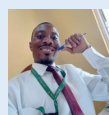


# Audit Service Bulletin

**Vision :** To become a world class supreme audit institution, delivering professional, excellent and cost effective auditing services

## Validation of financial statements: basic things to look for as a public sector auditor

**Emmanuel Amegah/ Principal Auditor, Lawra District Office**



Validation of financial statement and expressing of independent audit opinion on them is an annual "ritual"

in Public Sector Audit, for that matter, Ghana Audit Service, backed by regulatory frameworks.

### Regulatory framework for preparation of financial statements

It is management's responsibility to prepare and submit financial statements to the Auditor-General as enshrined in Section 80(1) of the Public Financial Management Act, 2016 (Act 921) which states "A Principal Spending Officer of a covered entity shall, within two months after the end of each financial year, prepare and submit to the Auditor-General and Controller and Accountant-General, the accounts and information set out in the schedule".

### Implication

It therefore means that latest by 28<sup>th</sup> or 29<sup>th</sup> of February of the following year after the end of the financial year, heads of public institutions must prepare and submit a comprehensive financial statement to the Auditor-General through the District and Regional Offices of Ghana Audit Service to enable the financial statements to be validated and an opinion expressed on them by the Regional Auditors on behalf of the Auditor-General.

However, should a Principal Spending Officer of a Public Institution fail to submit its financial statement within the stipulated timeframe as prescribed by the law, such financial statement should be rejected on the ground of late submission.

This is because, should the Auditor-General tolerate and accept late submission of financial statements from institutions, he would not be able to submit his reports to Parliament within the six months after the end of the financial

year as required per Section 20(1) of the Audit Service Act 2000 (Act 584) and Section 84 of the Public Financial Management Act 2016 (Act 921).

### Regulatory framework on validation and expressing of audit opinion on financial statements

Article 187 (5) of the 1992 Constitution of Ghana, Section 84 of the Public Financial Management Act 2016 (Act 921) and Section 11(1) of the Audit Service Act 2000 (Act 584) mandates the Auditor-General to audit and report on the accounts of Public Institutions to Parliament within six months after the end of the financial year.

For instance, Section 84 of PFM Act 921 states "The Auditor-General shall within six months after the end of each financial year, examine and audit the public accounts submitted under this Act in accordance with Article 187 of the Constitution and Audit Service Act, 2000 (Act 584)".

### Components of financial statements

A well prepared and presented financial statements should have the following components:

- Statement of Financial Positions
- Statement of Comprehensive Income
- Statement of Changes in Reserves
- Statement of Cash Flows
- Statement of Budget vrs Actual (This is Not Mandatory)
- Notes to the Financial Statements

### Basic things to look for during validation of financial statements

- Statements of Financial Positions, Comprehensive Income, Changes in Reserves, Cash Flows, Budget vrs Actual and Notes to the Financial Statement should be prepared on comparative basis with the current year's figure presented first followed by the previous year's figures as shown in the table.

	2021	2020
	GH¢	GH¢
Current Assets		
Cash at bank	xxx	xxx
Receivables	xxx	xxx
Inventory	xxx	xxx

- The accounting policy adopted by the institution should be stated at **Note 1** followed by others.
- The currency in which the figures are quoted should be indicated on the top of the figures as presented above.
- Institutional information about the institution should be provided. For instance, physical location and address of the entity, key management staff, bankers, solicitors (if any), auditors.
- Management's report
- As such, the table of content should be presented in the following order; Institutional Information, Management's Report, Auditor's Report, Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Cash Flows and Notes to the Financial Statements.
- The financial statements should report only items applicable to the entity to make the financial statements less bulky and neat.

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Articles and contributions are welcome from staff



## Validation of financial statements: basic things to look for as a public sector auditor - Cont'd from Pg 1

### Undesirable terms and recommended terms in the financial statement

Many times, management use undesirable terminologies in the financial statements that are not in consonance with the current trends and development in the accounting profession. It will therefore be appropriate to insist on current terms in the accounting profession to be used in the financial statements. Below are some of the notable undesirable terms used in the financial statements submitted to our offices for validation.

No.	Undesirable Term	Recommended Term
1	Annual Account for 2021	Financial Statements for the year ended 31 December, 2021
2	Balance Sheet as at December, 2021	Statement of Financial Position as at 31 December, 2021
3	Stock	Inventory
4	Debtors	Receivables
5	Creditors	Payables
6	Rated Fund	Accumulated Fund/Reserves

### Conclusion

So far as the Auditor-General audits the accounts of public institutions and issue a report to the honourable Parliament of Ghana, which

is relied on by many stakeholders such as donors and the public, it is incumbent on the staff of Audit Service to ensure the credibility of the financial statements during the financial statement validation. We can do much to avoid basic things that taint the creditability and fair presentation of the financial statements as outlined above.

We should as much as possible ensure that the financial statements we validate are prepared in line with current changes and pronouncements in the accounting profession to meet international standard in fulfillment of our own Mission Statement which reads "To promote good governance, transparency, accountability and probity in Ghana's public financial management system by auditing to recognized **international standards** and reporting our audit results and recommendation to Parliament".

This write up is on the basic things to look for and ensure in the validation of financial statements of public institutions. However, I will come out with the "**Financial Statement Validation Processes**" in the next edition of this Bulletin.

It is my hope that you will find this write up useful and educative which will help improve our financial statements validation exercise.

### Commonly confused words - LAY vs. LIE

The most common meaning of LAY is to place something or someone down in a flat position.

Lay is transitive. It requires that the verb have an object. There has to be a thing or a person being placed.

- Lay it down.

Example of LAY in context in tenses that show its principal forms.

- I was told to lay the book down.

- I laid it down as I have laid other books down.

- I am laying more books down now.

For lay, we have lay, laid, have laid, laying.

With LIE, the most common meaning is to be in a flat position on a surface.

Lie is intransitive. It is for something or someone moving on their own. Or something or someone that is already in position.

- You can lie down there.

- You can lie there all day.

Example of LIE in context in tenses that show its principal forms.

- I was told to lie down.

- I lay down.

- I have lain here since.

- I am still lying here.

For lie, we have lie, lay, have lain, lying.

There is also the unrelated verb LIE which means to tell an untruth.

That lie goes, lie, lied, have lied, lying.

<https://www.merriam-webster.com/>

Grammar Corner

## Rapidly evolving auditing tools to meet a digitized economy

Stella Mamavi Vinyo Dekey - AD (EIDA North)



I followed keenly the maiden edition of the District Auditors' Conference held at the Golden Tulip Hotel, Kumasi from 21st to 22nd December 2021, themed "Ensuring the efficiency and effectiveness of the state auditor in a digitised economy. The Auditor General presented compelling reasons to transform the service into a world class entity to ensure quality work is done in an effective and efficient manner. As an auditor who has embraced digital transformation, I was filled with pride and joy. This has moved me to write this article as a clarion call on all fellow auditors to rise and move towards the new norm: digitisation of auditing tools in the modern world.

Digitalisation has been a buzz word in Ghana for many industries, Government agen-



The Auditor-General at the Conference

cies and the economy in general in recent years. Ghana is rapidly evolving to becoming a technological hub in so many ways and the opportunities including job creation are becoming endless. For instance, now I can order groceries, cooked meals, clothing, electronics, send and receive money, etc. all from the comfort of my home. How convenient and transformational this has been within the last 10 years under my personal purview.

Allow me to humour you on my personal experience and what I heard from the senior citizens when I joined the Service. Did I say humour?

Yes, I said humour because I understand when one joined the service as a new staff, you had to become "macho" at all costs since you would be made to carry huge files and follow your team leader to and from audit locations. Let me stress that this unwritten job description was gender neutral. I remember I also carried some of these files. Fast forward, today, all I need is a small laptop and the technological know-how and all the files will be at my fingertips. Nokware, tetewobi ka ampa to wit; the past has a lot to remind us of.

Now back to the write up, I must say the Service is receiving its fair share of this global innovation and working towards a digitised system of auditing. As a person always on the lookout for better,

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## Construction of regional and district offices in pictures





## Rapidly evolving auditing tools to meet a digitized economy - Cont'd from Pg 2

effective, and simpler ways of improving efficiencies in whatever I do, I quickly embraced the idea of digital transformation by taking short courses in IT with some of my work colleagues. In the past, during international workshops and conferences, we admired the rich presentations of our colleagues from other parts of the world on their use of modern tools, graphics, and other presentation skills, and you could not just ignore but admire these quality works. I am happy that today the Service has trained a lot more staff and sharpened our presentation and report writing skills.

Alas, the time has come for all of us to embrace new relevant ways of making work efficient and world-class.

Let us look at what the Covid-19 pandemic taught us: whether you were ready or not, young or old, male or female, the world came to a standstill, all work moved online and working from home quickly became a norm: Ghana was not an exception. Students had all their classes online with their teachers adopting WhatsApp and other technologies to teach them. It became evident that technology is a necessity and not a luxury nor a political hot button issue.

We were all impacted and those who were ready benefitted immensely from the technology out there. Now virtual meetings are so common, and I quickly ask myself, can audit be done virtually, securely, and safely to save auditors from sometimes travelling many kilometers just to complete an hour's worth of work? I can see a future where we will have a hybrid system in place to improve efficiencies in auditing. Government's drive for digitalization over the years has convinced me that we need to even move faster as a Service to be at par with the agencies and clients we audit because they have also embraced data analytics, artificial intelligence, data mining, etc.

This is opening a new chapter for more training of today's auditors to be technologically advanced and develop software competencies to make our work easier and efficient. This will greatly benefit Government in its quest to streamline the processes and efficiencies of all of its ministries and agencies.

Generating digital data is so important but even more critical, is the ability to transform that data into usable actionable information to inform policies at all levels of Government. This can only be achieved when we as auditors become competent and abreast with modern trends of doing work. I am excited about the digital transformation in the Service, and I am hopeful we will all adapt to these new changes and provide training and professional development avenues for the younger auditors to grow to meet the needs of the new auditing world. Yes, we will have a lot of challenges as we transition to the digital phase such as, data security, cost of internet services, stability of electricity to keep systems running 24/7, availability of IT personnel, and bridging the knowledge gap but the world is moving and so must we also move and fix our challenges along the way.

I think we are on the right course to turning the Service into a world-class entity. Kudos to Management of the Service for all these initiatives, as we make progress and move in the right direction. Looking forward to the next chapter of the Service's Digital milestone and subsequent conferences.

## Migraines - more than just a "bad" headache

If you have migraines, you don't need to be told how painful they are. They aren't just a "bad" headache. Most people who are prone to migraines get a painful attack once or twice a month. But if you have the condition known as chronic migraine, you get headaches much more often - 15 or more days a month for at least 3 months. These frequent and severe attacks can make living a normal life a challenge.

Symptoms can include:

- \* Severe throbbing pain on one or both sides of your head
- \* Nausea
- \* Vomiting
- \* Feeling dizzy
- \* Tingling in your face, hands, or feet
- \* Auras (seeing flashing lights, colours, lines, or shadows)

During a migraine, you might also find bright lights, sounds, touch, and smells painful.

### Causes of migraines

Doctors are learning more about what brings on these headaches, which often run-in families. Some are the result of changes in the brain chemicals. Abnormal brain activity is also involved. Every person who has migraines has different triggers, but common ones include a lack of sleep, caffeine, and being under stress.

Most people who get chronic migraines are women. This may be because hormone changes are another well-known cause. These shifts happen around the monthly period, as well as during pregnancy and through menopause. Birth control can also play a role.

### How to treat migraines

Migraines can be treated with medications that treat the pain and symptoms as well as the underlying cause of migraine. In some cases, there are medical devices you can use to interrupt the headache. Still,



no treatment is perfect.

Chronic migraines can take a toll on your personal life. If you get painful headaches for half of each month, you lose days of work or school and precious time with friends and family. It's common for people with chronic migraines to also have depression.

### How to prevent chronic migraines

Taking care of yourself every day may prevent your migraines from turning into a long-term problem. For instance:

- \* Catch some ZZZs. Not getting enough sleep can trigger a migraine. Aim for 7 to 8 hours of rest each night.
- \* Watch your diet. While caffeine can soothe your pain, stopping it suddenly is a common cause of migraine. Other common food triggers include MSG (monosodium glutamate), nitrates in cured meats like hot dogs, artificial sweeteners, and alcohol.
- \* Manage your stress. Tension and worry are common triggers. Try to carve out a few minutes each day to do something you love, or learn to breathe deeply when you're in the midst of a crisis. You might join a support group or talk to a counsellor.

- \* Have a meal plan. Fasting and skipping meals can trigger headaches. Try to eat around the same times each day.
- \* Get moving. Exercise is a good way to ease your anxiety and stress. It can also help you get to, and stay at, a healthy weight. Since obesity raises your risk of chronic migraines, getting in shape is crucial.
- \* Know your triggers. Not all migraines result from triggers. But if yours do, that set of triggers is unique to you. To learn what yours are, keep a headache diary. Each time you have an attack, write down details about what you were doing, how long the headache lasted, and how you felt before it started. This will help you begin to notice patterns -- and avoid your triggers.
- \* Be careful with your medicine. If you have chronic migraine, you'll probably take preventive medications. If you get a headache anyway, you might be tempted to use what your doctor will call acute medicine. It's designed to treat sudden attacks. But too much can lead to a problem called medication-overuse headache (MOH). The drug that's supposed to stop headaches starts to cause them. You could wind up with a dull, constant pain every day. To prevent this, try not to take any pain-relief drug more than two to three times a week or 10 times in the same month. If you think you're having MOHs, talk to your doctor.

Don't wait to seek help. If you can't stop throwing up or have a change in vision, get emergency medical care. You should also get checked out if a headache lasts more than 72 hours, is severe, or if you have any new symptoms that are frightening to you.

Source: <https://www.webmd.com>

Health  
Corner

P. O. Box M96, Ministries Accra  
Ministries Block 'O'

Digital Address: GA-110-8497

Phone +233(0)302664920/28/29

Email: [info@ghaudit.org](mailto:info@ghaudit.org)

Website: [www.ghaudit.org](http://www.ghaudit.org)

### Personality profile



Sheila Agyeiwaa

Auditor, GAR/District 'C'

Hails from Atebubu the Atebubu-Amantin Municipal in the Bono East Region

Joined the Service in March 2019

Favourite food is Fufu with smoked fish light soup

Hobbies are social interaction and surfing the internet