

Outstanding loans

Not much effort was made by management to recover Staff Advances. As a result of this, **GH¢2,600** of Staff Advances were in arrears at the end of 31st December, 2011.

Payroll Irregularities

Separated staff were wrongly paid their salaries up to **GH¢451,364**. These were unearned salaries which should not have been paid. The wrong payments were made because of delays by management to delete names of separated staff from the payroll.

Stores and Procurement Irregularities

Stores and procurement irregularities amounted to **GH¢160,273**. The principal factors were;

- Items were allegedly purchased and used but were not recorded in the Stores Records even though the regulations require that all goods purchased should be taken on ledger charge even if they are to be used immediately.
- Some procurement violated the Public Procurement Act because competitive quotations were not obtained from at least three suppliers and no approval was given for them to procure from sole sources.

Contract Irregularities

There were contract irregularities amounting to **GH¢86,081**. Included in this figure was a contract for **GH¢40,000** for the supply of computers and renovation of classroom blocks awarded by the Member of Parliament for Sefwi-Akotombra.

Although the contractor had received full payment, the contract had not been performed at the time of the audit. The contract had been awarded by the Member of Parliament without following the laid down procurement arrangements of the Assembly.

5.3 MINISTRY OF YOUTH AND SPORTS YEAR ENDED 31st DECEMBER, 2011

The summary of Financial Irregularities was as follows:

DETAIL	AMOUNT (GH¢)
Cash irregularities	237,865
Payroll irregularities	16,130
Stores and procurement irregularities	24,738
TOTAL	278,733

Cash irregularities

There were a number of cash irregularities amounting in total to **GH¢237,865**.

The lapses were due to the following;

- Payment vouchers covering payments made to suppliers and recorded in the accounting books could not be made available to the auditors to verify. Payments made to some suppliers could not be confirmed by the auditors because the suppliers failed to issue receipts to cover the payments made to them.
- Officers who had failed to account for imprest given them even after the completion of the assignments for which the imprest were given.

There were instances where payments had been made to suppliers by the Accountant without seeking the prior approval of the superior officers.

Payroll irregularities

Payroll irregularities amounted to **GH¢16,130** and were paid to staff who had left the employ of the MDAs and were not, therefore, entitled to any salaries. The errors were committed because the schedule officers did not promptly remove the names of separated staff from the payroll.

Stores and Procurement Irregularities

As a result of non-compliance with procurement rules and stores regulations an amount of **GH¢24,739** was captured as stores and procurement irregularities. The principal violations were:-

- Items purchased and allegedly used without any entries in the stores records.
- Fuel purchases not captured in vehicle log books as demanded by the Stores Regulation.

5.4 MINISTRY OF HEALTH YEAR ENDED 31st DECEMBER, 2011

The summary of financial irregularities at the Ministry of Health in the year ended 31st December, 2011 was as follows:

DETAIL	AMOUNT (GH¢)
Tax irregularities	122,308
Cash irregularities	12,089,460
Outstanding loans	5,182,732
Payroll irregularities	272,487
Stores/Procurement irregularities	259,140
Contract irregularities	13,461,830
Rent arrears	180,769
TOTAL	31,568,726

TAX IRREGULARITIES

There were tax irregularities comprising

- Purchases from non VAT registered entities
- Unremitted taxes or taxes withheld from payments to suppliers on behalf of the tax authorities but not paid over to the tax authorities.
- Taxes that should have been withheld from payments to suppliers for the VAT Commissioner and the IRS were not deducted.

The amount involved added up to **GH¢122,304**. Compliance with the tax laws and enforcement of the Financial Administration Act can enhance tax revenue generation.

Cash Irregularities

Cash irregularities totaled **GH¢12,089,460**. The major irregularities were as follows;

- The heads of thirty-four health training institutions could not account for proceeds of **GH¢352,995** from the sales of admission application forms.
- A number of revenue collectors misappropriated total revenue of **GH¢723,721** during the year.

Significant among the incidents of misappropriation was an amount of **GH¢576,000** misappropriated by the Accountant of the Keta Municipal Government Hospital.

There were several instances of:

1. Failure to obtain official receipts and invoices in support of expenditures.
2. Failure to ensure that alleged recipients of amounts appended their signatures on payment vouchers.
3. Failure to prepare payment vouchers to support cash withdrawals from the banks.
4. Refusal of Mutual Health Insurance Schemes to acknowledge receipts of releases by the National Health Insurance Authorities.

These lapses and omissions resulted in total unsupported and unsubstantiated payments of **GH¢7,381,737**.

- a. Imprest granted to two officers had not been accounted for even though their due dates had expired.
- b. Payment vouchers covering total payments of **GH¢152,965** together with their supporting documents could not be presented for audit verification. Insurance premiums in respect of vehicles purchased for staff was wrongly paid by the ministry. At the year end, the amount of **GH¢3,442,297** remained uncollected from the owners of the vehicles.
- c. Some health facilities within the Half Assini District misapplied drug funds amounting to **GH¢26,067**.
- d. A physical count of Admission Application Forms disclosed a shortage of 1,208 forms valued at **GH¢43,488**.
- e. Due to weak monitoring, the Keta Municipal Government Hospital had in stock drugs valued at **GH¢10,135** having expired useful lives.

Outstanding Loans

Medical claims amounting to **GH¢2,078,430** submitted by Okomfo Anokye Teaching Hospital to the Health Insurance Authority were dishonored for various deficiencies that were found in the claims. The amount was included in outstanding loans due to the hospital.

- Other indebtedness of some National Health Insurance Schemes to health institutions amounted to **GH¢2,780,461**.
- The Bompata Health Centre was indebted to regional medical stores in the sum of **GH¢73,163**.

Payroll irregularities

- Some directors at headquarters were paid an excess of **GH¢60,669** in respect of allowances due them and paid to them from internally generated funds. This amount was later duplicated by the controller and accountant general. At the time of the audit the excess payments totaling **GH¢60,669** had not been collected from the officials.
- Because of delays in the deletion of names of forty one separated staff from the payroll, unearned salaries of **GH¢211,818** was wrongfully paid.

Stores/ Procurement irregularities

This category of irregularity included:

- Drugs worth **GH¢153,278** purchased from private pharmaceutical companies without obtaining non-availability certificates from the regional medical stores.
- The utilization of store items and drugs valued at **GH¢79,000** allegedly purchased during the year but could not be ascertained and confirmed by the auditors because of failure to record them in the stores records.

Rent Arrears

636 staff members who occupied government quarters did not pay rent amounting to **GH¢180,769**.

Contract Irregularities

This came about basically because the propriety of the basis of the award of a contract for the supply of Great Wall Pick-Up vehicles worth **GH¢10,458,000** could not be determined.

5.5 MINISTRY OF JUSTICE AND ATTORNEY GENERAL YEAR ENDED

31st DECEMBER, 2011

IMPROPER MAINTENANCE OF ACCOUNTING RECORDS

At the Judicial service the auditors lamented that their review of receipts payments and recordings made in the cash book disclosed that:-

- Receipts were not recorded in the cash books.
- The cash books were not balanced monthly.
- Check stubs were used to make entries in the cash books instead of payment vouchers.
- No bank reconciliation statements were prepared during the year.
- Entries in the cash books could not possibly be relied upon to prepare financial statements for the Judicial Service and indeed no financial Statements were prepared at the year end.

Financial irregularities

The summary of financial irregularities at the Ministry of Justice and the Attorney General was as follows:-

DETAIL	AMOUNT (GH¢)	AMOUNT (US\$)
Tax irregularities	19,691	-
Cash irregularities	16,278,703	65,929
Payroll irregularities	8,790	-
TOTAL	16,307,184	65,929

Tax irregularities

- Payments made to security officers of the service as overtime allowances of **GH¢196,900** was not subjected to the deduction of ten percent withholding tax of **GH¢19,690**.

Cash irregularities

- Payment vouchers with a face value of **GH¢896,649** were not presented for examination by the auditors.

- A number of payment vouchers amounting to **GH¢12,086,057** could not be supported with a receipt or any form of acknowledgment from the recipients of the amount in contravention of the financial administration regulation.
- Mr. Fiifii Wilson Ankrah, an official of Home Finance Company Bank stationed at the circuit court, failed to lodge court fines and deposits totaling **GH¢139,583** into the Consolidated Fund. No complaint had been lodged with the police in respect of this incident at the time of the audit.
- Management transferred **GH¢2,483,400** from the deposit account into the subvention account without preparation of payment vouchers to specify what the funds were intended for. Management has refunded **GH¢100,000** leaving a balance **GH¢2,383,400** to be refunded.
- Payments totaling **\$65,929** were wrongly transferred from the deposit account to the subvention account for payment of foreign travels, accommodation and allowances. No payment vouchers were prepared to support the cash withdrawals and any case it was against financial regulations to make such transfers.

Payroll irregularities

A couple of officers who separated from the ministry were paid a total of **GH¢8,790** after their separation.

6. AUDIT REPORT IMPLEMENTATION COMMITTEES (ARICs)

6.1 INTRODUCTION

It goes without saying that action must be taken on all audit findings and recommendations contained in the report of the Public Accounts Committee and adopted by Parliament. If audit findings are not acted upon the whole audit exercise is rendered useless. The responsibility to ensure that actions and sanctions are undertaken on audit findings adopted by Parliament is placed on the Audit Report Implementation Committees (ARICs).

The creation of ARICs is mandated by section 30 of the Audit Service Act, 2000 (Act 584) which provides that bodies and organisations which are subject to audit by the Auditor General must establish an ARICs.

Under the law, the ARICs could take one of three forms. In the case of an institution, body or organization, the Governing Board or Council acts as the ARICs. In Ministries, Departments and Agencies (MDAs) of central government, a Ministerial Committee is to be set up to act as the ARICs. And in the case of District Assemblies a special committee of the Assembly is set up to perform the functions of the ARICs.

The Internal Audit Agency describes ARICs as a statutory and high level independent corporate governance committee in the Public Sector Financial Management System to ensure efficient utilization of public resources.

The primary function of the ARICs is to ensure that recommendations in all audit reports including, but not limited to the Auditor General's Report, internal audit reports and reports of internal financial monitoring units are implemented. The ARICs are therefore required to examine the recommendations and propose strategies for the implementation of the recommendations to the heads or management of the institutions and follow-up to ensure that the recommendations are being implemented.

The law also requires that not later than six months after Parliament's approval of the Auditor General's report, the ARICs must submit a report to Parliament, the office of the President, and the Auditor General, outlining the actions or proposed actions to be taken to address the issues raised by the audit report, as well as the proposed time frame for the implementation strategy.

We could not be granted access to the books and records of the Ministries to verify what work had been done by the ARICs. We were however able to interview key officials from the selected Ministries to ascertain the extent to which the Ministries had complied with the statutory obligations with respect to the ARICs.

We also conducted interviews with personnel from the Audit Service.

It was apparent from the interviews conducted that the MDAs generally did not attach particular importance to the role of the ARICs between 2009 and 2011. Most of the ministries confirmed that they have not had functioning ARICs since the passage of the Audit Service Act. This was confirmed by the Audit Service which added that they have not received the report the law requires from the ARICs. The Service's position is that given the sheer number of MDAs and its human resource capacity, it is unable to follow up on ARICs to ensure compliance with the requirement of the law as it does for the Report on the Consolidated Fund.

However, frantic efforts appear to have been made over the last year to establish the ARICs and ensure their efficacy. Although the Audit Service itself does not have an ARIC as it is not subject to Audit under the Audit Service Act, it is in the process of setting up an ARIC as an example for the relevant bodies and organisations. For its part, the Audit Service has also partnered with the Internal Audit Agency to develop a guide/manual for ARICs. The manual is still in its drafting stage and when completed is expected to facilitate the formation of ARICs by setting out criteria for qualification for members, meeting guidelines, tenure of office for members and remuneration for members.

6.2 MINISTRY OF FINANCE & ECONOMIC PLANNING

The Ministry of Finance set up an Audit Report Implementation Committee (ARICs) in 2005. Although established in accordance with the guidelines, the Committee was not functional and met only when invited by the Public Accounts Committee to appear for a hearing. Since 2012, the Committee has been strengthened and is functional. There is a Ministerial ARICs for the entire Ministry. Further, all the Agencies (GRA, Statistical Services, CAGD) have individual ARICs. There is a technical committee who reviews all the reports submitted by these individual ARICs and prepare a report for the ministerial ARICs to consider.

The Ministerial ARICs is supposed to prepare a report on the work of all the ARICs for the Minister to sign as Chairman and submit to the President and other institutions mentioned in the Act. Even though some draft reports have been prepared, the Minister has not signed them for onward submission to the President.

The Committee has a couple of challenges. There is no budgetary provision for the work of the ARICs. This makes it difficult to organize meetings and to dispatch officers to the field to confirm that audit recommendations have indeed been implemented and sanctions applied as necessary.

Another challenge is that the members are all senior officials of the Ministry with very heavy schedules. This makes it difficult to convene and hold regular meetings.

6.3 MINISTRY OF EDUCATION

The Ministry of Education set up an ARICs in 2005 but it remained ineffective and not functional up to the end of 2011. During the period, the Ministry relied on its Internal Audit Department to ensure audit findings and recommendations were acted upon.

At the beginning of 2013, and in response to the emphasis placed on ARICs by the Public Accounts Committee of Parliament, the Ministry began to focus proper attention on the ARICs. Today, there is a properly constituted ARICs at the Ministry chaired by the Deputy Minister for Pre-Tertiary Education and comprising the Chief Director, the Director for Policy, Budgeting, Monitoring and Evaluation (PBME), a representative each of the Internal Audit Agency and the Institute of Internal Auditors of Ghana.

Co-opted members include the Director General of the Ghana Education Service, the Executive Secretary of the National Council for Tertiary Education and the GES Director of Finance.

There is a non-member Secretary to the Committee and the Director of Internal Audit and the Director for Finance & Administration attend the meetings of the ARICs.

The new Committee has met thrice since it was reconstituted this year and has been considering the Auditor General's reports for the years 2008, 2009, 2010 and 2011. It has been evaluating the operation and performance of the ARICs of the 21 agencies under the Ministry. Majority of the agencies did not have functioning ARICs and therefore the Ministry's ARICs has made it a priority to ensure that all its agencies established ARICs as is required by the law.

In addition, the ARICs has been considering management responses to the Auditor General's findings over the years under review so as to ascertain the level of implementation and where necessary develop new implementation strategies.

6.4 MINISTRY FOR YOUTH & SPORTS

Up to the year ending 31st December, 2011, the Ministry for Youth & Sports did not have a functional ARICs even though an ARICs was established in 2009. There was therefore no mechanism in place to ensure that audit recommendations were complied with.

In 2012 a new ARICs was established with the Minister as the Chairman. Other members are:

- The Chief Director.
- The Internal Auditor.
- A representative from Internal Audit Agency.
- A representative from Institute of Internal Auditors.

Since the formation of the ARICs, it has met twice and is in the process of reviewing the recommendations of previous Auditor General's reports with the view to developing strategies to implement recurring problems in the financial administration system of the ministry.

The ARICs of the Ministry for Youth & Sports has also taken it upon itself to improve its internal audit structure and systems and is currently developing an internal audit charter. This is expected to help improve the financial administration of the ministry and facilitate the implementation of the strategies proposed by the ARICs.

6.5 MINISTRY OF HEALTH

The Ministry of Health has maintained a fairly functional ARICs since 2006. The Ministry appears to be the exception of the Ministries considered. The Committee is composed of the Minister as Chairman, the Director of Administration, the Director of Human Resources, Director of Policy, Planning, Monitoring and Evaluation (PPME) and a representative each from the Internal Audit Agency and the Institute of Internal Auditors.

The Internal Auditor and the Financial Controller attend meetings of the Committee. The Deputy Director of Internal Audit acts as the Secretary to the ARICs.

The ARICs of the MOH meets frequently to consider not just the Auditor General's Report, but the Ministry's Internal Audit Report and the Financial Monitoring Report. According to the Secretary, the Committee meets at least eight times a year. It issues directives to relevant departments to address audit recommendations and through the Internal Audit Department follows up on these directives to ensure compliance.

The ARICs of the MOH has considered the financial, managerial and corporate governance issues including internal control mechanisms and management styles in the financial administration of the MOH as expressed in various Internal Audit Reports. It has issued directives to address them to the relevant departments and has tasked the Internal Audit Department to oversee the implementation.

Some of the issues the ARICs has considered include misapplication of funds and various acts of corruption in various health facilities as revealed by the Auditor General's Report.

6.6 MINISTRY OF JUSTICE & ATTORNEY GENERAL

We made several attempts to interview officials of the Ministry of Justice and Attorney General to ascertain how functional its Audit Report Implementation Committee is and whether the Committee ensures that audit recommendations are implemented and sanctions applied as necessary. Unfortunately, we could not get any response from the Ministry.

6.7 CONCLUSION

There must be a mechanism in place to ensure that Audit Recommendations are implemented and sanctions applied where necessary. Today, the mechanism to achieve this is the Audit Report Implementation Committee. The general belief is that the ARICs have certain challenges which need to be addressed to enable them to perform their duties.

- It has been observed that the composition of the ARICs is such that the key officials of the institution are the same people against whom adverse findings would have been made. To expect such officers to implement the findings against themselves is not quite realistic.
- Members of the ARICs as provided in the Act are very senior officers of the institution with very heavy work schedules. In practice, it is very difficult for such officers to afford the time commitment that they need for the committee.
- There is no budgetary provision for the ARICs secretariat, and yet they are supposed to undertake field trips to follow up on the implementation of audit recommendations.

7. THE PHENOMENON OF JUDGEMENT DEBTS

7.1 BACKGROUND

A judgement debt is a legal obligation to pay a debt or damages evidenced by a judgement entered in a court of record and enforceable by execution or other judicial process. It is a generic term encompassing all avoidable costs against the state, triggered by the force of law.

The Auditor General's Report from 2009-2011 reveals three broad themes of judgement debts:

- Settlement Claim
- Compensation
- Judgement Debt

7.1.1 SETTLEMENT CLAIM

The litigants, i.e. the State acting through its lawyer, the Attorney General and the plaintiff come to an out-of-court settlement and mandate the court to enforce the terms of the settlement. There is also the court-assisted settlement where the courts assist the litigating parties to reach an agreement without necessarily going through the full hog of trial. In the commercial courts, it is mandatory to go through a pre-trial settlement.

7.1.2 COMPENSATION

Compensation arises as a result of an executive decision to compensate owners for the compulsory acquisition of land for public causes.

7.1.3 JUDGEMENT DEBT

The obligation arises after the Courts have made a declaration or judicial pronouncement in favour of the plaintiff.

7.2 JUDGEMENT DEBTS AS REPORTED BY 2009 AUDITOR GENERAL'S REPORT

The Auditor General's Report for 2009 does not highlight judgement debt as a drain on the consolidated fund. The **€14,000,000 (GH¢ 28,858,200)** disclosed as having been paid in the year was only incidental to the Auditor General's concerns raised about the non-disclosure of the outstanding **€80,000,000** liability. The state had incurred judgement debt to the tune of **€94,000,000 (GH¢193,762,200)**.

Considering that this **GH¢193,762,200** was for only one beneficiary company, Construction Pioneers (CP), it is our view that more money was probably paid out, but buried in accounting classifications. It is unrealistic to expect that only one case was won against the state in 2009. Post year-end review of payments in the early part of 2010 reveals that a lot more judgement debt was incurred and possibly paid in 2009.

7.3 JUDGEMENT DEBTS AS REPORTED BY 2010 AUDITOR GENERALS

REPORT

In total, an amount of **GH¢275,917,484** was paid out as judgement debts in 2010 to some 41 individuals, 15 business entities, 6 area councils, 1 government institution, two families and 2 class action groups. The amounts involved ranged from **GH¢967** to **GH¢41,811,481** spanning 2nd January to 10th December of 2010.

The second quarter recorded the highest payment of **GH¢85M** while the last quarter recorded the lowest of **GH¢35M**. The first and third quarters were split at **GH¢78M**. According to the categorization of the Auditor General as appears in the description column of the Judgement Debt table, payments made as Settlement Agreement/ Claim amounted to **GH¢113.7M** being 41% of total payments. Amounts paid and categorized under Judgement Debt amounted to **GH¢83.7M** being 30% of total payments. Amounts paid out as Compensation was **GH¢76.8M** being 28% of total payments. The remaining 1% was shared between Severance Payment **GH¢293,027**, Payment of Outstanding Interest **GH¢1,355,342**, Gratuity **GH¢9,639** and Employee Entitlement **GH¢15,953**.

It is important to point out, however, that the narrative (Case Column) of the Table describes a number of the Judgement Debt category as Settlement Claim/Agreement thus rendering the distinction between the two very blur. A further analysis of the incidence of payment for the 2010 judgement debt revealed the following categories:

1. Contract Litigation Payments.
2. Land Related Compensation.
3. Payments occasioned by the infraction of Other Government agencies.
4. Labour Related Payments.
5. Payments occasioned by the misconduct of the Security services.

7.3.1 CONTRACT RELATED PAYMENT AMOUNTING TO -GH¢165M

Contract related payments formed 60% of total payments made in 2010, amounting to **GH¢164,828,204**. **GH¢70M** was paid to CP Construction as "settlement agreement concerning certain road projects", **GH¢59M** to Mr. Alfred A. Woyome as "settlement of claim involving rehabilitation of 3 stadia" and **GH¢21M** to M/S Rockshell Int. as "settlement agreement". These three beneficiaries took 91% of the contract related payments.

7.3.2 LAND RELATED PAYMENTS-GH¢88M

This category claimed 32% of total judgement debts paid in 2010, amounting to **GH¢87,883,438**. These are "compensation in respect of land acquired by the state" for purposes such as "land acquired for the Akosombo Dam", "land acquired by Govt. for the Asutuare Sugar Factory", Two Brigade Complex of the Ghana Armed Forces in Kumasi, Agona Swedru School of Business and Akatsi Teacher Training College.

7.3.3 OTHER GOVERNMENT AGENCIES – GH¢ 20.5M

These are judgement Debts occasioned by the actions or inactions of other para-government bodies. These recorded **GH¢20,496,555** and formed 7% of total payments made in 2010. The Accra Metropolitan Assembly for instance incurred a judgement debt of **GH¢9M** while a **GH¢4M** debt was occasioned by the erstwhile Ghana at Fifty Secretariat.

The Ghana National Procurement Agency (G.N.P.A) also led the State to incur a judgement debt of **GH¢2.5M** described as "debt owed by the G.N.P.A to New World Investment Ltd". Avnash Ind. Ltd obtained judgement in the sum of **GH¢2.8M** being "settlement agreement following the confiscation of the company's assets". These four payments constitute 92% of the payments in this category.

7.3.4 LABOUR RELATED PAYMENTS-GH¢2M

This amounted to **GH¢1,985,083** representing 0.70% of total payments made in 2010 and includes the class action initiated by the casual workers of the erstwhile Ghana National Trading Corporation (G.N.T.C) who obtained judgement in the sum of **GH¢297,023** and ex-workers of the State Construction Company (S.C.C) who obtained judgement in the sum of **GH¢1,355,342**. In this category also is Mr. Kojo Hodare-Okae who obtained judgement against the state "for wrongful transfer from GIS to GFZB" in the sum of **GH¢237,559**. These three beneficiaries form 95% of payments in this category.

7.3.5 SECURITY SERVICES - GH¢724M

Judgement Debts incurred by the State as a result of the actions of the Police and Armed Forces amounted to 0.30% of total payments made in 2010. The amount in this category pales compared to the total amount of judgement debts paid. However the State had to pay **GH¢399,486** "compensation in respect of accident caused by a reckless police driver on the Nkawkaw-Kumasi road" and **GH¢96,000** for "failure to release an impounded vehicle by Interpol after realising that it was not stolen". Dawuda Adams obtained a judgement against the state in the sum of **GH¢42,325** for "unlawful seizure of car, motorbike and cash by the police". Again the state had to cough out **GH¢42,000** as "compensation for the loss of life of S. Danomah who was in a taxi cab when the police negligently fired into it".

7.4 JUDGEMENT DEBTS AS REPORTED BY 2011 AUDITOR GENERAL'S REPORT

In total, an amount of **GH¢217,971,388** was paid as judgement debt in 2011 to thirty individuals, communities and business entities. Eight of these beneficiaries were carried over from 2010. The individual amounts ranged from **GH¢4,172** to **GH¢73,339,647**. The Controller and Accountant General grouped the amounts paid into these categories:

- a) Compensation for acquisition of land and other properties.
- b) Judgement debts.

This report, however, expands the classification as follows:

- a) Contract related litigation.
- b) Compensation for land.
- c) Judgement debts caused by other Government agencies.
- d) Labour disputes.
- e) Judgement debts occasioned by actions of security agencies.

7.4.1 CONTRACT RELATED – GH¢ 189M

judgement debts paid on government contract litigation was **GH¢189,090,495** amounting to over 86% of total amounts paid in 2011. Three of the beneficiaries, Africa Automobile Ltd (paid **GH¢4,159,010**), Mr. Alfred A. Woyome (paid **GH¢34,188,987**), and Construction Pioneers (paid **GH¢73,339,647**) were carried over from the previous year. Waterville received judgement by way of settlement agreement in the sum of **GH¢53,753,319** being "loss of profit and damages for wrongful termination of contract in respect of the rehabilitation of three stadia". These four beneficiaries constitute 87% of payments in this category.

7.4.2 LAND COMPENSATION-GH¢26M

Compensation for Land acquired from traditional rulers, families and individuals amounted to **GH¢ 26,195,441** forming 12% of total payments in 2011. This includes **GH¢22,336,068** paid to the Pai, Paaso, Ahamandi and Mankrago Areas "being compensation for land acquired for Akosombo Dam". A further **GH¢3,000,000** was paid to the Nii Osae Family of Otinshie being compensation for land in respect of Accra-Nungua-Otinshie site for scientific instrumentation center. These beneficiaries were carried over from the previous year, and their payments alone constitute 97% of this category.

7.4.3 OTHER GOVERNMENT AGENCIES-GH¢2.6M

Judgement debt incurred by the state as a result of infractions on the part of other government agencies in 2011, amounted to **GH¢2,574,700**. This constituted 1% of total judgement debts paid. Highlights of this category are **GH¢1,503,200** paid to Balaji Gemlast Co. Ltd being "Ghana Consolidated Diamond Ltd. indebtedness to Balaji", a **GH¢545,747** paid to Wendy Rose being "Breach of Contract on School Feeding Programme" and a **GH¢269,407** paid to Modern Construction Ltd. on account of some renovation work carried out for the Forestry Commission. These three beneficiaries constitute 90% of payments in this category.

7.4.4 LABOUR RELATED-GH¢62M

Judgement debts arising out of employee litigation amounted to **GH¢62,388** being 0.03% of the annual total. These debts were occasioned on account of wrongful dismissals, legal costs on disputed death gratuity, and end of service benefits.

7.4.5 SECURITY SERVICES-GH¢48M

Infractions by the Security services caused the state **GH¢48,364** amounting to 0.02% of total judgement debts paid in the year. This involved "assault by C.E.P.S officials at Aflao Border" and "pain and suffering caused by accident involving Police motor cycle".

7.5 CAUSES OF JUDGEMENT DEBTS

7.5.1 BREACH OF CONTRACT

1. Inability or unwillingness of politicians to differentiate between the state and government; to appreciate that once a contract is entered into by government, the state is committed and a subsequent government cannot terminate or vary the terms of the contract arbitrarily.

2. At the heart of most of the breach of contract is the corruption or the perception of corruption laden in contracts signed under a previous government. Ruling governments are often torn between executing a contract which they perceive will only be in the interest of their political opponent and terminating or varying the terms.

4. The unwillingness of public servants to follow through the labyrinth of legal tussles born of incompetence or corrupt tendencies; they rush for negotiated settlement, when a bit of diligence would have saved the state. Though no public official has been found guilty of colluding with claimants to fleece the state, the scale of dereliction of duty is so staggering leaving one to wonder whether this can be ascribed to incompetence only.

4. The failure of public officials to act in a professional, meticulous and timely manner in the management and execution of government contracts.

7.5.2 LAND RELATED PAYMENTS

1. The failure to pay for lands compulsorily acquired from traditional custodians at the time of acquisition.

2. The litany of chieftaincy conflicts and multiplicity of claimants to particular parcels of land that makes it difficult to identify who to pay what to, when government is ready to settle.

7.5.3 OTHER GOVERNMENT RELATED AGENCIES

1. Negligence and incompetence on the part of public servants.

2. The absence of any policy or law that imposes personal responsibility on negligently causing financial loss to the state.

7.5.4 LABOUR RELATED PAYMENTS

1. Failure to follow laid down rules on how to dismiss staff from government employment.

2. Political persecution of persons deemed to be aligned to an opposing political party.

3. Clerical errors in the computation of benefits, gratuity, and pensions leading to disputes.

7.5.5 SECURITY SERVICES RELATED PAYMENTS

1. Disregard for the rule of law and appreciating that citizens do have rights which ought to be respected.
2. Absence of any law imputing personal liability on servicemen who negligently cause financial loss to the state.

7.6 RECOMMENDATIONS FOR CSO ADVOCACY

1. Politicians must be encouraged to understand the continuum of governance and appreciate that both the government in power and the opposition play a complementary role for the development of the country. A change in government must not mean everything has to start with the new government. It must not mean everything the previous government did was bad and therefore must be jettisoned. A change in government must not mean a change in contracts signed by the previous administration. Such arbitrary actions have financial implications for the government and must be stopped.

A change in government must not mean absence of communication and collaboration with former ministers and functionaries who may hold vital information. Efforts must be made to strengthen transitional provisions to ensure maximum cooperation instead of antagonism. The current atmosphere of mutual suspicion and mistrust is fertile ground for the unscrupulous to flourish.

2. The current practice where the Attorney General's office alone can negotiate out-of-court settlement with plaintiffs should be looked at again. It should be possible to set limits beyond which negotiated settlements should have parliamentary approval through the review of a parliamentary sub-committee.
3. The Minister for Justice should be separate from the Attorney General. This would insulate the prosecutor's office from undue political interference.

4. Ghana must consider setting up a parliamentary budget office to provide objective, non-partisan budget information and analysis to support parliamentarians. Best practice requires a budget office to be a professional body that is highly regarded by the public and all political segments. It should be independent of the executive, but accountable to the legislature. For it to be effective however, our current practice where the constitution enjoins the President to choose a majority of his ministers from parliament ought to be reviewed. This tends to subvert Parliament's oversight role over the Executive, of which some Members of Parliament are also members.

5. The Auditor General has suggested that Public officials should be surcharged for the loss they cause the state through judgement debts. Considering that these debts are so huge, and cannot be paid by these officials with their lifetime earnings, further charges of criminal negligence can be pressed against them with possible jail terms.

6. The curriculum of the security services training schools, especially the Police would have to undergo complete change. The "force" mentality must give way to a "service" mentality where they appreciate that they offer services to the community whose taxes are used to pay them. This will help them understand that they must act within the laws of the country and hence, avoid certain acts that can lead to more judgement debts.

8. CONCLUSION

This report has revealed that in all the three years that were examined, the five Ministries did not comply with the statutory financial reporting requirement as demanded by the Financial Administration Act, 2003, compelling the Auditor General to restrict himself to an audit of the transactions of the MDAs as opposed to the audit of their financial statements. This limits the scope of the audit envisaged by the Act. The government must, therefore, take steps to compel the MDAs to comply with this requirement.

The audit report also revealed a number of financial irregularities in all the ministries examined, which are recurring over the years. These irregularities include major breakdown of controls over tax administration, poor cash management practices, non collection of outstanding debts, procurement and contract irregularities, payments not supported by appropriate documentation, stores irregularities, misappropriation of cash and payments of unearned salaries and other payroll irregularities. These revelations are unfortunate and the government must take steps to curb them in the future.

The GII research team was not able to ascertain the extent to which audit findings and recommendations have been implemented as they could not be verified beyond verbal assurances from key officials that actions had been taken. It is important that the Auditor General ascertains whether actions, if any, had been taken on their audit recommendations of the previous year and document them. This is because inaction on audit findings render the whole audit assignment rendered useless.

Admittedly, the responsibility to ensure that actions are undertaken and sanctions applied is placed on the Audit Report Implementation Committees (ARICs) but these ARICs the Ministries studied generally did not attach particular importance to the role of the ARICs between 2009 and 2011 although frantic efforts were being made in the last year to establish the ARICs and ensure their efficacy. This has been attributed to the Public Accounts Committee of Parliament's demand that they it is provided assurance from Ministries who appear before them that they have functional ARICs. Finally, the government has also failed to establish the Financial Tribunals on technical/legal grounds.

This report also examined judgment debts as captured in the Reports of the Auditor General on the Public Accounts of Ghana (Consolidated Fund) for the years 2009, 2010 and 2011. Our review of the incidence of judgment debts revealed five categories i.e. breach of contract, compensation for land, labour disputes, debts occasioned by infractions by the security services and debts as a result of infractions by other government agencies. The team concluded that many of these judgment debts were attributable to downright incompetence on the part of public officials, negligence on the part of the Attorney General's office and non adherence to the rule of law on the part of the security services, among others. As anti-corruption organization finds it very difficult to rule out corruption as a cause of these

judgment debts as the public officials could gain from these payments. This is enforced by the speed with which some judgment debts were paid and the failure of public officials to appear in court to defend the state in cases that resulted in judgment debts.

From the findings of this study, GII recommends a number of policy issues for civil society advocacy to remedy the situation. These include the setting up of a Parliamentary Budget Office, splitting the functions of the office of Attorney General and Minister for Justice and getting parliamentary approval for negotiated settlements and the effective sanctioning of public officials who contribute in one way or the other to the payment of judgment debts.

Overall, it is imperative that government ensures that action is taken on the findings and recommendations of the Auditor General's reports on the Public Accounts of Ghana. There should be no compromise on this and any public officer found to be frustrating such action should be sanctioned.

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7. The Audit Service Act, 2000(Act 584) .
8. The Financial Administration Act, 2003(Act 654).
9. The 1992 Constitution of the Republic of Ghana.
10. The Standing Orders of the Parliament of Ghana.
11. Other relevant material on Public Sector Financial Management.

INTERVIEWS

List of persons interviewed during the study

1. Mr. Divine Ayidzoe, Secretary for the Audit Report Implementation Committee (ARIC), Ministry of Education.
2. Mr. Edward Fiawoyife, Secretary for the audit Report Implementation Committee (ARICs), Ministry of Health.
3. Mr. Nelson Torgah, Chief Internal Auditor, Ministry of Youth & Sports.
4. Mr. Samuel Addo, Public Accounts Committee of Parliament Secretariat, Parliament House.
5. Mr Yaw Sifah, Deputy Auditor General, Audit Service.
6. Hon. Joe A. Bosompim, former Member of the Parliament of Ghana.
7. Major Tarah (Retired), Chief Director, Ministry of Finance and Economic Planning.