

Audit Service Bulletin

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

The Era of Digital Assets - Otetemateng Tabil Emmanuel Junior (Assistant Auditor, Lawra District Office)

What at all is digital assets?



Nothing wrecks fear into the heart of a medieval auditor than being asked to audit an institution that relies solely on software for its accounting records. Sometimes, such auditors would prefer to wrestle their life out with a hungry lioness for days than to take such exercise. Auditing around technology is daunting and intimidating to most auditors, especially those with no or minimal expertise in the field of IT. But what exactly is the source of this fear?

The good news is that IT audit doesn't have to be agonizing. With the right training, discipline and willingness to learn, almost every auditor can appreciate and improve their skills in this area. The thought that IT is emerging is farfetched; it has firmly established itself in all professional landscape including auditing. It is, therefore, imperative that any profession makes room to accommodate and adopt the emergence of IT. It's intriguing how IT is gaining dominance in all facets of professional pursuits. It cuts across formal and informal sector, improving efficiency at work, reducing real time of doing business and expanding scope of businesses. While challenges of auditing around IT is real, it could be allayed with full grasp if auditors appreciate and understand the fundamental twists that technology has brought to some components of financial statement items, what they are and how to treat them.

On such concept worth discussing today is the emergence of **DIGITAL ASSETS** in the field of finance and accounting. Digital assets represent a developing financing and accounting concept in IT, and understanding how to identify and treat them is crucial for auditors to navigate the complexities in modern technology in auditing.

A digital asset is any form of digital item which can produce economic value (cash) to the owner. A digital item is not a digital asset unless it can produce economic value to the owner. The word economic value can be **intrinsic or extrinsic**.

Intrinsic digital asset produces real cash or generate some level of cash flow to the owner. Extrinsic on the other hand forms part of the digital item but not digital asset of the owner. It has no cash flow generating ability. Now, digital assets are gradually gaining recognition in the field of finance, hence, most organisations are beginning to value and recognize them in their financial statements due to its enormous economic value they produce. Most digital items have financial impacts and beginning to recognise them in the financial statements is just right. Due to the increasingly acceptance of digital asset, digital asset management providers have also emerged, managing, and controlling economic impact of these assets. Digital asset has undisputably become a force to reckon with in the financial technological space.

Examples of digital assets includes.

- CRYPTOCURRENCY
- (Non – Fungible Tokens) NFT's
- VIDEOS
- DIGITAL IMAGES
- DIGITAL BOOKS
- ANIMATION
- EMAIL ACCOUNTS

For our discussion, I will shed light on cryptocurrency and NFT's in brief.

Cryptocurrency

Cryptocurrency is digital money that can perform the same functions as fiat or paper currency. So, cryptocurrencies are also money but in different form other than fiat. While fiat currencies are regulated and supervised by a regulatory authority, cryptocurrencies operate independently of such oversight. Cryptocurrencies are not subjected to trade restrictions and guidelines. They are peer- to -peer system of digital money that are created and stored on a blockchain. Blockchain simply means digital ledger where cryptocurrencies are created and stored. Cryptocurrencies such as bitcoin and Ethereum are developed to address modern day banking challenges. Consider this scenario, Mr. A bought a car from Mr. B who needs to pay his foreign business partner Mr Q. before he leaves the country. However, Mr. A's bank is experiencing network issues and has exceeded its daily transaction limit, preventing Mr. A from transferring the money to Mr. B. As a result, Mr. B. is unable to pay Mr. Q. leading to potential dishonesty in the transaction due to systemic failures and regulatory restrictions. These are the challenges digital currencies such as cryptocurrencies are developed to address by proffering decentralized and unrestricted means of transaction. Nevertheless, trading with cryptocurrencies is very speculative and complex, it involves significant level of risk. Despite this, some companies are opting to store economic value in digital currencies than fiat currencies.

cont. on pg 2

In this issue:

- ⇒ The Era of Digital Assets - Pg.1
- ⇒ Auditors Must Be Time Conscious - Pg.2
- ⇒ Highlights of key aspects in the Financial Audit Methodology - Pg.3
- ⇒ The counsellor – Stress and Mental Well-Being - Pg.3
- ⇒ Uniting for a Transparent Ghana : Audit Service May Day Celebration - Pg.4
- ⇒ Commissioning of Eastern Regional Office Complex in Pictures - Pg.5
- ⇒ How to Improve Mental Health - Pg.6

Articles and contributions are welcome from staff



The Era of Digital Assets - cont. from pg 1

NFT's (Non – Fungible Tokens)

These are digital currencies created on a blockchain with a unique identification code. NFT's work like copyrights, with each NFT's having a distinct identification code assigned to it. These tokens or codes cannot be duplicated by way of generating the same token from the same blockchain making each NFT's unique. Every NFT has a digital signature that makes it unique from the other. Unlike NFT, fiat and cryptocurrency are fungible, which mean they can be traded for one another. NFT's are digital asset and could be photos, videos, audio file, games etc. The value of NFT at any given time is determined by the market forces, thus supply and demand. They can be bought and sold the same way as physical asset can. Similarly to cryptocurrency, NFT's are highly volatile and complex.

Importance of Digital Assets.

1. **Payment of goods and services.**
2. **Could be used for investment purposes.**
3. **There are no regulatory restrictions in transacting with digital currencies or digital asset unlike fiat currencies.**
4. **Easy to use. No documentary requirement before using digital asset.**

Accounting treatment for digital assets.

Coming up with a specific standard for

treating digital assets has been challenging due to the volatile nature of the asset. The contention surrounding its classification, whether digital assets are cash, inventories or financial derivatives makes it extremely difficult to adopt uniform standard to treat them in financial records. The contention encapsulates the fact that, digital assets though can perform some functions of fiat money, it also lacks basic features of fiat money such as legal tender and unit of measure for exchange that could qualify it to be cash and given the same recognition in financial books. This argument was somewhat gunned down when El Salvador declared cryptocurrency (bitcoin) as a legal tender on 7 September 2021. In fact, other countries are in consideration stages of accepting bitcoin as a legal tender. The issue of cryptocurrencies not cash, perhaps not universally admitted, is arguable. This has rekindled the interest of regulatory organizations and bodies to develop intermediate treatment for digital assets in financial books based on how the owners of these digital assets hold and use them. Due to high volatility nature of cryptocurrency, many hold opinion that cryptocurrencies are like derivatives and should be value at fair value through profit and loss. International Financial Reporting Interpretation Committee (IFRIC) issued its tentative decision on holding of cryptocurrencies in March 2019 which has been adopted and become standard for reporting cryptocurrencies.

1. IFRIC proposes that cryptocurrencies are generally intangible assets under IAS 38. Intangible Assets i.e.

non-monetary items with no physical substance that convey economic benefits to the holder.

2. Measurement would be at cost or potentially at fair value with movements through other comprehensive income (OCI) if, and only if, there is an active market.
3. If the cryptocurrency is held for sale in the normal course of business- e.g. if you're a broker trader then IAS 38 does not apply and, instead, IFRIC proposes that the cryptocurrency would be accounted for as inventory under IAS 2 Inventory.

NOTE: Most institutions using cryptocurrency see it as a dormant asset, its impact does not materially affect the institution's operations. However, anytime there are significant gains, they are transferred to other comprehensive income accounts (OCI) as proceeds from their secondary activities.

In conclusion, this draft seeks to bring to attention of the reader the new wave of developments in the financial and technological landscape that warrant attention. It is very interesting how digital assets are gaining traction in the field of accounting and finance. I hope that this draft sparks the reader's curiosity to delve deeper into the evolving dynamics of our technological landscape. Digital Assets represent a new frontier that must be embraced.

Thank you.

Auditors Must Be Time Conscious - Andrew L. Banou (Director of Audit, Navrongo)



Being time conscious is crucial for Auditors for several reasons:

1. **Efficiency:** Time-conscious Auditors are more efficient in completing tasks. They prioritize effectively, avoiding procrastination and time wastage.
2. **Productivity:** Time management leads to increased productivity. When an Auditor allocates time appropriately to tasks, he/she can accomplish more in a shorter period.

3. **Professionalism:** Being punctual shows respect for others' time, which is essential in both personal and professional settings. It builds trust and reliability.
4. **Opportunity:** Time-conscious Auditors seize opportunities quickly. They can respond promptly to changes and take advantage of favorable situations.

5. **Reduced Stress:** Effective time management reduces stress levels of Auditors. When you plan well and complete

tasks on time, you're less likely to feel overwhelmed or rushed.

6. **Goal Achievement:** Time-consciousness helps in achieving your audit objectives. By consistently allocating time to important tasks, you make progress towards your objectives.

In conclusion, being time conscious is a foundational skill that contributes significantly to success in various aspects of life and we as Auditors must be time conscious.

Highlights of key aspects in the Financial Audit Methodology - Fred Lokko



From our last edition (1st quarter of 2024) of the GAS bulletin, we considered some aspects of the Understanding the entity phase of the Service's financial audit methodology (FAM). The auditor's understanding of the entity (client) helps the auditor to assess the risk of material misstatement whether due to fraud or error, design further audit procedures and perform the audit efficiently and effectively.

I shared light on understanding the entity from the perspective of obtaining and documenting general information on the entity (step 1), the entity's governance structure (step 2) and legal framework of the entity (step 3).

In this edition, we will look at understanding the entity from the perspective of Understanding the operational environment of the entity (step 4), and fraud considerations (step 5).

Understand the operational environment of the entity

For the auditor to better understand the operational environment of the entity, we must first be very aware of the entity's mandate. For example, the Ghana Revenue Authority's core mandate is to collect taxes, interest

and penalties on taxes due to the state in an efficient and effective manner. The mandate of the GRA clearly comes with the risk that taxes collected may not be appropriately accounted for; and this may result in material misstatements in the GRA's financial statements recording for tax revenue etc.

Step 4 of the understanding the entity working paper also helps the auditor to document how the entity is financed. For example, the entity may be relying so much on IGF (internally generated funds) due to lack of funding from the central government. This phenomenon may raise questions about the entity's ability to sustain its services. There may be the risk that the entity may misapply internally generated funds (IGF) collected and hence misstatement in the financial statements.

Other issues to consider in relation to the entity's operational environment relates to

Political decisions such as the government's decision to reduce budgetary allocations, closing some aspects of the entity's operations etc. Managers of these entities may fail to make appropriate disclosures in the financial statements which may lead to material misstatements.

The auditor can obtain an understanding of the audited entity through Inquiries/interviews, analytical procedures (eg comparing budget versus actual data), inspection, reference to previous year's audit report etc.

Understand fraud considerations

The financial statements of the audited entity may be materially misstated as a result of Fraud or Error. The difference between fraud and error is that fraud is caused intentionally while an error is unintentional. It is vital that the auditor obtains sufficient and appropriate evidence to conclude whether a particular misstatement is caused by fraud or error. Step 5 of the understanding the entity working paper helps the auditor to identify and assess the risks of material misstatement due to fraud or error. It also helps the auditor to obtain sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error and thereby facilitate the design and implementation of appropriate responses to the identified risk by the auditor.

For example, an understatement of IGF should not necessarily be concluded by the auditor to mean a misstatement due to FRAUD. Sufficient and appropriate evidence

should be obtained through documented and signed interviews of relevant officers, obtain valid documents relating to the transactions in question etc.

Auditors should look out for risks factors such as client management's attitude towards risk assessment relating to fraud, measures put in place to mitigate against the risk of fraud and appropriate use of state resources including assets of the entity.

Another area worth looking at by the auditor in assessing the risk of fraud should include possible management override of internal controls. For example, some financial transactions may be processed without going through approved and appropriate procedures.

All possible suspected misstatements due to fraud should be duly communicated to client management for response. Also, the auditor should not make legal determinations of whether fraud has occurred unless there is a legal requirement to do so.

In the next edition of the GAS Bulletin, I will deal with the last three steps (step 6 to 8) in the Understanding the Entity phase of the FAM. Watch out for the next edition.

The Counsellor by Elizabeth Senyo-Pongo (Director of Audit, Akropong-Akuapem) Topic: Stress and Mental Well-Being



Stress is a state of mental or emotional strain or tension resulting from adverse or demanding circumstances. A feeling of emotional or physical tension. Stress is normal and everyone experiences it in response to situations considered threatening or dangerous.

When you are stressed, your body responds by producing physical and mental reactions. These stress responses can be positive, keeping you alert to danger, motivated or adaptable to new situations.

Stress can cause health problems and it can make existing problems worse. Stress in itself is not an illness but when you experience it frequently, it increases the risk of mental health conditions. A lot of stress can develop into a mental health condition such as; Anxiety, Depression, Post-

traumatic stress disorder (PTSD), Psychosis and Substance use problems.

Stress causes changes in the body that can range from mild to severe. Symptoms can be cognitive, physical, emotional or behavioural. When under stress, your body's automatic nervous system takes control. This system regulates the function of your internal organs such as the heart, stomach and intestines.

Stress Symptoms

Easily angered, Restlessness, Sadness, Sleeplessness, Self-blame, Worry, Crying, Loss of appetite, Headaches, Chest pain and Diarrhea

Dealing with Stress

- i. AVOID UNNECESSARY STRESS
 - Learn to say "NO" and have

boundaries

- Avoid people who create a stressful environment whenever possible
- Establish a low stress life
- Prioritize your "to-do" list and drop tasks or activities that aren't truly necessary
- i. ACCEPT THE THINGS AND PEOPLE YOU CANNOT CHANGE
 - Don't try to control the uncontrollable
 - Look at challenges as opportunities
 - Share your feelings to help reduce their power over you
 - Learn to forgive and move on

i. ALTER THE EXTERNAL SITUATIONS

- Modify your environment
- Change your routines including what you consume, how you move, what you watch and where you go
- Set boundaries in your relationships

i. ADAPT YOUR INTERNAL THOUGHT PROCESS

- Reframe problems as a desired solution ("I can't do this" reframed as, "I need to learn how to do this")
- Consider potential consequences of taking various actions – look at the big picture
- Set clear and reasonable expectations and standards for yourself

Uniting for a Transparent Ghana : Audit Service May Day Celebration

The Audit Service marked May Day with a resounding call on citizens to join forces in the fight against corruption and promote transparency in Ghana.

The event highlighted the CitizensEye mobile application, an innovative tool designed to facilitate citizen input into audits conducted by the Auditor-General through the Ghana Audit Service. The app, available on Google Play Store, App Store, and the Audit Service website, enables citizens to provide feedback on government policies and report suspected cases of mismanagement, fraud, and other irregularities.

Developed under the auspices of GIZ, the CitizensEye app aims to empower citizens to report corruption while protecting their identity. The app also helps auditors identify priority audit areas based

on citizen feedback, highlighting issues that are particularly bothersome to citizens.

The event featured a compelling display of placards with inscriptions urging citizens to collectively fight corruption. The placards carried powerful messages, including "Report wastage and misappropriation with CitizensEye", "Report irregularities, start with you!", and "Join the transparency movement with CitizensEye".

By displaying the placards, the Audit Service aimed to raise awareness about the CitizensEye app and encourage citizens to download and use it to report issues and share information on suspected irregularities. This initiative is part of the Service's commitment to promoting transparency and accountability in Ghana. As

the placards aptly put it, "Be vigilant, report mismanagement" and "Break the silence, report abuse". By working together and utilizing tools like the CitizensEye app, we can create a more transparent and accountable Ghana.



Commissioning of Eastern Regional Office Complex in Pictures



How to Improve Mental Health

What is mental health?

Mental health includes our emotional, psychological, and social well-being. It affects how we think, feel, and act as we cope with life. It also helps determine how we handle stress, relate to others, and make choices. Mental health is important at every stage of life, from childhood and adolescence through adulthood and aging.

Why is mental health important?

Mental health is important because it can help you to:

- Cope with the stresses of life
- Be physically healthy
- Have good relationships
- Make meaningful contributions to your community
- Work productively
- Realize your full potential

How can I improve my mental health?

There are many different things you can do to improve your mental health, including:

♦ **Staying positive.** It's important to try to have a positive outlook; some ways to do that include:

- * Finding balance between positive and negative emotions. Staying positive doesn't mean that you never feel negative emotions, such as sadness or anger. You need to feel them so that you can move through difficult situations. They can help you to respond to a problem. But you don't want those emotions to take over. For example, it's not helpful to keep thinking about bad things that happened in the past or worry too much about the future.

- * Trying to hold on to the positive emotions when you have them

- * Taking a break from negative information. Know when to stop watching or reading the news. Use social media to reach out for support and feel connected to others but be careful. Don't fall for rumors, get into arguments, or negatively compare your life to others.

♦ **Practicing gratitude**, which means being thankful for the good things in your life. It's helpful to do this every day, either by thinking about what you are grateful for or writing it down in a journal. These can be big things, such as the support you have from loved ones, or little things, such as enjoying a nice meal. It's important to allow yourself a moment to enjoy that you had the positive experience.



Practicing gratitude can help you to see your life differently. For example, when you are stressed, you may not notice that there are also moments when you have some positive emotions. Gratitude can help you to recognize them.

♦ **Taking care of your physical health**, since your physical and mental health are connected. Some ways to take care of your physical health include:

- * Being physically active. Exercise can reduce feelings of stress and depression and improve your mood.

- * Getting enough sleep. Sleep affects your mood. If you don't get a good sleep, you may become more easily annoyed and angry. Over the long term, a lack of quality sleep can make you more likely to become depressed. So it's important to make sure that you have a regular sleep schedule and get enough quality sleep every night.

- * Healthy eating. Good nutrition will help you feel better physically but could also improve your mood and decrease anxiety and stress. Also, not having enough of certain nutrients may contribute to some mental illnesses. For example, there may be a link between low levels of vitamin B12 and depression. Eating a well-balanced diet can help you to get enough of the nutrients you need.

♦ **Connecting with others.** Humans are social creatures, and it's important to have strong, healthy relationships with others. Having good social support may help protect you against the harms of stress. It is also good to have different types of connections. Besides connecting with family and friends, you could find ways to get involved with your community or neighborhood. For example, you could volunteer for a local organization or join a group that is focused on a hobby you enjoy.

♦ **Developing a sense of meaning and purpose in life.** This could be through your

job, volunteering, learning new skills, or exploring your spirituality.

♦ **Developing coping skills**, which are methods you use to deal with stressful situations. They may help you face a problem, take action, be flexible, and not easily give up in solving it.

♦ **Meditation**, which is a mind and body practice where you learn to focus your attention and awareness. There are many types, including mindfulness meditation and transcendental meditation. Meditation usually involves:

- * A quiet location with as few distractions as possible

- * A specific, comfortable posture. This could be sitting, lying down, walking, or another position.

- * A focus of attention, such as a specially chosen word or set of words, an object, or your breathing

- * An open attitude, where you try to let distractions come and go naturally without judging them

♦ **Relaxation techniques** are practices you do to produce your body's natural relaxation response. This slows down your breathing, lowers your blood pressure, and reduces muscle tension and stress. Types of relaxation techniques include:

- * Progressive relaxation, where you tighten and relax different muscle groups, sometimes while using mental imagery or breathing exercises

- * Guided imagery, where you learn to focus on positive images in your mind, to help you feel more relaxed and focused

- * Biofeedback, where you use electronic devices to learn to control certain body functions, such as breathing, heart rate, and muscle tension

- * Self-hypnosis, where the goal is to get yourself into a relaxed, trance-like state when you hear a certain suggestion or see a specific cue

- * Deep breathing exercises, which involve focusing on taking slow, deep, even breaths

It's also important to recognize when you need to get help. Talk therapy and/or medicines can treat mental disorders. If you don't know where to get treatment, start by contacting your primary care provider.

Source: medlineplus.gov

Health
Corner

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

Digital Address: GA-110-8497

Phone +233(0)302664920/28/29

Email: info@audit.gov.gh

Website: audit.gov.gh

Personality profile



Tannor Benson

Assistant Director, Kumasi, Ashanti Region

Joined the Service in November 2006

Hails from Seikwa in the Bono Region

Favourite food is fufu with palmnut soup

Hobby is reading