

THE BUDGETING AND AUDITING PROCESS IN GHANA:

Budget Preparation

The President of the republic is mandated by the constitution to submit a budget to parliament each year for approval. Guided by the Medium Term Expenditure Framework (MTEF), the Ministry of Finance (MOF) prepares the budget on behalf of the President. Budget preparation begins with an advertisement in the print media by MOF requesting interested individuals/civil society organizations (CSOs) to submit memoranda on issues worthy of consideration in the coming year's budget.

The Ministry then undertakes a revision of the macro-economic framework taking into consideration provisions of the National Development Plan (NDP), cabinet/executive directives and other policy paper(s) of Government and international agreements.

MOF facilitates a cross-sectorial meeting of MDA's to discuss cross-sectoral issues and to scrutinize activities to avoid duplication and overlaps of activities and programmes.

Based on the revised macro- economic framework, changes in national policy direction and the relative priorities of sectors, sectoral ceilings are estimated by April. MOF then issues out a circular letter captioned "Guidelines for the Preparation of FY Budget" to MDAs. The circular is issued around April/May of the budget year.

The circular:

- Outlines the major thrust of Government's programme for the financial year.
- Reviews the macroeconomic trends in the past year and the recent performance of key sectors of the economy.
- Sets up the timetable for the budget hearings with each Ministry to meet statutory deadlines of the fiscal cycle, especially the submissions to cabinet and Parliament and,
- Provides the planned estimates for the macroeconomic targets and indicative ceilings for sectoral expenditures by the MDA's.

MDA's then prepare their budgets taking into consideration the guidelines in the circular letter.

The MOF then consolidates all sector budgets into one national budget document which officially becomes the Government's budget proposals for the fiscal year.

Legislative Approval:

The Constitution provides that the Minister of Finance on behalf of the President must present the budget to parliament at least one month before the end of the financial year. The "Budget Statement and Economic Policy of Government", is thus presented to the legislature in November on the floor of parliament. The Minister also makes a formal request for legislative approval. Order 140(2) of the standing orders of parliament states that "the budget shall be presented to the House by the Minister responsible for Finance on behalf of, or on the authority of the President and in such form as the house may determine." The debate on the budget is adjourned for not less than 3 days after the presentation.

Parliament first debates the overall budget policy following the introduction of the Executive's budget proposals and the estimates are forwarded to the relevant committees for further debates and approval. According to order 140(4) of the Standing Orders of Parliament, that part of the budget relating to the Ministries for which they have responsibility shall stand committed respectively to the committees responsible for the subject matter to which the heads of Estimates relate as referred to in order 151(2) and 152 and each such committee shall consider the relevant Heads of Estimate committed to it and report on it to the House within such time as the Business Committee may determine'.

Technical Officers from the MDAs appear before specific committees to explain the significance of their proposals. As part of the approval process they (Technical Officers) also indicate how their proposals affect national priorities.

The sub-committee on Finance discusses the main document concerning the macroeconomic targets, resource mobilization and recommends acceptance by the full house of parliament.

The legislature has effectively one month to approve the budget or to pass the appropriation bill. This it does by first voting on the total amount of expenditure before it votes on specific appropriations.

The appropriation Bill is passed into an Act to give legal backing to the budget to be implemented.

Budget Implementation

The budget is implemented by the Government Ministries, Department and Agencies. The MDA's, present applications to MOF for the release of funds. MDAs are required to submit work plans, cash plans and procurement plans to MOF immediately the Appropriation law comes into effect. General warrants are issued for salary related expenditure (item 1)

MDAs are expected to initiate procurement processes and request the MOF to release specific warrants for service and investments (items 3 and 4 respectively).

Once this is done, monthly releases are made to MDAs to honour commitments, and expenditures are recorded and published by the Controller and Accountant Department in the final public accounts within three months of the end of the financial year. This is presented to the executive.

In the event that government is unable to mobilize the projected revenue as indicated in the budget, Government may cut spending even after the passage of the Appropriation Act by the Legislature.

A supplementary budget may be prepared depending on a number of factors including changing economic forecasts resulting in lower/higher expenditure.

MDAs prepare quarterly expenditure reports setting out

- 1) the actual expenditures against planned expenditures in respect of both Government of Ghana and donor funds.
- 2) Variations between planned and actual expenditures.
- 3) Reasons for variations and
- 4) Proposed solutions to any implementation constraints identified.

Priority is given to statutory expenditures, which include interest and principal of loans, the district Assembly Common Fund, pensions and gratuity payments to SSNIT, as well as Road and Educational Funds.

Budget Audit

The Constitution mandates the Auditor General to audit budget implementation and report to Parliament. The Auditor General performs both financial and performance audit by providing an independent check on information and compliance with the legal provisions that guide the use of public funds.

The Auditor General reports to Parliament its findings on all areas including procurement lapses. The audited reports are expected to be published six months after the end of the fiscal year.

The Public Accounts Committee of Parliament (PAC) studies the reports of the Auditor General and where necessary, invites Directors of MDAs or persons found culpable to a public hearing of the Committee's sittings to answer questions relating the audit findings.

The PAC then makes recommendations to the full house to take remedial actions on any irregularities uncovered by the audits. *(source: The Budget Process in Africa: Comparative Study of seven countries)*