



APPLICATION LEVEL EXAMINATION

2024-2029 Syllabus

Mock Exam

PUBLIC SECTOR ACCOUNTING & FINANCE Paper 2.5

QUESTION ONE

The following trial balance was extracted from the records of Kalewa Municipal Assembly for the year ended 31 December 2023.

	Debit GH¢'000	Credit GH¢'000
District Assembly Common Fund		150,000
Salary subventions		85,000
Development partner support		35,000
Established position salaries	72,000	
Daily rated and casual labour (ii)	12,000	
Fees and charges		10,000
Licences		6,000
Rates (iii)		42,000
Rent	8,000	4,500
Seminars and conferences	4,000	
Repairs and Maintenance	2,500	
Contract appointments	1,200	
Assembly members allowances	300	
Office consumables (iv)	3,400	
Utilities	2,000	
Land and building (v)	120,000	15,000
Motor vehicles (v)	30,000	5,000
Heavy earth moving machines (v)	45,000	20,000
Furniture and office equipment (v)	15,000	5,000
Investment	10,000	
Cash and Bank	3,500	
Receivables	1,100	
Payables		9,600
Fixed deposit	2,400	
Investment income		600
Probation	500	
Travel allowances	3,600	
Travel and transport	3,800	
Special sanitation grant from Development Partners (vi)		54,000
Insurance	1,000	
Accumulated fund	95,000	
Other expenses	5,400	
	441,700	441,700

Additional Information.

- i) The Financial Statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and relevant financial legislations of Ghana.
- ii) The Assembly employed 100 casuals sanitary staff to ensure that it meets its sanitation goal. However, an amount GH¢700,000 is outstanding as at 31 December 2023.
- iii) Property rate amounting to GH¢10,000,000 was received in advance from property owners living abroad for 2024.
- iv) Office consumables costing GH¢220, 000 remained unused during the year. The estimated current replacement cost is GH¢210,000.
- v) The depreciation policy of the assembly is as follows:

Non-current Asset	Estimated Useful Life
Land and building (Building is 80%)	10 years
Motor vehicles	5 years
Heavy earth moving machines	8 years
Furniture and office equipment	4 years

- vi) The special sanitation grants were received from the Safe Toilet Fund for the construction of facilities in rural areas. The grant comes with the condition that failing to use the funds for the intended purpose will require repayment to the Safe Toilet Fund. As of December 31, 20 out of the 40 planned facilities have been completed and are operational.
- vii) It was noticed that an equipment costing GH¢5,000,000 was recognised as an expense in the previous year's financial statement. The auditors insist that the recognition error should be properly addressed in the financial statements.

Required:

Prepare the following statements:

- a) Statement of Financial Position as at 31 December 2023. **(5 marks)**
- b) Statement of Financial Performance for the year ended 31 December 2023. **(5 marks)**
- c) Notes to the financial statements. **(6 marks)**
- d) Distinguish between Joint Operation and Joint Venture under *IPSAS 37: Joint Arrangements*. **(4 marks)**

(Total: 20 marks)

QUESTION TWO

- a) On 1 January 2022, the Ghana Health Service entered into a GH¢30 billion contract for the construction of a district hospital in Fumbisi. As at 31 December, 2022 GH¢19 billion had already been spent. The building was subsequently completed at the end of December 2023. During the 2023 year, the following payments were made to the contractor towards the construction:

Payment date	Amount (GH¢'million)
1 January 2023	1,000
31 March 2023	3,000
30 September 2023	6,000
31 December 2023	<u>1,000</u>
Total	<u>11,000</u>

To support the completion of the hospital project, the Service took a 10% 4-year Coupon Loan of GH¢3,500,000,000 with simple interest payable annually on 1st January, 2023. The principal is expected to be repaid upon maturity. Interest income of GH¢100,000,000 was earned on these funds while they were held in anticipation to be used.

The Ghana Health Service also contracted the following other borrowings in January 2023 for general use, but part of these borrowings were applied to support the completion of the hospital project:

- 12.5% Five-year Bond with simple interest payable annually; debt outstanding at 31 December, 2023 amounted to GH¢5,000,000,000 and remained unchanged during the year.
- 10% Five-year Debentures with simple interest payable annually; debt outstanding at 31 December, 2023 amounted to GH¢7,500,000,000.

Required:

Calculate the borrowing costs to be capitalized if the Ghana Health Service applies the policy of capitalizing borrowing cost under **IPSAS 5: Borrowing Costs**. (Assume that interest expenses are the only borrowing costs). Also show the carrying amount of the Hospital building as at 31 December, 2023. **(10 marks)**

- b) Komfo Anokye Hospital Acquired a technology software at a cost of GH¢200,000 on 1 January 2024. It is available for use straight away and has a useful life of 10 years. Because it will take several years for the technology software to create positive net cash flows, the cost has been negotiated on the basis that payment to the supplier would be made on 1 January 2026. Komfo Anokye Hospital borrows at 20% per annum.

Required:

Show how the transaction should be accounted for by Komfo Anokye Hospital at initial recognition on 1 January 2024 and in the financial statements for the year ended 31 December 2024 in accordance with **IPSAS 31: Intangible Assets**. **(5 marks)**

- c) The following procurement were made by Timaachaab District Assembly during the year 2024 under the use of goods and services budget:

	GH¢'000
Office consumables	4,100
Fertilizer for sale to farmers	3,900

At the close of 31st December, 2024, a stock take disclosed the inventories to have the following values:

	Historical Cost GH¢'000	Current Cost GH¢'000	NRV GH¢'000
Inventories consumables	700	500	450
Inventories of fertilizer for sale	600	400	500

Required:

Detail out the accounting treatment of the above transactions in compliance with *IPSAS 12: Inventories*. (5 marks)

(Total: 20 marks)

QUESTION THREE

A public financial management system requires continuous improvements along an acceptable cycle such that the output of one stage becomes the input of the next stage.

Required:

- a) Explain the *thematic areas* of the public financial management cycle in Ghana. (15 marks)
- b) Suggest a way of improving each of the phases you have explained in question (a) above. (5 marks)

(Total: 20 marks)

QUESTION FOUR

- a) The following financial information is a programme-based budget estimate for the year 2023 of the Tei Nkwanta Metropolitan Assembly

IGF REVENUE AND EXPENDITURE PERFORMANCE FOR 2023

ITEM	2023		2022
	BUDGET	ACTUAL	ACTUAL
REVENUE:	GH¢	GH¢	GH¢
Rates	1,498,000	3,070,000	3,038,000
Fees	9,771,000	6,084,000	9,305,000
Fines	207,000	79,000	998,000
Licenses	4,568,000	8,523,000	8,140,000
Land	453,000	362,000	602,000
Rent	445,000	825,000	1,464,000
Miscellaneous	<u>250,000</u>	<u>139,000</u>	<u>192,000</u>
Total Revenue	<u>17,192,000</u>	<u>19,082,000</u>	<u>23,739,000</u>
EXPENDITURE:			
Compensation	3,417,000	4,954,000	3,236,000
Goods and Services	12,355,000	8,091,000	16,543,000
Assets	1,653,000	5,790,000	3,962,000
Social Services Delivery	6,716,000	11,627,000	5,259,000
Environmental and Sanitation	7,816,000	4,943,000	3,000,000
Total Expenditure	<u>31,957,000</u>	<u>35,405,000</u>	<u>32,000,000</u>
Net Operating Results	<u>(14,765,000)</u>	<u>(16,323,000)</u>	<u>(8,261,000)</u>

Required:

- Prepare a budget performance statement for the year 2023. (7 marks)
 - Write a report analysing the budget performance and make necessary recommendations. (10 marks)
- b) Explain **THREE** reasons budget and prior year numbers are reported alongside current year financial information. (3 marks)

(Total: 20 marks)

QUESTION FIVE

- a) At the last management meeting of Nyamebekye District Hospital, the Principal Spending Officer, Dr. Kwame Asempa, argued that the Internal Auditor should not be part of the core management team of the institution. Dr. Asempa argued that the inclusion of the Internal Auditor in the core management compromises his independence. He further referred to the PFM Act 2016, (Act 921) with regards to the rights of the Internal Auditor in the performance of his functions to:
- have access to information and property required to be audited; and
 - be provided with any relevant explanation required by the Internal Auditor.

Dr. Asempa expatiated that with these rights the internal auditor can function effectively without being part of management. However, this did not resonate well with some of the management members who believe the presence of the Internal Auditor in management is a “necessary evil”. The head of Pharmacy said in his view the Internal Auditor represents the audit committee of the hospital on management to play its advisory roles.

Required:

Management requested you, the head of finance of the covered entity to make statements on the matter as follows:

- Explain the **role of the internal auditor** in a covered entity as per legislations. **(6 marks)**
 - Identify **TWO** advisory roles of audit committee of a covered entity. **(2 marks)**
 - State clearly if the rights and roles of the internal auditor and that of audit committee support the assertion of the Principal Spending Officer or otherwise. **(2 marks)**
- b) With reference to Public Financial Management Act 2016 (Act 921), Section 52, on custody and management of assets in the public sector explain the role of the Principal Spending Officer. **(5 marks)**
- c) What is the role of the Fixed Assets Coordinating Unit under the Public Financial Management Regulations 2019, (L.I. 2378) and the mandate of the Unit according to L.I. 2378? **(3 marks)**
- d) State **TWO** ways by which the Minister for Finance may regulate the operating mandate of the Principal Spending Officer in the management of public assets within the context of the Public Financial Management Act 2016 (Act 921). **(2 marks)**

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

Kalewa Mucipal Assembly			
Statement of Financial Position as at 31st December 2023			
Non-current Assets	Note	GH¢'000	GH¢'000
Property, plant and equipment	8		142,525
Investment			<u>10,000</u>
			<u>152,525</u>
Current Asset			
Inventory		210	
Receivable		1,100	
Fixed deposit		2,400	
Bank and Cash		<u>3,500</u>	<u>7,210</u>
			<u>159,735</u>
Current Liabilities			
Payables	9	10,300	
Deferred Grant		27,000	
Rent deposit		<u>10,000</u>	<u>47,300</u>
Fund			
Accumulated Fund	10		<u>112,435</u>
			<u>159,735</u>

(ii)

Kalewa Mucipal Assembly			
Statement of Financial Performance for the year ended 31st December 2023			
Revenue	Notes	GH¢'000	GH¢'000
Decentralised transfer	2		235,000
Internally generated revenue	3		53,100
Grants and donations	4		<u>62,000</u>
			<u>350,100</u>
Expenses			
Compensation for employees	5	88,800	
Use of Goods and Services	6	25,990	
Consumption of fixed asset	7	26,225	
Other expenses		<u>5,400</u>	<u>146,415</u>
Surplus			<u>203,685</u>

i) Notes to the financial statement

1. Accounting Policies

a) Compliance with IPSAS and Financial Legislations

The financial statements are prepared and presented in compliance with the International Public Sector Accounting Standards (IPSAS), the Public Financial Management Act 2016, Act 921 and the Public Financial Management Regulations 2019, L.I 2378.

b) Accrual Basis of Accounting

The Assembly, consistent with the IPSAS and the financial legislation, applies accrual basis of accounting to the preparation of the financial statements.

c) Consumption of Fixed Assets

The non-current assets are depreciated on straight-line basis as follows:

Non-current Asset	Estimated Useful Life
Land and building (building constitutes 80%)	10 years
Motor vehicles	5 years
Heavy earth moving machines	8 years
Furniture and office equipment	4 years

d) Inventory valuation

Inventory of office consumable is valued at lower of cost and current replacement cost.

e) Historical Cost

Property, plant and equipment is measured at historical cost, which is the original consideration offered in exchange of the assets.

2. Decentralised Transfers (GOG)	GH¢'000
District Assembly Common Fund	150,000
Salary subventions	<u>85,000</u>
	235,000
3. Internally generated revenues	
Fees and charges	10,000
Licences	6,000
Rates (42,000-10,000)	32,000
Rent	4,500
Investment income	<u>600</u>
	53,100
4. Grants and donations	
Donor support	35,000
Special sanitation grants from donors	<u>27,000</u>
	62,000

5. Compensation for employees	
Established position salaries	72,000
Daily rated and casual labour (12000+700)	12,700
Probation	500
Travel allowance	<u>3,600</u>
	88,800

6. Use of Goods and Services	
Rent	8,000
Seminar and conferences	4,000
Repairs and Maintenance	2,500
Contract appointment	1,200
Assembly members' allowances	300
Office consumable (3,400-210)	3,190
Utilities	2,000
Travel and transport	3,800
Insurance	<u>1,000</u>
	25,990

7. Non-current Asset Schedule

	Land & Building	Motor vehicle	HEM Machine	Furniture & O.equip	Total
Cost b/f	120,000	30,000	45,000	15,000	210,000
Addition/Error				5,000	5000
	<u>120,000</u>	<u>30,000</u>	<u>45,000</u>	<u>20,000</u>	<u>215,000</u>
Consumption of Fixed Asset					
Accumulated Depreciation	15,000	5,000	20,000	6250	46,250
Depreciation for the year	9600	6000	5625	5000	26225
	<u>24,600</u>	<u>11,000</u>	<u>25,625</u>	<u>11,250</u>	<u>72,475</u>
Carrying Amount	95,400	19,000	19,375	8,750	142,525

8. Payable	
Trial balance	9,600
Casual labour arrears	<u>700</u>
	10,300

9. Statement of Changes in Net Asset or Equity	
Balance b/f	(95,000)
Prior year error	<u>3750</u>
	(91,250)
Surplus	<u>203,685</u>
	<u>112,435</u>

Mark: ½ marks each for any four accounting policies indicated = 2 marks
62 ticks @ 0.23 = 14 marks = 16 marks

b)

These are two types of a joint arrangements. The appropriate accounting treatment for a joint arrangement, depends on whether it is a joint operation or a joint venture.

- **A joint operation** as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement (IPSAS 37).
- **A joint venture** as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement (IPSAS 37). Note that joint venture are accounted for using the **equity method**.

The distinction between a joint operation and a joint venture therefore depends on the rights and obligations of the parties with joint control over the joint arrangement.

A joint arrangement that is not structured through a separate vehicle is a joint operation. Where the joint arrangement does not create a separate vehicle, the parties cannot have rights to the net assets of the arrangement. IPSAS 37 defines **a separate vehicle** as a separately identifiable financial structure, including separate legal entities or entities recognized by statute, regardless of whether those entities have a legal personality.

A joint arrangement in which the assets and liabilities relating to the arrangement are held in a separate vehicle can be either a joint venture or a joint operation. In such cases, an entity has to apply judgment when assessing whether a joint arrangement is a joint operation or a joint venture.

(4 marks)

(Total: 20 marks)

QUESTION TWO

a) Given the timing of expenditure for 2023, if funds were to be borrowed and spent, interest will be charged on the total cumulative expenditure for the year as computed below:

Date	Amount spent GH¢' million	Period for charge of interest	Cumulative annual expenditure GH¢' million
1st January, 2023	1,000	12 by 12	1,000
31st March, 2023	3,000	9 by 12	2,250
30th September, 2023	6,000	3 by 12	1,500
31st December, 2023	1,000	0 by 12	-
Total	11,000		4,750

Interest will have to be charged on GH¢4,750 million for the year. Of this total sum, GH¢3,500 million was specifically borrowed to support the completion of the project. The entire interest on this specific loan less interest income from temporary investments of borrowed funds will be capitalised. This is computed as follows:

	GH¢' million
Interest on borrowed funds (10% of GH¢3,500 million)	350
Interest income from temporary investment of borrowed funds	100
Interest from specific loan to be capitalised	250

An additional GH¢1,250 million was spent other than the amount spent from the specific loan. Since there are other general borrowings, it is to be assumed that, the additional spending came from those other loans. Because the general loans are more than one, we need to compute the weighted average interest rate to be applied. This is computed as follows:

	Principal Loan GH¢' million	Interest amount GH¢' million
12.5% Five-year Bond	5,000	625
10% Five-year Debentures	7,500	750
	12,500	1,375

Weighted average interest rate = $(1,375/12,500) \times 100 = 11\%$

The interest on the additional expenditure of GH¢1,250 is therefore (GH¢1,250 million @11%). This amounts to GH¢137.5 million. The total interest to capitalise is therefore GH¢387.5 million. The remaining amount of interest cost incurred (GH¢1,375 less GH¢137.5 = GH¢1,237.5) should be written off as interest expense in the statement of financial performance for the year ended 31st December, 2023.

The carrying amount of the hospital building should be measured as follows:

	GH¢' million
Balance b/f from 2022	19,000.00
Expenditure in 2023	11,000.00
Interest capitalised in 2023	387.50
Carrying amount of hospital building	30,387.50

This carrying amount will be depreciated over the useful life of the building and be subjected to regular impairment reviews.

(10 marks evenly spread using ticks)

b)

- The present value of payments for the technology is GH¢138,880. This will be the carrying amount of the technology on 1st January, 2024.
- This will be amortised over 10 years. The amortisation for 2024 to be charged as expense in the statement of financial performance will be GH¢13,888.
- Interest expense of 20% of GH¢138,800 amounting to GH¢27,776 will be charged as expense in the statement of financial performance.
- On the statement of financial position, Intangible assets will have a carrying amount of GH¢138,880- GH¢13,888 = GH¢124,992 and
- a current liability of amounts owed to the supplier of the technology amounting to GH¢138,880+GH¢27,776 =GH¢166,656.

(5 points for 5 marks)

c)

- The office consumables are for use and so, the closing inventories will be measured at the lower of historical cost and current cost which is GH¢500,000.
- The fertilizer is for sale and so, the closing inventories will be measured at the lower of historical cost and Net Realisable Value, which is GH¢500,000.
- The total closing stock of inventories is therefore GH¢1,000,000.
- This will be presented under current assets in the statement of financial position as inventories.
- The total expenses of use of goods and services for the year in the statement of financial performance will be GH¢7 million. That is GH¢8 million less the closing inventories of GH¢1 million.

(5 points for 5 marks)

(Total: 20 marks)

QUESTION THREE

a) The thematic areas of public financial management cycle in Ghana.

There are five phases in the public financial management cycle and these

Planning: The planning phase is very critical to the success of the entire public financial management system as it is the first phase. It involves setting financial objectives and priorities for the government or public entity. It includes the assessment of revenue sources, expenditure needs, and fiscal policies. Key activities may include economic forecasting, revenue estimation, and setting budgetary targets.

Budget Preparation & Approval: Effective budgeting is a critical process in the public financial management cycle. The budgeting process covers budget formulation and budget approval. National budgets not only deploy the strategic plans of government; it also legally authorises any government expenditure for the budget year. The budget setting process involves multiple stakeholders within the organisation, therefore requiring a close collaboration among the stakeholders. The process of budgeting is often preceded by the crafting of organisational policies, definition of fiscal targets consisting of objectives and priorities, and communication of all the relevant rules for preparing the budget proposals as well as expenditure ceilings to participating stakeholders.

Budget Execution: Budget execution covers procurement processes, payments for salaries, and for use of goods, works and services. The budget is executed within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended. In this phase, the approved budget is implemented, and funds are disbursed for government programs and activities. It includes activities such as fund commitment, disbursement, expenditure tracking, and financial management controls. It further entails Treasury Single Account (TSA), debt management, and asset management are integral components of budget execution, ensuring efficient cash management, debt servicing, and asset utilization.

Recording, Accounting and Reporting: Recording, accounting and reporting constitute another critical phase of the public financial management cycle that is necessary for effective resource management. Financial reports are used to evaluate an entity's ability to meet its obligations, induce others to offer resources to it, and monitor the performance of the entity. Strong financial reporting by public sector organizations allows users to have access to quality information which empowers users to hold resource managers accountable and, thus, compel prudent resource management. This means that an effective recording and accounting system is required to support financial reporting. Thus this phase involves maintaining accurate records of financial transactions and activities. It includes recording

revenues received, expenditures made, and assets acquired. It is critical to ensure accuracy and reliability of records maintained, and timely provision and dissemination of information to meet decision making, management, and reporting needs.

Review and Audit: This phase covers internal and external audits and Parliamentary oversight. Internal audit is a monitoring mechanism helping public sector to continuously identify and manage risks and ensure the attainment of corporate goals. The external audit report provides an objective assessment on how public sector organizations have applied and accounted for public resources. The exercise of Parliamentary oversight through Public Accounts Committees allows the representatives of the citizens to interrogate and examine improper financial transactions of public sector organizations. For a public financial management to be effective it must be ensured that public finances are independently reviewed, and there is external follow-up on whether the executive has implemented the recommendations for improvement. Thus, at this final phase, financial records and processes should be subjected to robust review and audit to ensure compliance with regulations and accountability standards. Internal and external audits are conducted to assess the accuracy, reliability, and integrity of financial information. Findings from audits leads to recommendations for improvements in financial management practices.

(3 marks each for well explained thematic area.)

b) Suggest a way of improving each of the phases you have explained in question (a) above

Planning phase could be improved by:

- Ensuring attainable macroeconomic and fiscal rules and targets in the economic policy
- Ensure realistic macroeconomic and fiscal objectives and targets.
- Complying with the fiscal policy provisions and rules contained in the Public Financial Management Act 2016 (Act921).

Budget preparation and approval phase could be improved by:

- Ensure clear budget guidelines to support the budget preparation process.
- Ensuring realistic costing of activities, programmes and projects.
- Providing effective executive oversight of the budgeting process, perhaps though enhanced budget hearing mechanism
- Ensuring effective parliamentary scrutiny and examination of the budget proposals laid before the house.

Budget execution phase could be improving by:

- Effective procurement system in the public sector to support efficient and economical procurement of goods, works and services.
- Adherence to approved budget in the implementation of activities, programmes and projects.
- Ensuring effective expenditure control and payment system
- Effective cash, asset and debt management throughout out the implementation process.

Recording, Accounting and Reporting could be improved by:

- Maintaining a robust recording and accounting system
- Complying with the International Public Sector Accounting Standards (IPSAS) in the preparation of financial reporting.
- Ensuring effective accounting controls

Review and Audit phase could be improved by:

- Enhancing internal audit and internal review function of the entity
- Strengthening external audit to ensure effective accountability
- Impartial parliamentary review of the audit findings of the Auditor General.

Marks: 1 marks each for any one improvement suggested for each phase= 5 marks

(1 mark for each)

(Total: 20 marks)

QUESTION FOUR

a) i.

ITEM	2023			OUTTURN		
	BUDGET	ACTUAL				
REVENUE:	GH¢	GH¢		GH¢'000	%	
Rates	1,498,000	3,070,000		1,572	104.94	
Fees	9,771,000	6,084,000		(3,687)	(37.73)	
Fines	207,000	79,000		(128)	(61.84)	
Licenses	4,568,000	8,523,000		3,955	86.51	
Land	453,000	362,000		(91)	(20.10)	
Rent	445,000	825,000		380	85.40	
Miscellaneous	<u>250,000</u>	<u>139,000</u>		<u>(111)</u>	<u>(44.40)</u>	
Total Revenue	<u>17,192,000</u>	<u>19,082,000</u>		<u>1,890</u>	<u>10.99</u>	
EXPENDITURE:						
Compensation	3,417,000	4,954,000		(1,537)	(45)	
Goods and Services	12,355,000	8,091,000		4,264	34.51	
Assets	1,653,000	5,790,000		(4,137)	(250.27)	
Social Services Delivery	6,716,000	11,627,000		(4,911)	(73.12)	
Environmental and Sanitation	7,816,000	4,943,000		2,873	36.76	
Total Expenditure	<u>31,957,000</u>	<u>35,405,000</u>		<u>(3,448)</u>	<u>(10.79)</u>	
Net Operating Results	<u>(14,765,000)</u>	<u>(16,323,000)</u>		<u>(1,558)</u>	<u>(10.55)</u>	

(7 marks)

a. ii)

BUDGET PERFORMANCE REPORT

INTRODUCTION

The report provides you with the analysis of IGF sources of revenue and areas of expenditure it covered. The report covers the budget for 2023 and the Actual of the same year 2023.

ANALYSIS AND DISCUSSION

Regarding revenue performance, only Rate, Licenses, and Rent recorded favorable budget outturns while fees, fines, lands, and miscellaneous revenues recorded adverse budget outturns. In 2023 the budget for Rates was GH¢ 498,000 whilst the Actual was GH¢ 3,070,000 resulting in a favourable outturn of GH¢ 1,572,000 and terms of percentage too was 104.94%. This could mean that the Assembly's strategies in collecting this revenue were effective.

License as a source of IGF also contributed significantly to the total IGF in the year 2023 as compared to the budget for the same year. In 2023 the Licenses were GH¢ 568,000 whereas the actual amount was GH¢ 8,523,000 resulting in a positive outturn of GH¢ 3,995,000. This outturn amount also to an 86.51% increase in the budget. In absolute term License as a source of IGF contributed greatest to the Assembly's revenue than any other revenue source.

However, Fees, Fines, Land revenue and miscellaneous sources of revenue to IGF to the Assembly contributed less than the budget for the same year. The Budgeted revenue for Fines in 2023 was GH¢ 207,000 whereas the Actual for the same year stood at GH¢ 79,000. This amount resulted in an outturn of (GH¢ 128,000). This represents 61.84% lower than the budget.

The Budgeted revenue for fees in 2023 was GH¢ 9,771,000 whereas the Actual for the same year stood at GH¢ 6,084,000. This amount resulted in an outturn of (GH¢ 3,687,000). This represents 37.73% lower than the budget.

The Budgeted revenue for Land in 2023 was GH¢ 453,000 whereas the Actual for the same year stood at GH¢ 362,000. This amount resulted in an outturn of (GH¢ 91,000). This represents 20.10% lower than the budget.

The Budgeted revenue for Miscellaneous in 2023 was GH¢ 250,000 whereas the Actual for the same year stood at GH¢ 139,000. This amount resulted in an outturn of (GH¢ 111,000). This represents 44.40% lower than the budget.

In the case of total revenue budgeted for IGF sources increased to GH¢ 19,082,000 as the actual amount for 2023 as against the budget for the same year which stood at GH¢ 17,192,000 resulting in outturn amount of GH¢ 1,890,000. This outturn amount represents 10.99% increase over the budgeted.

In terms of Expenditure the Assembly could not control some major expenditure such as Compensation, Assets and Social Services Delivery. However, The Assembly was able to control expenditure in the areas of Goods and Services, Environmental Sanitation.

The Assembly budgeted Compensation was GH¢ 3,417,000 while Actual for the same year stood at GH¢ 4,954,000, resulting in outturn amount of (GH¢ 1,537,000). This decrease represents 45% reduction over the budget. This could be as a result of an increase in staffing of the assembly or an increase in the staff wages and salaries. Another possible course could be as a result of the inclusion of Ghost staff.

In the case of Assets, the Assembly budgeted for GH¢ 1,653,000 in 2023, but the Actual expenditure in this area was GH¢ 5,790,000. This amount resulted in an outturn amount of GH¢ 4,173,000. This outturn represents a 250% increase over the budget. This could be a result of expansion in the infrastructure of the assembly. In all, the Assembly's total budgeted expenditure of GH¢ 31,957,000, whilst the Actual total expenditure stood at GH¢ 35,405,000 resulting in an outturn amount of (GH¢ 3,448,000) and the outturn amount represents a 10.79% increase over the year's budget.

CONCLUSION AND RECOMMENDATION

The revenue performance of IGF is a bit encouraging since The Assembly improved in terms of the sources of these IGF over the budget resulting in an overall increase in total revenue from IGF over the budget of 10.99%.

However, in terms of expenditure, the expenditure increased by 10.79% over the budget. It is also worth knowing that the Assemblies expenditure also includes Assets which is a capital expenditure that also increased over the budget, the increase represented over 250% of the budget.

In all the Assembly's budget performance for 2023 was not too bad, however, an attempt could be made to improve upon its revenue generation by putting measures such as:

- Effective registration and identification of immovable properties in the jurisdiction to make mobilization of property rate more effective and less cumbersome.
- An effective register of basic rate payers should be maintained electronically to help in the levying and collection of basic rates. This will help in ensuring the collection of arrears on the basic rate from defaulting ratepayers.
- An effective internal control system over revenue should be put in place to check and avoid leakages resulting from malfeasance and operational inefficiencies.

- Outsourcing of difficult-to-collect revenue to private firms so as increase the commercial motivation to improve collection.
- Revenue collectors should be well motivated and given clear budget targets to achieve.
- Also general expenditure control will also be necessary to reduce the assembly's expenditure to improve their Financial Performance.

(10 marks)

b) Reasons for Comparative information

- To identify significant differences.
- To facilitate meaningful comparisons, planned and prior period results need to be reported.
- To assess whether the same accounting policies and consistency concepts are used in the preparation of the financial statement.
- It provides a measure of a government's financial performance in the achievement of its objective.
- It provides important accountability information about the budget decisions of the current period.

(Any three points for 1 mark each = 3marks)

(Total: 20 marks)

QUESTION FIVE

a)

i) **The role of the internal auditor in a covered entity as per legislations.**

Section 83(3) of the PFM Act, 2016, Act 921 states, an Internal Auditor of the Internal Audit Unit of a covered entity shall

(a) Appraise and report on the soundness and application of the system of controls operating in the covered entity;

(b) Evaluate the effectiveness of the risk management and governance process of a covered entity and contribute to the improvement of that risk management and governance process;

(c) Provide assurance on the efficiency, effectiveness, and economy in the administration of the programmes and operations of a covered entity; and

(d) Evaluate compliance of a covered entity with enactments, policies, standards, systems and procedures.

(1.5 marks for each point explained)
(6 marks)

ii) **Identify two advisory roles of audit committee of a covered entity.**

- Providing advice on sound, transparent and reliable financial management practices,
- Ensuring the risk management process is comprehensive and effective.
- Helping achieve organization-wide strong and effective internal controls in the covered entity.
- Reviewing corporate policies relating to compliance with laws and regulations, ethics, conflicts of interest, and investigations of misconduct and fraud.
- Reviewing current and pending corporate governance related litigation or regulatory proceedings to which the covered entity is a party.
- Ensuring the internal auditors' access to the Audit Committee, encouraging communication beyond scheduled Committee meetings.
- Reviewing internal audit work plans, internal audit charters, risk (including fiscal risk) assessment reports.
- Ensuring the development, approval and update of the code of conduct. The Committee should also ensure that all employees receive the code of conduct, understand it, and obtain appropriate training regarding it.
- Follow up on significant issues, investigations, and disciplinary actions.

- Collaborating with the Internal Audit Agency to initiate investigation into matters involving fraud or misuse of public funds by the Principal Spending Officer.
- Reviewing audit reports for assurance on efficiency, effectiveness, and economy in the administration of programmes and operations of the covered entity.

(1 marks each for any two identify)
(2 marks)

iii) **State clearly if the rights and roles of the internal auditor and that of audit committee support the assertion of the Principal Spending Officer or otherwise.**

There are two schools of thought on this subject matter: one who believes internal auditors must be part of management and the other who believes they must remain independent from management.

Internal Auditors part management: To provide immediate guidance during management decision making. They argued that this will foster a cordial relationship between management and internal auditor since the internal auditor will always be part of the process from beginning to end.

Internal Auditors Not Part of Management: As auditing ethics requires, the auditor must be independent and seen to be independent to operate effectively. By virtue of the rights given to the internal auditor, he still can remain effective and relevant without being part of management. He is to provide management with assurance on various processes and procedures to guide management decisions. Management therefore places reliance on those processes in taking decisions.

(2 marks for any of the position well explained)

b) The Public Financial Management Act 2016, (Act 921) Section 52 establishes the Fixed Assets Coordinating Unit and gives mandate to the Principal Spending Officer as follows:

- A Principal Spending Officer (PSO) of a covered entity, state-owned enterprise or public corporation shall be responsible for the assets of the institution under the care of the Principal Spending Officer and shall ensure that proper control systems exist for the custody and management of the assets.
- The Control systems specified or envisaged by the Law shall be capable of ensuring that, there is a preventive mechanism to eliminate theft, loss, wastage, and misuse of the assets,
- That manual or electronic processes are in place for effective, efficient, economical and transparent use of the assets.
- It further stipulates that;

- A Principal Spending Officer (PSO) shall maintain a register of land, buildings and all other assets under the control or possession of the PSO.
- Register of fixed assets shall contain pertinent details of each parcel of Land, Buildings and all assets.
- The Register shall contain details of Furniture and equipment for both official and residential use.
- PSO shall maintain adequate records of government stores.

(5 points for 5 marks)

c) The PFM Regulations 2019 (L.I. 2378), Regulation: 156 stipulates:

- For the purpose of paragraph (b) of subsection (2) of section 52 of the Act, each Principal Spending Officer shall establish a Fixed Assets Coordinating Unit.
- The Fixed Assets Coordinating unit shall:
- Assist the Principal Spending Officer to take an inventory of fixed assets,
- Keep records on fixed assets,
- Prepare an annual report on fixed assets;
- Coordinate the retirement and disposal of fixed assets of a covered entity,
- Coordinate the transfer of fixed Assets, and
- Assist the Principal Spending Officer to update the register of lands, buildings and all other fixed assets after every acquisition, disposal or transfer of land or building.

(3 points for 3 marks)

d) **Regulations 160 stipulates;**

Where the land, building or the vehicle of a covered entity is unused for more than a period of one year, or damaged, misused or stolen, the Minister for Finance may take any of the following measures:

- issue an instruction to request the Principal Spending Officer (PSO) of the covered entity concerned to change the way the land, building or vehicle is used
- transfer the management of the land, building and vehicle from the covered entity to another covered entity or Ministry;
- in the case of unused land, building or vehicle issue an instruction to the PSO to dispose of the land, building or vehicle in accordance with the provisions of these Regulations.
- the Minister may cause an investigation to be conducted in respect of the land, building or vehicle.

(2 points for 2 marks)

(Total: 20 marks)