

Audit Service Bulletin

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Rethinking the financial reporting implications of the Auditor-General recoveries accounts in Ghana. Part 1 – the legal and conceptual basis- C.J. Adafula - Director / Wa District A



Abstract

Significant amounts of monies have been disallowed, recovered and paid into the Auditor-General Recoveries Account (A.G-RA) since its establishment in 2022. However, little attention has been paid to the accounting implications of the transactions underlying such disallowances and recoveries in the financial statements of covered entities. This paper examines the accounting implications of the A.G-RA in the books of covered entities. Its central argument is that the current practice of merely recovering and banking disallowed amounts into the A.G-RA without correspondingly recognising same in the accounts of covered entities creates incomplete accounting treatment of the disallowed transactions, undermine the integrity of the double-entry principle and impairs faithful presentation. The paper is divided into two parts. Part I briefly discuss the legal and conceptual basis for disallowance, the concept of questioned expenditure under the PFMR 2019 (L.I. 2378) and illustrates the financial reporting implications of disallowances and recoveries after the financial statements have been authorised for issue. Part II discusses disallowance and recoveries made and paid but before the financial statements are authorised for issue; and “disallowables and recoverables” made but not paid before the finan-

cial statements are signed. This is followed by a summary of some challenges and concludes with suggestions reform.

Statutory and Legal Framework- The Law on Disallowances

The constitutional basis of the Auditor-General’s power of disallowance is found in article 187 of the 1992 constitution. Under article 187(7) the AG is empowered to disallow any expenditure which is contrary to law and to surcharge the amount of expenditure disallowed upon the person responsible for incurring or authorising it; or any sum which has not been duly brought into account, upon the person by whom the sum ought to have accounted for it; or the amount of any loss or deficiency, upon any person by whose negligence or misconduct the loss or deficiency. The Supreme Court has also in a line of decided cases affirmed the scope and legality of this power. See the *Occupy Ghana case*, *Zoomlion Ghana Ltd v. The Auditor-General* [2019-2020] 2 SCLR 440, *Softtribe Ghana Limited v. The Auditor-General* (2025) JELR 114183, SC J4/54/2023 (26 Feb 2025) among others. Disallowances by the AG usually arise from adverse findings made during the audit of covered entities-technically described as questioned expenditure.

Questioned Expenditure

Regulation 235 of L.I. 2378 defines questioned expenditure to include (a) expenditure that is unreasonable

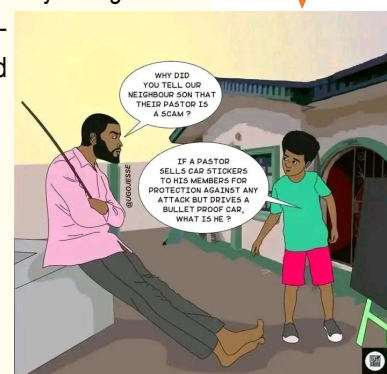
or prohibited by the award contract; not allowed by applicable laws; not programmed or in the procurement plan of a covered entity; not in the approved related budget or that exceeds the approved appropriation; or unsupported expenditure which has no or inadequate documentations or did not have required prior approval or authorisation; or (b) misappropriation and misapplication of funds. By Regulation 232 of L.I.2378 a PSO based on findings in the report of the IA and or external auditor shall maintain a record of questioned expenditure through GIFMIS. The obligation to record questioned expenditure within the GIFMIS is particularly significant for accounting purposes. It suggests that questioned expenditure is not intended to remain merely as an audit observation external to the accounting system but rather must form a part of the accountability architecture of covered entities. This therefore provides an important conceptual basis for arguing that recoveries arising from disallowances should be recorded in line with the double entry bookkeeping principle where every entry has a corresponding opposite entry recognised in the books of accounts of affected entities.

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Articles and contributions are welcome from staff



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Audit Irregularities and Questioned Expenditure,

The Auditor-General is empowered to undertake external and special audits under Regulations 27 and 28 of the Audit Service Regulations. 2011 (C.I. 70) respectively. During such audits, irregularities may be identified which may form the basis for disallowance and surcharge proceedings under Article 187(7)(b) of the Constitution. The effect of any disallowed expenditure on the financial statements of covered entities will depend on factors including but not limited to; the nature of the disallowed transaction, the materiality of the transaction, the timing of the audit determination, the certainty of recovery, and whether the event reveals a loss, or an error.

Based on the foregoing, the accounting treatment of disallowances and recoveries must be analysed within the context of IPSAS rather than treated merely as isolated cash recoveries into the Auditor-General Recoveries Account. It must be noted however that factors such as considerations of enforceability, measurability, probability of receipt, and disputes may influence the final treatment of the disallowed transaction.

Disallowances and Recoveries made

after the Financial Statements have been authorised for issue.

This scenario arises where special audits or post-audit reviews identify irregularities resulting in disallowance and recoveries relating to prior years.

Common examples are the unearned salaries arising from special payroll audits conducted after the financial statements have been finalised; and Special Projects/ Contract audits which reveal overpayments, or substandard deliveries among others for prior years. Under IPSAS, the principal issue will be whether the disallowance reveals a prior-year error or a recoverable asset.

Prior-year errors

Where the disallowances established that expenditures recognised in the financial statements were fundamentally invalid, fictitious, unauthorised, or unsupported, the matter may constitute a prior-period error under IPSAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors. For example, salaries paid to non-existent employees (ghost employees), unearned salaries, duplicate payment of allowances, fraudulent procurement payments, and fictitious suppliers discovered in the current period but relating to prior peri-

ods clearly fall within the purview of IPSAS 3. IPSAS 3 would require, comparative figures be restated, adjustment of accumulated surpluses/deficits, and a disclosure of the nature and impact of the error.

Assume that a special payroll audit of Zongolaka Assembly in 2025, discovered that a total of GH¢150,000.00 was fraudulently paid to 10 Ex-Assembly members as Ex-gratia in 2024. The fraud has been discovered, and the 10 former Assembly members collectively refunded the total amount of GH¢150,000.00 into the Auditor-General Recoveries Account. The following double entries are suggested.

This paper does not discuss the concept of surcharge, which is the imposition of a penalty by the Auditor-General on a person upon whom a disallowance has been made.

It is noteworthy that L.I 2378 did not expressly define “questioned revenue” or “questioned Income” in the same manner as questioned expenditure under Regulation 235. Nonetheless, the absence of a specific definition should not diminish the accountability and faithful presentation of public revenue. Ad this is more so for covered entities in which there is high risk of overstating revenue. Consequently, the principles governing questioned expenditure and the accountability implications arising therefrom, where applicable, extend mutatis mutandis to questioned revenue or income.

SN	Treatment	Explanation
1	Dr. The PSO account (since they are former Assembly members) or their individual accounts as the case may be – GH¢150,000.00 Cr. Accumulated Surplus/Deficit– GH¢150,000.00	To introduce the Receivable and to eliminate the effect of the prior error on Acc. Surplus.
2	Dr. Auditor-General's Recoveries Account – GH¢150,000.00 Cr. The PSO account (since they are former Assembly members) or their individual accounts as the case may be – GH¢150,000.00	To clear the receivable and introduce AG-Recoveries Account (Upon refund/repayment)
3	Dr. Accumulated Surplus/Deficit– GH¢150,000.00 Cr. Compensation of Employees (2024) – GH¢150,000.00	To correct prior overstatement of line-item expense and re-state prior-period amount (See para 47-50 of IPSAS 3).

Disclosure notes accompanying this will be required in compliance with Regulations 231 and Paragraph 54 of IPSAS 3.

Look forward to Part II

Launch of 2026 Financial Year Audit

The Auditor-General, Dr Pamela Graham, in her opening remarks emphasised continuous engagement with stakeholders, and timely submission of Financial Statements to facilitate quality audit reports. She also touched on expanding the use of data analytics, data driven and information systems auditing and use of Artificial Intelligence. Finally, she stressed on staff upholding higher standards of professionalism and producing reports which make an impact in the lives of citizens.

The Chairman for the launch, Prof Francis Dadoo

called on the Audit Service not only to disallow expenditure and surcharge public officers but also to enforce recoveries of what has been unlawfully taken from the public purse.

Speaking on the theme: strengthening accountability oversight in public institutions: building trust through collaboration and action, Hon. Abena Osei - Asare, the first speaker in her delivery emphasized that accountability begins with the decision to

spend and controls around those decisions and keeping records. She called for stronger collaboration, not compromising, interfering and negotiating to drop audit findings.

The second speaker, Dr David Ofori-Dorte admonished the Audit Service to build capacity to upgrade knowledge and skills and to modernise auditing through automation and use of Artificial Intelligence.



Staff durbar to introduce Auditor-General

The Audit Service Board on 22 July 2026 organized a staff durbar to introduce the newly appointed Auditor-General, Dr. Pamela Graham to staff of Audit Service.



Regional staff engagement

The Board and Management of the Service have embarked on tours in some regions for the Auditor-General Dr. Pamela Graham to interact with staff

Upper East Region



Northern Region



Regional staff engagement

Volta Region



Eastern Region



Auditor-General pays courtesy visits to stakeholders

The Auditor-General Dr. Pamela Graham, on her assumption of office has embarked on visits to some stakeholders of the Audit Service to introduce herself and discuss ways in which the Service and its stakeholders can collaborate to ensure accountability for the use of public resources.

Discussions centred on capacity building, timely submission of financial statement for audits, implementation of audit recommendations, and access to information.



World Bank



World Bank



Controller and Accountant General Department



CAGD



Office of the Head of Civil Service



Office of the Clerk of Parliament



Office of the Clerk of Parliament



Judicial Service



Judicial Service



SIGA



State Interest and Governance Authority



PAC



Public Accounts Committee



World Bank Procurement Team



World Bank Procurement Team



The African Development Bank



The African Development Bank



Office of the Special Prosecutor



Office of the Special Prosecutor



Northern RCC



Northern Regional Coordinating Council



Upper East Regional Coordinating Council



Upper East RCC

Gender Matters: Starting the Conversation

Monalisa Lotsu - Assistant Director - Performance and Special Audit Department



Gender mainstreaming may sound like a technical term reserved for gender specialists. It is about something much more familiar: **how we work, how we make decisions, how we allocate opportunities and resources, and how we serve people.**

Every organisation such as the Audit Service makes decisions that affect women and men. Who gets recruited, who receives training, who takes on leadership responsibilities, whose views are heard, how services are designed and who benefits from organisational programmes can all have a gender dimension. The question is not whether gender matters - **it is whether we are paying enough attention to how it matters.**

Gender mainstreaming means deliberately considering the different experiences, needs and circumstances of women and men when developing policies, planning programmes, allocating resources, implementing activities and assessing results. It is not about creating advantages for one gender; it is about recognising differences and taking steps to promote fairness and equal opportunity.

Gender responsiveness goes a step further. It means responding to identified gender differences and inequalities rather than simply recognising that they exist. A gender-responsive organisation therefore asks: **Who benefits? Who may be left out? What barriers exist? What can we do differently?**

Gender mainstreaming is a shared organisational responsibility. Management, supervisors and staff all make decisions that can either reinforce existing inequalities or help create a more inclusive workplace and better services.

responsive planning and budgeting, data, leadership, workplace practices and the role each of us can play in making gender mainstreaming part of how we work.

So, as we begin, here is a simple question to consider: When we make decisions in our organisation, do we stop to ask how those decisions may affect women and men differently?

Fun Facts: Did You Know?

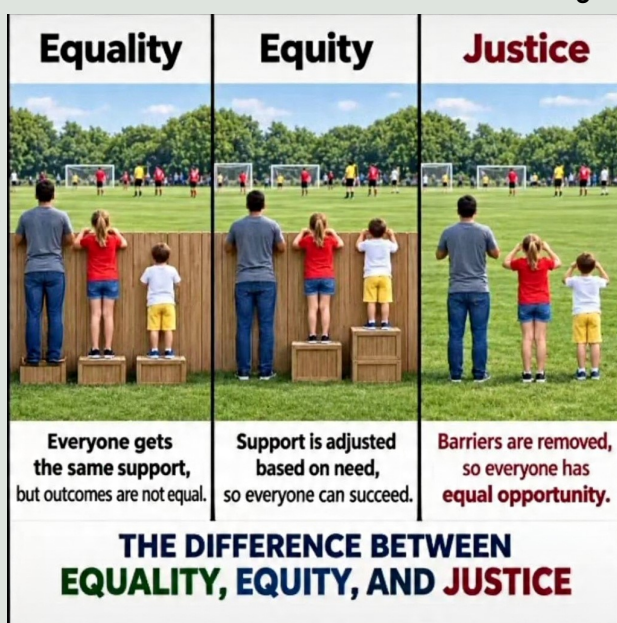
- * Gender mainstreaming is not a “women’s issue.” It is about considering how policies, programmes and decisions may affect women and men differently.

- * Equal numbers do not always mean equal opportunity. An organisation can have similar numbers of women and men while differences remain in access to training, leadership, decision-making or other opportunities.

- * Gender can have a place in everyday decisions. From who participates in meetings to who

receives training and how services are designed, seemingly ordinary organisational decisions can have gender implications.

Happy Reading



This article marks the beginning of a series of conversations on gender mainstreaming and responsiveness. In subsequent editions, we will explore what these concepts mean in practice, including gender analysis, gender-

Breast cancer awareness

**OCTOBER
BREAST CANCER
AWARENESS MONTH**



October is recognised as **Breast Cancer Awareness Month**, a global campaign aimed at raising awareness and funds for breast cancer research, prevention, and treatment. During this time, we promote awareness, screenings, and support for breast cancer patients. These activities play a significant role in encouraging early detection to help combat cancer effectively.

**BREAST CANCER
SCREENING**



- 20 to 39 years old**
 - Monthly Breast Self Exam
 - Clinical Breast Exam made by a health professional every 3 years
- 40 to 49 years old**
 - Monthly Breast Self Exam
 - Yearly Clinical Breast Exam made by a health professional
 - First mammography at 40 years old and one every 2 years
- 50 years old & above**
 - Monthly Breast Self Exam
 - Yearly Clinical Breast Exam made by a health professional
 - Yearly mammography

**MEN GET
BREAST CANCER
TOO!** (And we're changing the story.)



SUPPORT ADVOCATE EDUCATE

Breast Cancer Awareness Month
#PinkOctober

5 Top Facts About Male Breast Cancer

- 1 in 833 men** will be diagnosed in their lifetime
- It accounts for **less than 1%** of all breast cancers
- Average age at diagnosis is around **68 years**
- BRCA2 mutations** significantly increase risk
- Most common symptom: **a painless lump** behind the nipple



Early detection matters — men have breast tissue too.

**BREAST CANCER
HAS HIGH CURE
RATES WHEN
DETECTED AND
TREATED EARLY**



World Health Organization #Cancer

**WAYS TO REDUCE YOUR
BREAST CANCER RISK**

- Do not smoke
- Control your weight
- Limit or avoid alcohol
- Breast feed
- Be physically active
- Avoid exposure to radiations



World Health Organization #Cancer

LET'S BE AWARE!

You have a good chance to cure breast cancer if you find and treat it early.

If you think something's wrong, don't wait.
Seek care immediately.



Overcoming the Fear of Breast Cancer— Get tips for easing anxiety about a possible diagnosis

If you're scared that you will one day hear the words, "You have breast cancer," you've got plenty of company. Breast cancer is the most feared cancer among women. Sometimes, it's not just the word "cancer" that's at the root of the fear, but dread of issues associated with treating cancer, such as surgical complications and medication side effects. Perhaps you've been through a breast cancer diagnosis with someone close to you and know how difficult it can be.

While these are understandable fears, the danger is that some women are so overwhelmed with anxiety that they postpone screenings, such as breast exams and mammograms, or even skip them altogether for fear of bad news. Yet these are the very examinations that can help save lives by finding cancer early on, when it's most treatable.

Women who are newly diagnosed with breast cancer face a different set of fears as they go through various stages of anxiety and acceptance. Many are in a state of denial at first. This can quickly turn to anger and a feeling that their world has been turned upside down. Some women wonder what they have done to deserve this and are unsure about the best road to recovery. Eventually, reality sets in and treatment begins, which is when many women feel better and more in control of their disease because they are actively fighting it.

Those who survive breast cancer struggle with the fear that their cancer might return. Every post-treatment checkup, mammogram and blood test is anxiety-ridden as she awaits the results.

The lowdown...don't let breast cancer blindside you

The reality is that as you age, your risk for developing breast cancer increases. Most of us know women who have battled breast cancer. Advances in methods of detection and treatments have transformed breast cancer from what had been

considered a dreaded disease—what some perceived as a death sentence—to one that most women can and do beat. In fact, when breast cancer is found at its earliest, most treatable stage, a majority of women (98 percent) will go on to live full, healthy lives after treatment. So, it's important to keep up with recommended screenings and exams.

If you're 40 years or older, you should get a routine mammogram. In addition to the fear of getting a suspicious mammogram result, you may also be embarrassed to bare your breasts, or perhaps you'd rather avoid the discomfort that comes with positioning and squeezing the breast to take the image. But some temporary uneasiness and minor discomfort is a small price to pay if it means detecting breast cancer early.

If you're new to the task, ask the technician to explain what to expect. Be sure to find out when you can expect the results, so you aren't consumed with worry if you don't hear right away. If you are asked to come back and repeat the test, don't be alarmed. The film may have been difficult to read. If your doctor does notice something suspicious on your mammogram, he or she may order a biopsy to remove a sample of breast tissue and examine it for cancer. To put your mind at ease, consider that four out of five biopsies will not be cancer, but it's better to be safe than sorry.

It's also important for you to talk with your health care provider to learn about your personal risk of developing breast cancer so that you can decide how to stay on top of your breast health. While you're at it, ask about lung cancer and heart disease, too—these are the leading causes of death among women. And don't forget periodic breast self exams. Many women neglect doing these exams for fear of ending up in the doctor's office every month with a new lump and bump, but it's important that you get to know your breasts over time so you notice any changes.

Attitude and support eases anxiety

Having breast cancer is a difficult experience. You are probably worried about the road ahead, how your diagnosis will affect the important relationships in your life and your body image, as well as family and work obligations. Seeking emotional support and maintaining a positive attitude (as best you can) will help ease your anxieties.

Here are some tips:

- * Practice the art of happiness. It may be easier said than done, but try not to get weighed down with grief and worry. Boost your spirits whenever you can by meeting a friend for lunch, writing (and referring to) inspirational messages in a journal or going for a walk in a park.
- * Join a breast cancer support group where you can share your anxieties with other women who are going through the same thing and have similar concerns. If you feel more comfortable chatting with others from the comfort of your home, there are safe message boards at sites like Breastcancer.org.
- * Don't be afraid to express your fears to your loved ones. You're not Superwoman, and it's OK to share the burden. For many women, the old adage "what doesn't kill you makes you stronger" applies.
- * Take a deep breath. If you notice that your mind is swirling with worry, try meditation or deep-breathing exercises.
- * Ask questions. Your mind may get ahead of you at times, so ask questions to make sure you aren't worrying unnecessarily.
- * Don't let cancer define you. You had a life before cancer, and there is life after, so don't lose sight of who you are. Stay connected to the people and activities that are important to you.

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

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