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Republic of Ghana

Report on the Observance of Standards and Codes – Accounting and Auditing (ROSC A&A)

December, 2014

GGODR

AFRICA



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MAIN ABBREVIATIONS AND ACRONYMS (Currency: Ghanaian Cedis)

A&A	Accounting & Auditing
AG	Auditor General
AQM	Audit Quality Monitoring
BoG	Bank of Ghana
CAS	Country Assistance Strategy
CAGD	Controller and Accountant General's Department
GAAP	Generally Accepted Accounting Principles
GAS	Ghana Audit Service
GDP	Gross Domestic Product
GoG	Government of Ghana
FDI	Foreign Direct Investment
ICAEW	Institute of Chartered Accountants of England and Wales
ICAG	Institute of Chartered Accountants- Ghana
IDF	Institutional Development Fund
IES	International Education Standards
IFAC	International Federation of Accountants
IMF	International Monetary Fund
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
MoFEP	Ministry of Finance and Economic Planning
NBSSI	National Board for Small Scale Industries
NCA	National Communications Authority
NDPC	National Development Planning Commission
NIC	National Insurance Commission
NPRA	National Pensions Regulatory Authority
NSSF	Social Security & National Insurance Trust
PSC	Project Steering Committee
SMEs	Small and Medium-sized Enterprises
SMOs	Statements of Membership Obligations
SSA	Sub-Saharan Africa
GCCI	Ghana Chambers of Commerce and Industry
GSE	Ghana Stock Exchange

PREFACE

The international financial community considers that the implementation of internationally recognized standards and codes provides a framework to strengthen domestic institutions, identify potential vulnerabilities and improve transparency. The Report on the Observance of Standards and Codes - Accounting and Auditing (ROSC A&A) program is part of a 12 module¹ joint World Bank-IMF initiative on assisting member countries to strengthen their financial systems by improving capacity to comply with internationally recognized standards and codes.

The ROSC (A&A)² program focuses on the institutional framework underpinning national accounting and auditing practices, and their conformity with international standards and good practices. It evaluates (a) the adequacy of the reporting requirements, (b) the capacity to implement applicable laws, standards and codes, and (c) the effectiveness of enforcement mechanisms for ensuring compliance with applicable standards and codes.

This second³ Ghana ROSC (A&A), a follow up to the 2004 report, was conducted by the World Bank at the request of the Government of Ghana (GoG). It aims to determine the reforms that should be undertaken to further strengthen the accounting and auditing institutional framework that is critical in contributing to Ghana's economic growth.

ACKNOWLEDGEMENTS

The review was conducted by a World Bank team comprising: Robert DeGraft-Hanson (Senior Financial Management Specialist, GGODR); Aleksandar Kocovski (Operations Officer, GGODR); Babonyire Adafula (Local Consultant); and Sonny Mabheju (International Consultant). The report also benefited from the invaluable support, incisive comments and useful suggestions received from the peer review team: Henry Amuguni (Senior Financial Management Specialist, GGODR); Kofi Agyen Boateng (Senior Private Sector Development Specialist, GTCDR); Kalina Shukarova-Savovska (Senior Financial Management Specialist, GGODR); and Fred Yankey (Senior Financial Management Specialist, GGODR). The team also acknowledges the significant contributions made by the Institute of Chartered Accountants – Ghana (ICAG), as well as support received from the Controller and Accountant's General Department (CAGD) and various stakeholders who participated in the exercise.

¹The 12 ROSC modules are;

Macroeconomic Policy And Data Transparency	Financial Regulation and Supervision	Institutional and Market Infrastructure
Monetary and Financial Policy Transparency	Banking Supervision	Payment System
Fiscal Transparency	Securities Regulation	Insolvency and Creditor Rights
Data Dissemination	Insurance Supervision	Corporate Governance
	Anti-Money Laundering and Countering the Financing of Terrorism	Accounting Auditing

²An overview of the ROSC (A&A) program, including detailed methodology, is available at <http://www.worldbank.org/ifa/roscaa.html>.

³ Letter from the Ministry of Finance and Economic Planning dated March 11, 2014

EXECUTIVE SUMMARY

This 2014 Report on the Observance of Standards and Codes in Accounting & Auditing (ROSC A&A) is the second review for Ghana. Its main objectives are to: assess the degree to which the policy recommendations of the 2004 review have been implemented, identify any emerging issues since the last review and develop policy recommendations that, once implemented, would further enhance the quality of financial reporting in the country. While growth has been spurred by favourable commodity prices for gold and cocoa, the start of commercial production of oil and a booming services sector, there is still room for improvement in the business environment, business confidence and financing of the economy. The implementation of the policy recommendations contained in this report will contribute to improved business environment and investor confidence, an essential factor for economic growth.

Ghana has made progress in strengthening the pillars of the financial reporting supply chain since the last review. However, more needs to be done. All the eight broad policy recommendations made in 2004 have been addressed to some degree. Various statutes have been amended and in some cases replaced, leading to some improvements in the statutory financial reporting requirements. The International Financial Reporting Standards (IFRS), IFRS for Small and Medium Entities (SMEs), International Public Sector Accounting Standards (IPSAS), and the International Standards on Auditing (ISA) have been adopted. There are a number of regulators aimed at improving the stability and quality of financial reporting in the regulated sectors. The accountancy profession has been improved; the twinning arrangements with the Institute of Chartered Accountants in England and Wales (ICAEW), has made a significant contribution in this regard. The establishment of the Audit Quality Monitoring (AQM) Unit at ICAG is aimed at further strengthening the Institute and improving its regulatory impact. ICAG is up to its task of setting, moderating and marking its own examinations. Also, the introduction of a course in public sector accounting and finance in its revised syllabus is highly commendable as a response to the need to emphasise accountability and reporting in the public sector. It has made significant development in the provision of Continual Professional Development (CPD) to its members. The ongoing implementation of IPSAS by the Ministry of Finance and Economic Planning (MoFEP), when successfully completed, will contribute to improved accountability in the public sector.

Having noted the above progress, the ROSC A&A team identified areas that require further institutional improvement; either being partly implemented 2004 policy recommendations, or emerging issues documented under the ROSC A&A pillars as follows:

- Statutory Framework:
 - *Companies Act, 1963 (Act 179 as amended)*. Although the Act was revised in 2006 and amended in 2012, the recommendations made in the ROSC A&A of 2004 related to financial reporting have not been addressed. There is no explicit legal backing for IFRS, IFRS for SMEs and Micro-sized Entities in the Act or regulations. There is also no definition of Public Interest Entity (PIE). The Companies Act 1963, as amended, requires every company, irrespective of size or public interest status, to appoint an auditor. The Office of the Registrar General has capacity challenges to enable it to effectively

monitor registered companies and review their financial statements for compliance with legal and regulatory requirements.

- The Insurance Act, 2006 (Act 724) still does not give mandate to apply IFRS. The regulations that are aimed to do so have not been finalized to date. Thus, the IFRS mandate is through a directive which has not been incorporated into the Law. The challenge this poses is on enforcement, as there is no legal requirement in place to mandate the use of this particular accounting standards framework.
- The Ghana National Accounting Standards, developed in the late 1990s and never updated, are still recognised as an allowable financial reporting framework equivalent to IFRS for SMEs, for entities that are not mandated or do not have capacity to use IFRS. This means that outdated standards are being applied – they are not comparable internationally and may give a distorted picture of the financial position of these entities for investors and financial institutions.
- Accountancy Education and Training:
 - There is room for further collaboration between ICAG and accountancy tuition providers including universities in the area of curriculum development and syllabus content. There is no training in ethics throughout the accountancy training program.
 - Stakeholders want CPD programs to be more practical and cover complex and emerging issues in accounting, auditing and practice development.
 - Practitioners with certain external professional qualifications are not required to write examinations in locally relevant courses such as Ghana tax and company law before they start practicing. This is inconsistent with practices in most other jurisdictions and may adversely affect audit quality.
- Accounting and Auditing Profession:
 - The Audit Quality Monitoring (AQM) Unit was formed as part of ICAG to monitor the quality of audits performed by auditors. However, its findings are reported to a sub-committee of the ICAG Council. The ICAG Council ends up making a decision for further action, if any. This kind of self-regulation presents a number of limits in terms of protection of the public interest.
 - ICAG needs to further strengthen itself to enable it to fully meet the International Federation of Accountants' (IFAC) Statement of Membership Obligations (SMOs), which will give it adequate capacity to serve members and the wider stakeholders. Additional staff in the Technical Department⁴ will enhance its capability to assist in standards implementation activities; including bringing awareness to new financial reporting frameworks like IFRS for SMEs and its related Guide, International Auditing and Assurance Standards Board's (IAASB) Pronouncements and disseminating the related compliance material.
 - ICAG has no legal and public sector committees, despite its significant responsibilities in these areas given the on-going legal reforms and IPSAS implementation processes. As result, it's members often remain uninformed of the continual changes in accountancy profession legal framework.

⁴ The Technical Department is currently staffed by a Technical Director, Manager and Researcher.

- Setting Accounting and Auditing Standards:
 - The Ghana National Standards are still an allowed financial reporting framework. They are based on the outdated international accounting standards that were applicable at the time of their development in the late 1990s. ICAG does not have any copies available to furnish those preparers and auditors that may want to use or refer to them. Their continued application is compromising the quality of financial reporting for those entities still using them.
 - The level of awareness of IFRS for SMEs and its Guide for Micro-sized entities is very low. As a result, many entities that are supposed to be applying IFRS for SMEs are opting to use the Ghana National Accounting Standards instead, which may significantly affect the quality of their financial reporting considering the fact that these standards have not been updated since their enforcement in the late 1990s.
- Ensuring Compliance with Accounting and Auditing Standards:
 - All regulators, with the exception of the Bank of Ghana (BoG), have weak capacity of different degrees to check compliance with laws and standards that define financial reporting in Ghana, and are fully relying on the quality of work performed by the external auditors.
 - The current focus of the AQM Unit of ICAG is on improving the quality of services provided by practicing firms, with particular stress on Small and Medium Practitioners (SMPs).
 - **As a result of this review, the team formulated key policy recommendations.** These should form the basis for a prioritised stakeholder driven Country Action Plan (CAP), aimed to assist in further enhancing of the financial reporting processes in accordance with international standards and good practice, taking into account Ghana's country specific circumstances. The key policy recommendations include:

Statutory Framework:

- Clearly define PIE, SME and Micro-sized Entity, and align financial reporting requirements to the level of public interest responsibilities in each level of the financial reporting hierarchy.
- Give explicit legal backing to IFRS, IFRS for SMEs and a Guide for Micro-sized Entities Applying IFRS for SMEs and IPSAS through amendments to the Companies Act and all other legislation prescribing financial reporting requirements.
- Require financial statements of PIEs to be monitored and reviewed by the accountancy profession regulator i.e. the AQM Unit. This can be included in the Regulations to the ICAG Act.
- To lessen the cost of financial reporting, introduce the concept of audit exemption for those entities which do not have significant public interest responsibilities. These would include Small and Micro-sized entities.
- The financial reporting framework adopted by each state enterprise should be aligned to the nature of its operations; e.g. government business entities would use IFRS, while regulators and non-profit entities would use IPSAS – cash or accrual, depending on the basis of recognition adopted by the entity.

- The Ghana National Accounting Standards should not be allowed as an option beyond the current deadline of 2015 and reference to them should be removed from all applicable laws and regulation. ICAG should play a significant role in enforcing this.

Accountancy Education and Training;

- Collaboration between ICAG and tertiary institutions, including universities, should be further increased. This will ensure ICAG has continued role in curriculum and syllabus content development. As part of this, ICAG should use its influence to make ethics part of the training requirements for professional accountants.
- CPD courses should be made more practical, covering complex and emerging issues. Presenters/facilitators should be drawn from professionals with adequate practical experience and training.
- Practitioners with foreign qualifications, especially where there are no reciprocal qualification recognition arrangements, should be required to write examinations in Ghana tax and company law if they are going into public practice in the country.

The Accounting and Auditing Profession:

- The technical capacity of the ICAG should be further strengthened to enable it to meet its responsibilities to students and members. It should also strengthen its professional capacity to enable it to fulfil the IFAC's SMOs (revised) and responsibility to the wider community as a repository of technical information and reference point for technical advice. The technical unit should be supported by a strong research capacity that will provide updated information on current developments in the accounting and auditing environment. Also, the publication of practice notes periodically on the interpretation and application of standards could serve as authoritative source of reference to practitioners, trainers and trainees.
- Given the extent of reliance placed on the work of its members by the regulators and the wider public, ICAG should ensure its members attain and maintain a very high level of professional competence, integrity, ethical behaviour, and regard for quality. To achieve this, ICAG should continue to influence the quality of education at tertiary educational institutions through the ongoing discussions it has with some of the business schools in developing their curriculum. It should also effectively monitor training at accredited professional training employers and CPD status of its members. It should further strengthen the technical capacity and effectiveness of its AQM Unit.
- Stakeholders should make a well-considered decision on how the accountancy profession, particularly the auditors of PIEs and their firms, should be regulated in Ghana. There are two alternative options pertaining to the regulation of the accountancy profession in the country. The first option is keeping the status quo where the regulation is done by the ICAG staff reporting to a committee which, although it is not a committee of the Institute, still reports the review findings to the Institute's Council. The advantage of this solution is that it is well accepted by the profession and simple to implement; the issue however is that of independence from the accountancy profession, particularly for auditors of PIEs. The public interest may be perceived as not adequately protected, which would impact investor confidence

and the business environment. The second option is creating a regulatory body independent of the accountancy profession. This would be a better way to protect the public interest and boost investor confidence; it would be a departure from the current situation and would therefore require significant discussions and consensus building within the profession and key users of financial statements. While there are still calls in some professional quarters for strengthening the current self-regulatory regime instituted by the ICAG, there may be the need on the part of the regulators to explore the option of independent regulatory mechanism in the medium to long term. As a first step, a detailed inquiry into the feasibility and relative merits of such a regime may be commissioned jointly by the ICAG, the regulators and MoFEP.

- ICAG should consider introducing a legal committee and a public sector committee. These two committees will assist in increasing ICAG’s influence in the many legal reforms taking place and in the ongoing IPSAS implementation processes.

Ensuring Compliance with Accounting and Auditing Standards:

- All regulators should strengthen their capacity to review the financial statements of the companies they regulate or to ensure compliance with applicable laws and financial reporting standards.
- The Regulator’s Forum should increase its effectiveness and, where necessary, facilitate Memorandums of Understanding (MoUs) among regulators to remove possible duplication and gaps in the regulation process at national level.

A major challenge to be overcome is to transform these recommendations into effective reforms that will help enhance the quality of financial reporting, and deliver a financial reporting framework conducive to sustainable economic growth, thus improving the quality of life for citizens of Ghana. This could be achieved through institutional individual initiatives and/or collaborative efforts which will lead to: (i) development of country-owned Country Action Plan (CAP); (ii) ICAG-driven initiative with support from the MoFEP and regulators; (iii) MoFEP-driven initiative; (iv) collaboration with the development partners as part of a broader good corporate governance and reporting development in the private sector, and/or public interest accountability reform for the public sector.

Summary of Policy Recommendations with Implementation Responsibilities and Proposed Timing

Action	Responsibility	Short-term (less than 1 year)	Medium-term (1 to 3 years)	Long-term (3 to 5 years)
<i>Statutory Framework:</i>				
Clearly define PIE, SME and Micro-sized Entity, and align financial reporting requirements to the level of public interest responsibilities in each level of the financial reporting hierarchy.	ICAG driven with involvement of all regulators and MoFEP	xxx		
Give explicit legal backing to IFRS, IFRS for SMEs, and a Guide for Micro-sized Entities Applying IFRS for SMEs and IPSAS through amendments to the Companies Act and all other legislation prescribing financial reporting requirements.	ICAG and MoFEP	xxx	xxx	
Require financial statements of PIEs to be monitored and reviewed by the accountancy profession regulator i.e. the AQM Unit. This can be included in the Regulations to the ICAG Act.	ICAG	xxx		
Introduce the concept of audit exemption for those entities which do not have significant public interest responsibilities.	ICAG and MoFEP	xxx		
Align the financial reporting framework for state enterprises to their nature of operations; e.g.	ICAG and MoFEP			

government business entities would use IFRS, while regulators and non-profit entities would use IPSAS.		xxx		
The Ghana National Accounting Standards should not be allowed as an option beyond the current deadline of 2015 and reference to them should be removed from all applicable laws and regulation.	ICAG and MoFEP	xxx	xxx	
Accountancy Education and Training;				
Collaboration between ICAG and tertiary institutions, including universities, should be further increased, ensuring ICAG has continued role in curriculum and syllabus content development. ICAG should use its influence to make ethics part of the training requirements for professional accountants.	ICAG and tertiary institutions (including universities)	xxx xxx	xxx	xxx
CPD courses should be made more practical, covering complex and emerging issues. Presenters/facilitators should be drawn from professionals with adequate practical experience and training.	ICAG	xxx	xxx	xxx
Practitioners with foreign qualifications, where there are no reciprocal qualification recognition arrangements, should be required to write examinations in Ghana tax and company law if they are going into public practice in the country.	ICAG	xxx		
The Accounting and Auditing Profession:				
The technical capacity of the ICAG should be further strengthened to enable it to meet its responsibilities to students and members. It should also strengthen its professional capacity to enable it to fulfil the IFAC's SMOs (revised) and responsibility to the wider community as a repository of technical information and reference point for technical advice.	ICAG	xxx		
Given the extent of reliance placed on the work of its members by the regulators and the wider public, ICAG should ensure its members attain and maintain a very high level of professional competence, integrity, ethical behaviour, and regard for quality. To achieve this, ICAG should ensure high quality accountants join its membership by continuing to influence the quality of education at tertiary educational institutions. It should also effectively monitor training at accredited professional training employers and CPD status of its members. It should further strengthen the technical capacity and effectiveness of its AQM Unit.	ICAG	xxx		
Stakeholders should make a decision on how the accountancy profession, particularly the auditors of PIEs and their firms, should be regulated in Ghana. There are two alternative options pertaining to the regulation of the accountancy profession. The first option is keeping the status quo where the regulation is done by the ICAG staff. The second option is creating a regulatory body independent of the accountancy profession.	ICAG, all the regulators, and the MoFEP		xxx	xxx
SMPs should be encouraged to merge, increasing their capacity to attract and retain qualified staff, and service bigger and high quality clients.	SMPs, ICAG		xxx	xxx
Ensuring Compliance with Accounting and Auditing Standards:				
All regulators should strengthen their capacity to review the financial statements of the companies they regulate or to ensure compliance with applicable laws and financial reporting standards.	Regulators	xxx	xxx	xxx
The Regulator's Forum should increase its effectiveness and, where necessary, facilitate Memorandums of Understanding (MoUs) among regulators to remove possible duplication and gaps in the regulation process at national level.	Regulators	xxx		

I. INTRODUCTION AND COUNTRY CONTEXT

Introduction

1. The ROSC A&A, second for Ghana, assesses the degree to which the findings and policy recommendations of the first review have been implemented. The report also identifies and assesses issues that have emerged after the first review that also impact on the three pillars of high quality financial reporting i.e. adequate *requirements*⁵, adequate *capacity* and *compliance*. From these assessments, the World Bank team identifies the root causes of slow implementation, or failure to fully implement the 2004 ROSC A&A proposed policy recommendations and emerging issues. The ROSC A&A 2014 makes policy recommendations aimed at further improving the quality of financial reporting which, together with the improved macro-economic environment in Ghana, should contribute to further consolidation of the growth which Ghana is experiencing.

2. To facilitate collection of data for the review, the ROSC A&A team used a diagnostic template developed by the World Bank. Additional data and information, including the status of implementation of the 2004 policy recommendations, were collected during a series of meetings held with various key country stakeholders. The review uses IFRS⁶, ISA, International Education Standards (IES)⁷, and Code of Ethics for Professional Accountants⁸ as benchmarks, and draws on international experience and good practice in accounting and auditing.

Country context

3. Ghana is located on the western coast of West Africa. With an estimated population of 25 million⁹, Ghana attained lower middle income country status in 2012 after years of sustained economic growth spurred by favourable commodity prices of its main exports (gold and cocoa), emerging oil and gas industry, inflows of foreign direct investment, and robust growth in the banking sector. Favourable cocoa prices specifically benefited small scale farmers raising their incomes and consumption, while increased urbanisation was accompanied by growing services sectors. Urban migrants were absorbed in better paying jobs in the urban formal and informal sectors. The growth has been accompanied by marked poverty reduction. Ghana's medium-term outlook is positive with growth predicted to depend more heavily on the extractive sector (oil and gas). Extractive industry-led growth requires a high level of accountability and transparency in financial reporting. Extractive industries operations are not yet supported by a comprehensive IFRS¹⁰. World Bank estimates real Gross Domestic Product (GDP) per capita to grow between 4 and 5% in the medium-term. To

⁵*Requirements* are clear, comprehensive, consistent, fair, and up-to-date national laws and regulations as well as applicable international standards for A&A. *Capacity* to comply with requirements needs a robust accountancy profession underpinned by strong accountancy education and CPD system. *Compliance* requires adequate capacity and strong regulatory mechanisms. Adapted from “*Accounting for Growth in Latin America and the Caribbean*” a World Bank publication: by Henri Fortin, Ana Barros, and Kit Cutler.

⁶ IFRS are issued by the International Accounting Standards Board (IASB), an independent accounting standards-setter based in London, UK. The IASB adopted all the International Accounting Standards (IAS) previously issued by the International Accounting Standards Committee (IASC). IFRS in this report will comprise; IFRS, IAS, and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standards Interpretations Committee (SIC).

⁷ Issued by the International Accounting Education Standards Board of IFAC

⁸ Issued by the International Ethics Standards Board for Accountants of IFAC

⁹ Per the 2010 census

¹⁰The IASB suspended the project on Extractive Industries until agenda time permits.

continue to be sustainable, Ghana's growth needs to be supported by sound financial reporting frameworks for all financial reporting entities: PIEs, SMEs, and Micro-sized entities.

4. The Banking sector in Ghana is segregated with no sign of market consolidation in the near future. There are 27 "Universal" Banks (24 audited by the "Big Four" audit firms), 57 Non-Banking Financial Institutions (NBFIs), 136 Rural Banks, and approximately 400 Micro-Finance Institutions. The 27 banks have a market share of 85 percent of banking sector assets in the country, with the largest bank controlling about 12 percent of it. SMPs have a significant share of the audits of NBFIs, Rural Banks and Micro-Financial institutions. The relative small size of the banks affects their operating efficiency. Mergers and exits have been few in the sector. The low regulatory regime¹¹ in the past prevented reduction of risk which in turn kept interest rates high, pricing out profitable investment projects. While the BoG is making progress in improving supervision, a lot still needs to be done. Various amendments to the banking laws and regulations are being prepared. The investment and lending environment needs to be improved to make it more supportive of SMEs. Banks are primarily lending to a few large counterparts. Credit to SMEs and individuals are still relatively low and come up at a high price.

5. There are currently 34 listed companies in the country, regulated by the Ghana Stock Exchange (GSE). The GSE has three categories of members: (a) Licensed Dealing Members (LDM), being corporate bodies licenced to deal in all securities; (b) Associate Members, being individual or corporate bodies that have satisfied the GSE's membership requirements, but are still not licenced to deal in securities; and (c) Government Securities Dealers (PD), being corporate bodies approved by the BoG and registered by the GSE to deal in government securities only. GSE operates within a set of rules collectively called GSE Rule Book.

6. The Securities industry in Ghana is governed by the Securities Industry Law 1993. This law established the Securities and Exchange Commission (SEC), which regulates the Capital Markets including the GSE.

7. The Insurance Sector (including intermediaries¹²) has 45 insurance companies and is regulated by the National Insurance Commission (NIC), which operates under the Insurance Act 2006, Act 724. The number of insurance companies increased after the law in 2006 disallowed companies to combine life insurance with non-life insurance (with short-term business). As a result, most companies split their businesses into two separate companies. The NIC is mandated to perform a wide range of functions including licencing of entities, setting of standards, facilitating setting of codes for practitioners, enforcement of compliance etc. The Act provides a wide regulatory framework for Ghana's insurance industry.

8. Ghana has a number of Pension Schemes regulated under the National Pensions Act (2008) by the National Pensions Regulatory Authority (NPROA). The Act became effective in 2010 and the Authority is still building its structures. There are about 225 Trustees, 52

¹¹ The 2010 assessment of compliance with the Basel Core Principles pointed to many areas where the BoG's powers were inadequate, regulation was weak/lacking, frameworks were non-existent, effective supervision was compromised, and conflict of interest existed. The Bank however has made and continues to make significant changes to improve the situation that existed then.

¹² Can be brokers or individual agents)

Pension Fund Managers and 15 Pension Fund Custodians (banks) that NPRA regulates. The Authority is government funded and is in need of substantial financial support for infrastructure and technical capacity building for it to operate effectively.

9. The communications sector comprises of companies of varying size, ranging from micro and small to very large international corporations. They are regulated by the National Communications Authority (NCA). Although none of the companies in this sector is listed, some of them are very significant to the economy of Ghana and qualify as PIEs. Companies in the telecommunications, infrastructure and cables business are levied by the NCA at one percent of their net turnover. The other category of companies is made up of smaller entities that are billed fixed fees.

10. SMEs and private sector entities are significant in Ghana. SMEs constitute over 80 percent¹³ of businesses, contributing to a high percentage of the country's GDP. The majority of SMEs fall far short when preparing and presenting basic financial statements, let alone embracing best accounting practices. As result, they have limited access to credit from lenders. In presenting the 2014 National Budget, the Minister of Finance and Economic Planning identified four¹⁴ areas of policy priority for 2014, in an effort to consolidate the Lower Middle Income status of Ghana. One of them was SME/Private Sector Development split into:

a) SME Development: - the Minister noted that, although SMEs created jobs and mobilized activity in the informal sector, Funds created to address their limited access to capital and reducing their cost of borrowing have not been sustainable. He announced the setting up of a new SME Fund (GH Cedi 50 million) aimed at boosting support for SMEs, supported by a management structure set to make the Fund¹⁵ sustainable through credit assessment and recoveries. This development will require SMEs and Micro entities to produce high quality financial reports¹⁶.

b) Private Sector Development: - The Minister also announced an initiative to support the private sector by providing financial stimulus to the following players in the private sector: export, pharmaceuticals, poultry, textiles, garments, SMEs, and agro-processing. This development will also require high quality financial reporting by the recipients of the support.

This second ROSC A&A is therefore timely, given the two developments referred to above.

II. IMPLIMENTATION OF THE 2004 POLICY RECOMMENDATIONS

11. Ghana has successfully implemented a number of key policy recommendations from the 2004 ROSC A&A. These achievements, as with the request for this second review, demonstrate the Government's commitment to improve the standard of financial reporting in

¹³ According to the Association of Ghana Industries.

¹⁴ The others were (a)Infrastructure Development, (b)Fiscal intervention, (c) Social intervention, and (d) Transparency

¹⁵The Fund will be linked with established domestic institutions and collaborate with the National Board for Small Scale Industries (NBSSI) to facilitate unification of several SME finance and capacity building initiatives under one umbrella to avoid duplications and gaps in funding

¹⁶NBSSI provided business advisory services to 8624 entrepreneurs and trained 29 women entrepreneurs in sound financial management to sharpen their financial and record keeping skills to enhance access to credit (per 2914 National Budget speech)

the country. The status of implementation of the 2004 ROSC A&A policy recommendations is summarised in the table below, together with root causes for slow or non-implementation of recommendations.

Status of Implementation of the Recommendations of the 2004 ROSC A&A

Recommendation	Status and root cause for slow/non-implementation
<p>Improve the statutory framework of accounting and auditing.</p> <ul style="list-style-type: none"> • Fully adopt IFRS and ISA without modification and ensure mandatory observance of the standards • Agree to a simplified financial reporting framework for SMES 	<p>Done with effect from 2007. However, the development still needs to be given legal backing through various laws or regulations that have financial reporting requirements. Although implementation support activities are taking place through CPD workshops, these still need to be increased and widened to reach a wider stakeholder base in the financial statements supply chain, in addition to making them more practical in approach. ICAG needs to further strengthen its technical and financial resources capacity to further improve its activities.</p> <p>Done with effect from 2012. Legal backing through the law or regulations is still needed. Implementation activities starting with awareness building need to be undertaken, targeting all stakeholders who will be relevant in successful implementation of this standard. Again, further strengthening of capacity of ICAG to enable it to undertake the activities is needed.</p>
<p>Establish an independent oversight body to monitor and enforce accounting and auditing standards and codes</p>	<p>Not implemented as recommended. Instead, an AQM Unit was established within the ICAG (currently staffed by a part time director, two managers, and an assistant manager)¹⁷, reporting to a committee which is not an ICAG Council Committee. But still reports the AQM Unit’s findings to the Council. The focus of the AQM Unit at the moment is on being advisory rather than sanctioning body. The governance arrangement needs to be reviewed on an ongoing basis as the Unit gets more established so that its activities are seen as protecting the public interest. SMPs that have been reviewed are already realising the positive impact of this Unit in terms of advice given to them to better run their firms in terms of the International Standard on Quality Control (ISQC) I and advice on enhancing the quality of their work.</p>
<p>Continued professional education should be regularly monitored</p>	<p>This was implemented and is an ongoing activity. Various stakeholders indicated that CPD sessions organised by ICAG are adding value to them. However, they indicate that the CPD sessions should be more practical, particularly with regards to the application of accounting and auditing standards.</p>

¹⁷ The part time director is a former partner of a “Big Four” firm. The managers are ICAG members who received further training from ICAEW.

Recommendation	Status and root cause for slow/non-implementation
<p>Enhance professional education and training embracing IFRS and ISA for all players;</p> <ul style="list-style-type: none"> • <i>Preparers</i> • <i>Regulators</i> • <i>Auditors</i> • <i>ICAG</i> • <i>Students</i> • <i>Training providers and teachers</i> 	<p>This is being achieved through CPD provided by the ICAG.</p> <p>This is being achieved by CPD sessions provided by the ICAG and various collaboration initiatives between the ICAG and regulators. The regulators consult the ICAG on issues to do with financial reporting.</p> <p>The increased CPD sessions are benefiting SMPs.</p> <p>ICAG staff in the AQM Unit was sent for training with the ICAEW.</p> <p>The quality of lecturers has been increasing over the years, partly contributing to the increasing pass rates.</p> <p>Some university lecturers and other tertiary institution lecturers indicated that collaboration between them and the ICAG particularly in curriculum development can be further improved.</p>
<p>Improve arrangements for enhancing ICAG's capacity to assist practice development and quality enhancement of its members</p>	<p>The established AQM Unit is playing a significant advisory role particularly to SMPs in the areas of running their practices, conducting high quality audits in terms of ISAs compliance, and ensuring compliance with applicable financial reporting standards by their clients. SMPs indicated that more could be done by ICAG, particularly through adapting the various Guides published by the SMP Committee of IFAC aimed at assisting SMPs in running their offices in compliance with ISQC 1, Applying ISA in the audits of SMEs, etc. Although the ICAG has reproduced these publications with relevant IFAC authority, the SMPs want these adapted to Ghana situation and disseminated to them, supported by workshops. A large number of copies were reproduced by ICAG, but have not been collected by the SMPs. The Guides have clear implementation guidelines on proportionality of implementation which the SMPs can use without further assistance from the Institute.</p>
<p>Upgrade the procedure of licencing practicing auditors</p>	<p>This meets minimum requirements of IFAC in terms of practical training required.</p>
<p>Strengthen capacity of the regulatory bodies</p>	<p>Regulatory bodies have not been strengthened and most of them, with the exception of the BoG, are completely relying on external auditors' work for assurance in compliance with standards. The regulators need to introduce capacity in their structures to competently check financial statements for compliance with IFRS, complimenting their sector specific prudential compliance checks. This will enhance the value of the financial information in meeting their sector user's needs. This independent check becomes even more necessary given that there is currently no independent oversight on</p>

Recommendation	Status and root cause for slow/non-implementation
	the auditors of PIEs in the country. The cause for this failure to implement is weak /non-existent capacity at the regulators.
Strengthen ICAG’s capacity by establishing twinning arrangements with a developed professional accountancy body	This was implemented through a twinning arrangement with the ICAEW. This arrangement has significantly improved education and training for ICAG and the pass rate has improved. ICAEW was also involved in training ICAG’s managers for the AQM Unit.

III. INSTITUTIONAL FRAMEWORK

This section sets out weaknesses in the institutional framework still existing after implementing the 2004 policy recommendations. It also identifies emerging institutional framework issues after 2004. It focuses on requirements for compliance, capacity to comply and enforcement, including sanctioning. The sustained growth agenda set by the GoG requires robust financial reporting, underpinned by a strong institutional framework.

A. Statutory Framework

“Adequate Requirements are a set of clear, consistent, proportionate, comprehensive, fair, and up-to-date laws and supporting regulations, as well as rigorous standards for A&A----- are necessary for a robust financial reporting system.”¹⁸

12. Since the 2004 ROSC A&A, some statutory changes aimed at further improving the requirements for high quality financial reporting in Ghana have been made. However, some of the changes, particularly those pertaining to the Companies Act 1963, as amended¹⁹, still fall far short of aligning statutory financial reporting requirements to international standards and codes, and international good practice. The Companies Act still requires *all* companies registered under this law to be audited by auditors registered with ICAG, irrespective of size and public interest status. No auditing standards are prescribed. Additionally, some new financial reporting requirements²⁰ have emerged and need legal backing. Both private and public companies are required to file audited financial statements with the Registrar of Companies. Proposed Amendments to the Companies Act require all companies to prepare financial statements in compliance with accounting standards adopted by ICAG. The amendments are, however, not yet effective as they are still in the process of being passed. It is unsure sure to what extent the amendments will affect the quality of financial reporting in the country.

13. Awareness of the existence of the “IFRS for SMEs” and “A Guide for Micro-sized Entities Applying the IFRS for SMEs” still needs to be enhanced in the financial reporting supply chain.²¹ These financial reporting frameworks emerged after the 2004

¹⁸ “Accounting for Growth in Latin America and the Caribbean: Improving Corporate Financial Reporting to Support Regional Economic Development” A World Bank Publication.

¹⁹ The Companies Act was revised in 2006 through the law Reform programme and amended in 2012 by the Companies (Amendment) Act, 2012.

²⁰ Examples are IFRS for SMEs and A Guide for Micro-size Entities Applying IFRS for SMEs, Clarified ISA and other IAASB Pronouncements, IPSAS etc.

²¹ This Guide was issued in 2013 and is meant for micro entities that are too small to use the IFRS for SMEs. It is not a separate Standard for micro-entities. It is intended to help micro-entities that are within the scope of the

ROSC A&A. The standards and the related Guide allow for differential reporting, hence reducing the financial reporting burden by allowing entities to report in terms of financial reporting frameworks appropriate to their size and circumstances.

14. The current definition of PIE is based on public accountability²² only, without taking into account the quantitative economic significance of the reporting entity to the economy of Ghana. This leaves out some large companies that quantitatively are significant to the economy, but do not have public accountability as defined. Such large and economically significant entities may end up inappropriately reporting in terms of IFRS for SMEs instead of full IFRS compliance. There is also no standardized definition of SMEs in the law to support the related financial reporting framework. The law does not recognise Micro-sized entities. These different types of reporting entities need clear country level definitions arrived at by wide stakeholder consultations, but driven by the ICAG as the regulator responsible for financial reporting. This will enable financial reporting entities to report in terms of a reporting framework appropriate for their size and circumstances. The law should (through regulation) mandate large private sector corporations that are not listed and do not belong to regulated sectors, but are economically significant to the Ghana economy (in terms of quantitative characteristics), to report in terms of IFRS.

15. The recently established AQM Unit of the ICAG does not perform financial statements monitoring for public interest entities. The various sector regulators are also not performing financial statements monitoring for the entities they regulate. This leaves a regulatory gap which needs to be filled. The gap can be filled by the AQM Unit of ICAG entering into MoUs with various regulators, giving it mandate to perform financial statements reviews, monitoring and reporting its findings back to the regulators.

16. The GSE regulates listed companies in Ghana. The GSE requires listed companies to publish quarterly unaudited and yearly audited financial statements. The yearly financial statements are required to be produced within three months of the year-end. There is no requirement for quarterly financial statements to be reviewed or audited by the auditors.

17. Financial statement reporting requirements for banks (including rural banks), micro-financial institutions, and non-banking financial institutions are set by the BoG. Unless listed, banks are only required to produce half-yearly unaudited accounts and audited yearly financial statements. Listed banks are required to produce quarterly financial statements in terms of the listing rules. The quarterly accounts do not need to be reviewed by external auditors. Per the BoG requirements (from 2008), banks should prepare their financial statements in compliance with IFRS and have them audited within three months of the year-end. The IFRS requirement came in place after extensive collaboration with ICAG. Because of public accountability, all BoG regulated entities are supposed to prepare their financial

IFRS for SMEs to prepare general purpose financial statements in accordance with IFRS for SMEs. The Guide extracts requirements from the IFRS for SMEs without modifying any of the principles for recognition and measurement of assets, liabilities, income, and expenses, and without changing any of the presentation and disclosure requirements. It includes only those requirements of the IFRS for SMEs that are likely to be necessary for a typical micro entity. Compliance with the Guide will result in compliance with the IFRS for SMEs.

²²Being banks, and related entities, insurance companies, listed companies, and government business entities.

statements in accordance with IFRS²³. However, some rural banks, NBFIs and micro-financial institutions are preparing financial statements in terms of IFRS for SMEs. The IFRS for SMEs standard is not meant for entities with public accountability. BoG is in the process of rectifying this by upgrading the financial reporting requirements²⁴ for of all these entities to make them IFRS compliant. Banks are required to rotate audit firms every six years and the BoG may disapprove auditors appointed at an annual general meeting if the auditors do not meet acceptable criteria²⁵.

18. The Insurance Act 2006 (Act 724) regulates financial reporting and audit requirements for insurance companies and intermediaries. For insurance companies, these are in addition to the Companies Act requirements. These entities are required to prepare quarterly and annual financial statements with information and content specified by “reference to Generally Accepted Accounting Practice”, as stated in the Regulations to the Insurance Act. The regulations have not yet been prepared. In the interim, “Guidelines to Insurance Industry on External Auditors” have been issued pursuant to Section 85 of the Insurance Act 2006, Act 724 and are effective from January 1, 2014. The Guidelines require all insurers to prepare their financial statements in accordance with IFRS, and have them audited in terms of ISA by a qualified²⁶ independent external auditor, approved by the NIS.

19. Statutory corporations are treated like companies in terms of financial reporting. Statutory corporations include state enterprises and public commercial institutions operating under their own enactment. They are required to prepare their financial statements in terms of generally accepted accounting standards. The standards are not defined and no such standards exist in Ghana. In practise they use either the Ghana Accounting Standards, or IFRS which were adopted by the ICAG in 2007. This window of choice of accounting standards is open until 2015, when IFRS become the only acceptable standards in Ghana. Their audits are the responsibility of Ghana Audit Services (GAS) under the Audit Services Act 2000 (Act 584). The corporations are consequently audited by the Auditor General or auditors appointed by the Auditor General. Appointed auditors can be professional firms of auditors or the State Enterprises Audit Corporation. In either case, the Auditor General remains the responsible statutory auditor and reports to Parliament. The Act does not stipulate the auditing standards to be used. In practice, ISA as adopted by the ICAG are used.

20. Companies in the communications industry are regulated by the NCA. The NCA does not have its own accounting and auditing requirements to be met by its members. Currently, its members are using IFRS, IFRS for SMEs and the Ghana Accounting Standards, depending on choice. NCA is coordinating the development of a financial reporting structure to be complied with by its members. This should, however, not create gaps with financial reporting requirements under the IFRS.

²³ The Banking Act 2004 gives the Bank of Ghana power to lay down guidelines to be followed in respect of accounting policies, practices, presentation, and disclosure in the annual accounts. These must reinforce rather than replace IFRS requirements.

²⁴The Bank of Ghana only recently started regulating some of these entities; for example the regulation of Micro Financial Institutions started in 2012.

²⁵For the Bank of Ghana, it is based on technical/skills/experience and other resources of the audit firm.

²⁶ A firm has to be licensed by ICAG and in good standing with at least 2 full time partners. An individual must be a member of ICAG or any other qualification recognised by the Commission, is authorised by ICAG or any other professional body to practice, has at least 5 years’ experience in insurance as partner and 4 years’ experience at managerial level, and is not disqualified to act as auditor.

21. Financial reporting requirements by different entities are still covered by various laws. This has resulted in a financial reporting regime which in a number of instances is not consistent, not comparable, not proportionate, and not up-to-date as different laws are at different stages of development and revisions. The continued use of the Ghana Accounting Standards after the adoption of IFRS and IFRS for SMEs has compounded the problem.

B. Accountancy Education and Training

A sound education and training system (from pre-qualification to post-qualification) producing and maintaining well trained accountants and auditors assists in compliance with standards and codes, leading to high quality financial reporting practices.

22. ICAG is not involved in the provision of tuition at university and tertiary level, but provides training for its professional qualification program. The Institute has direct responsibility and determines the curricula and syllabus for the qualification leading to its membership i.e. the professional qualification. No exemptions are offered for the final stage of exams. The course content for this stage is made consistent with IFAC IES 2. The ICAG Council has insisted on including public sector accounting and finance in the syllabus of the professional examinations. This benefits the public sector and more so with the current initiatives to implement IPSAS. The pass rate for this final stage has been increasing over the past few years. The Institute also offers a technician qualification which is regionally recognized, with a number of West African countries coming on board. Technicians can proceed to the professional stage, as they often do.

23. Collaboration between the universities and ICAG has contributed significantly to the increase in the pass rate at professional stage, but the quality of the graduates is still perceived as requiring improvement. Enhanced quality of lecturers, improved entry requirements for university and tertiary education training in accounting and the general availability of course material have contributed to this positive development. The ICAG has a fully equipped learning facility with hard copy course material in a well-stocked library and computers with full internet services available to professional level students. These were financed through an Institutional Development Fund (IDF), furnished by the World Bank. The twinning arrangement²⁷ recommended in the last ROSC A&A also contributed significantly to the improved pass rates. Employers, however, feel that the training at universities is purely academic in nature and that it needs to increase its practical focus.

24. ICAG requires practical training to be undertaken as part of the requirements for the ICAG qualification. This is set at three years for the general professional qualification and four years for those intending to go into audit practice (of which three years should be with an audit firm). However, most stakeholders, including its members, commented that ICAG needs to be more competitive against its international competitors operating in Ghana. Areas indicated as requiring improvement include availability and quality of training and learning materials, responsiveness to enquiries, and exemptions offered to university graduates.

25. Members of professional accountancy bodies approved by the Council can be admitted to ICAG membership without writing a conversion examination. This may

²⁷ The arrangement was entered with the Institute of Chartered Accountants in England and Wales

result in practitioners not very conversant with Ghana's companies and tax legislation providing professional services to the public, compromising the quality of services rendered. Introducing a conversion examination covering variant papers needs to be considered.

26. Currently, accountancy training does not include training in ethics. Stakeholders view this as an area which needs to be addressed by including ethics in the curricula. This stakeholder expectation is in line with the IFAC requirements.

27. Regulation of higher education is done by the National Council for Tertiary Education. This covers universities, polytechnics, specialised educational institutions, and all other post-secondary school education institutions. The Council is an adviser to Government on issues regarding tertiary education. Its academic committee assesses proposals for new courses in terms of sustainability and benefit to the country. Once satisfied, it refers applications to the National Accreditation Board which performs more detailed checks including physical infrastructure, quality of lecturers, student-lecturer ratio, and other resources of the applicant. The ICAG is also consulted for comments on accountancy syllabus and curriculum. Once satisfied, the institution is accredited for a specified period at the end of which it is reassessed to ensure standards do not deteriorate. Some universities have agreed with ICAG to incorporate some of the ICAG professional courses into the university curriculum to lessen the burden on students at professional stage. The major problems encountered and adversely affecting the quality of graduates in accountancy is the deteriorating ratio of lecturer to students. This is caused by the large numbers of student intakes at the universities.

C. The Accounting and Auditing Profession

A strong national accountancy profession, internationally recognised and independently regulated, enhances financial reporting practices by improving compliance, increases investor confidence, and ultimately contributes to sustained economic growth.

28. The ICAG is the national body for professional accountants in Ghana. It is responsible for regulating the profession in the country, including audit quality assurance. This, however, is not yet supported by a relevant legislation. It is a member of the Association of Accountancy Bodies in West Africa (ABWA), the Pan African Federation of Accountants (PAFA)²⁸, and IFAC. However, it has no mutual recognition arrangements with any professional body at the moment. Its membership has grown from 1089 at the time of the last ROSC A&A in 2004 to 3851 in May 2014, when this review was carried out.

29. A significant development since the last ROSC A&A was the establishment of the AQM Unit within ICAG. The Unit is responsible for conducting audit practice reviews on the members of the Institute in public practice. The Unit is led by a consultant, paid by ICAG and reporting to the Council and not to the CEO. This was intended to address the question of the independence of the Unit. However, the AQM Unit still reports its findings to a Committee which in turn reports the findings to the Council. This poses a major independence problem which needs to be addressed. The consultant is supported by two managers and an assistant manager who underwent capacity building training with the ICAEW. Initial feedback on AQM's operation from the profession is mixed, with SMPs

²⁸Being a founder member when PAFA was formed in 2012.

seeing value addition from the work of the Unit while the bigger firms exercise caution. The Unit has adopted an approach focused on being advisory rather than sanction imposing²⁹. It is currently targeting SMPs, who generally face challenges to comply with ISQC 1 and ISA. However, the bigger firms perform the audits of most of the PIEs and in terms of protecting the public interest, this is where the risk is concentrated. At this stage, it is not involved in financial statements monitoring for PIEs. The unit is funded by annual registration fees paid by the professional firms, and not direct professional fees for services rendered.

30. As an IFAC full member, ICAG has to meet the SMOs in order to satisfy its continued membership—a sign for its capacity. Assessment of compliance is made using IFAC SMOs 1-7 (Revised) as benchmarks. The degree of compliance with these obligations gives an indication of ICAG’s ability to serve its members, stakeholders and the wider community in Ghana on issues relating to high quality financial reporting. This ultimately contributes to the achievement of the country’s objective of sustainable economic growth necessary to consolidate the country’s recently attained lower middle income status. In assessing compliance with SMOs, due consideration was given to the applicability³⁰ framework and the best endeavours concept³¹, as well as relevant factors specific to Ghana (for example priorities, processes and challenges). The ICAG updated its Action Plan³² (a self-assessment document submitted to IFAC) in September 2013. As a self-assessment, our use of it was limited to being a source of information which was further verified during the assessment process.

ICPAU: Assessment of Current Status of Compliance with IFAC’s SMOs 1-7 (Revised)

SMO	Degree of Responsibility³³	Current Status & Challenges
SMO 1 <i>Quality Assurance</i>	Direct; Although the Institute collaborates with other sector regulators, it still has direct responsibility for audit quality	An AQM Unit was established within the Institute since the last ROSC A&A. The Unit has just finished its capacity building stage involving recruitment and training of reviewers. Field work started with focus on advisory rather than sanction.
SMO 2 <i>International Education Standards for Professional Accountants and other IAESB Guidance</i>	Shared; with tertiary training institutions; including universities, and training employers.	ICAG is benchmarking the training requirements for its qualification with IFAC’s IESs. Specifically, its final stage is compliant with IES 2. It, however, needs to use best endeavour to influence the inclusion of Ethics in curricula in the same manner it influenced the inclusion of public sector accounting

²⁹The Matrix for AQM Results and Actions are as follows;

Visit	Results and action
1 st	Treat as advisory irrespective of result
2 nd	Unsatisfactory—if significant improvement has been made and practitioner/firm demonstrates ability and commitment for further improvement, it may be decided not to refer to Licencing Authority
3 rd	If unsatisfactory, referred to Licencing Authority for necessary action.

³⁰The “Applicability” hierarchy is “direct responsibility”, “shared responsibility”, and “no responsibility”

³¹ The “best endeavours concept” applies to where an IFAC member body has no responsibility over an SMO. The member body must use best endeavour to encourage those with the responsibility for the requirement to follow the SMO or assist in the implementation where appropriate.

³² This is a strategic document illustrating ICAG continued compliance with SMO requirements.

³³ There is no SMO to which the ICAG has no responsibility, implying that the ICAG needs significant financial and technical resources to fulfil its membership obligations.

		in the curriculum for its qualification. Most stakeholders want the CPD courses offered by ICAG to have a more practical orientation for immediate relevance and application in practice.
SMO 3 <i>International Standards, Related Practice Statements, and Other Pronouncements Issued by the IAASB</i>	Direct;	ISA and other IAASB Pronouncements have been adopted by the ICAG without modification. The standards however still need to be given legal backing in all relevant legislation. ICAG has to increase implementation activities—outreaching all stakeholders including trainers/academics, auditors and regulators
SMO 4 <i>International Ethics Standards Board for Accountants’ (IESBA) Code of Ethics for Professional Accountants</i>	Direct;	The IFAC Code of Ethics for Professional Accountants has been adopted by the ICAG without modification. The adoption, however, still needs to be given legal backing through the Accountants Act or regulations to the Act. ICAG has to increase implementation activities—outreaching all stakeholders including trainers/academics, professional accountants in business, auditors and regulators
SMO 5 <i>International Public Sector Accounting Standards and Other IPSASB Guidance</i>	Shared; with the MoFEP	The Institute should use best endeavour to support the adoption and successful implementation of IPSAS. The implementation process should include all stakeholders, including the Ghana Audit Services Office.
SMO 6 <i>Investigation and Discipline</i>	Direct;	The ICAG should increase public awareness of the investigation and disciplinary processes that can be brought upon its members.
SMO 7 <i>International Financial Reporting Standards</i>	Direct;	IFRS and IFRS for SMEs have been adopted by the ICAG without modification. The standards however still need to be given legal backing in most legislation prescribing financial reporting requirements. ICAG has to increase implementation activities—involving all stakeholders including trainers/academics, preparers, auditors, regulators, etc.

31. With only two shared and five direct responsibilities, ICAG requires significant financial and technical resources in addition to adequate supportive legal backing to fulfil its IFAC membership obligations. Significant financial resources are required to attract and retain staff in the AQM Unit, technical and education departments of the Institute, and also in developing education material, administering examinations, including marking and moderation.

32. As at the end of December 2013, there were 183 practicing firms licensed by ICAG. In addition to the “Big Four” and some mid-tier global network firms, there is a large number of local small and medium sized practices in the country, with one or a few partners and weak client bases. These small firms face challenges of resources necessary for them to comply with applicable standards. This limits their access to large and complex assignments. Attracting and retaining qualified staff is a major problem of them. Some of these small practices may benefit from mergers to increase their capacity and reach a certain minimum critical mass to be eligible for larger assignments and further grow. Trying to achieve organic growth and be able to compete with large global networks may not be achievable even in the very long term. Standards and regulatory requirements are increasing at a fast rate and

changing frequently, making it increasingly difficult to run a practice as a sole practitioner. Weak resources base may lead to compromise of professional ethics, firm quality control processes and procedures, and applying inappropriate financial reporting practices.

33. Most Accountancy firms that the ROSC A&A team met view the establishment of the AQM Unit at the ICAG as a positive development. The SMPs appreciate the value addition the Unit brings to practicing firms and the quality of services provided. They generally viewed regulatory and standards requirements, though heavy, not as burdens but as necessary costs of running their businesses. Most of the big firms viewed the capacity of the AQM Unit with scepticism saying it needs to be built as part of growing the regulatory Unit, necessary to enhance its effectiveness.

34. SMPs expressed the need for the ICAG to facilitate periodic SMP forums where issues of common interest are discussed. They felt these are essential for networking and getting to know each other, and discuss possible solutions to common problems. They also view these forums as forming a base for possible mergers or business cooperation.

35. Most SMPs still look to statutory audits for professional services. They expressed the need for legal reform in financial reporting by exempting companies below set thresholds from audit. They argued most of these small entities do not need audits and also do not see the value for it. These entities would get better value for money from advisory services and other forms of reports prepared in terms of the wider IAASB Pronouncements e.g. Compilation Reports, Agreed Upon Procedures, etc. done by members of ICAG. The SMPs are better able to provide these services with lower assurance than audits in this environment of ever-changing IFRSs and ISA.

36. Some SMPs expressed concern that the ICAG is doing too much for the capacity it has. Concern was expressed that the Institute is involved in training, examinations, standard setting, licencing, audit quality monitoring, discipline, etc. and that it may be overstretching itself to an extent it may need to be regulated and assessed for effectiveness. It should be noted, however, that as long as the Institute is doing what is within its mandate, obligations and responsibilities, the focus should be on capacity building and strengthening it, rather than restricting its activities.

37. The ICAG has no legal committee in its governance structure. This is resulting in amendments to laws that have an impact on accounting, tax and financial reporting issues going through parliament without input from some members of the accountancy profession. In the meeting with SMPs, quite a number of them were not aware of changes going through the Companies Act.

38. There is a challenge and risk of unqualified and/or unregistered practitioners providing professional services to the public. However, the extent has been decreasing over the years. This is attributed partly to the joint efforts of registered practitioners and the ICAG. Registered practitioners report such cases to the ICAG and action is been constantly taken.

D. Setting Accounting and Auditing Standards

Rigorous standards and codes in accounting and auditing (internationally accepted) underpin high quality financial reporting practices.

39. The ICAG has adopted IFRS, ISA, and IFRS for SMEs without amendment. The mandatory use of IFRS and ISAs has been in place since 2007, while the compliance with IFRS for SMEs has been pushed for 2015 (moving from the initially planned deadlines of 2011 and 2013). Although it still needs to build adequate in-house technical capacity to comment on exposure drafts and comment letters from international standard setters, it still participates in these important activities by collaborating with big audit firms in the country. To support successful implementation of new standards and changes to existing standards, CPD sessions are organised by the Institute. More still needs to be done in building awareness of the ever changing standards and assistance with practical implementation.

40. Although international standards have been adopted, the Ghana National Accountancy Standards are still in use. Entities that are not mandated to use IFRS have a choice until 2015 between IFRS for SMEs and Ghana National Accounting Standards. The Ghana National Accounting Standards were never revised from the time they were developed in the late 1990s, based on the International Accounting Standards (IAS) that were in use at the time. They are no longer available from the ICAG for any preparers and auditors who may want to use them. A lot of companies are still using the Ghana National Accounting Standards in practice and auditors are still recognizing them in their audit reports. This has created a standards gap that has significant implications on the quality, consistency and comparability of financial reporting in Ghana.

41. Preparations for the implementation of IPSAS are underway. A Working Group has been established for this purpose and a Road Map for migration from the current modified cash framework being used by Government to accruals IPSAS has been prepared. The ICAG has a shared responsibility with the MoFEP and the GAS in the implementation of IPSAS. Adequate staff capacity building in all departments that will be migrating to accruals IPSAS is required for successful implementation. It is very important to include all other stakeholders in the capacity building process who are equally crucial in the implementation process, such as the GAS and CAG. The Ghana Integrated Financial Management Information System (GIFMIS), which is currently being implemented, should assist in the effective implementation by making financial reporting easier, timely and accurate. The common problem encountered in a lot of countries implementing the IFMIS is one of a penetration to centres in remote areas where there may be no IT communication support systems. Practical solutions are being worked out with stakeholders as part of the ongoing GIFMIS project.

E. Ensuring Compliance with Accounting and Auditing Standards

42. All private sector regulators place significant but varying reliance on the work of external auditors (as demonstrated below) in ensuring that the audited financial statements of entities they regulate are prepared and audited in terms of applicable standards. This places a lot of public interest responsibility on the ICAG to ensure that its members maintain a high level of technical competence and integrity, are adequately regulated and monitored, and where necessary, appropriately sanctioned. The sector regulators should also realize that the audited financial statements are general purpose financial statements. To ensure that they meet specific sector user needs, there has to be IFRS compliance checking complimented by sector specific regulatory requirement checks. These

are best done by the sector regulators, who should have adequate IFRS knowledge and training. This requires further in-house competence and capacity building.

Ghana Stock Exchange. The GSE is not involved in checking financial statements of quoted companies for compliance with IFRS, including appropriateness and consistency of application of accounting policies. It relies on the work done by the external auditors. The listing department is staffed by one person who only checks for high level consistency in financial statements presentation and administrative compliance in terms of meeting reporting deadlines. Although there is reliance on work done by auditors in terms of getting assurance in compliance with IFRS for general purposes financial statements, the GSE needs to develop and strengthen its own capacity to check for IFRS compliance on an ongoing basis. This should be done in conjunction with checking for compliance with listing requirements for a more focused analysis of the general purposes financial statements. This will contribute to meeting its specific user requirements and also contributing to the strengthening of the overall institutional regulatory regime over listed companies. GSE and ICAG collaborate on issues relating to financial reporting, particularly after there have been new standards or changes to existing standards. This assists in making the GSE aware of changing financial reporting requirements. It, however, does not independently ensure compliance by the listed companies, which needs to be checked and, where necessary, apply appropriate sanctions for non-compliance.

Securities and Exchange Commission. The Commission checks financial statements of listed companies for compliance with IFRS. Its technical capacity needs to be improved for better effectiveness and higher impact. It has mandate to apply a wide range of sanctions depending on the findings, and these include: suspension from listing, withdrawal of licence and/or monetary penalties.

Bank of Ghana. In addition to placing some reliance on the work of external auditors for ensuring compliance with IFRS, the BoG's Banking Supervision Department conducts its own checks for such compliance. The Supervision Department has chartered accountants who have knowledge of IFRS requirements.

National Communications Authority. The NCA requires the companies it regulates to submit quarterly and annual financial statements. NCA has no capacity to check the financial statements of companies it regulates for compliance with applicable financial reporting standards. The quarterly reports are not audited or reviewed by auditors. They are used for supporting revenues calculations for those companies levied based on net revenue figures. The NCA commissioned a one off revenue assurance audit, not intended to give IFRS compliance assurance but to confirm revenue figures used as a basis for calculating levies. The Authority does not make independent checks for compliance with IFRS. Its focus is on verifying revenue related figures which form the basis for calculating its levies.

National Insurance Commission. The NIC is supposed to check financial statements of insurers for compliance with IFRS in addition to insurance sector prudence checks. Because of resource constraints, it is relying on the work of external auditors for assurance in compliance with IFRS by insurers. The Commission collaborates with ICAG and has jointly proposed to require "cold" and "hot" reviews conducted on insurers. The initiative was dropped after the Commission found the costs from ICAG to be too high. Another planned regulatory initiative to be done jointly with an audit firm aimed at checking compliance with

IFRS has not been finalised. This means currently the regulatory function of checking for compliance with IFRS by the Commission still needs to be strengthened. The Commission has mandate to impose administrative sanctions for non-compliance, but they are not considered significant to encourage compliance.

National Pensions Regulatory Authority. The NPRA regulates pension schemes. It currently has significant technical capacity constraints. Its compliance department has only four staff members, making it incapable of conducting various prudential and financial reporting compliances it is supposed to undertake. To enhance its effectiveness, it also needs significant infrastructure expansion in terms of office space, geographical spread of offices, information technology, etc., as even its own accounting is done manually. Currently, the Authority is not making checks on compliance with IFRS and relies on the work of external auditors.

43. All public and private companies are required by the Companies Act 1963, as amended, to file audited financial statements with the Registrar of Companies. These are public and can be accessed by the wider audience for a token fee. The Registrar is supposed to check if the financial statements are audited by an auditor registered with ICAG. This is not currently being done, nor are the financial statements checked for compliance with applicable financial reporting standards. Currently, a lot of companies are not filling annual returns and there are a large number of dormant companies on the register. Additionally, some companies are not including audited financial statements in the documents filed. The new system of *e-Government*³⁴ being implemented, with an in-built penalty system, is aimed at addressing most of the current shortcomings at the Registrar General's office.

44. The Office of the Auditor General (Ghana Audit Services) has a department responsible for the audits of statutory corporations. The office has a staff compliment of about 1200 of which about 100 are qualified professional staff. Given the size of the public sector, there is need for more qualified professional staff to supervise audit assignments and provide on the job training. Results of audits of statutory corporations are taken very seriously and are presented to Parliament in open sessions with explanations required for noncompliance.

45. The ICAG has established an AQM Unit to conduct quality assurance reviews on auditors and their firms. The Unit reports its findings to a sub-committee of the Institute's Council. The Unit is currently playing an advisory role rather than imposing sanctions. Its role is to improve the quality of audit services by practicing firms which will in turn lead to improved compliance with standards.

46. Most regulators the ROSC A&A team met preferred the regulation and oversight of the accountancy profession to be done by a body independent of the accountancy profession, with appropriate legal backing. The current set up of the monitoring being done by ICAG, although seen as a step in the right direction, is still self-regulation by the profession and is viewed by most regulators as requiring more emphasis on protection of the public interest with the audit profession being subjected to independent regulation by a body independent of itself.

³⁴ The system links the Registrar of Companies' office with the Revenue Office for efficient sharing of information

IV. ACCOUNTING STANDARDS AS DESIGNED AND AS PRACTICED

Standards Gap

The standards gap is created by the fact that Ghana National Accounting Standards are still allowed by the law. All entities that are not mandated to use IFRS have a choice between IFRS for SMEs and Ghana National Accounting Standards. The Ghana National Accounting Standards have never been updated from the time they were developed, in the late 1990s, which creates a significant standards gap between their requirements and those of IFRS.

Compliance Gap

47. The World Bank ROSC team reviewed 24 audited financial statements for compliance with applicable accounting standards. The sector distribution of the reviewed entities is as follows: banks-eight, quoted companies-eight, insurance companies-three, statutory enterprises and large private companies-five. The reviews were offsite and therefore have an inherent limitation in that they concentrated on *form* issues i.e. presentation and disclosure. Assessment of *substance* issues i.e. recognition and measurement would require access to the auditor's working papers and the records of the audited company. The following are some of the many findings of the reviews;

- In some instances IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* were wrongly applied and also accrued liabilities were disclosed as contingent in the notes to the financial statements. These are clear cases of misinterpretation and/or wrong application of accounting standards which may have material consequences where the amounts involved are significant.
- In some other instances, disclosure notes tended to explain concepts in theory and in generality without any bearing whatsoever to the reported results of specific reporting entity's operations and/or circumstances.
- Because of the open issue which allows companies that are not mandated to use IFRS, some large companies with public interest, given their size and other quantitative characteristics, are preparing financial statements using the Ghana National Accounting Standards. From discussions with the ICAG, the option to use the Ghana National Accounting Standards would not be extended beyond the current deadline of 2015. As such, our reviews identified that for financial statements prepared in terms of Ghana National Accounting Standards, the quality was generally low. The many weaknesses identified included: inadequate notes to support the figures in the financial statements, inadequate presentation and disclosures in the financial statements of the accounting policies adopted, no comments on fair value and impairment, non-disclosure of employee benefits and related party information, lack of segment information in financial statements that clearly have segment operations, among others. Collectively, these deficiencies make it practically impossible to understand the financial position and results of these entities.

V. AUDITING STANDARDS AS DESIGNED AND AS PRACTICED

Standards Gap

There is no standards gap in auditing. All audits are supposed to be carried out in terms of International Standards on Auditing.

Compliance Gap

48. Compliance with ISA during the audit process is a challenge, particularly for SMPs. Most SMPs are not using the tools developed by the IFAC's SMP Committee meant to assist SMPs in the application of ISA. Some SMPs want ICAG to customise these to Ghana circumstances. Implementation of ISA is a challenge particularly for local SMPs because: it is difficult to justify the higher cost of an ISA audit to management and those charged with governance for entities which may not regard an audit as adding any value to their business; auditors face challenges in applying ISQC; a few of the auditors in this category have audit methodologies similar to ISA; and depending on how a change in auditors occurred, communicating with previous auditors often presents challenges.

49. The assessment of compliance with auditing standards was done by getting comments from the AQM Unit of ICAG on the results of their reviews and through our reviews of audited financial statements.

Comments from the ICAG's AQM Unit. Their comments were that for SMPs, the quality of audit work including documentation of procedures, processes carried out, results of work done, and conclusions require improvement. They also indicated that the SMPs are very receptive of advice from the Unit. The Unit also indicated that most of the SMPs need to improve the resource capacity of their firms in order to enhance the quality of their work.

Our reviews indicate that the quality of audits across the board requires improvement. Some of the examples included in our findings under accounting standards as designed and practiced demonstrate that the qualities of audits need improvement across the board, i.e. from SMPs to big firms, and on entities following Ghana National Accounting Standards to those following IFRS. Although most audit reports indicate that the audits are conducted in compliance with ISA, the degree of compliance with the standards differs among audit firms. The financial statements of listed companies, banks and insurance companies that we reviewed appeared to be of good quality.

VI. STAKEHOLDER PERCEPTION ON THE QUALITY OF FINANCIAL REPORTING AND THE PROFESSION

50. The perception of regulators and the wider stakeholders is that the quality of financial reporting for listed and regulated entities is good. Most of them are audited by the big audit firms and some of them have external reporting responsibilities which require them to comply with international standards.

51. Wider stakeholders, view the quality of financial reporting in the SME and micro sector as requiring significant improvement. The overriding view is that for SMEs and micro entities, access to capital is limited and the tax regime is not favourable. As such, they do not perceive any benefits in being formal and keeping accurate financial records given the

high cost of compliance. This is an area where ICAG, SMPs and the Ghana Revenue Authority (GRA) may want to get involved, perhaps working together with the National Board for Small Scale Industries (NBSSI) which is already involved in training SMEs in record keeping and providing advisory services.

52. The quality of financial reporting by state corporations is perceived as satisfactory.

The seriousness with which the results of audit findings are taken has significantly contributed to the quality of financial reporting by these entities.

53. The level of compliance with standards by insurance companies is perceived by some stakeholders as requiring improvement.

Areas that require improvement in the financial statements supply chain for insurance companies include knowledge of complex insurance related IFRS requirements by some auditors and preparers, and strengthening of regulation/enforcement by the regulators. Actuaries are also not easily accessible and their input is important for high quality financial reporting.

VII. POLICY RECOMMENDATIONS

This section identifies policy recommendations that, if implemented, will contribute to further improvement of the financial reporting supply chain processes in accordance with international standards and good practice, taking into account local laws and circumstances specific to Ghana. This identification is only the first step; the major challenge being to transform the recommendations into real and effective reforms that will help enhance the quality of corporate financial reporting in Ghana leading to sustained economic growth for the benefit of its citizens. To assist in achieving this, a stakeholder driven CAP which takes into account country priorities and resource availability is required.

A. Strengthening the Statutory Framework

54. PIEs, SMEs and Micro-sized Entities should be clearly defined and given legal backing through regulations. Financial reporting requirements should be aligned to the level of public interest responsibilities of the specific entities. The definition of a PIE should cover both qualitative³⁵ and quantitative³⁶ parameters, broad enough to avoid frequent changes. All PIEs should comply with IFRS while smaller entities apply IFRS for SMEs, and Micro-sized Entities apply the Guide for Micro-sized Entities, as shown in the table below. This will result in a differential financial reporting regime that requires entities to report according to a framework commensurate with the entity's size, public interest responsibilities and other circumstances. Additionally, the statutory financial reporting framework should require financial statements of all companies that are PIEs to be monitored and reviewed by the AQM Unit of ICAG.

55. The option to use the Ghana National Accounting Standards should not be extended beyond the current deadline of 2015. The ICAG should start using its influence to have the necessary legal amendments to effect this change. It should seek the support of the Registrar of Companies, MoFEP, Ghana Revenue Authority and other key stakeholder, etc.

³⁵ Should include all entities regulated by other regulators and entities where the Government has control.

³⁶ These must be set after wide stakeholder(including Government) consultation and may include thresholds on; turnover, assets, borrowings, number of employees

56. Introduce the concept of audit exemption while requiring all medium to large companies’ financial statements to be prepared and audited by a member of ICAG. Currently, the Companies Act 1963, as amended, requires all companies, irrespective of size or level of public interest to be audited. To that ensure small and micro companies with little or no public interest are not burdened with audit requirements which may not be necessary, the requirement for companies to be audited should be linked to size and the level of public interest. ICAG should use its influence to have the law changed through regulation to introduce this concept of audit exemption. ICAG will need to open dialogue with relevant parties like the Revenue Authority, MoFEP, Registrar of Companies, etc.

57. The adopted financial reporting framework for each state enterprise should be aligned to the nature of its operations. Those that are involved in profit oriented business activates (Government Business Entities [GBEs]) should be required to comply with IFRS³⁷, while those with service oriented not-for-profit operations should apply IPSAS. This is important at this stage when the country is striving for full IPSAS implementation.

58. Consideration should be given to creating a financial reporting law, e.g. a Financial Reporting Act. The law will prescribe the financial reporting framework for the different reporting entities, both in the public and the private sector: PIEs, SMEs and Micro-entities. This will provide legal mandate for monitoring and enforcement of financial reporting requirements by the accountancy profession regulator. All references to financial reporting requirements in the existing and future laws will refer to this law. It will also contribute to making financial reporting requirements in the country consistent, comprehensive, proportionate and up to date.

Recommended Reporting Frameworks

Private Sector		Public Sector	
Entity	Accounting/Auditing Framework	Entity	Accounting/Auditing Framework
PIEs including large private companies that meet the definition of a PIE.	IFRS/ISA (Mandatory)	State Enterprises that qualify to use IFRS	IFRS/ISA (Mandatory)
Small and Medium Sized Entities	IFRS for SMEs (Mandatory) Audit not mandatory only for small companies with no public interest. (Where required, use IFAC Guide to Use of ISA in the Audit of SMEs)	State enterprises that qualify to use IPSAS, central and local government	IPSAS Auditing Standards (Mandatory)
Micro – entities	A Guide for Micro-sized Entities Applying the IFRS for SMEs(2009). Audit not mandatory.		

³⁷ The following guidance is used to identify GBEs----- an entity;

- With the power to contract in its own name
- That has been assigned the financial and operational authority to carry on a business
- That sells goods and services in the normal course of its business to other entities at a profit or full cost recovery
- Not reliant on continuing government funding to be a going concern (other than purchase of outputs at arm’s length); and
- Controlled by a public sector entity.

B. Strengthening the Accountancy Education and Training

59. Further improve collaboration between ICAG, tertiary training institutions including universities and employer organisations. This is particularly needed in the area of further improving curricular and syllabus content. This will help in including emerging areas like ethics and any changes to the law, regulations, standards and codes that may need to be introduced in the professional education supply chain. The increased collaboration may also create opportunities for student attachments/internships programs.

60. CPD sessions should be made more relevant to practitioners and accountants in business. They should cover new laws, standards and codes including changes to existing bones. Complex topics and those relevant to the economy of Ghana should be included in the CPD seminars. Presenters should be drawn from sector specialists/experts with local country experience to minimize theoretical presentations.

61. Consideration should be given to introducing conversion examinations in variant papers. Professionals coming into Ghana to engage in public practice should be required to write and pass examinations in Ghana tax and company law, if they are to provide professional services that require such local knowledge.

C. Strengthening the Accounting and Auditing Profession

62. Further strengthen ICAG to enable it to meet its wide responsibilities. ICAG should continue building strong technical capacity to enable it to serve its students, members, and the wider community in the country. It should also continue to build professional capacity to enable it to fulfil IFAC’s SMOs, be a centre for technical excellence and a repository of technical material and knowledge in accounting and auditing, in addition to being the “voice of accountancy” in Ghana. Its technical department should have enough personnel to enable it to engage in the standards adoption processes with the international standards setting boards and standards implementation activities in the country. The number of technical staff should be reviewed on an on-going basis to assess its adequacy to meet these responsibilities. The Institute should also have sustainable financial capacity to enable it to fulfil these technical and professional responsibilities.

63. ICAG should collaborate with other stakeholders to enable it fulfil IFAC Statements of Membership Obligations (Revised). The table below shows the additional work ICAG has to do to meet the obligations.

Policy recommendations on IFAC SMOs

SMO	Degree of Responsibility	Policy Recommendation
SMO 1 <i>Quality Assurance</i>	<i>Direct;</i>	ICAG should: <ul style="list-style-type: none">➤ Support its members in public practice comply with ISQC 1.➤ Ensure its AQM Unit meets the independence criteria for independent accountancy profession oversight.➤ Facilitate ongoing workshops for all its practicing members to enlighten them of quality control and SMO 1

		<p>requirements and also discuss common findings in past reviews.</p> <ul style="list-style-type: none"> ➤ The “<i>Guide to Quality Control for Small and Medium – Sized Practices</i>”³⁸ has been disseminated by ICAG and firms have been advised of its availability on the website. Workshops on ISQC1 were conducted in May 2013. In April 2014, ICAG sent ISQC 1 illustrative documentation of the policies and procedures to licenced firms. These positive initiatives by ICAG are commendable and should continue.
<p>SMO 2</p> <p><i>International Education Standards for Professional Accountants and other IAESB Guidance</i></p>	<p><i>Shared;</i> with various education and training providers. The ICAG retains overall obligation of ensuring that the quality of education at all levels is in line with IFAC International Accountancy Education Standards. As standards setter, ICAG has direct responsibility for adoption of the standards.</p>	<p>ICAG should;</p> <ul style="list-style-type: none"> ➤ Continue using best endeavour to further improve the quality of education through continued influence on syllabi, curriculum, and quality of accountancy education and training including CPD.
<p>SMO 3</p> <p><i>International Standards, Related Practice Statements, and Other Pronouncements Issued by the IAASB</i></p>	<p><i>Direct;</i></p>	<p>ICAG should;</p> <ul style="list-style-type: none"> ➤ Continue supporting, and monitoring successful implementation of clarified ISA on an ongoing basis particularly for SMPs. Members in practise should be assisted in accessing IAASB publications. ➤ ICAG should hold ongoing workshops to assist members correctly interpret and implement the IAASB Pronouncements. ➤ It should disseminate the “<i>Guide to Using International Standards on Auditing in the Audit of Small and Medium-Sized Entities</i>”³⁹ and other IFAC publications like “<i>Companion Guide</i>” and “<i>Tips for Cost- Effective ISA Application</i>”, and other publications of the IFAC SMPs Committee.
<p>SMO 4</p> <p><i>IESBA Code of Ethics for Professional Accountants</i></p>	<p><i>Direct;</i></p>	<p>ICAG should:</p> <ul style="list-style-type: none"> ➤ Enforce implementation of this Code through AQM Unit. The adoption should have legal backing, such as through the Regulations to the Accountants Act.
<p>SMO 5</p> <p><i>International Public</i></p>	<p><i>Shared;</i> with the Accountant General in the MoFEP for</p>	<p>ICAG should;</p> <ul style="list-style-type: none"> ➤ Establish a Public Sector Sub-

³⁸ Prepared by the Small and Medium Practices Committee of IFAC. Although it is non- authoritative guidance on ISQC1, it supports implementation of the standard by explaining and illustrating the steps and procedures necessary to comply with ISQC 1.

³⁹ Prepared by the Small and Medium Practices Committee of IFAC

<i>Sector Accounting Standards and Other IPSASB Guidance</i>	implementation.	Committee to spearhead the IPSAS adoption and implementation support initiatives. This Sub-committee should work closely with the MoFEP in the IPSAS implementation program. ➤ Continue using best endeavour to encourage and support the implementation of IPSAS. Inclusion of public sector accounting in its professional qualification curriculum is a major positive step in that direction which will ensure increased compliance with the standards by increasing capacity.
SMO 6 <i>Investigation and Discipline</i>	<i>Direct;</i>	ICAG should: ➤ Raise public awareness of its disciplinary powers and mechanisms, and encourage cases requiring disciplinary action to be raised with the Institute.
SMO 7 <i>International Financial Reporting Standards</i>	<i>Direct;</i>	ICAG should: ➤ Further strengthen its technical department to enable it to effectively support successful implementation of the 3 levels of financial reporting standards frameworks. ➤ Give particular emphasis to building awareness of the IFRS for SMEs and the Guide to Micro-size Enterprises Applying the IFRS for SMEs.

64. ICAG should consider establishing a Legal Committee in its Committee structure.

Through invitations for comment, the ICAG will ensure that its members contribute to the due process for all legal reform that affects financial reporting. It will also assist in bringing awareness to its members of all changes taking place to the financial reporting laws. The Committee will liaise closely with all regulators, Revenue Authority (for tax laws), Registrar of Companies, and legal drafters.

65. ICAG should ensure its members maintain a very high level of professional competence, integrity, ethical behaviour, and regard for quality in whatever they do.

ICAG should ensure its quality assurance reviews and CPD achieve the intended objectives of enhancing quality and technical competence. This is because of the level of reliance all regulators place on the work of external auditors. Significant public trust in financial reporting is placed on the Institute and its members.

66. In the medium to long term, stakeholders should make a decision on how the accountancy profession should be regulated in Ghana.

The overriding objective to be kept in mind is the need to ensure independence of the regulator and protection of the public interest. If the ICAG continues to be the regulator, the AQM Committee should be set up in such a way it is truly independent and be seen to be so by the various stakeholders. If this option is adopted, the stakeholders should have a timeframe after which a review of the current set up would be done, benchmarking actual performance against pre-set objectives in terms of independence and protection of public interest activities. Additionally, the AQM

Unit will have to attend to some stakeholder perceptions that it has to increase its technical capacity and be seen to be effective. This will be one of the major issues to be addressed during the timeframe to be set by stakeholders referred to above. It should also be appreciated that ICAG is a professional accountancy body and the oversight it provides on the accountancy profession may not be viewed as that provided by an independent oversight body. If it is decided to set up a separate independent oversight body, it will need to be set up by the law and aim to be a member of the International Forum of Independent Audit Regulators (IFIAR) in order to benefit from international collaboration on issues regarding audit regulation. The independent body will initially be funded by the Government and gradually, as it gains market acceptance, entity beneficiaries of audit services will be brought in to contribute to funding the organization. There are different mechanisms that can be considered to achieve this. The separate independent body will also ideally assume the role of standard setter, a function currently performed by the ICAG.

D. Improving Compliance with Financial Reporting Requirements and Monitoring

67. ICAG should continue leading the current initiatives aimed at improving awareness of new standards, and changes in existing standards and their implementation. This will assist particularly SMPs, SMEs, Micro-size Entities, and accountants in business to better comply with standards and improve compliance leading to improved financial reporting.

68. All regulators should be further strengthened to improve their capacity to identify non-compliance with financial reporting requirements. Regulators should establish internal capacity to check audited general purpose financial statements for compliance with applicable financial reporting standards in addition to their specific sector requirements. Sanctions for noncompliance should be reviewed across the board to make them more deterrent.

69. Further strengthen the Regulator's Forum for effective and efficient regulation. The large number of regulators in Ghana necessitated the establishment of the Regulator's Forum made up of four major regulators (BoG, SEC, NIC and NPRA).⁴⁰ This Forum should be made more effective through regular meetings and activities that ensure there is regulatory convergence, leading to efficiency, effectiveness and avoidance of duplication and gaps in the regulatory processes in Ghana.

⁴⁰ Covering banking, stock markets, insurance, and pension schemes regulators.