



REPUBLIC OF GHANA

Audit Recommendations Implementation and Follow-Up Instructions for Public Institutions



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By

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The Audit Recommendations Implementation and Follow-Up Instructions for Public Institutions is also available on the internet at: www.mofep.gov.gh

Acronyms and Abbreviations

AC	Audit Committee
AG	Auditor-General
CAGD	Controller and Accountant-General's Department
CHRAJ	Commission on Human Rights and Administrative Justice
EOCO	Economic and Organised Crime Office
GAS	Ghana Audit Service
GoG	Government of Ghana
IAA	Internal Audit Agency
IAD	Internal Audit Directorate
IAU	Internal Audit Unit
IIA	Institute of Internal Auditors
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IPPF	International Professional Practice Framework
ISSAI	International Standards of Supreme Audit Institutions
MoF	Ministry of Finance
NIB	National Investigation Bureau
OSP	Office of the Special Prosecutor
PAC	Public Accounts Committee of Parliament
PFM	Public Financial Management
PSO	Principal Spending Officer
SIRC	Status of Implementation Review Committee
SOE	State-Owned Enterprise

Definition of Key Terms

“Anti-Corruption Bodies” means independent institutions such as OSP, EOCO, CHRAJ, and NIB established to investigate corruption and corruption-related cases, enforce anti-corruption laws, and implement measures to prevent corrupt practices.

“Covered Entity” means covered entity as defined under section 102 of the Public Financial Management Act, 2016 (Act 921) that is: (a) the Executive, Legislature and Judiciary; (b) Constitutional Bodies; (c) Ministries, Departments Agencies, and Local Government Authorities; (d) the Public Service; (e) Autonomous Agencies; and (f) Statutory Bodies.

“Instructions” means this Audit Recommendations Implementation and Follow-Up Instructions for Public Institutions.

“Management” means the Principal Spending Officer or the head of a Public Institution and/or those charged with governance.

“Management Letter” means an initial report prepared and issued by the Auditor-General to Management, which communicates deficiencies and weaknesses in the system of internal controls. It also discusses findings, impacts, and recommendations for improvements in internal controls, identified during an audit.

“Minister” means the Minister as defined under section 102 of the Public Financial Management Act, 2016 (Act 921) that is: the Minister responsible for Finance.

“PFM laws” means the Public Financial Management Act, 2016 (Act 921) and its Regulations, Public Procurement Act, 2003 (Act 663) as amended and its Regulations, Internal Audit Agency Act, 2003 (Act 658) and its Regulations, and the Audit Service Act, 2000 (Act 584) and its Regulations.

“Public Institution” means a covered entity, a state-owned enterprise, or a public corporation as defined under section 102 of the Public Financial Management Act, 2016 (Act 921).

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“State-Owned Enterprises” means State Owned Enterprise as defined under section 102 of the Public Financial Management Act, 2016 (Act 921) that is: an entity whether incorporated or not under the Companies Act, 2019 (Act 992) whose shares are wholly or partially held or controlled by Government.

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Foreword

Effective accountability in the use of public resources is a basic ingredient of good governance and inclusive development. Effective Accountability generates the maximum outcome in the use of scarce resources. It is on this firm conviction that I am pleased to present these Instructions to guide public institutions and to provide procedural clarity in the follow-up on the implementation of audit recommendations issued by either the Internal Audit Units of public institutions or the Auditor-General.

These Instructions have been developed pursuant to section 5(1)(d) of the Public Financial Management (PFM) Act, 2016 (Act 921). Other statutory sources referenced in the development of these Instructions include, among others, the 1992 Constitution of the Republic of Ghana, the Public Financial Management (PFM) Act 2016 (Act 921), the Internal Audit Agency Act 2003 (Act 658) and its Regulations, and the Audit Service Act, 2000 (Act 584) and its Regulations.

Other non-statutory sources referenced include the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and the International Standards of Supreme Audit Institutions (ISSAIs).

These Instructions cover broad areas including legal, administrative, and policy frameworks for the implementation and follow-up on audit recommendations issued by Internal Audit Units of public institutions, the Auditor-General and Parliament.

These Instructions shall be supplemental to any other financial instructions issued by the Ministry of Finance (MoF) under the public financial management framework.

The development of these Instructions has come at a time as the country works through fiscal consolidation measures aimed at ensuring accelerated economic recovery and growth.

I would like to acknowledge the professionalism and commitment shown by the team from the Ministry of Finance and other stakeholder institutions, including, the Internal Audit Agency, and the Ghana Audit Service in the development of these Instructions.

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I would also like to express my appreciation to the World Bank for providing technical support in the development process.

I am confident that these Instructions will serve as a useful guide to public institutions and lead to strong improvements in the management and implementation of audit recommendations.

God bless!!!

A handwritten signature in blue ink, appearing to read 'Ken Ofori-Atta', with a stylized flourish at the end.

Ken Ofori-Atta

Minister for Finance

1. Introduction

1.1 Background and Context

The practice of auditing is a prerequisite for good corporate governance. Timely and effective audits support public institutions in ensuring that public resources are managed responsibly and efficiently. Auditing provides independent assurance and objective assessments of whether public resources are managed efficiently and effectively to ensure accountability, improve operations, and instil confidence among citizens and other stakeholders.

The functions of public sector auditors support the governance responsibilities of:

- i. **Oversight:** assess whether public institutions are performing their functions as expected and help in the detection and deterrence of corruption;
- ii. **Insight:** assist decision-makers by providing an independent assessment of public sector programs, policies, operations, and results; and
- iii. **Foresight:** identify trends, emerging risks and provide insights to Management on risk management practises that result in better outcomes in the management of public resources.

Both internal and external audits play major roles in ensuring effective Public Financial Management (PFM) by providing independent and objective assurance to stakeholders of public institutions in the administration and management of various government programs, projects, and public resources. The audit activities are reported to stakeholders through audit recommendations that form an important part of audit reports. Audit recommendations when implemented by Management improve PFM systems and ensures a robust internal control environment to strengthen accountability in the management of public resources. Effective audit follow-up also enhances auditors' motivation and contributes to improved quality of future audits.

However, the lack of timely and effective implementation of audit recommendations over the years has denied the country immense benefits associated with the implementation of audit recommendations. The lack of

clarity and sufficiency of legal and regulatory procedures surrounding the role of Audit Committees, Internal Auditors, Auditor-General (AG), the Minister, Covered Entities and State-Owned Enterprises and other actors in the audit follow-up process undermines the effective implementation of audit recommendations.

While the PFM laws provide clear mandates and prescribe the role of External and Internal Audit, Audit Committees, the Minister, and Parliament in the follow-up process, it is silent on how the relevant stakeholders could work together to ensure the timely resolution of the audit findings, through an effective tracking system, and dissemination of the audit follow-up data including the sanctions imposed on defaulting stakeholders.

Delays and ineffective implementation of audit recommendations have major consequences. Firstly, they leave internal control weaknesses unattended; secondly, ineffective implementation of audit recommendations undermines the importance of audit as a deterrence against future financial irregularities; finally, ineffective implementation of audit recommendations lower audit quality by undermining the motivation of auditors and weakens the audit process by limiting the focus of successive audits.

It is against this background that these Instructions have been issued on the powers of the Minister to guide public institutions and to provide procedural clarity in the follow-up on the implementation of audit recommendations contained in internal audit reports, internal monitoring reports, Auditor-General's Management Letter, and decisions of Parliament on the Auditor-General's report.

1.2 Objectives of these Instructions

1. The audit follow-up process involves a review and verification of Management actions to confirm that corrective actions recommended by the auditor have been adequately agreed upon and comprehensively implemented. It also includes the auditor assessing the effectiveness of the actions taken by Management because the follow-up actions do not only provide remedies for the respective audit issues but also ensure effective

prevention or mitigation of recurrence. The primary objectives of audit follow-ups are to:

- a. Determine the status of audit issues and recommendations to confirm Management's commitment to implementing recommendations already agreed upon during the audit process, or to come up with Management's commitments to solving those issues through the audit follow-up mechanisms.
 - b. Confirm the implementation of Management's commitments by verifying the remedial actions taken.
 - c. Analyze and disseminate audit follow-up information to stakeholders to improve the overall governance and accountability environment.
 - d. Ascertain the progress made by Management in implementing the recommendation and whether the recommendation is still relevant to the situation at hand.
 - e. Improve and internalize the culture of accountability in the management of public resources by public institutions.
2. These Instructions are to:
- a. standardize, improve, and clarify the audit follow-up process to all relevant stakeholders, by detailing the follow-up procedures, responsibilities, and actions of concerned parties, including; the Auditor-General (AG); Status of Implementation Review Committee (SIRC); Audit Committees; Internal Auditors; Ministry of Finance (MoF); Public Accounts Committee (PAC) of Parliament; and the Management of public institutions.
 - b. describe the required steps for audit follow-up from the submission of the final audit report to the implementation of audit recommendations.
 - c. provide a clear calendar of activities to be performed at each stage of the audit and accountability cycle.
 - d. outline the applicable sanctions for failure to comply based on existing legislations.
 - e. augment the existing provisions of various PFM laws and regulations in force.
 - f. bring procedural clarity on how:

- i. internal and external audit recommendations and recommendations of PAC on the reports of the Auditor-General are implemented.
- ii. Management/auditees' commitment to implement remedial actions is documented,
- iii. the actual implementation of those actions is tracked, and
- iv. the results of the follow-up process are disseminated to stakeholders.

1.3 Scope

1. These Instructions apply to audit follow-up procedures relating to audit findings and recommendations contained in internal and external audit reports, including Management letters and the recommendations of Parliament after its consideration of the Auditor-General's reports.

2. The audit follow-up procedures take into account, the audit processes after the issuance of an audit report and actions to be taken by the Auditee/Management, Auditors, AC, PAC, and SIRC on internal and external audit reports.

1.4 Application of these Instructions

1. These Instructions are issued for use by all public institutions in respect of follow-up on audit recommendations contained in internal and external audit reports including the recommendations of the Public Accounts Committee of Parliament after its consideration of the Auditor-General's reports.

2. These Instructions shall be read and applied together with all applicable PFM laws in respect of the implementation and follow-up of audit recommendations.

3. Effective date - The effective date for the application of these Instructions is the date of issuance by the Minister.

4. General enquiries and requests for clarification on matters regarding these Instructions shall be addressed to the Minister.

5. Where any procedure in these Instructions conflicts with the provisions of other PFM laws, the provisions of the PFM laws shall prevail. Where the procedures of these Instructions conflict with matters relating to audit follow-up in any other Instruction, the provisions of these Instructions shall prevail.

2. Legal and Regulatory Framework

1. The legal basis of these Instructions is the Public Financial Management Act, 2016 (Act 921) and its regulations.

2. The Instructions also take into consideration other legal and regulatory provisions on auditing and implementation of audit recommendations such as;

- a) the 1992 Constitution of the Republic of Ghana
- b) Internal Audit Agency Act, 2003 (Act 658)
- c) Audit Service Act 2000 (Act 584)
- d) Standing Orders of Parliament
- e) Guidelines for Effective Functioning of Audit Committees 2023
- f) International Professional Practice Framework
- g) International Standards of Supreme Audit Institutions

3. Categorisation of Audit Findings/Observations and Recommendations

1. Categorisation of audit findings/observations and recommendations are the most important building blocks for the audit follow-up process, data analysis, and dissemination. Categorisation of audit findings and recommendations ensures that the impact of the observations and recommendations on the operations of the public institutions are identified and assessed.

2. Audit findings/observations and recommendations are generally categorised as follows:

Table 1: Categorisation of Audit Findings/Observations

Category of Audit Finding/Observation	Definition/Interpretation
a. Cash Irregularities	Cash irregularities refer to all cash management and treasury-related audit findings/observations identified in the audit report. The infractions under this category include; un-acquitted payment vouchers (PVs), and payments made without appropriate and sufficient audit evidence among others.
b. Contract irregularities	This category involves infractions relating to contract management. This includes failure to enforce contract terms and undertaking unauthorized contracting among others.
c. Inaccurate Financial Reporting	This includes the preparation of financial reports not in line with the Public Financial Management Act, its regulations and IPSAS as adopted by the Controller and Accountant-General. It includes non-disclosure and improper reporting of material financial transactions, events, and balances among others.
d. Ineligible expenditure	An ineligible expenditure is an expenditure not in accordance with the public institution's approved budget, work plan, programme of work, financing agreement or applicable laws and regulations governing the activities of that institution.
e. Internal control weakness	These infractions bother on internal control not addressing the risk for which it was designed and ineffectiveness such as poor supervision, lack of segregation of duties, poor access controls, and lack of review and reconciliation of transactions among others.
f. Outstanding advances/receivables	This comprises unrecovered advances made by public institutions to their staff as well as overdue debts from other institutions. It also includes advances without bank guarantees given to contractors who have abandoned work, or advances with a bank guarantee for which the guarantee could not be enforced.

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Category of Audit Finding/Observation	Definition/Interpretation
g. Outstanding Loans	This comprises audit findings/observations related to overdue loans procured by public institutions. The infractions under this category include; overdue payments to suppliers among others.
h. Payroll Irregularities	This refers to irregularities in the payment of salaries or compensations to employees whether in active employment or retired.
i. Rent payment Irregularities	This refers to irregularities relating to the rental and management of properties in respect of the work of public institutions. It includes outstanding rent due from staff; non-deduction of rent from staff income among others.
j. Stores/Procurement irregularities	This refers to irregularities in the procurement and management of goods, works, services and stores. It includes sidestepping procurement procedures, use of inappropriate procurement methods, inappropriate custody of goods, and stores management irregularities among others.
k. Tax Irregularities	Tax irregularities refer to all tax-related audit findings/observations identified in the audit report. The infractions under this category include outstanding withholding taxes; failure to withhold taxes; failure to charge VAT on taxable supplies; application of wrong tax rates among others.

Table 2: Categorisation of Audit Recommendations

Category of Audit Recommendation	Definition/Interpretation
a. Administrative process improvement	These are recommendations relating to the request for administrative action or advice for process improvement
b. Fine/penalty imposed on public officers	These are recommendations relating to the payment of money or imprisonment as a punishment for an offence.
c. Improvement of internal controls	These are recommendations relating to the correction or enhancement of existing internal controls such as segregation of duties, improvement in supervision and authorisation among others.

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Category of Audit Recommendation	Definition/Interpretation
d. Improvement in disclosures and timeliness of financial reports	These are recommendations relating to proper financial reporting in compliance with the Public Financial Management Act, 2016 (Act 921) and its regulations, IPSAS and other standards adopted by CAGD.
e. Recovery of funds/assets	These are recommendations relating to the request for a person to return an asset or money as a refund or retrieval
f. Referral to Anti-Corruption Bodies	These are recommendations relating to corruption and corruption-related offences referred to the appropriate bodies such as OSP, EOCO, CHRAJ, and NIB among others
g. Sanctions against procedural lapses	These are recommendations relating to the application of sanctions or punishment.
h. Submission of audit evidence	These are recommendations relating to the timely submission of requested documents and responses during an audit.
i. Others	These are recommendations not mentioned in any category above.

4. Audit Follow-up Tracking Templates

1. The audit follow-up tracking template shall be the main tool which shall be used to keep a record of audit follow-up of each audit issue and its resolution. The template shall be updated with each audit follow-up event with respect to each issue and shall be used to gather appropriate and sufficient information on the audit follow-up process and outcomes. The template for tracking audit follow-up and other important templates/reports are provided as appendices to these Instructions.

Table 3: Schedule of Audit Follow-up Reporting Templates

Template	Name of Template	Use/Purpose	Users
1.	Follow-up and Status of Implementing Recommendations Template (ref. Appendix 1)	The template shall be used for the following: a. Conduct follow-up on internal and external audit recommendations as required by Sec 83 (5)(e) & 85 (1)(a) of the Public Financial Management Act, 2016 (Act 921). b. Prepare and submit the annual statement on the status of implementation of audit recommendations as required by Section 88 (1)(b) of the Public Financial Management Act, 2016 (Act 921).	Internal Auditors, Heads of Public Institutions, Audit Committees
2.	Audit Findings/observation Resolution Status Template (ref. Appendix 2)	The template shall be used by the SIRC to analyse the resolution of audit findings as part of the report on the review of annual statements on the status of implementation of audit recommendations submitted to the Minister.	SIRC
3.	Audit Recommendations Implementation Status Template. (ref. Appendix 3)	The template shall be used by the SIRC to analyse the implementation of audit recommendations, as part of the report on the review of annual statements on the status of implementation of audit recommendations submitted to the Minister.	SIRC
4.	Recovery Rate Template (ref. Appendix 4)	The template shall be used by the SIRC to report on year-on-year recoveries made as a result of audit follow-up. This shall form part of the report on the review of annual statements on the status of implementation of audit recommendations submitted to the Minister.	SIRC

5. Audit Follow-up Records

Public institutions shall keep a record of audit follow-up activities which shall include those listed in Table 4 below.

Table 4: Audit Follow-up Records

Records to be kept	Responsible Persons / Institution
a. Register of Audit Reports	GAS and Heads of Internal Audit Units of public institutions
b. Register of Audit Committee Meetings and Minutes	Secretaries of Audit Committees of public institutions
c. Register of PAC Hearings and PAC Reports	Clerk of PAC, GAS, and Heads of Internal Audit Units of public institutions
d. Register of Audit Follow-up Reports on respective Audit Reports	Heads of Internal Audit Units of public institutions
e. Register of SIRC reports	Secretary of SIRC

6. Audit Recommendations Implementation and Follow-up Mechanisms

6.1 Role of the Internal Audit Unit

1. The IAU within a public institution shall establish a dynamic system that provides the structure and direction needed to ensure vigorous continuous follow-up processes until all audit recommendations have been fully implemented.

2. The IAU shall follow-up on all recommendations contained in internal audit reports, internal monitoring reports, Auditor-General's Management Letter, and Parliament's decision on the Auditor-General's report.

3. In furtherance of Section 83 (5)(e) of the Public Financial Management Act, 2016 (Act 921), audit follow-up shall form part of the annual workplan of the IAU and shall be executed and reported on a quarterly basis to the Audit Committee and the Internal Audit Agency.

4. The IAU shall support the public institution to develop a Management Action Plan to ensure the implementation of audit recommendations before the next audit.

5. Auditors shall keep all supporting evidence and working papers which form the basis of audit findings/observations and recommendations.
6. The audit team during the follow-up shall ascertain whether the actions agreed upon were taken and if those actions taken have yielded the intended results. The internal auditor shall verify every statement/action by the auditee to ascertain that actions taken by Management have corrected the problems for which the audit recommendation was given. The auditor may perform a walkthrough procedure to confirm the action taken by Management.
7. Where there are unimplemented audit recommendations due to implementation difficulties, the audit team shall develop with Management, agreeable alternatives that will meet the objectives for which the recommendation was given. Where this fails to achieve the objectives for which the recommendation was made the IAU shall escalate the issue to the Audit Committee.
8. Where it has become apparent that the environment has changed such that an audit recommendation is no longer relevant or feasible, the IAU shall evaluate the recommendation for appropriate modification.

6.2 Role of Management

1. Management shall be responsible for responses provided for all audit recommendations and must therefore be interested in the kind of responses Schedule Officers give to audit queries.
2. Management shall ensure that draft internal audit reports are responded to within ten working days of receipt in accordance with regulation 43 (2) of the Internal Audit Regulations 2011 (L.I. 1994). Management shall ensure that draft external audit findings are responded to not later than five working days to enable external auditors to issue the draft Management Letter. On receipt of the draft Management Letter, Management shall respond within thirty working days in compliance with section 29 (1) of the Audit Service Act, 2000 (Act 584).

3. Management and the IAU shall agree on the timeframe within which the audit recommendations shall be implemented, and the IAU shall follow up accordingly.
4. Management, the IAU, and Audit Committee shall commit to the implementation of the Management Action Plan.

6.3 Role of the Audit Committee

1. The Audit Committee of a public institution shall, in accordance with section 88 (1)(a) of the Public Financial Management Act, 2016 (Act 921), ensure that the PSO or head of a public institution to which the Audit Committee relates pursues the implementation of any recommendation contained in an internal audit report, Parliament's decision on the Auditor-General's report, Auditor-General's Management Letter and the report of an internal monitoring unit in the public institutions concerned, particularly in relation to financial matters.
2. The Audit Committee of a public institution shall, in accordance with section 88 (1)(b) of the Public Financial Management Act, 2016 (Act 921), ensure that the PSO or head of the public institution prepares an annual statement showing the status of implementation of any recommendation contained in an internal audit report, Parliament's decision on the Auditor-General's report, Auditor-General's Management letter, the report on financial matters raised in an internal monitoring unit of a public institution, and any other related directive of Parliament.
3. The Audit Committee of a public institution in the performance of its role shall:
 - a. Establish an effective system to monitor Management's implementation of audit recommendations, prioritizing recommendations that are overdue or that pose significant risk or exposure to the institution.
 - b. Consider on a quarterly basis, a report on the status of implementation of audit recommendations by reviewing the audit follow-up reports submitted by the Head of the IAU. The review of quarterly audit

follow-up reports shall form part of the Audit Committee's agenda for its meetings and be reflected in its minutes of meetings.

- c. Provide technical support to internal auditors in strengthening audit follow-up activities.
- d. Support the Head of IAU in developing an annual Implementation Action Plan to guide audit follow-up activities.

6.4 Status of Implementation Review Committee (SIRC)

In furtherance of section 88 (2)(c) of the PFM Act and in the performance of his responsibility, the Minister shall establish a Committee to oversee the audit follow-up activities of public institutions and shall review the annual statement on the status of implementation of audit recommendations. The Committee which shall be a Status of Implementation Review Committee (SIRC) shall be made up of nine (9) members. The SIRC shall report to the Minister in all its operations.

6.4.1 Membership of SIRC

1. The membership and Chairperson of the SIRC shall be appointed by the Minister. It shall comprise a/the:
 - a. Director General of the Internal Audit Agency (who shall be the Chairperson of the Committee)
 - b. Chairperson of the Public Services Commission
 - c. Director General of the State Interest and Governance Authority
 - d. President of the Institute of Chartered Accountants (Ghana)
 - e. CEO of the Public Procurement Authority
 - f. Representative from the Office of the Attorney General and Minister for Justice not below the rank of Chief State Attorney
 - g. Controller and Accountant-General
 - h. Two (2) representatives from the Ministry of Finance not below the rank of Director.
2. The Internal Audit Directorate of the Ministry of Finance shall serve as the Secretariat of the SIRC. Director, Internal Audit of the Ministry of Finance shall serve as the Secretary to the Committee.

6.4.2 The Function of the SIRC

1. The SIRC shall perform the following functions:
 - a. Work to promote transparency and accountability in the use of public funds allocated to public institutions.
 - b. establish procedures to facilitate the follow-up on the effective implementation of audit recommendations contained in an internal audit report, Parliament's decision on the Auditor-General's report, the Auditor-General's Management letter, the report on financial matters raised in an internal monitoring unit of a public institution, and any other related directive of Parliament.
 - c. meet regularly to review annual statements on the status of implementation of audit recommendations submitted to the Minister.
 - d. monitor and analyse the implementation of audit recommendations in public institutions and recommend actions to the Minister.
 - e. follow-up on actions taken by the Minister on its recommendations.
 - f. may invite before it any public institution or a person responsible for the implementation of an audit recommendation or any person identified or mentioned in the audit recommendation.
 - g. In furtherance of section 97 of the Public Financial Management Act, 2016 (Act 921) the SIRC shall serve as a Committee of Enquiry on behalf of the Minister in respect of any suspected breach of section 96 of the Public Financial Management Act, 2016 (Act 921) and make appropriate recommendations to the Minister.
 - h. In furtherance of section 21 (6)(b) of the Public Financial Management Act, the SIRC shall prepare the memorandum specifying measures taken by the Government to implement in the ensuing financial year the recommendations of Parliament in respect of the report of the Auditor-General.

6.4.3 Funding of SIRC

1. The funding of the Committee's activities shall be determined by the Minister.

6.4.4 Meetings

1. The SIRC shall develop a meeting schedule that includes the dates, location, and proposed agenda items for each meeting for the forthcoming year, covering all Committee functions outlined in these Instructions. The Committee shall draw up its own rules on the conduct of its meetings.

6.4.5 Meeting Quorum

1. A quorum will consist of the chairperson and any four other members of the Committee. The quorum must be in place at all times during a meeting.

6.5 Role of Parliament

1. Co-ordination with Parliament shall be through PAC, and this shall reflect the following arrangements in accordance with article 187 of the 1992 Constitution of Ghana:

- a. The Auditor-General has the mandate to submit his annual audit reports to Parliament. When Parliament receives the AG's report, the PAC schedules a meeting with the GAS for a full explanation of the contents of the report.
- b. The PAC invites audited public institutions for deliberation on the various audit issues and the status of implementation of recommendations made.
- c. GAS staff are present at PAC hearings on audit matters to provide technical support to PAC.
- d. Following the completion of PAC hearings, PAC issues a report that provides recommendations for all unresolved findings/observations and unimplemented recommendations.
- e. Recommendations of PAC that bother on corruption are referred to the Attorney General for prosecution.
- f. Parliament publishes its decisions on the Auditor-General's reports.

7. The Audit Follow-up Process

7.1 Audit Follow-up Procedures

1. In each fiscal year, auditors shall in accordance with section 83 (5)(e) of the Public Financial Management Act, 2016 (Act 921) schedule a follow-up on recommendations that have been proffered in previous audit reports based on the implementation timelines. Auditors shall notify the public institution regarding which prior audits will be the focus of the follow-up and the timing of the follow-up activities.
2. Along with the notification, the auditor shall also request a written update on the status of implementation of the recommendation together with related evidence of the Management actions taken.
3. The internal audit charter shall define the responsibility for audit follow-up. Heads of IAU shall determine the nature, timing, and extent of the follow-up in respect of internal and external audit reports. The follow-up shall consider the following factors:
 - i. Significance of the reported observation or recommendation.
 - ii. Degree of effort and cost required to correct the reported condition.
 - iii. The impact that may result from the corrective action.
 - iv. The complexity of the corrective action.
 - v. The timeframe involved.

7.2 Initiation of Audit Follow-up Activities

1. For internal audit reports, the audit follow-up shall begin with the issuance of the Final Internal Audit Report and continue until all recommendations have been implemented. The status of audit follow-up on implementation of recommendations shall be carried out regularly and reports submitted to the Audit Committee of the public institution on a quarterly basis.
2. For external audit reports, the implementation process shall begin as soon as the Auditor-General issues the Management Letter to the public institution, though this may be before the reports of the Auditor-General are made public and laid before Parliament. The Audit Service Board also ensures that procedures it established for monitoring the implementation of

recommendations made in previous reports of the Auditor-General are adhered to in accordance with regulation 43(1) of the Audit Service Regulations 2011 (C.I. 70).

3. For recommendations issued by the Public Accounts Committee of Parliament, the follow-up process shall begin immediately after the report is issued by Parliament.

7.3 Management Action Plan and Timelines

1. Audit recommendations including Parliament's recommendations on the Auditor-General's report shall be implemented in a timely and effective manner. Management shall, in consultation with the public institution's IAU and Audit Committee, develop Management Action Plans that set clear responsibilities and timelines for implementing the required action. The action plan shall indicate the categorisation of timelines into short-term, medium-term, and long-term.

2. In view of the above, recommendations made in all internal and external audit reports including Parliament's recommendations on the Auditor-General's report shall indicate clear timelines for implementation.

7.4 Execution

1. The Internal Auditor shall assess the sufficiency and appropriateness of actions taken by Management on audit recommendations and ascertain whether the actions remedy the underlying conditions. The follow-up activities shall be appropriately documented.

7.5 Reporting the Audit Follow-up Outcome

1. Section 83 (5)(e) of the Public Financial Management Act 2016, (Act 921) requires Internal Audit to follow-up on agreed audit recommendations and required corrective actions.

2. For an effective audit follow-up process, the IAUs of public institutions shall on a quarterly basis communicate to the Audit Committee

the results of their follow-up engagement together with meaningful analysis and charts that will enhance the overall usefulness and clarity of the report.

3. The follow-up report shall include the audit findings and recommendations; Management comments/responses; responsible officer; status of implementation and the internal auditor's follow-up comments.

4. In furtherance of Section 88 of the Public Financial Management Act 2016 (Act 921), the Audit Committee of a public institution shall ensure that an Annual Statement showing the status of implementation of audit recommendations contained in internal and external audit reports including Parliament's decisions on the Auditor-General's report is prepared and submitted to the Minister, Parliament, Office of the President and Auditor-General not later than 30th June of the ensuing year.

5. The annual statement submitted to the Minister shall be referred to the SIRC for review.

6. The SIRC shall prepare a consolidated review report on annual statements submitted by public institutions for a particular year and submit it to the Minister by the end of the financial year to be published on the MoF website.

7. In furtherance of Section 21(6)(b) of the Public Financial Management Act, 2016 (Act 921), the Minister shall present the annual budget accompanied by a memorandum specifying the measures taken by the Government to implement in the ensuing financial year the recommendations of Parliament in respect of the report of the Auditor-General.

8. In furtherance of Section 27 of the Public Financial Management Act 2016 (Act 921), Each Principal Account Holder shall, within the first quarter of the ensuing year after the Minister submits the annual budget to Parliament, submit to Parliament and the Minister a statement on the actions taken by the public institutions to implement the recommendations of Parliament in respect of the most recent report of the Auditor-General.

9. Stakeholder engagements may be organized after the publication of the Annual Audit Follow-up Report to further strengthen financial transparency and accountability.

7.6 Implementation of Outstanding Recommendations

1. SIRC shall ensure that public institutions implement outstanding recommendations on audit issues, and follow-up on the recommendations of the Auditor General, Internal Audit and PAC that are still outstanding. On an annual basis, SIRC shall present a report to the Minister which includes the status of all outstanding audit issues, with recommendations on how to resolve the issues.

7.7 Closure of Audit Recommendations

1. The audit team shall review supporting documents provided by Management in respect of implementation of all audit recommendations, to ensure that they are sufficient and appropriate.

2. Where the supporting documents provided are sufficient and appropriate, the audit recommendations shall be considered fully implemented and closed by the Audit Committee of the public institution. However, in the case of external audit recommendations, the closure shall be the decision of the Auditor-General.

3. The status of implementation of all recommendations made in a particular audit report shall be reported in the annual statement until all the recommendations in that report have been fully implemented and closed.

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7.8 Audit Follow-up Activity Calendar

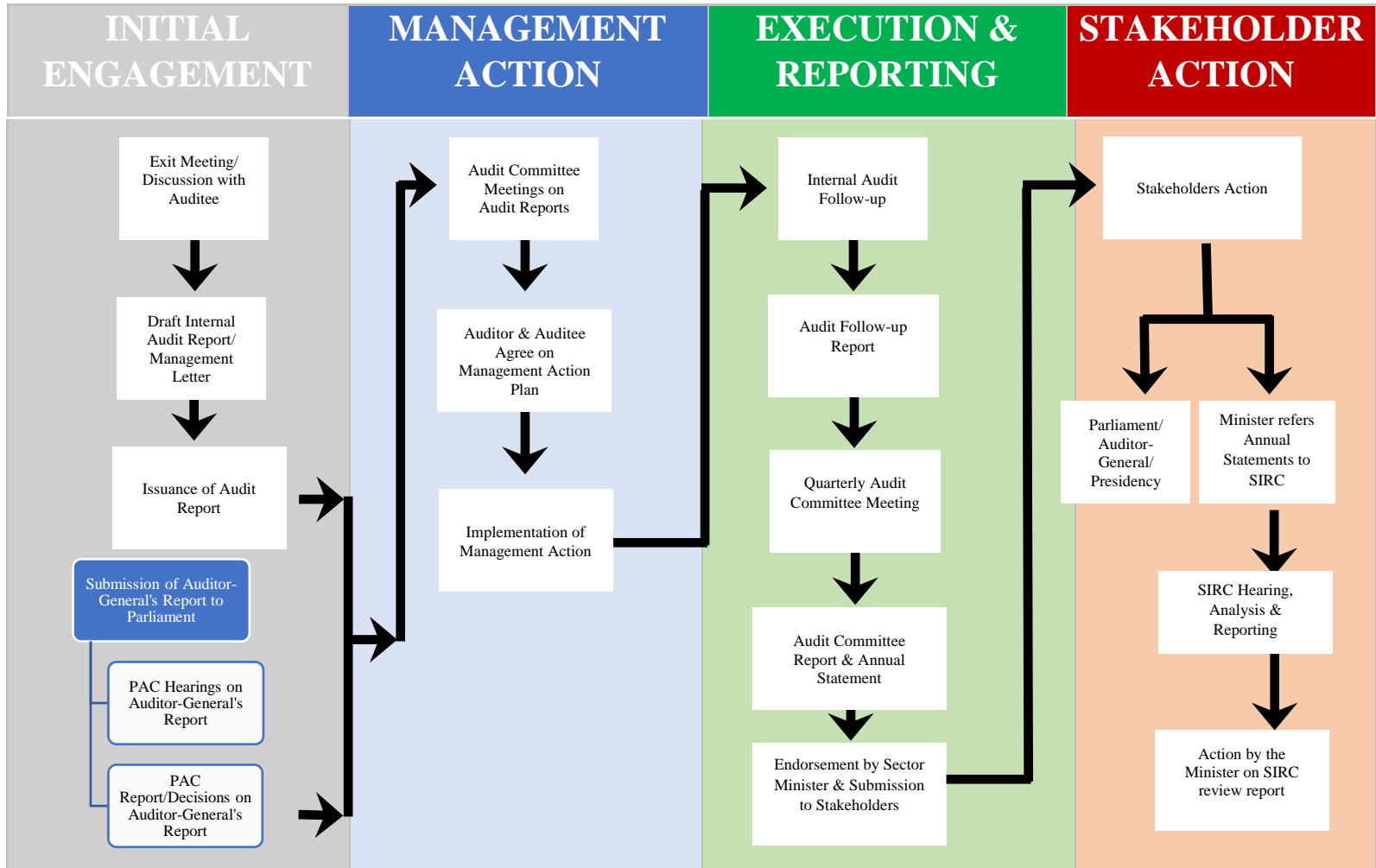
Figure 1: Audit Follow-up Process – Activity Calendar

ACTIVITY	RESPONSIBLE PERSON/INSTITUTIONS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Draft Audit Report/ Management Letter	Internal Auditor/Auditor-General												
Exit Meeting/Discussion with Auditee	Internal Auditor/Auditor-General & Management												
Issuance of Audit Report	Internal Auditor/Auditor-General												
Submission of Auditor-General's Report to Parliament	Auditor-General												
PAC Hearing on Auditor-General's Report	Parliament												
PAC Report/Decision on Auditor-General's Report	Parliament												
Audit Committee Meeting on Audit Report/Management Letter	Audit Committee												
Auditor & Auditee Agree on Implementation	Audit Committee & Management												
Implementation of Management Action	Management												
Internal Audit Follow-up/Execution of Action Plan	Internal Auditor												
Audit Follow-up Report	Internal Auditor												
Quarterly Audit Committee Meeting	Audit Committee												
Audit Committee Report & Annual Statement on Audit Follow-Up	Principal Spending Officer / Audit Committee												
Deadline for Submission of Annual Statement to Stakeholders	Principal Account Holder												
Stakeholders' Action	Parliament/The Minister/Auditor-General/Presidency/LAA												
*SIRC Hearing & Analysis	SIRC												
*Issuance of SIRC Report to the Minister	SIRC												
*Stakeholders Engagement	The Minister/SIRC/LAA												

**In furtherance of the Minister's action(s)*

7.9 Audit Follow-up Flow Chart

The audit follow-up processes described above are summarized in the flowchart below:



INITIAL ENGAGEMENT	MANAGEMENT ACTION	EXECUTION & REPORTING	STAKEHOLDER ACTION
<p>➤ Exit Meeting – A meeting between the audit team and auditee to discuss the findings/observations. The draft external audit findings/observations shall be responded to not later than five working days of receipt.</p> <p>➤ Draft Audit Report/Management letter - Management responds to the draft internal audit report not later than ten working days of receipt in accordance with regulation 43 (2) of the Internal Audit Regulations 2011 (L.I. 1994). The draft Management Letter shall be responded to within 30 days of receipt in accordance with section 29 (1) of the Audit Service Act, 2000 (Act 584).</p> <p>➤ Issuance of Audit report – The final audit report is issued to Management and submitted to the Audit Committee. Audit reports issued to Management shall</p>	<p>➤ Audit Committee Meetings on Audit Reports - The Audit Committee invites auditees to respond to findings/observations contained in audit reports at Audit Committee meetings.</p> <p>➤ Auditor & Auditee Agree on Management Action Plan – The auditor and the auditee agree on Management actions and timelines for implementation of recommendations.</p> <p>➤ Implementation of Management Action – Management shall ensure that recommendations are implemented within the timeframe agreed with the auditors. The Audit Committee of the public institution shall ensure that Management pursues the implementation of</p>	<p>➤ Internal Audit Follow-up - The Audit Committee shall ensure Internal Audit follow-up on the status of implementation of audit recommendations made in internal and external audit reports.</p> <p>➤ Audit Follow-up Report – The IAUs shall undertake follow-up on the status of implementation of audit recommendations and report quarterly to the Audit Committee.</p> <p>➤ Quarterly Audit Committee Meetings – The review of quarterly audit follow-up reports shall form part of the Audit Committee’s agenda for its meetings and be reflected in its minutes of meetings.</p> <p>➤ Audit Committee report & annual statements – In furtherance of section 88 of the Public Financial Management</p>	<p>➤ Stakeholders Action</p> <ul style="list-style-type: none"> • Parliament/Auditor-General/ Presidency/IAA - Receive annual statements from public institutions. • Minister refers statement to SIRC – Annual statements submitted to the Minister are referred to SIRC. • SIRC hearing, analysis, and reporting – The SIRC shall review, monitor, and analyse the implementation of audit recommendations in public institutions, and recommend actions to the Minister.

INITIAL ENGAGEMENT	MANAGEMENT ACTION	EXECUTION & REPORTING	STAKEHOLDER ACTION
<p>incorporate the responses of Management.</p> <ul style="list-style-type: none"> ➤ Submission of Auditor-General's report to Parliament - The report of the Auditor-General (AG) for a financial year is issued to Parliament and uploaded on its website not later than 30th June of the ensuing year. The Hon. Speaker of Parliament refers the Auditor-General's report to PAC for further deliberation. ➤ PAC hearing on AG Report- PAC invites public institutions to respond to audit findings/observations and recommendations in the Auditor General's report. ➤ PAC issues Report - PAC issues a report with recommendations on outstanding issues. 	<p>recommendations agreed in the Management action plan.</p>	<p>Act 2016 (Act 921), the PSO or head of public institution prepares a statement on the status of implementation on audit recommendations.</p> <ul style="list-style-type: none"> ➤ Endorsement by Sector Minister & submission to Stakeholders – The annual statement shall be endorsed by the sector Minister, and submitted to the Minister, Parliament, Office of the President, Auditor-General and the IAA in accordance with section 88 (2)(c) of the Public Financial Management Act and the Guidelines for Effective Functioning of Audit Committees. 	<ul style="list-style-type: none"> • Action by the Minister on SIRC review report – The Minister shall take necessary action on the recommendations in the review report of the SIRC and communicate such actions to the public institutions.

8. Allocation of Resources for Audit Follow-up Activities

1. Principal Spending Officers or heads of public institutions shall ensure that their IAUs are provided with sufficient funding and resources to undertake audit follow-up.
2. The Minister in collaboration with the Internal Audit Agency shall facilitate capacity-building programmes for the users of these Instructions.
3. Principal Spending Officers or heads of public institutions shall adequately resource the Audit Committee of their institution to ensure that Management pursues the implementation of audit recommendations.

9. Repercussions and Actions for Non-implementation of Audit Recommendations

The following procedures and sanctions shall apply in respect of non-implementation of audit recommendations:

9.1 Repercussions for Restricting Auditors' Access to Information

1. Any person who restricts the auditors' access to information, property, and relevant explanation required to perform an audit or follow up on the implementation of audit recommendations, commits an offence and the Minister may invoke penalties as prescribed under section 98 of the Public Financial Management Act, 2016 (Act 921).

9.2 Administrative Procedures to Improve Compliance

1. In accordance with Regulation 230 (1)(a) of the PFM regulations, the Minister shall direct the PSO or head of a public institution to implement any outstanding audit recommendations within a reasonable timeframe.
2. A PSO or head of public institution who refuses or fails to produce or submit the annual statement as required under section 88 of the Public Financial Management Act, 2016 (Act 921) commits an offence and shall be liable on summary conviction for penalties provided for under section 98 of the Public Financial Management Act, 2016 (Act 921).
3. Where a recommendation remains outstanding after the timeframe provided, the Minister may in accordance with section 50 (3) of the Public

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Financial Management Act, 2016 (Act 921) suspend, withdraw, limit or place conditions on a warrant of the covered entity.

4. In respect of SOEs and public corporations, the Minister shall direct the respective Governing Boards to exercise their mandate regarding the enforcement of audit recommendations through their Audit Committees.

5. The Director-General of the IAA may upon examination of an internal audit report, take such action as it considers appropriate including recommendation of prosecution and disciplinary action in respect of any breaches found in accordance with section 17 of the Internal Audit Agency Act, 2003 (Act 658).

6. Implementation of audit recommendations shall be an integral part of the annual performance contracts and agreements of all public officers.

7. The formation of an Audit Committee and its operational effectiveness shall be included in the performance contracts and agreements of all heads of public institutions and principal account holders. The operational effectiveness of audit committees shall be measured by the number of meetings held and recommendations implemented in any fiscal year.

9.3 Collaboration with Anti-Corruption Bodies

The Internal Audit Agency and the Ghana Audit Service shall in line with the National Anti-corruption Action Plan (NACAP) collaborate with Anti-Corruption Bodies (ACB) to share relevant information to support the fight against corruption.



Ken Ofori-Atta
Minister for Finance

30th June 2023

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10. Appendices

Appendix 1: Template 1 – Follow-up and Status of Implementation of Audit Recommendations

NAME OF PUBLIC INSTITUTION: (e.g., MINISTRY OF XXX)												
PERIOD: JANUARY 20XX TO DECEMBER 20XX												
REPORT TYPE: Internal or External Audit or PAC Recommendation						NAME OF AUDIT: Procurement and Stores Management Audit						
Date:												
					Management Commitment Established				Remedial Action Taken			
Ref. No.	(a) Category of Audit finding /observation	(b) Title/short description of the audit finding /observation	(c) Amount (GH¢) (if applicable)	(d) Auditors Recommendation	(e) Category of audit Recommendation	(f) Management action	(g) Timeline	(i) Responsible Officer (Designation of the person)	(J) Remedial Action Implemented (Evidence provided) and date	(k) Confirmation of evidence and date	(l) Amount recovered (GH¢) (where applicable)	Status of Implementation and Remarks (if any)
<i>1</i>	<i>Procurement Irregularity</i>	<i>Composition of the Entity Tender Committee not consistent with law</i>	<i>GHS0.00</i>	<i>The ETC should be reconstituted in compliance with the law</i>	<i>Improvement of internal controls</i>	<i>Management will reconstitute the ETC to comply with PPA Act</i>	<i>Within 3 months (30th June 2021)</i>	<i>Head, Procurement Directorate</i>	<i>The ETC has per letter dated 1st July 2021 been reconstituted by Management</i>	<i>Evidence reviewed and confirmed by Internal Audit on 8th July 2021</i>	<i>GHS0.00</i>	<i>Fully implemented</i>

NB: To be used by public institutions for audit follow-up and to submit annual statement as required by Secs. 83(5)(e) and 88(1)(b) of Public Financial Management Act, 2016 (Act 921)

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Appendix 2: Template 2 – Audit Findings/observation Implementation

Category of Audit finding/observation	Audit findings/observations		Recommendations					
	Number	Amount (if applicable)	Number partially implemented	% of total	Number Fully implemented	% of total	Number not implemented	% of total
1. Cash Irregularities	34	85,800,457.00	22	65	8	24	4	11
2. Contract irregularities	27	22,000,760.00	12	44.4	13	48.2	2	7.4
3. Inaccurate Financial Reporting								
4. Ineligible expenditure								
5. Internal control weakness								
6. Outstanding debtors/advances								
7. Outstanding Loan								
8. Payroll Irregularities								
9. Rent payment Irregularities								

NB: To be used by the SIRC.

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Appendix 3: Template 3 - Audit Recommendations Implementation Status

Nation-wide – Audit Issues resolved								
Category of Recommendation	Audit Issues		Resolution					
	Number	Amount (if applicable)	Number Not resolved	Amount (if applicable)	Number Partially resolved	Amount (if applicable)	Number Fully resolved	Amount (if applicable)
1. Recovery of funds/assets	34	100,000.00	22	50,000.00	8	20,000.00	4	30,000.00
2. Administrative process improvement	27	20,000.00	12	12,000.00	13	5,000.00	2	3,000.00
3. Fine/penalty imposed on public officers								
4. Submission of audit evidence								
5. Improvement in disclosures and timeliness of financial reports								
6. Referral to the Anti-Corruption Bodies								
7. Improvement of internal controls								
8. Sanctions against procedural lapses								
9. Others								

NB: To be used by the SIRC.

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Appendix 4: Template 4 – Recovery Rate Template

	FY 2022		FY 2021	
	Amount	Rate	Amount	Rate
Actual amount recovered as a percentage of the total amount suggested by the auditors				

NB: To be used by SIRC.

Appendix 5 - Completing the Follow-up and Status of Implementing Recommendations Template

The audit follow-up team shall:

- a. Indicate the name of the public institution.
- b. Indicate the reporting period/scope (e.g., January 20XX to December 20XX)
- c. Indicate the type of report e.g., internal audit report, Auditor-General's Management Letter, internal monitoring report or Parliament's decision on the Auditor-General's report.
- d. Indicate the name of the audit and date issued (e.g., Audit of Fixed Assets of Ministry of Finance; issued March 2023).
- e. Indicate the reference number of the audit finding (e.g., #1, 3.1, par 23 etc).
- f. Indicate the category of audit finding/observation.
- g. Provide a brief narrative of the audit finding/observation.
- h. Indicate the amount related to the audit finding/observation (if applicable).
- i. Indicate the auditor's recommendation(s).
- j. Indicate action taken/proposed to be taken by Management.
- k. Indicate the timeline for proposed Management action.
- l. Indicate the designation of the officer responsible for implementing the Management action.
- m. Indicate the actual remedial action implemented and the date of implementation.
- n. Indicate the evidence obtained confirming the actions taken by Management to implement the recommendations and the date it was confirmed by the auditor.
- o. Indicate the amount recovered where applicable.
- p. Indicate the status of implementation of the audit recommendation (not implemented, partially implemented, or fully implemented and provide comments if any).

Categorization of Implementation - The criteria used to categorize the implementation statuses as Fully Implemented, Partially Implemented or Not Implemented are described in the Table below:

Table 5: Criteria for Categorisation of the Status of Implementation of Audit Recommendations

Category	Explanation
Fully Implemented	Refers to audit recommendations that have been appropriately, sufficiently, and timely implemented by Management with verifiable supporting evidence.
Partially Implemented	<p>This category encompasses two considerations:</p> <ul style="list-style-type: none"> • There is evidence that Management has made some level of progress in implementing the recommendations. The actions taken by Management either fell short of the intent of the recommendation or only addressed some of the identified risks. • The public institution may have commenced the process or procedure to implement the recommendations, however, the specific action noted was not complete at the time of verification.
Not Implemented	<p>This category encompasses three considerations:</p> <ul style="list-style-type: none"> • No action has been taken. • There is no supporting evidence that implementation has begun or is being undertaken. • The action taken does not resolve the finding/observation.



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