

**NOVEMBER 2023 PROFESSIONAL EXAMINATIONS  
PUBLIC SECTOR ACCOUNTING & FINANCE (PAPER 2.5)  
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

**GENERAL COMMENTS**

The paper consists of high-quality questions reflecting the weight allocation in the syllabus. Further, the paper has wide coverage (almost 100%) of the examination syllabus. The requirements of each question were set out, and the marks allocated to each question were indicated against the requirement of the question. The time allotted to the paper is appropriate and commensurate with the demands of the question. The responses of the candidates were impressive, indicating good preparation of candidates for the examination. The performance of candidates has seen significant improvement over the past results. The average pass rate for the November diet is 44.75%.

**STANDARD OF THE PAPER**

In line with the approved examination syllabus, the paper consisted of five questions out of which the candidates were required to attempt all questions. The questions were equally weighted. To have a wider coverage of the syllabus, each major question was structured into sub-questions and sub-sub questions. In all, the paper has five (5) questions, eleven (11) sub-questions and seventeen (17) sub-sub-questions, providing approximately 100% coverage of the syllabus. Concerning the level of knowledge tested in line with Bloom's Taxonomy (Armstrong, 2016), the test items fall within application and analysis, which is consistent with the learning outcomes set out in the syllabus. In general, the questions were clear, unambiguous, precise and free of errors. The time allocated to the paper was commensurate with the task required. The standard of the paper is comparable to the previous years. Nevertheless, the examiners are encouraged to continuously explore innovative ways of making the questions interesting and practical to resonate with the realities of the times. The examiners should use simple expressions and words in constructing the test items. The examiners are also discouraged from excessively quoting of section of financial management laws, where avoidable.

**PERFORMANCE OF CANDIDATES**

**General Performance Analysis**

There is a significant improvement in the performance of the candidates in the paper compared with the previous diet's Notable Strengths & Weaknesses of candidates

**Question One**

The first part of the requirements of question (a-i) was well answered by most candidates. They were able to redraft the statement on a cash basis. However, some were unable to account for the motor vehicle included in the donation. The second part of the requirement (a-ii) also received very impressive responses, indicating candidates' appreciation of the concept of cash basis of accounting. In general, the question (b) was answered well. Many of the candidates (about 40%) were able to identify and explain the specific qualitative characteristic that was affected in all five instances, hence scoring the maximum mark of 10. However, some candidates seem

to have rote-learned (chew and pour) the qualitative characteristics without understanding the application in the real world. This caused them to do poorly in the question. The candidates are encouraged to extend their knowledge of the theories to how things play out in the real world.

### **Question Two**

The performance in question (a) was above average. However, some candidates could not present the Cash Flow Statement under the three headings required: operating activities, investing activities and financing activities. Further, other candidates could not classify the items under the Chart of Accounts of the Government of Ghana. The question (b) was answered very well by most candidates. Nevertheless, some candidates did not answer the question either due to lack of time or an oversight during the examinations.

### **Question Three**

The performance of the candidates in question (a) is commendable. The question seems to be popular among the candidates. Surprisingly, some candidates could not provide valid responses on outcomes and pillars. The question (b) was well answered by most candidates. Some candidates computed all the ratios correctly but failed to write the report required. This is very unfortunate since the ability to write a report is essential in the functionality of the Professional Accountant.

### **Question Four**

The question (a) was fairly answered. Some candidates avoided answering the question. Others have misunderstood the requirements of the question and were providing responses that relate to the information content of an invitation document. The responses to the question (b) were not encouraging. Many of the candidates have explained the methods without providing the conditions under which they are used. This denied them the scores allocated to the question. Candidates should read the requirements of the questions very well before attempting to respond. The question (c) was well answered, except that some candidates provided general responses instead of situating their responses in the context of the scenario given. For example, some candidates recommended models that require that the grantor provides the service concession asset, which is impracticable within the context given. Similarly, others cited general benefits such as increased infrastructure of government, instead of situating it within context.

### **Question Five**

The performance in question (a) was good, however, some candidates were unable to practically illustrate budget reliability. Again, some candidates were unable to link budget reliability to the attainment of public accountability, strategic resource allocation and coordination and control. The terms in question (b) were well explained by most candidates. Some, however, struggled with the explanation of the revised budget. Virement received the best responses. Question (c) elicited very impressive responses from candidates. Most candidates explained the objective of financial reporting in the public sector convincingly. Nevertheless, some candidates

could not identify the primary users of financial information of local government. Some were citing Parliament instead of the General Assembly of the local government.

### **General weaknesses of Candidates**

The following general weaknesses of candidates have been observed from the responses over time:

- The inability of the candidates to provide responses that are consistent with the requirements of the questions. Some of the responses are on the subject matter but did not answer the particular question put before the candidates. This made some of the candidates deviate in their answers to the questions. In this diet, the number of such cases has reduced drastically. It is not surprising that candidates did very well.
- Limited coverage of the syllabus. The examination syllabus covers nine major topic areas, which are all examinable, however, for whatever reasons, some Candidates have overly concentrated on a few of these areas, including the preparation of the financial statement, and therefore were unable to attempt all the questions, minimising their chances of passing. Observably, such candidates start well, in the first two questions attempted and take a nose dive in the subsequent questions.
- Poor time management. It was noted that some candidates spent too much time on certain questions, most often the preparation of the financial statement, and therefore were unable to complete the paper within the stipulated time.
- Poor organisation of responses. Some candidates failed to communicate their ideas and understanding effectively in their responses. Some also do not organise the responses professionally. For example, some candidates mixed up the sub-questions in the presentation, making it difficult for examiners to trace responses in the answer booklet. Candidates should follow strict instructions on the answer booklets and do as required of prospective professional accountants.
- Complete lack of knowledge. Some candidates seem to gamble with the examination with little or no preparation. The responses of some candidates showed that they had no knowledge of the subject at all but decided to sit for the paper. Given the robust nature of the examination process of ICAG, it is never possible for such candidates to sail through the paper. Therefore, prospective candidates should desist from such unfruitful ventures.

## QUESTION ONE

- a) The following Statement of Financial Performance relates to a Covered Entity for the year ended 31 December 2022.

		GH¢	GH¢
<b>Revenue</b>			
GOG Subvention		152,000	
Internally Generated Fund (IGF)	<b>1</b>	187,000	
Donations	<b>4</b>	<u>45,000</u>	384,000
<b>Expenditure</b>			
Compensation	<b>2</b>	68,000	
Use of Goods & Services	<b>3 &amp; 5</b>	35,000	
Consumption of Fixed Asset		<u>13,000</u>	<u>(116,000)</u>
Surplus			<u><b>268,000</b></u>

### Additional information:

- 1) The entity received an IGF of GH¢13,000 in advance for the year 2023. This transaction is not included in the IGF amount stated in the financial statement.
- 2) Included in Compensation is an amount of GH¢17,000 accrued as at the end of 31 December 2022.
- 3) Excluded from the Use of Goods & Services is an amount of GH¢1,000 paid in advance for the year 2023.
- 4) Included in Donations is Motor Vehicle received from a donor partner amounting to GH¢12,000.
- 5) Included in the Use of Goods and Services is Furniture acquired on 31 December 2022 at the cost of GH¢2,000.
- 6) The Statement of Financial Performance is prepared under Accrual Accounting Basis.

### Required:

- i) Redraft the financial statement under Cash Accounting Basis for the year ended 31 December 2022, showing the necessary adjustments. **(7 marks)**
  - ii) Justify **THREE (3)** reasons management would want to prepare the financial statement under Cash Accounting Basis. **(3 marks)**
- b) The following revelations were made about the financial reporting process of a covered entity:
- i) The users of the financial statements of the entity is less interested in the financial information because it does not provide information that enables the users to either confirm their expectation or make predictions.
  - ii) Equipment purchased during the year was recognised as expense in the statement of financial performance, even though the entity applies the accrual principles.
  - iii) A revenue transaction of a significant value was completely omitted from the financial statement of the entity unintentionally.
  - iv) The financial statements showed the budget amounts alongside the actual amounts of the year in the Statement of Financial Performance.
  - v) The Accountant confirmed that some records relating to expenses were done based on WhatsApp messages (online texting app) from the Principal Spending Officer.

**Required:**

Explain how each of the transactions (i) to (v) would affect a specific qualitative characteristic of the financial statements of the entity. **(10 marks)**

**(Total: 20 marks)**

**QUESTION TWO**

Below are items of transactions obtained from the financial records of Ganigani Municipal Assembly for the year ended 31 December 2022.

	<b>GH¢'000</b>
Share of District Assembly Common Fund received	68,000
Share of District Assembly Common Fund in arrears	120,000
District Development Facility	60,000
Clean Ghana grant (i)	40,000
Hawkers licenses	5,000
Dog licenses	2,000
Hotel and Restaurant licenses	43,000
Akpeteshie Distillers or sellers' licenses	9,000
Non-established post salaries (Paid from Consolidated Fund)	87,000
Casual labour	77,000
Pensions contribution	8,000
Assembly members sitting allowances	7,000
Salary related allowances (ii)	20,000
Training, Seminar and Conferences (iii)	45,000
Travel and transport	12,000
Utility expenses (iv)	1,000
Consumables	200
Interest expense (v)	500
Consumption of fixed asset (Accumulated)	44,000
Consumption of fixed asset (charged for the year)	4,800
Purchase of motor vehicle (vi)	30,000
Premises (old premises revalued by experts)	167,000
Cash proceeds from auction of old furniture	300
Recoveries from loan and advances	1,200
Loans and advances granted during the year	5,000
Issue of Municipal Bonds	100,000
Redemption of Municipal Bonds	28,000
Bank loan borrowed during the year	12,000
Loan repayment	3,400
Investment income received	100
Property rates	65,000
Basic rate	21,000
Market tolls and fees	12,400
Fees and miscellaneous charges	11,400
Cash and cash equivalent at 31 December 2022 (Debit)	70,000
Accumulated Fund Balance (Debit)	123,500
Donation of Cement from Concerned Citizens	3,500

**Additional Information:**

- i) Clean Ghana grant of GH¢40,000 has a component of 40% in kind.
- ii) The Assembly paid 40% of the GH¢20,000 salary related allowances
- iii) 60% of the GH¢45,000 representing Training, Seminar and Conferences expenses was funded by donors.
- iv) 25% of the GH¢1,000 representing utility expenses was in arrears.
- v) 90% of the GH¢500 representing interest expense has been paid
- vi) 80% of the GH¢30,000 representing Motor Vehicle has been paid

**Required:**

- a) Prepare a Cash Flow Statement for the year ended 31 December, 2022 for Ganigani Municipal Assembly in compliance with the *International Public Sector Accounting Standards 2: Cash Flow Statement* and the current Chart of Accounts of Government of Ghana. **(16 marks)**
- b) Explain **FOUR (4)** benefits of Cash Flow Information to the users of the financial statements of Ganigani Municipal Assembly. **(4 marks)**

**(Total: 20 marks)**

### QUESTION THREE

- a) The Finance Minister at a recent public forum on Public Financial Management (PFM) Reforms indicated in his address that the wave of PFM reforms in Ghana has continued throughout the last three decades. The PFM reforms have helped Ghana to attain notable PFM capabilities over the periods including stronger legislative base and external oversight function. This is evidenced by the country's improved performance in the 2018 Public Expenditure and Financial Accountability (PEFA) scores in these dimensions.

**Required:**

As the Head of Finance of your entity;

- i) Explain the **THREE (3)** key outcomes of the PEFA framework. **(3 marks)**
  - ii) State **TWO (2)** limitations with respect to the scope of the PEFA framework. **(3 marks)**
  - iii) Discuss **FOUR (4)** of the broad activity areas (pillars) of the PEFA framework used in assessing the quality of Public Financial Management Systems. **(4 marks)**
- b) Below is an extract of aggregate fiscal data trend for Government of Ghana for the years 2021 and 2022.

	2022	2021
Cash Basis	Actual	Actual
	GH¢'million	GH¢'million
<b>Total Revenue and Grants</b>	<b>26,824</b>	<b>28,865</b>
Taxes	21,744	26,209
Other revenues (Including IGF)	2,391	1,515
Grants	2,689	1,141
<b>Total Expenditure</b>		
<b>Recurrent</b>	<b>29,276</b>	<b>36,795</b>
Wages and Salaries	12,917	14,623
Purchases of goods and services	1,388	3,221
Subsidies and Social transfers	25	0
Grants to other Governments units	4,267	5,442
Other non-interest expenses	1,604	1,980
Interest	9,075	11,529
<i>Acquisition of non-financial assets</i>	7,134	7,678
<b>Balance</b>	<b>(9,586)</b>	<b>(15,608)</b>

Statistical and economic data obtained for the two years are as follows:

	2022	2021
GDP (GH¢'million)	136,957	167,353
Total population (million)	27.67	28.3

**Required:**

- i) Compute the following financial ratios for 2022 and 2021.
  - Total Revenue to Gross Domestic Product (GDP)
  - Wages and Salaries to Tax Revenue
  - Fiscal Balance to GDP

- Total Expenditure per capita
  - Capital Expenditure to Total Expenditure (5 marks)
- ii) Write a brief report interpreting the results of the ratios computed above. (5 marks)

**(Total: 20 marks)**

#### **QUESTION FOUR**

- a) Section 28 of the Public Procurement Act 2003, Act 663 as amended by Act 914, requires every Procurement Entity to maintain certain basic records of proceedings.

**Required:**

Outline **FOUR (4)** records that a Procurement Entity is required to keep in the course of procurement proceedings. (4 marks)

- b) Section 72 of Public Procurement Act 2003, Act 663 as amended by section 16 of Act 914 has specified the conditions to be satisfied in choosing a method of selecting a consultant.

**Required:**

Outline the conditions relevant to the use of the following methods for a consultancy contract;

- i) Least Cost
- ii) Quality Based
- iii) Qualification of Consultants (6 marks)

- c) Musko Technical University (MTU) is a public University in Ghana. The University has a student population of about Twelve Thousand (12,000). It relies on Government subvention and Internally Generated Fund in running its operations and developing public infrastructure. As a result of the fiscal challenges the Government is experiencing, it has reduced its funding support to the University. This problem together with low Internally Generated Fund has resulted in the University expending greater proportion of its Internally Generated Fund on Goods and Services which reduces spending on infrastructure development. Currently, the University needs a good Library, Lecture Theatre and Hostel facility for the smooth running of its operations. The University is aware of the new Public Funding Initiative called Public Private Partnership (PPP). Fortunately, it has been approached by a South African investor who wishes to enter into a PPP contract with the University to build 8,400-unit capacity hostel facility in the University within two years. This arrangement is expected to reduce students' internal accommodation deficit from 90% to 20%. Currently, the University's challenge is how to maintain their control on the Hostel Facility after the construction under PPP.

**Required:**

- i) Explain **THREE (3) PPP** investment models suitable for addressing the needs of MTU. (6 marks)
- ii) Discuss **FOUR (4)** benefits MTU may obtain from such initiatives. (4 marks)

**(Total: 20 marks)**



## QUESTION FIVE

- a) National budgeting is not only a legal process but also an administrative process that ensure attainment of public value economically, efficiently and effectively. Budget reliability and credibility are essential components of the budget management processes.

**Required:**

- i) Explain, with practical illustration the term *budget reliability*. (4 marks)
- ii) Discuss how a reliable budget will help government to achieve the following:
- Public accountability
  - Strategic resource allocation
  - Coordination and Control (6 marks)

- b) Explain the following terms as applied to public financial management:

- i) Mid-year Review (2 marks)
- ii) Virement (2 marks)
- iii) Revised Budget (1 mark)

- c) Financial reporting is not an end in itself but a means to an end. The end game of financial reporting is to provide value to the user of the information. In the local government, financial reporting must deliver the expected value to the users.

**Required:**

- i) Explain the objective of financial reporting in public sector. (2 marks)
- ii) Explain the usefulness of financial statements of a Metropolitan Assembly to three of its primary users of the information. (3 marks)

**(Total: 20 marks)**

## SOLUTION TO QUESTIONS

### QUESTION ONE

a)

i) **STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (UNDER CASH ACCOUNTING BASIS)**

<b>REVENUE:</b>	<b>GH¢</b>	<b>GH¢</b>
GOG Subvention	152,000	
Internally Generated Fund(187,000+13,000)	200,000	
Donations (45,000-12,000)	<u>33,000</u>	385,000
<b>EXPENDITURE:</b>		
Compensation (68,000-17,000)	51,000	
Use of Goods & Services (35,000+1000-2,000)	34,000	
Assets (Capex)	2,000	<u>(87,000)</u>
<b>Surplus</b>		<b><u>298,000</u></b>

(Marks are evenly spread using = 7marks)

ii) **Advantages of Cash Accounting Base are:**

- It is very simple to prepare.
- The simplicity of cash accounting makes it easy to understand.
- Cash accounting facilitates accountability and control of cash.
- The legislature can easily play its role of effecting control.
- It lends itself to easy understanding so control of expenditure becomes easy and compliance can be easily determined by the legislature.
- Unlike Accrual Basis, cash accounting avoids subjective estimates and adjustments.

(3 points @ 1 mark each = 3 marks)

b) **Effect of qualitative characteristics of the financial statements**

Transaction	Qualitative characteristic	Explanation
i)	Relevance	A relevant financial information should possess confirmative value or predictive or both. However, the users are turning away from the financial information because it does not help them in confirming their expectation or predicting the future occurrence.
ii)	Faithful Representation	Financial information is faithfully represented when it is complete, neutral and free from material errors. The financial statement suffers from recognition error, where non-current asset

		was expensed. This affects the faithful representation of the financial statement.
iii)	Faithful Representation	Financial information is faithfully represented when it is complete, neutral and free from material errors. The omission of the revenue transaction from the financial statement renders the information incomplete. Therefore, faithful representation will be affected.
iv)	Comparability	The financial information should present at least two phenomena to allow the user to compare the results. In this case, the inclusion of the budget amounts in comparisons with the actuals of the years deepens the comparability of the financial statement in line with IPSAS24.
v)	Verifiability	An independent person with knowledge in accounting should be able to verify the financial statements to conclude that it was faithfully represented. A transaction based on WhatsApp message cannot be verified by an independent person.

**(5 points @ 2 marks each = 10 marks)**

**(Total: 20 marks)**

### EXAMINER'S COMMENTS

The question contained two sections with 10 marks each. Section (a) tests candidates on how to derive cash information from an accrual basis statement of the financial performance of a covered entity. The candidates were presented with a simple Statement of Financial Performance together with six sets of additional information for consideration. The candidates were required to redraft the financial statement under the cash basis of accounting using the information provided. In addition, the candidates were asked to provide reasons for management's need for the cash information. The practical nature of the question is commendable, and examiners are encouraged to replicate such questions in subsequent diets.

Section (b) of the question tested candidates' understanding of the implication of the qualitative characteristics of a general-purpose financial report as enshrined in the Conceptual Framework of General-Purpose Financial Reporting in the public sector. The question set out five separate scenarios involving the qualitative characteristics and required the candidates to explain how each of the transactions affected a specific qualitative characteristic of the financial statement of the covered entity. The requirement of the question was clear and concise. The practical insight of the question is commendable, as it shifts from a recall test item to more of an application test item.

## QUESTION TWO

a)

### Ganigani Municipal Assembly Cash Flow Statement for the year ended 31st December 2022

	GH¢'000	GH¢'000
<b>Cash Flow From Operating Activities</b>		
<b>Receipts:</b>		
Decentralised Transfer	152,000	
Internally Generated Fund	<u>168,900</u>	
	<u>320,900</u>	
<b>Payments</b>		
Compensation for employees	93,000	
Goods and Services	37,950	
Interest	<u>450</u>	
	<u>131,400</u>	
<b>Net Cash Flow from Operating Activities</b>		189,500
<b>Cash Flow from Investing Activities</b>		
Purchase of Motor vehicle	(24,000)	
Auction proceeds	300	
Recoveries of loan and advances	1,200	
Loan and advances granted	<u>(5,000)</u>	
<b>Net Cash Flow from to Operating Activities</b>		(27,500)
<b>Cash Flow from Financing Activities</b>		
Issue of Municipal Bonds	100,000	
Bank loan	12,000	
Redemption of Municipal Bonds	(28,000)	
Loan repayment	<u>(3,400)</u>	
<b>Net Cash Flow from Financing Activities</b>		<u>80,600</u>
<b>Net increase in cash and cash equivalent</b>		242,600
<b>Cash and Cash equivalent as Dec 31, 2021</b>		<u>(172,600)</u>
<b>Cash and Cash equivalent as Dec 31, 2022</b>		<u>70,000</u>

Notes:

<b>1. Decentralised Transfer</b>	GH¢'000
District Assembly Common Fund received	68,000
District Development Facility	60,000
Clean Ghana Grant (60% in cash)	<u>24,000</u>
	<u>152,000</u>
<b>2. Internally Generated Fund</b>	
Hawkers licenses	5,000
Dog licenses	2,000
Hotel and Restaurant	43,000
Akpeteshi distillers and sellers	9,000

Investment income	100
Property rate	65,000
Basic rate	21,000
Market tolls and fees	12,400
Fees and charges	<u>11,400</u>
	<u>168,900</u>

### 3. Compensation for employees

Casual labour	77,000
Pension contribution	8,000
Salary related allowances	<u>8,000</u>
	<u>93,000</u>

### 4. Goods and Services

Assembly members allowances	7,000
Training, seminar and conferences	18,000
Travel and transport	12,000
Utility expenses	750
Consumable	<u>200</u>
	<u>37,950</u>

(Marks are evenly spread using ticks = 16 marks)

- b) Cash Flow Information about a reporting entity is beneficial to the users in the following ways:
- Information about the cash flows of an entity is useful in assisting users to predict the future cash requirements of the entity, its ability to generate cash flows in the future, and its ability to fund changes in the scope and nature of its activities.
  - A cash flow statement also provides a means by which an entity can discharge its accountability for cash inflows and cash outflows during the reporting period.
  - A cash flow statement, when used in conjunction with other financial statements, provides information that enables users to evaluate the changes in net assets/equity of an entity, its financial structure (including its liquidity and solvency), and its ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities.
  - It also enhances the comparability of the reporting of operating performance by different entities, because it eliminates the effects of using different accounting treatments for the same transactions and other events.
  - Historical cash flow information is often used as an indicator of the amount, timing, and certainty of future cash flows. It is also useful in checking the accuracy of past assessments of future cash flows.

(Any 4 points @ 1 mark each = 4 marks)

(Total: 20 marks)

### **EXAMINER'S COMMENTS**

The section has two sections. Section (a) examined how to prepare of Cash Flow Statement per IPSAS 2: Cash Flow Statement and the Chart of Accounts of the Government of Ghana. The question provided a list of transactions extracted from the Ganigani Municipal Assembly together with six straightforward adjusting information. The question deviated from the previous trends where candidates were asked to prepare financial statements other than a Cash Flow Statement. This makes the question unpopular among the candidates. Notwithstanding, the quality of the question was very high. Section (b) of the question asked to explain four benefits of cash flow information to the users of the financial information. The quality of the question is acceptable.

### QUESTION THREE

a)

i) The PEFA framework identifies three key outcomes of an open and orderly public financial management system. The three key outcomes are:

- **Aggregate fiscal discipline.** The objective of public financial management is to ensure effective control of the total budget and management of fiscal risks. The outcome is that government must be fiscally disciplined, flexibly keeping to budgets.
- **Strategic allocation of resources.** The objective of a public financial management system is to ensure that resources are strategically allocated to priority areas of government policy and plans. This involves planning and executing the budget in line with government priorities aimed at achieving policy objectives.
- **Efficient service delivery.** The objective of public financial management is to collect revenues and direct these revenues to the provision of public services in an efficient and effective manner. It requires using budgeted revenues to achieve the best levels of public services within available resources.

(3 points @ 1 mark each = 3 marks)

ii) The PEFA framework has the following limitations with respect to its scope:

- PEFA indicators focus on the operational performance of key elements of the PFM system rather than on all the various inputs and capabilities that may enable the PFM system to reach a certain level of performance. For example, PEFA does not measure every factor affecting PFM performance, such as the legal framework or human resource capacities within the government.
- PEFA assessment does not involve fiscal or policy analysis that would determine whether fiscal policy is sustainable. For instance, it does not evaluate whether expenditures incurred through the budget ultimately have their desired effect on reducing poverty or achieving other policy objectives, or whether value for money is achieved in service delivery.
- PEFA assessment does not directly provide recommendations for reforms or make assumptions about the potential impact of ongoing reforms on PFM performance. The PEFA report only summarizes the government's reform agenda but does not evaluate that agenda.
- PEFA assessment relating to the functions of defense, public order and safety may not be included in the PEFA assessment report if information is not available, and it is often the case that only scanty PFM information is available on defense, public order and safety.

(Any 2 points @ 1.5 mark each = 3 marks)

iii) Pillars of the PEFA Framework

**1. BUDGET RELIABILITY**

The government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures with the original approved budget

**2. TRANSPARENCY OF PUBLIC FINANCES**

Information on PFM is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, budget documentations, central government operations outside the financial reports, transfers to subnational governments, performance information for service delivery and public access to fiscal information.

**3. MANAGEMENT OF ASSETS AND LIABILITIES**

Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded, and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored

**4. POLICY BASED FISCAL STRATEGY AND BUDGETING**

The fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections

**5. PREDICTABILITY AND CONTROL IN BUDGET EXECUTION**

The budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

This has to do with revenue administration, accounting for revenue, predictability of in-year resource allocation, expenditure arrears, payroll control, procurement, internal controls on non-salary expenditure and internal audit

**6. ACCOUNTING AND REPORTING**

Accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

**7. EXTERNAL SCRUTINY AND AUDIT**

Public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.

**(Any 4 points @ 1 mark each = 4 marks)**



b)

i) Computation of ratios

Ratio	2022	2021
Total Revenue to Gross Domestic Product (GDP) (%)	19.59	17.25
Wages and Salaries to Tax Revenue (%)	59.40	55.79
Balance to GDP (%)	-7.00	-9.33
Total Expenditure per capita (GH¢)	1,315.87	1,571.48
Capital Expenditure to Total Expenditure (%)	19.59	17.26

(5 marks)

ii) Interpretations of ratios

**Total Revenue to Gross Domestic Product (GDP) - (%)**

This ratio measures how well the government controls a country economic resource indicating the share of a country's output that is collected by the government. The country's Total Revenue to GDP was unstable over the two years increasing from 17.25% in 2021 to 19.59% in 2022.

**Wages and Salaries to Tax Revenue**

This ratio indicates how effective a country manages its payroll in relation to tax revenues. Here the wages/salaries to Tax revenues has worsen from 55.79% to 59.40%. This implies that the government uses more of its tax revenues to pay compensation for employees in 2022 than 2021. The government should put in place measure to control the payroll in order to reduce the wage bill.

**Balance to GDP (%)**

This is the difference between government revenue and expenditure expressed as a percentage of GDP to relate it to the size of the economy. That expressing a country's fiscal balance to its total output. The lower the fiscal balance to GDP the better for the country in terms having the fiscal space to develop. The above ratios show unstable deficit fiscal balance, decreasing from -9.33% in 2021 to -7.00% in 2022.

**Total Expenditure per capita (GH¢)**

This measures the standard of living in an economy. It reveals average total government expenditure per person in a country. The higher the results, the better the economy is seen to be doing well in terms of improving on the standard of living per person. Hence the two -year trend shows consistent reduction in government spending on each person in the country.

**Capital Expenditure to Total Expenditure (%)**

This measures the quantum of government expenditure that is devoted to capital expenditure in terms of infrastructure and other long-term investment that will have a large multiplier impact on growth and employment. The analyses above depicts that the ratio improved marginally from 17.26% in 2021 to 19.59% in 2022.

(1 mark for each = 5 marks)

(Total: 20 marks)

### **EXAMINER'S COMMENTS**

This question also has two sections. Section (a), tested candidates' knowledge of outcomes, limitations and the pillars of the Public Expenditure and Financial Accountability Framework. The question was simple. The standard of the question is acceptable. Section (b) was on discussion and analysis of the financial statements of the government of Ghana for two years, using ratios. The candidates were required to compute five specific ratios and write a report interpreting the results of the ratios they have computed. The question is popular among the candidates. The requirements of the questions were clear. The standard of the question is acceptable.

## QUESTION FOUR

- a) A procurement entity shall maintain a record of the procurement proceedings containing the following information:
- A brief description of the goods, works, services to be procured, or the procurement need for which the procurement entity invited proposals or offers;
  - The name and addresses of suppliers or contractors that submitted tenders, proposals, offers or quotations, and the name and address of the supplier or contractor with whom the procurement contract is entered;
  - Information relating to the qualification, or lack of qualifications of suppliers or contractors that submitted tenders, proposals, offers or quotations;
  - The price, or the basis for determining the price and a summary of the other principal terms and conditions of each tender, proposal, offer or quotation and of the procurement contract if these are known to the procurement entity;
  - A summary of the evaluation and comparison of tenders, proposals under section 69, offers or quotations including the application of any margin of preference pursuant to section 60;
  - If the tenders, proposals, offers or quotations were rejected, a statement to that effect and the grounds for the rejection;
  - If, in procurement proceedings involving methods of procurement other than tendering, those proceedings did not result in a procurement contract, a statement to that effect and the reasons;
  - The information required under section 29, if a tender, proposal, offer or quotation was rejected pursuant to that provision;
  - A statement of the grounds and circumstances on which the procurement entity relied to justify the selection of the method of procurement used;
  - In the procurement of services by means of Part VI, the statement required under section 71 of the grounds and circumstances on which the procurement entity relied to justify the selection procedure used;
  - In procurement proceedings involving direct invitation of proposals for services in accordance with section 63 (3), a statement of the grounds and circumstances on which the procurement entity relied to justify the direct invitation;
  - In procurement proceedings in which the procurement entity, in accordance with section 25 (1), limits participation on the basis of nationality, a statement of the grounds and circumstances relied upon by the procurement entity for the limitation;
  - A summary of any requests for clarification of the prequalification or invitation documents, the responses received as well as a summary of any modification of the documents;
  - A record of any complaints received from suppliers, contractors or consultants and the responses received;
  - A statement of the reasons and circumstances relied on by the procurement entity when the procurement is cancelled, stating the reasons and circumstances relied on by the procurement entity for its decision to cancel the procurement;
  - The reasons and circumstances for which a procurement entity rejected a tender or consultancy proposal;

- Any socio-economic policies considered in the procurement proceedings, details of the policies and the manner in which they were applied;
- A copy of the review proceedings where a complaint is submitted to the procurement entity;
- Where a system other than competitive tendering has been used, the reasons and circumstances the procurement method; when selecting the other procurement method;
- The reasons and circumstance relied on by a procurement entity when a tenderer is excluded from procurement proceedings;
- A statement where the award of a procurement contract is as a result of the failure of the previous tenderer to sign the procurement contract or provide the required security for the performance of the contract;
- The reasons and circumstances relied on by a procurement entity where confidentiality in the procurement proceedings is required;
- The requirements imposed on tenderers for the protection of classified information in a procurement process;
- A statement of the reasons and circumstances used to justify the framework agreement process where applicable; and
- Any other information required to be included in the record by a procurement entity in furtherance of the procurement process.

**(Any 4 points @ 1 mark each = 4marks)**

b) Conditions relevant for the following methods

- i) A procurement entity may use *least-cost* selection procedure for small value assignments subject to value threshold in Schedule 3 where the assignment is of a standard or routine nature and well-established practices and standards exist.
  
- ii) A procurement entity may select consultants by *quality-based* selection for the following types of assignments:
  - Complex or highly specialized assignments, where
    - ✓ It is difficult to define precise terms of reference and the required input from the consultants;
    - ✓ The client expects the consultants to demonstrate innovation in their proposals;
  - Assignment that has a high downstream impact where the objectives is to have the best experts; and
  - Assignment that can be carried out in substantially different ways where proposals will not be comparable.
  
- iii) A procurement entity may use selection based on *consultants' qualifications* for very small value assignments subject to the value threshold in Schedule 3 where the need to prepare and evaluate competitive proposals is not justified.

**(2 marks each = 6 marks)**

c)

i) Investment models that will appropriately address their challenges and meet their other investment objectives:

- **Build-Operate and Transfer (BOT):** In this model, the South African Investor finances and acquires the asset for the provision of Accommodation for the candidates, operates it for an agreed duration to recoup its investment and transfers ownership to MTU. The features of BOT are:
  - ✓ The South African investor invest its capital to build the asset.
  - ✓ Risk associated with the condition of the asset will be shared between the South African Investor and MTU.
  - ✓ It will take a longer duration for recoupment to occur.
  - ✓ Residual interest will be transferred to MTU upon expiration of the agreement.
- **Build-Transfer and Operate (BTO):** In this model, the South African Investor will find the financial resources to build the hostel facility and upon completion will transfer the Hostel facility to MTU before MTU in turn will grant the South African Investor the right to operate the hostel to recoup the investment.
- **Joint Venture:** In this model, the South African Investor and MTU will jointly finance the construction of the 8,400-unit capacity hostel, share management and risk of managing/running the hostel facility.

**(2 marks each = 6 marks)**

ii) Benefits MTU will be derived from the Private Public Partnership are as follows;

- Increase in candidates' enrollment.
- Ensuring quality provision and smooth running of academic programs.
- It will create more jobs both formal and informal.
- Risk from the investment will be shared by the University and the South African Investor.
- It will lead to increase in the University's Internally Generated Fund.
- The University could use the resources which could have been used in the construction of the hostel facility to construct equally important academic facilities such as a good library and lecture theatre etc.
- MTU can also benefit from the residual value of the hostel facility at the terminal year of the contract if the investment model is BOT or BTO.

**(Any 4 points @ 1 mark each = 4 marks)**

**(Total: 20 marks)**

### EXAMINER'S COMMENTS

The question has three sections. Section (a) was a recall question asking candidates to outline records that must be maintained in procurement proceedings. The question was appropriate, except that it relied heavily on the quotation of the Public Procurement Act, which may put some of the candidates off. I encourage the

examiners to carve the questions on procurement in a manner that elicits the application of the law. Section (b) asked the candidates to outline the conditions relevant to using the Least Cost, Quality Based and Qualification of Consultant method of selecting a consultant. The requirement of the question was clear. The quality of the question is good. Section (c) presents a scenario of a public-private partnership arrangement in a public university in Ghana and requires the candidates to recommend three PPP investment models suitable to the needs of the university and to explain the benefits of such arrangement to the university. The quality of the question is commendable for its practical value.

## QUESTION FIVE

a)

- i) **Budget reliability.** A government budget is said to be reliable when the policies, programmes and projects in the budget are realistic and have been implemented as intended. It means that actual budget performance is close or same as the planned outcomes. It is the aim of government to prepare and implement a reliable budget, however several factors may come to force such as changing economic conditions, political interest and poor forecasting techniques to frustrate the budget.

To illustrate, a total expenditure of GH¢300 million is budgeted for in 2022 and an actual expenditure of GH¢300 million was achieved. This produces a perfect budget reliability of 100%, however this is an ideal. Assume the actual expenditure stands at GH¢295 million, this will give us about 98% reliability.

*Mark allocation:*

*Explanation of budget reliability = 2 marks*

*Illustration = 2 marks*

*4 marks*

ii) Budget Reliability and Budget Performance

- **Public accountability:** A reliable budget increases the trust and confidence of citizens in the government's ability to meet its promises. This improves the public accountability value of the budget.
- **Strategic resource allocation:** A reliable budget ensures strategic allocation of resources. This is achieved through prioritization of government programmes and projects according to budget constraints.
- **Coordination and Control:** The budget ensures strict scrutiny of proposed programmes and project. It monitors and control the implementation of the budget to ensure that unfavourable outturns are investigated and corrected.

**(2 marks each = 6 marks)**

b)

- i) **Mid-Year Review:** The Public Financial Management Act 2016 requires the Minister to, not later than the 31st of July of each financial year, prepare and submit to Parliament a mid-year fiscal policy review. It provides an update of macroeconomic forecasts undertaken by Government; an analysis of the total revenue, expenditure and financing performance for a period up to the first six months of the financial year; a presentation of a revised budget outlook for the unexpired term of the financial year, and the implication of the revised budget outlook for the Medium-Term Fiscal and Expenditure Framework if necessary; and where necessary plans for submitting a proposed supplementary budget for approval by Parliament; and an overview of the implementation of the annual budget and of the budgets of covered entities. **(2 marks)**

ii) **Virement:** It refers to the reallocation of funds within the budget from one budget line to another budget line. It is the rearrangement of the budget provisions for subheads, items or sub-items or sub-sub-items within the ambit of a single head. Virement ensures that savings under one classification may be utilised to provide for extra expenditure under another without affecting the total funds to be disbursed from the head. The Minister may, on the request of a Principal Spending Officer, execute a virement in respect of an amount of money allocated to the covered entity of that Principal Spending Officer. **(2 marks)**

iii) **Revised/Supplementary budget:** Where in a financial year, it is found that the amount appropriated by the Appropriation Act is insufficient, or that a need has arisen for expenditure for a purpose for which no amount has been appropriated by the Appropriation Act, the Minister shall lay before Parliament for approval, a supplementary estimate, in the form of a Supplementary Appropriation Bill indicative of the amount required. **(1 mark)**

c)

i) The objective of financial reporting in the public sector is to provide useful information for accountability and decision-making purposes. Thus, financial reporting is concerned with provision of financial information that support the accountability and decision-making needs of the users. In terms of accountability, financial statements serve as a source of information to the users to assess how well the reporting entity applied the resources entrusted to it in the delivery of public value. It enables the users to question the public managers on the use of public resources. Thus, financial statement serves a tool for demonstrating and assessing accountability of public institutions and their managers. Financial statements also provide information that support decision making in the public sector by both the public managers and the users. For example, the decision relating to allocation of resources is supported by the accounting data. Similarly, the information on the financial performance and propriety of an entity may influence the decision to re-elect the managers of the entities in a democratic context. **(2 marks)**

ii) Primary users of financial information of an Assembly include:

- local citizens.
- Assembly members (representative)
- Central government
- Rate payers
- Lenders
- Donors

Local citizens are service receipt of the local government and therefore may need the financial information to assess:

- The cost of services provided by the Assembly and sustainability of the service provided.



- The accountability of the local managers in terms of how well the resources are used.

Assembly members are representatives of the local citizens in the governance of the assembly and therefore they need the information to assess:

- Whether there is compliance with the legally adopted budget of the Assembly
- The performance of the programmes and projects of the Assembly
- Accountability of the local managers.

Central government transfers resources to the Assembly and also grants it the enabling law to operate. Thus, the government needs the financial information to exert accountability in the Assembly and also to make decisions relating to resource allocation.

Rate payers are providers of financial resources to the Assembly and may desire to know how well their rates have been used to provide local services.

Lenders like banks use the financial statement in determining the financial condition of the Assembly to decide whether to lend or not.

Donors support the Assembly with financial and non-financial resources and therefore need the financial statement to assess accountability for the donor and compliance with donor agreements.

**(Any 3 points @ 1 mark each = 3 marks)**

**(Total: 20 marks)**

### **EXAMINER'S COMMENTS**

The question presented three sections. Section (a) required candidates to explain with practical illustration the term budget reliability and how it helps the government to achieve public accountability, strategic resource allocation, and coordination and control. The quality of the question is very good. Section (b) asked the candidates to explain the Mid-year review, virement and revised budget. The question was simple. These are common terms used in the public financial management lexicon. Section (c) examined candidates on the objective of financial reporting in the public sector and the usefulness of the financial statement of a Metropolitan Assembly to three primary users of the information. The standard of the question is acceptable.

### **CONCLUSIONS**

The quality of the questions administered was very good, and the practical nature of the question is commendable, again, the time allocated to questions was explicit and commensurate with the task required. Further, the requirement of each question was very clear and concise, minimising the likelihood of misunderstanding of the requirements among the candidates. In terms of the performance of candidates, it has improved significantly compared to the previous diets' performance. The major weaknesses of the candidates are poor preparation for the examination and the

inability to limit their responses to the requirements of the questions. The candidates cannot also connect the theories to practical reality scenarios in the questions.

### **RECOMMENDATIONS**

The following recommendations are made:

- The candidates should devote ample time to prepare for the examination. They are encouraged to patronize the tuition services of Partners in Learning (PIL) and also use the ICAG Study Text and Question Banks on the subject as the main reading material. The candidate should spend at least 6 hours a week on the subject, aside attendance at lectures. These will equip the candidates with the requisite knowledge and increase their chances of passing the paper.
- The Candidate should also avoid concentrating on topic areas since the examination coverage is wide. The candidates are encouraged to have a fair knowledge of all topics in the syllabus, as they are equally examinable.
- Time management is a key to passing the examination. Candidates are encouraged to allocate time to every question based on the mark or weight of the question. For example, a 10-mark question requires 18 minutes of response time. Often, candidates spend too much time on financial reporting questions at the expense of other equally important questions.
- Those exempted from all subjects in level two except this paper (particularly the MBA Exempt candidates) should resist the temptation of under-rating it. The paper required current knowledge and practical appreciation of public sector financial management issues. They are encouraged to prepare well irrespective of their previous qualifications.