

# LEGISLATIVE ALERT

Vol. No. ISSN 0855-2452 A Publication of The Institute of Economic Affairs

April 2003

## MISAPPROPRIATION OF PUBLIC FUNDS IN THE MINISTRY OF AGRICULTURE: EVIDENCE FROM THE AUDITOR GENERAL'S REPORT (1995 - 2000)

### 1. INTRODUCTION

The Ministry of Agriculture is one of the largest ministries in Ghana. Government recognises its importance to national development, and allocates a large fraction of the national budget to the sector. Several of the Auditor-General Reports identify irregularities concerning the financial management at the Ministry. While such regularities have been repeatedly identified, they continue to occur, indicating that the Auditor General's recommendations are not being implemented.

Using the Auditor General's Reports for 1995-2000, this paper seeks to identify the types of malfeasance in financial management over the period under review, while suggesting solutions to improve the situation. It identifies the various categories of financial malpractices within the Agricultural Sector, and examines

the conditions and reasons that gave rise to such malfeasance. It concludes by suggesting means of minimizing and preventing financial malfeasance within the Agricultural Sector.

### 2. TYPES OF MALFEASANCE

Financial management at the Ministry of Agriculture suffers from a series of significant problems. Major categories of malfeasance within the Ministry and its departments are outlined below. These can be identified in four main categories: outstanding receipts, illegal earnings, embezzlement, and shortage of goods in store. Outstanding receipts include outstanding loans and sales revenues, unpaid for hired machinery, and rent defaults. Illegal earnings consist of ghost names in payment vouchers, salary payments to retired and absentee workers, and the collection of car allowances for motorbikes.

---

*Legislative Alert* is a monthly publication of the Institute of Economic Affairs, Ghana, a non-profit research institute, and sponsored by the Danish Government through Danida, Ghana. Subscriptions to *Legislative Alert* are made available to those who make contributions to the IEA. Address all correspondence to: The Publications Officer, The Institute of Economic Affairs, P. O. Box OS 1936, Accra. Tel: 244716, 244717, 7010713 & 7010714. Fax: 222313. Email: [iea@ieaghana.org](mailto:iea@ieaghana.org)/[ieaghana@yahoo.com](mailto:ieaghana@yahoo.com) - Website: [www.ieaghana.com](http://www.ieaghana.com).

---

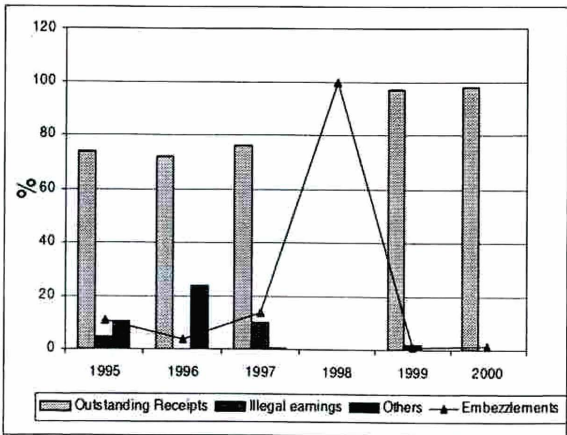
Embezzlement includes payments to unidentified persons, misuse of funds, goods paid for but not supplied, collected money unaccounted for, and fraudulent payments.

Figure 1 shows malfeasance in proportionate terms. Outstanding receipts constitute the largest proportion of mismanaged funds. In 1995 this accounted for 74 percent of total malfeasance. This figure fell slightly to 72 percent in 1996, but rose again to 76 percent in 1997. There was no evidence of mismanagement in 1998, but in 1999, 97 percent of total mismanaged funds resulted from outstanding receipts. This increased to a further 98 percent in 2000. Outstanding loans and revenues constitute the largest component of total outstanding receipts.

Embezzlement, which accounted for 11 percent of misused funds in 1995, declined to 4 percent in 1996 before rising again to 14 percent in the following year. Embezzlement represent the total amount of mismanaged funds in 1998, though in actual terms the amount is quite negligible - 1.1million cedis. Though in percentage terms the figure fell drastically to 1% in both 1999 and 2000, embezzled funds amounted to 5.6 million cedis in 1999, and 57.0 million cedis in 2000.

Figure 1.

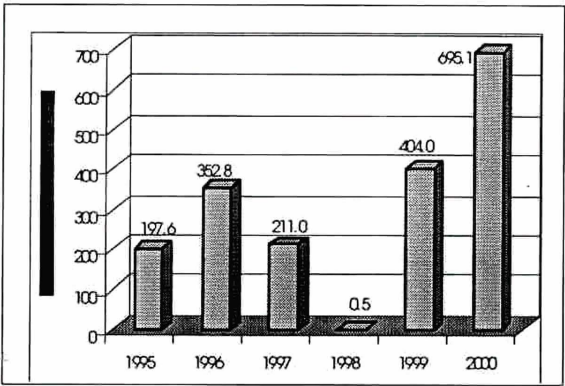
Malfeasance in proportional terms



Instances of illegal earnings were also reported. In 1995 this represented 5 percent of total misused funds, while in 1997 the figure was 10 percent. In 1999 illegal earnings represented 2 percent of total misused funds. Other forms of mismanagement consist for the most part of shortages of goods in store, use of goods without going through stores, and stealing of goods from stores.

Figure 2.

Misused Funds in Absolute Terms (1995-2000)



Using absolute figures, total malfeasance measured in US dollars, using average exchange rates, increased between 1995 and 1996, fell slightly in 1997, but dropped drastically in 1998 (Figure 2). Thereafter it rose sharply through 1999 to 2000.

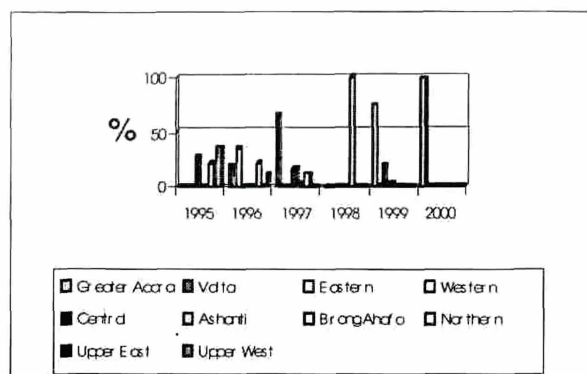
3. REGIONAL CONCENTRATION OF MISMANAGEMENT

On a regional basis, Greater Accra region experienced the highest incidence of financial irregularities. The share of Greater Accra in total mismanagement was the largest in 1997 and 1999. In 2000 it represented nearly 100% of irregularities. Brong Ahafo region accounted for the highest percentage of mismanagement in 1998.



Figure 3.

#### Regional distribution of malfeasance

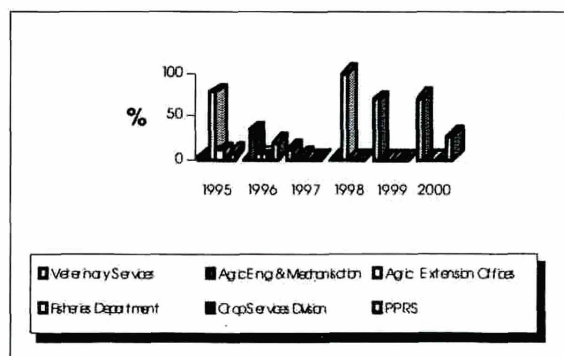


#### 4. DEPARTMENTAL BASIS OF MISMANAGEMENT

The Veterinary Services Department recorded the largest number/percentage irregularities (70 percent of total) in 1999 and 72 percent in 2000. In nominal terms these amounted to 984.8 million cedis and 971.9 million cedis respectively. Agricultural Extension Services department, although recording financial mismanaging totalling 183.7 million cedis in 1995 (77 percent), recorded a comparatively lower amount of 1.1 million cedis by the end of 1998 - being the only financial irregularity identified in the Agricultural Sector that year (Figure 4).

Figure 4.

#### Mismanagements on Departmental Basis



#### 5. MAJOR ISSUES OF CONCERN.

A careful study of malfeasance over 1995-2000 reveals that the Ministry of Agriculture's management lacks the commitment to deal with the irregularities identified in the Auditor General's reports. The breakdown of internal control systems at the Ministry and its departments culminated in the recurrence of the following common irregularities:

- 1) Collection of car maintenance allowance for the maintenance of motorcycles amounted to 11.4 million cedis in 1995.
- 2) Inability of the Ministry to collect loans granted to its staff for the purchase of motorcycles. In other words, the Ministry failed to deduct the amounts from the salaries of the loan beneficiaries. This amount stood at about 79.6 million cedis in 2000.
- 3) Outstanding revenues from the sale of drugs stood at 986.3 million cedis and 891 million cedis in 1999 and 2000 respectively.
- 4) Outstanding sales revenue from tractor and vehicle sales stood at 52.7 million in 1999 and 2,372.8 million in 2000.
- 5) Total funds outstanding was approximately 1,334 million in 1999 and 3,729 million cedis in 2000.

#### 6. CONCLUSION AND POLICY RECOMMENDATIONS

A review of the Ministry of Agriculture's financial management based on the Auditor-Generals reports revealed various irregularities, including misappropriations, stealing and debt mismanagement. While some cases of malfeasance were deliberate, others were the product of negligence and

---

carelessness. Repeated irregularities are largely the result of poor monitoring, weak controls, and lack of the implementation of punitive actions against officers in cases of malfeasance. For example, making individuals directly responsible for the recovery of debts will go a long way to minimize the incidence of defaults. Concrete measures to address malfeasance include the following:

1. Motorcycle loans and funds advanced to the Ministry can be deducted at source from their salaries, by assigning such a task to an Account Officer who will be held responsible for non-deduction of such monies.
2. Veterinary and Extension Officers who sell drugs and pesticides to farmers on credit must be given specific instructions to ensure that credit sales are within manageable levels of recovery. Instructions should include:
  - A maximum allowable credit for each debtor on the basis of his / her creditworthiness to the ministry
  - A specific time frame for the recovery of outstanding credit. In the event of default a reasonable explanation would be required for the extension of the repayment period of the debt.
  - In cases where the default is caused by the officer responsible for granting the credit sales, the officer must be made to refund the amount through monthly deductions from their salary, while the officer

continues to pursue the debt. In the event of full recovery of the debt, the amount so deducted from the officer's salary should be refunded to him/her.

- Credit sales involving huge sums of money require some form of collateral. In the absence of landed and other properties bank guarantees are necessary securities for credit sale of items like tractors.
  - Cocoa purchasing clerks or bankers can guarantee credit sales of pesticides and insecticides to cocoa farmers when the amount involved is huge. In the event of default these guarantors can ensure the recovery of the amount.
3. Debt recovery is always a difficult and expensive exercise. Recovery of huge amounts requires the use of professional debt collectors.

These recommendations are tools routinely employed in the private sector for the recovery of outstanding credit. Public sector policy makers need to incorporate some of these private sector policy prescriptions into their financial management practices.

Reducing mismanagement of public funds requires the appointment of proactive management staff, capable of initiating and taking actions to ensure reforms move in the right direction. The call for zero tolerance of corruption will remain a mere slogan if concrete actions are not taken to reduce malfeasance and repeated financial irregularities

*This publication is produced by Research Officers of The Institute's, Economic Unit*

---

**Note: Nothing written herein is to be construed as necessarily reflecting the views of the Institute of Economic Affairs**

---