MARCH 2024 PROFESSIONAL EXAMINATIONS
PUBLIC SECTOR ACCOUNTING & FINANCE (PAPER 2.5)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

GENERAL COMMENTS

The question paper comprises five well-crafted questions that accurately represent the weight allocation outlined in the syllabus. Moreover, it offers extensive coverage, nearly encompassing the entirety of the examination syllabus. Each question's requirements were explicitly outlined, with corresponding marks clearly indicated. The allotted time for the paper is suitable and aligns with the complexity of the questions. However, candidate responses were notably lacking, particularly for questions that were highly familiar. There has been a noticeable decline in student performance compared to previous results. The average pass rate for the March diet is 21.4%.

STANDARD OF THE QUESTIONS

Aligned with the approved examination syllabus, the paper comprised five questions, all of which candidates were required to attempt, each carrying equal weight. To ensure broad coverage of the syllabus, each main question was subdivided into sub-questions and further into sub-sub-questions. The paper featured a total of five questions, thirteen sub-questions, and fifteen sub-sub-questions, providing comprehensive coverage of approximately 100% of the syllabus content. In terms of cognitive level, the questions aligned with Bloom's Taxonomy, specifically focusing on application and analysis, in line with the learning outcomes outlined in the syllabus. Overall, the questions were formulated to be clear, precise, and devoid of ambiguity or errors. The allotted time for the paper was deemed appropriate for the complexity of the tasks. The paper's standard was found to be consistent with previous years. However, there is an encouragement for examiners to continually explore innovative approaches to crafting questions that are engaging and relevant to candidates' real-world experiences. Using straightforward language and expressions in constructing test items is recommended. Examiners are also advised to minimise the excessive quoting of financial management laws in questions, as this could introduce unnecessary legal complexity. Instead, the focus should be on assessing candidates' general understanding and application of relevant public financial management legislations.

PERFORMANCE OF CANDIDATES

Overall, the performance of candidates in this examination session has seen a significant decline, despite the familiarity of many of the questions which have been recurrent over the years. In fact, collectively, the familiar questions accounted for approximately 52% of the paper, raising questions as to why candidates did not excel in the examination. One plausible explanation could be attributed to the ill-preparation of the candidates, as those who were familiar with past questions since November 2019 should have performed better.

However, it is worth noting that some candidates performed admirably well, producing excellent and intriguing responses. This underscores the notion that candidates who are well-prepared are more likely to succeed in the Institute's examinations and that an ill-prepared candidate can never escape the gate-keeping mechanisms of the Institute.

Notable Strengths & Weaknesses of Candidates

Several general weaknesses among candidates have been consistently observed in their responses over time:

- **Inconsistency with Question Requirements**: Candidates often fail to provide responses that align with the specific requirements of the questions. While some responses may address the subject matter, they do not directly answer the question posed. However, in the current examination session, there has been a significant reduction in such cases, leading to improved performance among candidates.

- **Limited Coverage of Syllabus**: Some candidates exhibit a narrow focus on certain topics, such as the preparation of financial statements, neglecting other areas covered in the syllabus. Consequently, they may struggle to attempt all questions in the examination, reducing their chances of success. Notably, candidates who start well in the first few questions may experience a decline in performance as they progress through the paper.

- **Poor Time Management**: Several candidates struggle with time management during examinations, spending excessive time on certain questions, often those related to financial statement preparation. As a result, they may not complete the paper within the allocated time frame.

- **Disorganised Responses**: Some candidates fail to communicate their ideas effectively and organise their responses professionally. This includes mixing up sub-questions in their presentation, making it challenging for examiners to follow their responses. Candidates are reminded to adhere strictly to instructions provided in the answer booklets and present their responses in a clear and organised manner.

- **Lack of Knowledge**: There are instances where candidates appear to have little to no preparation for the examination, resulting in responses that demonstrate a complete lack of understanding of the subject matter. However, given the rigorous nature of the examination process conducted by ICAG, such candidates are unlikely to pass. Prospective candidates are advised to avoid entering the examination unprepared as it is unlikely to yield positive outcomes.

QUESTION ONE

a) Changing from cash accounting to accrual accounting is necessary to improve financial reporting and transparency in the public sector. However, it is not going to be without systemic and structural challenges.

Required:

In relation to the above statement:

i) Explain **FIVE (5)** challenges involved in adopting Accrual Basis Accounting. **(5 marks)**

ii) Explain **FIVE (5)** measures Ghana can put in place to successfully implement Accrual Basis Accounting. **(5 marks)**

b) Measurement of assets is a very important aspect of financial reporting. Preparers of financial statements should always consider the objective of measurement to ensure that the financial statements provide information that is useful to users for accountability and decision-making purposes.

Required:

i) Explain the objectives of measurement in financial reporting of public sector entities. **(4 marks)**

ii) Explain **FOUR (4)** bases of measurement of assets and provide in each situation where it is applied in financial reporting. **(6 marks)**

(Total: 20 marks)

QUESTION TWO

The following Trial Balance was extracted from the records of Department of Social Integration, a central government department, for the year ended 31 December 2023.

	GH¢'000	**GH¢'000**
	Debit	Credit
Established post salaries (iii)	4,000	
Non-established post salaries	1,500	
Car maintenance allowance	800	
Travel allowance	1,100	
Travel and transport	560	
Repairs and maintenance	340	
Training, Seminar and Conferences	660	
Local Consultancy	890	
General cleaning	125	
Printing materials and Stationery (ii)	800	
Utilities	650	
Utility allowance	200	
Cost of living allowance	1,800	
Pension and Gratuity	400	
SSF Contribution (13%)	120	
Rounding	100	
Rent (iv)	300	1,850
Bank charges	10	
Special audit fees	45	
Motor Vehicles (Cost and Depreciation) (v)	84,000	25,000
Furniture (Cost and Depreciation) (v)	42,000	16,000
Computers (Cost and Depreciation) (v & vi)	14,000	4,000
Premises (Cost and Depreciation) (v)	120,400	22,000
Receivables	3,000	
Inventory	860	
Fixed deposit	1,000	
Payables		6,400
Cash and Cash equivalent	10,000	
Donor support		1,200
Tender Security		900
Accumulated Fund		200,210
Compensation for employees		7,000
Use of Goods and Services (vi)		5,600
Capital expenditure		4,500
Other expenses	5,000	
	294,660	**294,660**

Additional Information:

i) The Department prepares its financial statements in compliance with the International Public Sector Accounting Standards, the Public Financial Management Act 2016, Act 921 and the Chart of Accounts of Government of Ghana.

ii) Included in printing materials and stationery is a closing inventory valued at cost of GH¢380,000. The estimated net realisable value and replacement cost of the inventory are GH¢320,000 and GH¢330,000 respectively. The printing is not for commercial purpose.

iii) In June 2023, the government conducted a massive recruitment into the civil services, of which 20 employees were posted to the Department. However, they have not been paid salaries for the period. The amount owed to these employees is GH¢2,500,000 and this should be reflected in the financial statement of the period.

iv) The Department currently pays rent for two of its Regional Offices and at the end of the year rent of GH¢200,000 was outstanding. Further, the Department also rented part of its premises at the Headquarters. At the end of the financial year, an amount of GH¢150,000 was received to cover 2024 rent. Meanwhile, GH¢20,000 rent has not been received from tenants for the year 2023. These transactions have not been accounted for.

v) Consumption (Depreciation) of fixed assets is charged on straight-line basis as follows:

Assets	**Estimated useful life (in years)**
Motor vehicle	5
Furniture	4
Computers	3
Premises	20

vi) It was revealed that, computer accessories costing GH¢340,000 acquired in 2022 was accounted for as goods and services. However, the Auditor for the 2023 financial year recommended that the transaction should be accounted for as non-current asset. The recommendation is yet to be implemented.

vii) The budget extract of the Department for 2023 is as follows:

	GH¢'000
Approved budget allocation	20,000
Internally generated fund	3,000
Donor support	1,000
Compensation for employees	10,000
Use of Goods and Services	6,000
Other expenses	5,500

Required:

Prepare in compliance with the International Public Sector Accounting Standards, the Public Financial Management Act 2016 and the Chart of Accounts of Ghana:

a) A Statement of Financial Performance for the year ended 31 December, 2023. **(8 marks)**

b) A Statement of Financial Position as at 31 December, 2023. **(8 marks)**

c) A Separate Statement of Budget Information in comparison with the Actuals for the year ended 31 December, 2023. **(4 marks)**

(Total: 20 marks)

QUESTION THREE

a) The Public Financial Management Regulation, LI 2378 defines Public Financial Management (PFM) as laws, rules, systems, and processes used by the Government to mobilise revenue, allocate public funds, undertake public spending, account for funds and audit results. In 2001, a group of development partners initiated the Public Expenditure and Financial Accountability (PEFA) framework to assess the status of public financial management at central and local government levels of government. Since then, Ghana has subjected herself to the periodic assessment in attempt to improve the country's PFM system.

Required:
In relation to the statement above:

i) Discuss **FOUR (4)** benefits the use of PEFA framework can bring to a country. **(6 marks)**

ii) Explain **FOUR (4)** sources of information for PEFA assessment. **(4 marks)**

b) Budget Performance Report is one of the major accountability provisions under the Public Financial Management laws. Regulation 215(2) of the Public Financial Management Regulation, 2019, LI 2378 provides that each Principal Account Holder shall not later than 31 March of the ensuing year submit an annual budget performance report to parliament. The following is an extract from the GIFMIS platform representing Government of Ghana funding for Ministry of Sanitation for the year 2023.

Budget Item	**Annual Appropriation Amount GH¢'000**	**Year to Date (YTD) Warrant GH¢'000**	**Year to Date (YTD) Payments GH¢'000**
Compensation of Employee	25,500	18,280	17,450
Goods and Services	5,000	3,450	3,400
Capital Expenditure	8,780	1,220	550
Total	**39,280**	**22,950**	**21,400**

Required:

i) Explain the meaning of ***Annual Appropriation*** and ***YTD Warrant*** to the Principal Account Holder of the ministry. **(2 marks)**

ii) Enumerate **TWO (2)** issues that should be specified in the Annual Budget Performance Report to be submitted by the Principal Account Holder according to the Regulations 215 of LI 2378. **(2 marks)**

iii) Prepare a Statement of Budget Performance Report for the year 2023 showing the budget-warrant outturns and warrant utilisation rates. **(3 marks)**

iv) Interpret the budget performance statement in (iii) above to facilitate the Minister's upcoming meeting with the select committee of parliament as required under the law. **(3 marks)**

(Total: 20 marks)

QUESTION FOUR

a) In a recent Auditor General's Report to Parliament, several Ministries Departments and Agencies were cited for various financial management irregularities. Included in the report was Stores and Procurement irregularities covering the following:

i) Uncompetitive Tendering

ii) Unplanned Procurement

iii) Contract splitting

Required:

Explain the above irregularities in the context of the Public Procurement Amendment Act, 2016 (Act 914). **(6 marks)**

b) Under the procurement laws of Ghana, a procurement entity may for specific and justifiable reasons, cancel the procurement proceedings before the expiry of the deadline for the submission of the tenders.

Required:

Outline **FOUR (4)** conditions under which a procurement entity may activate this provision under the Public Procurement Amendment Act, 2016 (Act 914). **(4 marks)**

c) University of Communication is a Public University in Ghana. The University has student population of about Forty Thousand (40,000). The University is located in a very populous environment and the community lacks a modern Hospital that could provide good health care for the students and the community at large. Due to financial constraints, the University can currently boast of only one clinic that barely serves the full health needs of the students. The University intends to use the Public Private Partnership (PPP) arrangement to construct an ultra-modern hospital in the University to provide the full health care of the University community.

In addition to internally generated fund from the operations of the new hospital, it will also serve as a practical learning centre for the University. In this regard, the University has been approached by Trust Investors Ltd, a private company who intends to construct the ultra-modern hospital in the University to serve these purposes using Build Operate and Transfer (BOT) arrangement. Negotiations are just at the preliminary stage and you have been contracted as the consultant to assist the parties to enter into a successful PPP arrangement. The parties are eager to know the inherent risks they are exposed to under such arrangement.

Required:

Write a report to the parties, outlining **THREE (3)** risks each that the two parties are exposed to. **(10 marks)**

(Total: 20 marks)

QUESTION FIVE

a) The Principal Account Holders and Principal Spending Officers are responsible for effective financial management of the covered entities. The Public Financial Management Act, 2016 (Act 921) has assigned specific responsibilities to both officers. However, the ability to work together will bring out greater results.

Required:

i) In the context of Public Financial Management, explain, with examples, the difference between a Principal Account Holder and Principal Spending Officer of a covered entity. **(2 marks)**

ii) Explain **FIVE (5)** responsibilities of the Principal Spending Officers of a covered entity under the PFM Act 2016. **(10 marks)**

b) The 1992 Constitution of Republic of Ghana is the supreme framework for public financial management in Ghana. To protect the public purse, the Constitution makes provision on authorising withdrawal from public funds.

Required:

In relation to public financial management, discuss **THREE (3)** ways of authorising withdrawal from the public funds under the 1992 Constitution. **(3 marks)**

c) In an ideal world, every financial information should be captured in the financial statements to ensure completeness. However, in practice, there exist certain constraints on information included in the general-purpose financial reports.

Required:

Discuss **TWO (2)** pervasive constraints on the information included in the financial statements. **(5 marks)**

(Total: 20 marks)

QUESTION ONE

a) **Challenges associated with implementing accrual accounting in the public sector include:**

- **Transition Period:** Shifting from cash-basis to accrual accounting requires a significant transition period, during which existing systems, processes, and staff skills need to be upgraded and adapted.
- **Complexity:** Accrual accounting is often more complex than cash-basis accounting, requiring a deeper understanding of financial principles and practices. This complexity can pose challenges for governments and public sector entities with limited resources and expertise.
- **Data Availability and Quality:** Accrual accounting relies on timely and accurate data on assets, liabilities, revenues, and expenses. Ensuring the availability and quality of such data can be challenging, particularly in countries with limited information systems and data management capacities.
- **Costs:** Implementing accrual accounting can be costly, requiring investments in training, IT systems, and staff capacity-building. Governments may face budgetary constraints and competing priorities when allocating resources for accounting reforms.
- **Cultural and Organisational Change:** Adopting accrual accounting often necessitates cultural and organisational change within government entities. Staff may need to develop new skills, attitudes, and behaviours to comply with accrual accounting principles, which can meet resistance and require strong leadership and change management strategies.
- **Legal and Regulatory Frameworks:** Accrual accounting may require changes to existing legal and regulatory frameworks governing public sector financial management. Governments may need to revise laws, regulations, and policies to align with accrual accounting requirements, which can be a complex and time-consuming process.
- **Capacity Building and Training:** Implementing accrual accounting requires comprehensive training and capacity-building initiatives for accounting professionals, finance staff, and other stakeholders. Governments may face challenges in providing sufficient training and support to ensure that staff understand and comply with accrual accounting principles.
- **Public Sector Specificities:** Accrual accounting standards may not always be tailored to the unique characteristics and needs of the public sector. Governments may need to adapt and customize accounting practices to address specific challenges, such as budgetary constraints, multiple funding sources, and public service delivery obligations.
- **Monitoring and Compliance:** Ensuring ongoing compliance with accrual accounting standards requires robust monitoring, oversight, and quality assurance mechanisms. Governments may face challenges in monitoring compliance, identifying areas for improvement, and addressing deficiencies in financial reporting practices.

(5 points @ 1 mark each = 5 marks)

i) **Measures to implement Accrual Accounting successfully:**

- Support and political will of government: Key decision makers including the presidency, cabinet, parliamentary select committee on finance need to support such an agenda.
- Support from regulatory bodies: The Institute of Chartered Accountants, Ghana (ICAG) and the Controller and Accountant General's Department (CAGD) are the main regulatory bodies to ensure the successful implementation of the Accrual Accounting in Ghana. The ICAG will support in the training of staff of institutions on Accrual Accounting and the CAGD will ensure government agencies are applying the rules of Accrual Accounting in their financial activities.
- Recruitment and Training of qualified staff: Some public-sector entities have low capacity in financial management and training. There is a need to recruit and train qualified accountants and intensify training of personnel. There should be a well-structured program for all the donor communities on the key issues and requirements of Accrual Accounting.
- Learning from other countries that have successfully implemented the Accrual Accounting basis like Switzerland and South Africa. Since they have succeeded in this light, then it will be easy for Ghana to learn from their experience and achievements.
- Strict enforcement of laws i.e., Public Financial Management Act, Public Financial Management Regulations and IPSAS through monitoring, evaluation and sanctions.
- Institutions need structural changes to do away with their Modified Accrual Basis of Accounting to effectively and efficiently implement the full Accrual Accounting Basis, such the as the full implementation of GIFMIS.
- Development of needs assessment and implementation plan will help to systematically implement the accrual basis of accounting.

(5 points @ 1 mark each = 5 marks)

b)

i) Objective of measurement is to select those measurement bases that most fairly reflect the **cost of services, operational capacity** and **financial capacity** of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.

The selection of a measurement basis for assets contributes to meeting the objectives of financial reporting in the public sector by providing information that enables users to assess:

- **Cost of Service:** The cost of services provided in the period in historical or current terms;
- **Operational capacity:** The capacity of the entity to support the provision of services in future periods through physical and other resources; and
- **Financial capacity:** The capacity of the entity to fund its activities.

(4 marks)

ii) The available measurement bases are:

- Historical cost;
- Market value;
- Replacement cost;
- Net selling price; and
- Value in use.

Historical Cost: Historical cost for an asset is the consideration given to acquire or develop an asset, which is the cash or cash equivalents or the value of the other consideration given, at the time of its acquisition or development. Historical cost is an entry, entity-specific value. Under the historical cost model assets are initially reported at the cost incurred on their acquisition. Subsequent to initial recognition, this cost may be allocated as an expense to reporting periods in the form of depreciation or amortization for certain assets, as the service potential or ability to generate economic benefits provided by such assets are consumed over their useful lives. Further, under the historical cost model the amount of an asset may be reduced by recognizing impairments. After initial recognition, the measurement of an asset is not changed to reflect changes in prices or increases in the value of the asset.
Example of practical use- measurement of motor vehicle acquired using the historical cost

Market Value: Market value for assets is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In principle, market values provide useful information because they fairly reflect the value of the asset to the entity. The extent to which market value meets the objectives of financial reporting and the information needs of users partially depends on the quality of the market evidence. Market evidence, in turn, depends upon the characteristics of the market in which the asset is traded. Market value is particularly appropriate where it is judged that the difference between entry and exit values is unlikely to be significant or the asset is being held with a view to sell. Market Values determined in an open, active and orderly markets is much useful than a market that lacks these characteristics.
Example of practical use- Machinery donated to an entity will be measured at market value.

Replacement Cost: Replacement cost is the most economic cost required for the entity to replace the service potential of an asset (including the amount that the entity will receive from its disposal at the end of its useful life) at the reporting date. Replacement cost is the cost of replacing an asset's service potential.
Example of practical use is valuation of inventory that is not for sale, where we use lower of cost and replacement cost.

Net Selling Price: Net selling price is the amount that the entity can obtain from sale of the asset, after deducting the costs of sale. Net selling price differs from market value in that it does not require an open, active and orderly market or the estimation of a price in such a market and that it includes the entity's costs of sale. Net selling price therefore reflects constraints on sale. It is entity-specific. The

potential usefulness of measuring assets at net selling price is that an asset cannot be worth less to the entity than the amount it could obtain on sale of the asset. However, it is not appropriate as a measurement basis if the entity is able to use its resources more efficiently by employing the asset in another way, for example by using it in the delivery of services. Net selling price is therefore useful where the most resource-efficient course available to the entity is to sell the asset.
Example of practical use is measure of inventory for sale, which is lower of cost and net realisable value.

Value in Use: Value in use is the present value to the entity of the asset's remaining service potential or ability to generate economic benefits if it continues to be used, and of the net amount that the entity will receive from its disposal at the end of its useful life. Value in Use is suitable when:

- it is less than replacement cost and greater than net selling price. This occurs where an asset is not worth replacing, but the value of its service potential or ability to generate economic benefits is greater than its net selling price.
- assessing certain impairments, because it is used in the determination of the recoverable amount for an asset or group of assets.

Example of practical use- lease payments we use the present values. Same applies to measurement of financial instruments.

(Any 4 points @ 1.5 mark each = 6 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The question consisted of two subsections, each carrying 10 marks. Section (a) delved into the challenges associated with adopting accrual accounting in the public sector and the strategies for successful implementation. While the question may have appeared familiar, it presented a fresh perspective to prompt candidates to provide novel responses. Previous questions had focused on the transition from cash basis to accrual basis accounting, as well as the weaknesses of accrual basis compared to cash accounting. The commendable quality of the question lies in its ability to challenge candidates to think critically and provide innovative solutions based on their practical understanding of the issues.

In Section (b), candidates were assessed on their comprehension of measurement in public sector accounting and the objectives of such endeavours. This question, while familiar, introduced a twist and a fresh perspective, which rewarded candidates who had thoroughly prepared for the exam. Additionally, the second sub-section required candidates to explain four bases of measurement of assets, highlighting their practical implications for financial reporting. This aspect of the question added depth by testing candidates' ability to apply theoretical knowledge to real-world scenarios, making it both insightful and practical—a commendable approach.

QUESTION TWO

Department of Social Integration

a) **Statement of Financial Performance for the year ended 31 December, 2023**

	GH¢'000	GH¢'000
Revenue		
Receipts from Government		17,100
Internally generated fund		1720
Donation		1,200
		20,020
Expenses		
Compensation for employees	12,520	
Goods and Services	5110	
Consumption of fixed capital	38100	
Other expenses	5,000	60,730
Net Deficit		(40,710)

(marks are evenly spread using ticks = 8 marks)

b)

Department of Social Integration
Statement of Financial Position as at 31 December, 2023

Non-current Assets	GH¢'000	GH¢'000
Property, Plant and Equipment		155,527
Current Asset		
Inventory	330	
Receivable	3,020	
Fixed Deposit	1000	
Cash and Cash equivalent	10,000	14,350
		169,877
Liabilities and Fund		
Payable	9,100	
Tender security	900	
Rent advanced	150	10,150
Accumulated Fund		159,727
		169,877

Department of Social Integration

c) **Statement of Budget Information in Comparison with the Actual for the year Ended December 31, 2023**

	Budget	Actual	Variance	Variance
Revenues	**GH¢'000**	**GH¢'000**	**GH¢'000**	**%**
Receipts from Government	20,000	17,100	2,900	86
Internally Generated Fund	3,000	1720	1,280	57
Donation	1,000	1,200	-200	120
	24,000	20,020	3,980	83
Expenses				
Compensation of employees	10,000	12,520	-2,520	125
Goods and Services	6,000	5110	890	85
Other expenses	5,500	5,000	500	91
	21,500	22,630	-1,130	105
Surplus/deficit	2,500	-2,610	5,110	-104

Workings:

	GH¢
Receipt from Government	
Compensation for employees	7,000
Use of goods and services	5,600
Capital expenditures	4,500
	17,100

Compensation for employees	
Established post salaries	4,000
Salaries outstanding	2,500
Non-established post	1,500
Car maintenance allowance	800
Travel allowance	1,100
Cost of living allowance	1,800
Pensions and gratuity	400
SSF contribution	120
Rounding[1]	100
Utility allowance	200
	12,520

[1] Rounding could also be classified as part of goods and services since no further description was given to the item in the question.

Goods and services

Travel and transport		560
Repairs and maintenance		340
Training, seminars and conferences		660
Local consultancy		890
General cleaning		125
Printing materials:		
Opening inventory	860	
Purchases	800	
Closing inventory	-330	1,330
Utilities		650
Rent		300
Rent accrued		200
Bank charges		10
Special audit fees		45
		5,110

Internally Generated Fund

Trial balance	1850
Receivable	20
Advance	-150
	1,720

Receivable

Per Trail Balance	3,000
Rent Receivable	20
	3,020

Payable

Trial Balance	6,400
Salaries accrued	2,500
Rent payable	200
	9,100

Non-current Asset Schedule

	Motor vehicle	Furniture	Computers	Premises	Total
Cost					
Balance b/d	84,000	42,000	14,000	120,400	260,400
Adjustment	0	0	340	0	340
	84,000	**42,000**	**14,340**	**120,400**	**260,740**
Depreciation					0
Balance b/d	25,000	16,000	4,000	22,000	67,000
Adjustment			113		113
Charge for the year	16800	10500	4,780	6,020	38,100
	41,800	**26,500**	**8,893**	**28,020**	**105,213**
Carrying amount	**42,200**	**15,500**	**5,447**	**92,380**	**155,527**

Statement of Changes in Net Asset for the year ended 31 Dec 2023

	GH¢'000
Accumulated fund balance as at 31 Dec 2022	200,210
Prior year adjustment	227
	200,437
Deficit for the year	(40,710)
	159,727

Mark allocation: 100 correct ticks @0.2 marks each = 20 marks

EXAMINER'S COMMENTS

The question focused on the preparation and presentation of financial statements for a central government department, marking its debut appearance in the examinations. Candidates were provided with a Trial Balance containing 35 items, alongside five additional pieces of information to be adjusted when preparing the Statement of Financial Performance, Statement of Financial Position, and Separate Statement of Budget Information for comparison with actual performance. The items included in the Trial Balance were familiar to candidates, while the adjustments required under the additional information were straightforward, clear, and reflective of typical situations encountered in Ghanaian public sector departments. The examiner's skill in seamlessly integrating principles, standards, and practical application was commendable, providing candidates with a comprehensive and realistic assessment scenario.

QUESTION THREE

a)

i) **Benefits of PEFA framework to countries**

- A**ssessment of Public Financial Management (PFM) Performance**: The PEFA framework provides a standardized methodology for assessing the performance of a country's public financial management system. By conducting PEFA assessments, countries can identify strengths and weaknesses in their PFM systems, enabling them to prioritize reforms and improve accountability and transparency.
- **Basis for Reform Planning and Prioritization**: PEFA assessments serve as a diagnostic tool for governments, helping them identify areas for improvement in their PFM systems. Based on the findings of the assessment, countries can develop action plans and prioritize reforms to address deficiencies and strengthen financial management practices.
- **Monitoring and Evaluation of Reform Progress**: The PEFA framework allows countries to monitor and evaluate the progress of PFM reforms over time. By conducting periodic PEFA assessments, governments can track improvements in PFM performance, measure the effectiveness of reform initiatives, and adjust strategies as needed to achieve desired outcomes.
- **Enhanced Donor Coordination and Support**: PEFA assessments provide a common language and set of benchmarks for donors, governments, and other stakeholders involved in supporting PFM reforms. By aligning donor assistance with the findings of PEFA assessments, countries can ensure that reform efforts are coordinated, targeted, and effectively implemented.
- **Promotion of Transparency and Accountability**: The PEFA framework promotes transparency and accountability in public financial management by providing a systematic approach for assessing the integrity, reliability, and timeliness of fiscal information. By enhancing the credibility of financial reporting, PEFA assessments contribute to greater trust and confidence in government institutions.
- **Capacity Building and Institutional Strengthening**: Through the process of conducting PEFA assessments and implementing reforms, countries can build the capacity of government institutions and officials involved in financial management. By strengthening institutional capacity, countries can improve their ability to manage public resources efficiently and effectively.
- **International Benchmarking and Comparison**: PEFA assessments allow countries to benchmark their PFM performance against international standards and best practices. By comparing performance indicators with peer countries, governments can identify areas of relative strength and weakness, learn from successful experiences, and adopt innovative approaches to PFM reform.

(Any 4 points @ 1.5 marks each = 6 marks)

ii) **Sources of information for PEFA assessment.**
Information for PEFA assessment is sourced from various official document such as:

- Legislation
- Government policy papers
- Budget documents
- Reports and statistics
- Recent surveys
- Analytical work at national, regional or international levels
- Interview of key stakeholders

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

b)
i) **Annual Appropriation** is the approved or authorized fiscal year budget permitted for withdrawal out of the Consolidated fund or any other public fund for a covered entity. This amount is what is loaded on the GIFMIS platform for the ministry as approved annual budget.

YTD Warrant is the amount authorized by the finance minister for release out of an appropriation to a covered entity to enable commitment or expenditure/withdrawals to be made from the Consolidated Fund. This is the available amount for a covered entity to spend out of the approved budget/appropriation.

(1 mark each = 2 marks)

ii) Issues that should be specified in the Annual Budget Performance Report to be submitted by the Principal Account Holder according to the Regulations:

- The achievements of the covered entity
- The annual work plan of the covered entity
- Staff establishment
- Actions taken to implement the recommendation of Parliament in the most recent audit report of the Auditor General
- The major investment to be implemented for more than one year:
    - ✓ Including multi-year investments and
    - ✓ Total cost within the medium term

(Any 2 points @ 1 mark each = 2 marks)

iii) **Statement of Budget Perfromance for the Year 2022**

Budget Item	Annual Appropr iation	YTD Warrant	YTD Payments	Budget-Warrant Outturn		Warrant Burn Rate
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	%	%
Compensation of Employees	25,500	18,280	17,450	**7,220**	**28.31**	**95**
Goods and Services	5,000	3,450	3,400	**1,550**	**31.00**	**99**
Capital Expenditure	8,780	1,220	550	**7,560**	**86.10**	**45**
Total	**39,280**	**22,950**	**21,400**	**16,330**	**41.57**	**93.25**

(marks are evenly spread using ticks = 3 marks)

iv) **Budget-Warrant Outturn:** The statement above shows a little above average overall budget performance with regards to government releases to the ministry. A total of 41.57% of the ministry budget was not released by government. This largely would affect the achievement of the ministry program of work especially in capital expenditure which saw only 13.9% of the approved budget released. Similarly, the service delivery of the ministry would have been affected by non-release of a whopping 31% approved budget. That of Compensation of Employees budget was not different as 28.31% of the appropriated budget was not released. This difference could be relating to allowances which might not be mechanized but dependent on certain happening like overtime.

Warrant Burn Rate
Despite the low budget warrant outturn, the ministry was able to utilize 93.25% of the total warrant released with Good and services recoding almost 100% utilization. This could be described at very good burn rate. However, the warrant for capital expenditure was significantly under utlilised as only 45% of the amount released was used by the ministry. This could be due to multiple reasons including non-submission of due bills by contractors/suppliers as result of delay in contract executions among others.

(1.5 marks for each discussion = 3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS
This question also comprised two sections, each worth 10 marks. In Section (a), candidates were tasked with demonstrating their understanding of the benefits and sources of information for PEFA assessment. While this topic is familiar in examinations, candidates were required to contextualise their responses to meet country-specific needs. The questions were straightforward and concise, maintaining an acceptable standard.

Section (b) delved into the discussion and analysis of financial statements for a covered entity, using budget performance reporting. Candidates were asked to delineate the differences between the annual appropriation and year to date warrant in the public sector. Additionally, they were tasked with preparing and interpreting a budget performance report for a covered entity. This question shed light on the practical application of budget performance analysis in the public sector, emphasising candidates' comprehension of the insights derived from such exercises. Overall, the requirements of the questions were clearly outlined, and the standard of the question was deemed acceptable.

QUESTION FOUR

a)

i) **Uncompetitive Tendering:** The Public Procurement Act requires that a Procurement Entity shall procure goods, services or works by competitive tendering except where competitive tendering is not appropriate. A competitive procurement is that which provide the platform for alternative tenders to be obtained from interested suppliers with the objective of obtaining value for money. It includes international competitive tendering, national competitive tendering, request for quotation and restricted tendering. If the procurement entity uses any method of procurement other than competitive tendering, that is referred to as uncompetitive procurement. The Act, however, allow such uncompetitive procurements if it qualifies under the provisions under the Act, e.g Sole Sourcing Procurement.

ii) **Unplanned Procurement:** The Public Procurement Act, 2003, Act 663 states that a procurement entity shall prepare a procurement plan to support its approved programme and the plan shall indicate (a) contract packages descriptions or lots, (b) estimated cost for each package, (c) the procurement method approvals needed, and (d) processing steps and times. This plan is reviewed and approved by the Entity Tender Committee after which it is documented and forwarded to board as the annual procurement plan. All procurement of an entity in any fiscal year therefore must be in line with the Annual Procurement Plan. Any procurement outside the plan is described as unplanned procurement and could be said to be outside the approved programme of the entity.

iii) **Contract splitting:** Contract splitting refers to a condition where a procurement entity divides a procurement order into parts or lower the value of a procurement order to avoid the application of the procedures for public procurement in the Act. This is usually undertaken by procurement entities at the convenience of the use of request for quotation procurement method which is said to be more subjective compared to the other competitive tendering methods.

(2 marks each = 6 marks)

b) A procurement entity under Section 28A (1) of the Public Procurement (Amendment) Act, 2016 (Act 914) may, for specific and fully justified reasons, cancel the procurement proceedings before the expiry of the deadline for the submission of the tenders where:

- The entity discovers an imperfection in the wording of the request for submission of tenders, which could mislead tenderers
- The procurement entity decides to carry out the work subject of the tender by itself
- There is a cut in the budget intended for performing the contract
- No bid has been submitted
- Exceptional circumstances or a force majeure render normal performance of the contract impossible
- The economic or technical data of the project has fundamentally changed

(1 mark each for any four points = 4 marks)

c) **Risks That Trust Investors's Ltd Are Exposed to:**

- **Construction Risk:** This encompasses the many issues that may be encountered during the construction phase of a project, such as cost overruns, building material defects, construction delays, planning regulation, structural integrity issues with existing infrastructure, technical deficiencies, health risk and worksite accidents.

- **Financing risk:** This describes the risk that the full funding required for the project will not be obtained or will be obtained at interest rates that would prevent the project from achieving its expected benefits. This might be due to the circumstances of the specific parties to the arrangement (for example, their credit status or debt limitations), or investor perceptions of the risk of a project. For example, Trust Investors's Ltd in accordance with this PPP contract obtains a US dollar denominated debt when the exchange rate was $ 1 to GH¢6. If the exchange rate deteriorates in the course of the period to $1 to GH¢10, who bears the exchange rate risk?

- **Demand Risk:** This risk relates to variability in the amount of service required or consumed by users of the Ultra-Modern Hospital. Users in this case is the University itself, third-party users such as people living in that community, or both. For instance, if the University enters into BOT arrangement with Trust Investors's Ltd to build an Ultra-Modern Hospital on the University land and receive the user fees within the contract period in the recoupment of the investment returns. In this contract, the demand risk associated in this type of investment model is that the Ultra-Modern Hospital is constructed and there could be low patronage of the hospital facility which could pose a problem in recovering the full investment and returns from investment by Trust Investors' Ltd giving the fact that this need to be done in a fixed period.

(3 points @ 1.5 marks each = 4. 5 marks)

Risks That University of Communication is Exposed to:

- **Operational and Maintenance risk:** This risk encompasses a broad range of risks that exist after the Ultra-Modern Hospital facility becomes operational. Examples include all specific risks that could pose a challenge to successfully operate and maintain the hospital facility to provide quality health delivery services to the community. These risks could include fees increases or shortages of materials, increases in labour costs, damage as a result of natural disasters, costs related to deferring maintenance, and be considered specific components of operational and maintenance risk.

- **Residual value risk:** This risk relates to the possible difference between the market price of the Ultra-Modern Hospital facility at the end of the PPP arrangement and the original market price expectation. For example, the Ultra-Modern Hospital facility after the 25 years' period is expected to have residual value of GH¢5 million but unfortunately the operator fails to maintain the hospital well in the last 10 years so the residual value at the time of transfer is GH¢ 1 million. Who bears the loss of GH¢4 million?

- **Availability risk:** This is the risk that the Trust Investors's Ltd will not have available resources to expand in order to accommodate the increase in demand of their services when the need arises better than University of Communication could have done.

(3 points @ 1.5 marks each = 4.5 marks)
Report writing features = 1 mark

(Total = 20 marks)

EXAMINER'S COMMENTS

The question primarily focused on procurement (sections a and b) and public-private partnerships (section c). In section (a), a novel approach was taken to examine candidates' understanding of procurement infractions reported in the Auditor General's Reports over the years. Candidates were tasked with explaining the implications of these infractions: uncompetitive tendering, unplanned procurement, and contract splitting. This practical application provided candidates with an opportunity to demonstrate their real-world understanding of procurement matters. The question was of impressive quality and offered valuable insights.

In section (b), a straightforward question was posed regarding the conditions necessary for the cancellation of procurement proceedings before their expiry. This question was well-structured and tested candidates' knowledge effectively.

Section (c) presented candidates with a case scenario involving a public-private partnership between a public university and a real estate investor. Candidates were required to identify the risks associated with the deal from the perspectives of both the grantor and the operator. This scenario-based question stimulated critical thinking and reflected a real-world public sector situation. It was both engaging and thought-provoking. Such question models are highly recommended for future exams of the Institute.

QUESTION FIVE

a)

i) **Difference between Principal Account Holder and Principal Spending Officer**

The ***Principal Account Holder (PAH)*** is the political head of the covered entity, who represents the political interest of the government. In the Ministry, for example, the PAH is the Minster who is appointed by the President to head the Ministry and report to the President.

On the other hand, ***the Principal Spending Officer (PSO)*** is the administrative or bureaucratic head of the covered entity and he or she is appointed by the Civil Service Commission. The role of the PSO is to implement the programmes and projects approved in the budget. For example, in the Ministry, The Chief Director, is regarded as the PSO whereas the Coordinating Directors are the PSOs of the Assemblies.

(2 marks)

ii) **Responsibilities of Principal Spending Officers**

- **Regularity and Propriety of Use:** It is the duty of the PSO to ensure that monies allocated to the entity are used in line with the budget ambit. The monies allocated should be used to achieve value for money and in strict compliance with the approved budget.
- **Authorisation of Commitment:** The PSO ensure that commitments authorised for the covered entity are within a ceiling set by the Minister of Finance.
- **Management of resources:** It is the responsibility of the PSOs to manage resources made available to the covered entity.
- **Effective system of risk management, internal controls and internal audit:** To ensure effective management of the covered entity, the PSO must establish and support an effective system of risk management, internal controls and internal audit within the entity.
- **Preparation and Submission of Financial Report:** The PSO ensure that financial statements of the entity are prepared and submitted in line with the Public Financial Management Act 2016 and the Regulations.
- **Budgetary Control:** PSO is responsible for monitoring and controlling the budget and submitting a budget performance report to the Minister of Finance through the respective sector Ministries.
- **Remittance:** Where the entity collects money on behalf of other covered entities, the PSO must ensure that remittance is made within the cash flow plans.
- **Compliance with public financial management laws:** PSO has the overall responsibility to ensure compliance with the provisions of the Public Financial Management Act 2016, Public Financial Management Regulation, 2019 and Public Procurement Act 2003 (as amended), among other financial laws.

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

b) **The withdrawal of discretional expenditure from the public funds should be authorised by:**

- **An Appropriation Act:** Withdrawal from public funds is permitted when budget is approved by a resolution of Parliament.
- **A supplementary budget approved:** Where Parliament approves a supplementary estimated laid before it, withdrawal can be made.
- **Request of Expenditure approved in advance of appropriation:** The Constitution also envisages a situation where a budget cannot come into force by 1st January and permits the President to make request for Parliament to allow spending prior to the approval of the budget. When such request is approved, it constitutes an appropriate authority to withdraw from the public funds.

(3 points @ 1 mark each = 3 marks)

c) **Constraints on Information Included in General Purpose Financial Reports**

- **Materiality:** Information is material if its omission or misstatement could influence the discharge of accountability by the entity or the decision that users make on the basis of information provided in the GPFR. Materiality depends on both the nature and amount of items judged in the particular circumstances. It is not possible to have a uniform quantitative threshold at which a particular type of information becomes material. Assessment of what is material should reflect: legislations, institutional and operational environment, preparer's knowledge and expectation about the future. In standard setting, materiality is considered in making standards application of accounting policy, basis of preparation and disclosure of a particular item or type of information. Reporting entities should also consider the materiality of application of a particular accounting policy and separate disclosure of items.

- **Cost-Benefit:** Financial reporting imposes costs. The benefits of financial reporting should justify those costs. Assessing whether the benefits of providing information justify the related costs is often a matter of judgment, because it is often not possible to identify and/or quantify all the costs and all the benefits of information included in GPFRs. The costs of providing information include:
    - ✓ the costs of collecting and processing the information,
    - ✓ the costs of verifying it and/or presenting the assumptions and methodologies that support it, and
    - ✓ the costs of disseminating it.

  On the other hand, the users also incur some cost. Users incur the costs of analysis and interpretation. Omission of useful information also imposes costs, including the costs that users incur to obtain needed information from other sources and the costs that result from making decisions using incomplete data provided by GPFRs. Benefits of financial reporting are also enormous, both the users and preparers benefit. Users reap the majority of benefits from the information provided by GPFRs. However, information prepared for GPFRs may also be used internally by management and result in better decision making by management.

  Application of the cost-benefit constraint involves assessing whether the benefits of reporting information are likely to justify the costs incurred to provide and use the information. When making this assessment, it is necessary to consider whether one or more qualitative characteristic might be sacrificed to some degree to reduce cost.

- **Balance Between the Qualitative Characteristics:** The qualitative characteristics work together to contribute to the usefulness of information. For example, neither a depiction that faithfully represents an irrelevant phenomenon, nor a depiction that unfaithfully represents a relevant phenomenon, results in useful information. Similarly, to be relevant, information must be timely and understandable. In some cases, a balancing or trade-off between qualitative characteristics may be necessary to achieve the objectives of financial reporting. The relative importance of the qualitative characteristics in each situation is a matter of professional judgment. The aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial reporting.

(Any 2 points @ 2.5 marks each = 5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

In three sub-sections, the question assessed candidates on various aspects of public financial management. Section (a) focused on the responsibilities associated with public financial management, while section (b) delved into the provisions of the 1992 Constitution regarding the withdrawal from public funds. Finally, section (c) addressed the pervasive constraints on information disclosure. All components of the question were articulated clearly and concisely, without ambiguity. The quality of the questions was deemed good, as they provided candidates with a clear understanding of what was expected of them in each section.

CONCLUSIONS AND RECOMMENDATIONS

The quality of the administered questions was highly commendable, with their practical nature being particularly noteworthy. Furthermore, the allocation of time for each question was explicit and appropriate for the task at hand. Additionally, the requirements of each question were clearly and concisely stated, thereby minimizing the likelihood of candidates misunderstanding the expectations. However, despite the quality of the questions, the performance of candidates witnessed a significant decline compared to previous examination sessions. The primary weaknesses observed among candidates include poor preparation for the examination and a tendency to exceed the scope of the questions in their responses. Furthermore, candidates struggled to bridge the gap between theoretical concepts and practical scenarios presented in the questions. This inability to connect theory to real-world situations hindered their overall performance.

RECOMMENDATIONS

Based on the observations, the following recommendations are proposed:

- **Ample Preparation**: Candidates should allocate sufficient time to prepare for the examination. Utilising tuition services such as Partners in Learning (PIL) and studying ICAG Study Texts and Question Banks are highly encouraged. Candidates should aim to dedicate at least 6 hours per week to studying the subject, in addition to attending lectures. This will enhance their knowledge and increase their chances of passing the paper.
- **Broad Coverage of Syllabus**: Candidates should avoid focusing excessively on specific topic areas, as the examination covers a wide range of subjects. It is essential for candidates to have a comprehensive understanding of all topics in the syllabus, as they are equally examinable.
- **Effective Time Management**: Time management is crucial for success in the examination. Candidates should allocate time to each question based on its mark or weight. For instance, a 10-mark question should be allotted 18 minutes for a response. Candidates often spend too much time on financial reporting questions at the expense of other equally important questions.
- **Avoid Underestimating the Paper**: Candidates who are exempted from all subjects in level two except this paper, particularly MBA and MSC Exempt Candidates, should refrain from underestimating its importance. The paper requires current knowledge and practical appreciation of public sector financial management issues. Therefore, candidates should prepare thoroughly regardless of their previous qualifications.