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PERFORMANCE AUDIT
REPORT
of the
AUDITOR-GENERAL
on the
FUNDING OF
GHANA ROAD FUND
# REPORT OF THE AUDITOR-GENERAL ON FUNDING THE GHANA ROAD FUND

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Ref. No. AG.01/109

Office of the Auditor-General
Ministries Block ‘O’
P. O. Box MB 96
Accra

Tel. (021) 662493
Fax (021) 662493

3rd July 2006

Dear Sir,

PERFORMANCE AUDIT REPORT OF THE AUDITOR-GENERAL ON FUNDING OF GHANA ROAD FUND

I have the honour to submit to you for presentation to Parliament my 9th performance audit report in pursuant to Article 187(5) of the 1992 Constitution and Section 13(e) of the Audit Service Act, Act 584. The Audit Service Act which came into force in November 2000, gives me authority to audit programmes and activities of public offices to ensure economy, efficiency and effectiveness in the use of resources.

2. The Audit Service traditionally audits the financial statements prepared by public bodies. Performance auditing has been introduced at Ghana Audit Service as part of a capacity building project funded by the European Union. The team that carried out the audit comprised Messrs George Osei, Director (Leader) and Edward Ayekpley, Principal Auditor under the supervision of Messrs Yaw Sifah, Director and R. K. Anaglate, Deputy Auditor-General, all of Performance Audits Department.

3. Performance audits are carried out by teams of professional staff, including specialists such as architects, legal experts, economists and accountants. Depending on the extent of the coverage
and complexity, it normally takes between six months and one year to complete a performance audit, thus, making it more expensive than the traditional financial audit. Effective performance audits can lead to better use of resources by public bodies and provide support to democratic governments by bringing about accountability, transparency, improved operations and better decision-making.

4. This report to Parliament has been prepared by Performance Auditors who have been professionally trained in conducting Performance audits to internationally recognised standards to supplement financial audits.

5. I would like to thank my staff for their assistance in the preparation of this report and the staff of the Ghana Road Fund Board for assistance offered to my staff during the audit.

6. I trust that this performance audit report will meet the approval of Parliament.

Yours Sincerely,

EDWARD DUA AGYEMAN
AUDITOR-GENERAL

THE RT. HON. SPEAKER
OFFICE OF PARLIAMENT
PARLIAMENT HOUSE
ACCRA
PERFORMANCE AUDIT REPORT OF THE
AUDITOR-GENERAL ON
FUNDING OF THE GHANA ROAD FUND

EXECUTIVE SUMMARY

Act 536 of 1997 established the Road Fund Board to finance
the maintenance and rehabilitation of public roads in the country. The
Act further empowers the Board to identify other sources of funding
to augment specific resources allocated to it.

2. The purpose of this audit is to find out whether the Road Fund
is providing adequate financial resources for road maintenance and
rehabilitation and whether proper procedures were in place to reduce
waste and inefficiency in the revenue collection.

3. Utilisation of the fund’s resources for road maintenance
depends on the road agencies for which reason the fund has limited
supervisory role on actual maintenance/rehabilitation activities. This
area, therefore, could be the basis of a separate study.

4. The audit revealed that the country’s roads are fast
deteriorating and the rate of disrepair is not being matched by the rate
of maintenance as a result of inadequate funding. In the midst of
these challenges about funding the Road Fund, it was found during
the audit that £37 billion was lost over the audit period due mainly to
the following reasons:
The inability of Security Services to pay €21 billion for their fuel liftings;

Inability of Driver and Vehicle Licensing Authority (DVLA) to account for €12 billion collected; and

Termination of contracts of private toll contractors who defaulted in the payment of €4 billion

5. The audit covered the period 2000 to 2004 and was based on interviews, review of documents, inspection and observation of road sector facilities of road maintenance agencies. The team visited the Volta, Ashanti, Western and Greater Accra Regions to acquaint itself with the state of revenue generating facilities.

6. **Details of findings are placed under the following topics:**

   (i) Annual revenue collection falls short of road maintenance requirements;

   (ii) Weak supervision, control and monitoring of International Transit Fee (ITF) collection;

   (iii) Security agencies are €21 billion in Petroleum tax arrears;

   (iv) Delay in tolling roads and bridges reduce revenue to improve Ghana’s roads;

   (v) Privatisation of road and bridge toll collections has led to instances of non-performance by the contractors;

*Performance Audit Report of the Auditor-General on funding of the Ghana Road Fund*
(vi) Revenue malpractice at DVLA and activities of "goro boys" led to loss of revenue

**Annual revenue collection falls short of road maintenance requirements**

7. The Road Fund derives its resources under authority of the Act through various statutory revenue agencies. Despite the fact that revenue collection has increased over the years from €248 billion in 2000 to €765 billion in 2004, the increase is not enough to match road maintenance needs of the programme. To improve upon its revenue collection, we recommend that the Road Fund Board should explore other revenue generating avenues such as lobbying Parliament to increase the number of tollable roads and bridges and the toll ticket values to broaden and increase the revenue base of the Fund. In order to achieve significant increase in revenue collection there should be sufficient control, monitoring and supervision of revenue agencies by the Road Fund Board.

**Weak supervision, control and monitoring of ITF collections**

8. ITF has brought in low revenue due to the low level of inter-border trade between Ghana and her neighbouring countries. The closure of some revenue points on the eastern frontier with the Republic of Togo is also contributing to the low level of revenue from ITF collection. To address the issue of low revenue collection we recommend that:
Road Fund introduces the best revenue management practices such as regular supervision of collectors, control and monitoring of stocks of the ITF receipt books; and

- CEPS should consider re-opening the closed border points, since transit traffic still operates unofficially.

**Security agencies are €21 billion in Petroleum tax arrears**

9. Petroleum tax revenue contributes more than 90% of Road Fund resources. CEPS fuel tax records indicate that the national security agencies comprising Police, Army and Navy are not honouring their fuel tax obligations. Together, they owe the Fund a total amount of €21.4 billion (December 2004) which should be used to improve roads. To address the problem of arrears of petroleum levy to the Fund we recommend that:

- budgetary allocations of the security agencies for petroleum procurements be increased to cover their tax obligations;
- CEPS should pursue its statutory responsibility of demanding duties arising out of Customs and Excise functions to the Fund; and
- CEPS and Security Agencies should consult the Ministry of Finance and Economic Planning on the arrears issue for advice.
Privatisation of road and bridge toll collection has lead to instances of non-performance by the contractors

10. Section 6.2 (b) of Act 536 empowers the Board to identify other sources of funding. In pursuance of this goal, it decided to privatise toll collection of some roads and bridges. By privatising, the Board hopes to increase toll collection above previous levels. However, the privatisation process has experienced some instances of non-performance due mainly to the fact that some contractors who won the bid did not have the requisite capacity. To improve upon the implementation of the privatisation policy, we recommend that:

❖ contractual bids should be more thoroughly evaluated by the contract awarding committee taking into consideration the track record and capacity to perform.

Delay in tolling new roads and bridges reduce revenue available to improve Ghana’s roads

11. Tolling of improved roads and bridges to increase revenue for the Fund is one of management’s policies. Although contributions of road and bridge tolls to the total resources of the Fund are 1.6% and 0.8% respectively, they nonetheless, provide 2.4% of the resource mobilisation. We found that these contributions could have been higher if the necessary legislative framework had been put in place.

12. We recommend that the necessary legislative framework be put in place as soon as possible for tolling new roads and bridges to enable the Board collect more revenue for the Fund.
Revenue malpractices at DVLA and activities of "goro" boys leads to loss of revenue

13. The DVLA is second to CEPS in revenue collection ranking for Road Fund. Its collection accounts for 5.8% of total revenue. The audit disclosed malpractices in revenue collection resulting in loss of an estimated ¢12 billion in revenue to the Fund. Also the issues concerning revenue malpractices and activities of middlemen have already been covered by a commissioned study and a survey by the Ghana Audit Service and a DVLA consultant. To check the leakage of revenue and improve upon revenue collection, we recommend that:

- supervision and monitoring of staff of DVLA responsible for revenue collection should be strengthened by management;
- internal accounting and control systems should also be strengthened;
- security system should be improved in all DVLA offices to keep off unauthorised persons; and
- additional offices for the department be opened in Accra and Kumasi to take care of the heavy workload and to ease congestion.
CHAPTER ONE
INTRODUCTION

1.1 Reasons for the audit

Expansion of the road network was part of the Economic Recovery Programme (ERP) launched by the government in the 1980s. This put the maintenance and rehabilitation cost far beyond the support of the annual budgetary provisions of the Ministry of Roads and Transport. To address the situation, Ghana Road Fund was established to generate revenue to finance road maintenance and also to cease the dependence on budgetary allocation to finance road maintenance. Revenue generated by the Road Fund increased from G248.5 billion in 2000 to G765.4 billion in 2004, an increase of 208% in nominal terms.

3. Notwithstanding the significant revenue out turns, there have been persistent complaints by the general public about the poor state of the country's roads. There is a perception by the general public that
the bad and deteriorating nature of our roads directly contributes to the high rate of road accidents, food shortages in urban areas and increasing prices of goods and services in the country.

4. Weighing the concerns expressed by the general public about the poor nature of the road network against the significant revenue outturns, the Auditor-General, in compliance with his mandate, decided to conduct a performance audit into the funding of the Ghana Road Fund.

Purpose and scope

5. The purpose of the study was to determine whether:
   - the Fund was raising enough revenue to execute its mandate;
   - all revenue sources were exploited; and
   - enough control measures were exercised in respect of revenue collection to ensure that all revenue collected is accounted for.

6. We also wanted to find out whether the revenue generated was used by the Road Fund Board solely to pursue its objectives under the Road Fund Act (Act 536, 1997) and to determine whether the Fund has the capacity, financially and administratively, to raise the required funds to execute the road maintenance and rehabilitation needs of the country.
7. The audit did not cover road maintenance because the Road Fund has limited supervisory role. Also, road maintenance activities are the functions of the road implementation agencies. The Road Fund, therefore, manages the fund by disbursing the resources to the road agencies.

8. The audit covered the revenue generating areas of the Fund such as:
   - Fuel levy;
   - Vehicle registration and road user fees;
   - International transit fees; and
   - Road/ferry tolls.

9. The audit covered the period 2000 to 2004 and was done in four regional offices of the revenue generating and implementing agencies. These are Volta, Ashanti, Western, and Greater Accra regions.

10. Greater Accra and Ashanti regions were selected because over the years they were the two largest collectors for the Fund. Additionally, illegal operatives whose activities deny the revenue agencies some potential collection are high in the two regions.

11. Volta and Western regions were considered in the sample because they have collection agencies stationed at Ghana’s borders with neighbouring countries where International Transit Fees (ITF) are collected. Although some collection points in the northern part of the Ghana Road Fund
the country also share borders with our neighbouring countries the Volta and Western regions have the advantage of proximity. The existence of fuel depots in the regions selected was also a key consideration that informed our choice.

1.3 **Methods and implementation**

12. We conducted interviews with some key staff of the Road Fund Secretariat, Ghana Highway Authority (GHA), Driver Vehicle Licensing Authority (DVLA), Customs Excise and Preventive Service (CEPS), Department of Urban Roads (DUR) and Department of Feeder Roads (DFR).

13. Policy documents and other reports were reviewed at the Road Fund Secretariat, DVLA, National Road Safety Commission (NRSC) and other related agencies. These included the underlisted Acts establishing the relevant agencies:

   ✷ The Road Fund Act 1997, Act 536;
   ✷ Ghana Highway Authority Act, Act 540;
   ✷ Driver Vehicle Licensing Act, Act 569;
   ✷ National Road Safety Commission Act, Act 567; and
   ✷ Tolls Amendment Act, Act 570.

14. Records on revenue collection and financial statements were collected, analysed and deductions made.

15. We also undertook inspection and observation of some road rehabilitation projects and facilities for toll collection.
CHAPTER TWO
DESCRIPTIVE CHAPTER

2.1 Historical background

16. Until 1997 when the Road Fund Act 1997 (Act 536) was passed, Ministry of Roads and Transport was responsible for road maintenance, which was funded from the Ministry's annual budget. As more roads were constructed as part of the ERP launched by the government in the 1980s, cost of maintenance began to rise beyond the competence of annual budgetary provisions.

17. To address this situation, Parliament passed the Road Fund Act in 1997, thus, establishing the Ghana Road Fund. To resource the Fund, levies on petroleum products, road /bridge tolls and vehicle registration and road user fees were ceded to it. The Act recommended the composition of the Road Fund Board, to be supported by a Secretariat in the performance of its administrative functions, with the Minister of Roads and Transport as its chairman.

2.2 Goals and objectives

18. The Fund’s goal, as stated in its Mission Statement, is to “ensure the regular maintenance of Ghana’s road network by the provision of adequate and sustainable resources for the financing of road projects, through efficient and effective management of the Fund, with the view of improving the quality of Ghana’s road network”.

Performance Audit Report of the Auditor-General on funding of the Ghana Road Fund
19. The objects of the Fund are to:
   - finance routine and periodic maintenance and rehabilitation of public roads in the country;
   - assist the Metropolitan, Municipal and District Assemblies in the exercise of their functions relevant to public roads;
   - manage the Fund by disbursing resources to implementing agencies to execute maintenance programmes; and
   - account for the uses of the Fund periodically.

2.3 Rules and regulations

20. The Road Fund is regulated by the Road Fund Act 1997, Act 536. The Act prescribes the following functions for the Board:
   - arrange for the collection of moneys assigned to the Fund;
   - identify other sources of funding for the Fund;
   - in consultation with the Minister of Finance and Economic Planning determine the level of road levy and other user charges that shall be paid into the Fund;
   - arrange for the collection of road user charges by the Minister or agents assigned for the purpose;
   - prepare and publish procedures for the disbursement of the Fund; and
   - ensure the total and timely accountability of the Fund.
2.4 **Key players and their main activities**

21. Institutions that partner the Road Fund in the execution of its mandate could be broadly categorised as revenue collecting agencies and road project implementation agencies.

(a) **Revenue collecting agencies**

22. These include Customs Excise and Preventive Service (CEPS), Driver and Vehicle Licensing Authority (DVLA) and Ghana Highway Authority (GHA).

**Customs, Excise & Preventive Service**

23. CEPS in addition to its statutory functions under the CEPS Management Law 1993, collects fuel levy and international transit fees on behalf of the Road Fund.

24. Fuel levy is collected on petrol and diesel at all the fuel depots in the country. It currently attracts a rate of ₳600 per litre and forms the bulk of the Fund's revenue, accounting for over 90% of its total annual revenue of ₳765 billion in 2004.

25. International Transit Fee is collected from drivers of foreign vehicles entering the country at the various designated entry points in the country. Charges range between ₳100,000 for saloon cars and ₳300,000 for articulator vehicles. ITF represents about 0.2% to 1.0% of the Fund's annual collections.
Driver and Vehicle Licensing Authority

26. The DVLA collects vehicle registration and road user fees for the Road Fund. Revenue collection is done in 11 vehicle registration centres and 20 roadworthy certification centres countrywide. DVLA’s collections represents between 3 to 7% of the Fund’s total collections.

Ghana Highway Authority

27. GHA has a dual responsibility towards the Road Fund. First it is responsible for the collection and payment to Road Fund Account, road, bridge and ferry tolls. However, with the current policy of privatisation of bridge and road tolls, Road Fund Board is divesting it of this responsibility.

28. Section 2 of Act 540 which established GHA states that the Authority “shall be responsible for the administration, control, development and maintenance of trunk roads and related facilities.
specifically relating to the RF." Under Section 3 (1h), "GHA shall implement a maintenance management system for planning, organising, directing and controlling routine and periodic maintenance activities performed by employees of the Authority or through independent contractors."

(b) **Road project implementation agencies**

29. The Ghana Road Fund Board is partnered by three main agencies, namely, Ghana Highway Authority (GHA), Department of Urban Roads (DUR) and Department of Feeder Roads (DFR) in the execution of its road maintenance programmes. The Ghana Road Safety Commission assists Road Fund in the implementation of its road safety programmes.

**Ghana Highway Authority**

30. GHA is the main agency responsible for the implementation of the road maintenance projects of the Fund, catering for about 13,367 km of the country's road network. It accounted for 34% of the average annual fund allocation for periodic and routine maintenance from 2000 to 2003.

**Department of Urban Roads**

31. DUR is responsible for road maintenance in the urban areas of the country. It utilises about 35% of Road Fund's annual revenue on road maintenance.
Department of Feeder Roads

32. The Department is in charge of Feeder Roads maintenance in the country. Its works are more visible in the rural parts of the country, accounting for about 31% of the Road Fund's annual expenditure on road maintenance.

33. Figure 2 shows the proportion of resource utilised by the implementing agencies namely GHA, DUR and the DFR.

![Figure 2: Proportion of resource utilisation by the three main road agencies in 2003](image)

2.5 Current developments

Road Fund Act

34. At its meeting on September 15, 2003 the Management Board of Ghana Road Fund proposed the following amendments to the Act:

- the responsibility to privatise roads and bridges, which is currently the prerogative of GHA should be ceded to Ghana Road Fund; and to review the position of Minister of Roads and Transport as Chairman of the Board.
Driver and Vehicle Licensing Authority

35. DVLA has been experiencing revenue malpractices between its staff and customers. There is also evidence of “goro boys” acting as middlemen between DVLA and customers. Therefore, to reduce the interface between its staff and customers, the DVLA intends to establish banking facilities on its compound especially, in the larger collection points of Accra, Kumasi, and Tema. This is aimed at curbing revenue malpractices between staff and customers and also reducing the activities of middlemen who are referred to as "goro" boys.

The Board's management role

36. Under the Act, the Road Fund Board is vested with managerial and administrative functions. The disbursement of resources to road agencies and related bodies is a primary duty among others (Section 18 of Act 536). Procedures for disbursement are as follows:

- the agencies prepare their budgets in line with the Fund's allocation;
- the budgets are submitted to the Board for approval. Separate accounts for *Force and Contract works* in each region are kept for routine maintenance;
- payments for maintenance are done after the execution of the work;

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*Contract Works – Work executed by contractors who are engaged through the bidding process.*

*Force Contract – It refers to in-house execution of maintenance works. An example is the mobile maintenance unit of Ghana Highway Authority.*
• contractor submits payment certificates prepared by the implementing Agencies to the Secretariat;

• Secretariat prepares cheques covering regional requests and submits same to the Agencies' headquarters for distribution; and

• payments are made fortnightly and on first in first out basis, depending on the availability of funds.
CHAPTER THREE
FINDINGS

37. In this chapter we present our findings on funding of Ghana Road Fund. The audit shows that the current resources provided by the Fund to support road maintenance programmes are not enough. For instance on the front page of the 1st October 2003, the Director of Road Fund speaking to Ghanaiian Times Business News stated that the Fund expected to generate about €630.0 billion while it needed €1.3 trillion to maintain all the roads in the country for that year. This created a shortfall of about €670 billion (51.5%). The above situation represents a consistent pattern of revenue shortfall that the Road Fund has to contend with annually. Consequently, the agencies prepare their budgets in line with what Road Fund can afford.

38. The following reasons are attributed to the Fund's inability to fully resource road maintenance programmes:

- revenue collection falls short of requirements;
- weaknesses in ITF collections;
- security agencies indebtedness;
- delays in tolling new roads and bridges;
- problems with privatisation of tolling facilities; and
- revenue leakages at DVLA.

These reasons are further discussed here.
3.1 **Annual revenue collection falls short of road maintenance requirements**

39. The road maintenance needs of the country keep increasing considerably. This is mainly due to the construction of more roads and a backlog of poorly maintained ones resulting from inadequate funding.

40. The Road Fund Board under its mandate has the responsibility to raise revenue under the authority conferred on it by the Road Fund Act. Analysis of revenue collection by the various revenue agencies of the Road Fund indicates that although revenue collection has been increasing annually, the increase is inadequate to take care of the road maintenance needs of the nation. We found out that the total annual cost of road programmes often exceeded revenue realised from the collecting agencies.

**Table 1: GRF Revenue and Maintenance Expenditure Summary (¢Billion) – 2000 – 2004**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (¢)</th>
<th>Maintenance expenditure (¢)</th>
<th>Difference (¢)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>248.05</td>
<td>255.53</td>
<td>-7.48</td>
</tr>
<tr>
<td>2001</td>
<td>358.27</td>
<td>313.25</td>
<td>45.02</td>
</tr>
<tr>
<td>2002</td>
<td>410.05</td>
<td>409.75</td>
<td>0.30</td>
</tr>
<tr>
<td>2003</td>
<td>680.62</td>
<td>651.54</td>
<td>29.08</td>
</tr>
<tr>
<td>2004</td>
<td>765.34</td>
<td>960.13</td>
<td>-194.74</td>
</tr>
<tr>
<td>Total</td>
<td><strong>2462.33</strong></td>
<td><strong>2590.22</strong></td>
<td><strong>-127.82</strong></td>
</tr>
</tbody>
</table>

Source – GRF Secretariat

41. Table 1 shows that between 2000 and 2004, revenue collected for the Fund totalled ¢2,462.33 billion whilst maintenance budgets
totalled €2,590.22 billion, showing a deficit of €127.87 billion (i.e. 5% of budget). This scenario occurred even under controlled budgeting whereby the agencies were only allowed to submit their road maintenance programmes to the level affordable by the Road Fund.

42. Additionally, inspite of increasing costs, Figure 4 shows that the level of work that is, per kilometre of road achieved per one billion cedis keeps reducing over the years. However, GHA increased productivity between 2002 and 2003. This, therefore, implies that the increase in revenue collection has to keep pace with increasing cost to be able to maintain the country's roads substantially. This situation is demonstrated in Figures 3 and 4 which show the level of work achieved by GHA, DFR and DUR per billion cedis for periodic maintenance and routine maintenance respectively.

![Figure 3: Level of work achieved per one billion cedis -- Periodic maintenance](image-url)
43. Figure 3 shows that there was no change in kilometres of work achieved by DUR for 2000 and 2001 which remained at 2 km per one billion cedis for periodic maintenance. Figure 3 also shows a particularly serious fluctuating cost and output relationship for GHA over the period.

44. Routine maintenance works done by the various agencies showed significant reduction in the level of work achieved per billion cedis, except DUR, which recorded an increase from 25 km to 64 km from 2002 to 2003. (Appendix "A" refers).

45. The above analysis should not be interpreted as showing cost and efficiency relationship among the three agencies as they have different cost structures. Our objective is to show that, over the
relevant period, due to increasing cost, the amount of work that can be done, given the same amount of resource in year one would be less than what would be achieved for example in year two.

46. The above situation showed that contract costs increased at a faster rate than revenue collection. The ultimate effect had been a sizeable backlog of poorly maintained roads.

47. According to Table 2 revenue collection increased by 14% for 2001 and 2002. GHA and DUR could only achieve 20% and 50% respectively of the output achieved in 2000 with the same amount of resources in 2001. DFR achieved 23 Km per one billion cedis in both years.

Table 2: Revenue Collection Mix (c billion) 2000 – 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Collection</td>
<td>%</td>
<td>Collection</td>
<td>%</td>
<td>Collection</td>
</tr>
<tr>
<td>Fuel Levy</td>
<td>221.76</td>
<td>89.26</td>
<td>331.77</td>
<td>92.6</td>
<td>373.11</td>
</tr>
<tr>
<td>Tolls</td>
<td>9</td>
<td>3.62</td>
<td>9.99</td>
<td>2.79</td>
<td>10.01</td>
</tr>
<tr>
<td>DVLA Collections</td>
<td>17.05</td>
<td>6.86</td>
<td>15.55</td>
<td>4.34</td>
<td>21.77</td>
</tr>
<tr>
<td>ITF</td>
<td>0.64</td>
<td>0.26</td>
<td>0.97</td>
<td>0.27</td>
<td>5.15</td>
</tr>
<tr>
<td>Total</td>
<td>248.45</td>
<td>100</td>
<td>358.27</td>
<td>100</td>
<td>410.04</td>
</tr>
<tr>
<td>Annual Increase</td>
<td></td>
<td></td>
<td>44%</td>
<td></td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: GRF Secretariat

48. An analysis of the revenue contribution mix of the various agencies showed that from year 2000 to 2004, fuel levy accounted for more than 90% of the Fund's total annual revenue as shown in Table 2. Further analysis of the Fund’s annual revenue collection in Table 2, showed that in the years that fuel levy was increased, significant increases in total revenue were recorded as happened in 2001 and
2003 when the levies were increased from ₵150/litre to ₵230/litre and from ₵230/litre to ₵400/litre, respectively.

3.2 Weak supervision, control and monitoring of ITF collections

49. Section 6 (2c) of the Road Fund Act stipulates that the Road Fund Board should co-ordinate and ensure total and timely accountability of the Fund. To achieve this, the Board must supervise and monitor revenue collection activities of the agencies. However, we observed that with regard to ITF collections, the Board was not monitoring and supervising revenue collection at some collection points the team visited.

50. Value books used in the collection of ITF are issued at the Road Fund Secretariat in Accra. CEPS officers at the various collection points informed us that on most occasions they had to travel to Accra to collect the books without any requisitions.

51. There were no effective controls over the use of the books from the stations. When value books were out of stock and the officer in charge could not visit Accra to collect some, no collections were made, resulting in revenue loss to the Fund.

52. In the Northern Sector Command of CEPS in the Volta Region where the team visited five out of ten collection points, we were informed that CEPS management had directed the closure of some
ITF collection points. These stations include Batume Junction and Honuta. The closure of the points could mean reduction in revenue for the Fund. Our visit to these collection points further disclosed that five unused and partly used ITF receipt books were still being kept at the stations, as detailed in Appendix "B". There is the danger that the unused books could get into wrong hands, used and the accruing revenue pocketed.

53. At Oseikojokrom CEPS in the Western Region, we were informed by the collector-in-charge that officers from the Road Fund Secretariat seldom visit the collection point. They claim the last time an officer from the Road Fund Secretariat visited was about two years ago. They were, however, forthright about the remoteness of the area from Accra and the bad nature of the roads but still insisted that they need frequent visits from officials of the Road Fund Secretariat to motivate them.

3.3 Security Agencies are c21 billion in petroleum tax arrears

54. Petroleum tax is a levy on petroleum products and forms part of Government's revenue. There are seven types of levies, which constitute petroleum tax, all of which are collected by CEPS. These are Excise Duty, Exploration Levy, Strategic Stock Levy, Energy Fund, Road Fund, Escrow Account and Debt Recovery Levy.

55. There is no law excluding the payment of petroleum tax by the Army, Navy and Police Service. Yet these security agencies are not
meeting their tax obligations. A Road Fund General Ledger Report prepared by the Secretariat showed that the Security Agencies between them owed £21,376,513,782 at the close of 2004 as petroleum tax as shown below:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
</tr>
<tr>
<td>Ghana Army</td>
<td>9,241,921,955</td>
</tr>
<tr>
<td>Ghana Navy</td>
<td>2,053,299,674</td>
</tr>
<tr>
<td>Police Service</td>
<td>10,081,292,153</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21,376,513,782</strong></td>
</tr>
</tbody>
</table>

56. Petroleum levy constitutes the major portion of the Fund's resources, representing about 90% of the Fund's total revenue as shown in Table 2. The non-payment of this levy by the security agencies could have serious implication for achieving projected revenue target and thereby limiting the capacity of the Fund to execute its programmes.

57. All organisations that use fuel products including the security agencies go through the same procedural requirements at the Tema Oil Refinery (TOR) to lift fuel products. The Oil Marketing Companies have about 14 days credit period after which payment must be made for fuel supplied. Due to the effectiveness of this arrangement, no significant lapses in payment were noted as sanctions are promptly applied on defaulting companies. However, the contrary was noted with the payment arrangement of the security services.
58. It is apparent that the sensitive nature of the functions of the security agencies has made it impossible to sanction them or deny them subsequent lifting of products until outstanding taxes are paid. The Army Headquarters Finance Office confirmed the existence of the arrears and attributed the failure to pay to budgetary constraints. The source further claimed that efforts were under way to seek the assistance of the Ministry of Finance and Economic Planning to clear the arrears.

59. The Finance Department of the Police Service told the team that, they pay the ex-refinery prices to TOR indicating, that perhaps, they were not aware of any tax obligations on their fuel lifting. The Ministry of Interior's budgets for the Police Service between 2001 and 2004 did not make any provision for CEPS import duty/taxes. However, the 2005 budget provided for GH¢119,244,516 for CEPS taxes. The current Police Service fuel tax arrears stands at GH¢10,081,292.193, indicating that the 2005 budget provision can only account for 12% of the Police Service tax arrears.

60. CEPS officers at TOR informed us that they had over the years demanded payment from the concerned security agencies through verbal dialogues, which has not yielded any results. In 1993, MoFEP conceded to the payment of fuel levy by public institutions that lift fuel from TOR. A directive from the Ministry in March 1993, that is, even before the Road Fund was set up acknowledged the arrears and

Performance Audit Report of the Auditor-General on funding of the Ghana Road Fund
directed the affected institutions to forward their bills to the Director of Budget in MoFEP for settlement.

61. Again in a recent correspondence between Minister of Finance and Economic Planning and Revenue Collection Agencies Board (Letter No. MOF/RAGB/004 of 10/1/05 refers), the Minister requested more details on the circumstances that resulted in the debt accumulation by the Security Agencies with CEPS and asked for measures for long term prevention of the repetition of the situation.

62. The effect of the arrears on Road Fund is twofold. First revenue targets are not realised and secondly, Road Fund's capacity to execute its programmes is reduced as ₵21 billion less funds are available to it.

3.4 **Delay in tolling new roads and bridges reduce potential revenue available to improve Ghana's roads**

63. To fulfil the objectives of Act 536, the Road Fund Board has initiated action to generate more revenue and expand the scope of sources of funding in fulfilment of its statutory requirement. Consequently, the Board focused on the tolling of some newly constructed and improved roads and a bridge for the purpose of increasing tolls revenue. Information obtained from the Road Fund Secretariat indicated that two sets of proposals were initiated between 2001 and 2003. Roads on List 'A' (Box "A") were awaiting

*Performance Audit Report of the Auditor-General on funding of the Ghana Road Fund*
Parliamentary approval. Those on List "B" (Box "B") were to be approved by Road Fund Board.

Box A: Awaiting Parliamentary approval

April 2001:
1. Nkawkaw - Kumasi
2. Yamoransa - Kumasi
3. Adenta - Dodowa - Trom
4. Awaso - Bibiani - Gambia No. 2
5. Atimpoku - Ho - Denu

Box B: Awaiting Board Approval

November 2003:
1. Kpando - Worawora
2. Dabala Junc. - Srogbe Keta
3. Wa - Bole
4. Anwiankwanta - Kumasi
5. Ayamfuri - Diabo - Sefwi-Wiaso
6. Oti - Damanko Bridge

64. At the time of the audit in March 2005, these roads and the bridge had not been tolled to bring in the needed revenue to enable the Fund achieve the policy objectives. A letter from Director of Road Fund to Ministry of Roads and Transport on 30 December 2003 indicates that procedural requirements were in place to start the projects.

Project implementation delayed

65. The team toured four out of the ten proposed tolling projects as shown in Box "C" below. The team concluded that none of the projects has materialised almost four years (2001 – 2004) after initiation.

Box C: Routes toured by team

1. Nkwanta - Kumasi
2. Kpando - Worawora
3. Adenta - Dodowa - Trom
4. Atimpoku - Ho - Denu
Criteria for tolling

66. Before a road is earmarked for tolling purposes, the road must meet some criteria in the technical and legal sense. Technically, the road constructed should have:
   ❖ good surface condition;
   ❖ appropriate road markings; and
   ❖ relevant road signs.

67. The other criterion is that the tolling must receive Parliamentary approval, so that the necessary amendment could be made to the relevant road traffic laws to enable the tolling to commence. This requirement has not been met yet.

68. Revenue survey prior to introducing tolling could give a fair idea about potential financial returns but none has been conducted so far. The Ministry of Roads and Transport (Legal Section) confirmed that the proposals have been ready for Parliamentary approval for some time now, but have been put on hold.

3.5 Privatisation of road and bridge toll collection has led to instances of non-performance by the contractors

69. Road tolls collection is an established function of the GHA, the toll collectors being part of the regular staff of the Authority. In addition to road tolls, bridge and ferry tolls constitute one of the sources of funds for Road Fund.
70. The Road Fund Board in 2000 decided to privatise toll collection in order to increase revenue. This was done on pilot basis. Bids were invited from private operators stating the amount payable monthly on the basis of government's approved fees. A committee comprising professionals from Road Fund Secretariat, Ministry of Roads and Transport, GHA, among others, evaluated the bids in order to award the contract to the most suitable bidder.

71. During our interview with officials of Road Fund Secretariat, we were informed that, the initial phase of the privatisation process experienced instances of non-performance by the operators.

72. We could not get records pertaining to the early phase of the privatisation process to make an evaluation of the performance of operators. Records from Road Fund on the privatisation of seven roads and four bridges covering the period December 2002 to May 2005, showed that, six operators who owed a total of €4,191,978,720 had their contracts terminated. Details are attached in Appendix "C". We were informed that legal action has been initiated by the Road Fund Board to recover the debts.

73. Despite the problems experienced during the initial phase of privatisation, officials of the Road Fund Secretariat claim that revenue collection increased by about 25% between 2000 - 2003. We were unable to verify this claim because of lack of comparable data over the relevant period due mainly to frequent termination of non-performing contractors.
3.6 Revenue malpractices at DVLA and activities of "goro boys" lead to loss of revenue

74. The DVLA is the second largest revenue collection agency for Road Fund, accounting for about 5.0 to 8.0 percent of the total annual revenue of the Fund. The Authority collects two categories of revenue namely, the road user and the vehicle registration fees for Road Fund.

75. The Chief Executive told us during an interview that he was informed about some malpractices and therefore invited the Auditor-General to audit the accounts of the Authority. The subsequent investigation revealed that between 1/1/2000 and 30/4/2002, an amount of €2,438,279,000 revenue, collected on behalf of the Road Fund, was not accounted for. In a related finding by the investigation team, 9,650 receipt books expected to be used in the collection of an estimated revenue of €9,650,000,000 were missing from the store.

76. Our interview also revealed that the Internal Auditor, who is expected to be the pivot around whom the internal control system revolves, was appointed by Controller and Accountant General. He, therefore does not report directly to the management of DVLA. We did not also see any reports issued by the Internal Auditor.

Activities of "goro boys"

77. The "goro boys" are unauthorised persons, mostly males who loiter around the premises of the DVLA looking for customers whom
they assist in procuring vehicle documents for a fee, a phenomenon which is a threat to the operations of DVLA.

78. During our visit to five DVLA offices in Greater Accra, Ashanti, Western and Volta Regions, we noticed that their activities were more vigorous in Accra, Kumasi and Tema. A survey conducted by Charlotte Abubea Ayisi\(^1\) in April 2005, showed that 29% of female customers and 26% of male customers patronise the services of "goro boys". Fees demanded for their services range between ₦20,000 and ₦200,000 for roadworthy certificates and between ₦10,000 and ₦600,000 for car registration. They promise their patrons a fast service delivery which they fulfil by operating through the following channels:

- schedule officers at DVLA with whom they share their income;
- employees and other officers at DVLA who are not on the appropriate schedule but manage to get the genuine document through fraudulent means; and
- external illegal operatives who provide them with fake documents for a fee.

79. Although we were unable to ascertain the exact quantum of the financial impact of the activities of the "goro boys", we are of the opinion that it may be significant considering the proportion of customers who patronise their activities. We were informed, by DVLA management that these activities are being controlled

\(^1\)Charlotte Akubea Ayisi, 2005 - Final Report on Customer Survey on Selected DVLA Functions
effectively in Accra and Tema. On the contrary, Kumasi office continues to record an upsurge in the activities of these illegal operatives.

3.7 **Summary and Conclusions**

*Annual revenue collection falls short of road maintenance requirements*

80. The rate of annual increase in revenue collection is inadequate to cope with the road maintenance requirements of the nation.

81. Fuel levy being the dominant revenue contributor to the Fund, is not fixed by the Road Fund Board. Additionally, because levies affect prices of petroleum products, several issues including their effect on the national economy are taken into account before deciding on it. This reinforces the point that over-dependence on fuel levy as the major contributor to the Road Fund will not be sustainable in the long-run.

**Supervision, control and monitoring of ITF collection**

82. The audit team found that in the three regions visited, control, supervision and monitoring of ITF collection was weak. The fact that some of the collecting agencies are not monitored effectively could result in the situation where some of them would decide to hold back the revenue collected leading to losses for the Fund.
Petroleum tax arrears of some security agencies
83. The indebtedness of some security services is long over due and it is the statutory responsibility of CEPS to collect the debt for the Road Fund Account.

Delays in tolling roads and bridges
84. The policy of the Road Fund Board to expand tolling points and thereby increase the threshold of the toll revenue is sound. Toll revenue would no doubt increase thereby making more funds available for road maintenance activities. Effort must be made to expedite action on proposals to toll more roads.

Privatisation of road and bridge toll collection
85. Privatisation of roads and bridges has achieved some level of success in improving the revenue position of the fund. The losses recorded during the early phase of the process points to lapses in the evaluation process of the bids.

Revenue malpractices at DVLA and the activities of goro boys
Revenue malpractices
86. Lack of effective supervision and monitoring coupled with a weak internal control system have contributed to revenue leakage at DVLA.

Activities of "goro boys"
87. The activities of goro boys are having a significant adverse impact on the revenue mobilisation efforts of the Road Fund Board.

Performance Audit Report of the Auditor-General on funding of the Ghana Road Fund
and hence its road maintenance mandate under the Road Fund Act. The large number of customers who visit the DVLA offices in Accra, Tema and Kumasi provides fertile grounds for the activities of the "goro boys" to thrive.
CHAPTER FOUR
RECOMMENDATIONS

88. The road status report on Ghana's road network shows that the country's roads are in a bad state. To be able to achieve our developmental goals, the country's road network must be improved significantly. Funding has been identified during the study as a critical factor impacting on the poor nature of roads in the country. To help address this problem, we recommend improvement in the following:

- revenue collection;
- supervision and control of ITF collections;
- administration of petroleum tax of the security agencies;
- removing bottlenecks in the tolling process;
- privatisation of road and bridge toll collection and increase the number of tollable roads; and
- supervision and monitoring of DVLA's revenue collection.

4.1 Annual revenue collection falls short of road maintenance requirements

89. In order to achieve significant increase in revenue collection, there should be sufficient control, monitoring and supervision of revenue agencies by the Road Fund Board. This can be done by appointing an auditor to audit the various revenue collecting agencies periodically and report to the board. Other potential revenue generating avenues should be exploited in order to broaden the

Performance Audit Report of the Auditor-General on funding of the Ghana Road Fund
revenue base of the Fund so as to reduce the dominance of fuel levy in the revenue mix.

**Weak supervision, control and monitoring of ITF collections**

90. International Transit Fees are collected at the various customs entry points on behalf of the Road Fund by CEPS. We recommend that Road Fund introduces the best management practices such as regular supervision of collectors, control and monitoring of stocks of ITF receipt books. Also CEPS should consider reopening the closed border points, since transit traffic still operates unofficially.

4.3 **Security Agencies are €21 billion in Petroleum tax arrears**

91. The security services lift petroleum products from TOR and are expected to pay the existing levy on each litre of petrol lifted. They were, however, unable to pay due to budgetary constraints, a situation which is hurting the Fund’s revenue mobilisation efforts. In order to help solve the problem of the arrears and to forestall future recurrence, we recommend as follows:

- the security agencies and CEPS should consult the MoFEP on the arrears issue for advice;
- the Government increases the budgetary allocations of the security agencies for petroleum procurements to enable them cover their fuel tax obligations; and
- CEPS should pursue its statutory responsibility of demanding duties arising out of CEPS functions to the Fund.
4.4 Delay in tolling roads and bridges reduce revenue available to improve Ghana’s roads

92. The policy of government is to toll improved roads in an effort to raise the necessary revenue for road maintenance. However, due to bureaucratic constraints, roads submitted for approval for tolling since 2001 are still being held up at Ministry of Roads and Transport.

93. We recommend that Ministry of Road and Transport lobbies Parliament to speed up the approval process. Additionally, the Ministry should sensitise motorists, in particular, and the general public about the rationale for tolling certain roads and bridges. Finally, Road Fund should run a revenue survey on the proposed roads/bridge before tolling to help in toll revenue budgetary projections.

4.5 Privatisation of roads and tolls collection has led to instances of non performance by the contractors

94. The policy of privatisation of roads and bridges was introduced because the GHA, which was responsible for toll collection on these facilities, was not meeting its annual targets. For the policy of privatisation to achieve its objectives, we recommend that bids should be more thoroughly evaluated in line with Public Procurement Act 2003, Act 663 and the operators’ track records and capacity to perform taken into consideration.

95. Record keeping should be improved to facilitate the tracking of performance of each operator. Also action should be taken promptly
by management of Road Fund when it is realised that an operator is defaulting in meeting his/her monthly instalment payments.

4.5 Revenue malpractices at DVLA and activities of “goro boys” led to loss of revenue

96. Revenue malpractices perpetrated by DVLA staff and other external collaborators, notably "goro boys" continue to deny the Fund of some revenue.

97. We recommend the strengthening of controls in revenue collection. Additionally, an Internal Auditor should be engaged by the Authority who should be given clear lines of communication and should report to the management of DVLA in line with the Internal Audit Agency Act 2003, Act 658.

98. To improve the security system, we recommend that all visitors should be received at a central point from where they are directed to the various offices whose services they require. We also recommend the opening of additional office(s) in Accra, Tema and Kumasi to take care of the heavy workload.
## PHYSICAL PERFORMANCE OF ROAD AGENCIES

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
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<tr>
<td></td>
<td>COST</td>
<td>KM</td>
<td>COST</td>
<td>KM</td>
</tr>
<tr>
<td>GHA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Routine</td>
<td>26.9</td>
<td>6312</td>
<td>32.5</td>
<td>5529</td>
</tr>
<tr>
<td>Periodic</td>
<td>101.3</td>
<td>9221.5</td>
<td>118.3</td>
<td>110.6</td>
</tr>
<tr>
<td>DFR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Routine</td>
<td>20.2</td>
<td>10766</td>
<td>15.4</td>
<td>8452</td>
</tr>
<tr>
<td>Periodic</td>
<td>48.8</td>
<td>2830</td>
<td>62.5</td>
<td>1425</td>
</tr>
<tr>
<td>DUR</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Routine</td>
<td>13.6</td>
<td>641.7</td>
<td>21.7</td>
<td>594</td>
</tr>
<tr>
<td>Periodic</td>
<td>39.2</td>
<td>82.8</td>
<td>54.8</td>
<td>119.5</td>
</tr>
</tbody>
</table>

**NB:** Level of work achieved/year

\[
\text{Level of work} = \frac{\text{Total kilometres cover}}{\text{Total cost (billion)}}
\]
## APPENDIX 'B'

### ITF Receipt Books

<table>
<thead>
<tr>
<th>Batume Junction</th>
<th>Serial No</th>
<th>Qty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ITF Returns Booklet</td>
<td>00001951 – 0002000</td>
<td>1</td>
</tr>
<tr>
<td>2. ITF Receipt Booklet</td>
<td>0727551 – 0727600 (588/10/2000)</td>
<td>1</td>
</tr>
<tr>
<td>3. ITF Receipt Booklet</td>
<td>0727601 – 0727950</td>
<td>3</td>
</tr>
</tbody>
</table>

### Honuta

| 1. ITF Receipt | 002901 – 002950 (912/8/2000) | 1   |

### Summary

| 1. ITF Returns Booklet | 1 |
| 2. ITF Receipt Booklet | 5 |
| **Total**              | **6** |
## APPENDIX C

### TOLLS OPERATORS IN ARREARS

<table>
<thead>
<tr>
<th>NAME OF BRIDGE/ROAD</th>
<th>NAME OF OPERATORS</th>
<th>ADDRESS</th>
<th>COMMENCING DATE</th>
<th>CONTRACT SUM PAYABLE (£)</th>
<th>AMOUNT DUE (£)</th>
<th>AMOUNT PAID (£)</th>
<th>AMOUNT IN ARREARS (£)</th>
<th>COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>KUMASI – SUNYANI</td>
<td>OTI YEBOAH COMPLEX LTD</td>
<td>P.O. BOX 244, SUNYANI</td>
<td>1/2/2003</td>
<td>150,000,000</td>
<td>3,150,000,000</td>
<td>2,000,000,000</td>
<td>1,150,000,000</td>
<td>TERMINATED EFFECTIVE 31/10/04</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TEL. NO 061-2740 FAX. 061-27382</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KUMASI – MAMpong</td>
<td>SEIDU MAHAMA</td>
<td>P.O. BOX 1006, KIA-NORTH</td>
<td>1/2/2003</td>
<td>101,000,000</td>
<td>1,414,000,000</td>
<td>347,500,000</td>
<td>1,066,500,000</td>
<td>TERMINATED EFFECTIVE 31/03/2004</td>
</tr>
<tr>
<td>EJURA</td>
<td></td>
<td>TEL. NO. 020-8117262 244366587</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>TEMA – AKOSOMBO</td>
<td>VATERANS ASSOCIATION OF GH</td>
<td>TEL. NO. 021-228631 021-228679 021-222983</td>
<td>1/2/2003</td>
<td>126,091,200</td>
<td>1,008,729,600</td>
<td>542,750,880</td>
<td>465,978,720</td>
<td>TERMINATED EFFECTIVE 31/08/2003</td>
</tr>
<tr>
<td>BEPOSO</td>
<td>EVE – ASA</td>
<td>P.O. BOX 2393, SUNYANI</td>
<td>1/1/2003</td>
<td>130,000,000</td>
<td>1,040,000,000</td>
<td>450,000,000</td>
<td>590,000,000</td>
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<tr>
<td>SOGAKE</td>
<td>PRIME STARS</td>
<td>P.O. BOX CO 2133, TEMA</td>
<td>1/12/2002</td>
<td>72,000,000</td>
<td>662,000,000</td>
<td>200,000,000</td>
<td>662,000,000</td>
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<td></td>
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<tr>
<td>ADOMI</td>
<td>K.D.V. LEXICON</td>
<td>CENTRE</td>
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<td>67,500,000</td>
<td>742,500,000</td>
<td>485,000,000</td>
<td>257,500,000</td>
<td>TERMINATED EFFECTIVE 31/12/2004</td>
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Mission Statement

The Ghana Audit Service exists

To promote

• good governance in the areas of transparency, accountability and probity in the public financial management system of Ghana

By auditing

• to recognized international auditing standards the management of public resources

And

• reporting to Parliament