
**REPORT OF THE CONTROLLER AND ACCOUNTANT-GENERAL (CAG) ON THE
FINANCIAL STATEMENTS OF CENTRAL GOVERNMENT OF GHANA FOR THE
QUARTER ENDED 31ST MARCH 2019****1.1 INTRODUCTION****1.1 Mandate**

Section 79(2) of the Public Financial Management Act, 2016 (Act 921) requires the Controller and Accountant-General to prepare and submit quarterly financial statement to the Minister by the end of the month following the end of each quarter.

The financial statements which are prepared on government business are regulated by the financial laws. The authorization to spend and limit on expenditure are stipulated in the Appropriation Act for each financial year as required by Article 179 (2) (a) of the 1992 Constitution.

In addition to the legal requirement, the Financial Statements are meant to provide a summary of government's financial resources and their application for the benefit of the people of Ghana.

1.1.2 Components of the Financial Statements

The financial statements comprise:

- A Balance Sheet
- A Statement of Revenue and Expenditure
- A Statement of Receipts and Payments
- A Cash Flow Statement
- Notes to the Accounts

1.1.3 Scope of financial statements

In compliance with Articles 175 and 176 of the Constitution of the Republic of Ghana and Section 4(e) of Public Financial Management Act, 2016 (Act 921) , these financial statements known as the Public Accounts of Ghana are prepared on the Public Funds. It comprises the financial activities of the Ministries, Departments and Agencies (MDAs) and Metropolitan Municipal District Assemblies (MMDAs) funded from the national budget.

The financial statements include other public funds established by or under the authority of an Act of Parliament and Retained Internally Generated Funds to constitute Central Government Accounts.

1.1.4 Basis of Accounting

The financial statements are prepared on modified accrual basis. Revenue is recognized when cash is received and expenditure recognized when incurred. Fixed Assets are capitalized, to be written off over the expected useful life of the asset.

2 HIGHLIGHTS OF FIRST QUARTER, 2019 FINANCIAL PERFORMANCE

2.1 2019 Appropriation

The amounts appropriated for Government business and reflected in these Financial Statements are regulated by the 2019 Appropriation passed by Parliament in 2018, (Act 984). Expenditures incurred were based on warrants issued on the authority of the Minister of Finance.

A summary report on the appropriation is as below:

	2019 GH¢ M
Annual Appropriation	78,771.83
Appropriation Utilised as at end of 1st Quarter 2019	(13,667.60)
Appropriation Un-utilised as at 31/03/19	<u>65,104.23</u>

APPROPRIATION UTILISED:

	YTD BUDGET GH¢	YTD ACTUAL GH¢
TOTAL EXPENDITURE	54,795,061,027	11,836,222,994
NON-FINANCIAL ASSETS	14,038,467,461	464,905,505
LOAN REPAYMENTS	5,331,065,107	1,366,473,588
TOTAL	78,771,833,602	13,667,602,087

3.0 SUMMARY OF RECEIPTS AND PAYMENTS

The summary of Receipts and Payments on the Public Funds for the Quarter ended March 2019 is as follows:

	1st Qtr-19 Budget	1st Qtr-19 Actual	1st Qtr-19 Variance
	GH¢M	GH¢M	GH¢M
Receipts	19,692.96	7,941.16	11,751.80
Payments	<u>19,692.96</u>	<u>11,989.74</u>	<u>7,703.22</u>
	<u>-</u>	<u>(4,048.58)</u>	<u>(4,048.58)</u>

For the first quarter of 2019, total receipts fell below the budget by GH¢11,751.80 million, representing 59.68% shortfall. Total payments fell below budget by GH¢7,703.22 million, representing 39.12%, giving rise to a net unfavourable variance of GH¢4,048.58 million.

4.0 SUMMARY OF REVENUE AND EXPENDITURE

The summary of Revenue and Expenditure on the Public Funds for the first quarter of 2019 is as follows:

	1st Qtr-19 Budget	1st Qtr-19 Actual	1st Qtr-19 Variance
	GH¢,M	GH¢,M	GH¢,M
REVENUE	33,150.89	6,711.89	(26,439.00)
EXPENDITURE	<u>16,226.78</u>	<u>11,964.48</u>	<u>4,262.30</u>
SURPLUS/(DEFICIT)	<u>(16,924.11)</u>	<u>(5,252.60)</u>	<u>(22,176.70)</u>

Actual Revenue fell below the budget by GH¢26,439.00 million for the first quarter of 2019, representing 79.75%. Actual expenditure also fell below the budget by GH¢4,262.30 million in the same period representing 26.27%. This gave rise to a net unfavourable variance of GH¢22,176.70 million.

5.0 ADDITIONAL STATISTICS

5.1 REVENUE

Total Revenue which is made up of Direct and Indirect Taxes, Grants and other Non-tax revenue, as well as NHIL was GH¢6,711.89 million representing 20.25% of the budget of GH¢33,150.89. Below is the contribution of the various components to the Total Revenue.

5.1.1 Direct Tax

Direct tax revenue for the Consolidated Fund for the quarter ended as detailed in Note 2 of the financial statements was GH¢3,930.36 million as against the expected amount of GH¢22,185.21 million. This indicates an unfavourable variance of GH¢18,254.86 million or 82.28% below budget.

Direct tax contributed 58.56% of total revenue for the first quarter.

5.1.2 Indirect Tax

Indirect tax as shown in Note 3 of the financial statements was GH¢2,174.32 million against a budget of GH¢5,914.61 million. This resulted in an unfavourable variance of GH¢3,740.28 million or 63.24% below the budget. Indirect Tax contributed 32.40% of total revenue for the period. Tax exemptions are excluded from the indirect tax budget.

5.1.3 Grants

There were no Grants for the period

5.1.4 Non - Tax Revenue

Non - Tax Revenue as detailed in Note 6 of the financial statements for the first quarter was GH¢340.27 million as against a budgeted amount of GH¢2,392.59 million, resulting in an unfavourable variance of GH¢2,052.31 million or 85.78% below budget.

Non Tax Revenue contributed 5.07% of total revenue for the period.

5.1.5 NHIL

NHIL as detailed in Note 7 of the financial statements for the first quarter was GH¢266.93 million as against a budgeted amount of GH¢2,381.01 million, resulting in an unfavourable variance of GH¢2,114.08 million or 88.79% below budget.

NHIL contributed 3.98% of total revenue for the period.

5.2 EXPENDITURE

Expenditure is made up of Compensation of Employees, Use of Goods and Services, Interest, Subsidies, Grants, Social Benefits and Others. The total expenditure on accrual basis for the quarter amounted to GH¢ 11,964.48 million as against the budget of GH¢ 16,226.78 million. This resulted in a favourable variance of GH¢4,262.30 million or 26.27% below budget.

5.2.1 Compensation of Employees

Compensation of Employees including arrears incurred for the quarter as detailed in note 11 of the financial statements was GH¢ 5,411.48 million as against the budgeted figure of GH¢6,053.08 million. This gives a favourable variance of GH¢641.60 million. Compensation of Employees represents 45.23% of total expenditure for the quarter.

5.2.2 Use of Goods and Services

Expenditure on Goods and Services incurred for the quarter as detailed in note 12 of the financial statements was GH¢880.52 million as against the budgeted figure of GH¢3,509.62 million resulting in a favourable variance of GH¢2,629.10 million. Goods and Services represent 7.44% of total expenditure for the quarter.

5.2.3 Interest

Interest for the quarter as detailed in note 14 of the financial statements was GH¢ 4,702.12 million as against the budgeted figure of GH¢4,661.43 million, giving rise to an unfavourable variance of GH¢40.69 million. This represents 37.73% of total expenditure for the quarter.

5.2.4 Government Subsidies

Government Subsidy as detailed in note 15 of the financial statements was GH¢311.73 million as against the budgeted figure of GH¢206.09 million, giving rise to an unfavourable variance of GH¢105.64 million. This represents 2.63% of total expenditure for the quarter.

5.2.5 Social Benefits

Expenditure on Social Benefit incurred for the quarter as detailed in note 16 of the financial statements was GH¢0.52 million as against the budgeted figure of GH¢435.94 million resulting in a favourable variance of GH¢435.42 million. Social Benefit represent 0.004% of total expenditure for the quarter.

5.2.6 Other Expenses

Other Expenditure incurred for the quarter as detailed in note 17 of the financial statements was GH¢658.12 million as against the budgeted figure of GH¢1,360.62 million resulting in a

favourable variance of GH¢702.51 million. This represents 5.56% of total expenditure for the quarter.

5.3 PUBLIC DEBT REPAYMENTS

Public Debt is made up of Domestic and External Debts principal repayments made in the quarter as detailed in Note 18 of the financial statements. Loan repayments made for the first quarter was GH¢1,366.47 million as against a budget of GH¢1,332.72 million, resulting in an unfavourable variance of GH¢33.71 million.

6.0 CONCLUSION

I wish to take this opportunity to thank the Hon Minister, Hon Deputy Ministers and staff of MoF and CAGD and other public officers for the immense contribution made towards the preparation of the Public Accounts on Central Government (Consolidated fund, IGF, Statutory funds and Donor Funds that were processed on the GIFMIS) for the first quarter, 2019.

I also wish to sincerely thank all staff of the Department who have worked tirelessly to ensure that we put various systems in place for an improved service delivery to our clients.

In compliance with Section 79(b) of the Public Financial Management Act, 2016 (Act 921), I hereby present the Report and the Public Accounts on the Central Government for the Quarter ended March 31st, 2019.

Kwasi Kwaning - Bosompem
Controller and Accountant-General
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