3RD IMANI-OXFAM FISCAL RECKLESSNESS INDEX



2024

IMANI
Center for Policy & Education

Supported by:

OXFAM

FINAL REPORT

Rankings of Financial Irregularities for Ministries, Departments and Agencies (MDAs), 2021-2023

Submitted By

IMANI
Center for Policy & Education

For

OXFAM

22 October 2024

Table of Contents

Table of Contents 1
List of Figures 2
List of Tables 2
Abbreviations 3
Executive Summary 5
1 Introduction – Ghana's Public Financial Management Reforms and Fiscal Accountability in Ministries, Departments and Agencies 9
1.1 Background 9
1.2 Purpose of the Project 10
1.3 Key Framing Issues 10
1.4 Limitations of this research 11
1.5 Report Outline 11
2 Legal Framework and Policies Governing Public Financial Management in Ghana 12
2.1 Legal Frameworks and Oversight Agencies 12
2.2 Key Laws 12
2.2.1 The Constitution of Ghana, 1992- Articles Referencing Accounting and Auditing 12
2.2.2 Audit Service Act, 2000 (Act 584) & Civil Service Act, 1993 (PNDCL 327) 13
2.2.3 Public Financial Management Act, 2016 (Act 921) & Regulation, 2019 (L.I. 2378) 13
2.2.4 Public Procurement Act, 2003 (Act 663) as amended Act 914 (2016) 14
2.3 Key Standards, International Frameworks and Tools 17
2.4 Institutional Arrangements and Political Economy Analysis 18
2.5 Summary 20
3 Developing the Fiscal Recklessness Index – Key Methodology Concepts 21
3.1 Introduction 21
3.2 Defining Financial Irregularities 21
3.3 Data Cleansing 22
3.4 Creating the Fiscal Recklessness Index 23
3.4.1 Normalization of Data 23
3.4.2 Weighting 24
3.4.3 The Fiscal Recklessness Index 24
4 Fiscal Recklessness Index – Results and Discussions 26
4.1 Introduction 26
4.2 Trend Analysis of Financial Irregularities of MDAs (2021-2023) 26
4.3 Fiscal Recklessness Assessment 34
4.4 Analysis of Political Party Manifesto and Implications for Addressing the Drivers of Fiscal Recklessness in Ministries, Departments and Agencies 37

4.5 Root Cause Diagnostics: Key Causes of the Irregularities 40
4.5.1 Tax Irregularities 43
4.5.2 Cash Irregularities 45
4.5.3 Indebtedness, Loans, and Advances 47
4.5.4 Payroll Irregularities 48
4.5.5 Stores and Procurement Irregularities 49
4.5.6 Rent Irregularities 50
4.5.7 Contract Irregularities 50
4.6 Summary 50
5 Key Findings, Conclusion, and Policy Recommendations 43
5.1 Key Findings 43
5.2 Conclusion 44
5.3 Policy Recommendations 44
Appendix 46
A1 - Annual Itemised Financial Irregularities (GHS) of Ministries, Departments and Agencies 46
A2 – Fiscal Recklessness Scores and Ranking of Ministries, Departments and Agencies 47

List of Figures

Figure 1 Objectives of the Project 11
Figure 2 Key Standards, International Frameworks and Tools 18
Figure 3 Institutions for Accounting, Auditing and Oversight of Financial Management 19
Figure 4 Trend of Financial Irregularities of MDAs 2021-2023 27
Figure 5 Contributions of Financial Irregularities by Irregularity Typology 28
Figure 6 Breakdown of Financial Irregularities 2021-2023 30
Figure 7 Trend of Financial Irregularities 2021 – 2023 31
Figure 8 Comparison of Financial Irregularities between 2015/20 and 2021/23 32
Figure 9 Comparison of Financial Irregularities, LEAP and GSFP (% of GDP) 33
Figure 10 Interrelationship of the pillars of the PFM system through the budget cycle 40
Figure 11 Fishbone of the causes (drivers and enablers) of financial irregularities 42

List of Tables

Table 1 Summary of the Key Legal Pretexts 15
Table 2 Broad Definitions of Financial Irregularity Typologies 21
Table 3 Exchange Rate 2021-2023 23
Table 4 Weights Applied to the Typologies of Financial Irregularities (2021-2023) 24
Table 5 Fiscal Recklessness Scores of MDAs 2021-2023 35
Table 6 Fiscal Recklessness Index – Ranking 2021-2023 37

Abbreviations

AG	Auditor-General
CAG	Controller and Accountant-General
CAGD	Controller and Accountant-General's Department
CSOs	Civil Society Organizations
FAR	Financial Administration Regulation
FRI	Fiscal Recklessness Index
FRS	Fiscal Recklessness Score
GAS	Ghana Audit Service
GDP	Gross Domestic Product
GHS	Ghana Cedis
GIFMIS	Ghana Integrated Financial Management Information System
GIMPA	Ghana Institute of Management and Public Administration
GRA	Ghana Revenue Authority
GSFP	Ghana School Feeding Program
IAA	Internal Audit Agency
IAASB	International Auditing and Assurance Standards Board
IFC	Independent Fiscal Council
IFMIS	Integrated Financial Management and Information System
IFMIS	Integrated Financial Management and Information System
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
LEAP	Livelihood Empowerment Against Poverty
LI	Legislative Instrument
LIPW	Labour-Intensive Public Works Programme
LPAC	Local Public Accounts Committee
MC	Movement for Change
MDAs	Ministries, Departments and Agencies
MDPI	Managing Development and Productivity Institute
MMDAs	Metropolitan, Municipal, and District Assemblies
MoF	Ministry of Finance
MoU	Memorandum of Understanding
NDC	National Democratic Congress
NPP	New Patriotic Party
OMCs	Oil Marketing Company
OSP	Office of The Special Prosecutor
PAC	Public Accounts Committee
PBB	Programme Based Budgeting
PDPEA	Problem-Driven Political Economy Analysis
PFM	Public Financial Management
PPA	Public Procurement Authority
PPP	Public-Private Partnership
PUFMARP	Public Financial Management Reform Programme
SOEs	State-Owned Enterprises
TSA	Treasury Single Account
UNDP	United Nations Development Programme

USD	United States Dollar
VAT	Value-Added Tax

Executive Summary

Objective of the Study

This report examines the Auditor-General's report covering Ministries, Departments, and Agencies (MDAs) in Ghana between 2021 and 2023 and highlights the fiscal recklessness of listed public institutions in the light of public financial management (PFM) safeguards currently available in the country. Ensuring that public services are effectively delivered to all residents remains the prime objective of Ghana's PFM system.

The report has been prepared based on the development of the third instalment of the Fiscal Recklessness Index (FRI) by the IMANI Center for Policy and Education (IMANI) in partnership with Oxfam International. As noted, this collaborative work effectively tries to measure the extent of fiscal discipline or otherwise of an MDA using the Auditor-General's report. This is complemented by qualitative analysis involving a review of the auditor-general's notes to identify the root causes of the financial irregularities. The findings from the qualitative review of the reports help to identify the major drivers and enablers of the infractions and the implications for Ghana's PFM institutions such as the Public Financial Management Act, 2016 (Act 921), Public Financial Management Regulations, 2019 (L.I. 2378) and the rollout of the Ghana Integrated Financial Management Information System (GIFMIS), among others.

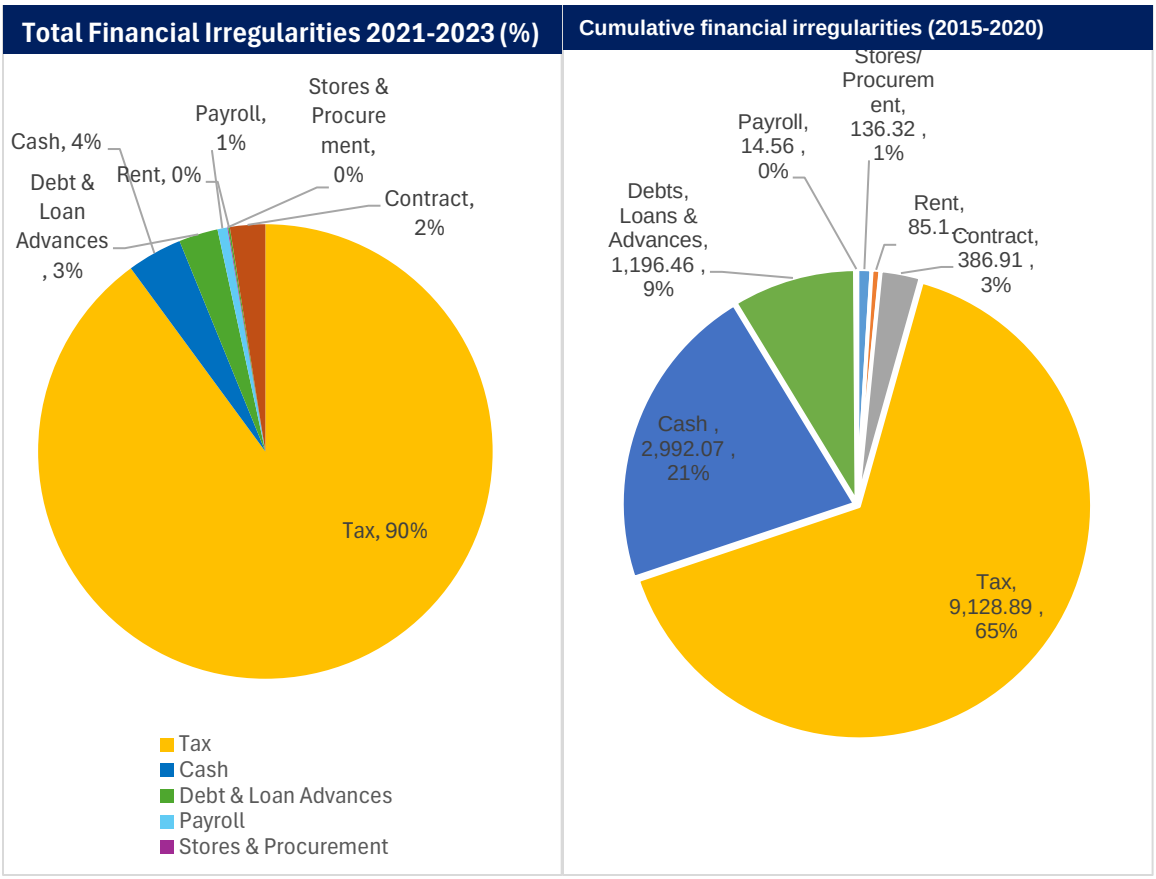
The findings from the qualitative and quantitative analyses were analyzed using a Problem-Driven Political Economy Analysis (PDPEA) to identify the range of possible reform areas yet to be addressed. This all-encompassing approach allows for harnessing the underlying data and the perspectives of multiple stakeholders on reducing financial irregularities in Ghana and ultimately improving public service delivery.

Key Findings

1. **Financial irregularities remain high despite the reforms in the PFM system.** The total financial irregularities between 2021 and 2023 was GHC4.9 billion, which is about 2.36 percent of GDP in 2023. Even though the composite financial irregularities have declined compared to the previous assessment from 2015 to 2020 (GHC13.9 billion), there is evidence of a positive growth rate in the financial irregularities since 2021. This implies that there is a high risk of financial irregularities occurring. This makes it important for the government to leverage the existing IMF programme and the new PFM strategy to deepen institutional effectiveness.
2. **The Ministry of Finance tops the list of MDAs as the most fiscally reckless institution between 2021 and 2023.** The Ministry of Finance recorded an FRI score of 0.9038, which translates to about 90 per cent of financial infractions traced to the Ministry of Finance. The Ministry of Finance is followed by the Ministry of Communication, the Ministry of Roads and Highways, the Ministry of Health, and the Ministry of Food and Agriculture as the top five fiscally reckless institutions for the period of assessment.
3. **Financial infractions related to taxes remain the key constraints in the PFM system.** Compared to the previous assessment, tax infractions have significantly increased from 65 per cent to 90 per cent of the total financial irregularities between 2021 and 2023. Despite several reforms and initiatives by the government to strengthen revenue assurance and enforcement, the FRI assessment identified a plethora issue that raises concerns about the quality of institutional effectiveness to enforce compliance. Most of the tax infractions are avoidable if there were strong tax compliance enforcement actions on the part of the Ghana Revenue Authority. For instance, delays in VAT-registered businesses paying VAT and the persistent delays in OMCs paying the tax and duties corroborate the weaknesses in compliance enforcement. These infractions continue to create budget shortfalls, which compels the government to borrow to finance its annual budget. This also implies that the government cannot provide timely and quality public services because they are unable to sufficiently collect the expected revenues.
4. **Weak internal audit functions continue to drive high financial infractions in the activities of MDAs.** The trend of financial irregularities and the root cause analysis points to the weaknesses in

the internal audit function in the various MDAs. Several of the financial infractions reported by the auditor general such as unsupported payments, fraudulent withdrawals of government funds, improper procurement activities, and unearned salaries could have been avoided if internal auditors were critically involved in the financial decisions of the MDAs. Additionally, some of the recurring cash infractions also show that the recommendations of the Audit Review Committees at the MDA level are not adhered to, leading to the persistent occurrence of certain types of infractions. Also, it does appear that internal auditors' functions continue to be ex-post because their work has not been integrated into the GIFMIS. Thus, the infractions occur before they become aware of them.

5. **Weak enforcement of sanctions continues to sustain the culture of high financial irregularities.** The PFM laws provide a plethora of sanctions for institutional heads, parliament and the auditor-general to leverage to drive fiscal prudence in the actions of MDAs. However, these sanctions were not applied in any of the instances where PFM laws were flagrantly violated. This culture of weak enforcement of sanctions continues to create a high tolerance level for financial irregularities and does not in any way build accountable institutions. For instance, the Ministry of Finance awarded contracts on 15 occasions at a cost of GHC2.3 million without using any of the approved procurement methods in the PPA law, however, no sanctions were meted out to the institution or the officers responsible. Additionally, the analysis finds that the auditor-general barely used its powers to disallow and surcharge institutions for violating the PFM laws.
6. **Most of the social service MDAs remain moderately fiscally reckless.** The analysis shows that financial irregularities expressed in terms of GDP are higher than the actual expenditure on critical poverty reduction initiatives such as LEAP and GSFP. In addition to this, the MDAs responsible for these initiatives are moderately fiscally reckless based on their FRI rankings compared to the previous assessment. The fiscal prudence of such MDAs is important because it directly impacts their ability to deliver quality public service to citizens, especially vulnerable communities.
7. **Broadly, we identified that the three political parties appear to demonstrate strong support** for the fiscal deficit ceiling in the Fiscal Responsibility Act 2018 (Act 982) and the establishment of an independent fiscal council. However, none of the three political parties provide detailed information about the scope of work the fiscal council will do and the powers that will be accorded to the fiscal council to avoid a repetition of the council established in 2018.



Fiscal Recklessness Rank						
Ministry/Year	**2015-2020**	**2021**	**2022**	**2023**	**2021-2023**	**Relative Movement**
Finance	1	1	1	1	1	0
Food and Agriculture	12	3	7	3	2	-10
Communications	14	#N/A	2	15	3	-11
Roads & Highways	3	10	10	2	4	1
Health	2	4	4	4	5	3
Justice & Attorney General	6	2	13	12	6	0
Fisheries & Aquaculture	16	13	3	13	7	-9
Education	10	6	9	5	8	-2
Lands & Natural Resources	23	15	5	15	9	-14
Interior	17	9	6	6	10	-7
Gender	11	8	11	8	11	0
Works and Housing		5	21	9	12	12
Energy		7	21	15	13	13
Other Agencies	15	18	8	11	14	-1
Local Government & Decentralization	9	11	12	7	15	6
Youth & Sport	22	16	14	15	16	-6
Sanitation	25	#N/A	20	10	17	-8
Defence	18	14	17	15	18	0
Employment	4	12	19	15	19	15
Tourism, Arts & Culture	13	#N/A	15	15	20	7
Trade and Industry	7	17	16	15	21	14
Environment	19	#N/A	#N/A	14	22	3
Foreign Affairs & Regional Integration	5	#N/A	18	15	23	18
Transport	24	20	21	15	24	0
Railway Development		#N/A	21	15	25	25
Information	26	#N/A	21	15	26	0
Chiefteincy and Regious Affiliation	27	19	21	15	27	0

Recommendations

1. **Establish and legislate an Independent Fiscal Council by amending the Fiscal Responsibility Act 2018 (Act 982).** The historical trend of fiscal recklessness evidenced by the positive growth in financial irregularities lay credence to the fact that the existing accountability measures in the PFM system have failed to reduce the infractions by MDAs, and thus there is the need for an independent body with the oversight over government financial decisions. The independent fiscal council must be clothed with the power to oversee and stop some of the fiscal decisions of the government and MDAs. In addition, the independent fiscal council must have the power to oversee all the big-ticket expenditure items of the government and supervise the macro-fiscal planning activities of the Ministry of Finance. This can potentially minimize the incidence of overstatement revenues by MDAs leading to tax and cash irregularities, where MDAs have to withhold expected government revenues to undertake some of their budgeted activities.
2. **The government must accelerate the digitization initiatives in tax compliance enforcement.** The findings of the FRI assessment point to significant institutional weaknesses holding back effective tax compliance enforcement leading to high tax infractions reported by the auditor-general. The government has embarked on some initiatives to reduce human interference and improve efficiency in tax collection. The government must scale up these initiatives to reduce the future occurrence of avoidable tax infractions.
3. **The PFM reforms and the IMF programme must prioritize building institutional effectiveness.** Past PFM reforms appear to focus on addressing the same vulnerabilities over the past two decades, however, these vulnerabilities continue to persist. It has become important for reforms in the PFM systems to look beyond the symptoms of the infractions and the band-aid solutions to consider critical institutional transformations that promote low tolerance for financial infractions and create internal systems to enhance compliance with the PFM laws.
4. **Parliament and the Auditor-General must apply the sanctions in the PFM laws to discourage the high tolerance for financial irregularities.** Parliament and the auditor-general are the external accountability actors in the PFM system. However, these institutions barely apply the powers to sanctions provided in the laws. The auditor-general must effectively use its powers to disallow and surcharge to deter MDAs from committing avoidable financial infractions. Additionally, the sanctions have become more important given the increasing reports of fraudulent withdrawal and embezzlement of funds by principal spending officers and staff in the MDAs.
5. **Strengthen the internal audit functions in the MDAs.** Stronger internal audit functions remain the smartest way to address the incidence of flagrant abuse of the PFM laws in the MDAs. The findings suggest that most of the root causes of the infractions are incidences that can be corrected by internal auditors if they were properly integrated into the PFM system. For instance, minor infractions such as rent, stores and procurement, and payroll issues can be addressed if the internal audit functions are effective. The government must accelerate the actions to put internal auditors into the GIFMIS and the actions to review and reform the current internal auditors law.

1 Introduction – Ghana's Public Financial Management Reforms and Fiscal Accountability in Ministries, Departments and Agencies

1.1 Background

Ghana's economy remains in crisis even after considerable efforts by the government towards recovery. The focus on expenditure rationalization, with support from the country's international partners, has only yielded minimal results- presenting continued challenges for the entire governance structure. The economy has had significant difficulties over the past two years, with inflation reaching a 22-year high of 54.1% in December 2022[1] and declining to 21.5 per cent in September 2024[2], and an unmanageable public debt that exceeded 70 per cent of GDP. Depreciation of the local currency had only slowed by the end of 2023 at a rate of 25.8 per cent compared to 30 per cent at the end of 2022[3]. Before this period, the county's pre-existing fiscal and financial challenges caused by weak compliance and oversight of the public financial management system had combined with other external factors to amplify the impact of the COVID-19 pandemic on the economy, when it struck. Some post-pandemic growth targets had been missed along the way and the signs of a resilient and robust economic recovery remained less optimal in the short to medium term than would have been desired. Addressing the current fiscal challenges and restoring macroeconomic stability is critical to securing livelihoods and enhancing welfare for the country's increasingly poor population- at least for the 41 per cent of the population who remain multi-dimensionally poor[4], the 12.8 million Ghanaians who were deemed food insecure, and the 6.45 million people were both classified as multi-dimensionally poor and food insecure as recorded by the end of 2022[5].

The government has embarked on a rapid fiscal consolidation to restore macroeconomic stability and enhance fiscal discipline through the help of the International Monetary Fund. By signing a three-year extended credit facility with the IMF, the government's formal request for the finance package from the IMF in July 2022 was to enable it to promote structural changes and aid in the nation's economic recovery, with the view of further pursuing post-COVID economic recovery programs. The extended credit facility programme's main goals are to, among others, restore fiscal sustainability, re-anchor inflation expectations by achieving low and stable inflation, strengthen the exchange rate regime, restore investor confidence and regain market access while unlocking other financing sources. However, slow growth in domestic revenue mobilization combined with continuous domestic borrowing and the worsening energy sector under-recoveries pose a severe risk to realizing the goals of the programme. Additionally, the government continues to implement PFM reforms following the completion of reforms to enhance budget credibility and improve the use of the Ghana Integrated Financial Management Information System (GIFMIS) between 2015 and 2020. The new PFM programme (2022-2026) seeks to consolidate the gains of past reforms and transition Ghana's PFM reforms towards sustainability deepening resource mobilization and maintaining a strong budget credibility through improved fiscal accountability.

Ghana's PFM landscape, irrespective of the robust reforms is saddled with a myriad of challenges. The evidence of fiscal recklessness as contained in past Auditor General's reports serves as worthy reflections of the impact of successive reforms in improving fiscal prudence in the decisions of Ministries, Departments and Agencies. The total amount of irregularities committed by Ministries, Departments, and Agencies (MDAs) between 2015 and 2020 was GHS13.92 billion. Although between 2021 and 2023, the total amount of irregularities was reduced by more than 50 per cent, it was still a significant sum of GHS4.9

[1]Ghana Statistical Service. (2022). December CPI. PowerPoint-presentatie (statsghana.gov.gh)
[2]Ghana Statistical Service. (2024). September CPI. Bulletin_CPI September 2024.pdf (statsghana.gov.gh)
[3]Summary of Economic and Financial Data – Bank of Ghana (bog.gov.gh)
[4]Ghana Statistical Service. (2024). Multidimensional Poverty – Quarter Four Report – 2023. POPULATION OF REGIONS AND DISTRICTS REPORT (statsghana.gov.gh)
[5]Ghana Statistical Service. (2024). Food Insecurity Report – Quarter Four Report – 2022. POPULATION OF REGIONS AND DISTRICTS REPORT (statsghana.gov.gh)

billion, which is almost double the total budgeted cost of the Free Senior High School Policy in 2024[6]. Sadly, cases of gross financial infractions are just a nine-day wonder and fade into the news archives. Offenders often receive little to no sanctions in breach of financial regulations.

IMANI is convinced of the need for a much stronger CSO advocacy and campaign for improved fiscal prudence by public institutions, especially within Ghana's current macroeconomic situation and the expectations of the IMF under the three (3) year extended credit facility. A strong commitment and enforcement of public financial management laws are needed to reduce financial irregularities and enhance efficiency in public institutions significantly. Beyond inadequate revenue mobilization and public debt accumulation, the potential for increased expenditure out of the scope of the country's operational budget remains high in the 2024 fiscal year- because of the general elections. Election years have been associated with profligate spending and policy inconsistencies. As made evident from previous electoral windows, there is high uncertainty about the government's continued commitment to the policy reforms as contained in the IMF programme and doubt over a smooth recovery after the elections. Thus, a strong CSO advocacy and campaign for public accountability is crucially required to hold the government accountable for the reforms agreed upon under the IMF programme.

1.2 Purpose of the Project

IMANI-OXFAM's Third (3rd) Fiscal Recklessness Index seeks to deepen the advocacy for public accountability by examining the fiscal recklessness of Ministries, Departments and Agencies; increase awareness and understanding of citizens of the spending behaviour of government and strengthen the demand-side accountability for more fiscal prudence by collaborating with citizens; civil societies; and the media (**See Fig.1**). The report will highlight and propose cogent policy approaches that successive governments can adopt to enhance spending efficiency and revenue mobilization towards restoring macroeconomic stability fully and in a durable manner.

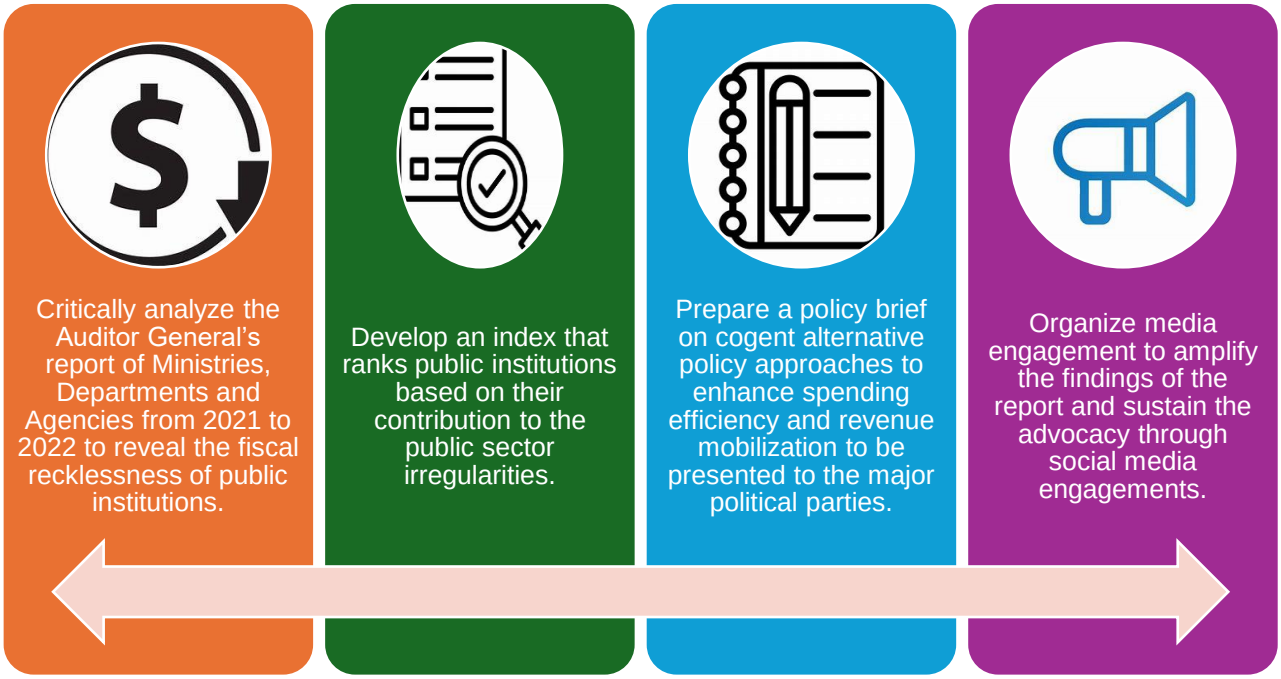
1.3 Key Framing Issues

The Third (3rd) Fiscal Recklessness Index deals with the following issues:

1. Making the Government's procurement codes more enforceable- how the state can effectively enforce government procurement laws, prevent misconduct, ensure compliance, and protect the integrity of procurement procedures. This report notes that a comprehensive strategy integrating legal, institutional, and procedural measures is needed to tackle new issues and adjust to the changing procurement system.
2. How optimal tax regime can be achieved using public-private partnership laws- The government of Ghana's ultimate goal must be the establishment of an ideal tax system that balances revenue generation, economic growth, and social welfare objectives by incorporating Public-Private Partnership approaches into tax policy and administration. This allows the government to make use of the resources, knowledge, and innovation of the private sector. To optimize the advantages of Public-Private Partnerships (PPPs) in tax reform and administration, IMANI believes a strong legal and incorruptible institutional framework must underpin effective collaboration between the public and private sectors.
3. To unburden the state in undertaking all infrastructure development and recording wasteful expenditure and corruption, we should encourage the private sector to take up large-scale transformative projects, transparently- the private sector can initiate, finance, and carry out significant transformative projects that promote economic growth, encourage innovation, and have a long-lasting impact on society.

[6]Ministry of Finance. (2024). Budget Statement and Economic Policy. 2024 Budget Statement_v2.pdf (mofep.gov.gh)

Figure 1 Objectives of the Project



1.4 Limitations of this research

The report relies on the Auditor-General 's report on the public accounts of Ghana as presented to Parliament and the Public Accounts Committee. Due to a lack of data on the full resolution of the different forms of irregularities identified, this work does not include the report of the Public Accounts Committee in the computation of the fiscal recklessness of the MDAs. However, the PAC's report is captured in explaining the factors driving the financial irregularities of the MDAs.

The explanatory notes on the causes of the irregularities over the period are limited to the summary of causes presented in the reports by the Auditor-General due to the non-disclosure of the full audit reports of the institutions. The analysis also takes cognizance of the effect of the quality of the audit on the outcome of the reported financial irregularities. However, it takes no responsibility for the errors because Parliament has approved the Auditor-Generals' reports over the period to reflect the true state of financial irregularities of the MDAs.

1.5 Report Outline

The rest of the report is structured as follows;

Section 2 – This section provides a review of the existing laws governing PFM and the policies and interventions implemented to strengthen accountability in the PFM systems.

Section 3 – This section provides detailed information on the methodology of the Fiscal Recklessness Index (FRI).

Section 4 – This section focuses on data analysis and discussion of the major findings.

Section 5 – This section provides a summary of the major findings, conclusions, and key policy recommendations.

2 Legal Framework and Policies Governing Public Financial Management in Ghana

2.1 Legal Frameworks and Oversight Agencies

This section provides oversight of the key laws, regulations, and oversight bodies responsible for public financial management, especially in checking and preventing irregularities in Ghana. The following legal frameworks are reviewed:

1. The 1992 Constitution – Accounting and Auditing
2. Audit Service Act, 2000 (Act 584) & Civil Service Act, 1993 (PNDCL 327)
3. Public Financial Management Act, 2016 (Act 921) & Regulation, 2019 (L.I. 2378)
4. Public Procurement Act, 2003 (Act 663) as amended

2.2 Key Laws

A nation's institutions, financial laws, and regulations must be strong for there to be effective public financial management and accountability systems. The Constitution of Ghana, 1992 made clear that financial responsibility and transparency are priorities. For example, the 1992 Ghanaian Constitution establishes and defines the functions of the Auditor-General, Deputy Auditor-General(s), Audit Service, and Audit Service Board in Articles 187, 188, and 189. In addition to the Constitution, Ghana has committed through participation in international auditing organizations to adhere to best practices in public financial management and auditing around the world.

2.2.1 The Constitution of Ghana, 1992- Articles Referencing Accounting and Auditing

The 1992 Constitution of the Republic of Ghana establishes a framework for public sector accounting and audited institutions. This includes all state and quasi-state institutions within public-private partnership arrangements. Specifically, the Constitution provides in Article 195, the basis for the President to appoint the Controller and Accountant General who serves as the Chief Accounting Officer of the government and Chief Advisor of the finance minister in matters relating to accounting. And in Article 70 (1) (b), the basis for the appointment of the Auditor-General is also established. Per Article 187 (2), “The public accounts of Ghana and all public offices, including the courts, the central and local government administrations, of the Universities and public institutions of like nature, of any public corporation or other body or organization established by an Act of Parliament shall be audited and reported on by the Auditor-General”, and “For clause (2) of this article, the Auditor-General or any person authorized or appointed for the purpose by the Auditor-General shall have access to all books, records, returns and other documents relating or relevant to those accounts” as provided in 187 (3).

The Auditor-General is further mandated in 187 (5) to “within six months after the end of the immediately preceding financial year to which each of the accounts mentioned in clause (2) of this article relates, submit his report to Parliament and shall, in that report, draw attention to any irregularities in the accounts audited and to any other matter which in his opinion ought to be brought to the notice of Parliament.” In doing so, the Constitution in Article 187 (7) mandates the Auditor-General to disallow any item of expenditure which is contrary to law and surcharge: (i) the amount of any expenditure disallowed upon the person responsible for incurring or authorizing the expenditure; or (ii) any sum which has not been duly brought into account, upon the person by whom the sum ought to have been brought into account; or (iii) the amount of any loss or deficiency, upon any person by whose negligence or misconduct the loss or deficiency has been incurred.

2.2.2 Audit Service Act, 2000 (Act 584) & Civil Service Act, 1993 (PNDCL 327)

Although the 1992 constitution of Ghana provides a brief description of the scope of work of the Audit Service and the Civil Service, specific laws have been enacted which explain in detail the specific responsibilities, rights and obligations of the institutions or persons under the Services. The Audit Service Act 2000 (Act 584) and the Civil Service Act, 1993 (PNDCL 327) provide a detailed explanation of the works of the Audit Service, the Civil Service, and the execution of supreme audit in Ghana.

The Audit Service Act, 2000 (Act 584) replaces the provisions of previous regulations, like the 1972 Audit Service Decree (NRCD 49), the Financial Administration Degree, 1979 (SMCD 221), revocation of the Public Officers (Auditor-General) Instrument, 1962 (L.I. 204) and expands Articles 187, 188 and 189 of the 1992 Constitution of Ghana. The Act provides details on the various provisions in the constitution while providing specificity to the issues. Reporting and disclosure of the reports of the Audit Service are some of the relevant issues covered by the Act. For instance, Article 25 of the law states that"

> *"(1) The Auditor-General shall publish his reports on the public accounts of Ghana and the statement of foreign exchange receipts and payments of the Bank of Ghana as soon as the reports have been presented to the Speaker to be laid before Parliament. (2) The Auditor-General shall submit copies of the published reports to— (a) the Government Archivist; (b) all public and University libraries in Ghana; (c) the libraries of the Ghana Institute of Management and Public Administration (GIMPA) and the Managing Development and Productivity Institute (MDPI); (d) members of the Board; and (e) any other institution approved by the Board."*

The Audit Service Act, 2000 (Act 584) also has specific financial provisions which provide some punitive measures on offences under Article 33. This encompasses denying the Auditor-General access to accounting records, failure to keep proper accounting records, providing false information to the Auditor-General, suppressing information willfully, and obstructing the performance of the functions of the Auditor-General.

The enactment of the Civil Service Act 1993 (PNDCL 327) repealed various past regulations like the Civil Service Act (C.A. 5), the Civil Service (Disciplinary Code Regulations) (Revocation) Decree, 1973 (NRCD 197), the Civil Service (Amendment) Decree, 1978 (SMCD 199), the Civil Servant (Amendment) Decree, 1967 (NLCD 134); and the Section 7 of the Constitutional (Consequential and Transitional Provisions) Decree, 1979 (AFRCD 56). The 1993 Act spells out the various details about the work of the Ministries and Departments, pointing out that the Civil Service is part of the Public Service. The Audit Service has a responsibility to conduct an audit of the financial transactions and records of the Civil Service.

2.2.3 Public Financial Management Act, 2016 (Act 921) & Regulation, 2019 (L.I. 2378)

Financial management is paramount in the public sector to address challenges with corruption, lack of transparency and accountability. There have been various efforts to develop laws and regulations to guide the accounting and financial management systems in Ghana's public sector. The most recent laws and regulations on this are the Public Financial Management Act, 2016 (Act 921) & Public Financial Management Regulation, 2019 (L.I. 2378). The aim of Act 921 is:

> *"To regulate the financial management of the public sector within a macroeconomic and fiscal framework; to define responsibilities of persons entrusted with the management and control of public funds, assets, liabilities and resources, to ensure that public funds are sustainable and consistent with the level of public debt; to provide for accounting and audit of public funds and to provide for related matters."*

The Act also provides a framework for the various institutions, accounts and systems to manage public finances. One of the notable institutions is the Controller and Accountant-General's Department. Article 8 Clause 1 of Act 921 states that the

> *"President shall, in accordance with article 195 of the Constitution, appoint a Controller and Accountant-General who shall be the Chief Accounting Officer of the Government and the chief advisor to the Minister and Government in matters relating to accountancy."*

Further details of the specific responsibilities of the Controller and Accountant-General are presented in Act 921 Article 8 Clause 4. The Act also highlights the relevant role of the Auditing function in providing oversight role over the finances of the government. There are provisions for internal audit in Article 83 and external audit in Article 84. The Act requires the Principal Spending Officers to provide annual updates of financials to the Minister and the Auditor-General. This is captured in Article 85: Clauses 1 and 2:

> *"A Principal Spending Officer shall, on an annual basis, submit the following to the Minister and Auditor-General: (a) a report on the status of implementation of recommendations made by the Auditor-General in respect of that covered entity; and (b) a report on the status of implementation of recommendations made by Parliament in respect of that covered entity. (2) The Attorney-General shall, on an annual basis, submit a report on the status of any action commenced on behalf of the Government to the Minister, Auditor-General and Parliament following findings of the Auditor-General and recommendations of the Public Accounts Committee of Parliament."*

Act 921 is accompanied by the Public Financial Management Regulation, 2019 (L.I. 2378) which provides further clarity. The coverage of the Regulation covers public corporations, state-owned enterprises, local government authorities and others. The enactment of Act 921 saw the repeal of other previous Acts or Sections of Acts like the Financial Administration Act, 2003 (Act 654); and *(b)* the Loans Act, 1970 (Act 335), Section 16(8) of the Internal Audit Agency Act, 2003 (Act 658), and Section 30 of the Audit Service Act, 2000 (Act 584).

2.2.4 Public Procurement Act, 2003 (Act 663) as amended Act 914 (2016)

Procurement is a major area of concern when it comes to financial management and addressing issues of corruption in the public sector. The legal system of Ghana has covered the procurement activities within the public sector with the enactment of the Public Procurement Act, 2003 (Act 663) as amended. The Public Procurement Act, 2003 (Act 663) is a law that, amongst others, is meant to provide for public procurement, establish the Public Procurement Board, make administrative and institutional arrangements for procurement, stipulate tendering procedures and provide for purposes connected with these.

Regarding the mandate of the Board, section (2) of the PPA states that:

"The object of the Board is to harmonize the processes of public procurement in the public service to secure a judicious, economic and efficient use of state resources in public procurement and ensure that public procurement is carried out in a fair, transparent and non-discriminatory manner."

There is a strong nexus between the work of the Public Procurement Board and the Auditor-General, especially concerning financial reporting and auditing. The Board is expected to keep proper books of account which should be audited annually by the Auditor-General or an auditor appointed by the Auditor-General. This is identified as part of the statutory audits required under Article 91 (1-3):

"(1) The Auditor-General shall conduct annual audits of the procurement activities of entities and shall furnish copies of reports on the audits to the Board upon request from the Board. (2) The Auditor-General shall also carry out specific audits into the procurement activities of entities and compliance by contractors, suppliers and consultants with the procurement requirements in this Act and regulations made under this Act at the request of the Board. (3) The statutory audit of procurement activities may be relied upon by the Board to institute measures to improve the procurement system."

Table 1 Summary of the Key Legal Pretexts

Laws/Sections	Key Positions of the Law	Brief Comment
The 1992 Constitution		
Article 187(2)	"The public accounts of Ghana and of all public offices, including the courts, the central and local government administrations, of the Universities and public institutions of like nature, of any public corporation or other body or organisation established by an Act of Parliament shall be audited and reported on by the Auditor-General."	Various accounts to be audited and reported on by the Auditor-General
Article 187(5)	"The Auditor-General shall, within six months after the end of the immediately preceding financial year to which each of the accounts mentioned in clause (2) of this article relates, submit his report to Parliament and shall, in that report, draw attention to any irregularities in the accounts audited and to any other matter which in his opinion ought to be brought to the notice of Parliament."	When the Auditor-General is supposed to submit his/her report to Parliament
Article 187(6)	"Parliament shall debate the report of the Auditor-General and appoint where necessary, in the public interest, a 'Committee to deal with any matters arising from it."	Parliament to debate on the Auditor-General's report
Article 187(7a)	"In the performance of his functions under this Constitution or any other law the Auditor-General - shall not be subject to the direction or control of any other person or authority."	Independence of the Auditor-General
Article 187(7b)	"In the performance of his functions under this Constitution or any other law the Auditor-General may disallow any item of expenditure which is contrary to law and surcharge (i) the amount of any expenditure disallowed upon the person responsible for incurring or authorising the expenditure; or (ii) any sum which has not been duly brought into account, upon the person by whom the sum ought to have been brought into account; or (iii) the amount of any loss or deficiency, upon any person by whose negligence or misconduct the loss or deficiency has been incurred."	Disallowance and surcharging by the Auditor-General

Article 103(6)	"A committee appointed under this article shall have the powers, rights and privileges of the High Court or a Justice of the High Court at a trial for— (a) enforcing the attendance of witnesses and examining them on oath, affirmation or otherwise; (b) compelling the production of documents; and (c) issuing a commission or request to examine witnesses abroad."	The powers of the Public Accounts Committee
Audit Service Act, 2000 (Act 584)		
Article 25	"(1) The Auditor-General shall publish his reports on the public accounts of Ghana and the statement of foreign exchange receipts and payments of the Bank of Ghana as soon as the reports have been presented to the Speaker to be laid before Parliament. (2) The Auditor-General shall submit copies of the published reports to— (a) the Government Archivist; (b) all public and University libraries in Ghana; (c) the libraries of the Ghana Institute of Management and Public Administration (GIMPA) and the Managing Development and Productivity Institute (MDPI); (d) members of the Board; and (e) any other institution approved by the Board."	Publishing the Auditor-General's report and archiving copies
Civil Service Act, 1993 (PNDCL 327)		
Section 89	"A civil servant who holds the office of (a) head of a Ministry, government department or any other equivalent office in the service, or (b) an ambassador, shall, on appointment and at the end of the term of office, submit to the Auditor-General a written declaration of the property or asset owned by, or liabilities owned by, that servant whether directly or indirectly."	Declaration of assets
Public Financial Management Act, 2016 (Act 921)		
Article 1	"to regulate the financial management of the public sector within a macroeconomic and fiscal framework; to define responsibilities of persons entrusted with the management and control of public funds, assets, liabilities and resources, to ensure that public funds are sustainable and consistent with the level of public debt; to provide for accounting and audit of public funds and to provide for related matters."	The object of the PFM Act
Article 8(1)	"President shall, in accordance with article 195 of the Constitution, appoint a Controller and Accountant-General who shall be the Chief Accounting Officer of the Government and the chief advisor to the Minister and Government in matters relating to accountancy."	Appointment of the Auditor-General
Article 85(1&2)	"A Principal Spending Officer shall, on an annual basis, submit the following to the Minister and Auditor-General: (a) a report on the status of implementation of recommendations made by the Auditor-General in respect of that covered entity; and (b) a report on the status of implementation of recommendations made by Parliament in respect of that covered entity. (2) The Attorney-General shall, on an annual basis, submit a report on the status of any action commenced on behalf of the Government to the Minister, Auditor-General and Parliament following findings of the Auditor-General and recommendations of the Public Accounts Committee of Parliament."	Report on status of implementation of recommendations by the Auditor-General
Public Financial Management Regulation, 2019 (L.I. 2378)		
Article 13(2&3)	"(2) The Ghana Integrated Financial Management Information System shall be the core electronic platform of Government to be used for (a) budget preparation, (b) budget execution, (c) revenue management, (d) expenditure administration, (e) cash management, asset management, (g) debt management, (h) payroll	Establishment of GIFMIS

	management, (I) accounting and financial reporting, (j) human resource management, and (k) public investment management by a covered entity to improve efficiency in managing public funds including the Consolidated Fund. internally generated funds, statutory funds and donor funds. (3) The Ghana Integrated Financial Management Information System includes the following components: (a) Financial Accounting System; (b) Payroll System; (c) Human Resource Management Information System: (d) Strategic Planning and Budget System; (e) Debt Management System; (f) Revenue System; (g) Public Investment Management System; (h) Treasury and Fund Transfer System; (i) Procurement System; (j) Public Investment and Asset Management System: and (k) any other system determined by the Minister."	
Article 216	"(1) For the purpose of subsection (1) of section 80 of the Act, the Principal Spending Officer of a covered entity shall, within six months after the end of each financial year, publish on the website of the covered entity, the annual reports of all expenditures financed by internally generated funds, donor funds, and statutory funds. (2) The publication under subregulation (1) shall include (a) the financial statements specified in subregulation (1) of regulation 215; and (b) the report of the Auditor-General on the annual reports. (3) The Controller and Accountant-General shall specify the form of the annual reports of a covered entity."	Publication of annual reports of covered entity
Public Procurement Act, 2003 (Act 663) as amended		
Section 2	"The object of the Board is to harmonise the processes of public procurement in the public service to secure a judicious, economic and efficient use of state resources in public procurement and ensure that public procurement is carried out in a fair, transparent and non-discriminatory manner."	The object of the Public Procurement Board
Article 91(1-3)	"(1) The Auditor-General shall conduct annual audits of the procurement activities of entities and shall furnish copies of reports on the audits to the Board upon request from the Board. (2) The Auditor-General shall also carry out specific audits into the procurement activities of entities and compliance by contractors, suppliers and consultants with the procurement requirements in this Act and regulations made under this Act at the request of the Board. (3) The statutory audit of procurement activities may be relied upon by the Board to institute measures to improve the procurement system."	Auditing of procurement activities

Source: Authors' construct, 2022

2.3 Key Standards, International Frameworks and Tools

There are various standards that guide public sector accounting and auditing in Ghana. These provide international best practices and frameworks which provide comparative, relevant and reliable financial information on the activities of the public sector. The notable ones are the International Public Sector Accounting Standards (IPSAS), the International Standards on Auditing, the Ghana Integrated Financial Management Information System (GIFMIS) and the membership of the International Organization of Supreme Audit Institutions (INTOSAI).

In 2014, Ghana announced the adoption of the accrual-based IPSAS as the framework for the preparation, presentation, and disclosure of general-purpose financial statements. Implementation has been procedural and is meant to be completed in 2023. The Public Financial Management Act, 2016 (Act 921) provides a

legal basis for the adoption of the full accrual-based IPSAS financial reporting, which is support taking over the cash-based IPSAS or the modified variants. Institutions like the Controller and Accountant-Generals Department and the Institute of Chartered Accountants Ghana are playing leading roles in fully implementing this standard in Ghana. The auditing role has also been paramount as regulated by the Institute of Chartered Accountants Ghana. Ghana, under the Companies Act, 2019, (Act 992), has adopted the International Standards on Auditing as issued by the International Auditing and Assurance Standards Board (IAASB).

Globally, there have been calls for the public sector to utilise an Integrated Financial Management and Information System (IFMIS). This is a system that financial information systems with other information systems, such as human resources, payroll & pension, e-procurement and revenue (tax and customs). These new systems have been noted to provide tangible benefits for managing the public sector, especially in the developing country context where financial administration is done in silos. The IFMIS has the benefits of resulting in improved management of resources (value for money), more optimal resource allocation, lower transaction costs, better fiscal management, reduced fraud and corruption, as well as improved transparency and accountability. In Ghana, the GIFMIS was launched in 2009 but was introduced in 2014 for the 2015 budget. Since then, there have been continuous efforts to achieve a full and all-time usage of the system in all public sector management and reporting issues. The new system has replaced all the stand-alone Legacy Financial Management systems at the Ministries, Department, Agencies, (MDAs) and the Metropolitan, Municipal and District Assemblies (MMDAs). The use of this integrated system provides a more comprehensive source of information to conduct audits.

Figure 2 Key Standards, International Frameworks and Tools

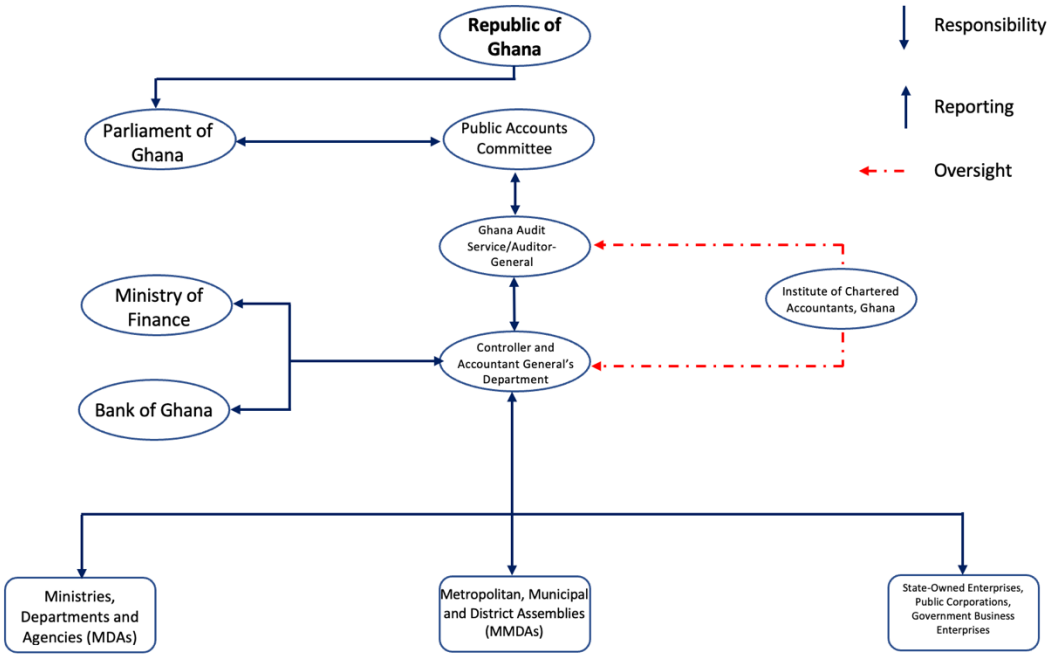
International Federation of Accountants	International Auditing and Assurance Standards Board	International Public Sector Accounting Standards Board	International Organization of Supreme Audit Institutions	Ghana Integrated Financial Management and Information System	Controller and Accountant General's Department	Public Procurement Authority	Ghana Audit Service	Parliament of Ghana

Source: Authors' construct, 2022

2.4 Institutional Arrangements and Political Economy Analysis

There are political economy issues that come into play regarding the financial management and administration of the public sector. Thus, the various legal and regulatory frameworks usually tend to provide guidelines on the interrelations among institutions to achieve effective management of state finances in a consolidated manner. Figure 3 provides a pictorial depiction of the role of relevant state institutions in ensuring accountability and providing oversight role over reports on the finances of the state. The diagram reflects the flow of responsibility, reporting and oversight actions by relevant institutions. Embedded in the relationships are various political economy and influence dynamics that affect the transparency and accountability status of Ghana's public financial management system.

Figure 3 Institutions for Accounting, Auditing and Oversight of Financial Management



Source: Authors' construct, 2024

Parliament generally plays an oversight role over the finances of the state through the scrutiny of the Auditor-General's report submitted to it. With the support of the Public Accounts Committee of Parliament, the legislative arm of the government provides dialogue and discussions on the specific details of the audit report and the finances of the state. However, the fundamental basis for the financials and the audit reports are the specific financial records of the Ministries, Departments and Agencies (MDAs), Metropolitan, Municipal and District Assemblies (MMDAs) and State-Owned Enterprises (SOEs) based on transactions over a fiscal year.

The Controller and Accountant-General provide accountancy services to support the MDAs and the production of accounting reports in line with the IPSAS. These financial reports which are submitted to the Auditor-General form the basis for the supreme audit role of the Ghana Audit Service. The audit is conducted in line with international standards and the local legal frameworks. Both the Ghana Audit Service and the Controller and Accountant General's Department benefit from the oversight and capacity-building efforts of the Institute of Chartered Accountants, Ghana. For instance, the Institute currently has a Memorandum of Understanding (MoU) through which the Controller and Accountant General's Department is trained on the use of the International Public Sector Accounting Standards (IPSAS) and the Ghana Integrated Financial Management Information System (GIFMIS). The Bank of Ghana and the Ministry of Finance are also relevant parties that support both the expenditure and budget allocation sides of the financial management processes in Ghana's public sector.

Despite the significant role of the audit function in driving financial management in Ghana, there are political economy issues which persist: over politicization of government function and the lack of independence of State institutions with the ineffective corporate governance in the public sector continue to be problem areas. The Auditor-General through the annual audit report can disallow and surcharge officials for specific unaccounted expenditures. Nevertheless, execution of the disallowance and surcharge mandate is not enough unless this is followed by additional processes that lead to the refund of the state

monies. The surcharges and disallowances should be complemented with efforts by the government through the Attorney General or the Office of the Special Prosecutor (for grand irregularities) to take legal action to recoup the funds for the state. There are specific political economy issues that undermine the transparency and accountability of Ghana's public financial management, despite the efforts to establish regulatory and institutional frameworks.

As regards the Parliament and the specific role of the Public Accounts Committee, some challenges undermine its function in achieving effective public financial management. Over the years there has been evidence of late submission of the audit reports, a follow-up system that is dysfunctional, extreme partisanship of the members of the committee and inadequate technical capacity to analyze the audit reports critically.[7]

As regards the Ghana Audit Service and the work of the Auditor-General, there are still concerns about limited independence of the Service and corporate governance limitations. This can be viewed from the perspective of the requirements of INTOSAI at the international level and the Ghana Audit Service's proposals for the amendment of the 1992 constitution.[8] Recent developments in the Service led to concerns by international bodies like INTOSAI to recall the need for the country to commit to best practices on Supreme Audit Institutions. These concerns relate to the possibility of the executive interfering with the work of the Auditor-General. Out of the 7 board members of the Audit Service Board, 5 of them are appointees of the President which creates a problem about the independence of the board to have oversight responsibility over the Ghana Audit Service.[9] Also, there are calls for Ghana to adhere to Principle 8 of the Mexico Declaration, stating that the Ghana Audit Service should have "financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources". The Ghana Audit Service should be provided with the necessary and reasonable human, material, and monetary resources.[10]

2.5 Summary

Public Financial Management (PFM) which is the fullness of processes and systems of managing public resources by governments is to secure effective revenue mobilisation and efficient expenditure within the budget framework, and veracious accounting. Within the last three decades, the Government of Ghana has implemented a good number of PFM strategies to ensure fiscal discipline in public service delivery. The reforms have contributed to building robust legal, institutional, and policy frameworks governing PFM issues in Ghana. However, the existing PFM systems are yet to deliver public accountability by minimizing the occurrence of financial infractions by public institutions. Additionally, there are significant challenges with public institutions enforcing the existing PFM laws to deter and encourage fiscal prudence in the financial decisions of MDAs.

[7] Dauda, H., Sayibu Suhuyini, A., & Antwi-Boasiako, J. (2020). Challenges of the Public Accounts Committee of Ghana's Parliament in ensuring an efficient public financial management. *The Journal of Legislative Studies*, *26*(4), 542-557. https://doi.org/10.1080/13572334.2020.1784527

[8] GAS (n.d.) Ghana Audit Service paper on Proposals For Amendment of the 1992 Constitutional Provisions on the Office of the Auditor-General and the Audit Service. Ghana Audit Service. https://www.ghaudit.org/reports/Proposal+for+Constitutional+Amendment.pdf

[9] Asare, K. (2018) The Audit Service Board and the Independence of the Auditor General [Article]. https://citinewsroom.com/2018/12/the-audit-service-board-and-the-independence-of-the-auditor-general-article/

[10] IDI (2020), IDI issues statement on current situation at Ghana Audit Service. INTOSAI Development Initiative. https://www.idi.no/elibrary/independent-sais/1183-idi-statement-ghana-audit-service/file

3 Developing the Fiscal Recklessness Index – Key Methodology Concepts

3.1 Introduction

IMANI's Fiscal Recklessness Index is a composite index that combines normalization and weighting of financial irregularities typologies in the Auditor General's (Auditor-general's) report (2021-2022) to create an index or score that explains the extent of financial recklessness of Ministries, Departments and Agencies (MDAs). The index utilizes nominal financial irregularities reported in the annual Auditor-general's report presented to parliament. The quantitative analysis is complemented by the Auditor-general's notes on the financial irregularities by MDAs to explain the underlying drivers of the financial irregularities. The details of the index are presented in the next sections.

3.2 Defining Financial Irregularities

Act 921 highlights 'regularity' —in addition to probity, efficiency and effectiveness—, as defined standards expected of covered entities in the conduct of their activities. To ensure the correct use of public funds, Act 921 further notes, under section 7 (1): that a principal spending officer of covered entities shall ensure the regularity and proper use of money appropriated in that covered entity. Our analysis looks at the anomaly created when this standard is not strictly adhered to. The AG defines financial irregularities as "either losses that had been incurred by the State through the impropriety or lack of probity in the actions and decisions of public officers or on the other hand, the savings that could have been made if public officials and Institutions had duly observed the public financial management framework put in place to guide their conduct and also safeguard national assets and resources"[11].

There are seven broad typologies of financial irregularities reported by the AG. These are **tax, cash, stores and procurement, rent, indebtedness, loans and advances, payroll, and contract irregularities.** Table 1 provides detailed explanations of the seven typologies of financial irregularities.

Table 2 Broad Definitions of Financial Irregularity Typologies

Typology of Irregularity	Definition
Tax irregularities	Tax irregularities occur as a result of tax fraud/evasion. This is the deliberate attempt by persons to evade tax due to the government or to delay meeting tax payment deadlines. This is often done with or without the collusion of tax officials. In the context of the period under review, the following were frequent: delayed payment of outstanding PAYE and withholding tax. Section 81(1) of the Internal Revenue Act, 2000 (Act 592) requires that 'an employer shall withhold tax from the payment of an amount to be included in ascertaining the income of an employee from the employment. Section 135(2) of Act 592 also states that "tax that has not been paid when it is due and payable may be sued for and recovered in any court by the Commissioner-General." Additionally, Section 136 of the same Act mandates the Commissioner-General to recover any unpaid tax by distress proceedings against the immovable property of a person liable to pay tax. Evidence of breaches of the above provisions over the six years was captured under Tax Irregularities by the Auditor-General.
Cash irregularities	Cash irregularities occur because of discrepancies in the proof of receipt and flow of cash payments. During the period under review, cash irregularities involved several irreconcilable bank-related fund transfers. Regulation 2(g) of the Financial Administration Regulation, 2004 (LI

[11]Ghana Audit Service. (2022). Auditor Generals Report – MDAs. Report_of_the_Auditor-General_on_the_Public_Accounts_of_Ghana_–_Ministries,_Departments_and_other_Agencies_for_the_year_ended_31_December_2022.pdf

	1802) for example, stipulates that the head of a government department shall manage and reconcile the bank accounts authorised for the department by the Controller and Accountant-General. The Auditor-Genera's reports frequently had reasons to recommend compliance with cash management procedures and for involved banks to make available relevant bank statements to enable them to track all revenue and lodgements received on behalf of MDAs by banks.
Indebtedness/loans/advances	Unfulfilled obligations either by Government Institutions or suppliers to meet repayment terms of funds made available to either party were captured under this category of irregularities. Either outstanding loans/debts of individuals and institutions had not been paid, sale of equipment had not been recovered, debts owed to suppliers of works and services to MDAs remained unpaid, or management of MDAs relaxed the conditions in the above criteria which resulted in continued debt. Similarly, advances issued often remained unrecovered in breach of Regulation 110 of the Financial Administration Regulation, 2004- which provides that "a head of the department or the officer to whom the duties of the head of the department have been delegated shall ensure that advances issued are duly recovered by the appropriate agreement.
Payroll irregularities	Payroll Irregularities involve payments of unearned salaries to separated staff either as a result of delays in deleting their names from the payroll or delays in transferring unclaimed pensions and salaries to Government chests by particular banks.
Stores/procurement irregularities	Lack of due diligence and lack of compliance with the provisions of procurement law before procurements were captured under store/procurement Irregularities. It was evident that some MDAs encouraged uncompetitive procurement having applied the restrictive and single-source procurement methods in awarding contracts without the prior approval of the Public Procurement Authority and in breach of section 43(1&3) of the Public Procurement Act, 2003, Act 663- which states that "the procurement entity shall request quotations from as many suppliers or contractors as practicable, but from at least three different sources and each supplier or contractor shall only give one price quotation and shall not change its quotation. Further, in some instances, purchases made by MDAs were not routed through Stores, contrary to the provisions in Regulation 0502 of the Stores Regulation, 1984 which requires that store items purchased should be routed through Stores before issues are made.
Rent payment irregularities	The weak enforcement and supervisory role of some heads of MDAs resulted in defaults in the payments of rents to these institutions, especially about Government bungalows as highlighted by the Auditor-General's reports.
Contract irregularities	Contract irregularities involve the failure of parties to a contract to meet related obligations in the performance of the terms of the contract. During the six years, several contract irregularities occurred. These included: claims made by companies with regards to work done on behalf of MDAs which were yet to be paid and which risked eventual judgment debts being imposed by the courts, abandoned projects, delays in the execution of projects, shoddy construction works, non-execution of works after payment of mobilisation fees, among others.

3.3 Data Cleansing

The first step in our methodology involved extracting the financial irregularities data from the ***"Report of the Auditor-General on the Public Accounts of Ghana for Ministries, Departments and Other Agencies (MDAs)"***[12] **for the years 2021 to 2023**. The next step after extracting the data is to convert transactions undertaken in foreign currency to local currency to ensure consistency in the data. This is done

[12] All the reports are publicly accessible at https://ghaudit.org/web/reports/

by using the annual end-of-year exchange rate data reported by the Bank of Ghana as a benchmark. Where the Bank of Ghana does not report on a particular country's currency, the exchange rate used by the Auditor General is used to convert the transaction to the local currency. Table 2 provides the exchange rate figures used for cleaning the data extracted from the Auditor-general's report between 2021 and 2023.

Table 3 Exchange Rate 2021-2023

Year	US Dollar ($)	Euro (€)	Pound Sterling (£)
2021	5.82	6.87	7.99
2022	8.39	8.82	10.30
2023	11.16	12.09	13.92

Source: Bank of Ghana

We then created a longitudinal data table in Microsoft Excel with the year identifier and the seven irregularity attributes which is then subsequently used for the descriptive analysis and to create the **Fiscal Recklessness Index (FRI).**

3.4 Creating the Fiscal Recklessness Index

The Fiscal Reckless Index (FRI) is a composite index which shows the ranking of the financial irregularities over the years under review as attributable to the various MDAs within the Auditor-General's report.

Two steps are needed to construct the index:

1. **Normalisation of the nominal (absolute) figures for the financial irregularities** over the years under review (2021-2023)
2. **Weighting to be assigned to each irregularity component**

3.4.1 Normalization of Data

The choice of either normalising or standardising data based on its distributional properties is key in data analysis and forecasting.[13] The extant literature shows that normalisation works best when one is certain that underlying data and its distribution data do not follow the normal (Gaussian) distribution. Normalising a dataset deals with extremities or outliers and always ensures that the normalised values range between 0 and 1. In the context of the expansive range (yearly dataset in thousands, millions and billions at the same time) of the various irregularities published by the Auditor-General, normalisation could serve as a very useful tool to deal with extremities of the data range.

Standardisation, on the other hand, is helpful when the underlying data is noted or shown to follow a bell curve/Gaussian/normal distribution – in other words, the data points are clustered around the mean. A standardised dataset following a normal distribution has a mean of 0 and a standard deviation of 1. However, unlike normalisation where the expected value of the realisations of the data will fall between 0 and 1, there is no specific upper or lower bound for the maximum and minimum values in standardised datasets. In other words, the lower and upper bounds are asymptotic to the x-axis.

[13] Vafaei, N., Ribeiro, R. A., & Camarinha-Matos, L. M. (2018). Data normalization techniques in decision making: case study with TOPSIS method. *International journal of information and decision sciences*, *10*(1), 19-38.
Jajuga, K., & Walesiak, M. (2000). Standardization of data set under different measurement scales. In *Classification and information processing at the turn of the millennium* (pp. 105-112). Springer, Berlin, Heidelberg.
Normalization vs Standardization — Quantitative analysis (2019). Available at: https://towardsdatascience.com/normalization-vs-standardization-quantitative-analysis-a91e8a79cebf (Accessed: 22 April 2022).
Normalization vs Standardization - GeeksforGeeks (2020). Available at: https://www.geeksforgeeks.org/normalization-vs-standardization (Accessed: 22 April 2022)

After a careful review of the distributional properties of the underlying data, it was decided that normalisation is the best approach and as such this was used.[14]

Normalisation	Standardisation (Z-score normalisation)
$X_{normalised} = \frac{X_i - min\,(X)}{max\,(X) - min\,(X)}$ Where X_i is the absolute (nominal) irregularity as reported in the Auditor-Generals report; $min\,(X)\ and\ max\,(X)$ are the minimum and maximum values (range) of the respective irregularity component which are used for scaling.	$X_{standardised} = \frac{X_i - \mu}{\sigma}$ Where X_i is the absolute (nominal) irregularity as reported in the Auditor-General's report; μ is the sample mean of the respective irregularity component, and σ is the sample standard deviation of the respective irregularity component.

3.4.2 Weighting

The Fiscal Recklessness Index applies proportional weights to the seven irregularity typologies to compute the scores of an MDA's fiscal recklessness. This step is essential because it ensures that the index reflects the proportional contribution of the irregularity typology to the overall financial irregularity of a particular year. This implies that the score or performance of an MDA on the Fiscal Recklessness Index reflects their overall contribution to the total financial irregularities recorded in a given fiscal year. Table 3 shows the proportional weights applied to the FRI between 2021 and 2023.

Table 4 Weights Applied to the Typologies of Financial Irregularities (2021-2023)

Year	2021 (%)	2022 (%)	2023 (%)	Cumulative (2021-2023) (%)
Stores/ Procurement	0.05	0.02	0.09	0.06
Rent	0.17	0.15	0.08	0.12
Contract	0.14	0.04	5.00	2.50
Tax	92.00	88.35	89.91	89.92
Cash	4.26	4.07	3.67	3.91
Debts, Loans & Advances	2.86	6.36	0.66	2.78
Payroll	0.52	1.01	0.60	0.70
SUB-TOTAL	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: Author's Construct based on the Annual Auditor General's Report[15] (2021-2023)

3.4.3 The Fiscal Recklessness Index

Finally, the Fiscal reckless index (FRI) for every year (t) is given as

$$FRI_t = (\beta_1 \times Stores_t) + (\beta_2 \times Rent_t) + (\beta_3 \times Contract_t) + (\beta_4 \times Tax_t) + (\beta_5 \times Cash_t) + (\beta_6 \times Debts_t) + (\beta_7 \times Payroll_t) \quad \text{(Eq. 1)}$$

[14] See Appendix 1 for the yearly nominal and normalized data for the respective years
[15] Ghana Audit Service. Ghana Audit Service - latest reports of the auditor general

Also, the composite Fiscal reckless index (FRI) for over six years from 2021 to 2023 is given as:

$$FRI_t = \sum_{t=1}^{3}(\beta_1 \times Stores_t) + (\beta_2 \times Rent_t) + (\beta_3 \times Contract_t) + (\beta_4 \times Tax_t) + (\beta_5 \times Cash_t) + (\beta_6 \times Debts_t) + (\beta_7 \times Payroll_t) \quad \text{(Eq. 2)}$$

Where β are the respective weights as per Table 3 above; $Stores_t$ represents the normalised stores/procurement irregularities in the respective year (t); $Rent_t$ represents the normalised rent payment irregularities in the respective year (t); $Contract_t$ represents the normalised contract irregularities in the respective year (t); Tax_t represents the normalised tax irregularities in the respective year (t); $Cash_t$ represents the normalised cash irregularities in the respective year (t); $Debts_t$ represents the normalised cash irregularities in the respective year (t), and $Payroll_t$ represents the normalised payroll irregularities in the respective year (t).

4 Fiscal Recklessness Index – Results and Discussions

4.1 Introduction

Ministries, Departments and Agencies (MDAs) are crucial in managing public finance. Their adherence to sound public financial management rules and efficient utilization of public resources is important for achieving national development plans and building public trust and confidence in the government's financial commitments. Since 2016, IMANI's FRI has evaluated the financial prudence of MDAs and offered critical recommendations for strengthening Ghana's public financial management systems. The first FRI covered MDAs' financial irregularities between 2010 and 2014, and the second FRI covered the period between 2015 and 2020. This third edition of the FRI covers financial irregularities reported by the AG between 2021 and 2023. This analysis also attempts to draw evidence of improvement or otherwise of MDAs' fiscal recklessness by looking at the historical fiscal recklessness trends. The analysis starts with the nominal financial irregularities over the period, the trend of irregularities according to the categories of financial irregularities, the trend of irregularities according to MDAs, and the Fiscal Recklessness Scores. The quantitative analysis in this chapter is complemented by the qualitative analysis of the causes of irregularities in the auditor-general's report.

4.2 Trend Analysis of Financial Irregularities of MDAs (2021-2023)

The analysis covers the financial irregularities of 27 MDAs reported by the auditor-general from 2021 to 2023. **The total financial irregularities was GHC4.90 billion, which is about 2.63 per cent of the gross domestic product (GDP) in 2023, covering the seven typologies of irregularities.** The total financial irregularities represent on average about **0.70 per cent of the GDP between 2021 and 2023**[16] (**See Fig. 1**). On average, about GHC1.63 billion was recorded every year as financial irregularities by MDAs. These represent financial resources lost due to impropriety or lack of probity in the actions and decisions of public officers or savings that could have been made if public officers had complied with the public financial management guidelines. The total financial irregularities of GHC4.9 billion represent almost double the total expenditure of the Ministry of Gender, Children and Social Protection between 2021 and 2023[17]. Expressed in terms of GDP, the average annual financial irregularities (0.70% of GDP) are higher than the average total expenditure of the MOGCSP (0.5%) between 2021 and 2023[18]. This implies that Ghana loses more money to financial irregularities by MDAs than how much it spends on social protection and welfare ministries like the MOGCSP. Also, the total financial irregularities represent about 75 per cent of the GHC6.5 billion arrears owed to the District Assembly Common Fund between 2021 and 2023[19].

The highest financial irregularities were recorded in 2023 with a total of GHC2.4 billion, which is an increase of about 124 per cent and 70 per cent growth compared to the irregularities recorded in 2021 and 2022 respectively. In 2021, the financial irregularities recorded was GHC1.1 billion and a total of GHC1.4 billion financial irregularities was recorded in 2022. The financial irregularities recorded in 2021 were highly attributed to uncollected revenues owed by oil marketing companies. These irregularities largely accounted for about 92 per cent of the total irregularities recorded in 2021[20]. The failure on the part of GRA to collect the oil marketing companies' rescheduled debt and weaknesses in the sanctioning regime represent revenue losses that could have been used to support development activities. Similarly, the financial irregularities recorded in 2022 can be attributed to the delays in the payment of taxes owed by oil marketing companies and registered VAT traders[21]. Also, the auditor-general's summary report in 2023 highlights the failure of the Ghana Revenue Authority to pursue oil marketing companies and VAT-registered

[16]Ghana Statistical Service. (2023). Annual_2013_2023_GDP_GSS.xlsx (live.com)
[17]Ministry of Gender. (2021-2023) Programme-Based Budgeting. Programme Based Budgeting | Ministry of Finance | Ghana (mofep.gov.gh)
[18]Author's calculation based on expenditure reported in the MOGCSP Programme-Based Budget submitted to the Ministry of Finance.
[19]Gov't owes Common Fund over GH¢6bn – Ho Central MP alleges - MyJoyOnline
[20]Ghana Audit Service. (2021). Microsoft Word - FINAL 2021 MDAs REPORT 2.docx (audit.gov.gh)
[21]Ghana Audit Service. (2022). Report_of_the_Auditor-General_on_the_Public_Accounts_of_Ghana_–_Ministries,_Departments_and_other_Agencies_for_the_year_ended_31_December_2022.pdf

businesses as the key drivers of financial irregularities in addition to the financial irregularities observed in the other typologies of irregularities.

Figure 4 Trend of Financial Irregularities of MDAs 2021-2023

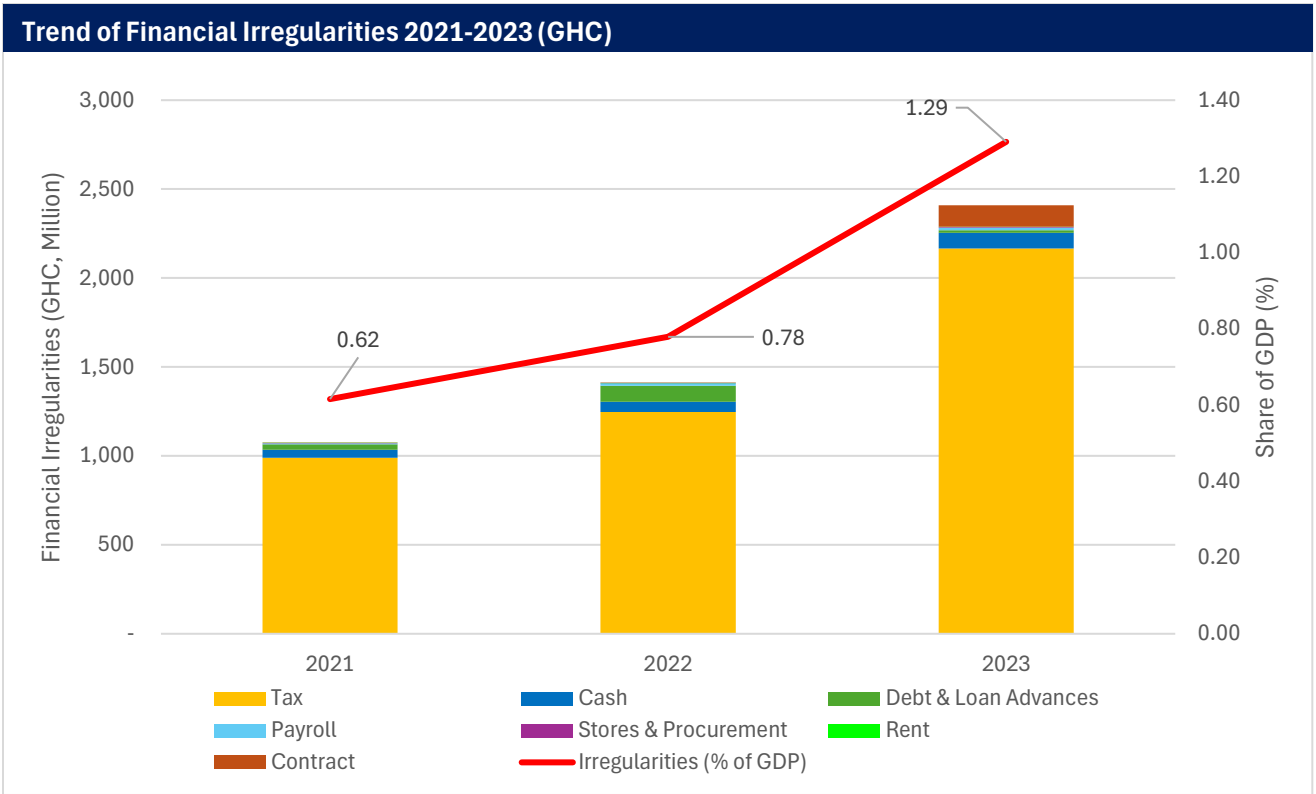


Chart: IMANI CPE, Source: Ghana Audit Service and Ghana Statistical Service

Tax irregularities are the largest driver of financial irregularities over the three years (See Fig.2). Between 2021 and 2023, tax irregularities represent about 90 per cent (GHC4.4 billion) of the total financial irregularities. This implies that for every ten (10) cedis of financial irregularities caused by MDAs, nine (9) cedis can be traced to tax irregularities, which makes it one of the key vulnerabilities in the public financial management system. These weaknesses continue to occur despite the numerous technology reforms to enhance revenue mobilization. The tax irregularities reported by the auditor-general relate to unpaid taxes by oil marketing companies, outstanding income tax, outstanding PAYE, failure to withhold and remit withholding taxes, indebtedness of VAT traders, and other institutional revenue collection challenges. These tax infractions are largely a result of weak revenue enforcement by the Ghana Revenue Authority and their failure to pursue tax debtors to collect the expected revenue. This has implications for the overall revenue mobilization of the country. Additionally, there is a weak cross-state agency revenue collection as most state institutions tend to delay tax payments, creating significant shortfalls. For instance, about ten (10) state institutions had not paid taxes of about GHC1.25 billion in the 2022 fiscal year[22]. Also, about 10 communication companies had defaulted taxes of about GHC7.2 million[23]. Other examples of weak enforcement of tax collection include about 2,557 VAT traders who owed about GHC361 million in 2021[24]. These are VAT revenues collected on behalf of the state but were not paid to the state. Also, the analysis finds that in many instances, revenue officers failed to enforce the relevant tax laws to sanction tax offenders. Also, the defaults raise concerns about the efficiency of the electronic systems such as the E-VAT initiative implemented in 2022[25] and calls for urgent steps to resolve efficiency issues like system

[22]Ghana Audit Service. (2023). MDAs Press (audit.gov.gh)
[23]Ghana Audit Service. (2023). MDAs Press (audit.gov.gh)
[24]Ghana Audit Service. (2021). Microsoft Word - FINAL 2021 MDAs REPORT 2.docx (audit.gov.gh)
[25]GRA to complete E-VAT implementation in December 2024 - MyJoyOnline

downturns raised by traders to avoid the use of dual VAT reporting systems, which makes it easy for traders to delay payment of VAT. Additionally, the high defaults among large taxpayers also raise efficiency concerns about the GRA Taxpayers Portal[26], as these systems are expected to facilitate easy and seamless payment of tax.

Figure 5 Contributions of Financial Irregularities by Irregularity Typology

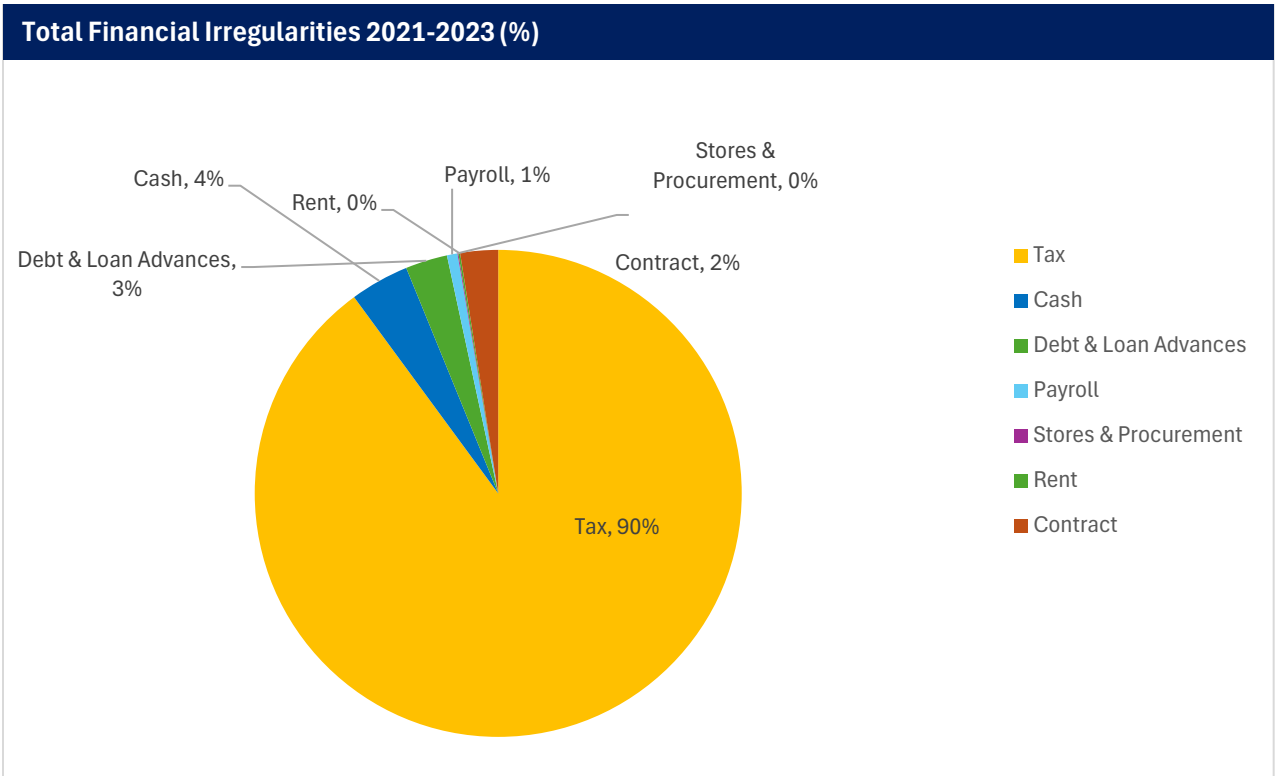


Chart: IMANI CPE, Source: Ghana Audit Service

Cash irregularities were the second highest source of financial irregularities for the assessment, with a composite amount of GHC191.7 million. Cash irregularities constituted 4 per cent of the total financial irregularities recorded between 2021 and 2023. Cash irregularities are primarily caused by payments without supporting documents, unaccounted revenues and funds, embezzlement and fraudulent withdrawal of funds, non-transfer of revenues into the consolidated fund, and regular abuse of the Public Financial Management Act 2016 (Act 921). These drivers of cash irregularities point to the weaknesses in the internal audit functions at the MDAs. The absence of internal auditors in the GIFMIS system and other institutional weaknesses[27] such as obsolete internal audit laws cripple the internal audit functions and continue to create loopholes for spending officers to abuse the cash management rules in the PFM rules. Also, these infractions continue to occur because the MDAs Audit Review Committee reports and recommendations are not fully enforced, making the institutional quality assurance actions ineffective. For instance, an accountant in the Department of Urban Roads fraudulently withdrew about GHC1.5 million between 2020 and 2022[28], and an accountant in the Buipe Polyclinic forged the signature of the medical superintendent and withdrew about GHC431,000[29]. Also, the 2021 auditor-generals report identifies several cases where payments are made without proper documentation, which contravenes Regulation 78 of the Public Financial Management Regulations, 2019 (L.I. 2378).

[26] Online Filing of Tax Returns via GRA Taxpayers Portal – GRA
[27] Internal Auditors saved GHS 4.5 million from payroll irregularities in first quarter of 2023 | Ghana News Agency (gna.org.gh)
[28] Ghana Audit Service. (2022). Report of the Auditor-General on the Public Accounts of Ghana – Ministries, Departments and other Agencies for the year ended 31 December 2022.pdf
[29] Ghana Audit Service. (2021). Microsoft Word - FINAL 2021 MDAs REPORT 2.docx (audit.gov.gh)

Financial irregularities related to debt, loans and advances constituted 3 per cent (GHC 136.3 million) of the total financial irregularities in the assessment. This type of financial irregularity is largely caused by failure on the part of MDAs to recover outstanding debts and overdue loans granted to staff members, and the indebtedness of state institutions and individuals to the government. These infractions also corroborate the weaknesses in the internal audit functions and the lack of commitment of the MDAs to implement the Audit Committee reports because most of these infractions typically tend to be overdue loans and advances which will be repeatedly mentioned in the previous reports by the auditor general. For instance, unrecovered debts and advances owed to the Ministry of Food and Agriculture by about 65 farmers at the cost of GHC 9.5 million was reported in the second FRI report by IMANI, and this same transaction has been captured by the auditor-general in 2021. Also, it appears the MDAs do not have strict guidelines governing debts, loans and advances. Regulation 108 of the Public Financial Management Regulations, 2019 (L.I. 2378) provides that the principal spending officer of an MDA is required to record any loans and advances in the GIFMIS, however, the absence of the internal auditors on the GIFMIS platform makes it difficult to ensure accountability in transactions related to debts, loans and advances. Regulation 110 of L.I 2378 also requires that the principal spending officer reports to the Controller and Accountant General's Department (CAGD), which should make it easy for the loans advanced to public workers to be recovered, however, this appears not to be working. For instance, the Ministry of Finance failed to recover about GHC11 million of loans and advances provided to public sector officers within the stipulated period[30].

Financial irregularities related to contracts accounted for 3 per cent (GHC122.6 million) of the total financial irregularities between 2021 and 2023. Contract irregularities are primarily caused by the payment of contracts without any evidence of work done and the payment to contractors who have abandoned the project site. For instance, about GHC8.1 million was paid to some 70 interim contractors in 2023[31], however, there was no evidence of work done, and about GHC1.1 million was paid in 2021 as interest on delayed road project certificates raised and the projects had been abandoned even though 15 per cent mobilization has been paid[32]. These infractions could have been avoided if the internal audit functions were effective.

Financial irregularities linked to payroll accounted for 1 per cent (GHC34.2 million) of the total irregularities reported between 2021 and 2023. Payroll infractions are largely a result of unearned salaries, that is, payment of salaries to workers who are no longer attached to the institution, payment of pensions to deceased persons, staff promoted on payroll without official letters, and poor documentation of staff allowances and study leave. For instance, the Ministry of Education paid about GHC1.1 million in 2021 to about 88 staff members who separated from their respective institutions. Also, the Ministry of Health paid salaries of about GHC1.6 million between 2021 and 2022 to persons posted to private hospitals instead of being posted to facilities owned by the Ghana Health Service[33]. Payroll fraud remains one of the challenges associated with the existing public financial management system. For instance, the government reported the recovery of about GHC850 million[34] that could have been lost due to payroll and pensions fraud after reviewing the payrolls of 120 public institutions through the payroll monitoring exercise.

Stores and procurement infractions accounted for less than 1 per cent (GHC2.8 million) of the total financial irregularities. The infractions were driven by non-compliance with the Public Procurement Act 2003 (663) and Act 914 (2016). The abuse of the law is related to awarding contracts without the appropriate method of procurement, over-payment of suppliers, and unaccounted products. For instance, the Ministry of Finance on fifteen (15) occasions in 2021 handpicked service providers of conference facilities at a combined estimated cost of about GHC2.3 million without subjecting the transactions to any of the approved

[30]Ghana Audit Service. (2021). Microsoft Word - FINAL 2021 MDAs REPORT 2.docx (audit.gov.gh)

[31]Ghana Audit Service. (2023). MDAs Press (audit.gov.gh)

[32]Ghana Audit Service. (2021). Microsoft Word - FINAL 2021 MDAs REPORT 2.docx (audit.gov.gh)

[33]Ghana Audit Service. (2022). Report of the Auditor-General on the Public Accounts of Ghana – Ministries, Departments and other Agencies for the year ended 31 December 2022.pdf

[34]Govt Cracks Down On Payroll Fraud, Saves GHC895m - DailyGuide Network

public procurement methods, and the transactions were not covered in the annual procurement plans of the Ministry of Finance. These flagrant abuses of the procurement laws continue to persist because the institutional sanctions are not applied and transactions are not disallowed. Such actions by public officers create room for contract over-pricing, lobbying, and corruption. This also points to the weaknesses in the internal audit function and the non-utilization of the Ghana Electronic Procurement Platform.

Rent infractions accounted for less than 1 per cent (GHC5.7 million) of the total financial irregularities reported by the auditor-general between 2021 and 2023. These infractions occur due to weak monitoring of rented facilities to public sector workers. Unpaid rent and rent overdue were the main drivers of financial irregularities under this category. Like the other categories of irregularities, rent irregularities also point to the weaknesses in the internal audit function. These infractions could be addressed and dealt with at the institutional level. These infractions also raise concerns about the efficiency and probity of principal spending officers given that they are the ones mandated to collect all forms of non-tax revenue for the state. In 2021, almost 500 staff members of the Ministry of Health owed rent to the tune of about GHC600,000 and Ministry of Works and Housing staff occupying the UNDP flats owed rent of about GHC1 million[35]. These are revenues that have been lost or remain unrecovered by the state.

Figure 6 Breakdown of Financial Irregularities 2021-2023

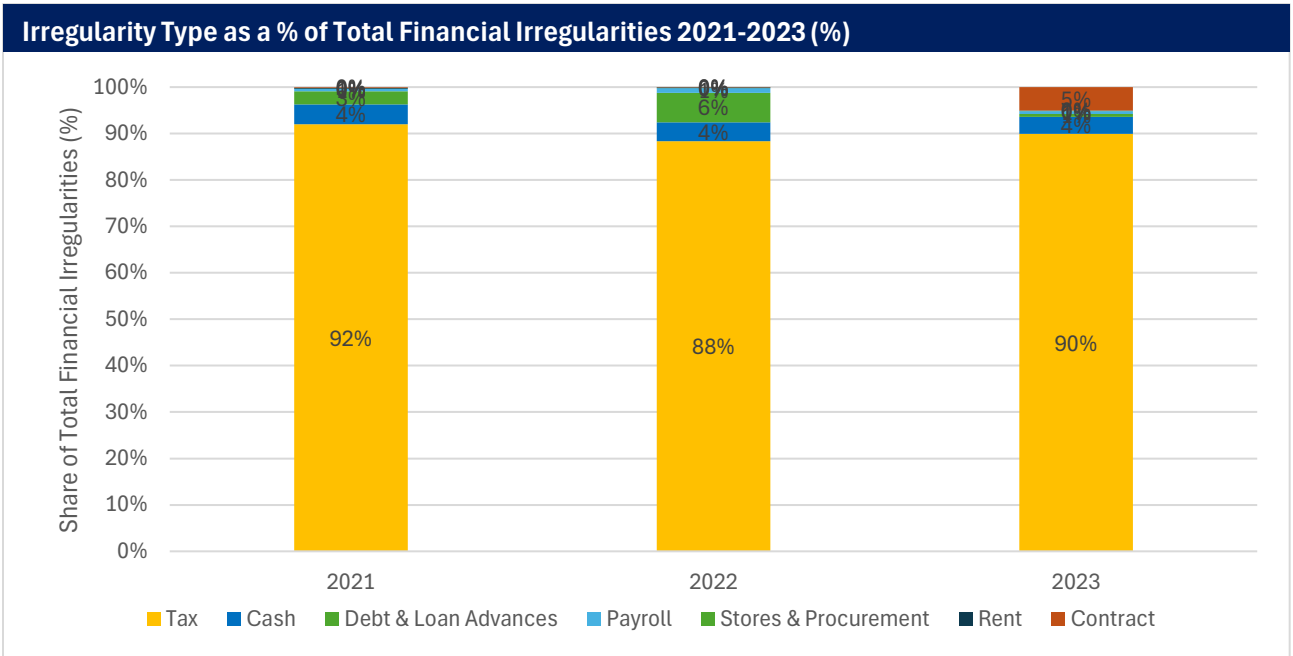


Chart: IMANI CPE, Source: Ghana Audit Service

Compared to the second fiscal recklessness index that covered the period between 2015 and 2020, the composite financial irregularities have declined from GHC13.92 billion to GHC4.9 billion recorded from 2021 to 2023 (See Fig.4). The data shows that the composite financial irregularities have declined by about 65 per cent compared to the total financial irregularities recorded between 2015 and 2020. While this is a positive trajectory, the data shows a positive trend in the year-on-year growth in the financial irregularities recorded between 2021 and 2023. This implies that the financial irregularities have started rising with a positive growth rate of 31 per cent and 70 per cent in 2022 and 2023 respectively. Over eight years, 2018 remains the year with the highest financial irregularities by MDAs. The positive growth trends in the financial irregularities of MDAs are a cause for worry given the precarious macroeconomic position of the country and the urgent need for high fiscal prudence. The government has embarked on several fiscal consolidation strategies supported by a three-year International Monetary Fund (IMF) to

[35]Ghana Audit Service. (2021). Microsoft Word - FINAL 2021 MDAs REPORT 2.docx (audit.gov.gh)

restore macroeconomic stability. Realizing the goals of the IMF programme require high fiscal prudence and compliance with the existing PFM frameworks, and thus a positive trend in financial irregularities largely driven by tax infractions raises more concerns about institutional effectiveness. For instance, revenue mobilization is a key pillar of the recovery strategies in the IMF programme, however, the auditor-general continues to report tax infractions of almost GHC9 out of every GHC10 lost to financial irregularities. The reasons behind these infractions are largely weak enforcement and non-application of tax sanctions.

Figure 7 Trend of Financial Irregularities 2021 – 2023

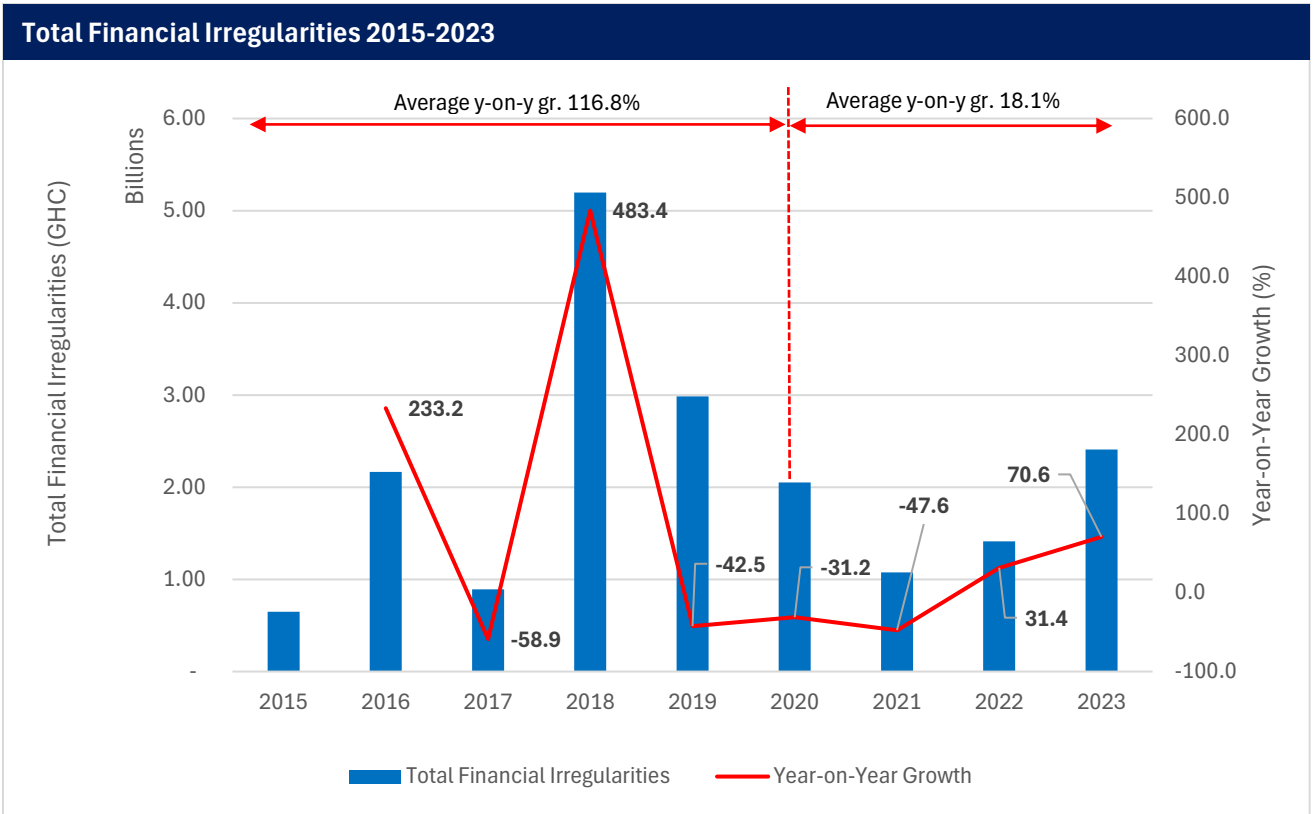


Chart: IMANI CPE, Source: Ghana Audit Service

The trend of financial irregularities between 2015 and 2023 also reveals a significant reduction in all typologies except tax irregularities (See Fig. 8). The irregularities have shifted more towards the tax irregularities as all the other six typologies have seen a significant reduction. For instance, cash irregularities constituted about 21 per cent of the total financial irregularities between 2015 and 2020 but declined significantly to 4 per cent between 2021 and 2023. Similarly, the share of debt, loans and advances represented 9 per cent of the total financial irregularities between 2015 and 2020 but declined to 3 per cent from 2021 to 2023. Infractions related to contracts have remained the same between the two assessment periods. Minor irregularities such as stores and procurement and rent have fallen below 1 per cent between 2021 and 2023 compared to 2015 and 2020, however, payroll has recorded a slight growth over the same period. On the contrary, the share of tax infractions as a percentage of the total financial irregularities have significantly increased from 65 per cent between 2015 and 2020 to 90 per cent from 2021 to 2023 despite the decline in composite figures from GHC9.1 billion to GHC4.4 billion (about 52 per cent decline in total tax irregularities). This shows that tax irregularities remain the major bottleneck in fiscal prudence in the public financial management system. It is important to note that the infractions are all related to weak institutional effectiveness evidenced by weak enforcement of tax laws particularly working with oil marketing companies, VAT-registered traders, outstanding PAYE, and large outstanding income tax[36]. This trend is

[36]Ghana Audit Service. (2023). MDAs Press (audit.gov.gh)

worrying particularly because of the massive investments in electronic platforms such as the Strategic Management Limited Contract and the GRA E-Tax Filing and E-VAT programmes, which were expected to significantly reduce tax infractions and accelerate revenue mobilization. Tax irregularities recorded between 2021 and 2023 are almost twice the budgeted cost of the Free Senior High School Programme in 2024, almost thrice the budgeted cost of the Ghana School Feeding Programme and almost six times the budgeted cost of the Livelihood Empowerment Against Poverty Programme in 2024[37].

Figure 8 Comparison of Financial Irregularities between 2015/20 and 2021/23

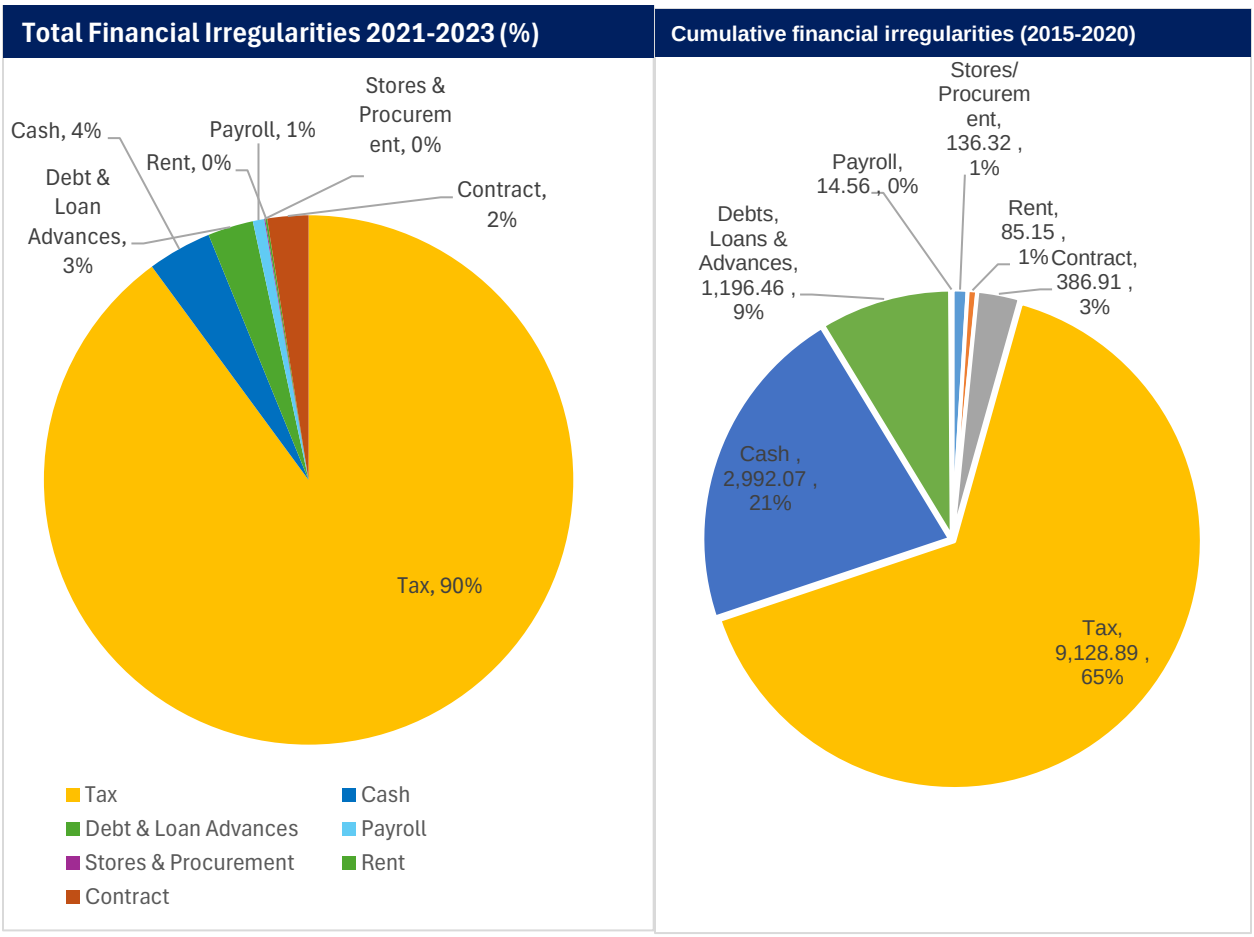


Chart: IMANI CPE, Source: Ghana Audit Service

The analysis also explored the implications of the financial infractions for critical social welfare performance such as social protection (See Fig. 9). The Ghana National Social Protection Policy recognizes the LEAP, Ghana School Feeding Programme (GSFP), and the Labour-Intensive Public Works Programme (LIPW) as the key government-led interventions for addressing poverty and social inequality. The analysis expressed the annual expenditure of the LEAP and GSFP as a percentage of GDP and compared it to the financial irregularities expressed as a percentage of GDP to demonstrate the implications of the financial irregularities for social protection. The analysis reveals that MDAs' financial irregularities have remained higher than spending on key social protection programmes since 2015. This implies that financial infractions by MDAs are higher than how much the government spends on major poverty reduction initiatives such as LEAP and GSFP.

[37]Ministry of Finance. (2024). 2024 Budget Statement_v2.pdf (mofep.gov.gh)

Figure 9 Comparison of Financial Irregularities, LEAP and GSFP (% of GDP)

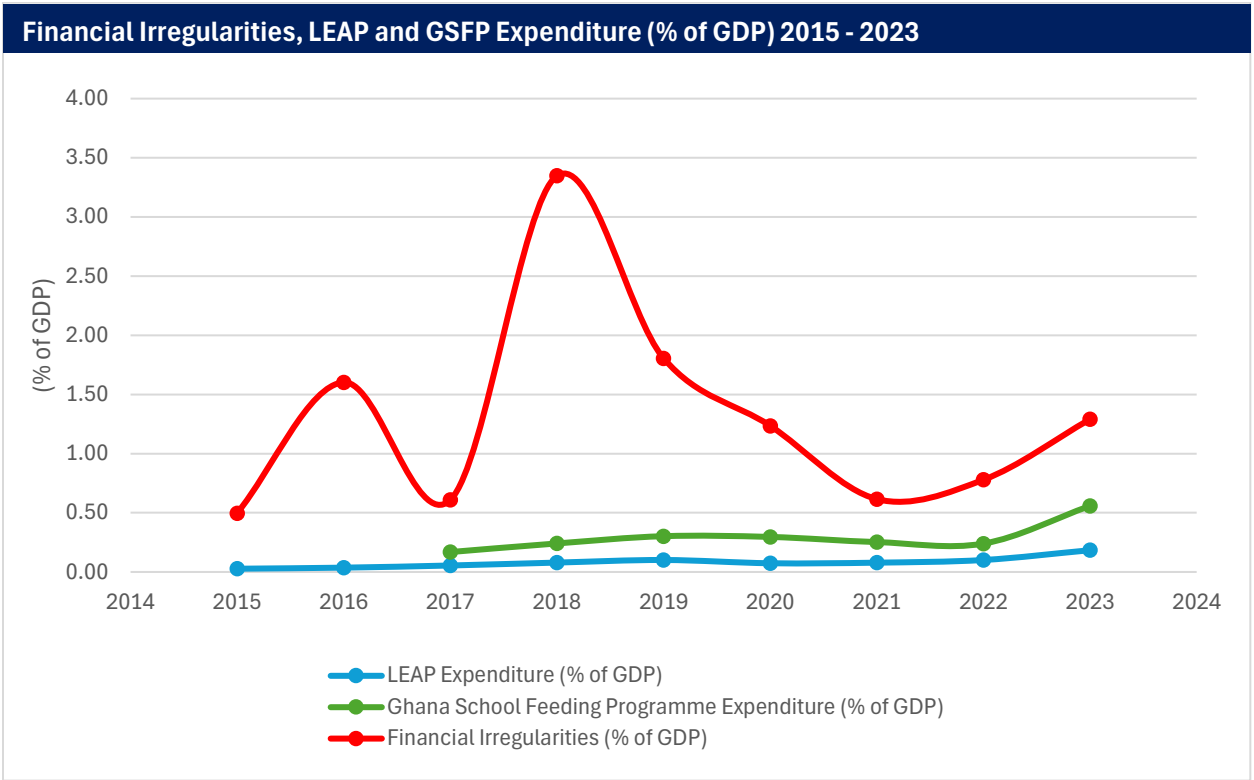


Chart: IMANI CPE, Source: Ministry of Finance[38], Ghana Audit Service[39]

If addressed, these infractions could have been channelled to expand these initiatives. For instance, the government has failed to meet the bi-monthly LEAP payment because of delays in the release of funds[40]. This means that the government has been unable to make the required six (6) times annual payments to LEAP beneficiaries since 2019, and thus LEAP payments have become unpredictable[41]. Between 2021 and 2022, the government made three (3) annual payments instead of the six (6) payment schedules in the year, which implies that the LEAP beneficiaries would have to wait for four months instead of two months to receive the cash transfer[42]. At the same time, MDAs are committing financial infractions that could have been properly channelled to support the implementation of these poverty reduction programmes. Currently, the government pays GHC1.20 per meal per child under the GSFP for about 3.81 million beneficiaries. Assuming that the composite financial irregularities of GHC4.9 billion between 2021 and 2023 were saved and spent on the GSFP, this could provide as high as GHC6 per meal for each day for each child under the GSFP, using the average 12 contact weeks per term in 2023/2024[43] (on average 180 days of schooling in the 2023/2024 calendar year for nursery, kindergarten and basic school pupils)[44]. This means that the cost of each beneficiary under the GSFP could increase by almost five (5) times if all the financial irregularities were saved and spent on the school feeding programme. Although the government may not spend that

[38]Data on LEAP from 2022 and 2023 was based on releases by MoF and GSFP data for 2015 & 2016 were not reported in the Programme-Based Budget of MOGCSP.

[39]Data on GSFP from 2017 to 2021 was sourced from the performance audit reports.

[40]World Bank. (2023). Social Protection Programme Spending and Household Welfare. Social Protection Program Spending and Household Welfare in Ghana (worldbank.org)

[41]World Bank. (2023). Social Protection Programme Spending and Household Welfare. Social Protection Program Spending and Household Welfare in Ghana (worldbank.org)

[42]World Bank. (2023). Social Protection Programme Spending and Household Welfare. Social Protection Program Spending and Household Welfare in Ghana (worldbank.org)

[43]GES 2023/2024 Full Academic Calendar for Basic & SHS: Teacher Unions (ghanaeducation.org)

[44]Authors computation based on reports by the finance minister sourced from School feeding caterers paid; cost per meal increased to GH¢1.20 - Finance Minister (ghanaweb.com)

much on each child per day, financial prudence by MDAs could provide enough financial resources to support these important initiatives because they are at the heart of reducing inequality and extreme poverty.

4.3 Fiscal Recklessness Assessment

This section of the analysis discusses the results of the fiscal recklessness assessment of MDAs. The analysis shows the fiscal recklessness scores of the various MDAs and ranks them based on their fiscal recklessness scores. In addition, the analysis draws a comparison between the MDAs' current performance with the second FRI to identify any observable progress in the performance of MDAs and the major areas of improvement.

The Ministry of Finance tops the list of MDAs as the most fiscally reckless MDA between 2021 and 2023 with a score of 0.9038 (See Table 2). The Ministry of Finance leads as the MDA with the highest financial irregularities or infractions over the period considered in this assessment. This is largely because of the high tax infractions reported between 2021 and 2022. The fiscal recklessness scores also suggest that 9 out of every 10 of the financial irregularities can be traced to the Ministry of Finance. Tax irregularities constitute GHC4.40 billion out of the total financial irregularities of GHC4.90 recorded between 2021 and 2023, and 99 per cent (GHC4.39 billion) of the total tax infractions can be traced to the Ministry of Finance, which explains the high fiscal recklessness score given that tax infractions represent 90 per cent of the total financial irregularities. The tax infractions represent revenues that are due to the state but were not collected because of poor enforcement and weak application of the sanctions in the tax laws. For instance, 17 oil marketing companies lifted oil without paying the duties and taxes of about GHC250 million to the Customs Division of the Ghana Revenue Authority from January to December 2021[45]. Similarly, 28 oil marketing companies failed to repay their rescheduled tax debts of about GHC402 million in 2021[46].

Section 47 of the Revenue Administration Act, 2016 (Act 915) stipulates that the taxes of a taxpayer are deemed payable when they fail to repay their re-scheduled debt, however, these laws were not applied. Also, the failure of state agencies to pay their tax obligations resulted in infractions of about GHC1.2 billion in 2023[47]. This figure is equivalent to the provisional total expenditure on the GSFP in 2023, three times the expenditure on the GSFP in 2022[48], and almost half of the total budgeted expenditure for the Free Senior High School Programme for 2024[49]. These notwithstanding, it is important to point out that the Ministry of Finance plays the dual role of a central management agency and MDA, and thus the financial infractions of other MDAs could be traced to the Ministry of Finance. This has the potential of increasing the financial irregularities traced to the Ministry of Finance. Nonetheless, the most important message is that most of the irregularities leading to the high fiscal recklessness score can be avoided if revenue assurance and enforcement were effective.

The Ministry of Food and Agriculture follows the Ministry of Finance as the second most fiscally reckless MDA with a fiscal recklessness score of 0.0436. The fiscal recklessness score suggests that less than GHC1 out of every GHC10 of the total financial infractions can be traced to the Ministry of Food and Agriculture. While their contribution to the total financial irregularities may look small, the composite of financial irregularities of GHC84.4 million is significant. Financial irregularities related to cash account for about 83 per cent (GHC70.6 million) of the total infractions by the Ministry of Food and Agriculture. This implies that cash management was one of the key challenges faced by the Ministry over the period of the assessment. For instance, the finance directorate of the Ministry could not provide payment vouchers and supporting documents for transactions worth about GHC64.5 million[50].

[45]Ghana Audit Service. (2021). Microsoft Word - FINAL 2021 MDAs REPORT 2.docx (audit.gov.gh)

[46]Ghana Audit Service. (2021). Microsoft Word - FINAL 2021 MDAs REPORT 2.docx (audit.gov.gh)

[47]Ghana Audit Service. (2023). MDAs Press (audit.gov.gh)

[48]2023 Programme Based Budgeting Estimates | Ministry of Finance | Ghana (mofep.gov.gh)

[49]Ministry of Finance. (2024). 2024 Budget Statement_v2.pdf (mofep.gov.gh)

[50]Ghana Audit Service. (2023). MDAs Press (audit.gov.gh)

Table 5 Fiscal Recklessness Scores of MDAs 2021-2023

Fiscal Recklessness Score					
Ministry/Year	**2015-2020**	**2021**	**2022**	**2023**	**2021-2023**
Finance	0.8803	0.9513	0.8854	0.8991	0.9038
Food and Agriculture	0.0031	0.0316	0.0066	0.0367	0.0436
Communications	0.0021	#N/A	0.0639	-	0.0279
Roads & Highways	0.0283	0.0018	0.0026	0.0500	0.0263
Health	0.1004	0.0205	0.0171	0.0171	0.0226
Justice & Attorney General	0.0075	0.0469	0.0015	0.0001	0.0183
Fisheries & Aquaculture	0.0020	0.0005	0.0411	0.0000	0.0177
Education	0.0041	0.0061	0.0036	0.0094	0.0121
Lands & Natural Resources	0.0008	0.0002	0.0167	-	0.0071
Interior	0.0018	0.0026	0.0082	0.0006	0.0035
Gender	0.0033	0.0033	0.0020	0.0003	0.0023
Works and Housing		0.0108	-	0.0003	0.0016
Energy		0.0033	-	-	0.0014
Other Agencies	0.0021	0.0000	0.0048	0.0001	0.0012
Local Government & Decentralization	0.0049	0.0012	0.0015	0.0004	0.0010
Youth & Sport	0.0008	0.0001	0.0012	-	0.0004
Sanitation	0.0003	#N/A	0.0001	0.0002	0.0002
Defence	0.0013	0.0002	0.0001	-	0.0002
Employment	0.0187	0.0007	0.0001	-	0.0001
Tourism, Arts & Culture	0.0030	#N/A	0.0005	-	0.0001
Trade and Industry	0.0054	0.0001	0.0002	-	0.0001
Environment	0.0013	#N/A	#N/A	0.0000	0.0000
Foreign Affairs & Regional Integration	0.0148	#N/A	0.0001	-	0.0000
Transport	0.0004	0.0000	-	-	0.0000
Railway Development		#N/A	-	-	0.0000
Information	0.0002	#N/A	-	-	0.0000
Chieftaincy and Religious Affairs	0.0000	0.0000	-	-	0.0000

Source: IMANI CPE, Data: Ghana Audit Service

The Ministry of Communication and Digitalization, the Ministry of Roads and Highways, and the Ministry of Health follow the Ministry of Food and Agriculture as the successive fiscally reckless MDAs with fiscal recklessness scores of 0.0279, 0.0263, and 0.0226 respectively. The Ministry of Communication's relatively high fiscal recklessness score was largely a result of the high indebtedness of about GHC86.2 million owed by the Ghana Airport Company Limited and the Ghana Civil Aviation Authority to the Ghana Meteorological Agency in 2022[51]. This debt was a result of unpaid fees and charges owed Ghana Meteorological Agency as stipulated in the Ghana Meteorological Agency Act 2019 (Act 1002). This was another example of cross-state agencies' indebtedness arising from one state agency failing to pay the revenues collected on behalf of another agency, which further corroborates the weak internal audit function and institutional ineffectiveness. The fiscal recklessness score of the Ministry of Roads and Highways was largely influenced by unpaid compensation claims and the award of contracts without the right documentation. For instance, about GHC112.9 million in land compensation claims were not paid by the Ministry of Roads and Highways, however, they explain that the Ministry of Finance has not provided the financial resources to pay the claims[52]. The fiscal recklessness score of the Ministry of Health was

[51]Ghana Audit Service. (2022). Report of the Auditor-General on the Public Accounts of Ghana – Ministries, Departments and other Agencies for the year ended 31 December 2022.pdf

[52]Ghana Audit Service. (2023). MDAs Press (audit.gov.gh)

mainly due to payroll mismanagement and indebtedness, loans and advances. The top five fiscally reckless MDAs are the Ministry of Finance, Ministry of Food and Agriculture, Ministry of Communication, Ministry of Roads and Highways, and Ministry of Health.

Compared to the period between 2015 and 2020, we observe relatively improved fiscal recklessness scores evidenced by more greens in the heat map for the period between 2021 and 2023 (See Table 5). This implies that we observe relatively more agencies recording low amounts of financial irregularities. This is also corroborated by the significant reduction in the contributions of all typologies of irregularities except tax irregularities. Furthermore, the analysis reveals relative improvement in the ranking of some MDAs compared to the period between 2015 and 2020. Only the Ministry of Finance, the Ministry of Roads and Highways, and the Ministry of Health remained in the top five fiscally reckless MDAs over the two periods of assessment (2015-2020 and 2021-2023). For instance, the Ministry of Employment and Labour Relations made a positive relative movement of fifteen positions from 4th place between 2015 and 2020 to 19th place between 2021 and 2023. Also, the Ministry of Foreign Affairs and Regional Integration recorded a positive relative improvement from 5th place between 2015 and 2020 to 23rd place between 2021 and 2023, which was the highest improvement recorded in this assessment. Other MDAs such as Local Government and Decentralization and Trade and Industry which were among the top ten (10) between 2015 and 2020 recorded positive relative movements of six (6) and fourteen (14) places respectively.

On the contrary, some MDAs recorded worse performance compared to the assessment between 2015 and 2020, which indicates some form of declining fiscal prudence in those MDAs. The Ministry of Food and Agriculture and the Ministry of Communication moved from less fiscally reckless to most fiscally reckless in the current assessment. The Ministry of Food and Agriculture recorded a negative relative movement of ten (10) places from 12th place in the previous assessment to 2nd place in the current assessment. Similarly, the Ministry of Communication recorded a negative relative movement of eleven (11) places from 14th in the previous assessment to 3rd place in the current assessment. The worst relative movement was observed for the Ministry of Lands and Natural Resources which recorded negative relative movement of fourteen (14) places from 23rd place in the previous assessment to 9th place in the current assessment. The Ministry of Chieftaincy and Religious Affiliation maintained its position as the least fiscally reckless MDA over the two periods of assessment.

The analysis also reveals that social service and welfare MDAs remained moderately fiscally reckless compared to the previous assessment. The Ministry of Education, the Ministry of Health, and the Ministry of Sanitation recorded negative relative movements indicating declining fiscal prudence over the two periods of assessment. The Ministry of Gender, Children and Social Protection recorded no changes on the FRI, however, they remained in the moderately reckless category. This trend is worrying given the key role these ministries play in addressing poverty, social inequality and inclusion. Additionally, most of these Ministries tend to rely on donor support to implement some of their flagship programmes, which makes it imperative for them to observe the highest form of fiscal prudence.

Table 6 Fiscal Recklessness Index – Ranking 2021-2023

Fiscal Recklessness Rank						
Ministry/Year	2015-2020	2021	2022	2023	2021-2023	Relative Movement
Finance	1	1	1	1	1	0
Food and Agriculture	12	3	7	3	2	-10
Communications	14	#N/A	2	15	3	-11
Roads & Highways	3	10	10	2	4	1
Health	2	4	4	4	5	3
Justice & Attorney General	6	2	13	12	6	0
Fisheries & Aquaculture	16	13	3	13	7	-9
Education	10	6	9	5	8	-2
Lands & Natural Resources	23	15	5	15	9	-14
Interior	17	9	6	6	10	-7
Gender	11	8	11	8	11	0
Works and Housing		5	21	9	12	12
Energy		7	21	15	13	13
Other Agencies	15	18	8	11	14	-1
Local Government & Decentralization	9	11	12	7	15	6
Youth & Sport	22	16	14	15	16	-6
Sanitation	25	#N/A	20	10	17	-8
Defence	18	14	17	15	18	0
Employment	4	12	19	15	19	15
Tourism, Arts & Culture	13	#N/A	15	15	20	7
Trade and Industry	7	17	16	15	21	14
Environment	19	#N/A	#N/A	14	22	3
Foreign Affairs & Regional Integration	5	#N/A	18	15	23	18
Transport	24	20	21	15	24	0
Railway Development		#N/A	21	15	25	25
Information	26	#N/A	21	15	26	0
Chiefteincy and Regious Affiliation	27	19	21	15	27	0

Source: IMANI CPE, Data: Ghana Audit Service

4.4 Analysis of Political Party Manifesto and Implications for Addressing the Drivers of Fiscal Recklessness in Ministries, Departments and Agencies

Most of the political parties have made commitments to restore macroeconomic stability and improve fiscal prudence in their manifestos ahead of the 2024 elections. Given the current situation of the economy, such messages appear useful and resonate with many Ghanaians, however, it is imperative to contextualize the potential of such promises to the drivers of fiscal recklessness in public institutions. This section explores the promises made by political parties related to public financial management. The analysis is limited to the New Patriotic Party (NPP), the National Democratic Congress (NDC), and the Movement for Change (MC). These parties have a publicly available manifesto that can be relied upon as the party's pledges to citizens.

The New Patriotic Party promises to cut public expenditure by 3 per cent (an equivalent of GHC30 billion) annually and redirect it towards the private sector provision of public infrastructure and services. Also, the NPP promises to fully roll out the GIFMIS platform to all public institutions, commit to a budget deficit of not more than 5 per cent, legislate a Fiscal Advisory Council, and

ensure regular transfer of funds into the DACF as required by the constitution. Moreover, they will introduce a Local Public Accounts Committee (LPAC) that allows the Audit Committees at the subnational level to hold public officers accountable.

Considering the government's challenges with revenue mobilization and weak enforcement culture, the promise to cut public expenditure by 3 per cent of GDP is critical to reducing public spending. This promise can create more room for the private sector to contribute to public finance and service delivery and bring public expenditure to manageable limits. The promise typically targets the capital and goods and services expenditure of MDAs to be provided by the private sector. However, the implementation of this promise requires robust and credible public procurement systems to insulate the process from contract over-pricing, value-for-money, and insider manipulation. IMANI's analysis of more than 1000 procurement transactions shows a high preference for single sourcing for high financial value contracts and the procurement administration vulnerable to political clientelism and nepotism[53]. Additionally, the implementation of the promise requires smart tracking and monitoring of the cost items cut out for the private sector at the MDA level. The FRI identifies weak internal audits as a key driver of fiscal recklessness in the MDAs, which poses a key risk to the realization of the benefits of this promise.

Furthermore, the NPP promises to comply with the budget deficit ceiling in the Fiscal Responsibility Act which they suspended due to COVID-19. However, the promise does not provide any clear timelines for restoring Section 2(a) of Act 982. Also, the suspension regime in Section 3(1) is loosely defined because it does not provide any clear timelines or conditions that compel the Minister for Finance to restore the fiscal rules. Thus, the effectiveness of restoring the fiscal deficit rule must be accompanied by revisions to the suspension rules. These notwithstanding, legislating the fiscal advisory council will contribute to improving the effectiveness of fiscal planning and make sure that the government's financial decisions are constrained and kept in line with the agreed fiscal rules. Also, the full roll-out of the GIFMIS system is essential to effectively monitor and coordinate the financial decisions of MDAs. The introduction of the LPACs will contribute minimally to addressing fiscal recklessness in the MDAs and MMDAs because the PACs conduct regional sittings with the similar intent of holding subnational officers accountable. The effective way to make Audit Committees useful is to empower them to apply sanctions where the PFM rules are violated.

The National Democratic Congress on the other hand promises to improve revenue mobilization, improve compliance with public procurement laws to stop the abuse of sole sourcing, digitalize and harmonize fiscal management systems, restore the Treasury Single Account, review and enforce the Fiscal Responsibility Act 2018 (Act 982) and implement a fiscal consolidation plan under the supervision of an Independent Fiscal Council. Additionally, they intend to fully implement the provisions in the Public-Private Partnership Act to support infrastructure financing.

The NDCs manifesto emphasizes the constraints with domestic revenue mobilization as a key driver of fiscal recklessness and makes several proposals including broadening the tax net, increasing Ghana's take in the natural resources sector, reforming the existing VAT regime, reforming the GRA, and abolishing the implementation of several tax handles. The NDCs seek to increase revenue collection by reducing the tax burden as a way of boosting compliance and expanding revenue flows from other relevant sectors like natural resources. While these are important, the promises were somehow silent on the clear steps it intends to improve enforcement. Historically, abolishing taxes has not necessarily resulted in raising domestic revenue mobilization considering the raft of taxes abolished between 2017 and 2018. For instance, programmed domestic revenues recorded a shortfall of about GHC1.6 billion[54] and GHC1.8 billion[55] in 2017 and 2018 respectively. The FRI assessment shows significant challenges linked to the weak management of revenue arrears, making tax irregularities the main challenge in the PFM system despite the reforms. Also, the historical fiscal deficit points to the fact that low revenue mobilization has not

[53]IMANI. (2022). Public Procurement Reforms in Ghana. Public Procurement Reforms: An Analysis of the Drivers of Procurement Irregularities in Ghana-Full Report - Imani Africa
[54]2017-Fiscal-Data-Jan-Dec.xlsx (live.com)
[55]2018-Fiscal-Data-Jan-Dec.xlsx (live.com)

curtailed high public expenditure. Thus, the party's manifestos must effectively address the weak compliance enforcement to reduce the high revenue arrears. On the issue of restoring the Treasury Single Account (TSA), there was evidence that at least 80 per cent of all tax revenues collected were deposited in the TSA[56]. Nonetheless, there is a need for a strategy to deepen enforcement to address the incidence of cash irregularities identified in the FRI assessment.

On expenditure controls, the NDC promises to commit to the fiscal deficit target in the Fiscal Responsibility Act 2018 (Act 982) and implement a fiscal consolidation plan supervised by an independent fiscal council. This promise reflects the recommendations by the IMF and other stakeholders for the establishment of a fiscal council, however, the promise does not provide clear details about whether the IFC will be legislated or will be set up as a short-term measure to implement the party's fiscal consolidation plan. Even though they provide some hints about reviewing Act 982, they do not provide any sign of legislating the IFC. The FRI provides indisputable evidence of chronic abuse of the PFM rules, leading to revenue losses and poor public service delivery. At this point, Ghana needs a fiscal council, whose mandate is rooted in law and has the power to stop policy actions that can negatively impact Ghana's fiscal position without delivering value for money. Also, the parties' promises do not provide a clear set of ideas they will employ to address sole sourcing in the current public procurement regime. Additionally, the party's promise to set up an independent value-for-money office to scrutinize procurement contracts above a threshold to be determined by parliament does not find expression in the PPA Act and may potentially clash with the Fifth Schedule of Act 914, which provides the thresholds, procurement methods, and approving authority. It is also unclear whether the mandate of the independent value-for-money office will override the legal mandate of the PPA board, as the main approval body for single sourcing and restricted tendering contracts.

The Movement for Change intends to achieve the 5 per cent fiscal deficit ceiling in the Fiscal Responsibility Act 2018 (Act 982) within two years, reform the public procurement rules to eliminate sole sourcing, and enforce value-for-money audits in all public contract management.

The Movement for Change appears to support the fiscal deficit ceiling of 5 per cent in Act 982, and they plan to achieve this within two years. This is in line with the projections in the IMF programme where an overall budget deficit of 2.8 per cent is expected to be achieved by 2027. However, this would require a significant commitment to fiscal consolidation through increased revenue mobilization and a massive reduction in public expenditure. However, the party's promise to abolish a raft of taxes such as abolishing all taxes and charges on spare parts, without any clear plan for addressing the potential revenue shortfalls could jeopardize the full implementation of a fiscal consolidation plan. Additionally, the party's promises related to directly intervening in the forex market could also hurt the foreign exchange market and push up inflation. The party does not provide a clear pathway for entrenching fiscal consolidation that is capable of delivering the fiscal deficit below 5 per cent in two years. Nonetheless, they demonstrate support and commitment to the Fiscal Responsibility Act 2018 (Act 982).

Furthermore, the promise to eliminate sole sourcing from the public procurement system would hurt the public procurement system and contribute little to addressing corruption and value-for-money. There are specific conditions under which the procurement rules permit public agencies to use sole sourcing. Eliminating sole sourcing implies that where there is an emergency or instances where only a single supplier can provide a proprietary product, public institutions would not be able to procure such products or services. The problem is not with sole sourcing as a method but the abuse of the method by public entities and the failure of the PPA board to stop such abuses and demand value-for-money audits before approving sole sourcing contracts.

Broadly, we identified that the three political parties appear to demonstrate strong support for the fiscal deficit ceiling in the Fiscal Responsibility Act 2018 (Act 982) and the establishment of an independent fiscal council. However, none of the three political parties provide detailed information about the scope of work

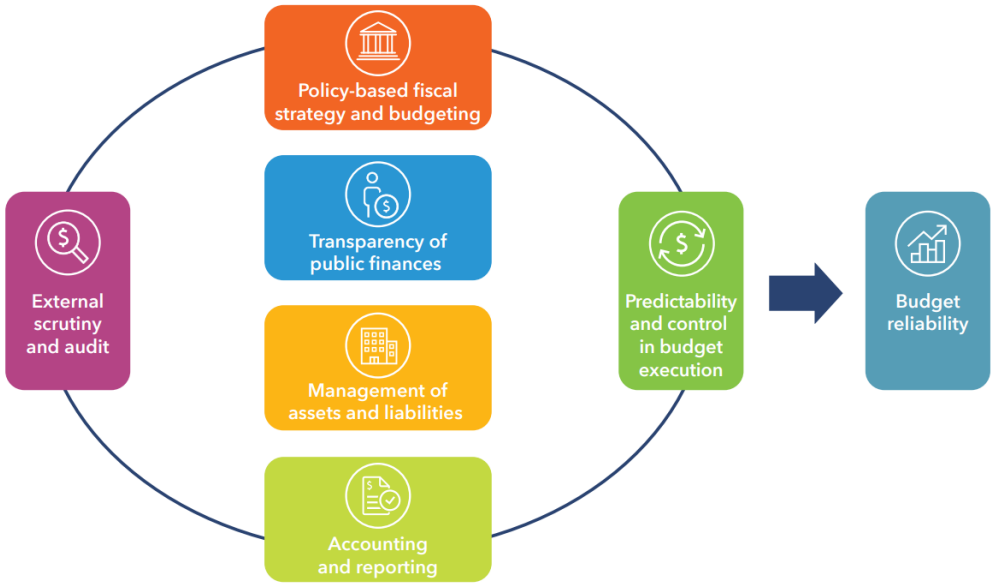
[56]Alhassan M. S. (2020). Public Financial Management Reforms in Ghana- A Move Beyond Reforms to Consolidation. Public Financial Management in Ghana: A Move beyond Reforms to Consolidation and Sustainability (waset.org)

the fiscal council will do and the powers that will be accorded to the fiscal council to avoid a repetition of the council established in 2018. Considering the trend of financial irregularities and weak commitment to fiscal prudence, a fiscal council with the power to stop certain fiscal decisions of MDAs will be essential in addressing the high incidence of financial irregularities. The broad consensus by the three parties on the deficit ceiling and the mention of an independent fiscal council by the two major political parties provides an opportunity to reform the Fiscal Responsibility Act 2018 (Act 982) and create robust fiscal rules and institutions that can significantly influence the predictability in fiscal prudence in the PFM system. Furthermore, some of the procurement reforms proposed by the three parties appear to deviate from the procurement laws and do not anyway introduce reforms that curtail the political interference in the institutional framework of the existing public procurement regime, which is the main driver of the abuse of the procurement laws.

4.5 Root Cause Diagnostics: Key Causes of the Irregularities

The preceding analysis illustrates that significant inefficiencies are hindering public financial management (PFM) implementation in Ghana in the context of the persistent financial irregularities that keep occurring. PFM refers to "the set of laws, rules, systems and processes used by sovereign nations (and sub-national governments), to mobilise revenue, allocate public funds, undertake public spending, account for funds and audit results". Thus, the implementation of outcomes-based policies to check any financial irregularities would be through a country's PFM systems, primarily the budget cycle. The pillars that define the key elements of a PFM system include (1) budget reliability; (2) transparency of public finances; (3) effective management of assets and liabilities; (4) policy-based fiscal strategy and budgeting; (5) predictability and control in budget execution; (6) accounting and reporting, and (7) external scrutiny and audit. **Figure 10** illustrates the interrelationship of the pillars of the PFM system. As can be seen, strong checks and balances which prevent or minimise financial abuse are at the core of any effective and efficient PFM system.

Figure 10 Interrelationship of the pillars of the PFM system through the budget cycle



Source: PEFA Secretariat (2016: p.3)[57]

[57] PEFA Secretariat (2016). PEFA - Framework for assessing public financial management. Available at: https://www.pefa.org/sites/pefa/files/news/files/PEFA-Framework_English.pdf

Key PFM experts engaged as part of the second FRI emphasized that the magnitude of financial irregularities would have declined significantly if the internal controls built into the PFM system and reforms were adhered to. However, the blatant disregard for the internal control mechanisms at the agency level accounts for the relatively high financial irregularities every year. For instance, one of the experts explained that;

> *"Public sector internal controls have been designed in such a way that along all the Five PFM Pillars [planning budgeting accounting procurement and contracting accounting and reporting and all the others]. We have internal controls at each stage of the PFM cycle and the controls sit with the internal audit unit to the extent that every public institution is expected to have an internal auditor… So ideally if these well-designed on-paper control systems are being adhered to and implemented to the latter, external auditors will have nothing to report. The fraud and irregularities we are seeing will not occur. However, the reason why we are seeing all those irregularities continuously being reported by the external auditors is that these well-designed counter procedures have not been adhered to, or it is not adhered to the latter by public institutions. That is why we continue to see fraud and irregularities in the public sector." – **PFM Expert***

Another expert engaged mentioned that;

> *"As for the tax and cash irregularities, it is naked cash stealing…sometimes you are able to uncover these fraud cash irregularities and make recommendations for people to be sanctioned but before you realize it, some of the institutions will transfer these officers to other places." – **PFM Expert***

Following the various reform programmes such as the New Public Financial Management Reform Strategy, revenue assurance measures, and other fiscal reform measures supported by international development partners, it was expected that this would translate into improved fiscal governance and reduce the incidence of financial irregularities. However, the analysis shows a positive trend in the growth of irregularities, which indicates that these irregularities continue to persist. This raises serious questions about the efficiency or impact of reform programmes implemented in the PFM system. Recently, some leading voices in the government have also bemoaned the way successive governments including this administration have managed the economy, stressing the worsening state of fiscal and economic governance in the country.

Hon. Kwaku Kwarteng, the member of parliament for Obuasi Constituency and former chairman of the Finance Committee of Parliament (who was removed for resisting some tax exemptions sought by the government, which he believed were not in the interest of the country) in an opinion piece[58] expressed worry about the lack of prudence and tactfulness in the management over the last two decades, which has culminated in the current worse macroeconomic problems. He stated that;

> *"The economic problems Ghana is facing today, at both the national level and in households, are also the cumulative effects of many decades, spanning different governments, of the bad politics and economic mismanagement that have characterized the governance of our country. Since independence, we have survived by constantly overspending our means and borrowing to finance the overspending. And many of these expenditures are just bad prioritization. We always offer higher interest to lenders, borrow more, use a part to repay previous debts, and the rest to pay for the current year's overspending. So, we have been running our country's economy like a Ponzi scheme. The economy is struggling today because lenders are now refusing to lend to us. It is just like a Ponzi scheme going into crisis once people stop depositing their monies with them. We must address concerns about how much of our national resources we spend on ourselves as politicians and take steps to overhaul the corrupt*

[58] Full Statement-Hon. Kwaku Kwarteng – [Accessed 22/10/24]

> *public procurement regime we inherited from previous governments and have continued to live with." –* ***Hon. Kwaku Kwarteng, MP for Obuasi Constituency***

This statement points to systemic challenges in the PFM system largely driven by the lack of political accountability and non-compliance with measures to ensure fiscal prudence in the use of public resources. Importantly, the statement emphasizes the need to overhaul the existing public procurement system to make way for reforms that guarantee accountability and quality of public service delivery. Another notable figure of the current administration has also raised issues about the way successive governments have managed Ghana's public finances. Dr. Mark Assibey-Yeboah, a former chairman of the Finance Committee of Parliament in the Seventh Parliament. He recently stated the country appears to perform better under the IMF programme because of the conditionalities but the economy returns to worse performance post-IMF programme, which suggests the lack of commitment to long-term fiscal recovery and accountability in the PFM system[59]. He stated that;

> *"I argue that when the IMF are in town, we get things done right. If you go back to the programme we had under Atta Mills 2009 – 2012….fantastic. The macro indices at the time were the best we have seen in a long time between 2009 and 2012. The moment the Fund left in 2012, everything went berserk. If I were the finance minister, I'd park the economy at the IMF. Now, we are in a hole, you have individual bondholders going to be affected, and the financial sector is going to crush. I am telling you now, where we are as a country, this is not the time to massage issues, the banks, I don't want to mention names, some of them will collapse." –* ***Dr. Mark Assibey-Yeboah[60], Former Chairman of the Finance Committee of Parliament.***

Before these recent remarks, leading economists like Mr. Kwame Pianim had consistently echoed the need for the government to focus more on expenditure control and embrace fiscal responsibility to address economic mismanagement. At an IMANI Reform Dialogue Series[61], Mr. Pianim stressed the need for Ghana to take advantage of the current macroeconomic situation to build resilient and accountable PFM measures to improve macroeconomic recovery. He recommended that the fiscal council should be given oversight over major government expenditure items to reduce mismanagement.

> *"where the [Ghanaian] economy is now is not pretty" and the environment cannot be described as enabling, and the main area of focus for policymakers should be the expenditure side. We should not waste the [current] crisis" but instead use it to create a better and sustainable macroeconomic environment. There is a need for the Fiscal Council to be involved by giving a nihil obstat over all the big-ticket expenditures of the government." –* ***Mr. Kwame Pianim, Economist.***

The analysis of financial irregularities and the identified underlying drivers between 2021 and 2023 suggests minimal or no changes in terms of improving accountability in the PFM systems. The statements above also corroborate the findings of this report, indicating the need for an independent and politically powerful body to oversee the government's financial management activities. Given that the country's underlying political settlements regime and macro-fiscal factors compound inefficiencies and limit the country from fully leveraging the upside of the PFM reform process, particularly in curbing financial irregularities and improving service delivery, the independent fiscal council has been identified as a critical solution to strengthening fiscal prudence and ensuring accountability in the PFM system[62]. The Fishbone diagram in

[59] Ghana's Economy Performs Better Under IMF - Mark Assibey-Yeboah | Politics | Peacefmonline.com

[60] Ghana's economy is in a big hole; financial sector is failing; banks are collapsing – Assibey-Yeboah | 3News

[61] Press Statement: Insights from IMANI-GIZ Reform Dialogue on Ghana's Macroeconomic Environment - Imani Africa

[62] Alawattage, C., & Azure, J. D. C. (2021). Behind the World Bank's ringing declarations of "social accountability": Ghana's public financial management reform. *Critical perspectives on accounting*, *78*, 102075.
Abdulai, M. S. (2020). Public Financial Management in Ghana: A Move beyond Reforms to Consolidation and Sustainability. *International Journal of Industrial and Manufacturing Engineering*, *14*(6), 419-433.
Abdulai, M. S. (2020). Government of Ghana's Budget: An Assessment of Its Compliance with Fundamental Budgeting Principles. *International Journal of Economics and Management Engineering*, *14*(10), 1018-1036.

Figure 11 below, illustrates the root causes and drivers of the causes of the irregularities. These are driven by five broad factors, namely:

1. Weak compliance enforcement
2. Weak oversight, monitoring and evaluation of MDAs
3. Weak enforcement of sanctions
4. Ineffective internal control systems

4.5.1 Tax Irregularities

Between the period under review, tax irregularities ranked highest, recording 91.5%, 88.3%, and 89.6% for 2021, 2022, and 2023 years respectively. The causes of tax irregularities cited by the auditor-general's reports include the following.

1. Default by OMCs in paying re-scheduled debt.

During the 2021 review period, the auditor-general identified that the Ghana Revenue Authority rescheduled the debt of 28 Oil Marketing Companies (OMCs), but the OMCs failed to settle the rescheduled debt totalling GH¢402,049,571. Section 51 of the Revenue Administration Act, 2016 (Act 915) stipulates that tax is a debt due to the Government on the date it becomes payable and the Commissioner-General may initiate proceedings in court for the recovery of unpaid tax as well as the cost of the suit, as Section 80 of Act 915 mandates the Commissioner General to recover any unpaid tax by pursuing the matter in court. According to the 2021 PAC report, a recovery of GHS18 million was made, and 18 of the OMCs were prosecuted in courts to retrieve the outstanding monies.

Section 47 of the Revenue Administration Act, 2016 (Act 915) provides that, a taxpayer may apply in writing to the Commissioner-General for an extension of time to pay tax under a tax law. A taxpayer may re-apply to the Commissioner–General before the end of the extension period but an extension of time to pay tax shall not exceed twelve months in aggregate. Where an extension is granted and the taxpayer is permitted to pay by instalments and the taxpayer defaults in paying any of the instalments, the whole balance of the tax outstanding becomes payable immediately.

Contrary to Section 47 of Act 917, the auditor-general report in 2022 that their review of rescheduled tax files and the cash book disclosed that 18 Oil Marketing Companies (OMCs) defaulted in honouring their rescheduled debts totalling GH¢327,636,067.

The 2021 review period also disclosed that 17 OMCs between January 2021 and December 2021, did not pay the taxes and duties totalling GH¢249,800,802 on 29,995,530 litres of oil lifted to the Ghana Revenue Authority, Customs Division. Like in 2023, the auditor-general's review of information provided by the Integrated Customs Management System (ICUMS) for the period 1 January 2022 to 31 December 2022 disclosed that four Oil Marketing Companies did not honour their duties and tax obligations of GH¢17,944,274.00 after lifting 10,312,801 litres of fuel products. OMCs who lift fuel have 21 days plus a grace period of four working days following the lifting period to settle their liability.

Section 104 of the Customs Act, 2015 (Act 891) provides that where the Commissioner-General establishes that a person owes duty or tax arrears, that person shall within thirty days of written request by the Commissioner-General, refund the money or pay the duty or tax arrears owed. Additionally, Section 71 of the Revenue Administration Act, 2016 (Act 915) states that, a person who fails to pay tax by the date on which the tax is payable is liable to pay interest for each month or part of the month for which any part of the tax is outstanding.

Tetteh, L. A., Agyenim-Boateng, C., Simpson, S. N. Y., & Susuawu, D. (2021). Public sector financial management reforms in Ghana: insights from institutional theory. *Journal of Accounting in Emerging Economies*.

Yaokumah, W., & Biney, E. (2020). Integrated financial management information system project implementation in Ghana government ministries. *International Journal of Information Technology Project Management (IJITPM), 11*(1), 17-31.

Scott, G. K., & Enu-Kwesi, F. (2018). Role of budgeting practices in service delivery in the public sector: A study of district assemblies in Ghana. *Hum Resour Manag Res*, *8*, 23-33.

Osae, E.O. (2018). Fiscal Decentralization and Financial Management Practices of Sub-National Governments: Evidence from Ghana. Digibooks

2. Outstanding income taxes.

Employers are required under Section 114 of the Income Tax Act, 2015 (Act 896) to withhold tax from the employment income of their employees. Section 117 of Act 896 also provides that, an employer shall pay to the Commissioner-General a tax that has been withheld within 15 days after the end of the month in which the eligible payments were made. Section 117 further provides that a withholding agent who fails to withhold tax shall pay the tax that should have been withheld.

In the 2021 report, the auditor-general review of the tax files from 21 Domestic Tax Offices showed that 6,856 companies, business entities and individuals owed an amount of GH¢111,652,263.00 in corporate and individual income taxes for the 2019, 2020 and 2021 years of assessment. Again, in the 2022 report, a review of 21,235 selected taxpayers' ledgers from 18 Domestic Tax Revenue Offices in the Greater Accra Region showed that 5,692 Companies, Business Entities and sole proprietors owed a total amount of GH¢161,665,805.36 and US$44,815.89 in corporate and personal income taxes for the 2021 year of assessment. And again, in the 2023 report, the auditor-general's review of the taxpayer's files including tax audit reports revealed that 9,308 Companies, Business Entities and Sole proprietors from 21 Domestic Tax Revenue Offices (DTRO) in the Greater Accra Region owed a total amount of GH¢247,613,713.50 and US$1,641,100.85 as corporate and personal income taxes for the 2022 year of assessment[63].

3. Outstanding PAYE

Contrary to Sections 117 of the Income Tax Acts, 2015 (Act 896), PAYE totalling GH¢32,071,516.00, in the 2021 Auditor-general's report, deducted on behalf of 3,121 employees including 346 directors was not remitted to the Commissioner General for the 2019, 2020 and 2021 years of assessment. In the 2022 report, the Auditor-general noted that 1,966 employers failed to pay PAYE deductions of GH¢157,645,582 & US$2,509,578 to the Commissioner-General for the 2021 year of assessment. And for the 2022 year of assessment, a review of the tax files that 3,863 employers did not remit PAYE deductions of GH¢58,945,152 & US$1,241,109.65 to the Commissioner-General.

4. Failure to withhold, and remit withholding taxes.

Section 116 of the Income Tax Act, 2015 (Act 896) as amended mandates a resident person, other than an individual, to withhold tax on the gross amount of the payment at the rate specified in the First Schedule where that person pays a service fee or insurance premium with a source in the country to a non-resident and the amount involved exceeds two thousand currency points.

On the contrary, the 2021 audit report mentioned that 811 companies who filed their tax returns for 2019, 2020 and 2021 years of assessment, failed to withhold taxes on goods and services procured amounting to GH¢43,471,511.50. The Auditor-general noted in his 2022 report that between April 2020 and May 2022, the Immigration Service withheld taxes amounting to GH¢10,014,301 from contractors, suppliers and individuals but failed to remit same to the Commissioner-General of Ghana Revenue Authority. Contrary to Section 117 of Act 896 which provides that, an employer shall pay to the Commissioner-General a tax that has been withheld, the Auditor-general Report of 2023 indicated under tax irregularities that the Cape Coast Teaching Hospital withheld GH¢899,594.82 of withholding tax deducted from payments to suppliers and service providers in 2022 but remitted only GH¢522,062.98 to GRA leaving an outstanding balance of GH¢377,532.

5. VAT traders' indebtedness.

The Auditor-general report of 2021 noted that 651 registered VAT traders who filed their returns at the various tax offices owed a total of GH¢87,166,616.95 for 2019, 2020 and 2021 years of assessment. During the review of traders' files for the 2022 report, the Auditor-general noted that 2,557 registered VAT traders who filed their returns at the various tax offices owed VAT amounting to GH¢361,677,319.69 for the 2021

[63]Ghana Audit Service. (2023). MDAs Press (audit.gov.gh)

year of assessment. This tax irregularity violates Section 41 of the VAT Act, 2013 (Act 870) which requires that a taxable person shall on making a taxable supply of goods and services issue to the recipient a tax invoice on the form and with the details that are prescribed by the Commissioner General, and Section 55 of the VAT Act, 2013 (Act 870) which also provides that, an amount on an invoice or sales receipt as a tax on a supply of goods or services is recoverable as tax due from the person issuing the invoice or sales receipt, whether the invoice or sales receipt is issued by a taxable person or another person.

In any case, Section 60 of Act 870 empowers the Commissioner-General to take the necessary steps to seal off the premises of persons who repeatedly contravene the VAT Law, whereas also Section 51 of the Revenue Administration Act, 2016 (Act 915) stipulates that, tax is a debt due to the Government on the date it becomes payable and the Commissioner-General may initiate proceedings in court for the recovery of unpaid tax as well as the cost of the suit.

6. Other tax infractions.

In 2021, the Auditor-general reported that a review of the Returned Cheques Register at 16 Taxpayer Service Centres revealed that 316 cheques with a total value of GH¢9,581,009.14 issued by taxpayers were not honoured by their respective banks. Similarly, 128 cheques with a value of GH¢562,090.35 lodged by GRA were not credited.

In the 2023 Auditor-general's report, 10 state institutions had tax liabilities of various tax types amounting to GH¢1,247,048,444.99 for the 2022 year of assessment, and a review of taxpayer's files revealed that 10 communication service providers had defaulted in paying taxes amounting to GH¢7,249,939.68 to the Commissioner-General.

Tax irregularities is the major cause of fiscal infractions reported by the Auditor General. Whereas Section 3a to 3d of the GRA Act[64] provides that the "Authority shall…collect…interest and penalties on taxes due to the Republic…; promote tax compliance…; and combat tax fraud and evasion…with other competent law enforcement agencies…", it is regularly cited by the Auditor General for failing to impress on tax entities, the measures and sanctions in the laws for tax administration for effective revenue collection. Furthermore, PFM experts expressed that public tax entities feel the need not to remit withheld taxes because it is an intragovernmental transaction, while others deliberately do not remit but use the taxes for their operations giving reasons such as delays in the release of their budget allocations.

4.5.2 Cash Irregularities

The auditor-general's reports for 2021, 2022, and 2023 consistently cited a host of cash irregularities by MDAs. These include unapproved disbursements, unpresented and unsupported payment vouchers with the relevant documents, misapplication of funds and embezzlement. The amount of cash irregularities between the periods was GHS190 million, representing an average of 4% of the total irregularities reported across the years. The reasons cited by the Auditor-general as causes for cash irregularities are as follows.

1. Unpresented payment vouchers, and or payments that are not supported by relevant documents.

The reports of the review periods cited cases of MDAs that made payments for goods and services yet could not provide relevant documents to support the payments that were made. For instance, the 2021 report noted that 24 BMCs under the Ministry of Health did not present 245 payment vouchers used in paying GH¢1,791,264.67 for audit review. Other 40 BMCs paid a total amount of GH¢1,580,823.78 but failed to present the payment vouchers for audit. In the 2022 report, it was also noted that Heads of Finance of five Health Institutions paid a total amount of GH¢964,789.48 on 58 payment vouchers for various activities without sufficient and appropriate supporting documents. The Ministry of Health, chiefly, and ministries such as Food and Agriculture, Interior, Trade, Defence, Justice, Roads and Highways, WASH,

[64] Ghana Revenue Authority Act, 2009 Act 791 (gra.gov.gh)

Finance, Education, and Fisheries, including the Accra Metropolitan Assembly were cited as having made payments of varying amounts without sufficient supporting documents.

These cases of cash infractions are contrary to Regulation 78 of the Public Financial Management Regulations, 2019 (L.I. 2378) which requires a Principal Spending Officer of a covered entity to be personally responsible for ensuring respect of each payment of that covered entity the validity, accuracy and legality of the claim for the payment and the evidence of services received, certificate for work done and any other supporting documents exist. Additionally, Regulation 82 of the PFMR, 2019 (L.I. 2378) provides that, a payment by a covered entity shall be accompanied by a payment voucher—that the Principal Spending Officer and the Head of accounts shall ensure the validity, accuracy and legality of the claim for payment.

2. Unaccounted revenue or funds.

In the 2021 audit report, the Auditor-general noted that six revenue collectors in six regions failed to account for revenue totalling GH¢240,895.48, and in the 2022 report, it was revealed that the Administrator of the Minerals Development Fund released a total amount of GH¢12,413,172.55 to the Ministry of Lands and Natural Resources (MLNR) upon a request from the Chief Director to undertake Mineral development programs which had not been accounted for by the Chief Director. This violated Regulation 47 of PFMR, 2019 (L.I. 2378) which states that, a Principal Spending Officer shall fully disclose all revenue collected, lodged, or retained under these Regulations with copies to the Controller and Accountant-General and the Auditor-General.

3. Embezzlement of funds and fraudulent withdrawals.

In the 2022 report, it was noted that the Accountant at Urban Roads in Accra, Mr. Mohammed Osman Amin and an Accounts staff, Mr. Joy Tettey collected a total revenue of GH¢333,851.00 for the period January 2020 to March 2022 but failed to account for the revenue. This consequentially culminated into a case of embezzlement of funds as it was revealed that between January 2020 and March 2022, the Department approved a total amount of GH¢214,730.00 for various activities but the Regional Accountant Mr. Osman Mohammed Amin altered the amounts in figures and words on the various cheques and withdrew a total amount of GH¢1,799,509.38 resulting in a fraudulent withdrawal of GH¢1,584,779.38[65].

A similar case of fraudulent withdrawal was reported in 2021 as it was noted that between January 2018 and April 2020, Osman Jamal-Deen (the former Accountant) forged the signature of the Medical Superintendent at the Buipe Polyclinic and withdrew GH¢430,009.54 from the Hospital's account[66].

The law on the other side, states in Section 96 of the Public Financial Management Act, 2016 (Act 921) that, a person who is responsible for any improper payment of public funds or payment of money that is not duly verified in line with existing procedures commits an offence and is liable on summary conviction to a term of imprisonment or a fine.

4. Non-transfer of revenue collected into the consolidated fund.

The Auditor-general noted in the 2022 report that a total amount of GH¢1,829,443.50 received between July 2021 and May 2022 from the lease of Government lands to Agro Companies was lodged into the MoFA Internal Revenue Account instead of the Consolidated Fund. Since the lease did not qualify as an IGF, it violated Regulation 46 of the Public Financial Management Regulations, 2019 (L.I. 2378) which stipulates that a Principal Spending Officer shall ensure that non-tax revenue is immediately lodged in gross within twenty-four hours into the designated Consolidated fund transit bank accounts except in the case of Internally Generated Funds retained under an enactment, and also Regulation 47 of PFMR, 2019 (L.I. 2378) which states that a Principal Spending Officer shall fully disclose all revenue collected, lodged, or

[65]Ghana Audit Service. (2022). Report of the Auditor-General on the Public Accounts of Ghana – Ministries, Departments and other Agencies for the year ended 31 December 2022.pdf
[66]Ghana Audit Service. (2021). Microsoft Word - FINAL 2021 MDAs REPORT 2.docx (audit.gov.gh)

retained under these Regulations with copies to the Controller and Accountant-General and the Auditor-General. Additionally, Regulation 50 of the Public Financial Management Regulations, 2019 (L.I. 2378) states that all public monies collected shall be paid in gross into the Public Funds Accounts and a disbursement shall not be made from the sums of money collected except as provided by an enactment.

5. Uncollected revenue.

Contrary to the Second Schedule of the Fees and Charges Miscellaneous Provisions Act, 2022 (Act 1080), the Auditor-general reports in 2023 that it was noted during the review of the Private Schools operating license ledgers of the National Schools Inspectorate Authority (NaSIA) that 12,610 Pre- Tertiary Private had defaulted in the renewal of license fees totalling GH¢15,677,571.30 as of December 2023. The NaSIA ignored Regulation 32 of the Public Financial Management Regulations, 2019 (L.I. 2378) which states amongst others that, the Principal Spending Officer of a covered entity shall take effective and appropriate steps to collect money due the covered entity.

6. Contravening of Section 7 of the PFM Act 2016, (Act 921).

Section 7 of the Public Financial Management Act, 2016 (Act 921) enjoins, Principal Spending Officers to, in the exercise of their duties establish an effective system of risk management in respect of the resources and transactions of a covered entity. Contrary to this, the Auditor-general review for the 2021 report showed that in November 2020, the Ministry of Justice paid a judgment debt of GH¢266,399.00 as compensation in respect of a road accident involving the Ministry's uninsured Nissan Patrol vehicle. Also in the 2023 report, the Auditor-general's review of the Caterer's payment files of four Regions showed that the School Feeding Secretariat made double payments through the GhIPPS to three caterers for the 2021 Second term resulting in overpayments of GH¢75,217. In the same report, the Auditor-general's review showed that the Korle Bu Teaching Hospital lost a total amount of GH¢1,042,199.45 for the period January 2022 to December 2022 through rejected NHIS and private health insurance claims due to non-compliance with the NHIS guidelines.

Regulation 1 of the Financial Administration Regulations (FAR), 2004 states that any public officer responsible for the conduct of financial business on behalf of the Government shall keep proper records of all transactions and shall produce records of all transactions for inspection by the Minister, the Auditor-General, Controller, and Accountant General or any officer authorised by them. A bigger fraction of the recorded cash irregularities are a result of heads and spending officers violating Regulations 78 and 82 of the Public Financial Management Regulations, 2019 (L.I. 2378). For instance, in the 2023 report of the Auditor General, out of the total cash irregularity of GH¢88 million, GH¢65 million was for nine transactions that were not supported with payment vouchers. Generally, there is evidence of non-compliance with public financial management regulations by heads and spending officers.

Some PFM experts posit that cash irregularities are the easiest to spot because the covered entities 'steal' the money that they have, adding further that it is also a result of our history of multiple cash accounts which are not consolidated. This, they say, is part of the challenge with our cash management.

4.5.3 Indebtedness, Loans, and Advances

The total of irregularities of indebtedness, loans and advances revealed in the review period and the report of 2021, 2022, and 2023 amounted to GH¢134 million with each year's percentage of the total yearly irregularities standing at 2.8, 6.4, and 0.7 per cent respectively.

In the 2021 Auditor-general's report, a significant amount of these irregularities was GH¢9,521,00.00 owed by 62 companies and individuals to the Ministry of Food and Agriculture for the purchase of tractors. Similarly, the 2022 Auditor-General reported a significant amount of irregularities was GH¢1,763,037 owed by 72 farmers who received farm equipment on a credit basis under the Ministry of Food and Agriculture's Brazilian More Food Program. This phenomenon was reported in the 2nd Fiscal Recklessness Index (2022). According to Regulation 32 of the Public Financial Management Regulations, 2019 (L.I. 2378)

states, the Principal Spending Officer of a covered entity shall take effective and appropriate steps to collect money due to the covered entity.

Other causes include:

1. Unrecovered overdue and outstanding loans and advances to staff of public institutions.

Staff of MDAs who benefit from loans and advances either refuse to pay or the institution fails to recover them. For instance, the 2021 Auditor-general's report revealed that the Ministry of Finance failed to recover loans and advances of GH¢11,005,582.00 given to public sector workers within the stipulated period. It was also noted in the report that between 2015 and 2017, salary advances totalling GH¢208,000.00 were granted to 12 members of staff of the Ministry of Fisheries and Aquaculture Development to be recovered within one year. However, only an amount of GH¢63,829.00 had been recovered as of March 2021, leaving a difference of GH¢144,171.00.

The Auditor-general reported in 2023 that between January 2020 and June 2022, the Chief Executive Officer of Korle Bu Teaching Hospital granted salary advances totalling GH¢909,633.60 to 123 staff but recovered only GH¢153,189.90 leaving an amount of GH¢756,443.63 unrecovered for periods ranging between 6 and 36 months. Similarly, the Regional Coordinating Director at Cape Coast Regional Coordinating Council also withdrew an amount of GH¢40,390.00 from the Common Fund and granted salary advances to 11 staff members between November 2022 and May 2023 but failed to recover the advances within the stipulated time.

The Financial Administration Regulations (2004) provides in Section 104(c) that, the head of a department authorised to administer a class of advances shall ensure that; advances are duly recovered per the regulations or agreements relating to them.

2. Indebtedness of corporate, individual and public entities to state institutions and vice versa.

The Auditor General's reports cite companies and individuals, even other state institutions, who owe state institutions for services provided. According to the 2022 report, it was noted that 40 Health Institutions owed the National Blood Service GH¢318,343.04 for services rendered during the period under review.

The 2021 Auditor-general's report revealed that the NHIS owned 78 BMCs a total amount of GH¢51,404,084.38 for services rendered, contrary to Regulation 38 of the National Health Insurance Regulations, 2004 (L.I. 1809) which requires that, a claim or payment of health service submitted to the scheme shall be paid within four weeks after receipt of the claims from the health care facility unless there is a legal impediment.

In the 2023 report, it was noted that between September 2020 and June 2023, the GNFS Regional-HQ provided Standby services to Bulk Oil Storage and Transport (BOST) amounting to GH¢904,400.00 which remains unsettled. A review of the Debtors' records revealed that 59 Institutions and nine individuals owed the Workshop a total amount of GH¢721,125.00 as of 30 September 2023 for repairs and maintenance of vehicles. Again, Contrary to Regulation 32 of the Public Financial Management Regulations, 2019 the Auditor-general also noted that 27 corporate organisations owed the Greater Accra Regional (Ridge) Hospital a total amount of GH¢736,366.03 for healthcare services rendered to their staff.

On the other hand, a significant amount of the indebtedness irregularities reported by the Auditor-general in 2021 was that 57 BMCs owed suppliers for drug and non-drug supplies totalling GH¢14,033,745.00.

Regulation 51 of the PFMR, 2019 (L.I. 2378) provides that, except as otherwise provided in any other enactment, the collection of public and trust moneys shall be the responsibility of the Principal Spending Officer.

4.5.4 Payroll Irregularities

Regulation 86 of the Public Financial Management Regulations, 2019 (L.I. 2378) states that a Principal Spending Officer of a covered entity shall ensure that only the names of personnel who are eligible to

receive payment for work done are kept on the payment voucher and keep records of the nominal roll of the covered entity in a manner that ensures that the correct amount of emolument is paid. Additionally, Regulation 92 of the Public Financial Management Regulations, 2019 (L.I. 2378) provides that, the Principal Spending Officer of a covered entity shall ensure the immediate stoppage of payment of salary to public servants and notify the Controller and Accountant-General on the vacation of post by an employee and on the resignation or retirement of an employee.

According to the Auditor General, payroll irregularities amounted to GH¢5,583,498.00 in 2021, GH¢14,254,724 in 2022, and GH¢14,455,712 in 2023. In the summary of findings by the Auditor-general in all three reports under review, the Ministry of Health was cited mostly for having the highest cases and relational amounts of payroll irregularities in the form of unearned salaries. For instance, the total payroll irregularities recorded in the 2021 report were unearned salaries totalling GH¢1,501,740.00 paid to 146 officers of 47 Institutions under the Ministry of Health. In the 2022 report, GH¢1,922,549.53 was unearned salaries paid to 95 unknown names from an institution under the Ministry of Health. In much more detail, the report highlighted that 51 out of 60 Health Officers supposed to be posted to various Ghana Health Service facilities were rather posted by the Regional Health Directorate to work at four private Hospitals and were paid a total salary of GH¢1,609,396.89 between October 2021 and Auditor-general's 2022. In 2023, GH¢837,930.56 was paid to 16 persons who had never been employees of the Nima Government Hospital in Accra and were ineligible to receive salaries.

Other MDAs reported for unearned salaries included the Ministry of Education where 88 staff who separated from their respective institutions were paid unearned salaries amounting to GH¢1,082,455.02, according to the 2021 report; and the Ministry of Land and Natural Resources' forestry service and wildlife division with GH¢170,076.12 and GH¢149,127.32 respectively as unearned salaries according to the 2022 report.

Other payroll irregularities reported included unearned pension, payroll promotion without official letters, and unserved bond terms.

4.5.5 Stores and Procurement Irregularities

The total stores and procurement irregularities reported by the Auditor-general in 2021 amounted to GH¢511,569.00. The total amount in the 2022 Auditor-general's report reduced by 37% from the previous year to GH¢321,950. In the 2023 report, the total irregularities increased by 540 per cent to GH¢2,059,102.

The major cause of this irregularity was unaccounted items and failure to deliver items. For instance, included in the irregularities recorded in the 2021 report was GH¢108,552.00 relating to items such as laptops, mathematical sets, exercise books, and nose masks procured through the MP's share of the GETFund from two suppliers by the Ghana Education Service, Akropong-Akuapem, which were not accounted for. In the 2022 report, GH¢250,650.00 of the total irregularities related to items such as office furniture, computers and accessories which were not supplied by the Contractor. The Auditor-general also reported in 2023 that management of the Livelihood Empowerment Against Poverty (LEAP) Program could not account for 2,921 e-zwich cards they had replaced between January 2021 and December 2022, at a cost of GH¢488,747.69.

Again, Contrary to Regulation 79 of the Public Financial Management Regulations, 2019 (L.I. 2378), the 2021 Auditor-general's report noted that the Ministry of Food and Agriculture did not supply farm machines and equipment totalling GH¢601,000.00 for use by the 48 Engineers Regiment of the Ghana Armed Forces.

In the 2023 report, it was also noted that Contrary to Section 96 of the Public Financial Management Act 2016 (Act 921), the Temporary Central Medical Stores Requisition and Issue Voucher No. MOH/GHS 308088 of 22. Auditor-generals 2022 report notes that 20,000 packs of male condoms and 120,000 vials of Depo-Provera (birth control shot) valued at GH¢1,336,000.00 issued to Mr. Joe Gyaten, a driver for onward delivery to Regional Medical Stores (RMS) in the Eastern Region were not delivered and remain unaccounted for.

Additionally, Section 52 of the Public Financial Management Act, 2016 (Act 921) states among others that, the Principal Spending Officer shall maintain adequate records of government stores. Contrary to this, the Auditor-general reported in 2023 that the Pharmacist-In-Charge at the Dansoman Polyclinic failed to account for 19 drugs of varied quantities amounting to GH¢672,912.80 issued from the Pharmacy store during the 2022 financial year.

4.5.6 Rent Irregularities

The task of efficiently collecting non-tax revenue for MDAs is the duty of the Principal Spending Officer according to Regulation 46 of the Public Financial Management Regulations, 2019 (L.I. 2378). An example of such non-tax revenue is rent due to the MDA. A review of the Auditor-general's Reports (2021 – 2023) showed total rent irregularities of GH¢7,710,925.00 in 2021, GH¢2,142,523 in 2022, and GH¢1,814,259 in 2023.

The causes of rent irregularities detailed by the Auditor-general related to non-payment of rent and outstanding rental income all due to the ineffectiveness of estate managers to ensure that occupants of government bungalows and renters of land and other structural places pay their rent.

Specifically, in the 2021 report, GH¢600,013.00 of rent was due from government workers from 13 Health Institutions who defaulted in the payment of rent, and US$993,600.00 due to government from 48 occupants of the United Nations Development Programme (UNDP) flats. Likewise, the 2022 audit disclosed that between July 2020 and June 2022, the National Sports Authority did not collect rent totalling GH¢648,464.44 from seven institutions that used their facilities.

4.5.7 Contract Irregularities

The total contract irregularities reported in 2021, 2022, and 2023 were GH¢1,559,424.00, GH¢556,333, and GH¢120,481,380 respectively. Regulation 78 of the Public Financial Management Regulations, 2019 (L.I. 2378) requires, a Principal Spending Officer of a covered entity to be personally responsible for ensuring in respect of each payment of that covered entity the validity, accuracy and legality of the claim for the payment and the evidence of services received, certificate for work done and any other supporting documents exist.

Included in the total irregularities of 2021 was a significant amount of GH¢1,188,816.00 which was interest paid on delayed payments for road contract certificates raised. Also, the amount in 2022 was on a 15% mobilisation paid to the contractor who abandoned the project.

Contrary to Regulation 78 of the PFMR (L.I. 2378), an amount of GH¢8,042,931.82 out of the total irregularities of 2023, being payments to some 29 contractors on 70 Interim Project Certificates (IPCs) as Project Management Services, although no evidence of work done was produced to support the payment.

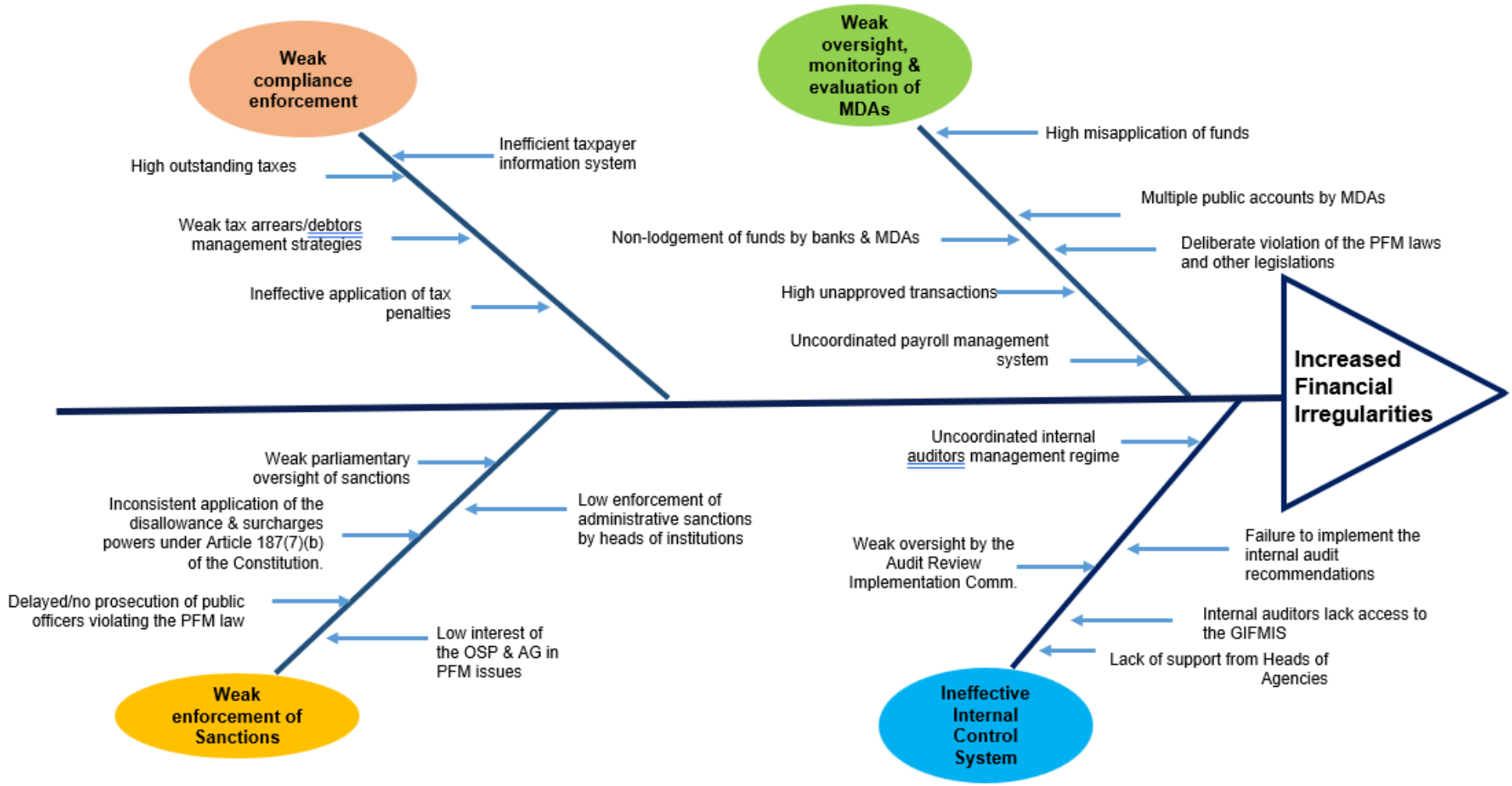
4.6 Summary

- Total financial irregularities between 2021 and 2023 was GHC4.9 billion, which is equivalent to about 2.63 per cent of GDP in 2023. On average, annual financial irregularities was about GHC1.6 billion, which is equivalent to about 0.70 per cent of the GDP between 2021 and 2023.
- The highest financial irregularities were recorded in 2023, where the total financial irregularities cost about GHC2.4 billion, which is about 124 per cent and 70 per cent of the financial irregularities recorded in 2021 and 2022 respectively.
- Tax irregularities represent about 90 per cent (GHC4.4 billion) of the total financial irregularities recorded between 2021 and 2023. Compared to the previous assessment from 2015 to 2020, the composite tax irregularities have declined by about 52 per cent but the share of tax irregularities has increased from 65 per cent to 90 per cent for the period between 2021-2023. This indicates that the challenges associated with tax irregularities have worsened since the previous assessment.
- Also, the composite financial irregularities have declined by about 65 per cent between 2021 and 2023 compared to the assessment for the period between 2015 and 2020. However, the

growth rate of irregularities has consistently increased since 2021, indicating worsening financial prudence in the MDAs.

- The analysis also reveals that annual financial irregularities over the last eight (8) years expressed as a share of GDP are higher than the total expenditure on key social protection programmes such as the LEAP and GSFP.
- The Ministry of Finance is the most fiscally reckless MDA with an FRI score of 0.9038. This indicates that about 90 per cent of the financial irregularities can be traced to the Ministry of Finance. The analysis also revealed relative improvements in some MDAs, indicating improved fiscal prudence evidenced by declining financial irregularities between 2021 and 2023 compared to the period from 2015 to 2020.
- Overall, the financial irregularities are caused by poor enforcement of laws, weak tax enforcement, weak internal audit function, and poor oversight in the MDAs.

Figure 11 Fishbone of the causes (drivers and enablers) of financial irregularities



Source: Author's Construct

5 Key Findings, Conclusion, and Policy Recommendations

5.1 Key Findings

Ghana's public financial management system has undergone several reforms, however, achieving fiscal prudence and public accountability remains a challenge. MDAs continue to commit avoidable financial infractions and engage in deliberate violations of the PFM laws and other efficiency measures. These infractions put significant pressure on the revenues available to the government to undertake important welfare and developmental initiatives. The 3rd Fiscal Recklessness Index analysis reveals the following key findings;

1. **Financial irregularities remain high despite the reforms in the PFM system.** Even though the composite financial irregularities have declined compared to the previous assessment from 2015 to 2020, there is evidence of a positive growth rate in the financial irregularities since 2021. This implies that there is a high risk of financial irregularities occurring. This makes it important for the government to leverage the existing IMF programme and the new PFM strategy to deepen institutional effectiveness.
2. **Financial infractions related to taxes remain the key constraints in the PFM system.** Despite several reforms and initiatives by the government to strengthen revenue assurance and enforcement, the FRI assessment identified a plethora issue that raises concerns about the quality of institutional effectiveness to enforce compliance. Most of the tax infractions are avoidable if there were strong tax compliance enforcement actions on the part of the Ghana Revenue Authority. For instance, delays in VAT-registered businesses paying VAT and the persistent delays in OMCs paying the tax and duties corroborate the weaknesses in compliance enforcement. These infractions continue to create budget shortfalls, which compels the government to borrow to finance its annual budget. This also implies that the government cannot provide timely and quality public services because they are unable to sufficiently collect the expected revenues.
3. **Weak internal audit functions continue to drive high financial infractions in the activities of MDAs.** The trend of financial irregularities and the root cause analysis points to the weaknesses in the internal audit function in the various MDAs. Several of the financial infractions reported by the auditor general such as unsupported payments, fraudulent withdrawals of government funds, improper procurement activities, and unearned salaries could have been avoided if internal auditors were critically involved in the financial decisions of the MDAs. Additionally, some of the recurring cash infractions also show that the recommendations of the Audit Review Committees at the MDA level are not adhered to, leading to the persistent occurrence of certain types of infractions. Also, it does appear that internal auditors' functions continue to be ex-post because their work has not been integrated into the GIFMIS. Thus, the infractions occur before they become aware of them.
4. **Weak enforcement of sanctions continues to sustain the culture of high financial irregularities.** The PFM laws provide a plethora of sanctions for institutional heads, parliament and the auditor-general to leverage to drive fiscal prudence in the actions of MDAs. However, these sanctions were not applied in any of the instances where PFM laws were flagrantly violated. This culture of weak enforcement of sanctions continues to create a high tolerance level for financial irregularities and does not in any way build accountable institutions. For instance, the Ministry of Finance awarded contracts on 15 occasions at a cost of GHC2.3 million without using any of the approved procurement methods in the PPA law, however, no sanctions were meted out to the institution or the officers responsible. Additionally, the analysis finds that the auditor-general barely used its powers to disallow and surcharge institutions for violating the PFM laws.
5. **Most of the social service MDAs remain moderately fiscally reckless.** The analysis shows that financial irregularities expressed in terms of GDP are higher than the actual expenditure on critical poverty reduction initiatives such as LEAP and GSFP. In addition to this, the MDAs responsible for these initiatives are moderately fiscally reckless based on their FRI rankings compared to the

previous assessment. The fiscal prudence of such MDAs is important because it directly impacts their ability to deliver quality public service to citizens, especially vulnerable communities.

6. **Broadly, we identified that the three political parties appear to demonstrate strong support for the fiscal deficit ceiling in the Fiscal Responsibility Act 2018 (Act 982) and the establishment of an independent fiscal council.** However, none of the three political parties provide detailed information about the scope of work the fiscal council will do and the powers that will be accorded to the fiscal council to avoid a repetition of the council established in 2018.

5.2 Conclusion

Ghana's PFM system is far from achieving public accountability and remains vulnerable to financial infractions largely as a result of weak internal audit functions, flagrant abuse of the PFM laws, weak compliance enforcement, and failure of external accountability actors like parliament and the auditor-general to apply the sanctions in the PFM laws. Overall, tax infractions remain the biggest vulnerability in the PFM system, posing severe risks to the timely collection and utilization of revenue to support public service delivery.

Delayed tax collection poses a severe risk to the stability of the government's fiscal plans as several development plans envisaged in the annual budget are likely to be suspended because of insufficient revenues. Additionally, the interest on delayed tax payments is lost because MDAs fail to enforce the sanctions in the revenue laws and regulations. The growing tax irregularities continue to add to the stockpile of unpaid and unrecovered tax revenues, which makes it difficult for revenue collection agencies to maximize their efforts to increase tax compliance enforcement. At the moment, the root causes of the fractions suggest that the electronic systems implemented to improve tax compliance are yet to achieve notable results. For instance, the high occurrence of non-payment of VAT by registered businesses raises concerns about the effectiveness of the E-VAT initiative.

In the context of Ghana's current macroeconomic challenges, a credible and accountable PFM system is needed to translate government reforms into real development outcomes. Overall, fiscal recklessness among MDAs remains high, and more stringent measures are needed to improve institutional effectiveness to curb the incidence of avoidable financial infractions. The establishment of an independent fiscal council appears to receive support across all the major political parties, CSOs and other actors as a critical initiative to strengthen accountability in governments financial decisions. However, the independent fiscal council can be effective if their mandate is backed by law and they have powers to oversee and stop government fiscal decisions that have negative impact on the country's overall macroeconomic growth.

5.3 Policy Recommendations

The following policy recommendations are proposed;

1. **Establish and legislate an Independent Fiscal Council by amending the Fiscal Responsibility Act 2018 (Act 982).** The historical trend of fiscal recklessness evidenced by the positive growth in financial irregularities lay credence to the fact that the existing accountability measures in the PFM system have failed to reduce the infractions by MDAs, and thus there is the need for an independent body with the oversight over government financial decisions. The independent fiscal council must be clothed with the power to oversee and stop some of the fiscal decisions of the government and MDAs. In addition, the independent fiscal council must have the power to oversee all the big-ticket expenditure items of the government and supervise the macro-fiscal planning activities of the Ministry of Finance. This can potentially minimize the incidence of overstatement revenues by MDAs leading to tax and cash irregularities, where MDAs have to withhold expected government revenues to undertake some of their budgeted activities.
2. **The government must accelerate the digitization initiatives in tax compliance enforcement.** The findings of the FRI assessment point to significant institutional weaknesses holding back effective tax compliance enforcement leading to high tax infractions reported by the auditor-general. The government has embarked on some initiatives to reduce human interference and improve

efficiency in tax collection. The government must scale up these initiatives to reduce the future occurrence of avoidable tax infractions.

3. **The PFM reforms and the IMF programme must prioritize building institutional effectiveness.** Past PFM reforms appear to focus on addressing the same vulnerabilities over the past two decades, however, these vulnerabilities continue to persist. It has become important for reforms in the PFM systems to look beyond the symptoms of the infractions and the band-aid solutions to consider critical institutional transformations that promote low tolerance for financial infractions and create internal systems to enhance compliance with the PFM laws.
4. **Parliament and the Auditor-General must apply the sanctions in the PFM laws to discourage the high tolerance for financial irregularities.** Parliament and the auditor-general are the external accountability actors in the PFM system. However, these institutions barely apply the powers to sanctions provided in the laws. The auditor-general must effectively use its powers to disallow and surcharge to deter MDAs from committing avoidable financial infractions. Additionally, the sanctions have become more important given the increasing reports of fraudulent withdrawal and embezzlement of funds by principal spending officers and staff in the MDAs.
5. **Strengthen the internal audit functions in the MDAs.** Stronger internal audit functions remain the smartest way to address the incidence of flagrant abuse of the PFM laws in the MDAs. The findings suggest that most of the root causes of the infractions are incidences that can be corrected by internal auditors if they were properly integrated into the PFM system. For instance, minor infractions such as rent, stores and procurement, and payroll issues can be addressed if the internal audit functions are effective. The government must accelerate the actions to put internal auditors into the GIFMIS and the actions to review and reform the current internal auditors law.

Appendix

A1 - Annual Itemised Financial Irregularities (GHS) of Ministries, Departments and Agencies

Row Labels	Sum of Tax	Sum of Cash	Sum of Debt & Loan Advances	Sum of Payroll	Sum of Stores & Procurement	Sum of Rent	Sum of Contract	TOTAL
Chieftaincy and Religious Affairs	-	-	-	21,213	-	-	-	21,213
Communications	-	-	86,200,780	194,962	-	-	-	86,395,742
Defence	-	293,704	12,909	-	-	-	-	306,613
Education	245,236	19,370,911	176,787	3,547,549	224,091	60,543	-	23,625,117
Employment	-	42,518	293,959	83,187	-	-	-	419,664
Energy	-	2,450,683	-	-	-	-	-	2,450,683
Environment	-	-	-	107,959	-	-	-	107,959
Finance	4,387,897,928	721,307	11,005,582	1,943,781	60,814	42,115	-	4,401,671,527
Fisheries & Aquaculture	10,885	31,568,384	333,337	-	-	35,035	556,333	32,503,974
Food and Agriculture	24,280	70,655,669	13,065,190	721,765	3,129	10,782	-	84,480,815
Foreign Affairs & Regional Integration	167,932	-	-	-	-	-	-	167,932
Gender	1,741,949	3,420,374	18,250	82,234	-	-	-	5,262,807
Health	1,523,972	14,235,623	17,323,114	21,009,540	2,353,937	3,251,705	277,561	59,975,452
Information	-	-	-	21,767	-	-	-	21,767
Interior	10,014,301	1,259,589	1,549,197	585,100	250,650	-	38,690	13,697,527
Justice & Attorney General	159,487	31,259,749	1,479,961	1,261,090	-	-	-	34,160,287
Lands & Natural Resources	73,388	12,540,571	-	460,554	-	-	-	13,074,513
Local Government & Decentralization	-	701,562	40,390	656,959	-	1,104,199	-	2,503,110
Other Agencies	91,110	327,993	78,419	3,020,921	-	-	-	3,518,443
Railway Development	-	14,000	-	-	-	-	-	14,000
Roads & Highways	7,192	2,180,142	-	86,024	-	20,927	121,723,553	124,017,838
Sanitation	-	237,514	18,693	34,561	-	265,037	-	555,805
Tourism, Arts & Culture	-	-	-	360,382	-	-	-	360,382
Trade and Industry	-	183,461	-	39,235	-	-	-	222,696
Transport	-	13,991	-	12,144	-	-	-	26,135
Works and Housing	6,197	10,000	4,647,578	43,315	-	242,959	-	4,950,049
Youth & Sport	18,160	169,791	77,932	-	-	719,158	-	985,041
Grand Total	4,401,982,017	191,657,536	136,322,078	34,294,242	2,892,621	5,752,460	122,596,137	4,895,497,092
% Total [Weight]	**90%**	**4%**	**3%**	**1%**	**0%**	**0%**	**3%**	**100%**

A2 – Fiscal Recklessness Scores and Ranking of Ministries, Departments and Agencies

Fiscal Recklessness Score						Fiscal Recklessness Rank						
Ministry/Year	2015-2020	2021	2022	2023	2021-2023	Ministry/Year	2015-2020	2021	2022	2023	2021-2023	Relative Movement
Finance	0.8803	0.9513	0.8854	0.8991	0.9038	Finance	1	1	1	1	1	0
Food and Agriculture	0.0031	0.0316	0.0066	0.0367	0.0436	Food and Agriculture	12	3	7	3	2	-10
Communications	0.0021	#N/A	0.0639	-	0.0279	Communications	14	#N/A	2	15	3	-11
Roads & Highways	0.0283	0.0018	0.0026	0.0500	0.0263	Roads & Highways	3	10	10	2	4	1
Health	0.1004	0.0205	0.0171	0.0171	0.0226	Health	2	4	4	4	5	3
Justice & Attorney General	0.0075	0.0469	0.0015	0.0001	0.0183	Justice & Attorney General	6	2	13	12	6	0
Fisheries & Aquaculture	0.0020	0.0005	0.0411	0.0000	0.0177	Fisheries & Aquaculture	16	13	3	13	7	-9
Education	0.0041	0.0061	0.0036	0.0094	0.0121	Education	10	6	9	5	8	-2
Lands & Natural Resources	0.0008	0.0002	0.0167	-	0.0071	Lands & Natural Resources	23	15	5	15	9	-14
Interior	0.0018	0.0026	0.0082	0.0006	0.0035	Interior	17	9	6	6	10	-7
Gender	0.0033	0.0033	0.0020	0.0003	0.0023	Gender	11	8	11	8	11	0
Works and Housing		0.0108	-	0.0003	0.0016	Works and Housing		5	21	9	12	12
Energy		0.0033	-	-	0.0014	Energy		7	21	15	13	13
Other Agencies	0.0021	0.0000	0.0048	0.0001	0.0012	Other Agencies	15	18	8	11	14	-1
Local Government & Decentralization	0.0049	0.0012	0.0015	0.0004	0.0010	Local Government & Decentralization	9	11	12	7	15	6
Youth & Sport	0.0008	0.0001	0.0012	-	0.0004	Youth & Sport	22	16	14	15	16	-6
Sanitation	0.0003	#N/A	0.0001	0.0002	0.0002	Sanitation	25	#N/A	20	10	17	-8
Defence	0.0013	0.0002	0.0001	-	0.0002	Defence	18	14	17	15	18	0
Employment	0.0187	0.0007	0.0001	-	0.0001	Employment	4	12	19	15	19	15
Tourism, Arts & Culture	0.0030	#N/A	0.0005	-	0.0001	Tourism, Arts & Culture	13	#N/A	15	15	20	7
Trade and Industry	0.0054	0.0001	0.0002	-	0.0001	Trade and Industry	7	17	16	15	21	14
Environment	0.0013	#N/A	#N/A	0.0000	0.0000	Environment	19	#N/A	#N/A	14	22	3
Foreign Affairs & Regional Integration	0.0148	#N/A	0.0001	-	0.0000	Foreign Affairs & Regional Integration	5	#N/A	18	15	23	18
Transport	0.0004	0.0000	-	-	0.0000	Transport	24	20	21	15	24	0
Railway Development		#N/A	-	-	0.0000	Railway Development		#N/A	21	15	25	25
Information	0.0002	#N/A	-	-	0.0000	Information	26	#N/A	21	15	26	0
Chieftaincy and Religious Affairs	0.0000	0.0000	-	-	0.0000	Chiefteincy and Regious Affiliation	27	19	21	15	27	0