institutional arrangements existed for inter-sectoral discussion at the initial stage of MTEF implementation but were abandoned in 2005 after the departure of the consultant. Budget presentation reflects functional categories, but these are merely an aggregation of a few MDAs through the use of mapping tables. Item 4 expenditures are formulated based on activity based classifications including objectives, outputs, inputs and activities. Multi-year budget estimates for MDAs disaggregate across various sources of funding including GoG, IGF, Donor and Statutory Funds. Budget appropriations are based on administrative (organisation) classification.

The Chart of Accounts used for 2011 Budget is derived from GFS 1996 standard, has 43 codes and facilitates execution and monitoring of budget implementation based on that standard. The 2011 Chart of Accounts is composed of eleven main segments including Fund Type, Fund Source, Authorisation Type, Organization, Location/Treasury, Objective, Output, Activities, Account, Sector, and a Spare Segment for potential operational usage. Cost Centres are defined by Organization Segment and Location/Treasury Segment. Budget execution including cash forecasting, budget releases, commitment and expenditure control, virements and other expenditure controls are mainly based on administrative and economic classifications. The 2011 CoA offers the possibility to track expenditure based on the source of their funding. The single digit Authorisation Type code allows tracking of preparation of Budgets and the subsequent releases of budgets to MDAs, Virements and Recovery Warrants.

The Fiscal Data which serves as in-year reporting on budget implementation and the annual Public Accounts are presented in the same format as the budget appropriations, based on economic and administrative classifications. The monthly reports on expenditure returns submitted by MDAs to MOFEP presents information based on economic classification.

The table below summarises the use of main classifications for budget formulation, execution and reporting on central government (CG) budget.

Table 3.7 Synthesis of the classification of the 2011 Budget

Categories	FY 2011			Remarks
	Budget preparation	Budget execution	CG budget reporting	
Administrative	yes	yes	yes	35 Votes for MDAs Central votes: • Intrasectoral; • Multisectoral; • Contingency; • Subscriptions; • Revenue Agencies.
Economic	yes	yes	yes	Revenue: • Tax; • Non-tax; • Other; • Grants. Expenditure: • Item 1 – Personnel emoluments;

Categories	FY 2011			Remarks
	Budget preparation	Budget execution	CG budget reporting	
				• Item 2 – Administrative; • Item 3 – Services; • Item 4 – Investments.
Functional (COFOG)	(yes)	no	no	The information included in the budget on functional basis represents and aggregation of a number of MDAs under a "sector" by using mapping tables.
Programme and sub-programme	no	no	no	Activity based budgeting is used for Items 3 and 4 expenditures.

In 2011 the Chart of Accounts was revised and a new, GFS2001 compliant, Chart of Accounts was developed. The new CoA was used for the first time for the 2012 budget and is composed of twelve segments including Institution (Economic Entity), Type and Source of Funds, Function of Government, Organization, Program (Outcome), Sub Program (Output), Project, Activity, Location, Natural Account, and two spare segments for future operational purposes. The following changes were done in respect to the core classifications:

- Administrative classification – a new segment was introduce to reflect economic entities which are capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities;
- Economic classification – The Segment structures are different but there is a one-to-one relationship between the old and new account codes. Expenditure Item 2 (Administration) and Item 3 (Services) were reclassified as Goods and Services, and Item 4 (Investment) was defined as Assets. Other allowances were reclassified as compensation of employees. The GFS revenue code descriptions were adjusted to ensure compliance to the GFS definition;
- Functional classification – two new segments were introduced; one for COFOG (Classification of the Functions of Government) classification and an additional one for projects;
- Programme and sub-programme classification – a new segment for programmes was developed. This replaces the old segment reflecting objectives, outputs and activities.

A characteristic of the new CoA which deserves special attention is the tracking of development expenditures. The old classification had the possibility to track development expenditure under capital expenditure. To comply with GFS 2001 standards under the new CoA, capital expenditure were reclassified as Assets. The GFS 2001 standard, however, does not reflect "development" classification and the new CoA will not allow to properly identifying the real development expenditure. A summary of the main differences between the Old and New Chart of Accounts in included in the Annex 6.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-5	Classification of the budget	C	C▲	The 2011 budget classification and Chart of Accounts are based on economic and administrative classification and can produce information compatible with the GFS/COFOG standards.
Comparability of scores and performance change: There are changes since the previous assessment but these are not reflected in the score yet. Changes pertain to the revision and implementation of a harmonised Budget Classification and Chart of Accounts using GFS2001/COFOG standards. The new CoA was introduced in the 2012 Budget.				

Ongoing reforms

- In 2011 MOFEP adopted the IMF's GFS 2001 Manual as its economic and accounting policy, and a new harmonised Budget Classification and Chart of Accounts compliant with GFS 2001, has been developed. The new CoA was deployed for use by all MDAs and MMDAs. The 2012 budget was prepared based on the new CoA using the ACTIVATE system and uploaded on GIFMIS. The government is currently introducing Program Based Budgeting (PBB) on a pilot basis. PBB budgets are prepared in parallel to the current ABB budget. Full roll-out of PBB is planned for 2014.
- It is expected that reporting on 2012 budget will be on the new CoA. There are delays however with finalising the draft reports for the period January-June 2012; as of 28-11-2012 these reports were not yet available.

3.2.2 PI-6 Comprehensiveness of information included in budget documentation

This indicator assess the extent to which annual budget documentation as submitted to the legislative for scrutiny and approval allows a complete picture of central government fiscal forecasts, budget proposals and out-turn of previous years. The assessment is based on the last budget presented to the legislature i.e. the FY 2012.

Article 25 of the Financial Administration Act (2003) underpins the content and timing of the budget information which needs to be laid down before Parliament. It requires the President to lay before Parliament at least one month before the end of the financial year, estimates of the revenues and expenditure for the following financial year.

The budget documentation laid before Parliament is included in the Budget Statement and Economic Policy of the Government. Besides the estimates of revenues and expenditure it also covers the following elements:

- A description of the recent macroeconomic and fiscal performance;
- Macroeconomic framework for the medium term macroeconomic assumptions and debt management strategy;
- Resource mobilisation and allocation for the budget year emphasising on resource mobilisation initiatives and proposed tax policies; resources allocation and financing of the budget deficit;
- Sectoral performance and outlook for the budget year for each ministry;
- Overview of PFM reform efforts including fiscal decentralisation.

The table below summarises the main elements of the budget and their availability in the budget information.

No.	Budget documentation benchmarks	Availability	Notes
1.	*Macro-economic assumptions*, incl. at least estimates of aggregate growth, inflation and exchange rate	Yes	The Budget Statement includes a section on Macroeconomic Framework for the Medium Term which underlines in particular the macroeconomic assumptions/targets for the budget year including real non-oil GDP growth, real overall GDP growth, average and end-period inflation, overall budget deficit. A projection of the exchange rate is not provided in the budget statement, but the Budget Guidelines provide the MDAs with an inter-bank exchange rate which they need to

No.	Budget documentation benchmarks	Availability	Notes
			employ in the preparation of their budget in.
2.	*Fiscal deficit*, defined according to GFS or other internationally recognised standard	Yes	The projected fiscal deficit is included in the Budget Statement and defined on both cash and commitment basis.
3.	*Deficit financing*, describing anticipated composition	Yes	The anticipated composition of deficit financing (broken down by foreign, domestic, exceptional and other financing) is included in the Budget Statement.
4.	*Debt stock*, incl. details at least for the beginning of the current year	Yes	Information on the overall debt stock (including domestic and external) as of September is included in the narrative in the Budget Statement. This information is however not further disaggregated.
5.	*Financial assets*, incl. details at least for the beginning of the current year	No	The budget documentation does not include information on financial assets.
6.	*Prior year's budget out-turn*, presented in the same format as the budget proposal	No	The Budget Statement allows tracking expenditure over time by economic classification but not by administrative classification. It includes information on expenditure allocation based on the administrative classification for the budget year and the two outer years, but it does not include information on administrative classification for the prior year's budget out-turns.
7.	*Current year's budget* (revised budget or estimated out-turn), presented in the same format as the budget proposal	No	The Budget Statement allows tracking expenditure over time by economic classification but not by administrative classification. It includes information on expenditure allocation based on the administrative classification for the budget year and the two outer years, but it does not include information on administrative classification for the current year's budget.
8.	*Summarised budget data for both revenue and expenditure* according to the main heads of the classification used, incl. data for current and previous year	No	Comparable figures for prior year, current year and budget year proposed estimates are presented at aggregate level by main economic classification codes. Consistent and comparable information for the three years (prior, current, and budget year) is not available for votes of administrative classification.
9.	*Explanation of budget implications of new policy initiatives*, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs	No	The Budget Statement for 2012 budget includes a dedicated section on resource Mobilisation and Allocation. Under this section major proposed tax policies are presented. While new policies are mentioned, there is no explanation or quantitative estimation of the fiscal impact these policies will have on the budget. MOFEP claims that a paper which includes estimates of the budgetary impact of new revenue policies is submitted separately to the Parliament. A copy was however not

No.	Budget documentation benchmarks	Availability	Notes
			presented to the assessors.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-6	Comprehensiveness of information included in budget documentation	B	C	The latest budget documentation fulfils four out of nine information benchmarks.
Comparability of scores and performance change: There is no change in performance under this indicator. The content of the Budget Statement did not change. The presentation of some tables in the Budget Statement changed slightly but this does not affect the scoring. The slippage in the score does not reflect a slippage in performance but probably overrated performance in the previous assessment. According to the 2009 assessment estimates of the impact of policy initiatives on the budget were included in the Budget Statement. The previous years' Budget Statements do not provide any estimates of the impact of new policy initiatives on the budget.				

Ongoing reforms

There are no ongoing activities which may contribute to improving the performance of this indicator.

3.2.3 *PI-7 Extent of unreported government operations*

This indicator assesses the level of unreported operations at the central government level as defined by IMF GFS[30] including departmental revenues such as user fees and charges, fines and rent of property etc. For the purpose of the calibration, expenditure should be captured both ex-ante (budget estimates) and ex-post (actual expenditure) in the fiscal reports (i.e. annual budget estimates, in year budget execution reports, annual financial statements, either by consolidation with other central government expenditure, or shown in a separate document presented to the legislature) in order to be counted as "reported". The assessment covers the *last completed fiscal year* 2011.

(i) The level of unreported extra-budgetary expenditure

The main potential areas of extra-budgetary operations in respect to the operation of the central government include operations of the non-tax revenue, Public Private Partnership (PPP) operations, operations related to United Nations Peacekeeping proceeds, PPPs, guarantees, off-balance financial instruments and short term bridge financing arrangements. Expenditures related to defence, statutory and special funds are reported on although the information may not be accurate or complete.

Every Statutory Fund and government agency/institution financed by government is reflected in the budget ex-ante either as a separate line or under their parent ministry. The public accounts do not include ex-post reporting on Statutory Funds, but their audited financial accounts are sent directly to the Parliament. Ex-post reporting on the operations of government agencies is reflected in the public accounts.

The budget reports are not comprehensive in respect to off-balance sheet financial instruments like Promissory Notes, as well as short term loans and advances. In the Budget Guidelines 2011,

30 In GFS terminology, central government comprises all units at central level carrying out government policies including not only MDAs, but also non-market non-profit institutions that are controlled by and mainly financed by government (statutory funds, trust funds, special funds, social security funds and other autonomous agencies but excludes local authorities and public business enterprises).

MOFEP suggests that some MDAs negotiate with non-banking financial institutions (NBFIs) short term loans and advances without prior knowledge of MOFEP and recourse to parliament, which is against constitutional provision on sourcing for loans. Inevitability these loans will not be comprehensively reported in the budget. The Budget Guidelines for 2011, 2012 and 2013 also emphasise the continuing practice of MDAs to request for the issuance of Promissory Notes without the necessary budgetary provision to back them when they mature despite the repeated request of MOFEP that all Promissory Notes whose maturity go beyond the budget year should be provided for adequately since there will be no extra funds to cover those claims.

While the subsidies/subventions provided to SOEs and subvented agencies are reflected in the budget, there is no accurate information on the government guarantees provided to SOEs to raise funds on the financial markets.

The CAGD adopts a narrow interpretation of the Financial Administration Act (FAA) (2003) Article 40 & 41 and provides accounts on the transactions emanating from the Consolidated Fund only, i.e. excluding retained IGFs, Statutory Funds and Donor Funds. Statutory Funds are not reported in the consolidated accounts in detail, but the audited financial accounts of these Funds are sent to the Parliament. Statutory Funds are audited annually by the Auditor General and the reports are submitted to the Parliament.

An area of extra-budgetary operation is reflected by the retention and spending of non-tax revenue by MDAs. In Ghana these are called Internally Generated Funds (IGFs). IGFs are budgeted for and are reflected in the budget submissions and budget estimates of the MDAs. Except for retained IGFs, as stipulated in the Retentions Act, 2007 (Act 735) all MDAs are required to transfer their IGFs into the Consolidated Fund in full. Regulation 17 of the FAR, 2004 requires Heads of MDAs to ensure that IGFs collected are paid into the Consolidated Fund account except where legislative approval is given to retain all or part of the funds collected. The share MDAs can retain varies across MDAs but in most of the cases they can retain 100% of the IGFs[31]. IGFs are collected in sub-accounts of the Consolidate Fund account. Some MDAs hold also transit accounts for IGFs. MDAs report on IGFs on a weekly basis to the Economic Policy and Coordination Committee and provide financial reports on a monthly basis to MOFEP which include information on IGFs. The NTR unit of the MOFEP suggests that there are fees and charges which are not disclosed by MDAs. The Auditor General Report on Consolidated Fund for the FY 2011 reports that that most of the MDAs under-declared the total revenue collected. The amount declared in the returns as revenue collected only took account of transfers made into the Consolidated Fund bank accounts. This appears to be a degeneration from previous practice where retained IGF was reported as a note in the financial statements. This note is omitted from current financial statements. The Auditor General (AG) reports an amount of about 5.8 million GH¢ which was not transferred to the Consolidated Fund[32]. This amount represents about 0.05% of total primary expenditure in 2011.

MOFEP reports that there are currently about 30 ongoing PPPs. Only one of these is established following the new PPP Policy framework while the others are not fully incorporated and presented under the corresponding MDA votes. A list of ongoing PPPs and their fiscal impact on the budget was not presented to the consultants. However, officials report that there are no major PPPs in the infrastructure and energy sectors which may have a direct and substantial impact on the budget for the moment being.

[31] MDA Retentions Act, 2007 (Act 735) gives legal backing to MDAs to retain IGFs, for some MDAs – all, and for others - some IGRs. This is reviewed on annual basis.

[32] Source: AG Report on CF 2011, page 38.

The total defence expenditures are reported on both ex-ante and ex-post in the budget as an overall figure. The reports do not disclose the details. These expenditures are audited by the Auditor General.

The 2011 Auditor General report concludes that there are certain monies that are not covered under the Appropriation Act, example United Nations Peacekeeping proceeds. While the lack of such information undermines the accuracy of the true government financial position and the legislative oversight over such monies, the amount is insignificant in respect to total amount of expenditure.

ii) Income/expenditure information on donor-funded projects

Information on estimated revenue from grants (projects and programmes) is included in the budget documentation. The CAG notes and additional statements to the Financial Statements include information on actual grants (including Multi Donor Budget Support (MDBS), project grants and loans) segregated by DP. In 2011 grants amounted to GH¢ 1.23 billion which represented about 10% of total revenue and grants. Details on expenditure outturns on DP projects are not provided in the fiscal reports which are made available to the Parliament or to the public. An overall figure representing foreign financed capital expenditure is presented in the budget and the fiscal reports. Total foreign financed capital expenditure in 2011 amounted to GH¢1.76 billion which represents about 13% of total expenditure and about 47% of total capital expenditure[33].

In respect to management of DP funds, grants and loans, the Auditor General Report on Consolidated Fund for FY 2011 suggests that obtaining required information from key stakeholders to prepare the public accounts is a challenge. According to the report, project inflows which form part of the Consolidated Fund are currently transferred directly to the Project Implementation Agencies. CAG, through MOFEP, instructed the Project Implementation Agencies to submit expenditure returns on monthly basis on all projects for year 2011 to the parent Ministry/or Department. The Auditor General raises the concern that, the structure and management of project grants and loans even though part of the Consolidated Fund, places them outside the control of CAG. This situation makes it difficult to report *accurately* on the actual expenditure made on these funds in the Public Accounts on the Consolidated Fund. These funds are disbursed directly to the MDAs outside the Treasury System. If not reported properly by the MDAs, the reported expenditure may be an underestimate of the actual expenditure.

The Commonwealth Debt Recording and Management System (CS-DRMS) records the disbursements of DPs' grants and loans but not expenditures. MDAs are supposed to provide financial reports to MOFEP (including on external funds) on a monthly basis, but in practice this happens on a quarterly basis. The annual financial statements produced by CAGD disclose grants and loans on the revenue side and cash flows, but do not include details of the DP project expenditure by MDAs. The External Economic Relations Division (EERD) of MOFEP maintains a (excel) database on all DP financed activities (loans, programme and project grants, aid-in-kind etc.). This database includes also activities of non-traditional DPs like China and India which to some extent reflects its comprehensiveness. To supplement the data generated by the MDAs, EERD in collaboration with Debt Management Department (DMD) collects disbursement data directly from the DPs. The internal reports however are not published or submitted to the legislature. There is no estimate available however on the extent of unreported DP activities. In 2011 EERD made an attempt to identify all DP finance projects and programmes through collecting comprehensive information from most DPs. It was a complex and challenging exercise and while it revealed many "unreported' activities, most of them related to DP funds to NGOs.

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33 Source: GoG Fiscal Data.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-7	Extent of unreported government operations	A	C+	Scoring Method M1.
(i)	Level of unreported extra-budgetary expenditure	A	A	The existing evidence suggests that the extent of unreported operations is limited. Although the exact magnitude of unreported operations is difficult to assess, there is no evidence found to suggest that unreported arrears exceed 1% of the total expenditure. The main areas of unreported operations relate to internally generated revenues of the MDAs (app. 0.05% of primary expenditure). This reflects the amount which was collected by MDAs but not transferred to the Consolidated Fund and consequently not reported on in the MDAs reports and financial statements. Other potential sources of unreported operations relate to United Nations Peacekeeping proceeds, PPPs, actual guarantees that are issued, off-balance financial instruments (incl. promissory notes) and short term bridge financing arrangements. But these are not substantial.
(ii)	Income/expenditure information on donor-funded projects	A	C	Financial Statements include information on receipt of DP loans, project and programme grants. Neither Financial Statements nor other fiscal information presented to the Parliament includes detailed information on the use of DP funding on projects and programmes. Financial Statements contain aggregate information on foreign financed capital expenditure. Information on the use of project and programme grants is internally available but details are not included in the fiscal reports submitted to the Parliament. The information available in internal reports is reported to be to a large extent comprehensive/complete although the Auditor General raised concern on the accuracy of reporting on external funds which are transferred directly to MDAs outside the Treasury System.
Comparability of scores and performance change: (i) Some changes in performance are reflected by the increase in the number of on-going PPPs, but given their insignificant impact it does not affect the scoring. A Public Investment Division was established in 2011 with the view of improving the monitoring of the public sector operations. The effectiveness of this Division and the impact on monitoring and oversight of the government operations is too early to assess. (ii) The performance of this indicator did not change. The difference in scoring is due to a different interpretation of the “unreported” in the PEFA methodology. The previous assessment considered availability of internal reports as sufficient for being qualified as “reported”. The clarification notes to the PEFA framework underline however that expenditure are considered to be as “reported” for calibration				

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
purposes if they are included in fiscal reports (budget estimates, in-year budget execution reports, financial statements), either by consolidation with the central government expenditure, or is shown in a separate section or annex of the document presented to the Parliament and published at the same time as fiscal reports.				

Ongoing reforms

- Ongoing reform efforts are in respect to NTRs. The current MDA Act is being reviewed particularly with the view of specifying the IGFs which is currently not covered by the Act. MOFEP intends to introduce in 2013 a new Retention Policy which will lead to a National Policy on non-tax revenue. This will imply a need for the revision of all other acts on MDAs. The NTR unit of MOFEP is considering the separation of commercial and public entities. There is also an intention to close the transit accounts for IGFs and streamline the lodging of IGFs into one account.
- The implementation of the ongoing initiative to improve "Aid on Budget" is expected to improve the transparency and comprehensiveness of the reporting on donor funded operations.

3.2.4 PI-8 Transparency of inter-governmental fiscal relations

This indicator assesses the transparency of transfers from central government to sub-national governments and accountability for the use of these funds during the last completed fiscal year (FY2011).

(i) Transparency and objectivity in the horizontal allocation among Sub-National (SN) governments

Ghana maintains a dual governing system at the sub national level. The two systems are comprised of:

- *District Assemblies*, whose liaison at central government is the Ministry of Local Government and Rural Development (MLGRD). This system is made up of a four tier structure comprising (i) The Central Government, (ii) the Regions which are deconcentrated units of central government and coordinate decentralisation issues through the Regional Coordinating Councils (RCCs), and (iii) the Municipal, Metropolitan and District Assemblies (MMDAs). The MMDAs in turn oversee (iv) town, area and zone councils. There were 170 MMDAs during the period under assessment - increased to 216 in 2012 - and coordinated through 10 RCCs;
- *Traditional Authorities* whose liaison at central government is the Ministry of Chieftaincy Affairs. This system of administration is built upon traditional authority, particularly in relation to land. The legal and regulatory framework within which financial management by the Traditional Councils and Stools are managed is embodied in the Chieftaincy Act, 2008. It is made up of the Traditional Councils which in turn oversee the stools.

Like for the central government, the fiscal year for MMDAs and Traditional Councils is from January 1st to December 31st. Both also liaise with the Administrator of Stool Lands (OASL) under Ministry of Mines and Natural Resources.

There are clear laws and regulations governing expenditure management by the District Assemblies. The MMDAs are regulated by the Constitution, the FAA (2003), the Local Government Act (1993), the Local Government Service Act, 2003, and the Local Government Service Regulations, 2008. Under this legislation transfer of some central government functions at district level to the MMDAs themselves - along with the administrative units and corresponding budgets - has begun as part of the decentralization programme but is far from complete. A number of service functions have been devolved to the MMDA level from FY2011 on a pilot basis – such as feeder roads and community development – but the related budgetary expenditure has so far been maintained under the parent ministry as a transition arrangement. A reform was introduced with the preparation of the 2012 budget which for MMDAs is now "Composite" in that the budget reflects all types of funds supposed to be available to the MMDAs.

The Traditional Councils and Stools are regulated by the Constitution, the Office of the Administrator of Stool Lands Act, 1994 and the Chieftaincy Act, 2008. The Chieftaincy Act requires Traditional Councils to prepare annual financial statements and submit them to the Auditor General within 3 months of the close of the fiscal year.

There are several transfer mechanisms from Central Government to Sub National Government. In the case of MMDAs these include:
1. District Assemblies Common Fund (DACF) transfers;
2. District Development Facility (DDF);
3. Minerals Development Fund;
4. Direct payments of some Personnel Emolument and Administrative Charges;
5. Counterpart fund contributions to DP funded MMDA projects.

Traditional councils benefit from Personnel Emolument payments and funds collected and distributed through the OASL (Mineral Development Royalties/Fund, Timber Royalties, Farm/Ground Rent). Timber royalties and ground rent are collected on behalf of the Traditional Councils by central government agencies and so are not considered as transfers.

District Assemblies Common Fund (DACF)
The transfers from the DACF is set by law at 7.5% of government revenues, which is currently interpreted as all revenue collections transferred to the Consolidated Fund excluding MDBS and oil and minerals revenue. In principle, horizontal allocations are broadly transparent, based on an annually updated formula approved by Parliament. Only about 40% of the DACF - available for capital intensive projects - is transferred in cash to MMDAs on the basis this formula, as funding for a number of 'indirect' transfers (where MMDA procured goods and services are paid from DACF to the supplier on MMDA request) and centrally administered services are first deducted. There are also deductions for centrally procured goods, services and assets by MDAs on behalf of MMDAs, to which MMDAs agree on a case by case basis but for which they may not always be timely informed on how the deductions relate to the specific goods, services or assets actually delivered to them. All of these deductions typically add up to about 20% of DACF resources. Other major allocations from the DACF include (a) about 30% to a fund for national youth employment programs (NYEP) with no clear rules for horizontal allocations across MMDAs, and arranged through a national company managing the programs; (b) an allocation to DDF at some 7% of DACF (ref. below); (c) MPs and constituency projects receive 2% and 2.5% of the DACF with rules based horizontal allocation closely linked to MMDAs; and (d) 2% to RCCs.

MMDAs are each given an estimate of the year's transfers at the beginning of the fiscal year (January) when funds for the DACF have been appropriated. DACF allocations are released quarterly to MMDAs, in principle in the month after the end of the quarter, though further delays occur. As a result, the 4th and last quarterly release takes place in the first quarter of the following fiscal year. MMDAs prepare accounts and submit to the DACF monthly, as a condition for receiving the following release. The reporting requirement is therefore adhered to.

District Development Facility (DDF)
The DDF is a mainly (80%) donor financed basket - established in 2008 as an administrative fund - with a contribution from the government, financed out of the DACF. The DDF provides two types of

grants (1) a Capacity Building grant which is unconditional and distributed evenly to all MMDAs every year. It is supposed to be used for capacity building activities such as training, workshops, conferences and essential office equipment; (2) an investment grant, which is allocated on the basis of performance and meant for construction and major rehabilitation works. Performance assessments have taken place for 2008, 2009 and 2010 for all MMDAs with 2006 performance as baseline. The assessment is conducted by independent consultants and uses a Functional and Organisational Assessment Tool (FOAT) to evaluate if each MMDA has met the minimum standard on eight criteria related to administrative practice, such as financial management, procurement, records management etc. Following completion of the assessment, investment grants are allocated to the MMDAs that meet the criteria, based on a formula that takes into consideration population and surface area of the MMDA, the extent to which an MMDA exceeds the minimum standard, as well as the overall resource envelope available for distribution after deduction of capacity building grant allocations and the DDF secretariat expenses. An additional Urban Development Grant is being introduced in 2012 for metropolitan and municipal assemblies only. When the DDF Steering Committee has approved the allocations, they are communicated to the MMDA and publicized in the media. Fund releases do not follow the fiscal year but are driven by the performance assessment process. The DDF Secretariat recognises that communication of allocations and transfers of funds do not facilitate the regular planning and budgeting timetable of the MMDAs and that more timely execution of the FOAT assessments and allocation decisions is needed.

Mineral Development Fund

The Mineral Development Fund transfers are based on a fixed percentage of the mineral royalties collected by the central government. The allocation to a district or a traditional authority (the two entities overlap) is based upon the tax revenues of the mining entities operating within that district or authority. This makes for a transparent and rule based horizontal allocation in principle. The transfers are facilitated through the Office of the Administrator of Stool Lands (OASL), which received information from MOFEP quarterly on the amounts of royalties collected. OASL calculates the transfers to MMDAs, Traditional Authorities and Stools by respective allocations of 55%, 20% and 25%, after having deducted a 10% share to cover OASL administrative expenses. Transfers are made by CAGD, in principle on a quarterly basis, but there are often delays e.g. by November 7, 2012 none of the transfers for the 1st and 2nd quarters of 2012 had taken place.

Personnel Emolument and Administration Charges Payments

Some of the staff of the MMDAs and the Traditional Councils are on the central government payroll (whether they are for de-concentrated or devolved services) and are paid for out of the central government budget by the CAGD. Some administrative expenditure is also paid for by the central government through the MLGRD. For the time being these expenditures are determined by the parent ministries, so there is no rules based horizontal allocation. MMDAs have been given information in terms of ceilings to include them in their 2013 Composite Budgets, but the reliability of that information cannot be judged until end of 2013.

Counterpart contributions to donor funded MMDA projects

It has not been possible to identify reliable data on such contributions. At the central level such contributions have not been distinguished from centrally managed projects. The amounts are believed to be relatively minor. The allocations are not made by means of rules or formula based systems, but on an ad hoc basis in relation to the negotiations with DPs for each project.

The total transfers from central government to Sub National Government represent approximately 9% of the central government's primary expenditure for FY2011, with the DACF accounting for close to 70% of the transfers. Table 3.8 presents a summary of the allocations between central government and sub national government. Figures for the Personnel Emolument transfers to the

Traditional Authorities were not obtained. However, their relative amounts are small and the results still permit the unambiguous conclusion that over 10% but less than 50% of the horizontal allocations are determined by transparent and rules based approaches.

Table 3.8 Transparency and rule basis of the CG transfers to SNGs (GH¢, million)

Transfer Mechanism	2011 actual	Share	Transparent/rules based horizontal allocations
Personal emoluments and other charges	232.0	24%	To a limited extent: estimates based on 2012 Composite Budgets.
DACF, of which	652.4	68%	
- Cash transfers for capital projects (40%)	261.0	27%	Yes.
- Youth employment NYEP (30%)	195.7	20%	No; through national intermediaries.
- MPs and constituencies (4.5%)	29.4	3%	Largely; through local intermediaries.
- Other allocations and deductions (25.5%)	166.4	17%	No; through national and regional intermediaries.
DDF	68.5	7%	Yes; amounts is average of 2010 & 2011 due to fluctuations.
Minerals Development Fund	10.0	1%	Yes; figures are net of OASL admin.
Total	962.5	100%	

Source: DACF Administrator, OASL Administrator, DDF Secretariat, Government of Ghana, 2012 Budget Estimates, Composite Budgets for four MMDAs.

(ii) Timeliness of reliable information to SN governments on their allocation

MMDAs prepare their budgets following a schedule of events similar to the one for central government (ref. PI-11). The budget has to be approved by the Assembly by end of November. Central government is informed of the approved budgets through the RCCs but has no formal role in the approval process. Until 2011 the only instruction received from the central government was the guidelines in respect to the NDPC' planning. Starting with the FY2012 budget, however, MMDAs are expected to prepare Composite Budgets including all resources made available to them and have received budget guidelines from MOFEP accordingly.

The MMDAs are highly dependent on transfers from central government and DPs for their operations as only about 10% of their resources come from internally generated revenue. MMDAs have been provided little information on transfers to be expected for the coming year during their budget preparations. They mostly count on informed guesses, based on the previous years' experience. The 3-year MTEFs submitted by the MDAs for budgetary approval are still not reliable enough in the outlying years (see PI-12) to allow MMDAs to derive indicative estimates before the start of their detailed budgeting processes. Consequently, preparation of revised/supplementary budgets by the middle of the fiscal year is the norm.

For DACF the overall allocation is not known until the budget estimates are presented in mid-November and the allocation formula is not confirmed until January of the fiscal year in question. For DDF the assessment and allocation schedule does not follow the annual budget cycle at all. For the Minerals Fund, no information is made available in advance.

Even where the estimates for these three important funding sources are known, the actual transfers may be substantially delayed (ref. above under each fund). The only transfers for which there is relatively reliable information are the personal emoluments of centrally funded staff.

(iii) Extent of consolidation of fiscal data for general government according to sectoral strategies

The MMDAs prepare monthly financial reports (trial balance) and annual financial accounts for submission to MLGRD and CAGD through the RCCs. The annual accounts are audited and included in annual reports sent to the MLGRD Inspectorate Division. MLGRD aggregates the monthly revenue and expenditure figures, which were available for 2011 for 168 of 170 MMDAs by November 2012. The reports for 2011 cover expenditure financed from IGF as well as cash transfers. This represents approximately 60% of total expenditure at the MMDA level. MLGRD issues an annual report including this data, which is sent to NDPC for consolidation with other sources on MMDA finances and analysis for policy purposes.

The DACF prepares a consolidated report of expenditure against DACF transfers, but since DACF transfers are set one quarter behind the normal fiscal year, information on the MMDA expenditure cannot be consolidated with other fiscal information that follows the fiscal year. At this time the financial report is not presented in a format consistent with the central government fiscal reporting.

The MMDA charts of accounts have differed significantly from the Central Government's CoA until 2011. In connection with the Composite Budgeting reform the chart of accounts of the MMDAs is being synchronized with central government, but this still has to be fully rolled out – e.g. in 2012 the DACF still uses a simplified CoA, and during the transition in 2012 some MMDAs have reported according to the new CoA while others have used the old one. Consolidation of MMDA reports is therefore not yet possible with any degree of detail.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-8	Transparency of inter-governmental fiscal relations	D+	D+	Scoring Method M2.
(i)	Transparent and objectivity in the horizontal allocation among SN government	C	C	Transfers to sub-national government consist of various sources, mainly DACF, DDF, Minerals Fund and Personal Emoluments for deconcentrated and devolved service staff. Data suggests that approx. 38% of the transfers are allocated through transparent and rules based systems.
(ii)	Timeliness of reliable information to SN government on their allocations	D	D	MMDAs do not receive information on most of their allocations until well after the start of the fiscal year and for some transfers not at all. The previous year's MTEF estimates are not sufficiently reliable as a basis for firm budgeting. Even where information on allocations is provided, delays in cash transfers mean that the funds may not be fully available for the year in question.
(iii)	Extent of consolidation of fiscal data for government according to sectoral categories	D	D	MMDAs submit financial reports covering about 60% of their expenditure (but about 100% of cash finance). Revenue and expenditure data is consolidated by MLGRD Inspectorate for 99% of the MMDAs, but not on sectoral basis and until now using a different chart of accounts than central government.
Comparability of scores and performance change:				

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score

(i) Scores for 2009 and 2012 are comparable. Only minor changes have taken place to the transfer system and the relative importance of funding sources since the 2009 assessment.
(ii) The scores for 2009 and 2012 are comparable and reflect that provision of reliable information for MMDA budgeting remains a major problem.
(iii) Scores for 2009 and 2012 are comparable. Financial reporting by MMDAs has improved but use of different reporting formats hinders consolidation with central government data.

Ongoing reforms:
- The new unified Chart of Accounts introduced in FY2012 would provide for aggregation of fiscal information from MMDAs and central government MDAs in terms of economic and functional classification.
- Composite Budgeting is gradually being established and should eventually provide a full overview of resource mobilisation and usage at the MMDA level.
- Budget guidelines for the Composite Budget 2013 are including information (ceilings) for transfers to MMDAs for the first time.
- Transfer of central government departments to MMDAs (Legislative Instrument (LI 1961), 2009 Transfer of CG Departments) – is in progress, but transfer of funding sources is yet to be clarified.
- GIFMIS roll-out to MMDAs should allow budget execution and reporting on a timely basis on the entire Composite Budget and in a harmonised chart of accounts format.

3.2.5 PI-9 Oversight of aggregate fiscal risk from other public sector entities
This indicator assesses the extent to which central government monitored and manages fiscal risks with national implications arising from activities of SN levels of government, autonomous government agencies and public enterprises. Fiscal risk can take the form of debt service defaulting (with or without government guarantee), operational losses caused by quasi-fiscal operations, expenditure payment arrears and unfunded pension obligations. The assessment is based on the last completed financial year (FY 2011).

(i) Extent of central government monitoring of AGAs and PEs
The equivalent terms for Autonomous Government Agencies (AGAs) and Public Enterprise (PEs) used in Ghana are Public Boards, Public Corporations and Statutory Institutions (also called Statutory Corporations). The Statutory Institutions are established and governed by special legislation - Acts of Parliament; while the Public Boards and Corporations are established and governed by the Companies Act or Conversion to Companies Act.

The legal framework governing the financial management of Public Boards, Public Corporations and Statutory Corporations, and their relations with the central government includes:
- FAA (2003) Act 654 - establishes the operations of Statutory Corporations and other Public Institutions (part IV), envisages for preparation of annual estimates for NTRs (Section 29) and address the subject of operating surpluses (Section 50);
- FAR (2004) - provides more details on the operation of the statutory corporations and other public institutions (part XI);
- Subvented Agencies Act (2006) Act 706 - establishes a legislative mechanism through which the dependence of institutions and agencies in the public sector on government subvention can be reduced. It provides in particular for the signing of performance contracts with the Agencies to reduce their dependency on government subvention and improve efficiency, productivity and accountability. The Act addresses also the monitoring and evaluation of the operations of

subvented agencies, which appears diffused and spread between various ministries, the Public Services Commission, Ministry of Finance and other central management agencies. The Act makes the Minister responsible for the monitoring of the respective agency;
- Statutory Corporations (Conversion to Companies) Act, 1993 (ACT 461);
- Companies Code Act 179 - regulates in particular the payment of dividends;
- Interim Management Committees (Public Board and Corporations) Act, 1982 (PNDCL 6);
- Article 187(2) of the 1992 Constitution requires GAS to audit the accounts of Public Boards, Corporations and other Statutory Institutions.

There is currently no framework for monitoring the fiscal risk and consequently no consolidated overview of the fiscal risk posed by Public Boards, Corporations and other Statutory Institutions which can facilitate a general financial oversight of these entities except for the oversight of prescribed bodies which fall under the responsibility of State Enterprise Commission. Most of the entities are monitored by the respective sector ministry and their audited accounts should provide a consolidated view on the equity position of government in these corporations. The accounts of the Public Board, Corporations and other Statutory Institutions are audited by the Auditor General every year. The annual audit report is tabled in the House in pursuant to Article 187(5) of the 1992 Constitution. According to the Audit Report on Public Boards, Corporations and other Institutions (2010) as of end of 2010 there were 61 Public Boards and Corporations. For the FY 2010, only 5 out of a total of 61 Public Boards and Corporations audited, failed to submit their financial statements at the time of writing the report. The audit report was submitted to Parliament in June 2012. For each institution the audit report summarises its operational results for the period under review (including information on the income and expenditure), and its financial position (i.e. assets, liabilities and liquidity ratio). The report does not include any information on the fiscal risk to the central government which arise from the operation of these entities.

The State Enterprise Commission (SEC) Law (1987) PNDCL 170 establishes SEC as the monitoring and oversight body of public entities listed in the Schedule annexed to the Act (described in the Act as Prescribed Bodies). An attempt was made to revise the Law in 2003 but it was not passed by the Parliament. SEC reports to operate administratively on the 2003 draft. The main difference of the 2003 draft relates to the organisational structure of SEC. The SEC Act requires SEC to have a Board of Directors, but since 1995 it had no Board. SEC is managed by the Management Executive Committee consisting of the heads of SEC’s departments.

Currently SEC has oversight responsibility over 38 prescribed bodies including 28 commercial SOEs and 10 subvented agencies. One of the major responsibilities of SEC pertains to facilitation of performance contract negotiation, monitoring and evaluation. The negotiation of the performance contract is between each prescribed body and the Government represented by MOFEP and the relevant sector ministry. Usually the performance contract negotiation of the ensuing year begins in November and is expected to be concluded in December of the previous year but it stretches to early February of the contract year due to delays in compiling the three documents needed for the contract negotiation i.e. performance contract, approved budget and updated corporate plan. Each prescribed body’s performance contract is then signed by the Chief Executive Officer, witnessed by the Board Chairman, Minister for MOFEP and the relevant sector Minister and finally witnessed by the Executive Chairman of SEC.

Throughout the year SEC monitors the implementation of each prescribed bodies strategic objectives through their quarterly reports and monitoring visits undertaken. At the end of the contract year and after receiving the audited accounts from the prescribed bodies, SEC prepares the two yearly performance evaluation reports, one on each prescribed body by end of June, and a consolidated report on all prescribed bodies by end of August. The reports summarise the performance of the prescribed public entities in terms of their profitability, total taxes paid, dividends paid etc. It emphasises also on the timeliness of the quarterly financial reports and audited accounts presented by the entities. The reports do not include any information on debt, debt to equity ratios and other financial indicators. The report on each prescribed body is sent to the body, the sector Minister, the Minister for MOFEP, office of the Speaker of Parliament and the office of the President. The consolidated report on all prescribed bodies is sent to the same recipients except the prescribed bodies. In practice, SEC does the negotiations, provide feedbacks on quarterly reports receive from the prescribed bodies and prepare the yearly performance reports for prescribed bodies who submit the year's audited accounts fully, but due to capacity and logistic constraints undertakes planned monitoring visits and provide feedbacks only once in a year. In 2012, submission of quarterly reports and audited accounts by the prescribed bodies were very irregular and by end November 2012 less than half of the entities submitted all required reports resulting in SEC not completing its statutory reports.

SEC maintains a log on the prescribed entities which submit quarterly reports and audited annual accounts to the SEC. A list of entities which submitted their first two quarterly reports for 2012, as of 16-11-2012, was provided to the consultants. According to this list, 19 and 16 out of 38 entities which fall under SEC' mandate submitted quarterly financial reports for the 1st and 2nd quarter respectively. While no list for the audited accounts was presented, the SEC reported that on average 15 out of 28 commercial SOEs submit audited accounts. It is not clear whether the other don't have audited accounts or they simply don't submit them to SEC. Even those reports and audited accounts which are submitted to SEC are often submitted with delays.

The SEC has since 2003 two databases which are capable of capturing information related to the operation of the public entities which fall under their oversight responsibility. The first database uses "ACPAC" accounting package and is able to capture data from audited financial statements from the prescribed bodies and to process internal accounts. The "ACPAC" was used for processing internal accounts up to August 2011 but due to problems its use has been discontinued. The other database uses Microsoft Access and captures data on Human Resource, Financial and Operational data from integrated SOE database collecting instrument. The integrated SOE database has not been operational due to structural deficiencies like the lack of major command keys. Although expected, the two databases are not able to exchange information. Currently a database is being developed by an in-house team. So while information on the operation of prescribed bodies is made available to SEC, it is not uploaded in the database limiting its potential use.

SEC is supposed to have a schedule of all loans of SOEs and government guarantees but in practice it does not. SOEs can get loans on financial markets with the approval of the Minister of Finance. In practice there are cases when enterprises raise loans without Ministers' approval. Some banks provide loans without requesting a government guarantee, especially if the cash flows are good. These loans may result in remaining unreported (see PI-7) and pose a fiscal risk to the government if the SOEs fail to honour them. According to Budget Guidelines 2011 MOFEP noted that some MDAs negotiate with Non-Banking Financial Institutions (NBFIs) for short term loans and advances without prior knowledge of MOFEP and recourse to Parliament, which is against constitutional provision on sourcing for loans. Such acts increase the fiscal risk of the government and lead to undue pressure on MOFEP to repay such loans.

As mentioned in PI-7, the budget reports seem to be incomplete in respect to some off-balance sheet financial instruments and short term loans and advances. When unreported, such operations pose fiscal risk to central government's budget. This is true not only for MDAs, but also for autonomous government agencies which operate under its own board of directors and statutes. The consultants observed that the Ghana Educational Trust Fund (GETFund) has a number of overdraft facilities from commercial banks, but these are not part of the public debt stock. According to MOFEP, this is principally due to the fact that GETFund is an autonomous government agency with its own board of directors and statutes, and the overdraft by GETFund is, therefore, not covered by the loans act but is a private arrangement backed by the GETFund's expected revenues. Such overdrafts reflect unreported extra-budgetary operations of the government and pose fiscal risk to the central government's budget.

(ii) Extent of central government monitoring of SN governments' fiscal position

As in 2009, the Local Government Act (1993) restricts the MMDAs access to domestic borrowing and require approval from the Minister of Local Government and Rural Development (MLGRD), given in consultation with the Minister of Finance for all loan amounts greater than 20 Million Cedi (2,000 GH¢). The MMDAs may borrow on the basis of loans or overdrafts for amounts lower without approval, provided that these do not require central government guarantees. However, the law is not clear about accumulating larger overall debt provided that the individual loan amounts do not exceed 20 Million Cedi. The issuance of a central government guarantee requires the authorisation of the Minister of Finance. Consequently, MMDA borrowing can generate fiscal liabilities for the central government.

In the case of Traditional Councils, they are not permitted to raise loans or overdrafts and so cannot generate fiscal liabilities in this way. There is no control with the use and accountability of funds transferred to Traditional Councils and no requirements in the law. No internal or external audit takes place, and no financial statements are submitted to the Office of the Administrator of Stool Lands (OASL). It has been attempted to encourage Traditional Councils to present their plans and budgets for the intended use of transfers to the Regional Coordination Councils, but with limited success. However, the transfers to Traditional Authorities constitute only a small proportion of transfers to MMDAs.

MMDAs prepare monthly financial reports (trial balance) which are sent to MLGRD Head Quarters (HQ) and relevant regional office (ref. PI-8(iii) above) with copies to CAGD and GAS regional offices. MLGRD's Inspectorate Division enters the revenue and expenditure information into a database. Revenue collection under IGF, as well as total revenue and expenditure are compared to the MMDA budgets. The Inspectorate also checks on issues such as salary advances and their recovery as well as any bank overdrafts. The Minster is informed about any major deviations and issues, and decides on any action to be taken e.g. instruction to the MMDA on preparing a supplementary budget to cover any shortfalls, virement of funds among expenditure categories or a follow-up visit to the MMDA by the regional inspectorate unit.

Monthly reports from the MMDAs are due on the 15th day of the following month, which is respected in about a third of the cases (for 2011, timely submission was made for 58% of the reports in Greater Accra Region, 37% in Eastern Region and 10% in Northern Region). Most MMDAs submit within one month. By November 14th 2012, only two MMDAs had not submitted the December 2011 report - but the November reports had been received - so the data in the database is close to complete.

MLGRD regional offices issue annual reports on the financial performance in the MMDAs and their related inspection visits. It covers comments on fiscal performance as well as the adherence to instructions and regulations planning, budget management and records keeping (much in line with the requirements of the DDF's FOAT assessment, ref. PI-8(i) above), and make recommendations for improvements.

Due to the poor predictability of grant releases from various sources a major concern is the occurrence of expenditure arrears. However, no report provides a consolidated overview of this and other fiscal risks at the MMDA level.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	D+	C	Scoring Method M1.
(i)	Extent of central government monitoring of AGAs/PEs	C	C	Most major AGAs/PEs submit fiscal reports including audited accounts to central government at least annually, but a consolidated overview of the fiscal risk from these entities is lacking. The available information suggests that about half of the entities monitored by the SEC do not submit regular fiscal reports and audited accounts; and when these are submitted they are delayed. The use of short-term loans and other financial instruments without prior approval of the MOFEP reflect the existence of potential fiscal risks to the central government.
(ii)	Extent of central government monitoring of SN governments' fiscal position	D	C	The monthly fiscal position of MMDAs is monitored monthly with moderate delays. No consolidated overview of fiscal risks is collated and presented, but issues are identified and followed up on a case by case basis.
Comparability of scores and performance change: (i) There is no change in performance. (ii) The collection of fiscal data by MLGRD has become quite complete and timely with regular consolidated reporting on the fiscal position and related issues of financial administration.				

Ongoing reforms

The government is currently drafting:

- Guidelines referencing the ability to cost and price government services;
- Guidelines for MDAs on IGF mobilisation;
- Guidelines on reducing central government subventions to agencies/public entities;
- A Cabinet Memorandum on the National Policy on Non-Tax Revenue.

3.2.6 PI-10 Public access to key fiscal information

This indicator assesses the extent to which information on the budget and its execution by the government is easily accessible to the general public or at least the relevant interest groups. Transparency principle requires that the Government makes relevant information widely available in a comprehensive, understandable and timely fashion. The assessment is based on the last completed FY 2011.

The Constitution (chapter twelve) guarantees the freedom and independence of media subject to laws that are reasonably required in the interest of national security, public order, public morality and for the purpose of protecting the reputations, rights and freedoms of other persons. Article 115 gives also freedom of speech, debate and proceedings in Parliament. The Constitution does not however establish citizens' right to access information in particular in respect to key fiscal information. A Freedom of Information Bill was prepared and submitted to Parliament for endorsement in 2010. Until now it has not been debated or passed.

The Financial Administration Act (2003) underpins the availability of fiscal information only in respect to the public accounts. Article 40 requires the Controller and Accountant General to transmit the public accounts which shall be published within fifteen days after the end of each month in the Gazette. In practice the monthly accounts are not published but available upon demand from the CAGD.

While the available key fiscal information allows accountability for various stages of the budget cycle it is not presented in a transparent, comprehensive, use-friendly and timely manner. The available information is to large extent technical and non-comprehensible to non-professionals. The available fiscal information is not accompanied by explanatory and/or summary notes. A Citizens Budget to the 2008 Budget Statement was published in 2008. In 2009 and 2011, however, the Citizens Budgets was produced but not published. Starting with FY2012 the Citizens Budget was replaced with the Highlights of the Budget Statement and Economic Policy which is published after the Budget Speech on MOFEP's website.

The main source of fiscal information for the public is the Ministry of Finance and Economic Planning website (http://www.mofep.gov.gh/). The information provided on the MOFEP site is limited to the Guidelines for the preparation of the Budget Proposals, the Budget Statements, Supplementary Budgets, in-year and end-of-year Fiscal Data on budget implementation. There is a library in the MOFEP building but the available information (in respect to the elements assessed by this indicator) is limited to Budget Statements.

Other important source of information is the Ghana Audit Service website which publishes the external audit reports for the Consolidated Fund, MDAs, Public Bodies, and other selected special audits. Some information on fiscal data can be also found on the BoG and GRA websites. The Parliament website does not publish any fiscal information. The Parliament hearings on budget and external audit reports are broadcasted on radio and TV, but reports on these hearings are not released to the public.

According to "Spending Wisely: A Budget Reform Action Plan for Ghana" (December 2010), CSOs frequently complain about the inability to access information on actual expenditures during and after the budget year, and some institutions, like the National Health Insurance Authority, are particularly opaque. CSOs suggest that there is no forum or platform for the general public to raise questions on the budget process and fiscal reports.

Table 3.9 summarises the public access to information in respect to the six elements stipulated by the PEFA methodology.

Table 3.9 Public access to fiscal information

Elements of information for public access	Yes/No	Availability and means
Annual budget documentation when it is submitted to the legislature	Yes	The Financial Administration Act (2003) requires the President to lay the estimates of expenditure and revenues before Parliament at least one month before the end of the financial year. During the reference period the set of budget documentation was laid timely before the Parliament and published after the Budget Speech on MOFEP website http://www.mofep.gov.gh/. The Budget estimates for the FY 2013 were submitted to the Parliament in November or the first quarter but these are not yet published. This is a deviation from the normal practice during an election year.
In-year budget execution reports within one month of their completion	Yes	The in-year budget execution reports, i.e. Fiscal Data, which are made available to the public through the MOFEP website, are quarterly as opposed to monthly which is considered to be a good international practice. The fiscal reports include information based on economic classification, but it does not include actual data based on administrative classification. MOFEP prepares monthly execution reports at MDAs level, but these are for internal use only and are currently not published. The quarterly Fiscal Data reports during the reference FY 2011 were published with a two month lag from the period end but directly after their completion. Due to the implementation of GIFMIS, the in-year reporting for the FY 2012 experience even longer delays. As of 20 February 2013, the latest available data is up to September 2012. However the fiscal reports are published directly upon their completion. The Financial Administration Act requires the Controller and Accountant-General to transmit to the Auditor General and the Minister monthly statement of public accounts within a period of fifteen days after the end of each month, which shall be published in the Gazette. In practice the monthly accounts are distributed to a restricted group, are not published in the Gazette but are available upon request.
Year-end financial statements within 6 months of completed audit	Yes	The year-end Financial Statements of the GoG Consolidated Fund are included in the Report of the Auditor General on the Public Accounts of Ghana (Consolidated Fund). This report is made public when submitted to the Parliament. For the reference period it was 29 June 2011 (Transmittal Letter Ref.No.AG.01/109/Vol.2/52). The Financial Statements include: a Balance Sheet, a Statement of Revenue and Expenditure, a Statement of Receipts and Payments, a Cash Flow Statement, Notes to the Accounts. In compliance with Articles 175 and 176 of the Constitution of the Republic of Ghana and Section 41 of the FAA, these financial statements known as the Public Accounts of Ghana are prepared on the Consolidated Fund only. The financial statements do not include other public funds established by or under the authority of an Act of Parliament and Retained Internally Generated Funds. There is no public access to the whole set of individual MDAs financial statements.
All external audit reports on consolidated operations within 6 months of completed audit	Yes	External audit reports on central government operations for the Consolidated Fund and the MDAs are made available to the public immediately upon their completion through the GAS website. There is no consolidated external audit report. The Auditor General prepares also individual external audit reports for MMDAs, Public Boards and Corporations, DACF and GETFund, BoG, Pre-University Education

Elements of information for public access	Yes/No	Availability and means
		Institutions, Statutory Funds. All reports, except for the Statutory Funds, are published upon their completion.
All contract awards (with value above approx. USD 100,000 equivalent) published at least quarterly	No	Pursuant to the Public Procurement Act 2003 (Section 3) the Public Procurement Board shall publish a monthly Public Procurement Bulletin which shall contain information germane to public procurement, including proposed procurement notices, notices of invitation to tender and contract award information. The Public Procurement Authority (PPA) publishes regularly information on contract awards on its website, including through the Public Procurement Bulletins, but this is not comprehensive[34] since it is restricted to those contracts awards for which they received information from the procuring entities[35]. The procuring entities (including MDAs) do not publish contract awards on their own websites.
Resources available to primary service unit (such as elementary schools or primary health clinics) at least annually	No	The public does not have access to information on planned and actual resources available to primary service units. These are not cost centres in terms of budget classification system. The CoA does not allow tracking that. During the reference period no PETS were conducted. In 2010 the Ghana Centre for Democratic Development (CDD) conducted a "Tracking Public Resources Leakage in Education" study with particular focus on the capitation grant sought to establish the extent of leakage in the disbursement process.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-10	Public access to key fiscal information	A	B	Four of the six elements satisfy the PEFA framework requirements. There is no information on resources available to the primary service units and not comprehensive access to contract awards. While there is fairly good access to information on central government operations, accountability for the use of public resources is undermined by the delays in the publication of the in-year budget execution reports in respect to the period they cover; lack of information on in-year execution of individual MDAs and lack of public access to their financial statements.
Comparability of scores and performance change: There are no changes in performance. The slippages in the score is due to a stricter assessment of the public access to “all” contract awards.				

[34] A quick scan of available information reveals that the contract awards published on the PPA website do not include any contracts awarded by any of the 19 line ministries, and for instance, only one by the Department of Urban Roads, one - by Ghana Highway Authority, one - by Ghana Educations Service during the last two years.

[35] Section 31 of the Procurement Act establishes the requirement for publication of notice of procurement contract awards. The Procurement Regulations specify further that public notice of award of contracts shall be provided by a Procurement Entity for all contracts to the Public Procurement Board. For contracts awarded the Procurement Entity shall submit to the Public Procurement Board not later than one month after contract signature a list of contracts signed in electronic format for publication on the Public Procurement Board Website or in the Procurement Bulletin or both.

Ongoing reforms

The government submitted a Freedom of Information Bill to Parliament in 2010 for consideration, but it has not yet been passed or even debated.

3.3 Policy-based budgeting

3.3.1 PI-11 Orderliness and participation in the annual budget process

This indicator assesses the organisation, clarity and comprehensiveness of the annual budget process as well as participation of ministries, departments and agencies (MDA)[36] in the budget formulation process.

Background

According to the FAR 2004, the Minister of Finance shall not later than eight months before the end of each financial year submit a Budget Framework Paper to the Office of the President outlining the draft preliminary constraints for the next budget period. Furthermore, the Minister shall not later than six months before the end of each financial year issue a budget circular detailing the timetable for the preparation and submission of the government's macro- economic policy statement and budget and which shall be followed by all departments. The Budget circular shall specify the sectoral and ministerial constraints within which heads of departments will prepare their budget proposals. The Minister for Finance shall also issue instructions concerning:

1. the form of budgetary documents and statements;
2. classification of budgetary transactions;
3. information to be submitted in support of budgetary proposals by heads of departments;
4. costing of activities; and
5. procedures to be followed by budget committees in preparing, submitting and implementing the budget.

According to the Constitution, the Government shall present the estimates of revenue and expenditure to the Parliament not later than one month before the start of the financial year the estimates apply to. If Parliament is unable to approve the budget and pass the Appropriations Bill in time for the start of the fiscal year, the President may – with the approval on account by Parliament - authorise expenditure for the first quarter of the new fiscal year of up to a quarter of the budget estimates presented to Parliament.

(i) Existence of and adherence to a fixed budget calendar

The timetable laid out in the FAR 2004 is being followed but with substantial delays. A budget framework paper is being produced and submitted to Cabinet, but this takes place in July[37]. For the last approved budget (FY2012) the budget calendar was issued as part of the budget circular, although a more detailed calendar is kept by MOFEP. The calendar allowed the MDAs only 3 weeks to complete their budget proposals, partly because the budget hearings or negotiations between MOFEP and the MDAs were moved forward from October to September. Whereas some MDAs submitted their proposals on time, others submitted substantially later than the deadline given by MOFEP. However, the MDAs started the review of their sector strategic plans (including costing) well before the budget circular was received and many MDAs did not respect the expenditure ceilings included in the budget circular either due to the late issue of the ceilings or because the experience is that the final ceilings deviate significantly from those in the circular (ref. dim (ii) below). Therefore, the late issue does not impose a major constraint on the preparation of

36 MDAs which receive funds through a parent ministry are not considered in the assessment; only those which are directly responsible for implementation of the budget or receive fund from MoF.

37 A copy of the Budget Framework Paper and its cover memorandum could not be obtained as the paper is confidential.

the MDAs budget proposals. Following the hearings, the Cabinet agrees a revised set of ceilings (for FY2012 issued October 27, 2011), which guides the MDAs final budget estimates to be submitted to Parliament. The value of the budget calendar is therefore diminishing. Nevertheless, the aggregated budget estimates are finalized consistently on time and presented to Parliament around the middle of November, while the detailed estimates for each of the 35 main MDAs follow a few weeks later.

Table 3.10 Budget Preparation and Approval Calendar

	FY2010	FY2011	FY2012	FY2013
Budget Circular issued by MOFEP	July 27, 2009	July[38], 2010	August 4, 2011	August 19, 2012
Budget proposals from MDAs due	August 29, 2009	Not stated in the circular	August 26, 2011	September 6, 2012
Budget estimates submitted to Parliament	November 18, 2009	November 18, 2010	November 16, 2011	October 31, 2012

(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions

The budget circular is clear and serves as useful guidance on the preparation of budget submissions for the most part and is generally adhered to. The Budget Guidelines for FY2011, 2012 and 2013 all include ceilings for the coming FY but they are not approved by Cabinet. There are two important deficiencies in the guidance for the preparation of the budget submissions. Firstly, the selection criteria for investment projects which were included in the guidelines for FY2010 and FY2011 have been discontinued for FY2012 (ref. PI-12(iv) below). Secondly, budgeting for expenditure under statutory funds and its coordination with other aspects of the budget is not covered. Budgeting for expenditure from the statutory funds (DACF, Road Fund, NHIF and GETFund) follows separate rules as set out in the legislation for the respective funds, but is included in the overall budget estimates with funding earmarked from centrally collected revenue. These funds are in many cases fungible with the Consolidated Fund and other funding sources. Funding estimates/ceilings for those funds are not included in the budget ceilings, nor is there any mention of how funding from these funds should be coordinated with other funding sources. Personnel compensation, donor funded projects and IGF funded expenditure are not subject to ceilings proposed by MOFEP; MDAs are themselves required to estimate the amounts and include them in budget proposals. This means that the ceilings in the budget guidelines concern only about 8% of the total expenditure eventually appropriated (about 5% of the entire budgetary resource envelope), but could have covered 27% of amounts eventually appropriated if the statutory funds had been included. Moreover, the budget ceilings issued do not serve as an effective instrument of annual budgetary discipline. Some MDAs suggest that their budget submissions exceed the Budget Circular figures by well over 100%. Revised ceilings are approved by the Cabinet and issued towards the end of October and deviate significantly from the budget guidelines ceilings even at sector aggregate level as illustrated in Table 3.11 by sector, with larger deviations at individual MDA level, in some cases by several hundred percent.

Table 3.11 Changes in FY 2012 ceilings from budget guidelines to final estimates

Sector	Percentage change for Goods, Services and Assets
Administration	+8%
Economic	+14%
Infrastructure	+54%
Social	+2%

[38] The exact date of circulation was not provided but the letter was issued before July 15th.

Sector	Percentage change for Goods, Services and Assets
Public Safety	+5%
Multi-sectoral	Ceilings not stated

Source: Guidelines for the Preparation of the 2012-2014 Budget Proposals, MOFEP August 4th, 2011; Final Budget Ceilings for the Preparation of the 2012-2014 Budget, MOFEP October 27th, 2011.

(iii) Timely budget approval by the legislature or similarly mandated body

The budget calendar provides for a minimum of one month for the passing of the Appropriations Bill before the start of the fiscal year. In recent years, the Parliament passed the Appropriations Bills as follows:

Table 3.12 Timeliness of Parliamentary approval of Budget Appropriations

Budget year	Date that Parliament passed the Appropriations Bill
FY2009	March 27, 2009
FY2010	December 18, 2009
FY2011	December 22, 2010
FY2012	December 21, 2011

Source: Parliamentary 'Hansard' and 'Votes & Proceedings'.

Approval of the budget for FY2009 experienced a delay related to the timing of national elections. The outgoing government presented its budget estimates in November and expenditures for the first quarter of the year were approved on account in December. The Parliament did not approve the full year appropriations until the newly elected government had the opportunity to present the budget in accordance with its own policies. A similar schedule of events is foreseen for the FY2013 budget. As the assessment focuses on the performance during the last three years before the date of the assessment (November 2012), the rating is based on passing the budgets for FY2010, FY2011 and FY2012.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-11	Orderliness and participation in the annual budget process	A	B	Scoring Method M2.
(i)	Existence of and adherence to a fixed budget calendar	A	C	A budget calendar is issued each year, but with increasing delays. The time allowed MDAs for FY2012 proposals was only 3 weeks and late submissions take place.
(ii)	Guidance on the Preparation of budget submissions.	A	C	The budget circular is clear and relatively comprehensive. It includes ceilings, but these are set in respect to a limited part of total allocations and are not approved by the Cabinet. The Cabinet approves budget ceilings only after the budget hearings.
(iii)	Timely budget approval by the legislature	B	A	The Parliament has passed the Appropriations Bill in December - i.e. prior to the start of the fiscal year - for each of FY2010, FY2011 and FY2012.
Comparability of scores and performance change: (i) The scores for 2009 and 2012 are directly comparable and reflect increasing delays in issuing the calendar and a diminishing period for MDAs to prepare their budget proposals. (ii) The scores for 2009 and 2012 are not entirely comparable. The standard of the circular may not have				

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
				changed significantly, but an "A" rating as in 2009 cannot be justified given the limited relevance of the ceilings. The practice of including project investment criteria in the circular was discontinued for FY2010 and 2011. (iii) The scores for 2009 and 2012 are directly comparable as none of them are influenced by the regular outlier in election years. There has been a small improvement as the Appropriations Bills have consistently been passed before the start of the fiscal year in recent years.

Ongoing reforms
Ref. PI-5 and PI-12.

3.3.2 PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting

This indicator considers the link between budgeting and policy priorities in the medium-term perspective and the extent to which costing of the implications of policy initiatives are integrated into the budget formulation process.

(i) Preparation of multi -year fiscal forecasts and functional allocation

Since the early 2000's, Ghana has adopted a multi-year perspective to its budget formulation process. The process considers principally revenue, expenditure and debt forecasts informed by the macro-economic context and different policy initiatives. The Economic Research and Forecasting Division (ERFD) of MOFEP is responsible for developing a three-year medium term fiscal framework (MTFF) to serve as the principal instrument for top down fiscal control. The three-year MTEF forecasts are provided according to both economic and administrative classification (the latter also aggregated into 5 main functions plus a "multi-sectoral" group).

The forecasts are included in both budget guidelines (but only for Consolidated Fund expenditure other than personal emoluments) and in the budget estimates presented to Parliament. Although the ceilings define three year resource envelopes for the MDAs, the focus is on the coming budget year. The outer year ceilings are described as indicative. It should be noted that even though the GSGDA outlines 4-year targets for 2010-2013 for DP grants, concessional and non-concessional borrowing, in practice the annual targets deviate substantially[39] from the GSGDA's targets as the latter appear to have been based on highly ambitious assumptions (ref. PI-12(iii) below) regarding external aid flows, domestic revenue estimates and debt sustainability. This presents a first challenge to achieving a credible macro-fiscal frame with reasonably reliable sector allocations and to the basis for an effective MTEF.

The expenditure forecasts are hampered by the difficulties in projecting the wage bill[40] accurately especially in connection with the introduction of major changes to staff compensation as a result of implementing the Single Spine Pay Policy (SSPP). Whereas the forward estimates for FY2011 presented as part of the FY2010 MTEF in November 2009 seem to fit reasonably well at the aggregate level with the FY2011 budget estimates presented in November 2010, the allocations to the six main sectors were significantly different with some of the major sectors slashed by as much as 50%. The ceilings for the outer years seem to have even less practical effect on resource allocation decisions. As a consequence, the annual MTEF exercise does not create stability in resource allocation to the individual sectors/MDAs for their medium term planning of service

[39] The GSGDA Annual Progress Reports for 2010 and 2011 report deviations between GSGDA estimates for those fiscal years and actual fund releases at 50% and 35% shortfalls respectively. The Thematic Areas most affected by the shortfalls are those listed as themes ii, iv and v in the description under PI-12(iii).

[40] The wage bill constitutes about 50% of all discretionary expenditure and 80% of Consolidated Fund expenditure.

delivery activities and investments[41]. The FY2010 MTEF's estimates for FY2012 deviated also significantly at the *aggregate* level, driven by much higher wage bill estimates than foreseen by the MTEF. Consequently, it has been difficult to establish an effective medium term fiscal framework based upon three year rolling aggregate forecasts. The budget guidelines do not make reference to the previous year's forward estimates, and even if they did, the weak links between the ceilings in the budget guidelines and the final budget estimates would undermine the importance of the MTEF estimates from the previous year (ref. PI-11(ii)). Annual changes to the presentation of the estimates and forecasts provide further difficulties in comparing the forecasts with subsequent updates. The annual Budget Framework Paper to the President does not address those issues.

(ii) Scope and frequency of debt sustainability analysis

For the last 3 years Debt Sustainability Analyses (DSA) have been done in close collaboration with the IMF and World Bank as part of the reviews under the IMF Extended Credit Facility, with the DMD as the Government's focal point. The DSA has used the joint Bank/Fund debt sustainability analysis framework for low-income countries. DSA updates have been completed at least annually (twice in 2011) covering both external and domestic debt. The DSA is coordinated with the Economic Research and Forecasting Division (ERFD) which provides key macroeconomic variables and contributes to discussion of assumptions. Policy discussions take place under the umbrella of the Economic Policy Coordinating Committee (EPCC).

(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure

The Ghana Shared Growth and Development Agenda (GSGDA) 2010-2013 – completed during 2010 - defines the national strategic direction. Coordination of GSGDA formulation, implementation and monitoring is the responsibility of the National Development Planning Commission (NDPC). The GSGDA defines seven thematic areas[42]:

1. Ensuring and sustaining macroeconomic stability;
2. Enhanced competitiveness of Ghana's private sector;
3. Accelerated agricultural modernisation and natural resource management;
4. Oil and gas development;
5. Infrastructure and human settlements development;
6. Human development, employment and productivity; and
7. Transparent and accountable governance.

The GSGDA specifies an aggregate fiscal resource envelope, with costing for each of the Agenda's Thematic Areas which are broken down into Key Focus Areas (up to 14) for each Thematic Area, as well as for a number of policy objectives for each Key Focus Area. Cost breakdown by MDA is not provided by the GSGDA, and costing only includes Services (item 3) and Assets (item 4) i.e. staff compensation and administrative charges are excluded. Implementation of the four year agenda was costed at USD 23.9 million with about 80% of the costs allocated to thematic areas iv, v and vi. However, the GSGDA recognized that this cost estimate included a funding gap of USD 12.5 mill (52% or more than USD 3.1 mill p.a.) which would be covered by:

- new financing sources including targeted bilateral partnerships in state-to-state;
- arrangements;
- vigorous promotion of Public-Private Partnership;
- introducing new domestic revenue enhancing measures to widen the revenue base;
- scaling up DP inflows; and

41 The Budget Division of MOFEP reports that the estimates for FY2013 in the MTEF FY2012-2014 were used as a basis for the budget ceilings set for the FY2013 annual budget, and updated to reflect the exchange rate developments and implications of the SSPP. However, the FY2013 budget preparation process was not completed at the time of the PEFA assessment, so the effectiveness of this development could not be ascertained.

42 Ref. Ghana Shared Growth and Development Agenda (GSGDA) 2010-2013, Volume II Costing and Financing of Policies and Strategies, National Development Planning Commission, December 2010.

- accelerate the capacity expansion of the domestic financial markets and targeted support and incentives for the capital market.

All 35 main MDAs are obliged to prepare Sector Medium Term Development Plans/Strategies (SMTDPs) in line with GSGDA, and most of them have done so, including major sectors such as Health, Education, Transport and Agriculture. The SMTDPs specify time-bound actions and are costed. For some sectors the costing covers all expenditure items (e.g. Education sector SMTDP), whereas for other sectors the costing appears incomplete (e.g. missing personnel compensation). The SMTDPs of at least four SMTDPs (i.e. Education, Transport, Finance, and Local Government), which represent about 35% of total expenditure, appear to have fully costing. However, there have been significant delays in completing the SMTDPs[43] and whilst the costing may be in line with the fiscal frame foreseen by the GSGDA, the highly ambitious funding assumptions of the GSGDA mean that the SMTDP costing has been inconsistent with the annual MTFF updates and annual budget allocations from the first year of GSGDA implementation - in practice FY2011, since the GSGDA costing was completed in parallel with FY2011 budget preparation. The SMTDPs, therefore, serve more as long term ‘wish lists’ than actual time-bound plans. They nevertheless provide a useful basis for the annual review of progress at MDA level and for formulation of updated annual action plans. These action plans provide the basis for the annual budget proposals in the Activity Based Budget format, which require MDAs to specify for each budgeted activity which Policy Objective, Key Focus Area and Thematic Area of the GSGDA it contributes to. The score C is based on a combination of the degree of fully costed sector strategies (i.e. above 25%) and the degree of inconsistency with the fiscal framework (i.e. reflected by large deviations).

(iv) Linkages between investment budgets and forward expenditure estimates

Appraisal and selection of investments to be included in the budget proposals is highly decentralized without an established formal process. For government financed capital investment, MDAs are vested with a full range of responsibilities of preparing, appraising and selecting their own projects in accordance with the budget guidelines.

The budget circulars issued by MOFEP instruct the MDAs to identify projects that are consistent with the national strategic development framework GSGDA. The processes and procedures for doing so have varied significantly from year to year. The Guidelines for the Preparation of the 2010-2012 Budget Guidelines specify multiple criteria for appraisal of infrastructure and capital projects with a Capital Budget Committee to a central body to review and appraise the investment proposals. However, the Committee was not set up and the reference to the Committee and proper review of funding requests for infrastructure projects have been dropped in subsequent guidelines for the 2011-2013 and 2012-2014 Budgets. Sections 6.18 and 6.19 of the Guidelines for the 2011-13 Budget Preparation requests a detailed list of information as well as an implementation plan from MDAs for their investment projects. However, there is no indication that this information was comprehensively complied with or has changed the way in which investment projects are selected. Again even this list of information requirements was abandoned in the following year’s Guidelines for 2012-2014. The weak investment management system allows MDAs to underestimate investment budgets in order to maximize budgetary flexibility by including as many projects from the SMTDP as possible under the final budget ceilings, in the expectation - according to officials - that funding will eventually be identified if most of the projects take off and related payments exceed the budget allocations.

The budget guidelines remain silent on the issue of recurrent cost implications to investment projects/assets. The MDAs utilise a software budgeting tool - “Activate” - to prepare budget

[43] E.g. the final SMTDP 2010-2013 for MLGRD was issued in February 2012, whereas the 3rd draft of the SMTDP for the Ministry of Transport was submitted to NDPC in July 2011.

estimates. This tool provides a basis for developing estimates within ceilings and for determining outlying year estimates. However, it does not incorporate any provisions for linking forward recurrent expenditure estimates to investments, and those sector strategies that do not comprehensively include recurrent costs (including personnel compensation) do not provide an adequate basis for selecting investment with full disclosure of recurrent cost implications[44]. Officials state that there is some effort made to consider forward linked recurrent expenditure implications to their investment considerations, but there is no system to ensure this is done consistently, and it is hindered by (1) budgeting of personnel costs being kept as a separate item for each MDA outside the structure of theme/focus/objective/activity (particularly important in education and health) and (2) the inadequate integration of DP funded investments into the budget preparation process. Consequently investment decisions have only weak links with sector strategies and do not with any consistency reflect recurrent cost implications in forward budgets.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	C+	Scoring Method M2.
(i)	Multi-year fiscal forecast and functional allocations	D	C	Forecasts of fiscal aggregates and sector allocations are prepared on a three-year rolling basis (based on main economic categories and administrative classifications) but links between multi-year estimates and the setting of annual budget ceilings in subsequent years appear weak with no explanation provided for the differences.
(ii)	Scope and frequency of debt sustainability Analysis	A	A	A DSA covering both external and domestic debt has been conducted in each of the years 2009, 2010 and 2011 (two updates).
(iii)	Existence of costed sector strategies	B	C	Most sectors, including the major ones, have formulated Sector Medium Term Development Plans with costing for a four year horizon, but only sectors representing 25%-50% of government expenditure are comprehensively costed. There is no mechanism to ensure that SMTDP costing is consistent with the MTFF and annual budget estimates; actual deviations are large
(iv)	Linkages between investment budgets	C	C	Most investment projects are selected on the basis of sector strategies, but costing and budget estimates are often not realistic and there is no system to ensure that recurrent cost implications of new investments are included in forward estimates.
Comparability of scores and performance change:				

[44] For the education sector it would be reasonable to assume that recurrent cost implications of investments have been taken into consideration due to the comprehensively costed SMTDP and the long horizon (10 years) of the Education Sector Strategy – even if no proof can be found in the budget proposal submission. For the roads sector, the budget submission specifically mentions the issue of road maintenance and the inadequate funding for that purpose, while neither estimating the total funds needed for adequate maintenance, nor estimating the increase in maintenance costs resulting from the proposed road construction projects listed in the submission. These are the two sectors with the largest annual expenditure.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score

(i) Further details of forward estimates are now provided (administrative classification), but the effectiveness of the MTFF and MTEF respectively do not appear to have improved. The 2009 assessment may have taken a harder view on the extent to which the multi-year forecasts are 'rolling', as the description otherwise seems to justify a C rating also in 2009.

(ii) The scores for 2009 and 2012 are directly comparable. Completion of comprehensive DSAs have continued as in previous years.

(iii) The scores for 2009 and 2012 appear comparable. Costed sector strategic plans continue as key features of the current national strategic planning system (GSGDA) as it was under GPRSII during the previous period, but the highly ambitious fiscal framework used for the GSGDA has undermined the usefulness of the sector planning as a means of setting priorities within limited resource availability.

(iv) The scores for 2009 and 2012 appear to be comparable and reflect that little has changed in management of investment decisions.

Ongoing reforms:

- From 2012 Ghana is no longer implementing an IMF program, and the DSA is therefore being undertaken by DMD in collaboration with the World Bank only, the first such exercise yet to be completed. With IMF no longer involved, preparation of the DSA increasingly depends on the capacity in MOFEP (DMD and ERFD) during a period of rapid change from concessional loans and grants towards reliance on non-concessional finance.
- Strengthening of the MTEF process is being implemented as part of GIFMIS Sub-Component 2: Business Processes and Control Systems.
- A change is being initiated from Activity Based Budgeting to Program Based Budgeting. Whilst this will reduce the amount of detail required at budget estimates preparation, it is not clear if it will contribute to solving other problems highlighted here.
- The reintroduction of a Public Investment Programme (PIP) is being considered.

3.4 Predictability and control in budget execution

This section covers three main areas of budget execution: tax administration, treasury and public debt management, and internal expenditure controls.

3.4.1 Background to Tax Administration

The following three performance indicators, PI-13, PI-14 and PI-15 assess the performance of the revenue administration and management system based on the major tax revenue arising from all central government activities. The major taxes in Ghana are income tax, VAT and import duties (see Table 3.13 below[45]).

Table 3.13 Overview of tax (non-oil) revenue (million GH¢)

	2009	2010	2011	2009	2010	2011
Domestic taxes (Direct)	1,797.86	2,443.89	3,746.14	39%	41%	43%
PAYE (pay-as-you-earn)	782.66	981.39	1,301.47	17%	16%	15%
Self-employed	74.96	96.78	129.55	2%	2%	1%
Companies	740.34	1,003.86	1,725.65	16%	17%	20%
Others	140.95	224.62	360.23	3%	4%	4%

[45] Note that the table below does not include information on Cocoa Board and non-tax revenue which are included in the overview starting with 2010.

	2009	2010	2011	2009	2010	2011
NRL	0.31	6.32	50.17	0%	0%	1%
Airport tax	25.46	36.11	179.07	1%	1%	2%
NFSL[46]	33.18	94.81	-	1%	2%	0%
Domestic Taxes (Indirect)	754.45	1,064.57	1,367.63	16%	18%	16%
Domestic VAT	508.41	680.59	898.61	11%	11%	10%
Excise	56.92	119.14	154.36	1%	2%	2%
NHIL[47]	101.66	136.11	179.72	2%	2%	2%
CST[48]	87.46	128.73	134.94	2%	2%	2%
Customs	2,083.20	2,442.15	3,604.82	45%	41%	41%
Import duties	789.84	1,029.00	1,510.27	17%	17%	17%
Import VAT	841.45	948.57	1,389.72	18%	16%	16%
Import NHIL	168.06	189.92	277.62	4%	3%	3%
Petroleum	283.85	274.66	427.21	6%	5%	5%
TOTAL	4,635.51	5,950.61	8,718.59	100%	100%	100%

Source: GRA hard copy retrieved 13-11-2012.

In 2009 a new Revenue Authority Act came into effect which led to the establishment of the Ghana Revenue Authority and launched the process of reform, integration and modernisation of Revenue Administration in Ghana. Three tax revenue agencies, the Customs, Excise and Preventive Service (CEPS), the Internal Revenue Service (IRS), the Value Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB) Secretariat were merged in December 2009 with the aim of modernising and integrating the management of Domestic Taxes and Customs, and integrating IRS and VATS into domestic tax operations on functional lines.

The modernisation programme involves redesigning and improving the business processes and procedures, intensifying and expanding the use of IT with the view of improving service delivery. The first stage of modernisation was designated to setting up the new organisation and appointment of the Commissioner-General, Commissioners and Deputy and Assistant Commissioners, and the establishment of the Large, Medium and Small Taxpayers Offices. The next phases of modernisation are guided by the Strategic Plan and Modernisation Plan 2012-2014.

Main activities conducted since the Previous Assessment which are not reflected in the performance of the tax administration indicators include:

- Segmentation of taxpayers into large, medium and small categories and development of Large Taxpayers Office (LTO), Medium Taxpayers Office (MTO) and Small Taxpayers Office (STO) structures;
- Development and operationalization of a new tax administration software called trips™ for TIN Registration and Domestic Tax Administration including the reengineering of the business processes and IT infrastructure to support the application.

The new organisation and structures are being rolled out in phases. The Registration module of the new system is being run in 12 offices for the processing of TINs. However for tax administration the old procedures are being applied until the complete development of the system.

46 National Fiscal Stabilisation Levy.
47 National Health Insurance Levy.
48 Communications Service Tax.

3.4.2 PI-13 Transparency of taxpayer obligations and liabilities

This indicator assesses the level of transparency of tax liabilities including clarity of legislation and administrative procedures, access to information, and the ability to contest administrative ruling on tax liability. The assessment is done as at time of assessment, and covers major tax revenues arising from all central government entities.

(i) Clarity and comprehensiveness of tax liabilities

The legal framework for tax administration is comprehensive and generally clear. Table 3.14 provides an overview of the main laws and regulations governing the administration of *major* tax revenue.

Table 3.14 Legal framework for tax administration

Area	Description
General	Ghana Revenue Authority Act, 2009 (Act 791) Taxpayer identification Numbering System Act, 2002 (Act 632) Internal Revenue (Registration of Business) Act, 2005
Income tax	Internal Revenue Act, 2000 (Act 592) Internal revenue Regulations (LI 1675)
VAT	Value Added Tax, 1998 (Act 546) VAT Regulations, 1998 (LI1646)
Customs	Customs, Excise and Preventive Service (Management) Law 1993 (PNDCL 330)
Cocoa sector (export duties)	Cocoa Duty Act, 1974 Ghana Cocoa Board Act, 1984 Cocoa Industry (Regulation) Act, 1968 Regulations and Guidelines for the Privatisation of Internal Marketing of Cocoa Export of Cocoa Regulations
Mining and Minerals sector (royalties)	Minerals and Mining Act, 2006 (Act 703)
Petroleum sector	Ghana National Petroleum Corporation Law, 1983 (PNDCL 64) (GNPC Law) PEP Law, 1984 (PNDCL 84) Petroleum Revenue Management Act, 2011 (Act 815) Petroleum Commission Bill Petroleum Income Tax Law, 1987 (PNDCL 188) (PIT Law) Customs and Excise (Petroleum Taxes and Petroleum Related Levies) Act, 2005 (Act 685) Local Content and Local Participation in Petroleum Activities – Policy Framework (March 2012)

The legal and regulatory framework did not change since the previous assessment except several new laws which were passed in respect to the management of oil revenue. The key milestones were the enactment in 2011 of the Petroleum Revenue Management Act and the Petroleum Commission Act which established the Petroleum Commission as the body responsible for the regulation and management of utilisation of upstream petroleum resources and coordinate the policies in relation to them.

As result of the Modernisation of the Revenue Administration and the entering into force of the GRA Act, the rest of the legal and regulatory framework needs to be amended correspondingly. Ongoing efforts are currently undertaken in respect to the following Laws:

- VAT Legislation - a new Draft has been produced and presented to parliament;
- Internal Revenue law - a draft Bill is under review;
- Customs Law and Excise Law - the review is now in final stage of drafting;

- Tax Administration Act (TAA) - a draft Act, which brings together the administrative provision of the three primary Acts governing tax administration in Ghana, was developed and presented to Cabinet.

Tax exemptions is considered to be an area which impacts upon revenue collection in Ghana. The Budget Speech 2009 underlined that the tax exemptions constituted a significant proportion of about 9% of total tax revenue and that revenue loss from exemptions granted in duties and taxes continued to rise. Government announced its intention to review the exemptions regime. During the last years efforts were made to streamline tax exemptions i.e. exemptions resulting from the clearance of goods on “permit” were curtailed.

The legal and regulatory framework pertaining to the administration of the domestic revenue is generally clear and comprehensive. Ghana has passed transfer pricing regulations[49]. Representatives of CSO and private sector suggest that while the laws are clear they are too complex, a fact which in practice adversely affect compliance to tax obligations. While being comprehensive and generally clear, the legal framework also remains discretionary in respect to a number of areas that impact upon government domestic revenue (see Table 3.15).

Table 3.15 Discretionary powers in the legal and regulatory framework

Area	Description
Income tax	The legal framework allows for *significant discretionary* powers to the Commissioner-General in determining tax liabilities in respect to provisional assessments. The discretionary power relates in particular to the assessments made by the GRA (note that self-assessment is applied only by the large taxpayers). There are no discretionary powers in respect to waiving of taxes.
VAT	The legal and discretionary framework allows for *fairly limited* discretionary power. VAT has a standard rate except for exempt and zero-rated goods which are listed in the VAT Act. Penalties are in principle set/calculated automatically by the VAT system. TripsTM will calculate penalties automatically as per law. The Commissioner has discretion to extent the period in which a tax return is to be submitted but this cannot exceed 30 days.
Customs	*No* discretionary power in setting customs duties and application of duties, but *substantial discretionary* power in application of penalties. The legal framework envisages a penalty for non-compliance between 100% and 300%. The Commissioner has discretionary power to decide on the penalty level and to waive penalties. Neither the regulatory framework nor any internal circular/guidelines describes how the Commissioner should implement this discretionary power. The GRA is currently putting in place a new draft Bill which will address this discretionary power.
Cocoa sector (export duties)	The legal framework allows for *substantial* discretionary power in respect to the determination of the export duty paid, and selection and interest rate differentiation applied to the pre-financing of the operations of the Licenced Buying Companies (LBCs). The export duty on cocoa is determined based on a process of negotiations between various stakeholders, rather than on the basis of the value of cocoa exports. Another discretionary power is in respect to the payment of the bonus to cocoa farmers when there is windfall in cocoa prices.
Mining and Minerals Sector (royalties)	The legal framework (Minerals and Mining Act) *strictly limits* the discretionary powers to the Minerals Commissioner. The royalty rate is set between 3% and 6% but it is rule-based. According to the Minerals Commission, a proposal for changing the rate has been laid before the Parliament and passed making it 5%, but this has not been applied to some of the companies due to their stability agreements.
Petroleum	The Petroleum Agreements (“PAs”) signed between the Government of Ghana (“GoG”), the

[49] Regulations had been passed in August 2012.

Area	Description
Sector	Ghana National Petroleum Corporation ("GNPC") and the petroleum contractors exempt contractors, their subcontractors and affiliates from VAT in respect of activities related to petroleum operations and to the sale and export of Petroleum.

(ii) Taxpayer access to information on tax liabilities and administrative procedures

Prior to the establishment of the GRA, taxpayer education campaign was conducted by the revenue agencies of CEPS, IRS and VAT. As part of the modernisation of GRA a centralised public education unit has been established, the Communication and Public Affairs Unit. This unit is responsible for public education, media relations and reviews, and brings under one umbrella the public education activities of the former three institutions falling under the Ghana Revenue Agencies Governing Board i.e. VAT, IRS and CEPS. The activities of the unit are guided by the annual programme of activities. A quarterly report on the actual performance activities against the plan is prepared.

Education and tax awareness campaigns are generally provided through designated taxpayers seminars and press conferences, printed media in the form of manuals, booklets, schedules, fact sheets and press releases; and programs on radio and television. For example in the period January-March and April-June 2012 GRA reports to have placed a total of 175 and 189 adverts and announcements in the media. Any amendment in the legal framework or new procedure is disseminated prior to its implementation through education campaigns.

A major source for communication with the taxpayers remains to be the GRA website. It includes information on GRA - recent reforms, organisation, role and responsibilities of various divisions, provides access to the laws and regulations for various taxes, various legal documents and forms. Leaflets are available at every tax paying office including: A Ghana Revenue Authority magazine, GRA News; GRA, Profile of the GRA; GRA, Medium Taxpayer Office; GRA, Small Taxpayer Office (STO); GRA, Registration of Taxpayer, Frequently Asked Questions about Registration etc. The tax administration provides advice by telephone through a call centre and directly at the taxpayer offices.

Most of the laws, regulations and forms pertaining to tax obligations of the taxpayers are available from the GRA website. While most of the laws are available, since they are protected they can be viewed on line but not printed. This fact restricts the access of the taxpayers to the legal framework. Hard copies of the laws can be purchased from the Ghana Publishing Ltd bookshop. All the laws and regulations, as well as the promotional and education material, are provided in English since most of the taxpayers comprehend a good command of English. GRA is currently considering printing some leaflets in the local language. TV and radio programmes including local outreach programmes are however held in both English and local languages.

The legal and regulatory framework for Cocoa sector is not available on-line, except the Ghana Cocoa Board Act, but copies can be obtained from the Ghana Publishing Ltd bookshop. Cocobod runs educational campaign for farmers and other relevant stakeholders. The educational campaign for farmers focuses on good farmer practices in planting, spraying and harvesting, as well as on fertilizer application, drying and storage. Cocobod also runs educational campaign on child labour which is usually widespread among cocoa farmers. These educational campaigns are conducted at least quarterly by Cocobod but other divisions (100% subsidiary companies of Cocobod - like Quality Control Company Ltd, Produce Buying Company Ltd, etc.) ran separate farmer educational campaigns on their own at least once every month. The Cocobod website provides information on registration and licensing for Licenced Buying Companies (LBCs) and information on cocoa prices.

Representatives of the civil society confirm that the tax system is fairly comprehensive and clear although this is particularly true for the highly educated persons. More tax education is needed. There is a one week long tax education campaign undertaking each year which coincides with the period for filing returns. Other regular programmes are held continuously across the country. Access to information on tax liabilities and administrative procedures is generally good. Tax appeal mechanisms exist, but there is too much discretionary power from the district tax manager to the Commissioner General which leaves room for doubtful practices. There is a general public concern in recent years regarding the usage of the taxpayers' money for national development.

Representatives of the private sector suggest that tax assessments are generally fair and information is easily accessible to traders. There seems to be a challenge in respect to tax refunds. This is mainly either due to withholding tax on contracts (at 5% of certificates) exceeding the final tax assessment, or VAT refunds especially for Ghanaian exporters.

In July 2012 GRA established a joint consultation committee with the participation of various stakeholders which meets on a quarterly basis and serves as a forum for addressing import taxation related issues including the functioning of the systems i.e. electronic payment systems, clearing system delays etc.

(iii) Existence and functioning of a tax appeals mechanism

Tax appeal for *income tax* comprises of three levels: objection within the GRA, and appeal to Court of competence jurisdiction and Supreme Court. In case taxpayer is not satisfied with the provisional assessment or any other assessment raised, he may lodge an objection to the assessment with the respective Tax Office. The case will be first reviewed by the Head of the respective District Office. If the taxpayer is still not satisfied, he may take the matter up with the Ghana Revenue Authority regional Head, or with its Headquarters. Beyond that, the taxpayer has the right to independent appeal. He may appeal to a Court of competence jurisdiction. If still not satisfied, the taxpayer may finally appeal to the Appeal and to the Supreme Courts on matters of law only.

The dispute resolution mechanism for *VAT* has two broad levels: objections to the Commissioner and appeal to Court. A taxpayer dissatisfied with the decision of an officer may lodge an objection with the Commissioner. If dissatisfied with the decision of the tax officer, the taxpayer may lodge an objection with the Commissioner. If still dissatisfied, he may further appeal with any court with jurisdiction to hear and determine tax disputes. There is an operational directive for administrative complains.

In respect to *customs*, disputes may arise as result of valuations and post-clearance audits. According to the Customs Guide, any dissatisfied importer can complain to GRA by lodging an objection to the officer in charge who will send it to the appropriate department to be addressed. Further procedures are not specified in the Customs Guide. The Commissioner General sets up a committee to investigate the objection. If dissatisfied with the Commissioner's decision taxpayer can appeal to the law courts and courts of appeal.

Information on appeals and objectives is collected at the district level. At the moment this information is not consolidated at the centre. The lack of data on objections does not allow to judge to what extent the tax objection and appeal system is effective.

Cocobod has no formal complaints body but an ad hoc administrative body, Board of Appeal, that can be set up by the Minister responsible for cocoa in the event that any farmer is dissatisfied or lodges a complain. The board of Appeal is prescribed to consist of a representative of the Ghana Chamber of Commerce, an expert in cocoa marketing and a chairman - a lawyer of the standing not below that of a High Court Judge. The decisions of the Board of Appeal are final. Over the last couple of years, there is no recollection of any farmer complain resulting in the setting up of complaints resolution body. Since farmers are represented on the Producer Price Review Committee (PPRC), all their issues and complaints are brought at the price review meetings for necessary redress. Farmers have a member on the Board of Directors of Cocobod who ensures that farmers concerns are addressed.

The legal framework does not envisage for a special objection and appeal mechanism for the minerals and petroleum sector. Given that the corresponding taxes are collected by GRA it follows the same general procedures for income tax, VAT and customs.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-13	Transparency of taxpayer obligations and liabilities	C+	C+	Scoring Method M2.
(i)	Clarity and comprehensiveness of tax liabilities	D	D	The current legislation is generally comprehensive and clear. Discretionary powers in decisions on tax assessments and exemptions, applying penalties and waivers remain for almost all types of major taxes.
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	A	A	As part of modernisation of the GRA a designate Communication and Public Affairs unit was established. Its activities are guided by an annual programme of activities and include printed media and radio and TV programs. GRA website provides good access to information on tax liabilities, although some of the laws are available in a protected mode and cannot be printed, while the Customs Law is not available on the website. Hard copies can be procured at the Government Press bookshops.
(iii)	Existence and functioning of a tax appeals mechanism	C	C	There is an administrative tax appeal mechanism for all major taxes except for revenues from Cocoa sector which are collected by Cocobod. Resolutions on objections are not necessarily taken in an independent manner since they are often handled by the officer in charge. For Income Tax and Customs the administrative mechanism is not independent. There are no centralised institutional arrangements to systematically monitor dispute resolutions. There is no consolidated data on the number and status of objections and the information on appeals which are monitored by the Legal department is limited .The lack of information does not allow to assess the effectiveness of the objection and appeal system.
Comparability of scores and performance change: (i) The scores are comparable. Important elements of discretionary powers are still in place. Other improvements in respect to the legislative basis are not yet reflected in the score. Ghana Revenue Authority				

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
has been established with the promulgation of the GRA Act in December 2009 and became operational in January 2010. As result of the modernisation of the GRA, the current legal framework has been partly reviewed, but still need to be approved by Parliament. New legislation that governs the use of oil revenues (Petroleum Revenue Management Act supported by the Petroleum Exploration and Production Act) was enacted in 2011. The law also established a Public Interest and Accountability Committee, launched in September 2011, to introduce an additional layer of public oversight in petroleum revenue management. The Petroleum Commission was established and took over the regulatory functions of the GNPC. (ii) No change in performance. (iii) No change in performance.				

Ongoing reforms

- The current legal framework for major taxes is being reviewed and revised.
- According to the Budget Speech 2012, the Government in conjunction with development partners initiated a project which will enable Ghana to align its legal and regulatory framework on exchange of information with the Global Forum on Transparency and Exchange of Information.
- The need for education of taxpayers is recognised and appreciated by the government in the strategic and modernisation plan of the GRA as well as in other government documents. In the Budget Statement 2012, the government proposed to incorporate tax education into schools' curriculum. MOFEP intends to support Ministry of Education to develop relevant curriculum for schools.
- One of the areas of focus of the GRA Modernisation Plan 2012-2014 is to review the dispute resolution mechanism in particular through sensitising taxpayers on internal and external appeal rights, and amend aspects of law to ease the resolution of disputes.

3.4.3 PI-14 Effectiveness of measures for taxpayer registration and tax assessment

This indicator assesses the effectiveness in tax assessment based on interaction between registration of liable taxpayers and correct assessment of tax liability for those taxpayers. The assessment is done as at time of assessment and covers major tax revenues arising from all central government activities.

The legal framework does not envisage for a special mechanism for taxpayer registration and tax assessment for the minerals and petroleum sector. Given that the corresponding taxes are collected by GRA it follows the same general procedures for Income tax, VAT and customs.

(i) Controls in the taxpayer registration system

The Tax Identification Number (TIN) was introduced in 2002. While the legal framework envisages for each major tax the taxpayer to have a TIN, this number was not unique. There were linkages between VATS and Ghana Customs Management System (GCMS), but partially to the income tax database which is partially manual. The Minister announced the government's intention to implement a *unique* Taxpayer Identification Number (TIN) system, in conjunction with the goal of setting up a national identification number to serve our social security, health, electoral, education and other social needs, in the Budget Speech 2009.

Following this decision and the modernisation of the GRA, the new Total Revenue Integrated Processing System (trips^{TM}), which is under development, includes a registration module. The registration module of trips^{TM} has been completed and is operational. A registration Manual has been developed.

The registration of new taxpayers and re-registration of existing taxpayers by the GRA and the Registrar General's Department (RGD) commenced in December 2011. The registration is done under the trips^{TM}. Under this project the two organizations are linked electronically to enable the GRA access the database of the RGD for tax purposes. All registered businesses ultimately and individuals are being given new TINs. The benefits that registered businesses ultimately stand to gain from the re-registration exercise include improved quality of customer records, improved service delivery, access to a variety of online government services including filing of returns, payments, appointment scheduling and reduced tax compliance costs.

A company wishing to engage in the external marketing of *cocoa* must become a Licensed Buying Company (LBC) and for that reason obtain a license from the Ghana Cocoa Board. The Cocobod database of LBCs is not linked with GRA databases.

There are no linkages with other government databases and financial sector entities. (i.e. pension fund accounts, opening of back accounts etc.).

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations
The legal framework envisaged various penalties and even imprisonment in some cases for non-compliance with registration and declaration obligations.

In respect to *Income* tax, the Internal Revenue Act, 2000 (Act 592) imposes a penalty for late filing of a return (Section 142), and interest for late payment (Section 143). Penalties and interest start being calculated the day after the due date for filing the tax return. The penalty for late filing is of one currency unit in the case of a company and half a currency unit in the case of a self-employed person for each day of default. The penalty for the failure to pay income tax for the first three months is 10% of the tax payable, for periods longer than three months - 20% of the tax payable. Failure to pay withholding tax for more than 3 months is subject to a penalty of 20% plus unpaid tax, and for periods exceeding three months - 30% plus unpaid tax. In the case of understating estimated tax payable in the case of self-assessment, the penalty is 30% of the difference between tax in respect of the estimated chargeable income and the tax calculated on 90% of the actual chargeable income, where the estimated chargeable income is less than 90% of actual chargeable income.

In respect to the *VAT*, the failure to submit tax returns is subject to a penalty of GH¢ 100 and a further penalty of GH¢ 0.50 for each day that the return is not submitted (VAT Act Section 28(8)). The failure to pay any tax payable by the due date is charged interest at the prevailing Bank of Ghana discount rate plus one quarter of that rate for a month on the tax due if it remains unpaid for any part of the month after the date on which it is payable (VAT Act, Section 32). Interest is also charged on the unpaid interest. Deliberate failure to register is subject to a fine not exceeding ¢10 million or imprisonment for up to five years.

In respect to *Customs*, the law envisaged penalties and interest charges for late payment of duties and for non-compliance. Penalties up to 300% of the original duty can be levied. The interest rate on late payments is based on the commercial bank interest rates.

In respect to *cocoa*, the regulations envisage penalties for the breach of the Regulations particularly by suspending or revoking the licence of the defaulting LBCs.

The penalties for non-compliance generally exist and are sufficiently high to have an impact on compliance. In practice, however, the penalties for non-compliance are not always consistently applied and administered. In terms of administration of penalties, the reporting does not permit to distinguish between principle amount and penalties. Audit reports confirm that penalties were not imposed as required. For VAT for instance, VIPS has a module for penalties which is expected to impose penalties automatically. However, the software is not properly functioning, and penalties are in practice applied manually. As result these are not consistently imposed. No cases were reported for imposing penalties for non-registration.

(iii) Planning and monitoring of tax audit and fraud investigation programs

VAT is self-assessed and utilising VIPS system. Customs operates on the basis of self-assessments that are controlled through post-clearance audits and utilises GCMS system. Income tax is still assessed administratively and all processing is manual except for LTO which self-assesses and is using the Large Taxpayer Information Processing System (LTIPS). The major revenue earners (all VAT and PAYE, and aspects of large taxpayer CIT) are self-assessed, but there is no full self-assessment system yet. There is a delay in implementation of self-assessment for the medium and small taxpayers. Integration of audit and collection enforcement remains to be challenging. Full integration of audit and collection enforcement will be possible only when the trips^{TM} will be fully operationalised.

Until 2011 the Tax Audit Unit was performing the traditional role for tax audits in respect to the *income tax*. For audit purposes companies are classified in large taxpayers, medium size taxpayers and small size taxpayers. Audits are segregated by the following tax types: corporate tax, PAYE tax, withholding tax, penalty, National Reconstruction Levy and Dividend tax. In 2012 audit was decentralised to the district level, except for LTO which has only one office based in Accra. The staff of the Audit unit has been distributed to the various MTO's and STO's in the course of 2012. Tax audits are supposed to be undertaken by individual units under each taxpayer segment. Given that 2012 is a transition year concurrent arrangements are still in place. According to the 2012 Audit Plan, the Tax Audit Unit envisaged to cover the companies which have not been ceded to the Large Taxpayer's Unit during 2012, including mining/service companies, petroleum sector (oil marketing companies), timber companies, precious minerals and jewellery, self-employed enterprises and other.

The selection of tax audits for small and medium size taxpayers is currently not informed by risk assessment criteria. Selection for audit is based on segmentation rather than risk. In particular the selection is based on random selection from the tax database; information from newspapers; referral cases from district tax offices; reported cases from the public. Some risk criteria are employed after the selection of tax files by the tax officer. These may include such aspects as income, purchase, assets, and the management structure. The tax audit team is made up of domestic tax division and customs representatives.

The Tax Audit Unit used to report on a monthly basis to the Commissioner for Domestic Taxes on tax audits performed and additional assessment resulting from the audits. Staring with 2012 work plans and reporting is done at the district level. The planned number of cases for 2012 constitutes about 50% of the audits conducted in 2011 since at the time of developing the plan the number of staff to be retained by MTO and STO was unclear. Tax audit programmes are reported on in the monthly flash reports. It is expected that with the implementation of trips^{TM}, there will be a special module designated for tax audits which will allow selection of tax audits based on the risk profile of the taxpayers.

The effectiveness of the tax audit units (at least for small and medium size taxpayers) is undermined by the lack of capacity, equipment to conduct the audits as well as poor working environment. Table 3.16 provides information on the number of audits planned and completed in the last two fiscal years based on the information from the Income Tax Audit Unit.

Table 3.16 Number of planned and completed audits by the Income Tax Audit Unit

Type of audit	2010 planned	2010 actual	2011 planned	2011 actual	2012 planned
Big, medium and small size companies	220	208	220	251	125
Issues based audits, withholding, payroll audits and investigations	80	313	130	217	109
Total	300	521	350	468	234

Source: GRA, Domestic Tax Revenue Division, Tax Audit Unit.

The LTO has an annual audit work plan; the selection of audits is based on the number of audits conducted during the last three years, taxpayer' s previous tax record and performance indicators of taxpayer's financial statements, industry averages in terms of turnover, profit margin, etc. Apart from the audits that are done based on the annual audit plan, ad hoc audits are also conducted. These audits are conducted based on instructions received from top management (Commissioner) which can also be influenced by public informants at the head office and also based on observation of entity performance. The audit department of the LTO issues monthly, quarterly and yearly operational reports. These reports are sent to the Commissioner in charge of Domestic Tax. Table 3.17 provides an overview of the audit activities conducted by LTO.

Table 3.17 Number of audit activities by type of audit by LTO

Type of audit	2010 completed	2010 outstanding	2011 completed	2011 outstanding
Desk	2,741	41	344	218
Issue-oriented	236	64	222	143
Comprehensive	41	22	44	18
Total	3,045	127	610	379

Source: GRA, LTO Audit Division.

VAT audits are performed at district level. At the central level there is a Monitoring department which monitors the activities of the tax audit units. District offices prepare tax audit plans but these are not submitted to the HQ. At the district level officers will query the VIPS (VAT Integrated Processing System) to select taxpayers for audit. Selection of tax audits is based on such elements as risk factors, sectors and the elapsed time since the last audit (i.e. taxpayers not audited for more than 3 years). VIPS determines automatically the grade of VAT officer to undertake audit. Audit plans, Work programmes and reports are sent directly to the Head of Operations and then forwarded to the Commissioner. For Re-Performance Control and Verification (RCV) exercise, the head of department outlines selection criteria of folders and the period of completed CVs to be reviewed by the field officers. Folders can also be selected at random from Central Filling Office and cross-checked with the entries in the CV registrar in in view of the risk of non-recorded entries in the CV registrar.

Customs duties are collected based on self-assessments which are controlled thought post clearance audits. Post clearance audits are carried out with selections based on clear risk criteria including country of origin, nature of goods, value and volume of import, industry sector. The Revenue Protection Unit under Head office RPM Department deals with Intelligence and Investigations operations. Annual Report of the Revenue Protection Unit provides information on the conducted activities.

Tax audit for *oil and gas sector* are at their infancy since the production of oil started in 2010 and GRA has just started receiving revenue from upstream oil activities. A Petroleum Unit was established in 2010 to conduct tax audits for upstream oil and gas sector. The activities of the unit are guided by an overall petroleum Unit Activity Plan, tax audits being part of this overall plan. There are no clear selection criteria at the moment. Audit cases are mainly selected based on the financial statements, and trend analysis. In the absence of revenue, the review of financial statements is mainly based on the costs, and how the prices are set.

GRA is not involved in collection of revenue from *cocoa* operations. These are collected by Cocobod and paid directly into the Consolidated Fund. Cocobod does not conduct any fraud or tax audit of LBCs.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C	C	Scoring Method M2.
(i)	Controls in taxpayer registration system	C	C▲	The legal framework requires any person or business with potential tax obligations to register and obtain a TIN. The TIN is unique. A direct electronic link between the GRA and the Registrar-General's Department databases exist. The trips™ replaces the VAT and Income Tax databases, which will become directly linked; and will have an interface with Customs database. The registration module of trips™ is operational. There are no links with other government databases and financial entities, which is required for a B score.
(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	C	C	Penalties for non-compliance generally exist and are substantially high to potentially have an impact on compliance. In practice however the penalties are not consistently imposed and administered.
(iii)	Planning and monitoring of tax audit and fraud investigation programs	C	C	Tax audits are managed and reported on according to documented audit plans. Tax audits for internal revenue is decentralised to the districts. There is no overall consolidation and monitoring of the information from the district level. The selection of audits is not based on clear risk assessment criteria.
Comparability of scores and performance change: (i) There is an improvement in performance but this is not reflected yet in the score due to the lack of linkages to other government registrations systems and financial sector regulations. The main improvement is the establishment of direct electronic linkage in registration through the new trips™ and the Registrar-General's Department. GRA started sanitisation and updating of Tax Register in December 2011 through re-registration and re-issuing of TINs. The registration module of the trips™ has been implemented and is operational. A registration Manual has been developed. (ii) No change in performance. (iii) No change in performance.				

Ongoing reforms

The GRA Modernisation Plan 2012-2014 targets to develop risk profiles for each segment, review audit systems for self-assessment including developing a standards risk assessment criteria for audit case selection, develop functional-industry-based Audit Manual. The Plan also envisages development and deploying of a credible risk management system for Customs.

3.4.4 PI-15 Effectiveness in collection of tax payments

This indicator assesses the ability of the Revenue Authorities to collect the taxes assessed. The assessment covers major tax revenues arising from all central government activities. The first dimension focuses on the last two completed FYs, while the second and third dimensions are assessed as at time of assessment.

The IRS used the Ghana Income Tax Management Information System (GITMIS) software while tax administration IT support is provided by the Large Taxpayer Information Processing System (LTIPS) within the LTO, but it is characterised by functionality gaps. The administration of VAT continues to rely on VAT Integrated Processing System (VIPS) and the administration of customs on GCMS/GC-Net[50]. Total Revenue Integrated Processing System (trips™), an iteration of LTIPS, is under implementation.

The legal framework does not envisage for a special mechanism for collection of tax payments for the minerals and petroleum sector. Given that the corresponding taxes are collected by GRA it follows the same general procedures for Income tax, VAT and customs, except that for purposes of tracking and transparency, petroleum revenue due to the State is to be directed into a Petroleum Account held and managed by the Bank of Ghana.

(i) Collection ratio for gross tax arrears

Each taxpayer's segment is divided in functional units. One of the functional units deals with debt management, compliance and enforcement. It is particularly responsible for monitoring debts of taxpayers, ensuring compliance with returns filing and payment, identifying non-filers and late filers and enforcing payments of tax arrears. Table 3.18 provides an overview of the stock of tax arrears and collection (see Annex 8 for more details). Information on VAT collections was inadequate. With the modernisation of GRA and decentralisation of operations, the information is collected at the districts and not necessarily aggregated at the central level.

Table 3.18 Collection of tax arrears (GH¢)

	2010	2011	Average
Customs (ca. 41% of tax revenues)			Score A
Tax arrears ratio, %	0.50%	0.19%	0.3%
Collection ratio, %	68.8%	13.3%	41.0%
VAT (ca. 16% of total tax revenue)			Score B, C or D
Tax arrears ratio, %	10.8%	6.2%	8.5%
Collection ratio, %	not available	not available	not available
Direct domestic taxes (ca. 43% of total tax revenues)			Score A
Tax arrears ratio, %	5.0%	3.1%	4.0%
Collection ratio, %	57.4%	158.2%	107.8%
Total			Score B
Tax arrears ratio, %	4.2%	2.4%	3.3%
Collection ratio (excl. VAT), %	31.4%	89.1%	60.3%

Source: GRA.

50 Some smaller customs units are not linked to GCMS.

The tax arrears ratio for Customs is relatively low and remains comparable with the level of the previous assessment. The collection of customs arrears during the last two FYs was on average about 41% of the stock of customs arrears at the beginning of the year. The performance for Customs arrears is at "A" score level. The tax arrears for direct domestic (i.e. income) taxes continued to decrease and it went down further from 7.2% in 2008 to 3.1% in 2011, but it remains relatively high. The collection of direct domestic tax arrears during the last two FYs was above 100% of the stock of direct domestic tax arrears. This performance implies an "A" score for direct domestic taxes. The ratio of VAT arrears seems to have decreased from 8.3% in 2008 to 6.2% in 2011, after picking up to 10.8% in 2010. Given the still high level of arrears, the collection rate cannot be above 90% and therefore the individual performance of VAT arrears will be at the level of D, C or B score depending on the exact collection ratio.

When considering the outcome for the overall tax arrears and collection ratio excluding VAT collections this will result in a B or C score. In the absence of information on VAT collection the overall score is therefore calculated as weighted average of the individual scores for each type of tax. Customs and domestic direct taxes account together for 41% and 43% correspondingly and perform both at "A" level. VAT represents only 16% of the total tax revenue, and regardless of whether it performance at B, C or D level, the weighted average will in all cases be a "B".

Collection of cocoa export taxes is done by Cocobod and payment is made directly into the Consolidated Fund. Given that the collection mechanisms is however similar to the customs it is assumed that tax areas on cocoa exports are also insignificant.

(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration

The procedures for collection of *Income tax and VAT* are similar. While there are large taxpayers that directly transfer funds to the BoG, their volume is insignificant. The largest part of taxpayers files and pays taxes in person at the GRA offices. There are over 100 GRA offices (VAT and IRS) across the country at the moment[51]. Each GRA office has a separate bank account at the local branch of the Bank of Ghana (BoG) or a Ghana Commercial Bank (GCB). Where none of these are available a local rural bank is used. Tax collections are paid into the local bank account everyday with the exception of taxes collected after 3pm, which is the close of business day for the banks. Taxes collected after the close of the banks are kept in the safe and deposited at the bank on the next day. Tax collections are transferred then from the Ghana Commercial Bank (GCB) district or local branch into GCB HQ; this takes one day. According to GRA, there is a Memorandum of Understanding between GCB and the BoG stating that taxes collected and deposited at GCB HQ should be transferred to BoG within a maximum of 3 working days. In practice this is done in most of the cases within two days.

Customs duties are collected based on self-assessments though the GCMS/GC-Net system. Once the system accepts the declaration, it prompts the importer to pay taxes to the bank (Ecobank or GCB). Some smaller customs stations are not on GCMS. In this case, cash payments are made to the customs accountant who deposits the collections at the bank the next working day. For remote customs stations the bank officer collects the paid customs duties at the customs stations. Customs duties collected outside GCMS is very low i.e. between 2% and 3% of total customs collections. Transfers from GCB and-or Ecobank is done within two days.

Export duty on *Cocoa* is collected by Cocobod and paid direct into the Consolidated Fund (CF). Usually, transfers to CF are done twice a year, first in October and then December or latest first quarter of the following calendar year. This payment schedule is always adhered to but often GoG

[51] It is expected that after the reorganisation of offices there will be about 72 offices.

falls on Cocobod to transfer funds besides the usual schedule so long as Cocobod retains some revenue surplus for operational purposes after farmers have been paid.

iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury

Given the use of automated systems for administration of Customs and VAT, for these taxes the systems allows for reconciliation of assessment, collections, arrears and transfers. The four types of reconciliations are not done regularly though.

The reconciliation procedures for Income tax and VAT are similar. The revenue divisions under GRA do not do reconciliation at aggregate level between tax assessment, collections and arrears. These three reconciliations are done at the district level. Nevertheless, the debt management and enforcement unit ensures that individual taxpayers arrears are determined, reconciled and any differences collected. The reconciliation of collections with the transfers is done on a daily basis. The weekly and monthly reconciliation with the BoG statements takes respectively 4 days and 14 days to complete.

The GCMS provided for reconciliation between declarations, collections and transfers. Reconciliation between collections and transfers is done on a daily basis. The transfers and bank statement are reconciled on a monthly basis.

An annual reconciliation of the collections with BoG statements is done for the three major types of taxes (i.e. domestic direct and indirect taxes, and customs).

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-15	Effectiveness in collection of tax payments	C+	D+	Scoring Method M1.
(i)	Collection ratio for gross tax arrears, being percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year	B	B	The aggregate level of tax arrears in Ghana remains significant. The average tax arrears ratio for the last two FYs was 3.3%. Tax arrears are insignificant (less than 2%) for customs which is equivalent for "A" score performance. Collection ratio for domestic direct taxes continued to improve and was on average above 100% during the last two FYs, which is also equivalent to an "A" score performance. The performance of VAT arrears cannot be calculated due to the lack of data on collections of VAT arrears, but this does not affect the calculation of the overall score.
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	Revenue collections for major taxes are transferred to the Treasury daily (except for a small amount of customs (i.e. about 2%) which is collected at remote customs stations not linked to the GCMS). It takes about two-three days for the funds to reach the Treasury accounts. For cocoa revenues the transfers are done at least twice a year. Since the delays in the banking system are not considered in the scoring and the cocoa revenue are insignificant

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
				(i.e. 0.05% of tax revenue) the scoring is not affected by these aspects.
(iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	C	D	*No complete* reconciliation of tax assessment, collections, arrears and transfers to the Consolidated Fund takes place on an annual basis.
Comparability of scores and performance change: (i) No changes in the overall performance. (ii) No changes in performance. (iii) No changes in performance took place since the previous assessment. The PEFA 2009 score seems to have been overrated.				

Ongoing reforms

As part of the modernisation programme GRA is currently undertaking efforts to improve debt management and enforcement. One of the areas of the Modernisation plan 20012-14 is to review the debt management and enforcement system in order to ensure timely collection and enforcement of strict interest and penalties regime as allowed by legislation.

3.4.5 PI-16 Predictability in the availability of funds for commitment of expenditures

This indicator assesses the extent to which the central ministry of finance provides reliable information on the availability of funds to MDAs, which are the primary recipients of such information. The assessment focuses on the last completed fiscal year (FY2011).

(i) Extent to which cash flows are forecast and monitored

Based on the budget ceilings pro-forma cash flow forecasts are prepared by MDAs at the start of the financial year and are submitted to the MOFEP, along with procurement plans. These are supposed to be updated each month as an input into cash flow planning however only twenty seven out of thirty five MDAs submit them on a regular basis which affects the accuracy of the information as a basis of cash flow forecasting. As noted in PI-16(ii) and PI-20(i) MDAs lack reliable information on the availability of funds which makes reliable cash flow planning impossible. A lack of information on cash inflows and outflows from statutory funds and delays in the receipt of information on DP grants also limits the government's ability to forecast and monitor aggregate cash inflows and outflows.

A Cash Management Committee established in 2008 meets each week and receives input from separate revenue and expenditure sub-committees on revenue collections[52], expenditure payment priorities and government financing needs. The Assessment Team received comprehensive monitoring reports dated in 2009 and 2010 addressing cash items (Inflows, Outflows, Cash Deficit and Financing) as well as Outstanding Releases, Commitments and Contracts however were informed that these reports had been discontinued, primarily due to the lack of available data discussed in the previous paragraph.

52 Addressing in particular the time lags between collection in transit accounts (held in commercial banks) and receipt in the Main Treasury Account.

(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment

Budget ceilings have continued to be unreliable for MDAs in planning their expenditure commitments in the period covered by this Assessment. Historically wages and salaries (Item 1 expenditure) have been underestimated[53] and, given it is the major portion of total primary expenditure and its treatment as a protected payment this has had contributed to considerable unpredictability in the funding of goods and services, and assets.

Warrants for goods and services are supposed to be informed by the annual cash flow statements submitted at the beginning of the financial year, updated in a monthly basis in year. In reality, warrants are subject to significant delays that have a significant impact on planning activities Warrants are rarely received until late in the financial year, if at all. At the time of the Assessment mission a number of MDAs reported only having received their January – April releases by the middle of November. As a result of these delays MDAs report a lack of funds to purchase stationary and IT consumables included in budget estimates. The timing of activities is also affected by delays in the issuance of warrants; for example the Ministry of Health (MOH) has had problems in mounting preventative health programs such as seasonal malaria health campaign which need to take place ahead of the rainy season.

There is also considerable delays and uncertainty regarding the timing of the issuance of specific warrants (or commencement certificates) which are required in order to procure assets after MDAs award contracts. As a result MDAs noted that projects included in the budget estimates often start late in the financial year with completion and settlement carried forward to the following year.

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

Adjustments to budgetary allocations are made by ex-ante virement procedures; or through a Supplemental Budget. Section 171 of the FAR allows virements within goods and services subject to ex-ante approval of the Line Minister. Virement of wages and salaries, and transfers between Items require the approval of MOFEP. Section 172 of the FAR, requires expenditure in excess of the approved budget ceilings to be submitted for the approval of Parliament through a supplementary budget. Supplementary budgets were submitted to Parliament in 2009 and 2011. As a consequence of the lack of an effective establishment control (see PI-18) and an effective commitment control (PI-16), in practice there has been expenditure carried out in excess of approved budgets by default, rather than through a transparent predictable process.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-16	Predictability in the availability of funds for commitment of expenditures	D+	D+	Scoring Method M1.
(i)	Extent to which cash flows are forecast and monitored	C	C	Cash flow plans are prepared at the start of the fiscal year but are rarely updated.
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.	D	D	Departments are provided General and Specific Warrants that typically provide reliable information on commitment ceilings less than one month in advance. In the case of the General Warrant, although a monthly issued instrument, the MDAs are provided reliable

[53] For example in 2010 the Government underestimated the cost of introducing the Single Spine System.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
				information on commitment ceilings less than a month in advance. In practice, given the very long delays, under the Special Warrant mechanism MDAs are often not receiving advance information on commitment ceilings.
(iii)	Frequency and transparency of adjustment to budget allocations, which are decided above the management of Line Ministries	C	C	As a consequence of the lack of an effective establishment control (see PI-18) and an effective commitment control (PI-16, PI-20), in practice there has been expenditure carried out in excess of approved budgets by default, rather through a transparent predictable process.
Comparability of scores and performance change: (i) Scores comparable, no change in performance. (ii) Scores comparable, no change in performance. (iii) Scores comparable, no change in performance.				

Ongoing reforms

- The introduction of the Treasury Single Account (PI-17 (ii)) will enable more efficient use of government balances, allow better coordination of debt and cash management, and reduce the overall costs of borrowing;
- The introduction of the GIFMIS Procure to Pay (P2P) module should allow MDAs to make official requests for consolidated fund transactions on the system, facilitate processes of payment of goods and services acquired and account for outstanding commitments, avoiding the accumulation of arrears. At the time of the Assessment about 120 are covered with plans to cover regional MDAs and Treasuries over time. Presently only consolidated fund transactions are currently being processed in the system which weakens the potential for improved commitment and arrears control.

3.4.6 PI-17 Recording and management of cash balances, debt and guarantees

This indicator assesses the quality and completeness of debt records, debt management and the overall consolidation and control of government cash balances. The assessment of the first and second dimensions is as at the time of assessment, while the third dimension measures performance over the last completed fiscal year.

(i) Quality of debt data recording and reporting

The Debt Management Department (DMD) of MOFEP records, monitors and reports on debt using the Commonwealth Debt Recording and Management System (CR-DRMS). The system captures all external debt and guarantees[54]. The Bank of Ghana (BoG) maintains a domestic debt data which is transferred to the DMD on a monthly basis.

Reports from the system are prepared on a monthly basis for internal use within the MOFEP (particularly the Budget Department and the Economic Research and Forecasting Department), and Bank of Ghana (BoG). Reports are comprehensive and address projected and actual debt service payments, external and domestic debt stock as well as guarantees. The BoG publishes a quarterly bulletin which includes comprehensive sections on domestic and external debt. At the

[54] The guarantees exclude the loans raised by MDAs or SOEs without the formal approval of the MOFEP and recourse to Parliament.

time of drafting the Report (November 2012) reports up to Quarter 2 of 2012 had been posted on the BoG website. The 2012 annual budget statement incorporates a brief summary of the debt strategy, outlook and new project and programme loans signed in the previous financial year. In accordance with the Financial Administration Regulations the CAGD provides detailed schedules of the opening balances, movements and closing balances of all domestic and external debt in its annual report on the Consolidated Fund.

Debt transactions are recorded in CR-DRMS within days and regular cross-checks are carried out with major creditors (the World Bank and AfDB) at least on a monthly basis. For smaller creditors reconciliations may be done on a less frequent basis upon receipt of statements. The 2011 Report of the Auditor General noted a particular deficiency in the management of funds on-lent by the Export Finance Company Ltd[55]. The DMD noted the challenge of having limited information on loans on-lent to beneficiary institutions in 1991. This makes it difficult to follow up with contractors to make payments. Notwithstanding this issue the quality of records is adequate and the underlying data of a reasonable standard.

(ii) Extent of consolidation of the government's cash balances

Government bank accounts include (1) the Main Treasury Cash Account, (2) Sub-Consolidated Funds held with the Bank of Ghana regional branch offices that facilitate the Treasuries around the country; (3) committed Accounts under the control of the CAGD, (4) tax and non-tax revenue accounts held in BoG or commercial banks[56], (5) accounts of statutory funds, including the DACF, GET Fund, NHIF, Road Fund, and (6) DP accounts (held in BOG and commercial banks) opened in accordance with DP funding arrangements.

The BoG, CAGD, MOFEP and GRA, through a Reconciliations Committee perform the reconciliation of the bank account on a monthly basis. Regular information on retained IGF accounts, DP accounts and the bank accounts of Statutory Funds are not available and excluded from the monthly reconciliation exercise.

Since 2009, the government (through a memorandum of understanding signed between the Minister of Finance and Economic Planning and the Governor of the Bank of Ghana) has been working towards the establishment of a treasury single account (TSA) in three phases. Phase 1(now completed) entails the bringing together all government bank accounts held with the BoG in Accra under the unified treasury single account. Phases 2 and 3 are outlined in ongoing reforms (see below). In the process of developing the TSA 1,500 government bank accounts have been closed, however, it is the number and quantum of bank balances held outside the BoG system which is unknown. A monetary survey conducted by the BoG has been put on hold and this exercise is to be conducted under the auspices of the GIFMIS project.

The Government continues to lose significant sums of money as a result of poor treasury management. The 2011 Auditor General audit report on the Consolidated Fund revealed a loss of GH¢75 million as interest payments for overdrawn bank accounts whiles some government bank accounts had unutilised funds. This amount represents over 10% of non-tax revenue and almost 0.7% of primary expenditure in 2011.

(iii) Systems for contracting loans and issuance of guarantees

The Constitution (Article 181), 1992 and the Loans Act, 1970 govern the Central Governments contracting of loans. The Constitution requires parliamentary authorisation of all Government

[55] Report of the Auditor General on the Public Accounts of Ghana (Consolidated Fund) 2011 page 19.

[56] These are swept on a daily basis and funds transferred into the Main Treasury Account (in the case of non-tax revenue accounts net of retention).

borrowing and on-lending. The Loans Act, 1970 provides MOFEP with the sole authority to contract loans on behalf of the government or any other public sector institution, subject to cabinet and parliamentary approval. Articles 10 and 13 of the Loans Act, 1970 empower the Minister to grant guarantees, subject to the concurrence of the BoG. In addition, section 51 of the Bank Act states that the Bank, upon the request of the Minister guarantees a loan granted to government or an agency of government by a foreign institution.

The principles guiding borrowing and guarantee limits are set out in the MOFEP Public Borrowing and Project Selection Guidelines (November 2010). The maximum external borrowing limit is guided by the borrowing limits recommended in the latest Debt Sustainability Analysis report, as well as being informed by the Debt Management Strategy (DMS). Domestic borrowing limits per annum are guided by the Net Domestic Financing target set by GOG, again informed by the DSA and DMS. The maximum guarantee or on-lending facility granted to a parastatal/SOE is guided by its performance and should not exceed the sum of the previous three years revenue. In addition Section 51 of the Banking Act requires the BOG to put a limit on the aggregate of guarantees issued by it each year.

According to the 2012 Budget speech the debt management strategy is driven by the main fiscal objective of keeping the total public debt ratio below a ceiling of 50.0 per cent of GDP. The Government issued a Medium Term Debt Management Strategy (DMS) 2012-2014 in December 2012. The Strategy sets the overall medium term ceiling of public debt-to-GDP at around 60 percent[57]. The Strategy also outlines other quantitative and qualitative criteria for external and domestic debt. It is intended that the DMS should be updated annually and the DMD plan to the next update prior to the end of 2012. Despite the provisions of the Bank Act no clear overall aggregate ceilings are set for the issuance of guarantees.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-17	Recording and management of cash balances, debt and guarantees	C+	C+	Scoring Method M2.
(i)	Quality of debt data recording and reporting	B	B	Domestic and external debt records are complete and reconciled at least on a monthly with debt transactions audited annually by the GAS. The BoG publishes a quarterly bulletin (with some delays) including comprehensive sections on domestic and external debt. DMD produces monthly management reports for internal use and for the BoG but these do not comprehensively cover operations.
(ii)	Extent of consolidation of the Government's cash balances	C	C▲	Calculation of government balances held in the Consolidated Fund is on a monthly basis; balances in the retained IGF accounts are calculated annually. There are balances also maintained in DP managed project and programme bank accounts that remain outside of the cash management (reconciliation and reporting) arrangements.

57 Current Debt/GDP ratio is 36% of GDP as of September 2012 (Source DMD).

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
(iii)	Systems for contracting loans and issuance of guarantees	C	C▲	The Constitution, 1992 and the Loans Act, 1970 empowers the Minister of Finance solely to contract loans, subject to approval by the Parliament and to issue guarantees. The issuance of guarantees are not made within clear limits for total guarantees.
Comparability of scores and performance change: (i) Scores are comparable, no change in performance. (ii) Scores are comparable. No change however the introduction of the Treasury Single Account has resulted in a small improvement in performance not captured by the indicator. C▲ score is merited. (iii) Scores are comparable. No change however the development of the DMS has resulted in more transparent criteria for the issuance of loans. In the absence of a limit for the aggregate level of guarantees there is no change in the 2012 score. C▲ score is merited.				

Ongoing reforms

In Phase 2 of the introduction of the Treasury Single Account the Government plans to add government accounts in the five BoG branches outside Accra. In Phase 3 all government bank accounts held with all commercial banks (IGF, statutory funds and DP accounts) will be incorporated into a TSA mode.

3.4.7 PI-18 Effectiveness of payroll controls

This indicator assesses the effectiveness of the payroll system. The scope of this indicator is all payrolls of the central government, even if they cover different segments of the public service, including all MDAs and AGAs. The assessment of all dimensions is done as at the time of assessment, except the fourth dimension which is assessed for the last completed three FYs.

(i) Degree of integration and reconciliation between personnel records and payroll data

GoG manages the payroll through its Integrated Personal Payroll Database (IPPD). The system has two components; a personnel management and payroll processing component which are fully integrated. Personnel management systems are managed by the personnel processing sections of the various MDAs. Payroll processing is the responsibility of the 10 Payroll Processing Sections (PPS) of CAGD which provide coverage throughout Ghana.

(ii) Timeliness of changes to personnel records and the payroll

Major employing MDAs (Health, Education and the Office of the Civil Service have online access to the IPPD. Other MDAs process adjustments to the personnel database via the PPS.

Notwithstanding the automated IPPD the process of incorporating a new entrant into the system is time consuming and involves a number of manual steps. For example the recruitment of a new primary school teacher requires approval at a district and regional education offices, before being collated in Ghana Education Service (GES) Headquarters. GES is then required to obtain financial clearance from the MOFEP. In theory new employees should not start work until all clearances have been completed. However, many staff work months without financial clearance, resulting in payment of back pay once financial clearance is finally received. MDAs report that the process cannot be done in less than three months and can take as much as one to two years which results in wage arrears. Once all documentation is obtained (appointment letter, acceptance letter, financial clearance, establishment warrants and approval letter) the standing data is entered by MDAs and validated by PPS staff. Other changes (promotions, deletions and changes of grade) can be completed in a shorter time scale however one to two months delay is not uncommon.

In addition to delays relating to the approval process another issue is that the system is only open for personnel data updates for a short period each month when payroll processing is complete. The GIFMIS mission Aide Memoire notes that the GES only has 5-7 days to process the salary input forms of thousands of teachers and, as such, has led to delays in payment of salaries. CAGD confirmed that this is the case however noted that the system is available 24 hours a day when open for personnel updates, however MDAs are not availing themselves of this facility. Any adjustments not completed in the month have to be carried over to the next month.

(iii) Internal controls of changes to personnel records and the payroll

As noted in PI-18(i) the IPPD has a basic segregation of duties between the personnel database (managed by MDAs) and the payroll database (managed by CAGD). Access to the personnel and payroll is based on need and controlled through password controls; for example only GES designated staff can access and amend GES personnel data. The system keeps an audit trail of all actions by user (who did what when) and there are hierarchical access controls to allow super users to validate and supervise workflows. The 2009 assessment noted concerns regarding the use of false ID's however this Assessment found no evidence of this.

Before the payroll is finalised at the end of the month the CAGD run a test report which generates comprehensive reports on payroll listing, new entrants, grade changes and deletions which are provided to MDAs for checking prior to the final payroll run. Internal auditors at the MDA level also conduct a pre-audit of all changes to the personnel data and ex-post reviews of the payroll run. All wages and salaries are paid to the employees' nominated bank account.

The main payroll outputs of the system are (1) payslips giving employees information on their pay and deductions, (2) a payment voucher which provides Heads of MDAs and MMDAs with information on the number of employees and amounts paid each month, and (3) a bank report and credit voucher giving information on bank transfers.

The provision of payslips should provide employees with an opportunity to check pay and deductions. Currently these are printed centrally at CAGD in Accra and there are often delays in distribution, which limits the effectiveness of this control. The payment voucher report serves as the basis for Heads of Department to check and verify the staff roster; a monthly requirement in accordance with the FAR. Delays in distribution of the reports to MMDAs (particularly those in remote districts) limit the effectiveness of this control. The 2011 GAS Report on the Consolidated Fund identified anomalies leading to multiple payments of unearned salaries and pensions to over 1,800 active employees and pensioners. The Auditor General notes that weak input controls as well as the absence of validation checks on salary vouchers by Heads of MDAs largely accounts for these anomalies.

Another significant weakness in the current system is the absence of a direct link between establishment database and personnel/payroll system. The establishment database serves as a control inter alia (1) to ensure that new entrants fill an open position, and (2) promotions are to an appropriate vacant grade. Work on a Human Resource Management Information System (discussed in reforms below) is planned as part of the GIFMIS reforms and may address this weakness.

(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

Each year the GAS Report on the Public Accounts of Ghana MDAs has a section on payroll overpayments. These are mainly from unearned salaries paid to separated staff, irregularities in pension payments and a failure to ensure the timely deletion of the names of separated staff. Amounts identified total GH¢1,021,062 (2011), GH¢498,259 (2010), and GH¢787,855 (2009).

As part of the measures to improve management of the payroll MOFEP is presently conducting a biometric registration of all pensioners and employees on the government payroll. The resulting database is to be used for all payments of public sector wages, salaries and pensions. Registration is substantially completed in all regions and, at the time of the assessment the registration was “mopping up” staff that were not on site during the first round of registration visits.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-18	Effectiveness of payroll controls	C+	C+	Scoring Method M1.
(i)	Degree of integration and reconciliation between personnel records and payroll data	A	A	IPPD allows for a direct link between the personnel and the payroll databases.
(ii)	Timeliness of changes to personnel records and the payroll	C	C	Payrolls are controlled monthly and changes are effected on average within a month pay period. However, retroactive changes for new hires are not rare and may extend more than 12 months.
(iii)	Internal controls of changes to personnel records and the payroll	B	B	The authority and basis for changes to the personnel records are clear, access controls are adequate and provides a strong audit trail. The absence of a directly linked establishment control to the personnel and payroll database is a significant deficiency in the present arrangements.
(iv)	Existence of payroll audits to identify control weaknesses and /or ghost workers	B	B	The CAGD carries out on an on-going basis a sampling of head counts. Internal audit units conduct pre and post audits checks on personnel and payroll data on a regular basis. The biometric registration of all public sector staff and pensioners in 2012 is substantially complete.
Comparability of scores and performance change: Scores are comparable, no change in performance.				

Ongoing reforms:

1. Currently all payroll reports are run and printed at CAGD Head Office and distributed nationwide. This has caused some delays in the disseminations of information on payment of pensions and salaries to MDAs/MMDAs. To address this issue, the Department is to start printing payroll reports at four regional centres (Kumasi, Sekondi-Takoradi. Ho and Tamale);
2. The Public Services Commission has made progress towards the development of a comprehensive human resource database linked to the Integrated Personnel Payroll Database - IPPD) in close collaboration with MOFEP. Work is now proceeding under the umbrella of the

GIFMIS project. A human resource management manual is also being developed by the PSC to improve human resource management in all the public services.

3.4.8 PI-19 Competition, value for money and controls in procurement

This indicator assesses the effectiveness of the procurement system[58]. The first dimension focuses on the existence and scope of the legal and regulatory framework, while the other dimensions focus on the operation of the system. The assessment covers all procurement for central government using national procedures, including all MDAs and AGAs, and is done as at the time of assessment for all dimensions except the first dimension which is assessed based on the last completed fiscal year (FY2011).

(i) Transparency, comprehensiveness and competition in the legal and regulatory framework

Public procurement is governed by the Public Procurement Act, 2003 which sets up an appropriate legal and regulatory framework for public procurement in Ghana. Appropriate hierarchical structure are in place, providing the MOFEP, in consultation with the Public Procurement Authority (PPA) with the authority to make regulations by legislative instrument which give effect to the purposes of the Act. The Law establishes the PPA as a corporate body with the responsibility of overseeing the effective implementation of the Act.

The procurement law and associated regulations are clearly established and are readily accessible through the PPA website. The Law applies to the procurement of goods, works and services, financed in whole or in part from public funds and applies to all MDAs, sub-vented agencies and state owned entities. The Law establishes *competitive* procurement, rather than *open competitive* procurement, as the default method of procurement and defines the circumstances in which restricted[59] and sole source[60] tendering can be applied and how they should be justified. The Law provides for public access for procurement bidding opportunities, procurement plans (Section 21)[61], contract awards (Section 31) and data on resolution of procurement complaints (Section 81)[62]. Section 78 of the Law entitles a supplier, contractor or consultant to seek review and Section 80 - administrative review by the PPA. Section 82 provides the procurement body and the PPA with the right to suspend procurement procedures at any stage, initially for seven days with an extension to a maximum of 30 days in order to allow adequate time for the disposition of review proceedings.

Number of requirements met	Elements of the legal and regulatory framework for procurement	Availability
5 out off 6	Be organised hierarchically and precedence is clearly established.	√
	Be freely and easily accessible to the public through appropriate means.	√
	Apply to all procurement undertaken using government funds.	√
	Make *open* competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how	x

58 The PEFA methodology was modified in 2011 by adding a fourth dimension and completely reformulating the other three to reflect and provide linkages to the OECD-DAC ‘Methodology for Assessing Procurement Systems’ (MAPS) tool.

59 A procurement entity may for reasons of economy and efficiency and subject to the approval of the Board (PPA) engage in procurement by means of restricted tendering *(a)* if goods, works or services are available only from a limited number of suppliers or contractors; or *(b)* if the time and cost required to examine and evaluate a large number of tenders is disproportionate to the value of the goods, works or services to be procured (Section 38).

60 Section 40 sets the situations under which an entity may engage in single-source procurement i.e. where goods, works or services are only available from a particular supplier or contractor; in case of urgency; for national security reasons etc.

61 Section 21 (4) of the Act requires that the procurement entity shall send to the Tender Review Board, procurement notices for contracts and procurement plans above the thresholds stipulated in Schedule 3 for publication in the Public Procurement Bulletin.

62 Section 81 (5) provides that complaints decisions should be promptly made available for inspection by the general public.

Number of requirements met	Elements of the legal and regulatory framework for procurement	Availability
	this is to be justified.	
	Provide for public access to all of the following procurement information: government procurement plans bidding opportunities, contract awards, and data on resolution of procurement complaints.	√
	Provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature.	√

As statutorily mandated the PPA has established a seven member Appeals and Complaints Panel which is a sub-committee of the PPA. As such Panel decisions have to be ratified by the PPA Board. As the PPA performs an oversight function and does not conduct any procurement activity the administrative procurement review procedures can be seen as independent.

(ii) Use of competitive procurement methods

The assessment of this dimension focuses on the use of open competitive procurement methods which normally include only international competitive bidding and national competitive bidding. In Ghana competitive tendering includes also limited competitive bidding such as price quotation, which is normally not considered as open competitive bidding. However, since all MDAs hold regular pre-qualifications and registration of qualified suppliers and contractors as required by the Public Procurement Act[63], “price quotation” is considered as open and competitive bidding for the assessment of this dimension.

The Law establishes competitive procurement as the default method of procurement and defines the circumstances in which restricted and sole source tendering can be applied subject to the approval of the PPA. Section 28(1) of the Act requires the procurement entities to maintain record of the grounds and circumstances on which the procurement entity relied to justify the selection of the method of procurement used. The PPA does not have a centralised mechanism/database to monitor the use of competitive bidding. To obtain a national view in terms of performance and compliance with the provisions of the Act the PPA employs the Public Procurement Model of Excellence (PPME) which is used in carrying out its annual assessment of procurement activities within the public sector in Ghana based on a sample of procurement entities[64]. The latest available report is for the year ended 31 December 2010 and was published in 2011. No data on the year ended 31 December 2011 was available at the time of the Assessment (November 2012). The table below shows the percentage of the tenders using various procurement methods. From the considered sample about 17% of all tenders (in terms of numbers) used non-competitive methods in 2010. The assessment did not consider the extent to which this was justified. In 2010 the PPA received 364 Single Source requests, out of which 295 were approved, 40 conditionally approved and 29 not approved. The total number of restricted tendering requests were 311, out of which 245 were approved, 58 conditionally approved and 8 not approved. The requests and decisions made by the PPA are documented in Annexes to the Annual Report. However the Annual Report does not provide any data on the number/volume of tenders which were supposed to follow competitive methods but applied single source or restricted tendering without approval from the PPA.

[63] Public Procurement Act, Section 23.

[64] In 2008, an independent review of the procurement entities’ self-assessment applying the PPME tool was conducted. The report concluded that it is an innovative and valuable tool to monitor public procurement performance and practices at the entity level. Source: Ghana -Assessment of Stage 1 - Use of Country Procurement Systems in Bank- Supported Operations: Proposed Piloting Program (August 27, 2010).

Table 3.19 PPA Assessment of % of tenders using each of the Procurement Method[65]

	Based on a sample including 150 procurement entities	
	2009	2010
International Competitive Tendering (ICT)	3.98%	3.71%
National Competitive Tendering (NCT)	28.72%	32.21%
Price quotation (PQ)	57.28%	47.09%
Single source (SS)	5.33%	8.85%
Restricted Tendering (RT)	4.69%	8.14%

Source: PPA Annual Report 2010.

The PEFA Framework stipulates that in order to score this dimension, there must be reasonable complete data available to determine (i) the *value* of the contracts awarded other than by open competition, and (ii) the percentage of these that were legally justified. If such reasonably complete data is not available, the score would be a “D”.

All procurement entities are supposed to maintain a contracts registrar which should include information in particular on the volume of the contracts awarded, the procurement method used and corresponding justification. Theoretically, therefore, the data should be available at the level of MDAs and it should be possible to determine the value of the contracts awarded other than by open competition and the extent to which application of the non-competitive bidding is justified. There is no centralised database or mechanism for consolidation of these information and systematic monitoring of the use of competitive procurement methods. While the data must be available, an in-depth investigation at the level of procurement entities or procurement audit is beyond the scope of this assessment.

A “D” score is given for this dimension on the basis of the lack of reasonably complete information on the volume of contracts awarded and the irregularities identified in the Report of the Auditor General on MDAs in respect to the use of competitive procurement. In 2011 the value of financial impact of the irregularities in the contract management amounted to GH¢ 29 million, which is about 21% of all irregularities and a significant increase in comparison with 2010. The main irregularities pertain to inadequate controls over the administration of procurement and irregularities in contract administration, use of uncompetitive procurement and contract awards, and failure to adhere to the provisions of the Public Procurement Act with respect to single source procurement i.e. single source procurement without authorisation or without alternative quotations. Irregularities occurred particularly at the Ministries of Health, Defence, Roads and Transport, Education and Employment and Social Welfare.

(iii) Public access to complete, reliable and timely procurement information

Public access to procurement information is facilitated through the PPA website www.ppbghana.org. The information provided is comprehensive in many respects. Contract awards are increasingly published. However, no information on procurement plans is available, although the Act requires procurement entities to provide information to PPA for publication (see PI-19(i)).

The Law requires information on tendering opportunities to be advertised in newspapers. The PPA posts tendering opportunities it gathers from newspapers and also receives information directly from procuring entities. Information on contract awards, although not complete (see also PI-10) and the resolution of complaints handled by the Appeals and Complaints Panel (see PI-19(iv)) are also posted on the PPA website.

65 No data available for 2011 at the time of preparing the assessment.

Both the 2009 and 2010 PPME assessments are described by the PPA as limited assessment exercises as they cover a sample of 150 out of 1,000 procurement entities. The limited scope was due to budgetary constraints. By selecting high and medium spend agencies the assessment covered approximately 75 percent of the procurement budget.

Data from the PPME shows that in 2010 93.48% (2009: 92.73%) of open tender opportunities (by number) were publically advertised, and 60.00% (2009: 65.26%) of contract awards (by number) were published in the Annual Report. This data is not published by value which is the scoring method for PI-19 (iii). Data on the resolution of all complaints which are subject to administrative review are published on the PPA website and included in their Annual Report.

The default score for this indicator is D as:
- There is no systematic mechanism to generate substantial and reliable coverage of key procurement information;
- The coverage of key procurement information (government procurement plans, bidding opportunities, contract awards, data on resolutions) in 2009 and 2010 was incomplete;
- No data is available for 2011 at the time of preparing the assessment;
- Data collected for the PPME is analysed by number of contracts, rather than by value.

(iv) Existence of an independent administrative procurement complaints system

The Law defines the procedures for the administrative procurement complaints process. A complainant must first seek a review at the entity level, either before or after the contract award. The Head of the Procuring entity has 21 days to issue a written decision and the corrective action (if any to be taken). Thereafter, the complainant may seek an administrative review within twenty-one days if the procuring entity fails to make a decision, or if the complainant is dissatisfied with the decision made. The PPA then has a further twenty-one days to issue a written decision concerning the complaint, stating the reasons for the decision.

The PPA has established a team of seven legal and procurement experts forming the Appeals and Complaints Panel of the Public Procurement Authority. The 8 member Panel is chaired by a retired Court of Appeal Judge with representatives from the Private Enterprise Board, Institute of Surveyors, Institute of Chartered Accountants of Ghana, Council of Law Reporting and three members of the PPA staff. Invitation packs to Panel members, meeting minutes and the documentation of decisions reached are thorough and underpinned with interpretations of the Law. The Panel acts as a sub-committee of the PPA Board; decisions of the Panel have to be ratified by the Board. The Panel are independent and are not involved in procurement transactions or the process leading up to contract awards and there is no charge for requesting an administrative review. The processes for submission and resolution of complaints is well documented in the law and a booklet published by the PPA[66]. The PPA has wide ranging powers, including the power to suspend or order the termination of procurement proceedings. The PPA makes decisions public on its website. A request for an administrative review does not preclude the complainant's right to seek legal redress through the courts.

Only a small number of complaints have been heard by the Panel; for example the decisions of six cases are listed in the 2010 Annual Report. Two reasons were highlighted in the course of the Assessment. Firstly contractors and consultants will only use complaints proceeding as a last resort as they do not want to get a bad reputation with government counterparts. Second compensation is restricted to the reasonable costs incurred in connection with the procurement process.

[66] Appeals and Complaints Process Under Public Procurement Act, 2003 (Act 663).

In a number of cases the timescale for issuing decisions greatly exceeds the timeframe specified in the rules and regulations. This can result from the complainant failing to provide all the documentary evidence needed for the review, or a range of other factors out with the control of the Panel.

Complaints are reviewed by a body which:		
(i)	is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government.	√
(ii)	is not involved in any capacity in procurement transactions or in the process leading to contract award decisions.	√
(iii)	does not charge fees that prohibit access by concerned parties.	√
(iv)	follows processes for submission and resolution of complaints that are clearly defined and publicly available.	√
(v)	exercises the authority to suspend the procurement process.	√
(vi)	issues decisions within the timeframe specified in the rules/regulations.	x
(vii)	issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).	√

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-19	Competition, value for money and controls in procurement	B+	C	Scoring Method M2.
(i)	Transparency, comprehensiveness and competition in the legal and regulatory framework	n/a	B	The legal framework meets five out of the six dimensions. The legal framework makes competitive procurement the default method of procurement, as opposed to open competitive method, but defines clearly the situations in which other methods can be used and how this is to be justified.
(ii)	Use of competitive procurement methods	n/a	D	All single source and restricted procurement requests have to be referred to the PPA for a decision and have to be justified in accordance with legal requirements. There is no reliable data (except for the irregularities identified in the use of uncompetitive procurement and contract awards in the Report of the Auditor General on MDAs) to document the value of contracts where tenders which should have been subject to open competition have been sole sourced and not referred to the PPA.
(iii)	Public access to complete, reliable and timely procurement information	n/a	D	The most recent available data shows that most tender opportunities are published, around 60 percent of contract awards (by number) and all complaint decisions are published. Procurement plans are not published. Up to date key procurement data was not available at the time of the assessment. 2009 and 2010 data is based on

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
				low coverage of procuring entities and is based on contracts by number (rather than by value).
(iv)	Existence of an independent administrative procurement complaints system	n/a	B	Administrative complaints proceedings are independent and the Panel is adequately represented by procurement professionals. Significant delays in complaints hearings result from a lack of documentary evidence provided to the Panel or other factors out with their control.
Comparability of scores and performance change: Scores are not comparable. The revised methodology (introduced in 2011) uses 4 dimensions instead of 3 and is more comprehensive.				

Ongoing reforms

An amendment to the Public Procurement Act 2003 (Act 663) has been drafted and is waiting for the Cabinet approval. The main areas of changes include:

- introduction of Sustainable Public Procurement (SPP) criteria;
- re-categorisation of Entity Tender Committees (ETCs) depending on spending level and function;
- making mandatory to publish procurement plans on the website;
- increasing the approval threshold limits of procurement entities;
- revision of the rules on Administrative Review particularly on Suspension of procurement proceedings and the suspension of Suppliers;
- introduction of a separate procurement structure for Metropolitan, Municipal and District Assemblies (MMDAs).

Other ongoing reform efforts include:

- Under the e-Ghana project, Electronic Government Procurement (e-GP) is being introduced which will make the procurement process more accessible and transparent. Currently e-procurement is being applied in a limited way by announcing procurement opportunities through PPA's website with invitations for tenders for goods, works and services, as well as publishing of contract awards.
- The PPA is introducing sustainable public procurement (SPP); efforts are ongoing in respect to the development of an SPP policy, re-design of standard tender documents, raising stakeholders' awareness and building capacity through training programs.
- The PPA is introducing the use of Framework Agreements into the procurement system.
- The PPA developed curriculum and modules which have been accredited by the National Accreditation Board and adopted for delivering of courses that lead to the award of various Certificates and Degrees in procurement. A manual on Contracts Management and a Training Guide were developed to facilitate the train-the-trainers courses. Implementation is expected to start in 2013.

3.4.9 PI-20 Effectiveness of internal controls for non-salary expenditure

This indicator assesses the internal control system for non-salary expenditures as at the time of assessment. It covers only the control of expenditure commitments and payment for goods and services, casual labour wages and discretionary staff allowances. Debt management, payroll management and management of advance is covered by other indicators.

(i) Effectiveness of expenditure commitment controls

The legal and regulatory framework envisages for some controls to ensuring that expenditure do not exceed appropriation and the funds available[67]. In practices however the adherence to this is affected by the deficiencies in the reliability and predictability of funds and the horizon of in-year information to MDAs on ceiling for expenditure commitment. Key factors causing untimely and insufficient release of funds for budgeted non-salary spending are: (i) the very large proportion of funds allocated to the wage bill, thus crowding out the available cash; (ii) substantial wage increases that are brought in after the budget has been approved, as well as supplementary increases in development spending; (iii) substantial transfers to statutory funds, and (iv) extensive carryovers of arrears from previous years that are given highest priority in initial payment settlements. Collectively, these factors mean that non-salary recurrent spending is consistently over-estimated, and, as a result, MDA budgets are an unreliable indicator of policy intentions and their persistent unreliability is a major disincentive for MDA management. MDAs that have IGFs can compensate for failure of budget releases to some extent, but these expenses are not yet covered under GIFMIS and thus not reported adequately.

The expenditure cycle begins with the issuance of a commitment instrument (such as the purchase order or contract) which is carried out at the cost centre. General warrants are supposed to be issued by MOFEP on a monthly basis for goods and services, based on the overall budget ceiling for that Item. The payments are done by the associated treasuries, which, due to the long transaction chain, may become aware of the commitment only at the time of payment. When funds are not available the payment is rejected/delayed. This ensures effective expenditure control against available funds but does not serve as en effective commitment control. For investments, prior to contract delivery cost centres apply to the MOFEP who ensure that the activity is in the budget estimates before issuing a specific warrant (commencement certificate) and makes all expenditure directly. In principle such an arrangement should provide as a firm basis for commitment control since all activities must first be approved by MOFEP. However, in practice substantial expenditure arrears continue to accrue (see PI-4) suggesting that even for investment expenditure effective commitment controls are routinely violated. PI-16(i) notes considerable delays in the issuance of both general and specific warrants. In practice MDAs frequently enter into commitments without first receiving commencement certificates despite an instruction from the Office of the President requiring them to seek MOFEP authorisation prior to undertaking investment activities.

From June 2012 onwards budget-warrants (releases) have been made in GIFMIS for consolidated fund transactions at sub-item level for Goods and Services and at sub-sub-item level for Investments. At the time of Assessment (i.e. November 2012) the coverage is limited to transactions on the Consolidated Fund for MDAs based in Accra.

(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures

Other internal controls are extensively covered in the Financial Administration Act, 2004, the Financial Administration Regulations, 2004 and Public Procurement Act, 2003. Expenditure management rules and procedures are clear and interviews with a wide variety of officials left an impression that they were well understood.

(iii) Degree of compliance with rules for processing and recording transactions

The Auditor General's annual report on the audit of MDAs highlights irregularities resulting from the inadequate control and poor supervision over the administration of procurement, payroll, contracts, tax collection and cash management practices, as well as the MDAs non-compliance with the

[67] FAA Section 13 restricts payments out of the CF in excess of the amount granted under an appropriation; FAR Section 39 restricts payments to the funds available.

provisions of the FAA, the FAR, the PPA, the Tax laws, stores regulations and other legislations on financial management in Ghana. GAS noted that these irregularities had an impact of GH¢53.0 million in 2009, GH¢ 173.2 million in 2010 and GH¢ 119.5 million in 2011. While small in relation to the budget appropriation (2011 - 0.9%) irregularities cut across all MDAs and, according to the Auditor General indicate that MDAs have not done enough to address issues of non-compliance, the management of public resources and safeguarding of public property. MDAs poor performance in establishing active Audit Report Implementation Committees (ARICs) to address recommendations of both internal and external auditors (discussed further in PI-21) is at the same time a compliance issue, and an example of a failure to implement a high level internal control into the system.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-20	Effectiveness of internal controls for non-salary expenditure	D+	D+	Scoring Method M1.
(i)	Effectiveness of expenditure commitment controls	D	D	In practice the effective commitment controls for non-salary expenditure are routinely violated.
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/ procedures	B	B	Other internal controls are extensively covered in the Financial Administration Act, 2003, and the Financial Administration Regulations, 2004. Expenditure management rules and procedures are clear and accessible through manuals and circulars. Interviews with officials suggest that they are familiar with the rules and procedures.
(iii)	Degree of compliance with rules for processing and recording transactions	C	C	While small in relation to the budget appropriations (2011 - 0.9%) irregularities cut across all MDAs and, according to the Auditor General indicate that MDAs have not done enough to address issues of non-compliance, the management of public resources and safeguarding of public property.
Comparability of scores and performance change: Scores are comparable. No change in performance.				

Ongoing reforms

Ongoing reforms which are implemented as part of GIFMIS are expected to contribute to improved commitment control at least for the Consolidated Fund expenditure at the central government entities which are on GIFMIS. The implementation of the TSA is also expected to contribute to improvements through improved cash planning and predictability of funds.

3.4.10 PI-21 Effectiveness of internal audit

This indicator assesses the effectiveness of the internal audit system (as opposed to control activities) based on the latest available financial and operational information.

The Internal Audit Agency Act 2003, Act 658, governs the operations of the Internal Audit Agency. In accordance with Section 16 of the legal and regulatory framework establishing the Internal Audit Agency, each Government Agency is required to have an internal audit unit (IAU) for ensuring that internal audit standards and procedures are rigorously followed for the attainment of economy, efficiency and effectiveness in managing national, regional and district resources. Financial risk prevention and management, prevention and detection of fraud, and control and safeguarding assets are part of the core functions of the internal audit unit. The Internal Audit Agency is also required to undertake regular inspection of all internal audit units in government agencies and evaluate their performance. The work of the Audit Report Implementation Committee (ARIC) is enshrined in Section 30 of the Ghana Audit Service Act 2000, Act 584 that stipulates that ARIC shall pursue the implementation of matters arising in all audit reports. The Audit Report Implementation Committee is further required by law, to prepare a status report of audit recommendations and proposed action plan with timelines for implementation and completion in order to minimise or prevent the reoccurrence of the previous audit findings.

A memorandum of understanding between the Internal Audit Agency and the Ghana Audit Service was signed on November 29, 2007 and this is expected to bring synergies between the two state institutions with the mandate to oversee the efficient utilisation of public funds.

(i) Coverage and quality of the internal audit function

In the 2009 PEFA assessment, 55% of established Internal Audit Units prepared internal audit work plans in conformity with internal audit guidelines provided by the Internal Audit Agency. This ratio has improved to 59% as of October 2012 although some significant milestones were chalked in 2009 (70%), 2010 (71%) with a drop to 61% in 2011 from the 2010 figures but an improvement as compared to 2008 figure of 55% used for the 2009 PEFA. These internal audit work plans focus largely on compliance audit, pre-audit, post audit with very little or no evidence on systemic issues. Officials from Internal Audit Agency claim that between 40% and 60% of audit staff time is used in some level of systems audit. However, there remain significant weaknesses with regards to systems audit, thereby leading to reoccurrences of irregularities (e.g. non-retirement of imprest/cash advances).

(ii) Frequency and distribution of reports

In accordance with the Internal Audit Agency audit manual, quarterly internal audit reports are produced by the established Internal Audit Units (IAUs) across government ministries and agencies. During the FY2012, 562 internal audit reports out of 1,212 representing 46% were received as of October 2012 by the Internal Audit Agency as compared to 560 and 323 in 2011 and 2010 respectively. Copies of these internal reports are sent to the chairperson of ARIC, the head of institution audited, the Ministry of Finance and the Auditor General in accordance with Section 11 Sub-section 4 of the Audit Service Act, 2000, Act 584. The Internal Audit Agency has reviewed 87% of internal audit reports received from IAUs for the year 2012 as of October 2012. In 2010 and 2011, the Agency reviewed 93% and 87% of internal audit reports received respectively.

(iii) Extent of management response to internal audit findings

Statistics available from the Internal Audit Agency suggest that out of 342 expected internal audit units (IAU) across all government agencies in Ghana, 303 IAUs have been established representing 89%. Further, 89% of ARICs from an expected 342 have been established. It is imperative to clarify that this number of established IAUs excludes the newly created 46 new district assemblies in July 2012. The 2011 annual evaluation report on IAUs in MDAs and MMDAs indicates that 46% of the established ARICs are functional as compared to 43% in the fiscal year ended 31st December 2010. In the review period covering 2009-2011, implementation of Audit Report Implementation Committee (ARIC) recommendations were statistically put at 67% in 2009, 34% in 2010 and 51% in 2011 based on the data provided by the Internal Audit Agency. As of October 2012, 47% of audit recommendations still remain outstanding implying that 53% of recommendations were implemented. This situation reflects an improvement from the 2009 PEFA assessment i.e. 15% of recommendations implemented by MDAs.

Interactions with Civil Society Organisations and some officials from MDAs suggest that there remain major concerns referencing implementation of audit recommendations with particular emphasis on issues affecting political heads; these are largely ignored or extremely delayed. It must be noted that ARICs are headed by political or administrative heads of MDAs whereas presiding Members are chairperson of ARICs at MMDAs.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-21	Effectiveness of internal audit	D+	C+	Scoring Method M1.
(i)	Coverage and quality of the internal audit function	C	C	Between 40% and 60% of staff time, officials claim, is spent on some systems audit. However, audit work plans contain little or no evidence of systems audit. Internal audit work is largely focused on pre-audit, post audit and compliance audit.
(ii)	Frequency and distribution of reports	B	B	Quarterly and annual reports are produced by the Internal Audit Unit. Copies of the audit reports are distributed to the Director-General of the Internal Audit Agency, the Auditor General, the Head of Institution audited, the Chairperson of ARIC and the Minister of Finance.
(iii)	Extent of management response to internal audit findings	D▲	C	The evidence suggests that there has been an improvement in implementation of audit recommendations by MDAs from 15% in the Previous Assessment to 53% as of October 2012.
Comparability of scores and performance change: (i) Scores are comparable but there has been no change in performance. (ii) Scores are comparable but there has been no change in performance. (iii) There has been improvement in implementation of recommendations.				

Ongoing reforms

The Internal Audit Agency has presented a draft memorandum to Cabinet for consideration by the Constitutional Review Commission on the need to transfer internal auditors from all IAUs of the government agencies to the Internal Audit Agency (IAA) as permanent staff. Currently internal auditors are not staff of IAA even though it provides guidance, quality assurance, training, internal audit manual, and scheme of service for all internal auditors across MDAs and MMDAs. This, according to the Internal Audit Agency, will provide a functional and administrative responsibility and oversight on all internal auditors. The proposed draft memorandum has not been pursued yet. Rather, the IAA is pursuing the recommendation from a stakeholders' consultative workshop for the amendment of the IAA Act 2003, Act 658 seeking to convert the IAA into a regulatory authority with legal powers to enforce internal audit standards and guidelines.

3.5 Accounting, recording and reporting

3.5.1 PI-22 Timeliness and regularity of accounts reconciliation

This indicator assesses the overall reconciliation and clearance process of central government bank accounts and other accounting information related to suspense accounts and advances (travel advances, construction advances, operational imprests, other). This indicator assesses the situation as at the time of the assessment.

The Financial Administrative Act (FAA), 2003 and Amendment, 2008 (Act 760) stipulates that every MDA is required to prepare and present monthly and yearly financial statements to the Auditor General and the Minister for Finance and Economic Planning by the fifteenth day of the following month for monthly financial reports, and three months after the end of the financial year for annual accounts. These financial statements are required by law to reflect the assets and liabilities, a statement of revenue and expenditure as well as a cash flow statement.

Public officers, by the Financial Administrative Regulations (FAR) 2004 are required to keep proper books of accounts of all transactions for inspection and audit by the Auditor General, the Controller and Accountant General and the Minister for Finance or their representative. It is the responsibility of the head of government institution or department to maintain or cause to maintain proper books of accounts that reflects full disclosure of government revenue and expenditure. The books of account kept are to provide complete evidence for bank account reconciliation and reconciliation of all other books of account for the purposes of preparing monthly and yearly financial report in accordance with laid down guidelines and procedures by the Controller and Accountant General and the Auditor General.

(i) Regularity of bank reconciliations

The Controller and Accountant General is the custodian of all government financial and non-financial assets and liabilities. Four main types of bank accounts are maintained and managed by the Accountant General; these are (i) treasury main account, which is referred to as the consolidated fund account, (ii) the sub-consolidated fund accounts for MDAs, (iii) DP fund accounts, and (iv) internally generated fund (IGF) accounts. The consolidated fund (CF) account (treasury main account) is the account in which all disbursements to government entities are done. The sub-consolidated account is maintained by each MDA into which funds are remitted from the CF for their daily operations. The IGF account collects the portion of IGF from MDAs that are required by law to transfer part of or all of their IGFs to central government. The Ministry of Education and the Ghana Education Service, and the Ministry of Health and the Ghana Health Service have the mandate to retain 100% of IGF for their operation due to the nature of their service delivery. Development Partners also have a bank account into which funds flow for onward transfer to the CF for government operations. All these bank accounts are held at the Bank of Ghana. Monthly bank reconciliations are done for all these bank accounts managed by the Accountant General's Department but have up to three months backlog except for the sub-consolidated fund accounts where there is one month delay. Contrary to the FAA and the FAR that requires that bank reconciliation should be completed by the 15th of the following month as a prerequisite for timely monthly financial reports, the June 2012 financial reports and reconciliations were not completed and signed until on the 20th September 2012, three months after the end of the quarter.

It must be noted that bank accounts operated by government agencies that retain part or all of their IGF, as well as DPs who keep Government of Ghana funds remain outside the bank reconciliation arrangement described above. Reconciliation of these accounts is done for some accounts quarterly and for other at least annually.

(ii) Regularity of reconciliation and clearance of suspense accounts and advances

At the end of the fiscal year the Controller and Accountant General issues a circular providing all MDAs a week to retire all un-acquitted cash advances. These cash advances, officials say, emanate from cash advances for travel, funeral arrangements, and other programmes from MDAs. In practice, it takes 8 weeks for MDAs and MMDAs to respond and acquit some of the cash advances to staff but still with significant amount of un-acquitted cash imprest. As the Controller and Accountant General is required by law to prepare and submit its annual financial statement by the end of the first quarter after the end of the fiscal year, un-acquitted cash imprest is classified as staff debtors or loans (i.e. special advances) due the Government of Ghana. The Auditor General audit report on the Consolidated Fund for FY2009 disclosed an amount of GH¢ 206,472 as special advances (un-acquitted cash imprest), which is due to the Government of Ghana. The 2010 and 2011 audit reports show un-acquitted staff cash advances of GH¢ 356,645 and GH¢ 322,591 respectively.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-22	Timeliness and regularity of accounts reconciliation	C	D+	Scoring Method M2.
(i)	Regularity of Bank reconciliations	C	D	Bank reconciliations are done on the consolidated fund account on a monthly basis, but are three months late. The Treasury (CAGD) reconciliation only focuses on the Consolidated Fund whiles retained IGF accounts and DPs accounts remain outside CAGD reconciliation process.
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	C	C	Some un-acquitted cash imprest emanating from cash advances to staff are cleared but still with significant un-retired cash advance balances within 8 weeks after the end of the fiscal year. Suspense accounts are brought forward as opening balances after the end of the financial year.
Comparability of scores and performance change: (i) The performance under this dimension deteriorated as results of the increase in the time necessary to complete the reconciliation process. (ii) Scores are comparable but there has been no improvement.				

Ongoing reforms

The Controller and Accountant General and the Auditor General are aware of the existence of multiplicity of government bank accounts operated by MDAs. In view of this, more than a thousand government bank accounts have been closed down in line with the process for the implementation of the Treasury Single Account. This, officials say, will enable central government to know at first hand and in a timely manner the level of cash balances in its bank account for purposes of efficient cash planning and management. The implementation of GIFMIS is expected to allow MDAs real time access to their bank statements for daily bank reconciliations.

3.5.2 PI-23 Availability of information on resources received by service delivery units

This indicator assesses the extent to which the PFM systems effectively support front-line service delivery (i.e. schools and primary health care centres) through providing information on transfer of resources to the units (in cash or in kind) vis-à-vis the budget estimates. The assessment covers the last three completed FYs.

The last Public Expenditure Tracking Survey (PETS) carried out was in 2008 for 2007 expenditures for Ghana Health Service and the Ministry of Education. Interactions with officials suggest that there is no information on resources received by service delivery units even though the needed resources are usually transferred to these front-line service delivery units. The challenge with the transfers, officials say, remains the excessive delays in the release of funds from the Ministry of Finance and Economic Planning (MOFEP) to Line Ministries. Responses gathered from the Controller and Accountant General's Department suggest that every week, expenditure transcripts are received from all 170 (216 as of August 2012) districts offices of CAGD across the country. The transcripts provide information on cash expenses made on for instance, education and health, in the district but do not provide detailed spending on each school or hospital. The General Ledger used by the CAGD is unable to track revenue and expenditure downstream to the level of schools and health facilities across the country. However, even though information may actually be at hand to demonstrate the resources made available to each group of service delivery units on a global or regional basis (e.g. to analyse regional difference in funding of primary schools), no reports of this nature are prepared.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-23	Availability of information on resources received by service delivery units	B	D	The General Ledger is unable to track revenue and expenditure up to the level of individual schools and health facilities across the country. Expenditure transcripts provide data by district and type of service unit. However, the data is not used to prepare aggregated expenditure reports by type of service unit and geographical distribution for tracking analysis. No PETS, or other survey on resources transfers to service delivery units, has been carried out since 2009. The last PETS was carried out in 2008 for 2007 expenditures for Ghana Education Service and Ghana Health Service.
Comparability of scores and performance change: Scores are comparable. There is a slippage in scoring since no PETS, or any other relevant survey, was conducted since the last PA and no improvements were observed in respect to tracking resources received by service delivery units.				

Ongoing reforms

- The Ghana Integrated Financial Management and Information System (GIFMIS), as explained by officials will adopt the new 62-digit chart of account. The chart of account has parameters to capture revenue and expenditure relating to front-line service delivery units. The rollout to the regions and district is yet to begin.
- Of importance is the fact that over 33,000 spending and service delivery units exist across the country that undertake expenditure commitments daily with the issuance of local purchase orders. In view of this, commitment and expenditure control at each of these expenditure units is farfetched and untenable with the proposed GIFMIS rollout plan.

3.5.3 PI-24 Quality and timeliness of in-year budget reports

This indicator assesses the ability to produce accurate and comprehensive reports from the accounting system on all aspects of the budget, at both the commitment and the payment stage. The assessment is based on the last completed financial year (FY2011).

As described in PI-22, every government agency is required by law to prepare and present monthly and yearly financial statements to the Auditor General and the Minister for Finance and Economic Planning. These financial statements are required to reflect the assets and liabilities, a statement of revenue and expenditure as well as a cash flow statement. Further, in accordance with Articles 1 and 2 of Financial Administration Regulations 2003, public officers must maintain proper books of account of all transactions for inspection and audit by the Auditor General, the Controller and Accountant General and the Minister of Finance or their representatives in order to ensure the proper preparation of monthly and yearly financial reports in accordance with CAGD and A-G guidelines.

(i) Scope of reports in terms of coverage and compatibility with budget estimates

The financial report prepared and presented by MDAs and consolidated by the CAGD in practice does not capture expenditure at the commitment level. The monthly financial reports do not report on revenue and expenditure arrears. The consolidated monthly CAGD financial report comprises a statement of assets and liabilities, revenue and expenditure as well a cash flow statement. The report provides information on transactions relating to IGFs from MDAs that are required by law to transfer part or all of their IGFs to the Consolidated Fund; this implies that the financial report prepared by the CAGD does not look at the comprehensive picture of total government revenue and expenditure. However, MDAs prepare and submit quarterly financial reports to GAS, CAGD and MOFEP on all revenues received from central government, DPs and internally generated funds and expenditure thereon.

The classification of the financial report headings is by vote, classified by, recurrent and capital expenditure, subsidies and transfers. The presentation format of the monthly financial reports allows for comparison with original approved budget. Apart from the fact that departmental IGFs, whether transferred to chest or retained are not comprehensively captured and reported by CAGD, the information contained in the financial report present fairly accurate financial information.

The monthly financial reports are not published, nor are they on the CAGD website. A check from the Ghana Publishing Ltd indicates that no financial reports are printed for sale to the public. The CAGD reports that copies can be made available upon request.

(ii) Timeliness of the issue of reports

There are delays in completing MDAs bank reconciliations; these take not less than 30 calendar days after the end of the month of transactions. The bank reconciliation delays dovetail into the preparation and finalisation of monthly MDAs financial reports consolidated by CAGD. To try to overcome some of these delays, the weekly transcripts received by CAGD from districts are used to prepared monthly accounts. This notwithstanding, delays are still encountered as not all weekly transcripts from districts are received on time. Officials from Ghana Education Service suggest that the delays in finalising monthly accounts are up to two months.

In FY2011, monthly CAGD financial reports were completed within two months after the end of the month. There has been a slack in 2012 due to the implementation of the new chart of account. For instance, the May 2012 and the June 2012 monthly financial reports from CAGD were not ready until 20th September 2012, between 90 and 120 calendar days after the end of the month. September monthly accounts were issued in January. MDAs quarterly reports do not get to CAGD until two months after the end of the quarter. Officials from CAGD suggest that the implementation of GIFMIS accounted for some of the delays in finalising monthly financial reports.

(iii) Quality of information

First, delays in submitting weekly district expenditure transcripts to CAGD coupled with the legal requirement for CAGD to complete monthly financial report by the 15th of the following month clearly causes challenges to the extent that financial reports will be prepared by CAGD using transfers to MDAs instead of actual expenditure. Second, two sets of financial reports are churned out; one from CAGD perspective that looks at only central government transfers to MDAs as well as IGF returned to government chest and the other from MDAs perspective that considers all sources of revenue and expenditure (central government, IGF, and DP funds). With reference to the 2011 Auditor General's report on the Consolidated Fund, an "except for" audit opinion was issued on the basis of the following concerns:

- Direct debits unsupported with relevant documentations;
- Discrepancies between MDAs Actual Expenditure and the Expenditure schedule disclosed in the Public Accounts[68];
- Poor record keeping on GoG Equity Investments;
- Failure to deduct withholding tax on payments to 15 companies;
- Non-disclosure of GoG carried interest and absence of systems for accounting the returns thereof;
- Multiple payments of salaries and pension;
- Uncertainty in the Recovery of GoG Loans;
- Receivables from 9 foreign missions Unaccounted for.

Apart from these concerns, the Auditor General is of the opinion that the CAGD financial statements are fairly accurate.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-24	Quality and timeliness of in-year budget reports	**C+**	**C**	Scoring Method M1.
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	C	C	Monthly CAGD financial reports do not include all government revenue and expenditure. Only portions of IGF transferred to CF are captured. Classification of report headings is by functional and economic classification with revenue and expenditure details and allows for comparison with the budget.
(ii)	Timeliness of the issue of reports	B	C	Monthly and quarterly financial reports from CAGD in FY2011 were generally finalised within two months from the end of the month. This practice has deteriorated in 2012. With the introduction of the new CoA in 2012, finalisation of financial reports takes longer than three months, which would imply a D score. Since the score is based on FY2011 this deterioration is not reflected in the score.
(iii)	Quality of information	C	C	Two sets of accounts are prepared; one from CAGD's point of view that considers only

[68] This can be explained by the fact that CAGD prepares financial statement only on Consolidated Fund as opposed to MDAs financial statements which are on CF, IGF and Donor Funds.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
				central government funds and the other from MDA's point of view that looks at the comprehensive revenue and expenditure streams. The AG report for 2011 on the CF raised concerns on data accuracy and therefore qualified the CF financial statement.
Comparability of scores and performance change: (i) Scores are comparable. No change in performance was observed. (ii) Scores are comparable. The timeliness of the preparation and issuance of quarterly financial reports deteriorated and led to a slippage in the score of this dimension. (iii) Scores are comparable. No change in performance was recorded.				

Ongoing reforms:

- Officers say the GIFMIS project is expected to be rolled out across all MDAs spending by mid-2014. The P2P (Procure to Pay) module, according to officials, is expected to ensure prudent management of national resources by ensuring that the purchase order model will facilitate budget commitment control, account payable model will monitor obligations and the cash management model will ensure that cash will be releases only when needed. The cash model will also provide bank reconciliation and cash forecast features. It is however imperative to state that unless this is rolled out to all (over 33,000) expenditure commitment units across the country, it is impossible to effectively control expenditure.
- The GIFMIS platform is envisaged to provide online access to MDAs in Accra as part of the first phase for accounts preparation. The second phase will feature other regional and district capitals.

3.5.4 PI-25 Quality and timeliness of annual financial statements

This indicator assesses the ability to prepare year-end financial statements in a timely fashion. The assessment of the first dimension focuses on the last annual financial statement provided. The assessment of the second dimension focuses on the last annual financial statement submitted for audit (except for a “D” rating, where the critical period is three years). The assessment of the third dimension focuses on the last three years’ financial statements.

Section 41 of the Financial Administration Act 2003, Act 654 provides the legal and regulatory framework for the preparation and submission of annual financial statement by CAGD for external audit by the Auditor General. The financial statements, as required by law, are supposed to provide full disclosure of all government revenue, expenditure, assets and liabilities as well as statement of cash flow. The duties and responsibilities of the Controller and Accountant General in respect to preparation and reporting of government accounts are specified in Section 3 of the FAA 2003, Act 654. Accordingly, the Controller and Accountant General is responsible for the custody, safety and integrity of the Consolidated Fund and other public funds designated to the Controller General. The Controller General has a narrow interpretation of his jurisdiction and, consequently, reports only on the Consolidated Fund and not on the retained IGFs.

(i) Completeness of the financial statements

The annual financial statements prepared and submitted by the Controller and Accountant General to the Auditor General only reflect transactions emanating from the Consolidated Funds. The financial statements are a set of amalgamation of MDAs financial position of the Consolidated Funds. An account is said to be consolidated when a transaction between two or more entities are netted off to arrive at the real and actual financial position at a particular time. As shown in Table 3.20 not all financial information is reported on by the Controller and Accountant General. Statutory funds such as DACF, GETFund, NHIF and MDAs are required by law to submit annual financial statements to the Auditor General for audit and then subsequently to Parliament. This description portrays a rather fragmented reporting structure and therefore remains extremely difficult for ascertaining the global financial position of government at a particular time.

Table 3.20 Information Contained in the CAG Financial Statements

Financial heading	Sub-financial heading	Presence in Financial Statements
Revenue	Direct tax	Yes
	Indirect tax	Yes
	Non-tax revenue (incl. IGF)	Yes
	Grants	Yes
Expenditure & transfers	Personnel Emolument	Yes
	Administration	Yes
	Service	Yes
	Investments	Yes
	Statutory payments	Yes, in notes
	Subsidies	Yes, in notes
	Retained IGF	No
	DP funded projects	No
Assets	Cash & Bank balances	Yes
	Advances	Yes
	Public loans (receivable)	Yes
	Equity & other investments	Yes
	Revenue arrears	No
Liabilities	Public debts (domestic)	Yes
	Public debts (foreign)	Yes
	Statutory obligations	Yes
	Expenditure arrears	Some, in notes

(ii) Timeliness of submission of the financial statements

Over the last three years under review, the Controller and Accountant General has been on target with regards to submission of annual financial statement for external audit within six months after the end of the financial year. As depicted in Table 3.21, with the exception of FY2011, where the Controller and Accountant General (CAG) submitted annual financial statements on the 2nd April 2012 (which is still within six months after the end of the financial year) for external audit, the CAG submitted annual financial statements exactly three months after the end of the financial years FY2009 and FY2010 which is in accordance with Section 41 of the FAA 2003 and Regulation 191 of the FAR 2004.

Table 3.21 Timeliness of Submission of Annual Financial Statements by CAGD to GAS

Financial Year	Financial Statements for:	Date of Submission to GAS
FY2009	Consolidated Fund	31st March 2010
FY2010	Consolidated Fund	31st March 2011
FY2011	Consolidated Fund	2nd April 2012

Source: Ghana Audit Service

(iii) Accounting standards used

The Controller and Accountant General is working on the accounting manual for MDAs and it is still in the draft stage as of 23rd November 2012. Monthly and annual financial statements are prepared using the modified cash accounting basis. Paragraph 7.8.0 page 13 of the 2009 annual financial statements prepared by the CAGD stated that the financial statement prepared did not comply with either IPSAS (International Public Sector Accounting Standards) cash based or accrual based reporting standards. In the 2010 financial statements, no reference was made with respect to compliance with international accounting standards. In 2011 financial year the government adopted the new Chart of Accounts compliant with GFS financial reporting standards.

In all three years, however, the financial statements presented by the Controller and Accountant General are consistent over time.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-25	Quality and timeliness of annual financial statements	C+	C+	Scoring Method M1.
(i)	Completeness of the financial statements	C	C	CAGD financial statements are only on the CF not on the statutory funds, DP programs/projects and retained IGFs and, therefore, do not provide a complete overview of the financial position of the government. Other financial statements (i.e. for MDAs and Statutory Funds like DACF) are audited and presented to the Parliament, but these remain fragmented.
(ii)	Timeliness of submission of the financial statements	A	A	CAGD submitted annual financial statements to the GAS for external audit within six months after the end of the fiscal year.
(iii)	Accounting standards used	C▲	C	The CAGD uses national accounting standards consistent with IPSAS. Financial statements are consistent over time. Some disclosure of accounting standards exists.
Comparability of scores and performance change: (i) Scores are comparable. No change in the performance. (ii) Scores are comparable. No change in the performance. (iii) Scores are comparable. No change in the performance.				

Ongoing reforms

- Ghana has adopted a new Chart of Accounts (CoA) compliant with GFS2001 reporting standards in 2011 and started its implementation in FY2012. The new 62-digit CoA is expected to address financial reporting challenges once GIFMIS will be rolled-out. Until then, the full implementation of the new CoA, in compliance with International Financial Reporting Standards (IFRS), remains farfetched. It is anticipated that full roll-out of GIFMIS to all regional and district MDAs and MMDAs, which will presumably allow for uniform reporting across all government MDAs, will be completed by June 2014.
- The CAGD submitted to the Constitutional Review Commission in 2012 a Memorandum that seeks to rectify the fragmentation of reporting on Public Funds (the Consolidated Fund and other Public Funds) for amendments to Chapter 13 of the 1992 Constitution, specifically on Articles 175-177. The key issues it addresses include (i) empowering CAGD to have oversight responsibility on all Public Funds and prepare a comprehensive Public Accounts, and (ii) the

rationalisation of submission date of Public Accounts by CAGD and MDAs to enable CAGD submit later than MDAs to facilitate reconciliation.

3.6 External scrutiny and audit

3.6.1 PI-26 Scope, nature and follow-up of external audit

This indicator assesses the quality of the external audit which comprises the scope and coverage of the audit, adherence to appropriate audit standards (including independence of the external audit institutions), focus on significant and systemic PFM issues in its reports, and performance of the full range of financial audit such as reliability of financial statements, regularity of transactions and functioning of internal control and procurement systems. The assessment covers the central government institutions including all MDAs and AGAs, and extra-budgetary funds (if existing). The assessment focuses on the last audited financial year (FY2011).

(i) Scope/nature of audit performed

The Ghana Audit Service (GAS) is the Supreme Audit Institution in Ghana. The external audit practices in Ghana broadly adhere to international auditing standards. The table below assesses the adherence of external auditing practice in Ghana to the core elements of INTOSAI standards.

INTOSAI Standards	Adherence of external audit practices to INTOSAI standards
AG Independence i.e. appointment, termination, salary	Yes. The AG's appointment, termination, remuneration and other benefits are adhered to in accordance with Articles 71, 146 and 187 of the 1992 Constitution. The President in consultation with the Council of State appoints the AG. Sections 10 and 11 of the Audit Service Act 200, Act 584 detail the appointment of the AG and the audit of public accounts respectively. The AG enjoys the same privileges as a Supreme Court of the Republic of Ghana with respect to the provisions relating to his or her removal from office. Section 10 sub-section 8 of the Audit Service Act, 2000 states that the Auditor General (in line with Article 146 of the 1992 Constitution) cannot be removed from office except for stated misbehaviour or incompetence or on ground of inability to perform the functions of his office arising from infirmity of body or mind. The determination of these factors can only be done by a panel duly constituted by the Chief Justice to investigate and recommend the next line of action as far as his or her removal from office is concerned. The tenure of office of the AG expires once he or she attains the age of sixty but may be re-engaged for a limited period of not more than two years at a time but not exceeding five years. Section 187 of the 1992 Constitution and Section 18 of the Audit Service Act 2000, Act 584 guarantee the independence of the AG to the extent that his salary is a direct charge to the Consolidated Fund as determined by the President on the recommendation of a Presidential Committee on Emoluments in consultation with the Council of State, and cannot be altered to his or her disadvantage.
Financial Independence of Ghana Audit Service and Staffing Arrangements	No. The financial independence of the GAS is undermined by the fact that he has to apply for funds like the other MDAs and its budget proposal has to be scrutinised by MOFEP before the Parliament approves it. GAS receives budget ceilings from MOFEP for budget preparation and needs to defend its budget during the budget hearing at MOFEP. Once the GAS' budget is approved by the Parliament, it cannot be amended by Government through virement - this is in accordance with Article 187 of the 1992 Constitution. There are, however, delays in cash releases from MOFEP which adversely affects GAS' performance. GAS does its own staff recruitment to fill in vacant positions once its annual budget

INTOSAI Standards	Adherence of external audit practices to INTOSAI standards
	is approved.
Access to Public Records	Yes. GAS has full access to all public records to carry out audit and issue audit opinion where necessary. This is in accordance with Article 187 of the 1992 Constitution. Pursuant to Section 11 Sub-section 2 of the GAS Act 2000, all books and records, including electronic or computerised information must be made available to the AG or his representative for the performance of the audit. The head of public institutions are responsible for ensuring that proper books of accounts are kept at all times.
Independence in Preparation of Annual Audit Work Plan	Yes. In accordance with Article 187 of the 1992 Constitution, the AG is not influenced by government, or any institution, in the preparation of the annual audit work plan. In practice, while the Government can request the AG to undertake a special ad-hoc audit, however, it is the AG's who will take the final decision to conduct this audit or not depending on GAS' priorities and capacity.

The jurisdiction of the GAS includes external audit of public accounts of all public offices, courts, the central and local government offices, public universities and educational institutions, public corporations and all other bodies or organisations established by an Act of Parliament. The Ghana Audit Service conducts audit of the Consolidated Fund accounts prepared and submitted by the Controller and Accountant General, which are prepared using the modified cash accounting standards as well as MDAs annual financial statements. Further, statutory bodies are also audited separately. The financial statements submitted by the CAGD and audited by the AG comprise a statement of assets and liabilities, a statement of revenues and expenditure, a statement of receipts and payments and a cash flow statement. The report also captures the position of public borrowings.

GAS conducts a wide range of financial audits and some aspects of performance audits. A new financial audit manual has been adopted in July 2012. The audit coverage with respect to financial audit for central government and MDAs is estimated at 92%. The financial audit is performed in accordance with generally accepted auditing standards and the auditing standards of the International Organisation of Supreme Audit Institutions (INTOSAI). While the financial audits include systemic issues, their focus is on transaction level testing and compliance issues, rather than on systemic issues. During the period under review only 4 ministries (i.e. Ministry of Education, Ministry of Health, Ministry of Agriculture, Ministry of Water Resources Works and Housing) out of about 20 Central Government Ministries were able to prepare full financial statements. In view of this, GAS issues audit opinions on these 4 Ministries, and conducts vouching of financial records for transaction testing and compliance audit of the remaining 16 Ministries.

In addition to the financial audit, the Ghana Audit Service undertakes performance audit of selected MDAs in a year. The selection criteria hinges on level of risk, public interest, financial outlay involved and the frequency of audits carried out over the last three years. For instance, on 20th April 2011, the GAS presented six performance audit reports to Parliament. These reports centred on the collection of property rate in the Ga-West Municipal Assembly, the generation and management of IGFs in public hospitals, the maintenance of feeder roads in Ghana, road safety issues in Ghana, the construction projects of the Tema Metropolitan Assembly, the management of building permits in Ga-East Municipal Assembly and the management of solid waste by the Accra Metropolitan Assembly.

The Auditor General independently prepares an annual work plan each year. The table below provides a snapshot of the 2011 GAS audit performance appraisal. A little over 55% of planned external audits of government agencies have been completed with reports issued as at end of

December 2011. Officials say the delays are due to inadequate human capacity and logistical constraints, hence the reason for recruiting more personnel. As of at the end of FY2012, the GAS employs 1,856 staff out which 1,304 are field staff[69]. The number of field staff has almost doubled since the last PEFA assessment conducted in 2009.

Table 3.22 Ghana Audit Service Performance Appraisal Review for FY2011

	Absolute Number	Percentage
Planned Audits	254	100%
Audit Reports Issued	141	55.5%
Reports in Draft	40	15.7%
Work-in-progress	54	21.3%
Un-audited Accounts	19	7.5%

Source: GAS.

(ii) Timeliness of submission of audit reports to legislature

In Ghana the audited financial statements of the CF are included in the Auditor General Report on Consolidated Fund, and therefore are presented to the Parliament as part of the Audit Report. GAS receives financial statements on the CF three months after the end of the financial year (see PI-25(ii)). Table 3.23 below captures actual submission dates of audited public accounts to Parliament by the Ghana Audit Service.

Table 3.23 Schedule of date of receipts of Audited Reports by Parliament

Name of Audit Report	Date of receipt by Parliament		
	2009	2010	2011
Consolidated Fund	30 June 2010	30 June 2011	30 June 2012
Ministries, Departments & Agencies	30 June 2010	30 June 2011	30 June 2012
MMDAs	5 December 2011	Not submitted	Not submitted
Bank of Ghana - First Half Year	19 January 2010	20 April 2011	10 February 2012
Bank of Ghana - Second Half Year	6 December 2010	15 November 2011	6 September 2012
Public Boards and Corporations	3 October 2011	7 August 2012	Not submitted
Pre-University Education Institutions	9 March 2012	26 November 2012	Not submitted
DACF	5 December 2011	11 October 2012	Not submitted
GETFund	Not submitted	Not submitted	Not submitted

Source: Parliament.

As shown in Table 3.23, the Consolidated Fund and the MDAs audited reports, for the financial years 2009, 2010 and 2011, were submitted to Parliament on the 30th day of June following the end of the fiscal year in accordance with Section 20 Sub-section 1 on the Audit Service Act 2000, Act 584. The delays in submission of annual audited accounts for MMDAs, Public Boards and Corporations, Pre-University Education Institutions, District Assemblies Common Fund, the GETFund and the bi-annual audited accounts of the foreign exchange receipts and payment of Bank of Ghana have been widespread. Of major concern are audited reports for GETFund that have not been submitted to Parliament since 2009. However, since the assessment focuses on the central government only, of relevance is the submission of the CF and MDAs audit reports. The delays in submission of the other audit reports do not affect the scoring.

(iii) Evidence of follow up on audit recommendations

Section 30 of GAS Act 2000, Act 584 outlines the duties of the ARICs. Its role, among other things include the pursuit of implementation of recommendations in all audit reports including those of the

69 Source: GAS, Administration, “Audit Service Summary Nominal Roll – 2012”.

Auditor General reports endorsed by the Parliament as recommended by the Public Accounts Committee. A review of the Auditor General's reports for 2009, 2010 and 2011 submitted to Parliament conspicuously outline the re-occurrence of the following key audit findings; the Public Accounts Committee of Parliament corroborated these as well:

- Misappropriation of funds;
- Fraudulent payroll deals;
- Non-adherence to existing public procurement laws and process;
- Irregularity in pension schemes;
- Pure embezzlement and theft;
- Inappropriate stores procedures and poor record keeping.

Generally, management follow-up on audit recommendations have improved (53% - refer to PI-21(iii)). Subsequent audit reports contain management responses and actions taken from previous audit findings. The work of the Public Accounts Committee of Parliament has been enhanced with the broadcasted public sittings that allow public officials to appear and answer queries on audit findings presented by the Auditor General. This practice has led to an improvement in management actions on audit recommendations.

In spite of the efforts by the PAC to review public accounts submitted by GAS, there remain delays with respect to completion of these reports. As of October 2012, PAC is still reviewing the 2009 Consolidated Fund audited accounts, three years behind schedule. Responses from PAC suggest that the delay in the review of the 2009 Auditor General report is due to the number of audit findings as well as public outcry on judgment debts. Typically, PAC uses one month to three months to review CF audited accounts and MDAs audited accounts. Civil Society Organisations suggest that the key reason for poor follow-up on audit recommendations is political interference.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-26	Scope, nature and follow-up of external audit	C+	C+	Scoring Method M1.
(i)	Scope/nature of audit performed (incl. adherence to auditing standards)	B	C	The external audit covers 92% of total government revenue and expenditure items and broadly adherers to INTOSAI auditing standards. The audit report covers revenue, expenditure, assets and liabilities. The Ghana Audit Service conducts a wide range of financial audits and some aspects of performance audit. While financial audits include systemic issues, their focus is on transaction level testing and compliance issues, rather than on systemic issues.
(ii)	Timeliness of submission of audit reports to the legislature	B	B	The CF and MDAs audited accounts are submitted to parliament within six months of the year covered.
(iii)	Evidence of follow-up on audit recommendations	C	C	Follow-up on audit recommendations is made and management's responses to audit findings are included in the audit report. Some of the issues, however, are not properly addressed and keep on reoccurring.
Comparability of scores and performance change: (i) Scores are not entirely comparable. There is no real improvement since the previous assessment except				

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
				for the slight improvement in the audit coverage. The previous assessment concludes that the audit focus is on transaction testing and compliance, although a “B” score requires the audit to focus on systemic issues.
(ii)				Scores are comparable. No change in performance.
(iii)				Scores are comparable. No change in performance.

Ongoing reforms

- As part of GAS reforms, a new unit was established to deal specifically with the oil and gas sector. This unit is expected to be operational in 2013. Staff will be trained and resourced to conduct an efficient audit as Ghana's oil fund is gaining grounds.
- The ongoing project on Integrated Management Systems Audit (IMSA) aims at building the capacity of GAS staff in auditing Enterprise Resource Planning (ERP) environments.

3.6.2 PI-27 Legislative scrutiny of the annual budget law

This indicator assesses the legislative scrutiny and debate of the annual budget law based on such factors as scope of the scrutiny, the internal procedures for scrutiny and debate and the time allotted for that process. Adequacy of the budget documentation made available to the legislature is covered by PI-6. The assessment focuses on the last completed fiscal year (FY2011).

Parliament's power to scrutinise the national budget is derived from Section 179 of the 1992 Constitution and part 19 of the Standing Orders of Parliament. The legal framework does not envisage Parliament’s involvement early in the budget preparation cycle and therefore does not facilitate in particular the review of proposals on macro-fiscal aggregates. The President through the Minister of Finance and Economic Planning as required by the Constitution submits to Parliament by the 15th November the budget estimates for the ensuing fiscal year. Table 3.12 depicts the dates of when the Appropriation Acts were passed. As an exception, in every election year the Parliament first approves a vote on account of appropriation for the first quarter of the year following the election year to allow smooth operation of government business until the new government presents new estimates for the ensuing year.

(i) Scope of the legislature’s scrutiny

Parliament does not get involved in the pre-budget activities, which entails budget formulation and preparation, review of fiscal data and forecast as well as review of the Medium Term Expenditure Framework (MTEF). The budget review begins after the Minister of Finance on behalf of the President lays the final budget estimates and reading the budget speech in Parliament. Copies of the budget estimate are given to each Member of Parliament following the referral of the budget estimates to the nineteen select committees identified in the Standing Orders by the Speaker of Parliament. The budget debate is split in two parts; first on financial and fiscal policy and second on sector policy for each sector. The financial and fiscal policy debate focuses on detailed revenue and expenditure. By the 1992 Constitution, Parliament cannot increase budget estimates but can reduce or cause to reduce or re-allocate sector estimates. During the review period of sector policies and estimates, each sector Minister in addition to the Minister of Finance are invited to the debate to answer or clarify sector specific issues.

(ii) Extent to which the legislature’s procedures are well-established and respected

The Legislature's day-to-day activities are governed by the Standing Orders of Parliament. Simple but clear rules and procedures are established and rigorously followed. These include internal organisational arrangements in respect to special review committees and the review process. Part

18 of the Standing Orders of Parliament, which talks about Financial Procedures, Orders 139 to 151, describe in detail the processes for laying, debating and adopting the budget estimates. A review of the official Parliamentary Report dated 25th October 2012, Fourth Series Volume 79 No. 4 attests to the fact that parliamentary procedures are well respected. This report contains debate on Estimates of Revenue and Expenditure of the Government for the 2013 financial year as well as debate on Expenditure in Advance of Appropriation from January to March 2013 - this is typical in an election year.

Besides the normal select committees that work on sector specific budget estimates, Parliament has other committees that review budget estimates for Constitutional organs of state. One of such committees is the Special Budget Committee that reviews budget estimates of the District Assemblies Common Fund, the Parliament as an institution, the Electoral Commission, the National Commission on Civic Education, the National Media Commission, the Ghana Audit Service, and the Commission on Human Rights and Administrative Justice. Another committee is the Judicial Budget Committee that looks at the budget estimates of the Judicial Service of Ghana. There is also the Finance Committee that examines budget estimates of the Office of the President and Government Machinery, the National Identification Authority, the National Development Planning Commission and the Ministry of Finance and Economic Planning. Although Parliament is not allowed to increase the final budget estimates presented by the Minister of Finance, the Special Budget Committee and the Judicial Budget Committee can recommend or negotiate an upward adjustment of the budget estimates of Constitutional bodies where necessary. The Finance Committee has 25 members; the Special Budget Committee and the Judicial Budget Committee have 20 members each.

While the legislature's procedures are clear and comprehensive they are simple and do not envisage for some elements which are considered to improve the overall efficiency and effectiveness of the legislative scrutiny. The current organisation arrangements, for instance, do not include a technical office which could support the Members of the Parliament (MPs) in their review of the budget estimates. In the absence of such an office, most of the time allocated for the review of budget is spent on the individual review of the documents by MPs and operational organisation of the process. This leaves little time for actual discussions and a meaningful debate on the budget proposal.

(iii) Adequacy of time for the legislature to provide a response to budget proposals

The Minister of Finance on behalf of the President presented the budget estimates to Parliament by the 18th November in the year preceding the budget implementation year for the financial years 2010 and 2011. Budget estimates for 2009 were presented on March 5th 2009; explanations from officials were that 2008 was an election year and that Article 180 of the 1992 Constitution allows budget estimates preceding an election to be presented and approved within three months into the new financial year[70]. Theoretically, the select committees have about 6 weeks to review the budget proposals (three weeks for Parliamentary Select Committees review of budget proposals and two weeks for the debate in the House). In practice, however, due to operational inefficiencies and current organisational arrangements (see PI-27(ii)), the select committees spend most of their time on organisational issues and individual review, while little time is left for meaningful debate on the budget proposals. However, a total of six weeks for budget review is allotted to Parliament between the date of submission of the budget estimates by the Minister of Finance and the date of passing the Appropriation Bill.

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[70] The article refers to *any* year where Parliament has been unable to pass the appropriations act before January 1st and allows the president to draw from the consolidated fund to finance necessary government expenditure for the first 3 months. That also applies to election years. Nevertheless, the executive is still obliged to present a full year budget by November 30th every year according to article 179(1). That given, the MOFEP officials' interpretation seems to be confusing.

(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature

The procedures for in-year amendments to the budget are clear specified in the FAA Act 2003, Act 654. Within the enacted Appropriations, the Finance Minister of can vire within a sector, across sectors or across personnel emoluments, goods and services or assets without ex-ante approval by the legislature. Sector Ministers may authorise virements of their sector budget allocations within administrative or service expenditure following the approval of the Minister of Finance (Section 171 of FAR 2004). With regards to expenditure budget under personnel emoluments, the Finance Minister has the sole power to vire. Section 171(3) of the FAR 2004 prescribes that the Minister of Finance may delegate the power to vire to a head of department stating clearly the conditions for virement. While the rules for in-year virements are clear, in practice the rules are not strictly respected and the Finance Minister makes extensive use of virements. The rules for transfers to statutory funds have also not been respected. Financial commitments to statutory funds and other sectors suffer because of government's priority on personnel emolument.

Expenditures above the enacted Appropriations requires parliament approval through Supplementary procedures. Articles 179(8) and 179(9) of the Constitution prescribe conditions under which supplementary budget estimates could be presented to Parliament. Over the review period 2009-2011, two supplementary budgets were passed in 2009 and 2011. Rules governing laying and approving supplementary budget are the same as those for laying and approving the main budget estimates. The Appropriation Acts (original appropriation and supplementary) mandate the Minister of Finance to ensure, apart from other sectoral commitments, the transfer of funds approved for statutory funds such as the DACF, the GETFund, and the National Health Insurance Levy (NHIL). Apart from the DACF that is required to receive quarterly transfer from the Ministry of Finance, the GETFund and the NHIL are required to receive monthly transfers. Delays in funds transfer do occur with between 30 days to 90 days lag. Personnel emoluments remain Government's topmost priority for which reason funds transfers to all other sector and statutory commitments are not adhered to.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-27	Legislative scrutiny of the annual budget law	D+	D+	Scoring Method M1.
(i)	Scope of the legislature's scrutiny	C	C	The Legislature only gets involved in the budget estimates at a time when MOFEP presents the final budget proposals to Parliament. Parliament reviews macro-fiscal data and financial proposals on revenue and expenditure.
(ii)	Extent to which the legislature's procedures are well-established and respected	B	B	Simple but clear procedures exist for the legislature's budget review and are respected. The procedures are however simple and the current organisation arrangements do not embrace a technical office to support the MPs in their review of the budget estimates. Most of the time theoretically allocated for the review of budget is, consequently, spent on the individual review of the documents by MPs and operational organisation of the process. This leaves little time for a meaningful debate on the budget proposal.
(iii)	Adequacy of time for the	B	C	The legislature has six weeks for budget

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
	legislature to provide a response to budget proposals (time allowed in practice for all stages combined)			review. The effectiveness of the legislative review, however, is undermined by the existing organisational arrangements i.e. the lack of a technical office to support the budget review. Consequently, most of the time allocated for budget review is spent on organisation issues and individual review of the budget proposal, while little time is left for a meaningful debate in the House.
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	D	D	Rules and procedures for in-year amendments to the budget without ex-ante approval of the budget are clear but not strictly respected. The Finance Minister makes extensive use of virements. The rules for transfers to statutory funds have also not been respected. Financial commitments to statutory funds and other sectors suffer because of government's priority on personnel emolument.
Comparability of scores and performance change: (i) Scores are comparable but no change in performance. (ii) Scores are comparable but no change in performance. (iii) Scores are not entirely comparable. There is no change in performance. The PEFA requirements for scores “B” and “C” are identical. The previous assessment awarded, therefore, the highest “B” score. The “PEFA Fieldguide” which was issued in May 2012, after the PA, clarifies that a “B” score applies if the other dimensions score “B” or higher, and a “C” applies if the other dimensions score “C” or higher. Since one dimension i.e. PI-27(ii) scores “B”, PI-27(iii) should be awarded a “B”. (iv) Scores are comparable. No change in performance.				

Ongoing reforms

- There are no known reforms currently underway except for the initiative to set up a parliamentary budget research unit (i.e. technical office) to support the select committees in the scrutiny of the budget proposals.
- A Constitutional Review Commission (CRC) was set up in 2010 and reviewed all Constitutional Articles. The report has been submitted to Government, but is yet to be presented to Parliament for review and consideration. This may lead to reforms in respect to the procedures for the legislative scrutiny of the budget proposals.

3.6.3 PI-28 Legislative scrutiny of external audit reports

The focus in this indicator is on central government including all MDAs and AGAs. The assessment of the first dimension is based on the audit reports submitted to legislature within the last three years, while the assessment of the other dimensions is based on the last 12 months.

Neither the 1992 Constitution nor the Standing Orders of Parliament stipulate fixed time schedule for parliamentary scrutiny of external audit reports submitted by the Auditor General. Order 162 of the Standing Orders of Parliament addresses the membership and procedures regarding the work of the Public Accounts Committee (PAC). The PAC has 25 members. A member of the largest opposition party in Parliament chairs the PAC. The PAC reports to the full House of Parliament at least twice a year.

(i) Timeliness of examination of audit reports by the legislature

Table 3.24 summarises the timeliness of submission of external audit reports by the Ghana Audit Service and the dates of examination of these reports for the last three completed FYs 2009, 2010 and 2011. As of the end of the consulting team's field work on 23rd November 2012, none of the audited reports of the public accounts of Ghana for the FYs 2009, 2010 and 2011 has been considered and adopted by the House of Parliament. Members of Parliament suggest that the examination of audited reports on the Consolidated Fund for 2009 and 2010 have taken longer than usual due to the outstanding backlog of reports as well as due to more time spent on the 2009 reports as result of the public interest (including on judgement debts).

Table 3.24 Timeliness of Examination of Audit Reports by Parliament

	Receipt by Parliament	Laid in Parliament	Status at PAC level	PAC Reports laid in House	Motion adopted by Parliament
FY2009					
Consolidated Fund	30-06-2010	20-10- 2010	u.c.	t.b.l.	t.b.a.
MDAs	30—06-2010	20-10- 2010	t.b.c.	t.b.l.	t.b.a.
MMDAs	5-12-2011	12-12- 2011	u.c.	t.b.l.	t.b.a.
BoG - First Half Year	19-01- 2010	8-07-2010	u.c.	t.b.l.	t.b.a.
BoG - Second Half Year	6-12-2010	21-12-2010	u.c.	t.b.l.	t.b.a.
Public Boards and Corporations	3-10- 2011	8-11-2011	t.b.c.	t.b.l.	t.b.a.
Pre-Univ. Education Institutions	9-032012	Not laid	t.b.c.	t.b.l.	t.b.a.
DACF	5-12- 2011	12-12- 2011	u.c.	t.b.l.	t.b.a.
GETFund	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
FY2010					
Consolidated Fund	30-06-2011	8-11-2011	u.c.	t.b.l.	t.b.a.
MDAs	30-06-2011	Not laid	t.b.c.	t.b.l.	t.b.a.
MMDAs	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
BoG - First Half Year	20-04- 2011	Not laid	t.b.c.	t.b.l.	t.b.a.
BoG - Second Half Year	15-11-2011	Not laid	t.b.c.	t.b.l.	t.b.a.
Public Boards and Corporations	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
Pre-Univ. Education Institutions	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
DACF	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
GETFund	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
FY2011					
Consolidated Fund	30-06- 2012	Not laid	t.b.c.	t.b.l.	t.b.a.
MDAs	30-06-2012	Not laid	t.b.c.	t.b.l.	t.b.a.
MMDAs	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
BoG - First Half Year	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
BoG - Second Half Year	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
Public Boards and Corporations	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
Pre-Univ. Education Institutions	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
DACF	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.
GETFund	Not submitted	Not laid	t.b.c.	t.b.l.	t.b.a.

Source: Parliament.

Note: t.b.c. - to be considered; t.b.a. - to be adopted; t.b.l. - to be laid; u.c. - under consideration.

(ii) Extent of hearings on key findings undertaken by the legislature

Since 2009, Parliament resolved to examine all public accounts submitted to it by the Auditor General. This is an improvement from earlier years where reports were selected for scrutiny and hearing based on the gravity of findings, the frequency of occurrence of findings, the extent of public funds involved and lastly any other administrative lapses reported thereon. These criteria were used for both financial and performance audit reports presented by GAS.

PAC hearings and scrutiny of public accounts are covered live on television and radio held in Parliament House. PAC invites ministers of state, heads of departments, and any other officer(s) linked to audit findings for questioning. The timeliness and inconclusiveness of PAC's hearings on audited public accounts leaves much to be desired as reflected by the backlog of accounts yet to be laid before and considered by the legislature (see Table 3.24 above).

(iii) Issuance of recommended actions by the legislature and implementation by the executive

The Public Accounts Committee of Parliament, following its review of the Auditor General report and audited accounts, prepares a report including recommendations to the Parliament for actions to be taken by the management of the auditee. This report is tabled to the full Parliament, and when approved recommendations are submitted to ARICs in the MDAs. The PAC keeps record of the follow-up to its recommendations. However, the ARICs are not yet fully effective, and a review of the 2009, 2010 and 2011 audited accounts of Consolidated Funds reveals the audit findings are re-occurring.

Although PAC reviews the auditor reports and issues recommendations and keeps track of follow-up actions to the recommendations, it is doing that with a significant time lag which decreases the actuality of its work. PAC has not completed and presented a report on the audited financial reports of the Consolidated Fund and other public accounts of the last completed fiscal year 2011; in the same vain, it has not produced a report on the 2009 and 2010 audited public reports. This notwithstanding, the Audit Report Implementation Committee's work has seen some improvement occasioned by the review of internal audit reports issued by IAUs (ref. PI-21(iii)).

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
PI-28	Legislative scrutiny of external audit reports	D+	D+	Scoring Method M1.
(i)	Timeliness of examination of audit reports by legislature (for reports received within the last three years)	D	D	None of the audited public accounts for the period under review has been fully examined and adopted by the Legislature. The delays in examination of the audit reports are due to the significant backlog of outstanding reports which have to be examined and the more than usual time spent on the 2009 report due to the increased public interest.
(ii)	Extent of hearings on key findings undertaken by legislature	C	B	Parliament since 2009 has resolved to scrutinise all audited public accounts submitted by the Auditor General. It has conducted in-depth hearings with television and radio coverage by inviting ministers of state, heads of department and other officers linked to audit findings.
(iii)	Issuance of recommended actions by the legislature	B	B	The PAC makes recommendations for actions to be taken, and those endorsed by the

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
	and implementation by the executive			Parliament are formally issued as recommended actions. The PAC keeps track of follow-up actions but it has substantial time lag in examining audit reports - it is still considering the 2009 and 2010 audit reports on CF. Nonetheless, ARICs have carried out work on internal audit reports with some improvement.
Comparability of scores and performance change: (i) Scores are comparable but there has been no change in performance. (ii) Scores are comparable with some improvement. The Parliament started in 2009 to scrutinise all public accounts submitted by the Auditor General, as opposed to selective process which characterised the previous assessment, and started conducting public hearings with television and radio broadcasting which improved the transparency and effectiveness of the hearings. While not relevant for the scoring, it is worth mentioning that since 2010 the Parliament also conducts public hearing and scrutinises audited accounts of district assemblies in regional capitals to allow for more public participation and interest. These hearings have also live radio broadcast and delayed television coverage. (iii) Scores are comparable. No changes in performance.				

Ongoing reforms

- A Constitutional Review Commission (CRC) was set up in 2010 and reviewed all Constitutional Articles. The report has been submitted to Government, but is yet to be presented to Parliament for review and consideration. This may also lead to reforms in respect to the procedures for the legislative scrutiny of the external audit reports.
- The Standing Orders is being reviewed and the revisions may impact upon the practice and effectiveness of legislative scrutiny of audit reports. There is an intention to consider the establishment of an Implementation Committee, with powers similar to a Court, to enforce the implementation of the recommendations issued by the legislature. This is expected to replace the Financial Administrative Tribunal established by the FAA, but which never worked in practice.

3.7 Donor practices

External resource inflows from development partners (DPs) on grant or concessional loan terms constitute an important source of funding for the government. However, the strong growth of the Ghanaian economy and the government's domestic revenue combined with stagnation in the aid provided by DPs mean that the relative importance of flows from DPs is gradually decreasing from above 30% of the central government budget during the previous decade to now about 20%. Currently, Ghana has 7 multilateral and 21 bilateral active DPs. The multilaterals have dominated in terms of volumes of aid delivery. The World Bank remains the largest multilateral DP, providing over 45% of the multilateral annual average, followed by AfDB. The US, the European Union, UK and the Netherlands have been leading in the bilateral aid group. Other key development partners present in Ghana include Japan, Germany, France, Denmark, Canada, Italy, Spain, Switzerland and a number of UN agencies. Non-traditional development partners, such as China, are also becoming increasingly active in Ghana. These non-traditional donors do not currently feature prominently in existing coordination efforts with other DPs. Four main types of external assistance are available in Ghana. These are (i) project support, (ii) general budget support, (iii) sector budget support, and (iv) direct funding of non-public institutions (e.g. Non-Governmental Organisations

(NGOs)). The latter type is not considered in this report which only covers aid to the government sector.

3.7.1 D-1 Predictability of Direct Budget Support

This indicator assesses the predictability of inflows of budget support. The assessment of the first dimension is based on the annual disbursements compared to the forecasts provided by the DP agencies ahead of the budget year, while the assessment of the second dimension is based on the quarterly distribution of actual budget support inflows compared to the agreed distribution plan. The assessment focuses on the last three fiscal years (FY2009, FY2010, FY2011).

(i) Deviation of actual budget support from the forecasts

Budget support is provided through general budget support and sector budget support. Most of the budget support resources are provided through the general budget support mechanism - the Multi-Donor Budget Support (MDBS). An MDBS Framework Memorandum was signed in 2008 which replaced an earlier one signed in 2003. Until 2011, the MDBS included the African Development Bank, Canada, Denmark, the European Commission, France, Germany, Japan, the Netherlands, Switzerland, United Kingdom, and the World Bank, whereas the Netherlands has left the arrangement in 2012.

The stated aims of the MDBS framework include: to provide additional and more predictable budgetary resources; to increase aid effectiveness by harmonising DPs' policies and procedures; to enhance the performance and accountability of the government's PFM systems; to promote an accelerated implementation of policy reforms and enhance performance in service delivery; and to foster domestic accountability and transparency.

Disbursements by DPs to the MDBS are based on the government's adherence to a number of underlying principles and performance on a set of targets and triggers across the main sectors of the economy. A Performance Assessment Framework (PAF) has been established with targets and triggers specified for each year. A review of performance on the PAF takes place annually towards the middle of the calendar year[71]. On the basis of this review DPs review their respective financial commitments. The indicative MDBS funding is collected by the coordinating lead donor agency and consolidated before being submitted to MOFEP. This takes place in advance of the fiscal year and prior to the finalization of the submission of the budget estimates. Table 3.17 below shows the date of the DP submission and the amount of the overall forecast. Although the submission dates vary, and for FY2010 took place after the budget speech to Parliament, the submissions have allowed the government to adjust the overall resource envelope and expenditure allocations before the Appropriations Bill is passed by Parliament in all three years considered. On occasion, delays in submitting the forecasts have been caused by the need to reassess the performance of some MDBS indicators after the overall mid-year review or to complete the agreement on performance indicators for next year. On average the forecast has been provided six weeks before the government's constitutional deadline for submission of its budget estimates to the Parliament.

The DP submission usually includes a number of footnotes highlighting some uncertainties as to the actual releases to be made either because the in-country review process has not been finalised of because DPs' domestic budget processes have not been completed, i.e. the amounts are not always final. At the same time, discussion between government and DPs lead to a number of changes after the government's budget has been approved e.g. certain disbursements that have been moved forward (front-loaded) in order to improve the government's cash flow, amounts have

[71] In 2012 this review was moved to June in order to better align DPs disbursement decisions with the Government's budget calendar (it took place in April/May in previous years).

been increased (in case of funding windfall) or reduced (in case of delayed reaction to the results of the performance assessment by some DPs), and some disbursements have been delayed so that they materialise in the year following the year originally anticipated. Such changes have led to different amounts of 'pledges' for MDBS than those listed in Table 3.25, particularly in FY2009 and FY2010. They may also have contributed to preparation of mid-year Supplementary Budget Estimates in years where MDBS resources have significantly increased. In each of the three years, however, the actual amounts contributed to MDBS have exceeded the amounts of the consolidated forecast issued by DPs during the Government's annual budget preparation.

Sector Budget Support has been provided during 2009-2011 by the World Bank, UK, Canada, Denmark, France, EU, the Netherlands, Germany and Japan. The support is focused on the health sector, the food and agricultural sector (FASDEP), natural resource and environmental governance (NREG) and the DDF. The disbursement of sector budget support is guided by the Financing Agreements which specify the conditions for disbursement in each case. In practice, however, the extent to which the operations use country financial management systems varies somewhat, with some concern that support to DDF and the health sector may not fully meet the criteria for direct budget support as defined in the PEFA Framework. However, the amounts in question are relatively small and do not affect the rating of the indicator.

There is no consolidated forecast of sector budget support disbursements for the coming fiscal year provided by DPs. Forecasts are provided for each DP and operation in a different format and can be a challenge for MOFEP to keep track of – in fact the EERD treats sector budget support as program aid using a high degree of country PFM systems. However, timely information is available for much of sector budget support because some of the largest contributions (e.g. the World Bank) are subject to single tranche disbursement shortly upon DP approval with notification about nine months in advance, whereas other large contributors (e.g. Canada) submit an annual update of disbursement prospects during the government's budget preparation. At the aggregate level, the predictability of sector budget support has been good with slightly higher inflows than forecast in each of 2009, 2010 and 2011. Nevertheless, implementation of sector programs may be affected by the differences in predictability for the earmarked funding for each sector.

Table 3.25 Direct Budget Support Performance for the Period 2009- 2011 (USD, million)

	FY 2009		FY 2010		FY2011	
	Forecast	Disbursed	Forecast	Disbursed	Forecast	Disbursed
MDBS forecast transmit	4-sep-08		19-nov-09		29-oct-10	
MDBS amount	379.10	525.20	332.41	403.90	288.97	448.01
Annual Deviation	146.10		71.49		159.04	
Annual Deviation (%)	39%		22%		55%	
Sector BS amount	128.78	132.08	189.32	194.52	167.43	169.60
Annual Deviation	3.31		5.21		2.17	
Annual Deviation (%)	3%		3%		1%	
Total BS amount	507.88	657.28	521.72	598.42	456.40	617.61
Annual Deviation	149.41		76.70		161.21	
Annual Deviation (%)	29%		15%		35%	

Source: DP group letters with consolidated forecasts of MDBS disbursements for each of 2009, 2010 and 2011. MOFEP/MDBS Secretariat records of pledges and actual MDBS disbursements for each of 2009, 2010 and 2011. Responses to a questionnaire distributed to DPs by PEFA assessment team.

(ii) In-year timeliness of donor disbursements

The MDBS forecasts provided annually by the DP group do not include any specification of the anticipated in-year timing of the disbursements. Specification of the timing of disbursements in the financial agreements with each DP varies and is often (including for large contributors) limited to the disbursement year with no, or vague, indication of exact in-year timing. The anticipated timing may have been discussed by MOFEP and the DPs on a bilateral basis and until 2009 (inclusive) the MDBS Secretariat kept records of expected disbursement timing which was compared with actual disbursement timing. This information is no longer available for 2010[72] and 2011[73].

For Sector Budget Support (SBS), some DPs have provided estimates of disbursement timing on an individual basis, but most DPs did not do so.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
D-1	Predictability of Direct Budget Support	A	D+	Scoring Method M1.
(i)	Annual deviation of actual Budget Support (BS) from the forecasts provided by the donor agencies at least 6 weeks prior to the government submitting its budget proposals to the legislature	A	A	Direct budget support (both GBS and SBS) consistently exceeded DP provided forecasts for 2009, 2010 and 2011. For FY2010 the forecast was provided 2 weeks after the government submitted its budget estimates to the Parliament, but this has not led to a reduced rating.
(ii)	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	A	D	Quarterly disbursement estimates were not agreed with the DPs before the beginning of the fiscal year for most of the budget support provided.
Comparability of scores and performance change: (i) The scores for 2009 and 2012 appear to be comparable, though in the 2009 assessment the dates of DP forecast were not specified. DPs have consistently provided reliable amounts of budget support as during the previous period. (ii) The scores for 2009 and 2012 appear to be comparable. Quarterly disbursement forecasts are no longer agreed ahead of the start of the fiscal year for most of the budget support.				

Ongoing reforms

No planned changes to the current systems have been identified.

3.7.2 *D-2 Financial information provided by donors for budgeting and reporting on project and program aid*

This indicator assesses the predictability of DP support for programs and projects (including aid-in-kind) in respect to the provision of accurate and timely estimates of available funds for inclusion in the budget proposal and reporting on actual DP flows. The assessment is based on qualitative data for the DPs providing project and programme support and focuses on the last completed fiscal year (FY2011).

72 This change in procedure was reportedly related to a move by the DPs to provide the MDBS funds in fewer annual tranches so that disbursement timing would be easier to monitor and the bulk of support be provided in the 1st quarter of the FY.

73 Responses to the questionnaire distributed to the DPs by the PEFA team provides information on quarterly distribution of disbursements for the three years (for DPs contributing about 85% of MDBS funds) but there is no evidence that the planned timing of any of the disbursements was available, or had been communicated, to the Government ahead of finalising the budget estimates for the respective years.

(i) Completeness and timeliness of budget estimates by donors for project support
The government does not have a central aid information management system, i.e. there is no single source of financial information on aid. Within MOFEP both the External Economic Relations Division's (EERD) multilateral and bilateral divisions and the DMD undertake aid information management but with limited coordination. The key obstacle for effective aid information management is that MOFEP has not established rules for:

1. who collects what aid information from DPs and when;
2. how and when this aid information is integrated into the budget by whom.

At present there are two databases capturing DP flows. The DMD maintains data on external aid using the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) - which covers grants and loans (also non-concessional), in practice updated on a daily basis upon receipt of transaction advice, and used to provide aid projections to the Budget Division for inclusion in the budget and aid actuals to the CAGD for accounting purposes. It includes fields that cover annual and in-year disbursement projections and actuals, and a sector classification of the aid activities. However, it does not provide for projects/programmes in the pipeline and it does not classify aid by expenditure type. In parallel to the CS-DRMS, the EERD maintains a database in MS-Excel which provides for sector classification of the (currently 225) projects/programmes, as well as disbursement estimates, quarterly actuals and projects in the pipeline.

All of the traditional DPs manage their aid flows with full discussion and disclosure to the government on commitments and projected disbursements within a framework of strategic plans and financing agreements. In order to support the government's budget preparation process, however, annual estimates of expected disbursements are essential.

At the start of the budget preparation process, MOFEP requests DPs to submit estimates of project disbursements for the coming fiscal year. The collection of data is done by EERD desk officers. However, there is not agreed standard format for the requested information and consequently, the coverage and timing of submissions vary widely among DPs, depending largely on the ease by which such information may be extracted from the DPs' internal systems. For the FY2011 budget, only a few of the DPs[74] provided such estimates to MOFEP in time for the budget preparation exercise, whereas some others provided estimates to the executing sector MDAs only. This included only a few among the largest five DPs. The data provided was in all cases classified only by project/programme name, and not necessarily the project/programme definition used in the government budget. For 2012 a major attempt – managed by a Special Task Force - was made to collect estimates from both DP agencies and executing MDAs in parallel and reconcile the data from the two sources in order to arrive at robust estimates. Most DPs responded positively, but it proved to be a very demanding exercise for both DPs and MOFEP, and was not repeated for the FY2013 budget preparation. In addition, the data obtained for FY2012 has proved to be unrealistic i.e. inflated in relation to actual implementation capacity. DPs also lack feedback from MOFEP on how the data is kept, processed and reflected in the budget estimates, which would provide the incentive to repeat the time consuming work.

(ii) Frequency and coverage of reporting by donors on actual donor flows for project support
There has been no accounting system comprehensively capturing aid expenditure and the CS-DRMS does not record aid expenditures, only disbursements. The financial reporting on project activity is generally made quarterly by MDAs and included in their quarterly financial reports. These are issued within two months of the close of the period. The reports do not segregate expenditure on DP financed projects by budget classification. The CAGD managed central government

[74] Of ten donor agencies responding to the PEFA team's questionnaire, only four bilateral and no multilateral donors provided such information to MOFEP, whereas two agencies agreed estimates with the respective executing MDAs.

accounts are balanced monthly with cash reconciliation. Other accounts with the Bank of Ghana related to development partner funded projects remain outside this arrangement. Therefore, the annual financial statements produced by CAGD disclose grants and loans in the revenue reports and cash flows but details of the DP project expenditure by MDAs are not included. MDAs are supposed to report monthly revenue and expenditure figures on all public funds including external aid, but this practice is not yet institutionalised across MDAs.

For loans the DMD captures draw-down of loans in the CS-DRMS as the withdrawals are processed. For grants, there is no automatic or well established system. To supplement the internally generated expenditure data, MOFEP (EERD and DMD) collects disbursement data directly from the DPs, but in different formats that fit their respective databases. EERD desk officers approach DPs for such information, but there is no comprehensive standard format and data obtained is uneven. Some major DPs either have client portals where the government can download the necessary disbursement information in real time (World Bank) or provide regular and comprehensive data even if it is in the DP's format (AfDB monthly, EU at least quarterly). Many bilateral DPs provide data at least quarterly. However, the classification of the data is only by project/programme name as defined by the respective DPs and does not match the government's chart of accounts. Furthermore, the 2009 PEFA reported that the financial reporting provided by the DPs on those accounts they directly manage are not consistent with Ghana's financial reports by way of accounting standards employed, and there is no indication that this situation has changed.

According to a recent IATI[75] study, aid information has been easier to collect for general budget support, for sectors with sector budget support or Sector Wide Approaches (SWAPs), for ongoing projects, and for loans and grants deposited with the Bank of Ghana, as the Bank notifies MOFEP of deposits. It is more challenging to collect information on grants disbursed through DP-controlled accounts with commercial banks, with either line ministries or other third parties (non-state actors) as the implementing agency, and disbursement projections for projects still in the pipeline. More information is available from traditional DPs, who take part in aid effectiveness activities such as the recently developed Development Partner Performance Assessment Framework (DP-PAF); however some information on non-traditional DPS' aid activities (e.g. China and India) is included on the budget.

Apart from the risk of inconsistencies and gaps, when two parallel databases are used, the quality of the current aid data is undermined due to:

- lack of shared definition of what constitutes "budget estimates": DPs end up reporting a non-standardised combination of pledges, commitments and projected disbursements;
- lack of a bridge table linking projects as defined by DPs to projects as defined in the relevant MDA budget estimates;
- lack of classification of aid data by expenditure type: in the budget MOFEP allocates the aid by MDA as 'goods and services' and 'assets' but do not provide the detailed data which would allow exploration of what individual aid activities are behind the MDA allocations;
- unreliable projections, with slow disbursement caused by a number of government and DP factors, including delays in government project implementation and bureaucratic problems; DP requirements and processes; limited government and DP shared monitoring of project implementation; over-ambitious expenditure forecasts that do not take into account the executing agency's implementation capacity;
- lack of policy for exchange rates, i.e. aid is reported in converted currencies without a shared policy applied on exchange rate calculations which may introduce inconsistencies and errors;

[75] Rebecca Carter, Mokoro Ltd. April 2012, Study on better reflecting aid flows in country budgets to improve aid transparency and public financial management; Ghana Case Study Summary, Study Commissioned by the International Aid Transparency Initiative (IATI).

- lack of instructions for reporting delegated funding: current aid flow reporting formats do not distinguish between funding and managing DPs so there may be issues of double-counting of aid and errors in establishing when the disbursement is scheduled to reach the government;
- lack of a format for recording the channel of delivery: this means it is not possible to identify whether DPs are reporting aid that (1) uses government systems exclusively; (2) is managed entirely through DP-specific systems; (3) uses a hybrid of the two systems (4) is disbursed from the DP directly to an executing third party (non-state actors).

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	C+	C+	Scoring Method M1.
(i)	Completeness and timeliness of budget estimates by donors for project support	B	B	For the FY2012 budget preparation, most of the DPs provided budget estimates to the government at a stage consistent with the government's budget calendar - including the five largest DPs - and with classification as requested by the government.
(ii)	Frequency and coverage of reporting by donors on actual donor flows for project support	C	C	Most DPs provide financial reports to the MDAs that are reported on a quarterly basis within two months of the close of the period. These reports are not provided with a break-down consistent with the government budget classification. A number of DPs state that their financial reports are not consistent with the Government's budget classification.
Comparability of scores and performance change: (i) The scores for 2009 and 2012 are comparable. The 2012 score, however, is based on an exceptional attempt to provide complete budget estimates for FY2012, which was not the cases in FY2011, nor for FY2013. (ii) The scores for 2009 and 2012 are comparable and reflect that little has changed since 2009.				

Ongoing reforms:

- The Ghana Aid Policy and Strategy 2011-2015 sets out the government's objective to 1) support improved reporting on DP inflows, establish a clear process for quarterly reporting by DPs on volume, allocation and results of development expenditure, and 3-year forecasts of assistance to include in the budget, and 2) develop an aid information management system (AIMS) to appropriately capture aid data.
- An initiative to improve 'Aid-on-Budget' is ongoing and will propose standard formats for DP reporting on disbursement projections and actuals for use by all divisions of MOFEP (during the phase II starting December 2012).
- Roll-out of GIFMIS is supposed to include DP funds within the coming 1-2 years.

3.7.3 D-3 Proportion of aid that is managed by use of national procedures

This indicator assesses the use of national procedures (i.e. procurement, payment/accounting, audit, disbursement and reporting) by the DP funds. Budget Support by definition makes use of national procedures. The assessment focuses on the last completed fiscal year (FY2011).

Direct budget support follows the national procedures by definition. The proportion of total aid that is provided as budget support has increased to about 40% of total DP funding – up from some 30% during the 2006-2008 period. Use of national procedures - or in this case country PFM and procurement systems – is covered by the monitoring indicators of the Paris Declaration and has been assessed as part of the Paris Declaration monitoring process in 2010.

Table 3.26 shows the results of the 2011 OECD/DAC Survey on Monitoring the Paris Declaration based on 2010 data. The Paris Declaration Survey data, however, is not based upon exhaustive data since a number of Non DAC Development Partners, responsible for about 5% of total aid did not take part in the survey – China being be largest such DP. The Paris Declaration Survey data has been adjusted for this omission, assuming that non-traditional DPs do not use country PFM and procurement systems to any significant degree.

Table 3.26 Use of country PFM and Procurement Systems in 2010

	Total aid	Use of country systems				
		Procurement	Budget execution	Financial reporting	Audit	Weighted average
USD million	1506	804	934	815	856	852
Percent	100%	53%	62%	54%	57%	57%

Source: Aid Effectiveness 2011: Progress in Implementing the Paris Declaration – Volume II Country Chapters; and database of externally funded projects from MOFEP/EERD.

For comparison, a similar calculation of use of country systems on the basis of the 2008 OECD-DAC Survey on Monitoring the Paris Declaration (2007 data) showed a weighted average use of country systems at 49.6%, indicating a marked increase in the use of country systems over the three year period. Data collected from ten DPs, however, suggest that the overall share of aid using country systems may have dropped slightly again in 2011, though still remaining above the 50% threshold.

PI	Dimension	Score 2009	Score 2012	Justification for 2012 score
D-3	Overall proportion of aid funds to central government that are managed through national procedures	D	C	The use of national PFM and Procurement procedures in FY2010 is estimated at 57% of total aid provided.
Comparability of scores and performance change: The data used for the 2009 and 2012 scores are drawn from different sources but differences appear to be minor. Irrespective of data source, there has been an increase in use of country systems over the past three years.				

Ongoing reforms

The Ghana Aid Policy and Strategy 2011-2015 aims at improving aid effectiveness, including increased use of country systems in line with improvements in the performance of the country's PFM systems.

4 Government Reform Process

4.1 Current approach to PFM reforms

The Government of Ghana has been undertaking reforms of its PFM systems for over fifteen years. The series of PFM reforms embarked upon may be characterised as comprehensive and ambitious and have been targeted across a wide range of PFM functions. In parallel to the PFM reforms, some major public sector reforms have been pursued with important linkages to PFM functionality, namely decentralisation reforms and staff compensation reforms.

The PFM reforms have had a mixed success record. A recent evaluation of the reforms during the period 2001-2010 found that “relative to the significant funds expended on PFM reform over the study period, success has been largely disappointing. The most substantial progress was found in a stronger legislative base. However, GoG has experienced significant challenges in implementing the new laws. Otherwise, the most effective reforms appear to have been the revenue management activities, as they have led to a sustained output in the form of changed processes and a significant increase in revenues as a share of GDP during the period studied.”

Since 2010 a renewed effort has been made to drive PFM reforms forward. The current program of reforms is guided by the overarching national development strategy (GSGDA) and pronounced in *MOFEP’s SMTDP of April 2011.* The SMTDP constitutes a continuation of MOFEP’s Short Term and Medium Term Action Plan 2006-2009, which formed part of the Ghana Poverty Reduction Strategy (GPRS II) for the same period. The SMTDP 2010-2013 incorporates a review of achievements under the previous action plan and identifies key development issues in the area of PFM. A matrix of ‘Potential, Opportunity, Constraints and Challenge’ is then developed for each key issue and linked to the main themes of the GSGDA. On this basis, a structure of programmes and sub-programmes is developed and a four-year action plan of activities outlined with implementation period, costs and involved actors specified. The sub-programmes of special relevance to PFM systems include:

- Public Assets, Investment and PPP;
- Economic Research and Forecasting;
- Budget Management;
- Treasury, Payroll and Accounting;
- Public Procurement;
- Domestic Resource Mobilisation and Administration;
- External Resource Mobilisation;
- Debt Management.

MOFEP’s SMTDP is the main framework meant to bring these many and ambitious reforms together. Whilst the SMTDP is a comprehensive plan in many respects, it also reveals issues that need further consideration:

- The SMTDP does not appear to be linked to the 2009 PEFA assessment, despite having been formulated shortly after that assessment – unlike MOFEP’s Action Plan for 2006-2009 which reportedly was informed by the 2006 PEFA assessment;
- The key development issues in the SMTDP are defined at quite detailed technical/administrative level, rather than starting from the main issues in PFM that affect management of the economy and delivery of public services;
- As with the GSGDA in general and SMTDPs for other sectors, the staff capacity needed to implement the reforms is not specified, neither in terms of numbers/skills nor in terms of staff

compensation costs – SMTDP costing is only supposed to cover 'services' (item 3) and 'assets' (item 4);
- Whilst the SMTDP identifies the actors involved in each reform activity, there is no framework proposed for overall coordination of PFM reform sequencing, funding, implementation and monitoring.

As a result, the reform program presents itself as a series of free-standing and parallel activities.

Development Partners are providing financial and technical support to many of these PFM reforms including fiscal decentralisation. Donor support fundamentally reacts to government requests for assistance, but the Government also reacts to suggestions made by DPs in terms of content of reforms or financing opportunities. Due to the lack of a coordinating framework for PFM reforms in general, DP support is rather fragmented, and whilst DPs attempt to undertake coordination through the PFM Sector Working Group, this is only partly successful, e.g. reconciliation has not been established between current and planned DP support on the one hand and MOFEP's SMTDP on the other hand. GIFMIS is by many seen as the main framework for PFM reform coordination, but it handles only a subset of the reform agenda. DPs have been forthcoming in providing resources, but not always successful in the way this was done. The Evaluation of PFM Reforms 2001-2010 concluded that "While the total amount of resources appeared to be sufficient, and disbursement delays were not a critical hindrance to reform, the effectiveness of DP contributions was undermined by large set-piece and time-bound projects that focussed on technological solutions rather than changes to the underlying processes. External support has had greater traction at the beginning of reforms, facilitating the design and start-up, than during implementation, when it often failed to sustain or deepen reforms."

4.2 Recent and ongoing reforms

The government recognizes a number of the weaknesses in the reforms to date as described in the Annual Budget Speech for FY2012:

> Whilst " … the introduction of an activity based Medium Term Expenditure Framework (MTEF) and development of a Budget and Public Expenditure Management System (BPEMS) …have improved the level of credibility of Public Financial Management, there still remain some weaknesses. These include the lack of comprehensiveness in the MTEF as it is limited to only service and investment expenses, whilst the personnel emoluments and administration expenses are on line item budgeting. Another weakness is the inability to fully control expenditures at the point of incurring liabilities, rather than at the cash payment stage".

On this basis the government has emphasized the need to continue reforms in the areas of the Ghana Integrated Financial Management Information System (GIFMIS), Programme Based Budgeting (PBB) and Wage and Payroll Management.

The *Ghana Integrated Financial Management Information System* (GIFMIS) was initiated in September 2009, in an attempt to replace and make up for the deficiencies in the BPEMS systems. The scope of the GIFMIS Project includes the full and effective implementation of the Oracle E-Business Suite Financial software module made up of the General Ledger, Purchasing, Accounts Payable, Budget Preparation, Cash Management, Accounts Receivable, and Fixed Assets. This system forms part of the wider GIFMIS project with the overall objective of the project is to improve the effectiveness of service delivery and the allocation of scarce resources, using the new tools and processes and assure an accountable, more effective, and transparent government. In particular it should improve cash planning, commitment control and timely and consistent financial reporting. As at October 2012, the computer hardware has been delivered and installed and connected for all 23 ministries in Accra covering the General Ledger and P2P (purchasing) modules, but only funds from the Consolidated Fund are covered. The coming phases of the project will need to address roll-out to regions and MMDAs, to IGF funds, statutory funds and DP funded operations.

As part of the GIFMIS project a *reclassification of the budget* took place for the 2012 budget and a *new Chart of Accounts* has been developed to provide data for integrated classification, policy, planning, budget preparation, execution, monitoring and reporting. These changes have been initiated but have yet to be implemented by all entities, particularly at MMDA level.

Also as part of the GIFMIS project, *Programme Based Budgeting (PBB)* is being introduced to address some of the fundamental shortfalls in current Activity Based Budgeting and introducing flexibility and simplicity in the current budget system and performance orientation through improvement in resource allocation and utilization. The PBB has been piloted at the budget preparation stage in the seven MDAs during 2010 and 2011, and it is the intention to roll out PBB to all MDAs in 2013.

The government has recognised the large problem of *payment arrears* from contracts. An arrears clearance strategy, involving a combination of cash payments and the issue of special purpose bonds and promissory notes, has been developed. In addition, a comprehensive database tracking the stock and flows of payment arrears has been developed by MOFEP, with quarterly status reports to Cabinet. To prevent the emergence of new arrears, a presidential circular has been issued, requesting all line MDAs to obtain commencement certificates before committing the Government to any contractual obligation. This means that a commencement certificate would be issued only when adequate budgetary provision has been made for the project. As arrears continue to occur on a large scale, these measures are not yet effective.

In relation to the large number of infrastructure projects foreseen in the GSGDA and the problem recognised in identifying, prioritising and managing such investments, the Government is initiating a *Public Investment Programme (PIP)* that will set out in a systematic, coordinated and comprehensive manner, planned public infrastructure investment over a five year period. The PIP is also intended to assist the Government in establishing synergy and complementarity between the various infrastructure types, introduce prioritisation into infrastructure provision and provide the basis for a comprehensive five-year funding plan.

In parallel to these initiatives, the Government is implementing major reforms in the area of revenue management. It has introduced the *Petroleum Revenue Management Act 2011*, which establishes a new system of managing public resources derived from oil and gas exploration, and their eventual provision for annual government budgets. This includes the establishment of a Petroleum Holding Fund from which resources will be transferred to (1) the annual budget - ABFA, (2) the Ghana Heritage Fund to benefit the country when oil and gas deposits are exhausted, and (3) the Ghana Stabilisation Fund from which resources may be mobilised to reduce the annual fluctuations in revenue emanating from price fluctuations. The Act became fully operational for FY2012, so the first year experience with these new arrangements is yet to be assessed.

Major changes have also been made to revenue in general through the establishment of an overarching *Ghana Revenue Authority* in December 2009 by merging the three individual revenue agencies and the revenue agencies governing board into a unified structure. Reforms of tax administration have continued under the related Tax Reform and Modernization project. The key objective of the GRA reform is to improve tax collection through widening the tax base, broadening the tax net and boosting the business climate, while simultaneously reducing administrative and tax compliance costs and making the implementation of taxes fair, transparent, accountable and accessible. In short, the entire environment in which the Government engages and interacts with businesses, individual taxpayers and the public is expected to change. Automation will be a central element to bringing the revenue departments into the 21st century.

The GRA became operational on January 1, 2010 and over the course of year, significant, progress has been made. However, integration and systems/process modernisation are complex and even with necessary funding, will take several years. Work on integrating the domestic tax departments and CEPS began in early 2010 and completion of integration is targeted for 2013.

A number of PFM reforms and capacity development activities of less visibility are also taking place in *procurement, internal audit, Ghana Audit Services, and aid management.*

However, the PFM systems are also impacted by some high-profile initiatives within public sector management, which would not be directly characterised as PFM reforms. This concerns fiscal decentralisation, public-private partnerships as well as payroll and wage reform.

Fiscal Decentralisation

The broad areas of Ghana's decentralisation policy are Political, Administrative, Fiscal and Decentralised Planning. Over the last two decades, whilst significant progress has been made in the implementation of political decentralisation and decentralised planning, the progress made has been slow in the areas of administrative and fiscal decentralisation. Fiscal decentralisation requires the establishment of new relationships between the central government, which is politically accountable for government performance and MMDAs, where services are provided and most resources will be spent. Legal Instrument LI 1961 of 2009 was enacted to remedy this and resulted in transfer of 32,000 civil servants to the Local Government Service and has also acted as the trigger for the implementation of the Composite Budget system, which was introduced in the 2012 Budget. To improve fiscal discipline, all MMDAs will be required to use Warrants in budget releases from all their revenue sources in accordance with provisions in the FAR, and using appropriate codes and the chart of accounts (COA) and the quarterly returns. Further actions under the Fiscal Decentralisation Initiative include:

- the review and implementation of the intergovernmental fiscal framework drafted in 2008;
- introduction of social accountability systems into the PFM system at the local level to strengthen citizen demand for effective local governance and service delivery;
- undertaking direct releases of funds in respect of the 10 decentralised departments to MMDAs treasuries to minimise delays in transfer of funds to MMDAs;
- reviewing all funds transfer systems, including the DACF and the Sectors with a view to ensuring that indicative budget allocations from central level are timely communicated and also actual transfer of grant allocations are in accordance with more predictable transfer schedules; and
- developing a formula for sharing ceilings between MDAs and the decentralised departments of the MMDAs.

This wide-ranging reform complex is coordinated by an Inter-Ministerial Coordinating Committee for Decentralisation Implementation (IMCC) under the chairmanship of the Vice President.

Public-Private Partnership (PPP)

In line with Government's policy to accelerate the delivery of infrastructure and public services, the Government has launched a National PPP Policy, which includes (1) a Project Development Facility to finance upstream investment appraisal, value-for-money assessment and other feasibility and safeguard studies; (2) Viability Gap Schemes to provide financial support for PPP projects that are economically essential but not commercially viable; and (3) Infrastructure Finance Facility to raise the requisite long-term local currency financing for on-lending at commercial rates to private sector partners for PPP projects.

Payroll and Wage Reform

Government has established a Single Spine Pay Policy (SSPP) with a view to addressing and eventually removing the remaining distortions and inequities in public service remuneration. As part of the implementation of SSPP, the Fair Wages and Salaries Commission negotiated a 20 percent increase in the base pay for the 2011 Single Spine Salary Structure (SSSS) and migrated 55 major public service institutions onto the SSSS representing 97 percent of the public service employees. Even though the migration exercise has resulted in an appreciable increase in the public sector wage bill and risks to fiscal sustainability, the Government has declared its full commitment to its implementation. The reforms also include a biometric registration of all pensioners and active employees on government payroll. The resulting database would be used for payroll audit to ensure the integrity of all future payments.

4.3 Forward looking perspective on institutional factors supporting PFM reforms

The commitment to continuing improvements in PFM in Ghana has political support at a high level especially through the Minister and Deputy Ministers for Finance. There is an ambitious agenda to reform the public sector in general and a medium term plan for PFM reform as part of MOFEP's SMTDP 2010-2013, linked to the national development strategy GSGDA.

However, a number of issues need to be more substantially addressed in this framework and could otherwise lead to the same very variable rate of reform success as experienced in the past. These issues are discussed below.

The centrality of sound PFM to Public Sector Reform emanates from its fundamental role in facilitating the business of Government across all of its core functions. Well-functioning PFM systems are meant to enable the government to deliver on the main outcomes of the budgetary system, namely aggregate fiscal discipline, strategic allocation of resources and efficient use of resources for service delivery. The degree of achievement of these outcomes has major implications for the economy as a whole in terms of growth and human development. The current PFM reform programme is not based on an assessment of the extent to which these budgetary outcomes are achieved and what weaknesses in the PFM systems may be most important in hindering the achievement of the outcomes – i.e. the main findings of a PEFA assessment.

Linkages between reforms constitute another area that deserves more attention. Some reforms are unlikely to achieve their objectives unless other PFM functions have reached certain levels of performance – an often mentioned example is the lacking impact of MTEF budgeting in an environment with low levels of aggregate fiscal discipline. Such linkages need to be addressed through sequencing of reforms at the technical level.

Capacity constraints remain another important challenge to PFM reform efforts. The ability to attract financial management professionals with marketable financial skills is being addressed through the Public Sector Reform Programme including the SSPP system. Even if this reform is successful, however, it addresses only part of the capacity issue. Technical and administrative staff capacity of government as a whole and of the individual MDAs will inevitably remain limited by aggregate resource constraints. This capacity must be divided between performing established routine functions on the one hand and the preparation, implementation and monitoring of reforms on the other hand. In this respect it is also essential to consider the range of MDAs that need to participate in each PFM reform. Countries across the World have encountered particular challenges to successful implementation of PFM reforms which require participation of many actors across (and beyond) government, with higher degrees of progress on reforms that can be implemented by one or a few agencies on their own.

A further aspect of capacity constraints concerns the political incentives and capacity for PFM reforms. Any major PFM reform requires the willingness and ability of the government of the day to take on vested interests. High level support within MOFEP is not sufficient to ensure successful implementation of reforms that require the active participation across MDAs. Even a uniform interest within the Cabinet to support a particular reform will have to be traded off against the demands from other, high priority reform initiatives (including other areas than PFM) within the limitations of the government's overall political capital. With the inauguration of a new government after the national elections on December 7th 2012, a new set of priorities may emerge within redefined limits of political capacity.

All of these factors call for reconsideration of PFM reform prioritisation and sequencing, and for establishment of an institutional framework for deciding reform sequencing as well as subsequent coordination of PFM reform implementation, financing and monitoring.

Annexes

Annex 1: PFM Performance Measurement Framework Indicators Summary

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
A.	PFM OUT-TURNS: Credibility of the budget				
PI-1	Aggregate expenditure out-turn compared to original approved budget	C	C	Actual primary expenditure deviated from expenditure estimates by over 15% for one of the years considered. Deviations were 9.1%, 0.9% and 35.1% respectively.	Performance in line with the 2009 Assessment.
PI-2	Composition of expenditure out-turn compared to original approved budget	C	NR	Scoring Method M1.	Not comparable. The revised methodology (introduced in 2011) uses 2 dimensions instead of one.
(i)	Variance in expenditure composition, excluding contingency items	NA	NR	The available data does not allow to score this dimension for the overall central government operations. The audited financial statements prepared by the CAGD are presented in a different classification as the budget documentation or Appropriations Act i.e. some expenditure are not allocated to budget heads in the Appropriations and information on some categories of primary expenditure, IGFs, and transfers and some transfers and subsidies is lacking in the financial statements. The performance of the Consolidated Fund operation if equivalent to a “D” score.	The scores are not comparable due to the change in the PEFA methodology.
(ii)	The average amount of expenditure actually charged to the contingency vote	NA	A	Actual expenditure charged to the “contingency vote” was on average less than 3% of the original budget.	The scores are not comparable due to the change in the PEFA methodology.
PI-3	Aggregate revenue out-turn compared to original approved	C[76]	C	Domestic revenue collection was 95.6% of budgeted domestic revenue estimates in 2009, 93.5% in 2010	Based on the revised methodology the deviations in FY 2006-2008 were 96.4% in 2006, 94.1% in 2007

[76] Using revised methodology.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
	budget			and 127% in 2011 i.e. actual domestic revenue was between 92% and 116% of budgeted domestic revenue in at least two of the last three years.	and 116.8 % in 2008. The score under the revised methodology equates to "C" i.e. actual domestic revenue was between 92% and 116% of budgeted domestic revenue in at least two of the last three years.
PI-4	Stock and monitoring of expenditure payment arrears	NR	D	Scoring Method M1.	
(i)	Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and a recent change in the stock	NR	D	There is no unequivocal definition of the expenditure arrears and no systematic and consistent mechanism for monitoring and measuring expenditure arrears. The stock of arrears as reported by MOFEP represents about 10% of the total primary expenditure but this figure is understated and represents only a partial picture of the current status of unpaid bills. The figure excludes obligations incurred which remain unprocessed for payment or after suitable aging expenditure arrears; and it covers mainly projects and Statutory Funds arrears, but disregards other types of expenditures arrears like for wages and salaries, goods and services. Given that the actual stock of arrears is higher it significantly overpasses the benchmark of 10% required for a D score.	No change in performance of this indicator. However, efforts were made to address the high level of arrears. A Strategy for Management of Arrears has been developed in 2010. Information on the stock of arrears became more comprehensive although it remains to be understated and inconsistent. The available information allows to score this dimension as opposed to the previous assessment when the available information was not sufficient for scoring.
(ii)	Availability of data for monitoring the stock payment arrears	D	D▲	There is no systematic and consistent mechanism for monitoring and management of expenditure arrears at the central level. Information on expenditure arrears is generated annually as part of the budget preparation exercise, but this information is not complete. Ad-hoc exercises are conducted to take stock of expenditure arrears but given the lack of a consistent definition and monitoring mechanism	No change in the score of this indicator. Efforts however were made since the previous assessment to broaden the coverage of the information on arrears and to make it more transparent.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				the accuracy of this information is controversial.	
B.	KEY CROSS-CUTTING ISSUES: Comprehensiveness and transparency				
PI-5	Classification of the budget	C	C▲	The 2011 budget classification and Chart of Accounts are based on economic and administrative classification and can produce information compatible with the GFS/COFOG standards.	There are changes since the previous assessment but these are not reflected in the score yet. Changes pertain to the revision and implementation of a harmonised Budget Classification and Chart of Accounts using GFS2001/COFOG standards. The new CoA was introduced in the 2012 Budget.
PI-6	Comprehensiveness of information included in budget documentation	B	C	The latest budget documentation fulfils four out of nine information benchmarks.	There is no change in performance under this indicator. The content of the Budget Statement did not change. The presentation of some tables in the Budget Statement changed slightly but this does not affect the scoring. The slippage in the score does not reflect a slippage in performance but probably overrated performance in the previous assessment. According to the 2009 assessment estimates of the impact of policy initiatives on the budget were included in the Budget Statement. The previous years' Budget Statements do not provide any estimates of the impact of new policy initiatives on the budget.
PI-7	Extent of unreported government operations	A	C+	Scoring Method M1.	
(i)	Level of unreported extra-budgetary expenditure	A	A	The existing evidence suggests that the extent of unreported operations is limited. Although the exact magnitude of unreported operations is difficult to assess, there is no evidence found to suggest that unreported arrears exceed 1% of the total expenditure. The main areas of unreported operations relate to internally generated revenues of the MDAs (app. 0.05% of primary expenditure). This	Some changes in performance are reflected by the increase in the number of on-going PPPs, but given their insignificant impact it does not affect the scoring. A Public Investment Division was established in 2011 with the view of improving the monitoring of the public sector operations. The effectiveness of this Division and the impact on monitoring and oversight of the government

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				reflects the amount which was collected by MDAs but not transferred to the Consolidated Fund and consequently not reported on in the MDAs reports and financial statements. Other potential sources of unreported operations relate to United Nations Peacekeeping proceeds, PPPs, actual guarantees that are issued, off-balance financial instruments (incl. promissory notes) and short term bridge financing arrangements. But these are not substantial.	operations is too early to assess.
(ii)	Income/expenditure information on donor-funded projects	A	C	Financial Statements include information on receipt of DP loans, project and programme grants. Neither Financial Statements nor other fiscal information presented to the Parliament includes detailed information on the use of DP funding on projects and programmes. Financial Statements contain aggregate information on foreign financed capital expenditure. Information on the use of project and programme grants is internally available but details are not included in the fiscal reports submitted to the Parliament. The information available in internal reports is reported to be to a large extent comprehensive/complete although the Auditor General raised concern on the accuracy of reporting on external funds which are transferred directly to MDAs outside the Treasury System.	The performance of this indicator did not change. The difference in scoring is due to a different interpretation of the "unreported" in the PEFA methodology. The previous assessment considered availability of internal reports as sufficient for being qualified as "reported". The clarification notes to the PEFA framework underline however that expenditure are considered to be as "reported" for calibration purposes if they are included in fiscal reports (budget estimates, in-year budget execution reports, financial statements), either by consolidation with the central government expenditure, or is shown in a separate section or annex of the document presented to the Parliament and published at the same time as fiscal reports.
PI-8	Transparency of inter-governmental fiscal relations	D+	D+	Scoring Method M2.	
(i)	Transparent and objectivity in the horizontal allocation among SN government	C	C	Transfers to sub-national government consist of various sources, mainly DACF, DDF, Minerals Fund and Personal Emoluments for deconcentrated and	Scores for 2009 and 2012 are comparable. Only minor changes have taken place to the transfer system and the relative importance of funding

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				devolved service staff. Data suggests that approx. 38% of the transfers are allocated through transparent and rules based systems.	sources since the 2009 assessment.
(ii)	Timeliness of reliable information to SN government on their allocations	D	D	MMDAs do not receive information on most of their allocations until well after the start of the fiscal year and for some transfers not at all. The previous year's MTEF estimates are not sufficiently reliable as a basis for firm budgeting. Even where information on allocations is provided, delays in cash transfers mean that the funds may not be fully available for the year in question.	The scores for 2009 and 2012 are comparable and reflect that provision of reliable information for MMDA budgeting remains a major problem.
(iii)	Extent of consolidation of fiscal data for government according to sectoral categories	D	D	MMDAs submit financial reports covering about 60% of their expenditure (but about 100% of cash finance). Revenue and expenditure data is consolidated by MLGRD Inspectorate for 99% of the MMDAs, but not on sectoral basis and until now using a different chart of accounts than central government.	Scores for 2009 and 2012 are comparable. Financial reporting by MMDAs has improved but use of different reporting formats hinders consolidation with central government data.
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	D+	C	Scoring Method M1.	
(i)	Extent of central government monitoring of AGAs/PEs	C	C	Most major AGAs/PEs submit fiscal reports including audited accounts to central government at least annually, but a consolidated overview of the fiscal risk from these entities is lacking. The available information suggests that about half of the entities monitored by the SEC do not submit regular fiscal reports and audited accounts; and when these are submitted they are delayed. The use of short-term loans and other financial instruments without prior approval of the MOFEP reflect the existence of potential fiscal risks to the central government.	There is no change in performance.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
(ii)	Extent of central government monitoring of SN governments' fiscal position	D	C	The monthly fiscal position of MMDAs is monitored monthly with moderate delays. No consolidated overview of fiscal risks is collated and presented, but issues are identified and followed up on a case by case basis.	The collection of fiscal data by MLGRD has become quite complete and timely with regular consolidated reporting on the fiscal position and related issues of financial administration.
C.	BUDGET CYCLE				
C(i)	Policy-based Budgeting				
PI-10	Public access to key fiscal information	A	B	Four of the six elements satisfy the PEFA framework requirements. There is no information on resources available to the primary service units and not comprehensive access to contract awards. While there is fairly good access to information on central government operations, accountability for the use of public resources is undermined by the delays in the publication of the in-year budget execution reports in respect to the period they cover; lack of information on in-year execution of individual MDAs and lack of public access to their financial statements.	There are no changes in performance. The slippages in the score is due to a stricter assessment of the public access to "all" contract awards.
PI-11	Orderliness and participation in the annual budget process	A	B	Scoring Method M2.	
(i)	Existence of and adherence to a fixed budget calendar	A	C	A budget calendar is issued each year, but with increasing delays. The time allowed MDAs for FY2012 proposals was only 3 weeks and late submissions take place.	The scores for 2009 and 2012 are directly comparable and reflect increasing delays in issuing the calendar and a diminishing period for MDAs to prepare their budget proposals.
(ii)	Guidance on the Preparation of budget submissions.	A	C	The budget circular is clear and relatively comprehensive. It includes ceilings, but these are set in respect to a limited part of total allocations and are not approved by the Cabinet. The Cabinet approves budget ceilings only after the budget hearings.	The scores for 2009 and 2012 are not entirely comparable. The standard of the circular may not have changed significantly, but an "A" rating as in 2009 cannot be justified given the limited relevance of the ceilings. The practice of including project investment criteria in the circular was discontinued for FY2010 and 2011.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
(iii)	Timely budget approval by the legislature	B	A	The Parliament has passed the Appropriations Bill in December - i.e. prior to the start of the fiscal year - for each of FY2010, FY2011 and FY2012.	The scores for 2009 and 2012 are directly comparable as none of them are influenced by the regular outlier in election years. There has been a small improvement as the Appropriations Bills have consistently been passed before the start of the fiscal year in recent years.
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	C+	Scoring Method M2.	
(i)	Multi-year fiscal forecast and functional allocations	D	C	Forecasts of fiscal aggregates and sector allocations are prepared on a three-year rolling basis (based on main economic categories and administrative classifications) but links between multi-year estimates and the setting of annual budget ceilings in subsequent years appear weak with no explanation provided for the differences.	Further details of forward estimates are now provided (administrative classification), but the effectiveness of the MTFF and MTEF respectively do not appear to have improved. The 2009 assessment may have taken a harder view on the extent to which the multi-year forecasts are ‘rolling’, as the description otherwise seems to justify a C rating also in 2009.
(ii)	Scope and frequency of debt sustainability Analysis	A	A	A DSA covering both external and domestic debt has been conducted in each of the years 2009, 2010 and 2011 (two updates).	The scores for 2009 and 2012 are directly comparable. Completion of comprehensive DSAs have continued as in previous years.
(iii)	Existence of costed sector strategies	B	C	Most sectors, including the major ones, have formulated Sector Medium Term Development Plans with costing for a four year horizon, but only sectors representing 25%-50% of government expenditure are comprehensively costed. There is no mechanism to ensure that SMTDP costing is consistent with the MTFF and annual budget estimates; actual deviations are large	The scores for 2009 and 2012 appear comparable. Costed sector strategic plans continue as key features of the current national strategic planning system (GSGDA) as it was under GPRSII during the previous period, but the highly ambitious fiscal framework used for the GSGDA has undermined the usefulness of the sector planning as a means of setting priorities within limited resource availability.
(iv)	Linkages between investment budgets	C	C	Most investment projects are selected on the basis of sector strategies, but costing and budget estimates are often not realistic and there is no	The scores for 2009 and 2012 appear to be comparable and reflect that little has changed in management of investment decisions.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				system to ensure that recurrent cost implications of new investments are included in forward estimates.	
C(ii)	Predictability and control in Budget Execution				
PI-13	Transparency of taxpayer obligations and liabilities	C+	C+	Scoring Method M2.	
(i)	Clarity and comprehensiveness of tax liabilities	D	D	The current legislation is generally comprehensive and clear. Discretionary powers in decisions on tax assessments and exemptions, applying penalties and waivers remain for almost all types of major taxes.	The scores are comparable. Important elements of discretionary powers are still in place. Other improvements in respect to the legislative basis are not yet reflected in the score. Ghana Revenue Authority has been established with the promulgation of the GRA Act in December 2009 and became operational in January 2010. As result of the modernisation of the GRA, the current legal framework has been partly reviewed, but still need to be approved by Parliament. New legislation that governs the use of oil revenues (Petroleum Revenue Management Act supported by the Petroleum Exploration and Production Act) was enacted in 2011. The law also established a Public Interest and Accountability Committee, launched in September 2011, to introduce an additional layer of public oversight in petroleum revenue management. The Petroleum Commission was established and took over the regulatory functions of the GNPC.
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	A	A	As part of modernisation of the GRA a designate Communication and Public Affairs unit was established. Its activities are guided by an annual programme of activities and include printed media and radio and TV programs. GRA website provides good access to information on tax liabilities, although some of the laws are available in a	No change in performance.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				protected mode and cannot be printed, while the Customs Law is not available on the website. Hard copies can be procured at the Government Press bookshops.	
(iii)	Existence and functioning of a tax appeals mechanism	C	C	There is an administrative tax appeal mechanism for all major taxes except for revenues from Cocoa sector which are collected by Cocobod. Resolutions on objections are not necessarily taken in an independent manner since they are often handled by the officer in charge. For Income Tax and Customs the administrative mechanism is not independent. There are no centralised institutional arrangements to systematically monitor dispute resolutions. There is no consolidated data on the number and status of objections and the information on appeals which are monitored by the Legal department is limited .The lack of information does not allow to assess the effectiveness of the objection and appeal system.	No change in performance.
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C	C	Scoring Method M2.	
(i)	Controls in taxpayer registration system	C	C▲	The legal framework requires any person or business with potential tax obligations to register and obtain a TIN. The TIN is unique. A direct electronic link between the GRA and the Registrar-General's Department databases exist. The trips^{TM} replaces the VAT and Income Tax databases, which will become directly linked; and will have an interface with Customs database. The registration module of trips^{TM} is operational. There are no links	There is an improvement in performance but this is not reflected yet in the score due to the lack of linkages to other government registrations systems and financial sector regulations. The main improvement is the establishment of direct electronic linkage in registration through the new tripsTM and the Registrar-General's Department. GRA started sanitisation and updating of Tax Register in December 2011 through re-registration and re-

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				with other government databases and financial entities, which is required for a B score.	issuing of TINs. The registration module of the tripsTM has been implemented and is operational. A registration Manual has been developed.
(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	C	C	Penalties for non-compliance generally exist and are substantially high to potentially have an impact on compliance. In practice however the penalties are not consistently imposed and administered.	No change in performance.
(iii)	Planning and monitoring of tax audit and fraud investigation programs	C	C	Tax audits are managed and reported on according to documented audit plans. Tax audits for internal revenue is decentralised to the districts. There is no overall consolidation and monitoring of the information from the district level. The selection of audits is not based on clear risk assessment criteria.	No change in performance.
PI-15	Effectiveness in collection of tax payments	C+	D+	Scoring Method M1.	
(i)	Collection ratio for gross tax arrears, being percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year	B	B	The aggregate level of tax arrears in Ghana remains significant. The average tax arrears ratio for the last two FYs was 3.3%. Tax arrears are insignificant (less than 2%) for customs which is equivalent for "A" score performance. Collection ratio for domestic direct taxes continued to improve and was on average above 100% during the last two FYs, which is also equivalent to an "A" score performance. The performance of VAT arrears cannot be calculated due to the lack of data on collections of VAT arrears, but this does not affect the calculation of the overall score.	No changes in the overall performance.
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	Revenue collections for major taxes are transferred to the Treasury daily (except for a small amount of customs (i.e. about 2%) which is collected at remote customs stations not linked to the GCMS). It	No changes in performance.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				takes about two-three days for the funds to reach the Treasury accounts. For cocoa revenues the transfers are done at least twice a year. Since the delays in the banking system are not considered in the scoring and the cocoa revenue are insignificant (i.e. 0.05% of tax revenue) the scoring is not affected by these aspects.	
(iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	C	D	*No complete* reconciliation of tax assessment, collections, arrears and transfers to the Consolidated Fund takes place on an annual basis.	No changes in performance took place since the previous assessment. The PEFA 2009 score seems to have been overrated.
PI-16	Predictability in the availability of funds for commitment of expenditures	D+	D+	Scoring Method M1.	
(i)	Extent to which cash flows are forecast and monitored	C	C	Cash flow plans are prepared at the start of the fiscal year but are rarely updated.	Scores are comparable, no change in performance.
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.	D	D	Departments are provided General and Specific Warrants that typically provide reliable information on commitment ceilings less than one month in advance. In the case of the General Warrant, although a monthly issued instrument, the MDAs are provided reliable information on commitment ceilings less than a month in advance. In practice, given the very long delays, under the Special Warrant mechanism MDAs are often not receiving advance information on commitment ceilings.	Scores are comparable, no change in performance.
(iii)	Frequency and transparency of adjustment to budget allocations, which are decided above the management of Line Ministries	C	C	As a consequence of the lack of an effective establishment control (see PI-18) and an effective commitment control (PI-16, PI-20), in practice there has been expenditure carried out in excess of approved budgets by default, rather through a	Scores are comparable, no change in performance.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				transparent predictable process.	
PI-17	Recording and management of cash balances, debt and guarantees	C+	C+	Scoring Method M2.	
(i)	Quality of debt data recording and reporting	B	B	Domestic and external debt records are complete and reconciled at least on a monthly with debt transactions audited annually by the GAS. The BoG publishes a quarterly bulletin (with some delays) including comprehensive sections on domestic and external debt. DMD produces monthly management reports for internal use and for the BoG but these do not comprehensively cover operations.	Scores are comparable. No change.
(ii)	Extent of consolidation of the Government's cash balances	C	C▲	Calculation of government balances held in the Consolidated Fund is on a monthly basis; balances in the retained IGF accounts are calculated annually. There are balances also maintained in DP managed project and programme bank accounts that remain outside of the cash management (reconciliation and reporting) arrangements.	No change however the introduction of the Treasury Single Account has resulted in a small improvement in performance not captured by the indicator. C▲ score is merited.
(iii)	Systems for contracting loans and issuance of guarantees	C	C▲	The Constitution, 1992 and the Loans Act, 1970 empowers the Minister of Finance solely to contract loans, subject to approval by the Parliament and to issue guarantees. The issuance guarantees are not made within clear limits for total guarantees.	No change however the development of the DMS has resulted in more transparent criteria for the issuance of loans. In the absence of a limit for the aggregate level of guarantees there is no change in the 2012 score. C▲ score is merited.
PI-18	Effectiveness of payroll controls	C+	C+	Scoring Method M1.	
(i)	Degree of integration and reconciliation between personnel records and payroll data	A	A	IPPD allows for a direct link between the personnel and the payroll databases.	Scores are comparable, no change in performance.
(iii)	Internal controls of changes to personnel records and the payroll	C	C	Payrolls are controlled monthly and changes are effected on average within a month pay period. However, retroactive changes for new hires are not rare and may extend more than 12 months.	Scores are comparable, no change in performance.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
(iv)	Existence of payroll audits to identify control weaknesses and /or ghost workers	B	B	The authority and basis for changes to the personnel records are clear, access controls are adequate and provides a strong audit trail. The absence of a directly linked establishment control to the personnel and payroll database is a significant deficiency in the present arrangements.	Scores are comparable, no change in performance.
PI-19	Competition, value for money and controls in procurement	B+	C	Scoring Method M2.	
(i)	Transparency, comprehensiveness and competition in the legal and regulatory framework	n/a	B	The legal framework meets five out of the six dimensions. The legal framework makes competitive procurement the default method of procurement, as opposed to open competitive method, but defines clearly the situations in which other methods can be used and how this is to be justified.	Scores are not comparable. The revised methodology (introduced in 2011) uses 4 dimensions instead of 3 and is more comprehensive.
(ii)	Use of competitive procurement methods	n/a	D	All single source and restricted procurement requests have to be referred to the PPA for a decision and have to be justified in accordance with legal requirements. There is no reliable data (except for the irregularities identified in the use of uncompetitive procurement and contract awards in the Report of the Auditor General on MDAs) to document the value of contracts where tenders which should have been subject to open competition have been sole sourced and not referred to the PPA.	Scores are not comparable. The revised methodology (introduced in 2011) uses 4 dimensions instead of 3 and is more comprehensive.
(iii)	Public access to complete, reliable and timely procurement information	n/a	D	The most recent available data shows that most tender opportunities are published, around 60 percent of contract awards (by number) and all complaint decisions are published. Procurement plans are not published. Up to date key procurement data was not available at the time of the	Scores are not comparable. The revised methodology (introduced in 2011) uses 4 dimensions instead of 3 and is more comprehensive.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				assessment. 2009 and 2010 data is based on low coverage of procuring entities and is based on contracts by number (rather than by value).	
(iv)	Existence of an independent administrative procurement complaints system	n/a	B	Administrative complaints proceedings are independent and the Panel is adequately represented by procurement professionals. Significant delays in complaints hearings result from a lack of documentary evidence provided to the Panel or other factors out with their control.	Scores are not comparable. The revised methodology (introduced in 2011) uses 4 dimensions instead of 3 and is more comprehensive.
PI-20	Effectiveness of internal controls for non-salary expenditure	D+	D+	Scoring Method M1.	
(i)	Effectiveness of expenditure commitment controls	D	D	In practice the effective commitment controls for non-salary expenditure are routinely violated.	Scores are comparable, no change in performance.
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/ procedures	B	B	Other internal controls are extensively covered in the Financial Administration Act, 2003, and the Financial Administration Regulations, 2004. Expenditure management rules and procedures are clear and accessible through manuals and circulars. Interviews with officials suggest that they are familiar with the rules and procedures.	Scores are comparable, no change in performance.
(iii)	Degree of compliance with rules for processing and recording transactions	C	C	While small in relation to the budget appropriations (2011 - 0.9%) irregularities cut across all MDAs and, according to the Auditor General indicate that MDAs have not done enough to address issues of non-compliance, the management of public resources and safeguarding of public property.	Scores are comparable, no change in performance.
PI-21	Effectiveness of internal audit	D+	C+	Scoring Method M1.	
(i)	Coverage and quality of the internal audit function	C	C	Between 40% and 60% of staff time, officials claim, is spent on some systems audit. However, audit work plans contain little or no evidence of systems audit. Internal audit work is largely focused on pre-	Scores are comparable but there has been no improvement.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				audit, post audit and compliance audit.	
(ii)	Frequency and distribution of reports	B	B	Quarterly and annual reports are produced by the Internal Audit Unit. Copies of the audit reports are distributed to the Director-General of the Internal Audit Agency, the Auditor General, the Head of Institution audited, the Chairperson of ARIC and the Minister of Finance.	Scores are comparable but there has been no change in performance.
(iii)	Extent of management response to internal audit findings	D▲	C	The evidence suggests that there has been an improvement in implementation of audit recommendations by MDAs from 15% in the Previous Assessment to 53% as of October 2012.	There has been improvement in implementation of recommendations.
C(iii)	Accounting, Recording and Reporting				
PI-22	Timeliness and regularity of accounts reconciliation	C	D+	Scoring Method M2.	
(i)	Regularity of Bank reconciliations	C	D	Bank reconciliations are done on the consolidated fund account on a monthly basis, but are three months late. The Treasury (CAGD) reconciliation only focuses on the Consolidated Fund whiles retained IGF accounts and DPs accounts remain outside CAGD reconciliation process.	The performance under this dimension deteriorated as results of the increase in the time necessary to complete the reconciliation process.
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	C	C	Some un-acquitted cash imprest emanating from cash advances to staff are cleared but still with significant un-retired cash advance balances within 8 weeks after the end of the fiscal year. Suspense accounts are brought forward as opening balances after the end of the financial year.	Scores are comparable but there has been no change in performance.
PI-23	Availability of information on resources received by service delivery units	B	D	The General Ledger is unable to track revenue and expenditure up to the level of individual schools and health facilities across the country. Expenditure transcripts provide data by district and type of service unit. However, the data is not used to	Scores are comparable. There is a slippage in scoring since no PETS, or any other relevant survey, was conducted since the last PA and no improvements were observed in respect to tracking resources received by service delivery units.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				prepare aggregated expenditure reports by type of service unit and geographical distribution for tracking analysis. No PETS, or other survey on resources transfers to service delivery units, has been carried out since 2009. The last PETS was carried out in 2008 for 2007 expenditures for Ghana Education Service and Ghana Health Service.	
PI-24	Quality and timeliness of in-year budget reports	**C+**	**C**	Scoring Method M1.	
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	C	C	Monthly CAGD financial reports do not include all government revenue and expenditure. Only portions of IGF transferred to CF are captured. Classification of report headings is by functional and economic classification with revenue and expenditure details and allows for comparison with the budget.	Scores are comparable. No change in performance was observed.
(ii)	Timeliness of the issue of reports	B	C	Monthly and quarterly financial reports from CAGD in FY2011 were generally finalised within two months from the end of the month. This practice has deteriorated in 2012. With the introduction of the new CoA in 2012, finalisation of financial reports takes longer than three months, which would imply a D score. Since the score is based on FY2011 this deterioration is not reflected in the score.	Scores are comparable. The timeliness of the preparation and issuance of quarterly financial reports deteriorated and led to a slippage in the score of this dimension.
(iii)	Quality of information	C	C	Two sets of accounts are prepared; one from CAGD's point of view that considers only central government funds and the other from MDA's point of view that looks at the comprehensive revenue and expenditure streams. The AG report for 2011 on the CF raised concerns on data accuracy and therefore qualified the CF financial statement.	Scores are comparable. No change in performance was recorded.
PI-25	Quality and timeliness of annual	C+	C+	Scoring Method M1.	

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
	financial statements				
(i)	Completeness of the financial statements	C	C	CAGD financial statements are only on the CF not on the statutory funds, DP programs/projects and retained IGFs and, therefore, do not provide a complete overview of the financial position of the government. Other financial statements (i.e. for MDAs and Statutory Funds like DACF) are audited and presented to the Parliament, but these remain fragmented.	Scores are comparable. No change in the performance.
(ii)	Timeliness of submission of the financial statements	A	A	CAGD submitted annual financial statements to the GAS for external audit within six months after the end of the fiscal year.	Scores are comparable. No change in the performance.
(iii)	Accounting standards used	C▲	C	The CAGD uses national accounting standards consistent with IPSAS. Financial statements are consistent over time. Some disclosure of accounting standards exists.	Scores are comparable. No change in the performance.
C(iv)	External Scrutiny and Audit				
PI-26	Scope, nature and follow-up of external audit	C+	C+	Scoring Method M1.	
(i)	Scope/nature of audit performed (incl. adherence to auditing standards)	B	C	The external audit covers 92% of total government revenue and expenditure items and broadly adherers to INTOSAI auditing standards. The audit report covers revenue, expenditure, assets and liabilities. The Ghana Audit Service conducts a wide range of financial audits and some aspects of performance audit. While financial audits include systemic issues, their focus is on transaction level testing and compliance issues, rather than on systemic issues.	Scores are not entirely comparable. There is no real improvement since the previous assessment except for the slight improvement in the audit coverage. The previous assessment concludes that the audit focus is on transaction testing and compliance, although a “B” score requires the audit to focus on systemic issues
(ii)	Timeliness of submission of audit reports to the legislature	B	B	The CF and MDAs audited accounts are submitted to parliament within six months of the year covered.	Scores are comparable. No change in performance.

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
(iii)	Evidence of follow-up on audit recommendations	C	C	Follow-up on audit recommendations is made and management's responses to audit findings are included in the audit report. Some of the issues, however, are not properly addressed and keep on reoccurring.	Scores are comparable. No change in performance.
PI-27	Legislative scrutiny of the annual budget law	D+	D+	Scoring Method M1.	
(i)	Scope of the legislature's scrutiny	C	C	The Legislature only gets involved in the budget estimates at a time when MOFEP presents the final budget proposals to Parliament. Parliament reviews macro-fiscal data and financial proposals on revenue and expenditure.	Scores are comparable but no change in performance.
(ii)	Extent to which the legislature's	B	B	Simple but clear procedures exist for the legislature's budget review and are respected. The procedures are however simple and the current organisation arrangements do not embrace a technical office to support the MPs in their review of the budget estimates. Most of the time theoretically allocated for the review of budget is, consequently, spent on the individual review of the documents by MPs and operational organisation of the process. This leaves little time for a meaningful debate on the budget proposal.	Scores are comparable but no change in performance.
(iii)	Adequacy of time for the legislature to provide a response to budget proposals (time allowed in practice for all stages combined)	B	C	The legislature has six weeks for budget review. The effectiveness of the legislative review, however, is undermined by the existing organisational arrangements i.e. the lack of a technical office to support the budget review. Consequently, most of the time allocated for budget review is spent on organisation issues and individual review of the	Scores are not entirely comparable. There is no change in performance. The PEFA requirements for scores "B" and "C" are identical. The previous assessment awarded, therefore, the highest "B" score. The "PEFA Fieldguide" which was issued in May 2012, after the PA, clarifies that a "B" score applies if the other dimensions score "B" or higher,

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				budget proposal, while little time is left for a meaningful debate in the House.	and a "C" applies if the other dimensions score "C" or higher. Since one dimension i.e. PI-27(ii) scores "B", PI-27(iii) should be awarded a "B".
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	D	D	Rules and procedures for in-year amendments to the budget without ex-ante approval of the budget are clear but not strictly respected. The Finance Minister makes extensive use of virements. The rules for transfers to statutory funds have also not been respected. Financial commitments to statutory funds and other sectors suffer because of government's priority on personnel emolument.	Scores are comparable. No change in performance.
PI-28	Legislative scrutiny of external audit reports	D+	D+	Scoring Method M1.	
(i)	Timeliness of examination of audit reports by legislature (for reports received within the last three years)	D	D	None of the audited public accounts for the period under review has been fully examined and adopted by the Legislature. The delays in examination of the audit reports are due to the significant backlog of outstanding reports which have to be examined and the more than usual time spent on the 2009 report due to the increased public interest.	Scores are comparable but there has been no change in performance.
(ii)	Extent of hearings on key findings undertaken by legislature	C	B	Parliament since 2009 has resolved to scrutinise all audited public accounts submitted by the Auditor General. It has conducted in-depth hearings with television and radio coverage by inviting ministers of state, heads of department and other officers linked to audit findings.	Scores are comparable with some improvement. The Parliament started in 2009 to scrutinise all public accounts submitted by the Auditor General, as opposed to selective process which characterised the previous assessment, and started conducting public hearings with television and radio broadcasting which improved the transparency and effectiveness of the hearings. While not relevant for the scoring, it is worth mentioning that since 2010 the Parliament also conducts public hearing and scrutinises audited accounts of district assemblies in

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
					regional capitals to allow for more public participation and interest. These hearings have also live radio broadcast and delayed television coverage.
(iii)	Issuance of recommended actions by the legislature and implementation by the executive	B	B	The PAC makes recommendations for actions to be taken, and those endorsed by the Parliament are formally issued as recommended actions. The PAC keeps track of follow-up actions but it has substantial time lag in examining audit reports - it is still considering the 2009 and 2010 audit reports on CF. Nonetheless, ARICs have carried out work on internal audit reports with some improvement.	Scores are comparable. No changes in performance.
D.	DONOR PRACTICES				
D-1	Predictability of Direct Budget Support	A	D+	Scoring Method M1.	
(i)	Annual deviation of actual BS from the forecasts provided by the donor agencies at least 6 weeks prior to the government submitting its budget proposals to the legislature	A	A	Direct budget support (both GBS and SBS) consistently exceeded DP provided forecasts for 2009, 2010 and 2011. For FY2010 the forecast was provided 2 weeks after the government submitted its budget estimates to the Parliament, but this has not led to a reduced rating.	The scores for 2009 and 2012 appear to be comparable, though in the 2009 assessment the dates of DP forecast were not specified. DPs have consistently provided reliable amounts of budget support as during the previous period.
(ii)	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	A	D	Quarterly disbursement estimates were not agreed with the DPs before the beginning of the fiscal year for most of the budget support provided.	The scores for 2009 and 2012 appear to be comparable. Quarterly disbursement forecasts are no longer agreed ahead of the start of the fiscal year for most of the budget support.
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	C+	C+	Scoring Method M1.	
(i)	Completeness and timeliness of budget estimates by donors for project support	B	B	For the FY2012 budget preparation, most of the DPs provided budget estimates to the government at a stage consistent with the government's budget	The scores for 2009 and 2012 are comparable. The 2012 score, however, is based on an exceptional attempt to provide complete budget estimates for

No.	Indicator	Score 2009	Score 2012	Justification for 2012 score	Comparability of scores and explanation of change since previous assessment
				calendar - including the five largest DPs - and with classification as requested by the government.	FY2012, which was not the cases in FY2011, nor for FY2013.
(ii)	Frequency and coverage of reporting by donors on actual donor flows for project support	C	C	Most DPs provide financial reports to the MDAs that are reported on a quarterly basis within two months of the close of the period. These reports are not provided with a break-down consistent with the government budget classification. A number of DPs state that their financial reports are not consistent with the Government's budget classification.	The scores for 2009 and 2012 are comparable and reflect that little has changed since 2009.
D-3	Overall proportion of aid funds to central government that are managed through national procedures	D	C	The use of national PFM and Procurement procedures in FY2010 is estimated at 57% of total aid provided.	The data used for the 2009 and 2012 scores are drawn from different sources but differences appear to be minor. Irrespective of data source, there has been an increase in use of country systems over the past three years.

Annex 2: Sources of information and evidence

Performance Indicators	Information sources	
	Institutions	Documents, websites
PI-1	MOFEP - Economic Research and Forecasting Division	- Summary expenditure and detailed expenditure data for 2009, 2010 and 2011; - Appropriations Acts 2009, 2010 and 2011.
PI-2	MOFEP - Economic Research and Forecasting Division	- Summary revenue and detailed expenditure data for 2009, 2010 and 2011; - Appropriations Acts 2009, 2010 and 2011.
PI-3	MOFEP - Economic Research and Forecasting Division	- Summary revenue and detailed expenditure data for 2009, 2010 and 2011; - Appropriations Acts 2009, 2010 and 2011.
PI-4	MOFEP, GAS, CAG, MDAs	- MOFEP, Strategy for Management of Arrears; - MOFEP, Fiscal Data, Summary expenditure and detailed expenditure data for 2009, 2010 and 2011; - MOFEP, Budget statement 2012; - MOFEP, Information on the Stock of Arrears, hard copy 09-11-2012; - MRH, Budget Submission 2013; - Ghana Road Fund, Annual Report and Accounts 2010; - Report of the Auditor General on the Public Accounts (Consolidated Fund) for 2011 (2009, 2010); - MOFEP, Budget Guidelines to MDAs for 2013-2015.
PI-5	MOFEP	- MOFEP, Fiscal Data, Summary expenditure and detailed expenditure data for 2009, 2010 and 2011; - Report of the Auditor General on the Public Accounts (Consolidated Fund) for 2011 (2009, 2010 Budget Statement 2009, 2010, 2011; - Appropriations Acts 2009, 2010 and 2011; - MOFEP, Description of the New CoA and Old CoA.
PI-6	Parliament, MOFEP, CAGD	- Budget Statements 2009, 2010, 2011, 2012; - Financial Administration Act (2003); - Report of the Auditor General on the Public Accounts (Consolidated Fund) for 2011 (2009, 2010 Budget Statement 2009, 2010, 2011; - MOFEP, Fiscal Data, Summary expenditure and detailed expenditure data for 2009, 2010 and 2011.
PI-7	MOFEP (NTR unit, Debt unit, External Resources unit), MDAs, GAS, SEC, GETFund, Road Fund, CAGD	- FAA 2003; - Report of the Auditor General on the Public Accounts (Consolidated Fund) for 2011 (2009, 2010); - Report of the Auditor General on the Public Boards, corporations and other Statutory Institutions for 2010; - PPP policy; - Budget Statement 2009, 2010, 2011; - Ghana Road Fund, Annual Report and Accounts 2010; - GETFund, Annual Report and Accounts 2010;

Performance Indicators	Information sources	
	Institutions	**Documents, websites**
		- MOFEP, Budget guidelines to MDAs 2011, 2012; - MDA retention Act, 2007.
PI-8	MLGRD, DACF, DDF Secretariat, OASL, CAGD	- FAA 2003; - Constitution; - Office of the Administrator of Stool Lands Act 1994; - Chieftaincy Act; - MOFEP, Budget Guidelines for MMDAs for 2013.
PI-9	MOFEP (NTR unit, Debt unit, External Resources unit), MDAs, GAS, SEC, GETFund, Roads Fund, CAGD	- Report of the Auditor General on the Public Accounts (Consolidated Fund) for 2011; - List of commercial SOEs and Subvented agencies provided by SEC; - List of entities which presented Quarterly reports for 2012; - Budget Statement 2009, 2010, 2011; - Ghana Road Fund, Annual Report and Accounts 2010; - GETFund, Annual Report and Accounts 2010.
PI-10	MOFEP, CAG, GAS Ghana Integrity Initiative	- Laws & regulations: Constitution, FAA (2003); - MOFEP: http://www.mofep.gov.gh/; - PPA: http://www.ppbghana.org/; - GAS: http://www.ghaudit.org/gas/?message=welcome; - Other websites: Parliament, BoG, Ghana Statistics Service: CDD, Tracking Capitation Grant in Public Primary Schools in Ghana (http://www.ghananewsagency.org/details/Social/CDD-Ghana-launches-public-expenditure-tracking-survey-report/?ci=4&ai=18247).
PI-11	MOFEP, MDAs	- Budget Statement 2009, 2010, 2011; - MOFEP, Budget guidelines to MDAs 2011, 2012, 2010; - Appropriations Acts 2009, 2010 and 2011; - MOFEP, Final Budget Ceilings for the preparation of the 2012-2014 Budget, October 27th 2011; - Parliamentary Hansard and Votes & Proceedings.
PI-12	MOFEP, MDAs	- GSGDA 2010-2013; - GSGDA Annual progress reports; - DSA 2011, 2010, 2009; - SMTDPs (health, education, transport, agriculture, roads, local government).
PI-13	GRA, Ghana Integrity Initiative, Ghana Chamber of Commerce	- Laws and regulations mentioned in the narrative for PI-13; - GRA, Tax revenue performance 2008-2011; - MOFEP, Budget Statement 2012; - GRA Structure; - GRA, flyers from the GRA office on STO, MTO; - GRA. Communication and Public Affairs dept., 1st Q 2012 report; - GRA, Pubic Relations and Tax Education, Programme of Activities 2011; - GRA website; - Cocobod website; - Ministry of energy website.

Performance Indicators	Information sources	
	Institutions	**Documents, websites**
PI-14	GRA	- Laws and regulations mentioned in the narrative for PI-13; - GRA (Support Services Division), M&E Unit of PM&P, December 2010; - VAT Service, Research, Monitoring & Planning Department; - VAT Service, M&E RM&P department, Report on re-performance control and verification exercise at Kumasi LVO and SUAME VSO (extract), October 2009; - VAT Service, PM&P, Work programme for 2010; - GRA Modernisation Plan 2012-2014; - GRA, tax Audit Unit, memorandum, tax Audit's Division performance Report for September 2012; - GRA, DTRD, Tax Audit Unit, 2010 Performance Report and Audit Strategies for 2011; also 2011 Performance Report; - Ghana Cocobod, Independent Auditor's Report to the members of Ghana COCOBOD for FY ending September 30, 2011; - Cocobod, Summary of Decisions of the producer price review committee (PPRC) for the 2011/2012 cocoa season.
PI-15	GRA	- Laws and regulations mentioned in the narrative for PI-13; - GRA, data on debt stock and collection for Customs; - GRA, data on debt stock for VAT; - GRA, reconciliations statements with BoG, 2009, 2010, 2011; - GRA, IRS, Collection Manual; - GRS, IRS, Procedure Manual.
PI-16	MOFEP - Budget Division, Bank of Ghana	- Implementation of Cash Management System – Cash Ceiling Instructions for Items 1 and 3 fro January 2012. Issued by MOFEP for CAGD; - Cash Management Summary Report of Cash Management Committee (example dated Jan-July 2010); - MOFEP Guidelines for Monthly Cash Planning (Draft) October 2009.
PI-17	MOFEP - Budget Division & Debt Management Division(DMD), Bank of Ghana	- The Constitution (Article 181), 1992; - Loans Act, 1970; - MOFEP Medium Term Debt Strategy 2012-2014; - Public Borrowing and Project Selection Guidelines for Promotion of Responsible Borrowing and Lending Practices, MOFEP DMD, November 2010; - 2012 Summary of External Debt Statistics; - Government Debt Management Performance Report (DeMPA) – June 2008 and Draft (Executive Summary only) 2012; - MOFEP DMD Website http://www.mofep.gov.gh/?q=divisions/dmd.

PI-18	CAGD, Public Service Commission, Office of the Head of Civil Service, Ministry of Health, Ministry of Education	- Payroll Procedures Manual;
		- Examples of:
		  - Establishment Warrant;
		  - New Entrant Report;
		  - Deletion Report;
		  - Bank Report (Report 11) Payroll Listing;
		  - Change of Grade Report;
		  - Payroll Payment Vouchers;

Performance Indicators	Information sources	
	Institutions	Documents, websites
		- Payslip. - Auditor General's Report on the Public Accounts of Ghana, MDAs (2009, 2010 and 2011).
PI-19	Public Procurement Authority, Central Central Tender Review Board	- Public Procurement Act 2003; - Public Procurement Authority website www.ppbghana.org/; - Public Procurement Authority – 2010 Annual Report; - PPA – Appeals and Complaints Process Under Public Procurement Act, 2003 (ACT 663).
PI-20	MOFEP, CAGD, Internal Audit Advisory Service, Ghana Audit Service	- Financial Administration Act 2003; - Financial Administration Regulations; - Public Procurement Act, 2003; - Auditor General's Report on the Public Accounts of Ghana, MDAs (2009, 2010 and 2011).
PI-21	Internal Audit Agency, MOFEP, Ministry of Roads & Highways, Ministry of Local Government	- Internal Audit Agency Act 2003, Act 658; - FY 2011 Annual Evaluation Report on IAUs in MDAs and MMDAs - Internal Audit Agency; - FY 2010 Annual Evaluation Report on IAUs in MDAs and MMDAs - Internal Audit Agency; - Internal Audit Agency ARIC reporting template; - Draft MoU between IAA and GAS on implementation of sharing of audit information; - Internal Audit Agency Audit Manual for MDAs.
PI-22	CAGD, Ghana Education Service, Ministry of Health	- Annual CF accounts for FY2009; - Annual CF accounts for FY2010; - Annual CF accounts for FY2011; - Monthly CF accounts for May 2012; - Monthly CF accounts for June 2012; - Accounting manual for MMDAs dated November 2011; - Draft Accounting Manual for MDAs; - Financial Administration Regulation 2004; - Financial Administration Act 2003, Act 654; - 1992 Constitution.
PI-23	MOFEP, CAGD	- Interviews.
PI-24	CAGD, DACF, GETFund, Ghana Education Service	- Financial Administration Regulation 2004; - 1992 Constitution; - Financial Administration Act 2003, Act 654; - Monthly CF accounts for May 2012; - Monthly CF accounts for June 2012; - Interviews.
PI-25	CAGD	- Annual CF accounts for FY2009; - Annual CF accounts for FY2010; - Annual CF accounts for FY2011; - Monthly CF accounts for May 2012; - Monthly CF accounts for June 2012; - Accounting manual for MMDAs dated November 2011; - Draft Accounting Manual for MDAs; - Financial Administration Regulation 2004; - Financial Administration Act 2003, Act 654;

Performance Indicators	Information sources	
	Institutions	**Documents, websites**
		- 1992 Constitution.
PI-26	GAS, MOFEP, Ghana Integrity Initiative	- Audit Service Act 2000, Act 584; - 1992 Constitution;
PI-27	GAS, Parliament, CAGD, Ghana Integrity Initiative	- Financial Administration Regulation 2004; - Financial Administration Act 2003, Act 654; - Annual Report to Parliament – DACF;
PI-28	GAS, Parliament, CAGD, Ghana Integrity Initiative	- Audit Report of Consolidated Fund 2009; - Audit Report of Consolidated Fund 2010; - Audit Report of Consolidated Fund 2011; - Transmittal letter from Auditor General to Parliament - Bank of Ghana half-year account ended 30th June 2010; - Transmittal letter from Auditor General to Parliament - MDAs and CF accounts for 2010; - Transmittal letter from Auditor General to Parliament - DACF and MMDAs accounts for 2009; - Transmittal letter from Auditor General to Parliament - Bank of Ghana half- year account ended 30th June 2009; - Transmittal letter from Auditor General to Parliament - Public Boards and Corporations accounts for 2009; - Transmittal letter from Auditor General to Parliament - MDAs and CF accounts for 2009; - Transmittal letter from Auditor General to Parliament - Pre-University Educational Institutions accounts for 2009; - Bank of Ghana Foreign Exchange Receipts and Payments - first half 2009; - Bank of Ghana Foreign Exchange Receipts and Payments - second half 2009; - Bank of Ghana Foreign Exchange Receipts and Payments - first half 2010; - Bank of Ghana Foreign Exchange Receipts and Payments - second half 2010; - Bank of Ghana Foreign Exchange Receipts and Payments - first half 2011; - Bank of Ghana Foreign Exchange Receipts and Payments - second half 2011; - Ghana Audit Service 2012 Work Plan; - Ghana Audit Service 2011 Audit Performance Appraisal; - DACF Audited Financial Report for FY2009; - DACF Audited Financial Report for FY2010; - Pre-university educational institutions audited account for FY2009; - MMDAs audited accounts for FY2010.
D-1	DPs, MOFEP, GAS, CAGD, MDAs	- MDBS Framework Memorandum, 2008; - Donor group letters with consolidated forecasts of MDBS disbursements 2009, 2010, 2011; - MOFEP/MDBS Secretariat records of pledges and actual MDBS 2009, 2010, 2011; - Responses from DPs on a questionnaire developed by the PEFA assessment team.

Performance Indicators	Information sources	
	Institutions	Documents, websites
D-2	DPs, MOFEP, GAS, CAGD, MDAs	- MS-excel sheet provided by EERD (MOFEP); - International Aid Transparency Initiative (IATI); Study on better reflecting aid flows in country budgets to improve aid transparency and public financial management, GHANA CASE STUDY SUMMARY, Rebecca Carter, Mokoro Ltd. April 2012 - Ghana Aid Policy & Strategy 2011-2015; - Responses from DPs on a questionnaire developed by the PEFA assessment team.
D-3	DPs, MOFEP, GAS, CAGD, MDAs	- Responses from DPs on a questionnaire developed by the PEFA assessment team; - OECD/DAC Survey on Monitoring the Paris declaration based on 2010 data; - Aid Effectiveness 2011: progress in implementing the Paris declaration – Volume II Country Chapters.

Annex 3: List of Stakeholders Interviewed

Name	Division/unit	Position	Email
Ministry of Finance and Economic Planning			
K. Awuah-Peasah	MOFEP	CEPO	koopeasah@yahoo.com
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Charles Dzetu	MOFEP	SEO	Charsor13@yahoo.com
Patrick Okyere	MOFEP	AEO	pkokyere@mofep.gov.gh
Bright Tsikata	MOFEP	AEO	brightkojotsikata@gmail.com
Mary Anne Addo	MOFEP	Director	M-AAddo@mofep.gov.gh
Zakaria Y. M. Seini	MOFEP	PEO	zseini@mofep.gov.gh
Allan B. Van-Segbefia	MOFEP	AEO	vansegbefia@mofep.gov
Gameli Ahiador	MOFEP	AEO	kgamey@yahoo.com
Paul Ahiable	MOFEP	BO	pahiable@mofep.gov.gh
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Annex 5a: Data used for scoring PI-1

	2009				2010				2011			
	Original	Actual	Deviation	%	Original	Actual	Deviation	%	Original	Actual	Deviation	%
Personnel Emoluments	2,496,206,126	2,478,694,658	-17,511,468	-0.7%	3,112,950,000	3,182,526,834	69,576,834	2.2%	3,732,761,500	4,534,870,641	802,109,141	21%
Goods and Services	452,966,202	621,180,914	168,214,712	37.1%	635,082,000	961,761,008	326,679,008	51.4%	604,230,000	723,914,281	119,684,281	20%
Domestic Financed Investment (excl DAFC)	705,614,405	548,336,782	-157,277,623	-22.3%	876,586,450	725,678,523	-150,907,927	-17.2%	1,056,764,756	1,340,854,873	284,090,117	27%
Sub-Total (GoG)	3,654,786,733	3,648,212,354	-374,990,249	-8.6%	4,624,618,450	4,869,966,365	133,644,865	2.4%	5,393,756,256	6,599,639,795	1,223,671,351	19%
Transfers & Subsidies												
Retained IGF	386,881,310	409,020,000	22,138,690	5.7%	595,700,000	685,097,000	89,397,000	15.0%	818,117,820	722,279,971	-95,837,849	-12%
Transfers to Households	527,203,604	408,536,351	-118,667,254	-22.5%	591,295,200	437,444,355	-153,850,845	-26.0%	740,000,000	770,735,404	30,735,404	4%
NHF	375,209,162	153,483,547	-221,725,615	-59%	480,907,660	351,267,095	-129,640,565	-27.0%	477,672,730	376,982,034	-100,690,696	-21.1%
Other	518,822,674	360,289,429	-158,533,245	-30.6%	304,656,580	517,556,163	212,899,583	69.9%	316,897,700	634,572,369	317,674,669	100%
Outstanding Commitments	533,488,799	626,488,000	92,999,201	17.4%	754,000,000	641,625,681	-112,374,319	-14.9%	214,020,000	1,848,597,248	1,634,577,248	764%
Tax Refunds	43,142,000	31,183,760	-11,958,240	-27.7%	41,883,750	45,489,435	3,605,685	8.6%	53,252,435	89,154,869	35,902,434	67%
Reserve Fund	344,500,000	168,273,821	-176,226,179	-51.2%	558,300,000	470,800,553	-87,499,447	-15.7%	403,881,180	330,455,656	-73,425,524	-18%
Sub-total	2,729,247,549	2,157,274,907	-395,746,463	-14.5%	3,326,743,190	3,149,280,282	-89,963,461	-2.7%	3,023,841,865	4,772,777,552	1,822,361,211	60%
Total Primary Expenditure	6,384,034,282	5,805,487,260	-578,547,022	-9.1%	7,951,361,640	8,019,246,647	67,885,007	0.9%	8,417,598,121	11,372,417,347	2,954,819,226	35.1%

Source: Appropriations Acts 2009, 2010, 2011 and Fiscal Data from MOFEP.

Annex 5b: Data used for scoring PI-2

Nr	MDAS (Consolidated Fund)	2009		2010		2011	
		Appropriations	Actual	Appropriations	Actual	Appropriations	Actual
1	Ministry of Local Government Rural Development	46,620,153	70,734,233	76,360,018	93,219,295	77,168,156	128,359,801
2	Office of Government Machinery	102,731,631	135,772,675	138,506,326	96,545,332	124,429,235	302,029,785
3	Ministry of Foreign Affairs & Regional Integration	67,802,525	118,605,178	83,623,874	145,744,815	79,125,573	131,372,020
4	Ministry of Finance and Economic Planning	63,960,956	163,628,249	85,408,725	84,745,484	80,498,037	97,408,745
5	Audit Service	24,904,055	36,408,014	31,132,348	45,635,162	30,582,510	62,058,952
6	Electoral Commission	7,091,990	9,101,079	21,633,009	62,460,029	25,399,946	108,796,817
7	Office of Parliament	29,726,272	28,863,302	34,037,510	78,166,527	36,885,490	20,760,538
8	Ghana Revenue Authority	141,342,140	111,938,017	203,186,900	170,163,866	187,259,779	210,778,953
9	Ministry of Food and Agriculture	60,541,825	55,349,726	77,200,180	68,702,772	78,349,789	96,467,617
10	Ministry of Lands and Natural Resources	14,097,316	62,676,195	47,651,779	76,454,136	46,265,080	117,521,398
11	Ministry of Environment Science and Technology	41,310,002	34,533,045	50,481,461	71,024,348	67,954,610	74,610,776
12	Ministry of Water Resources Works and Housing	46,122,240	37,197,904	23,141,670	43,247,805	16,618,211	119,586,668
13	Ministry of Roads and Highways	90,114,575	128,046,180	146,286,116	194,999,912	81,412,702	836,557,875
14	Ministry of Transport	3,379,288	6,677,927	20,625,976	19,143,937	16,221,736	17,707,009
15	Ministry of Education,	1,107,132,235	1,435,774,019	1,266,056,673	1,825,819,589	1,477,730,828	2,655,665,219
16	Ministry of Youth and Sport	44,353,163	19,169,035	28,342,885	66,210,797	28,480,985	141,814,342
17	Ministry of Health	344,398,438	407,653,256	400,450,712	463,817,868	406,642,440	771,192,430
18	Ministry of Defence	156,568,606	164,201,676	177,825,162	173,771,610	146,861,987	351,807,029
19	Judicial Service	52,278,757	44,480,788	51,773,230	46,881,991	50,384,261	66,276,292
20	Ministry of Interior	153,971,312	187,417,046	209,951,393	426,490,534	264,139,431	753,770,778
21	Remaining heads	92,254,732	145,994,882	122,643,605	125,158,765	118,203,620	590,609,357
	Sub-total allocated	2,690,702,211	3,404,222,426	3,296,319,552	4,378,404,574	3,440,614,406	7,655,152,401
	Utilities	90,000,000	86,984,944	120,000,000	109,736,061	100,000,000	45,501,976
	Subscription Payment	5,310,000	5,411,575	8,000,000	3,184,274	8,000,000	24,281,908
	Intra-Sectoral	-	-	634,501,970	-	922,451,765	-

Nr	MDAS (Consolidated Fund)	2009		2010		2011	
		Appropriations	Actual	Appropriations	Actual	Appropriations	Actual
	Contingency	468,914,617	-	88,686,498	-	123,225,329	-
	Sub-total unallocated (multi-sectoral)	564,224,617	92,396,519	851,188,468	112,920,335	1,153,677,094	69,783,884
	Grand total Consolidated Fund	3,254,926,828	3,496,618,945	4,147,508,020	4,491,324,909	4,594,291,500	7,724,936,285

Source: Appropriations Acts 2009, 2010 and 2011; Report of the Auditor general on Public Accounts 2009, 2010, and 2011.

Annex 6: Comparison of the Old and New Charts of Accounts

Segments	Old Budget Classification (BC) FY 2011	New BC and CoA FY 2012
(Natural) Account	The **Account Segment** facilitates the coding of account transactions into: Account class: • Asset – 1; • Liabilities and Fund Balance – 2; • Revenue – 3; • Expenditure – 4. Item: • Personal Emoluments – 1; • Administration – 2; • Services – 3; • Investment – 4. Sub-item; Sub-sub-item.	The **Natural Account Segment** reflects the GFS 2001 economic classification of expenditure and defines classification of revenue and classification of flows and stocks in assets and liabilities.
Organisation	The *Organisation Segment* identifies institutional units or cost centres responsible for financial management. It consists of Ministry, Department or Agency, Division and Unit.	In the *Organisation Segment* the organization structure of the MDA is defined with the objective of budget and cost collection at defined and recognised cost centre units.
Institution (Economic entity)	NA	The *Institution Segment* reflects economic entity that are capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities.
Sector / Functions	A *Sector Segment* reflects the functional classification of the MDAs by government. All MDAs are currently classified under 5 broad categories i.e. General Administration, Economic Services, Infrastructure, Social Services and Public Safety. An additional category called Multi-Sectoral is provided to enable the budgeting, accounting and reporting on those activities that cuts across specific sector e.g. Contingency, payment of Utility to MDAs, Non-Road Arrears Clearance etc.	In the *Functions of Government Segment* the classification of Outlays by Function of Government is defined using the COFOG definitions in the GFS 2001 Manual.
Strategic Plan / Program and Sub-Program	The *Strategic Plan Segment* facilitates the allocation and utilization of resources. It includes objectives, outputs, activities.	The *Program (Outcome) Segment* reflects the strategic objectives of the MDA defined as outcomes (what the mission wants to achieve). The *Sub Program (Output) Segment* reflect outputs or services that government entities provide for Ghanaian citizens.
Projects	NA	The *Projects Segment* allows to record

Segments	Old Budget Classification (BC) FY 2011	New BC and CoA FY 2012
		individual projects where there may be an activity which would have a one to many relationship to projects. Project contracts will be linked to the Activate Contracts Database.
Activities	NA	The *Activities Segment* reflect individual acts which, when grouped together, constitute an output (what has to be done to produce the outputs).
Fund type	This is used to identify *Fund Type* i.e. Consolidated Fund and Contingency Fund.	The *Type and Source of Funds Segment* combines the previous separate segments for type and source of funds using a parent child relationship for sources of funds with type of fund.
Fund source	This is used to identify *Fund Sources* i.e. sources of inflows in Consolidated Fund.	
Location	The *Location - Treasury Segment* is used as an identifier of the treasury that is processing the transaction for payment.	The *Location Segment* will record each geographical location.
Authorisation	The *Authorisation Segment* specifies the level of authorisations from budgeting through to implementation. It tracks releases of budgets to MDAs, Virements and Recovery Warrants.	NA
Spare	One segment.	Two segments.

Source: MOFEP, Description of the old and new Chart of Accounts.

Annex 7: Commercial SOEs and Subvented Agencies under SEC's Oversight

Commercial SOEs

1. Airport Clinic
2. Architectural Engineering Services Limited
3. Aviation Social Centre Limited
4. Bulk Oil Storage Transport
5. Electricity Company of Ghana
6. Ghana Airports Company Limited
7. Ghana Civil Aviation Authority
8. Ghana Cocoa Board
9. Ghana Cylinder Manufacturing Company Limited
10. Ghana National Petroleum Corporation
11. Ghana Ports and Harbours Authority
12. Ghana Post Company Limited
13. Ghana Publishing Company Limited
14. Ghana Railway Company Limited
15. Ghana Supply Company Limited
16. Ghana Trade Fair Company Limited
17. Ghana Water Company Limited
18. GIHOC Distilleries Company Limited
19. GNPA Limited
20. Graphic Communications Group Limited
21. Ghana Grid Company Limited
22. New Times Corporation
23. Precious Minerals Marketing Company
24. State Housing Company Limited
25. Tema Development Corporation
26. Tema Oil Refinery
27. Volta Lake Transport Company Limited
28. Volta River Authority

Subvented Agencies

1. Community Water and Sanitation Agency
2. Ghana Broadcasting Corporation
3. Ghana Highway Authority
4. Ghana Meteorological Agency
5. Ghana News Agency
6. Grains and Legumes Development Board
7. ICOUR Ghana Limited
8. Irrigation Development Authority
9. National Food Buffer Stock Company
10. National Theatre of Ghana

Annex 8: Collection of Tax Arrears (PI-15(i))

GH¢	2009	2010	2011
Customs			
Debt stock at the beginning of the year	not available	12,317,932	7,019,109
Accrued arrears	not available	8,319,140	6,373,444
Collections	not available	8,472,652	934,687
Debt stock at the end of the year	not available	12,164,420	12,457,866
Total revenue	not available	2,442,150,000	3,604,820,000
Tax arrears ratio, %	not available	0.50%	0.19%
Collection ratio, %	not available	68.8%	13.3%
VAT			
Debt stock at the beginning of the year	50,176,140	114,651,125	84,212,270
Additions (i.e. accrued minus collections)	64,474,985	-30,438,855	-53,777,992
Collections	not available	not available	not available
Debt stock at the end of the year	114,651,125	84,212,270	30,434,278
Total revenue	754,447,000	1,064,572,000	1,367,630,000
Tax arrears ratio, %	6.7%	10.8%	6.2%
Collection ratio, %	not available	not available	not available
Direct domestic taxes			
Debt stock at the beginning of the year	not available	120,988,320	116,371,000
Accrued arrears	not available	45,957,480	363,067,000
Collections	not available	69,499,333	184,129,000
Debt stock at the end of the year	not available	97,446,467	295,309,000
Total revenue	not available	2,443,891,000	3,746,140,000
Tax arrears ratio, %	not available	5.0%	3.1%
Collection ratio, %	not available	57.4%	158.2%
Total			
Debt stock at the beginning of the year	not available	247,957,377	207,602,379
Collections (excl. VAT)	not available	77,971,985	185,063,687
Total revenue	4,635,510,000	5,950,613,000	8,718,590,000
Tax arrears ratio, %	not available	4.2%	2.4%
Collection ratio (excl. VAT), %	not available	31.4%	89.1%

Source: GRA. Note that in the data on Customs and Direct Domestic taxes the debt stock at the end of the year is not equal to the debt stock at the beginning of the next year.

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