

**MAY 2018 PROFESSIONAL EXAMINATIONS  
PUBLIC SECTOR ACCOUNTING & FINANCE (PAPER 2.5)  
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

**STANDARD OF THE PAPER**

Evaluation of the examination questions indicated that about 90 percent of the topics in the syllabus were covered. This is quite commendable because it provided the candidates enough flexibility to answer a variety of topics in the syllabus. The interpretation of some of the questions appeared problematic in the minds of the candidates.

**GENERAL PERFORMANCE OF CANDIDATES**

One could describe the overall understanding of the examination questions by candidates as 50% fair and 50% weak. However, there were a handful of good and excellent answers that were given by some candidates indicating that they were well-prepared for the examination. Scripts that were marked and moderated indicated general poor performance in many centres. However, there were some isolated good scripts presented in some centers. Candidates' performance may also be a function of better teaching facilities available in some centres.

## QUESTION ONE

- a) Financial reporting is very important to the media because it assists them in making analysis. It also helps them to know how government financial information impacts on all aspects of the economy as well as for advocacy where the need arises.

**Required:**

Identify **FOUR** other stakeholders who use public sector financial statements and their information needs. **(4 marks)**

- b) Your subordinate read an article written by the Minister of Finance titled “Streamlining and improving public cash management”. As a professional student of Public Financial Management your subordinate has drawn your attention to a certain paragraph of the publication that reads:

*“Without cash management it is very difficult for the Controller and Accountant-General or the Minister of Finance to make informed financing or investment decisions. For these reasons all MDAs and MMDAs are expected to prepare cash-flow forecasts as part of their budgetary control system. All revenue agencies are to prepare revenue projections, just as the Ministry of Finance also prepares a schedule of statutory payments and non-tax revenues”.*

**Required:**

Briefly explain to your Subordinate **FOUR** objectives of *proper cash management* in the public financial management. **(6 marks)**

- c) Governments all over the world have seen the need to have government businesses automated and integrated for efficiency and effectiveness. This has led to the adoption of Integrated Financial Management Information Systems (IFMIS) by most governments in managing public finances.

**Required:**

- i) Identify **TWO** benefits a country stands to gain by adopting an Integrated Financial Management Information Systems (IFMIS) in the management of Public funds. **(2 marks)**

- ii) Explain **TWO** preconditions required to be met for the successful automation of government business through the IFMIS. **(2 marks)**

- d) There are two main basis of accounting in the public sector and these are *cash basis* and *accrual basis*. These two basis differ in many respects though there are some similarities.

**Required.**

Contrast cash basis and accrual basis of accounting in the public sector in terms of:

- i) Recognition of revenue
- ii) Recognition of expenditure
- iii) Disclosure of Non-financial assets
- iv) Notion of depreciation

**(6 marks)**

**(Total: 20 marks)**

## QUESTION TWO

- a) The Public Financial Management (PFM) Act 2016, Act 921 applies to a covered entity and a public officer responsible for receiving, using, or managing public funds. The PFM Act, Act 921 provides for the creation of a sinking fund by the Minister to be used to redeem specific debt obligations of Government.

**Required:**

- i) What is “*a Covered Entity*” as defined by the PFM Act 2016, Act 921? (3 marks)
- ii) What is “*Public Funds*” as defined by the PFM Act 2016, Act 921? (2 marks)
- iii) Identify **FIVE** sources of money for the sinking fund. (5 marks)
- b) An entity which was established by an Act of Parliament is 95% funded by its Internally Generated Funds (IGF). The Government of Ghana then finances 5% of its budget from the consolidated fund. The Chief Executive Officer (CEO) and the Chief Accountant have argued on the need to or not to be recognized as Procurement Entity as per section 14 of the Public Procurement Act, 2003 (Act 663) as amended by Act 914.

The CEO would like to set up an internal arrangement for procurement with the Chief Accountant as the chairman of the Procurement Committee but the Chief Accountant would like the organization to set up a Procurement Committee in accordance with the Act.

**Required:**

- i) According to Section 14(1) (2) of the Public Procurement (Amendment) Act 2016, what is the *scope and application* of the act? (5 marks)
- ii) Advise the CEO and Chief Accountant on whether their entity falls under the Public Procurement (Amendment) Act 2016, Act 914. (2 marks)
- iii) Under what conditions would a *procurement entity* undertake procurement in accordance with *established commercial practice*? (3 marks)

(Total: 20 marks)

## QUESTION THREE

- a) Both direct and indirect taxes are critical components of government revenue as they are intricately linked with the overall economy. Collection of these taxes is important for the government as well as the well-being of the country.

**Required:**

Distinguish between *direct taxes* and *indirect taxes* and suggest **THREE** ways by which tax collection can improve. (5 marks)

- b) The Budget Department of a Ministry, Department and Agency (MDA) has received the following inputs from the cost centres for the 2015 budget year.

	(GH¢)
Construction Works –New Projects	289,199.28
Information and Documentation	250,877.16
Depreciation of Assets	450,000.00
Miscellaneous General Expenditure	180,000.00
Property Purchases	366,874.28
Staff Allowances	50,315.60
Research Activities	243,596.45
Charges and Fees	17,752.62
Repairs and Maintenance	32,294.05
Rehabilitation Expenses	661,506.00
Special Services	24,327.00
Travel and Transport	270,789.35
Printing and Publication	151,924.25
Materials and Consumables	193,236.81
General Cleaning	450,000.71
Utilities	650,000.81
Salaries for Established Post	783,594.00
Staff Overtime	871,900.00
Advertisement and Media	170,000.74
Out-of-Station Allowances	131,114.85
Insurance	74,943.28

For the 2015 fiscal year, the Ministry has projected to generate an amount of GH¢3,036,230.57 from Internally Generated Funds. The law in 2015 allowed the MDA to retain all internally generated funds and use it to finance their budget expenditure.

**Required:**

As a member of the MDA's budget committee;

- i) Prepare the MDAs annual Budget using the current chart of accounts for public sector and submit to the Ministry of Finance as their proposed budget for the 2015 fiscal year; (8 marks)
  
- ii) Calculate the *amount of budgetary subvention support* required from the Ministry of Finance for the 2015 fiscal year. (2 marks)
  
- c) The Financial Administration Regulation (FAR) 2004 L.I 1802 provided for various *financial controls* over the Management of Public funds. Explain the controls provided by the FAR under the following areas.
  - i) Signing a blank document
  - ii) Security of signatures
  - iii) Use of indelible ink and prohibition of alterations
  - iv) Amendment of figures
  - v) Fraction of reporting currency. (5 marks)

**(Total: 20 marks)**

## QUESTION FOUR

The following are the balances extracted from the Consolidated Fund of Public Accounts for the year ended 31<sup>st</sup> December, 2017.

	<b>GH¢ 000</b>
Consumption of fixed Capital	208,878
Miscellaneous Direct Taxes	98,238
Social Security Benefit in Kind	66,120
13.5% SSF Contribution	45,000
Project Grant	9,370
Fines, Penalties and Forfeitures	25,928
Materials and Office Consumables	117,526
General Taxes on Goods & Services	265,064
Travel & Transport	41,610
Social Assistance Benefits	68,678
Established Post- salaries	800,800
Domestic Debt Interest	40,200
Gratuity	20,000
Training, Seminar and Conference Cost	54,250
External Debt Interest	83,772
Allowances to Employees	56,000
Repairs and Maintenance	34,560
Property Income	25,000
Cash & Bank Balances	1,960,898
Advances & Receivables	60,164
Taxes on Exports	581,588
Long Term Receivables	2,836,616
Non-Established Post-salaries	400,104
Payables	1,211,044
Accumulated Surpluses (1/1/2017)	(61,343,676)
Deposit and Other Trust Monies	3,752,412
Short-Term Borrowing	11,299,822
Taxes paid by individuals	810,436
Subsidy on Petroleum Products	15,000
Fertilizer Subsidies	24,068
Equity Investment	3,619,752
End of Service Benefit	25,880
Infrastructure, Plant & Equipment	2,028,806
Taxes paid by Companies & Enterprise	135,784
Work-In-Progress	304,880
Domestic Debt	23,719,588
External Debt	32,283,148
Employer Social Benefits in Cash	30,500
Other Expenses (note i)	22,584
Excise Duties	92,900

**Additional Notes:**

i) **Other Expenses**

During the year, the Government of Ghana benefited from free services provided from medical experts who were task forces of the British Government. The main object of this task force was to help curb cholera in the country. The fair value of these services amounted to GH¢ 18,740,000. It is the policy of Government to include goods and services received during the year in kind in its financial statements at fair values.

ii) The annual estimates for the year ending 2017 were as follows:

	<b>Annual Budget</b>	<b>Revised Budget</b>
	<b>GH¢ '000'</b>	<b>GH¢ '000'</b>
<b>Revenue</b>		
Direct Tax	800,000	940,000
Indirect Tax	1,000,000	1,200,000
Grants	40,000	56,000
Non- Tax Revenue	<u>47,000</u>	<u>49,000</u>
<b>Total Revenue</b>	<b><u>1,887,000</u></b>	<b><u>2,245,000</u></b>
<b>Expenditure</b>		
Compensation of employees	1,367,688	1,400,040
Use of goods & Services	345,672	398,300
Public Debt interest	120,984	112,560
Social Benefits	187,590	168,954
Exchange Difference	35,000	38,676
Government Subsidies	26,442	29,650
Other Expenses	35,000	32,000
Consumption of Fixed Capital	<u>192,000</u>	<u>202,770</u>
<b>Total Expenditure</b>	<b><u>2,310,376</u></b>	<b><u>2,382,950</u></b>
<b>Surplus/Deficit</b>	<b>(423,376)</b>	<b>(137,950)</b>

**Required:**

- Prepare a Statement of Revenue and Expenditure of the Consolidated Fund for the year ended December 31, 2017 indicating the accompanying variances to the statement.
- Prepare a Statement of Financial Position of the Consolidated Fund as at December 31, 2017.

**(Total: 20 marks)**

## QUESTION FIVE

- a) Minister of Health and his Chief Director attended an international conference on health administration and they found out that most countries around the world are leveraging the private sector in the provision of health infrastructure and the management of the operations of the existing facilities to secure value for the public money.

Upon their return, they decided to explore avenues for Public Private Partnerships (PPPs) in the areas of construction of health facilities on build-operate and transfer options and management of regional and teaching hospital on maintain and operate basis or rehabilitate and operate basis. The Minister is passionate about the move and wants to implement it as quickly as possible. However the Chief Finance Director has drawn his attention to the National Public Private Partnership Policy of the country and advises that they consider it seriously. The Minister has ordered the Chief Finance Director to furnish him with the guiding principles of the PPP arrangements to ensure compliance.

The Chief Finance Director has asked you to critically examine the national PPP policy document and furnish him with key guiding principles on feasible PPP arrangements he can enter into.

**Required:**

Explain **FIVE *guiding principles*** that the Ministry should observe in the proposed PPP projects in the health sector. **(5 marks)**

- b) State and Explain **TWO** functions each performed by the following institutions in ensuring value for money and accountability in the public sector of Ghana:
- i) Public Accounts Committee (PAC) of Parliament
  - ii) Audit Committees of MDAs and MMDAs. **(4 marks)**
- c) Public Private Partnership (PPP) has become a major vehicle through which the government is leveraging private resources and technology in provision of public services. However, PPP could become a vehicle for plunging public resources and taking public services out of reach of ordinary citizens. This concern has led to the creation of National PPP policy that provides a framework for effective PPP arrangements.

**Required:**

Identify **TWO *financial risks*** in PPP arrangements. **(3 marks)**

- d) One of the key performance indicators (KPI) in the private sector is to determine the profitability of a business. This is because businesses exist to make profit. However in the Public Sector, the objective of governments is to provide public goods and as such, satisfy the needs of the citizens. Citizens are invariably dissatisfied with government performance at the end of its term of office. This is because most of the objectives of government is social in nature and as such it becomes very difficult to match government revenues and expenditure to determine profit or loss as a basis of measuring its performance.

**Required:**

Discuss the ***basis for measuring Public Sector performance*** and justify why governments can be assessed at the end of their tenure of office. **(8 marks)**

**(Total: 20 marks)**

## SOLUTION TO QUESTIONS

### QUESTION ONE

a) Other stakeholders or users of public sector financial statements and their information needs are as follows:

Stakeholder/Users	Information needs
<b>Parliament</b>	It needs the information for: <ul style="list-style-type: none"> <li>• Assessing accountability and stewardship of public managers and agencies</li> <li>• Assessing compliance with the legally adopted budget and other enactments</li> <li>• Assessing the economy, efficiency and effectiveness of the operations public sector entity</li> <li>• Monitoring and evaluating public financial performance of government</li> </ul>
<b>Citizens (tax payers and voters)</b>	They need information for: <ul style="list-style-type: none"> <li>• Assessing the cost of public services</li> <li>• Assessing accountability and stewardship of government.</li> <li>• Making voting decision to some extent.</li> </ul>
<b>Loan creditors (IMF, World Bank etc)</b>	They provide credit to government and they need information to: <ul style="list-style-type: none"> <li>• assess credit worthiness of the country and</li> <li>• determine the extent of compliance to debt conditions and terms.</li> </ul>
<b>Investors in government securities</b>	They need the information to assess coupons and the ability of government honour repayments and coupons.
<b>Donors and sponsors</b>	They seek accountability for donor funds and compliance to donor terms and conditions.
<b>Auditor General</b>	AG needs the information for auditing purposes and accountability in general.
<b>Financial analysts/Rating agencies</b>	For financial advisory purposes for their clients
<b>Employee groups/trade unions</b>	For wage negotiations and security of jobs.
<b>Government statistician</b>	For national accounting purposes
<b>Pressure groups/Civil society groups</b>	To demand accountability, performance and compliance to rules from government,

½ marks each for four stakeholders mentioned and ½ marks for each need explained. (4 marks)



b)

You agree with me that cash management is very important aspect of public financial management that ensures availability to funds to support intended uses whilst controlling and safeguarding the cash resources of the entity. **The objectives of proper cash management in public financial management include:**

- **To eliminate idle cash balances.** Every Cedi held as cash rather than used to augment revenues or decrease expenditures represents a lost opportunity. Funds that are not needed to cover expected transactions can be used to buy back outstanding debt (and cease a flow of funds out of the Treasury for interest payments) or can be invested to generate a flow of funds into the Treasury's account. Minimizing idle cash balances requires accurate information about expected receipts and likely disbursements.
- **To deposit collections timely.** Having funds in-hand is better than having accounts receivable. The cash is easier to convert immediately into value or goods. A receivable, an item to be converted in the future, often is subject to a transaction delay or a depreciation of value. Once funds are due to the Government, they should be converted to cash-in-hand immediately and deposited in the Treasury's account as soon as possible.
- **To ensure time disbursements.** Some payments must be made on a specified or legal date, such as Social Security payments. For such payments, there is no cash management decision. For other payments, such as vendor payments, discretion in timing is possible. Government vendors face the same cash management needs as the Government. They want to accelerate collections. One way vendors can do this is to offer discount terms for timely payment for goods sold.
- **To promote efficient and effective management of cash resources in order to demonstrate accountability for cash resources.** Cash management seeks to ensure that cash of government are used wisely to achieve the intended purposes and at the same time showing accountability of cash use.
- **To enhance financing decisions relating to when to borrow.** Effective cash management will help to forecast cash deficiencies and crises so as to take proactive steps in address the problem ahead of danger.

(1 ½ marks for each point explained well= 6 marks)

c)

i) **The benefits of IFMIS in public funds management in Ghana include:**

- Improved budgetary, financial management (record Keeping) and reporting processes
- Provide accurate, timely and reliable financial information to Central Government and Decentralized Institutions and Organizations
- Uniformity in accounting and reporting with the introduction of a common Chart of Account and Database for all MDAs and MMDAs.

- Improvement in accountability, control, monitoring and auditing of Governmental finances.
- Ensure that Ministries, Department and Agencies (MDAs/MMDAs) spend within their budgetary allocation due to budgetary control
- Reduce manual processes, duplication of effort and errors
- Match disbursements with availability of revenues thus Improve efficiency in cash management and treasury Management System
- Improve interaction between and among other financial management players such as Bank of Ghana (BOG), Public Procurement Authority ( PPA) and Ghana Revenue Authority (GRA), among others.
- Enhance enforcement of financial legislation
- Complete and timely exchange of data and information among/between MDAs/MMDAs and central government for producing complete, timely and accurate reports (Improve Record Keeping) etc.
- Enhance and re-enforce the internal control systems in public financial management for accountability.
- Provide documentation of business processes, workflows and approval levels to ensure consistent and timely compliance across all MDAs and all MMDAs.
- An effective and efficient budget preparation, execution, monitoring and evaluation mechanism
- Provide for the ability to budget for, track and monitor projects and grants through the chart of accounts, by using the Project

(1 mark each for any 2 points = 2 marks)

ii)

**The preconditions for IFMIS to function include:**

- Effective information technology infrastructure such as internet connectivity is required to make the automation success.
- Strong political commitment is necessary for setting the tone for effective IFMIS. Political will is needed for resource allocation.
- Expertise to administer the system effectively is required. The availability of human resource with right expertise in MIS is necessary for effective implementation of IFMIS.

(1 mark each for any two points = 2marks)

d)

**The difference between cash basis and accrual basis is as follows:**

Point of difference	Cash Basis	Accrual Basis
Recognition of revenue	Revenues are recognized only when cash is received from the transaction or event.	Revenue is recognized when it is earned and any revenue due but not received is reported as an asset, receivable in the statement of financial position

<b>Recognition of expenditure</b>	Expenditure are recognized when payment is effected for the transaction or event in the period in which the payment was made.	Expenditures are recognized when it is incurred, being the time obligation has been established by the contract. Any such expenditures not paid within the year is reported as a liability, payable, in the statement of financial position.
<b>Disclosure of Non-financial assets</b>	Non-financial assets acquired during the year are treated in whole as expenditure in the statement of financial performance and thereby not disclosed in the statement of financial position.	Non-financial assets acquired are capitalized and reported in the statement of the financial position at carrying amount.
<b>Notion of depreciation</b>	No depreciation is charged since the whole cost of the assets had been written off at the time of acquisition.	Depreciation is an expenditure in the statement of financial performance.

(1 ½ marks for each contrast = 1 ½ \*4 = 6 marks)

(Total: 20 marks)

## QUESTION TWO

a)

i) **The PFM Act 2016 defines covered entity to mean**

- Executive, Legislature and Judiciary;
- Constitutional bodies;
- Ministries, Departments Agencies and local government authorities;
- the public service; autonomous agencies; and
- Statutory bodies.

(3 marks maximum)

ii) The PFM Act consistent with the 1992 Constitution defines *public funds* as Consolidated Fund, the Contingency Fund and any other fund established by or under an Act of Parliament. (2 marks maximum)

iii) **Under the PFM Act, the following are the sources of money for the sinking fund:**

- periodic contributions of specified amounts determined by the Minister as part of the annual budget;

- repayment inflows of money on-lent by the Ministry to covered entities, state-owned enterprises and public corporations;
- moneys that accrue to the Fund from investment of moneys of the Fund;
- moneys borrowed or raised from capital markets for the purpose of redemption of existing debts;
- moneys approved by Parliament for debt repayment under subsection (4) of section 23 of the Petroleum Revenue Management Act 2011 (Act 815); and
- any other moneys that the Minister, with the approval of Parliament determines to be paid into the Fund.

(1 mark each for any five = 5 marks)

b)

i) **The Public Procurement Act applies to:**

**Section 1:**

- The procurement of goods, works and services, financed in whole or in part from public funds except where the Minister decides that it is in the national interest to use a different procedure;
- Functions that pertain to procurement of goods, works and services including the description of requirements and invitation of sources, preparation, selection and award of contract and the phases of contract administration;
- The disposal of public stores and equipment; and
- Procurement with funds or loans taken or guaranteed by the State and foreign aid funds except where the applicable loan agreement, guarantee contract or foreign agreement provides the procedure for the use of the funds except as exempted under section 96.

**Without limiting subsection (1), this Act applies to:**

- a) Central management agencies;
- b) government ministries, departments and agencies;
- c) Subvented agencies;
- d) Governance institutions; state owned enterprises to the extent that they utilise public funds;
- e) Public universities, public schools, colleges and hospitals;
- f) The Bank of Ghana and financial institutions such as public trusts, pension funds, insurance companies and building societies which are wholly owned by the State or in which the State has majority interest;
- g) Institutions established by Government for the general welfare of the public or community.
- h) Statutory funds, commissions and other bodies established by Government for specific purpose; and
- i) The phases of contract administration as specified in the contract administration manual.

(1 mark each for any five points identified = 5 marks)

ii)

From the case the following facts were obtained:

- The entity is established by an Act of Parliament;
- The entity is financed from 95% IGF retention and 5% budget support, which are all part of the public funds.

These suggest that the entity falls within the scope of the Public Procurement Act and therefore CEO must apply the provisions of the Act fully. **(2 marks maximum)**

- iii) Subject to the approval of the Board, a procurement entity may undertake procurement in accordance with the established commercial practices if:
- a) The procurement entity is legally and financially autonomous and operates within the commercial laws
  - b) It is beyond contention that the public procurement procedures are not suitable, considering the strategic nature of the procurement; and
  - c) The proposed procurement method will ensure value for money, provide competition and transparency is extent possible. (PPA- Section, 15)

**(1 ½ marks each for two points explained=3 marks)**  
**(Total: 20 marks)**

### QUESTION THREE

#### **d) Direct & Indirect taxes and ways of improving collection by the state**

Taxes can be either direct or indirect. A direct tax is one that the taxpayer pays directly to the government. These taxes cannot be shifted to others. A homeowner pays personal property taxes directly to the government. In a general sense, a direct tax is one imposed upon an individual person (juristic or natural) or property (i.e. real and personal property, livestock, crops, wages, etc.) **(1 mark)**

as distinct from indirect tax imposed upon a transaction. In this sense, indirect taxes such as a sales tax or a value added tax (VAT) are imposed only if and when a taxable transaction occurs. **(1 mark)**

#### **Ways of Improving Tax Collection by the State**

- Educating taxpayers about how to comply, and benefits of paying taxes to the nation.
- Ensure regular updates to the taxpayer registry
- Simplify the tax system to encourage formalization
- Create external checks that enforce compliance

- Focus resources on improved auditing, processes, and tools
- Use simple segmentation to identify larger collection opportunities
- Target collections in the tax offices with the largest outstanding debts

(Any 3 points for 3 marks)

b)

**i) EXPENDITURE BUDGET**

	<b>(GH¢)</b>
<b>COMPENSATION</b>	
Salaries for Established Post	783,594.00
Staff Overtime	871,900.00
Staff allowances	50,315.60
Out-of-Station Allowances	<u>131,114.85</u>
Total Compensation Budget	<b>1,836,924.45</b>
<b>GOODS AND SERVICES</b>	
Utilities	650,000.81
Advertisement and Media	170,000.74
Insurance and Compensation	74,943.28
Information and Documentation	250,877.16
Depreciation of Assets	450,000.00
Miscellaneous General Expenditure	180,000.00
Research activities	243,596.45
Charges and Fees	17,752.62
Special Services	24,327.00
Travel and Transport	270,789.35
Printing and Publication	151,924.25
Materials and Consumables	193,236.81
General Cleaning	<u>450,000.71</u>
Total Goods and Services	3,052,505.90
<b>NON FINANCIAL ASSETS</b>	
Repairs and Maintenance	32,294.05
Rehabilitation Expenses	661,506.00
Property Purchases	366, 874.28
Construction Works –New Projects	<u>289,199.28</u>
Total Non-Financial Assets	<b><u>1,349,873.61</u></b>
<b>GRAND TOTAL EXPENDITURE BUDGET</b>	<b><u>6,239,303.96</u></b>

(8 marks evenly spread using ticks)

ii) Calculation of subvention required for the 2015 fiscal year:

	<b>(GH¢)</b>
Total Expenditure Required	6,239,303.96
Less: Internally Generated Funds (IGF)	<u>3,036,230.57</u>
Total Subvention Required	<b><u>3,203,073.39</u></b>

(2 marks)

- c)
- i) **Signing a Blank document** – the control is that under Regulation 199. (1) of the FAR no officer is allowed to sign any incomplete document or record pertaining to accounts.
- ii) **Security of signatures-** the control under this is that under Regulation 198 of the FAR, any officer signing any document or record pertaining to accounts shall ensure that the document or record is signed in such a way as to preclude subsequent alteration or addition to the information contained in the document or record.
- iii) **Use of indelible ink and prohibition of Alterations-** Under this control is that under Regulation 205 (1) of the FAR Accounting records and documents shall be written in indelible ink. Also, an entry in an accounting record or document shall not be erased or altered by writing over.
- iv) **Amendment of figures-** The control over this in under Regulation 206 of the FAR as follows: An incorrect figure in a document may be amended by ruling a single line through it, in such a way that the original entry may be clearly read, and the correct figure inserted above the original entry and the officer signing or certifying the document shall initial the amended entry.
- v) **Fraction of reporting currency (one cedi)** - the control under this is provided for under Regulation 208 of the FAR as follows: For the purpose of keeping public and other government accounts and preparing financial statements, all pesewas shall be rounded upwards to the nearest Cedi.

(1 mark for every control explained =5 marks)

(Total: 20 marks)

#### QUESTION FOUR

##### Statement of Revenue and Expenditure for the year ended 31 December, 2017

		ACTUALS	REV.BUDGET	
		VARIANCE		
REVENUE	NOTES	GH¢ '000'	GH¢ '000'	GH¢ '000'
Direct Tax	2	1,044,458	940,000	104,458
Indirect Tax	3	939,552	1,200,000	(260,448)
Grants	4	28,110	56,000	(27,890)
Non- Tax Revenue	5	<u>50,928</u>	<u>49,000</u>	<u>1,928</u>
Total Revenue		<u>2,063,048</u>	<u>2,245,000</u>	<u>(181,952)</u>
<b>EXPENDITURE</b>				
Compensation of employees	6	1,347,784	1,400,040	52,256
Use of goods & Services	7	247,946	398,300	150,354

Public Debt interest	8	123,972	112,560	(11,412)
Social Benefits	9	165,298	168,954	3,656
Exchange Difference			- 38,676	38,676
Government Subsidies	10	39,068	29,650	(9,418)
Other Expenses	11	41,324	32,000	(9,324)
Consumption of Fixed Capital		<u>208,878</u>	<u>202,770</u>	<u>(6,108)</u>
Total Expenditure		<u>(2,174,270)</u>	<u>2,382,950</u>	<u>208,680</u>
Excess of Expenditure over Revenue		<u>(111,222)</u>	<u>(137,950)</u>	<u>(26,728)</u>

### Statement of Financial Position as at 31/12/2017

ASSETS		GH¢ '000'	GH¢ '000'
<b>Current Assets</b>			
Cash and Bank Balances		1,960,898	
Advances & Receivables		<u>60,164</u>	2,021,062
<b>Non-Current Assets</b>			
Long term receivables		2,836,616	
Equity Investments		3,619,752	
Infrastructure, Plants and Equipment		2,028,806	
Work-in- Progress		<u>304,880</u>	<u>8,790,054</u>
			10,811,116
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables		1,211,044	
Deposits and trust Monies		3,752,412	
Short- Term Borrowings		<u>11,299,822</u>	
		<u>16,263,278</u>	
<b>Non-Current Liabilities</b>			
Domestic Debt		23,719,588	
External Debt		<u>32,283,148</u>	
		<u>56,002,736</u>	<u>(72,266,014)</u>
Net Assets			<u>(61,454,898)</u>
CONTRIBUTED BY			
Accumulated fund 01/01/2015			(61,343,676)
Transfer for the year (Deficit)			<u>(111,222)</u>
			<u>(61,454,898)</u>

### Notes

<b>2. Direct Taxes</b>	GH¢ '000'
Taxes paid by individuals	810,436
Taxes paid by companies and enterprises	135,784
Miscellaneous direct taxes	<u>98,238</u>
	<u>1,044,458</u>



<b>3. Indirect Taxes</b>	GH¢ '000'
Taxes on Goods & Services	265,064
Excises	92,900
Taxes on Exports	<u>581,588</u>
	<b><u>939,552</u></b>
<b>4. Grants</b>	GH¢ '000'
Project Grant	9,370
Service in Kind from British Gov't	<u>18,740</u>
	<b><u>28,110</u></b>
<b>5. Non-Tax Revenue</b>	GH¢ '000'
Property Income	25,000
Fees, Penalties and Forfeitures	<u>25,928</u>
	<b><u>50,928</u></b>
<b>6. Compensation of Employees</b>	GH¢ '000'
Allowance to Employees	56,000
Non-Established Post	400,104
Established Post	800,800
National Pension Contribution:	
Gratuity	20,000
13.5% SSF Contribution	45,000
End of Service Benefit	<u>25,880</u>
	<u>90,880</u>
	<b><u>1,347,784</u></b>
<b>7. Use of goods &amp; Services</b>	GH¢ '000'
Materials and Office Consumables	117,526
Repairs and Maintenance	34,560
Travel & Transport	41,610
Training, seminar and conference	<u>54,250</u>
	<b><u>247,946</u></b>
<b>8. Public Debt Interest</b>	GH¢ '000'
External Debt interest	83,772
Domestic debt Interest	<u>40,200</u>
	<b><u>123,972</u></b>
<b>9. Social Benefits</b>	GH¢ '000'
Social Security Benefit in Kind	66,120
Employer Social Benefits in Cash	30,500
Social Assistance Benefits	<u>68,678</u>
	<b><u>165,298</u></b>
<b>10. Government Subsidies</b>	GH¢ '000'
Subsidy on Petroleum Products	15,000

Fertilizer Subsidies	<u>24,068</u>
	<u>39,068</u>

<b>11. Other Expenses</b>	GH¢ '000'
As per Question	22,584
Service in Kind- British Govt.	<u>18,740</u>
	<u>41,324</u>

NB: Assets or services received free of charge or for nominal cost are recognized as Grant at the fair value of the assets or services that the Government would have otherwise paid for, where the fair value can be measured reliably.

A corresponding expense is however recognized for services received and in the case of assets, receipts of assets are recognized in the Statement of financial position.

As in this case a service in kind, hence the inclusion of GH¢ 18,740,000 in the Grants and Other Expenses accordingly.

**(20 marks evenly spread using ticks)**

## QUESTION FIVE

### a) Guiding principles Under the PPP Policy of government are:

- **Value for money**  
Value for money is paramount and PPPs should give greater value for money than the best realistic public sector project designed to achieve similar service outputs. Achieving value for money is a key requirement of government at all stages of a project's development and procurement and is a combination of the service outcome to be delivered by the private sector, together with the degree of risk transfer and financial implications for government. Value for money is the driver for adopting the PPP approach, rather than capital scarcity or the balance sheet treatment.
- **Risk allocation**  
An efficient risk allocation is vital in determining whether value for money can be achieved in PPP projects. Government's principle with regards to risk allocation shall be used to optimise, rather than maximise, the transfer of project risks to the private party. Risks will therefore be allocated to the party best able to control and manage them in such a manner that value for money is maximised. The allocation of risk will therefore determine the chosen method of private sector involvement and allocation of responsibilities, which shall take into account the protection of the public interest.
- **Ability to pay**  
End user ability to pay shall be a key consideration for all PPP projects. The PPP option must demonstrate long-term affordability to the public and overall

Government budgetary sustainability, forward commitments in relation to public expenditure and the potential for returns on private sector investment, given other priorities and commitments.

- **Local content and technology transfer**

PPP projects shall be structured to encourage the maximum use of local content and technology transfer. As much as possible, the PPP arrangement shall facilitate the promotion of local industries and the private sector in Ghana.

- **Safeguarding public interest and consumer rights**

Government is committed to ensuring that each PPP project shall have positive impact upon the public interest. The following principles shall be addressed in PPP transactions: safeguards to users particularly vulnerable groups; and setting affordable user charges and tariff structures.

- **Environmental, climate and social safeguards**

The Government shall ensure that PPP activities conform to the environmental laws of Ghana and the highest standards of environmental, climate and social safeguards.

**(1 mark each for any five principles explained = 5 marks)**

b)

i) **Functions of Public Accounts Committee:**

- To scrutinize the audit reports submitted to Parliament by the Auditor-General and conduct investigations into the cases of financial irregularities contained in the AG's Report;
- To submit report to Parliament on their work indicating the findings and recommendation for consideration of the house; and
- To make a follow up on the implementations of the recommendation.

**(1 mark each for any two = 2 marks)**

ii) **Functions of Audit Committee:**

- To ensure that the head of a covered entity pursues the implementation of any recommendation contained in an internal audit report; Parliament's decision on the Auditor-General's report; Auditor-General's Management Letter; and the report of an internal monitoring unit in the covered entity concerned particularly, in relation to financial matters raised.
- To ensure that the head of a covered entity prepares an annual statement showing the status of implementation of any recommendation contained in an internal audit report; Parliament's decision on the Auditor-General's report; Auditor-General's Management letter; the report on financial matters raised in an internal monitoring unit of a covered entity; and any other related directive of Parliament.
- To perform other advisory function in relation to internal control systems, risk management and compliance to rules, procedures and policies.

**(1 mark each for any two points = 2 marks)**

c) **Sources of financial risk in PPP include:**

- Failure to obtain funding for the project such risk arises if and when the entity is unable to obtain funding needed for the project or
- Rising interest risk, especially when debt secured for the PPP project is in foreign currency. This might arise from the circumstances of the specific entity or the private party due to, for example, the credit status or debt limitations of the party involved or investor perceptions of the risks of a project.
- Inflation and exchange rates risk. Inflation and exchange rate may pose a challenge to a PPP arrangement, especially where there is hyperinflation and depreciation of the local currency

(1 ½ marks each for any two risks explained)

d)

**The basis for measuring public sector performance is based on the assurance of value for money which is most centred on four variables: economy, efficiency, effectiveness and equity**

- **Economy.** Economy measures the cost of inputs employed in achieving policy outcomes of government. It is concerned about the cost of public service delivery. Economy is about cost minimization of public services through effective cost control and accountability mechanisms. A tool used to measure economy of government performance is the budget.
- **Efficiency.** It measures the process of achieving a programme outcome and policy outcomes. It is concerned with judicious use of public resources in attainment of a given outcome. Efficiency focuses mainly on the conversion of the inputs to output and aims at optimization of the conversion process. It calls for reduction of wastage and inefficient technologies in achieving policy outcomes.
- **Effectiveness.** This measures the impact of obtaining value for money. It can be quantitative (the amount of effectiveness) or qualitative (the value of effectiveness). It is about attainment of policy outcome. Once government achieves result, the government is said to be effective.
- **Equity.** It is concerned with performance in terms of balancing the needs of the current generation with that of future generations. It focuses on sustainability, environment and social justice. Therefore, a government must be seen to take the future generation into consideration when embarking on government programmes and policy,

**Note that all the four elements must be present to achieve value for money**

(1 ½ mark each for four elements explained=6 marks)

**Why government can be assessed at the end of the tenure?**

- Governments are accountable to the people therefore the people must be able to assess the performance of the government.

- The plans and budgets of government is presented to the people at the beginning of each year and therefore the economy, efficiency and effectiveness and equity can be assessed from this information.
- Actual outcomes are reported as part of the accountability process and therefore information to assess value for money is always available.

**(1 mark each for two points explained= 2 marks)**

**(Total: 20 marks)**

## **CONCLUSION**

Apart from question one which was answered with some satisfaction, almost all other answers to questions were generally of low quality. Some candidates however performed very well in answering questions, showing that they prepared very well for the examination. It may be commented however, that question 2 was the most poorly understood question.