

REPORT OF THE AUDITOR-GENERAL ON THE MANAGEMENT OF PETROLEUM FUNDS FOR THE PERIOD 1 JANUARY 2013 TO 31 DECEMBER 2013



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This report has been prepared under Section 11 of the Audit Service Act, 2000 for presentation to Parliament in accordance with Section 20 of the Act.

Richard Quartey
Auditor General
Ghana Audit Service
23 MARCH 2015

This report can be found on the Ghana Audit Service website at www.ghaudit.org

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TRANSMITTAL LETTER

AG/01/109/Vol.2/87

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23 March 2015

Dear Mr. Speaker,

REPORT OF THE AUDITOR-GENERAL ON THE MANAGEMENT OF PETROLEUM FUNDS FOR THE PERIOD 1 JANUARY 2013 TO 31 DECEMBER 2013

In accordance with my mandate under Section 187(2) of the Constitution of Ghana, Section 13 of the Audit Service Act which requires me to carry out special audits or review and Section 45 of Petroleum Revenue Management Act, I have undertaken the audit of the management of the Petroleum Funds for the period 1 January 2013 to 31 December 2013.

I hereby submit to you for presentation to Parliament, special audit report on the management of the Petroleum Funds for the period ending 31 December 2013.

Our finding included the unavailability of investment policy guidelines contrary to Section 25(a) of Petroleum Revenue Management Act, 2011 (Act 815).

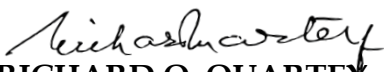
Investment invoice that could reasonably be expected from critical investment decisions to ensure a more effective utilization and management of the Ghana Petroleum Funds may be missed.

The audit was undertaken by Messrs Ernst and Young for and on behalf of the Auditor-General.

I am grateful to the staff of the Bank of Ghana Petroleum Funds Secretariat, Ministry of Finance, Controller and Accountant-General and Ghana National Petroleum Corporation for their assistance and co-operation during the audit.

I trust that this report will meet the approval of Parliament.

Yours sincerely,


RICHARD Q. QUARTEY.
AUDITOR-GENERAL

THE RT. HON. SPEAKER
OFFICE OF PARLIAMENT
PARLIAMENT HOUSE
ACCRA

EXECUTIVE SUMMARY

Background

The Petroleum Revenue Management Act, 2011, Act 815 was passed on 11 April 2011 to provide the framework for the collection, allocation and management of petroleum revenue in a responsible, transparent, accountable and sustainable manner for the benefit of the citizens of Ghana in accordance with Article 36 of the Constitution and for related matters.

2. Under the combined provisions of Article 187(2-5) of the Constitution and sections 45 to 46 of Act 815, the Auditor-General, or any person he appoints to act on his behalf, is required to carry out annually, the audit of the financial statements of the Petroleum Funds specified in the Act, and to report his findings to Parliament, within six months after the end of the financial year to which the Statements relate.

3. Section 46(1) of the Act requires that 'the Bank of Ghana shall not later than three months after the end of its financial year, submit to the Auditor-General, the financial statements and relevant documents on the Petroleum Funds for audit.

Scope

4. The Audit was conducted in accordance with the International Standards on Auditing (ISA) to provide an audit opinion on the financial statements of the Funds, covering the period 1 January 2013 to 31 December 2013.

5. The objective of the audit is to enable an audit opinion to be expressed on the annual financial statements of the Petroleum Funds as required by the Act to be submitted to the Auditor-General. The opinion from the audit will state whether the financial statements present fairly the financial position as at the end of the financial period and the results of operations for the year.

6. In addition to the audit opinion, we issued a management letter which was fully discussed with the Bank. The management letter shall among other things, indicate whether:

- a. Structures and offices specified by the Act for the management of the Petroleum Funds are in place and functioning as required;
- b. Proper books of accounts including electronic systems have been maintained and that the financial statements have been prepared in accordance with the appropriate International Public Sector Accounting Standards (IPSAS).

- c. Internal controls and risks management procedures in place are adequate to safeguard the operations of the Funds from loss, wastage or fraud;
- d. Moneys due into the Funds have been assessed and fully collected, distributed and or invested in accordance with the provisions of the Act.
- e. The operations of the Funds have been managed in accordance with the provisions of the Act and that any reporting obligations required by the Act have been adequately discharged.

7. The management letter shall further disclose:

- Cases of non-compliance with the provisions of the Act and other applicable laws and their effects on the operations and management of the Funds;
- Any case of wastage, loss, fraud or presumptive fraud which came to light during the audit and action taken or recommended to be taken to address these;
- Internal control weaknesses which may or have had adverse impact on the operation of the Funds and recommendations made to rectify these;
- Moneys due which have not been collected;
- Contingent liabilities;
- Unpaid bills and other outstanding commitments;
- Market value of investments held at the end of the year in comparison with the book values;
- Show an analysis of the structure for each crude oil lifting and compare with previous years liftings to indicate trends. Obtain reasons for any differences in the pricing structure;
- Action taken on previous year's report, and
- Any other information arising out of the audit considered to be relevant or which could threaten the sustainability of the operations of the Funds.

CHAPTER ONE

1.0 Introduction

1.1 Reasons for the audit

The Petroleum Revenue Management Act, 2011, Act 815 was passed on 11 April 2011 to provide the framework for the collection, allocation and management of petroleum revenue in a responsible, transparent, accountable and sustainable manner for the benefit of the citizens of Ghana in accordance with Article 36 of the Constitution and for related matters.

2. The Act also provided for the establishment of a designated public fund (Petroleum Holding Fund) at the Bank of Ghana to receive and disburse Petroleum Revenue due the Republic.

1.2 Purpose and scope of the audit

3. The objective of the audit is to enable an audit opinion to be expressed on the annual financial statements of the Petroleum Funds required by the Act to be submitted to the Auditor-General. The opinion from the audit will state whether the financial statements presents fairly the financial position as at the end of the financial period and the results of operations for the year.

4. The audit covered one year period ended 31 December 2013.

Key players

5. The key players and their activities are provided in Table 1.

Table 1: Key players and their activities

Key player	Activity
Ministry of Finance	<ul style="list-style-type: none">• Submits annual report on the Petroleum Fund as part of the overall presentation of budgetary statement• Makes regulations for the effective performance of this Act.• Takes investment decisions regarding the fund.

Bank of Ghana	<ul style="list-style-type: none"> • Establishes a Petroleum Holding Fund • Keeps proper books of accounts • Submits to the Auditor-General for audit financial statements and relevant documents within three months after the end of the year to which the accounts relates
Petroleum Revenue Fund Secretariat	<ul style="list-style-type: none"> • Manages the Petroleum Revenue Fund
Investment Advisory Committee	<ul style="list-style-type: none"> • Advises Ministry of Finance on investment decisions and the general monitoring of the management of the Fund
Public Interest and Accountability Committee	<ul style="list-style-type: none"> • Monitors and Evaluates compliance with this Act by Government and relevant institutions.

1.3 Systems description

6. A description of the processes involved in the management of the Petroleum Revenue Fund from initiation to recording is presented as follows:

a. Proceeds

Initiation

BoG receives an invoice covering the value of the oil from GNPC whenever oil is lifted from the Jubilee Field.

Processing

BoG then cross-checks the invoice against the number of barrels lifted and the price per barrel. The Ministry of Finance and Economic Planning (MOFEP) is notified whenever the proceeds are paid into the account. MOFEP sends instructions to Controller and Accountant-General who then advises Bank of Ghana (BoG) on how the funds should be distributed.

Recording

When the funds are received, entries are passed into the T24 accounting system.

Dr Mirror account of the Federal Reserve Bank account.

Cr Fund account.

The front office passes the entries and the back office or middle office authorizes.

b. Distribution

Initiation

Distributions are done by the Ministry of Finance and Economic Planning based on the provisions in the Act.

Processing

BoG thus checks the accuracy of distribution as against the provisions in the Act.

Proceeds from the lifting are distributed as outlined below:

- GNPC is reimbursed for expenses/cost incurred in production of the oil. This reimbursement (equity financing) represents GNPC's equity interest in the field. GNPC provides the Ministry of Finance and Economic Planning with an invoice showing the total monies due them as repayment of the GNPC portion of the jubilee cost.
- Royalties due from the Jubilee field are paid to the Government of Ghana. However, this amount plus the budget's share of the net proceeds should not exceed the benchmark revenue (that is revenue budgeted for the quarter)
- The amount remaining (Net proceeds) is distributed 60% to the Budget and 40% to GNPC.

There is however a cap that is received by the Budget (70% of the Benchmark revenue as per section 18(1) of the Act). The Benchmark revenue is the estimated revenue from petroleum operations expected by the government for the corresponding financial year). The 70% is the yardstick for the whole year (that is the four quarters). Any excess is split between the Stabilisation and Heritage accounts.

Recording

When the funds are transferred, entries are passed into the T24 accounting system.

Dr Fund account.

Cr Mirror account of the Federal Reserve Bank account.

The front office passes the entries and the back office or middle office authorizes.

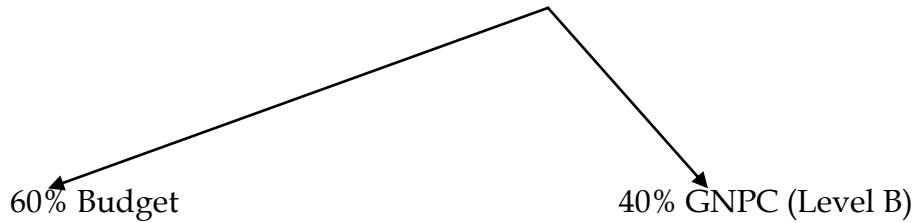
c. Split

Initiation

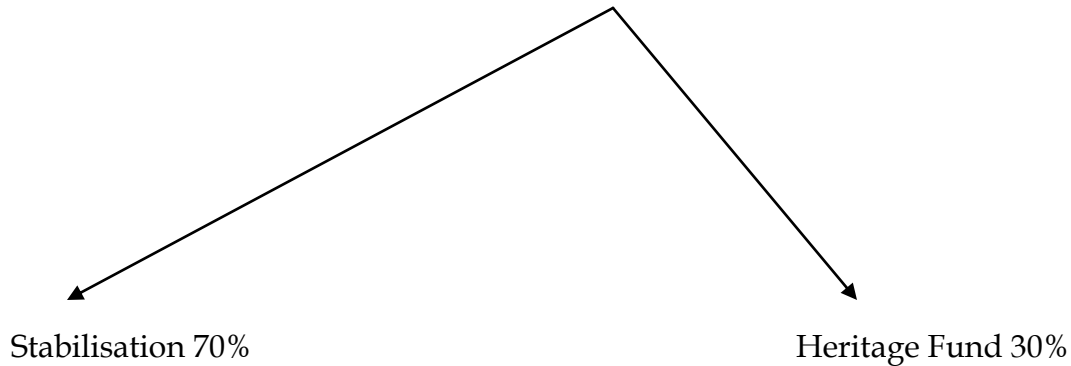
Any excess amount remaining after the target for the annual budget funding is met is paid into the stabilisation and heritage accounts.

Processing

LIFTING PROCEEDS	XXXXXXXXXX
OTHER INCOME (as per section 6)	XXXXXXXXXX
ROYALTIES PAID TO BUDGET	(XXXXXX)
EQUITY FINANCING PAID TO GNPC (Level A)	<u>(XXXXXX)</u>
NET PROCEEDS	<u>XXXXXX</u>



XXXXXX + Royalties	XXXX
Annual Budget Funding amount for the quarter	<u>(XXXX)</u>
Excess	XXXX



Recording

When the funds are split and transferred, entries are passed into the T24 accounting system.

Dr Fund account.

Cr Mirror account of the Federal Reserve Bank account.

The front office passes the entries and the back office or middle office authorizes.

Pricing structure

9. The pricing structure of the crude oil lifted is agreed by all parties involved in the transaction. The price per barrel of crude is indexed to the world market price for a similar quality of oil. This is the Brent Crude. A differential is added or subtracted depending on market forces (demand and supply)/what the market is willing to pay as at the lifting date. A pricing option fee is charged to the offtakers for giving the offtaker the flexibility to price the oil per barrel based on four (4) options. The pricing option fee is based on the agreement with the offtaker.

Marketing Fee

10. In 2011 (lifting 1 to 4) and for the first lifting of 2012 (lifting 5), offtakers were lifting the oil and marketing it on behalf of GNPC. This is similar to a consignment inventory arrangement. GNPC thus incurred a marketing cost of 8 cents per barrel which was paid to the offtaker. However, from the 6th lifting, GNPC sold the product directly/outright to the offtakers as their final customer. The offtakers were not required to market the oil on behalf of GNPC. The marketing fee was thus scrapped and replaced with a pricing option fee.

Pricing Option Fee

11. A pricing option fee is charged to the offtakers for giving the offtaker the flexibility to price the oil per barrel based on four options. The pricing option fee is based on the agreement with the offtaker.

12. There are four options for pricing of cargo (oil) lifted. These are:

- i. before Average Brent Crude price for the whole month when the lifting was done.
- ii. Average of five days Brent Crude after the lifting date.
- iii. Average of five days Brent Crude before the lifting date.
- iv. Average of five days Brent Crude centered on the lifting date. ie. Two (2) days and two days after the lifting date.

13. This is the fee the offtakers pay if they decide to exercise the right to choose from the four (4) pricing options discussed above. There was an agreement with UNIPEC (offtakers) to lift oil at a pricing option fee of 8 cents per barrel. The last lifting for 2013 was done by Trafigura. The pricing option fee was agreed at 0.015 cents per barrel. Table 2 shows a summary of the pricing structure of the oil liftings for 2012 and 2013 respectively.

Table 2: Summary of the pricing structure of oil lifting's for 2012 and 2013

Year	Lifting	Quantity Lifted in barrels	Average dated Brent Price in USD/barrel	Differential - Mark up in USD/barrel	Pricing option fee in USD/barrel	Unit Price / barrel	Value of Cargo in USD / barrel	Annotation
2012	5	996,484	110.58	1.05	-0.08	111.55	111,157,790	¹ - Marketing Fee
2012	6	997,636	124.166	1.65	0.08	125.896	125,598,382	² - Pricing Option Fee
2012	7	995,247	90.193	0.02	0.08	90.293	89,863,837	² - Pricing Option Fee
2012	8	947,021	114.226	-1.75	0.08	112.556	106,592,896	² - Pricing Option Fee
2012	9	994,646	109.109	-0.75	0.08	108.439	107,858,418	² - Pricing Option Fee
2013	10	995,550	113.011	0.08	0.08	113.171	112,667,389	² - Pricing Option Fee
2013	11	996,201	108.37	0.17	0.08	108.62	108,207,353	² - Pricing Option Fee
2013	12	995,520	98.158	0.80	0.08	99.038	98,594,310	² - Pricing Option Fee
2013	13	995,685	102.914	0.75	0.08	103.744	103,296,345	² - Pricing Option Fee
2013	14	994,966	110.886	0.69	0.08	111.656	111,093,924	² - Pricing Option Fee
2013	15	898,338	104.625	0.80	0.015	105.44	94,720,759	² - Pricing Option Fee

CHAPTER TWO

2.0 FINANCIAL HIGHLIGHTS - 2011

As at 31 December, 2011 total proceeds from oil lifting was USD444,124,722. This amount was entirely distributed in accordance with Act 815. The following shows the details:

1. Ghana Group Oil Lifting Proceeds

	Eight months period ended 2011 USD
1 st lifting	112,189,575
2 nd lifting	115,579,115
3 rd lifting	109,569,254
4 th lifting	<u>106,786,778</u>
Total	<u>444,124,722</u>

2. Transfers

	Lifting 1	Lifting 2	Lifting 3	Lifting 4	USD
Equity finance (GNPC)	32,453,455	33,433,959	31,695,448	34,901,954	132,484,816
Carried and participation interest (GNPC)	19,472,073	20,060,375	19,017,269	16,929,771	75,479,488
ABFA	37,396,576	37,376,025	37,227,412	54,955,054	166,955,067
GSF	18,059,340	19,903,267	16,842,744		54,805,351
HF	<u>4,808,131</u>	<u>4,805,488</u>	<u>4,786,381</u>	-	<u>14,400,000</u>
Total	<u>112,189,575</u>	<u>115,579,114</u>	<u>109,569,254</u>	<u>106,786,779</u>	<u>444,124,722</u>

2.1 FINANCIAL HIGHLIGHTS - 2012

As at 31 December 2012, total of proceeds from oil lifting was USD541,071,322. This amount entirely distributed in accordance with Act 815. The following shows the details.

3. Ghana Group Oil Lifting Proceeds

	2012 USD	Eight months period ended 2011 USD
1 st lifting		112,189,575
2 nd lifting		115,579,115
3 rd lifting		109,569,254
4 th lifting		106,786,778
5 th lifting	111,157,790	
6 th lifting	125,598,382	
7 th lifting	89,863,837	
8 th lifting	106,592,896	
9 th lifting	<u>107,858,417</u>	-
Total Lifting Proceeds	541,071,322	444,124,722
Other Income		
Surface Rental -Tullow	63,866	
Surface Rental - Tap Oil	43,770	
Royalties - Sopcl	104,193	
Surface Rental - Kosmos Energy	35,438	
Surface Rental - Vanco	154,398	
Surface Rental - Hess Ghana Ep	150,750,	
Surface Rental - Eni Ghana Ep	66,841	
Surface Rental - Eni Ghana Ep	52,047	
Royalties - Omikron Energy Ltd	71,434	
Surface Rental - Sopcl	3,025	
Royalties - Lushann Int Gh. Ltd	101,251	
Royalties - Lushann Int Gh. Ltd	<u>59,550</u>	-
Total Other Income	906,563	-
Total Receipts	<u>541,977,885</u>	<u>444,124,722</u>
Total Transfers (Details on page 6 for 2012)	<u>541,623,737</u>	<u>444,124,722</u>
Difference	<u>354,148</u>	<u>-</u>

2.2 FINANCIAL HIGHLIGHTS - 2012

4. Transfers

Transfers	Lifting 5	Lifting 6	Lifting 7	Lifting 8	Lifting 9	Total USD
Equity finance (GNPC)	32,083,911	28,774,038	27,603,476	18,195,508	17,973,695	124,630,628
Carried and participation interest (GNPC)	19,250,346	24,742,341	14,896,363	23,488,124	23,942,122	106,319,296
ABFA	59,823,532	72,082,003	23,797,062	64,909,263	65,942,600	286,554,460
GSF			16,883,547			16,883,547
GHF	_____ -	_____ -	<u>7,235,806</u>	_____ -	_____ -	<u>7,235,806</u>
Total	<u>111,157,789</u>	<u>125,598,382</u>	<u>90,416,254</u>	<u>106,592,895</u>	<u>107,858,417</u>	<u>541,623,737</u>

2.3 FINANCIAL HIGHLIGHTS - 2013

As at 31st December 2013, total of proceeds from oil lifting was USD628,580,081. This amount was entirely distributed in accordance with Act 815. The following shows the details.

5. Ghana Group Oil Lifting Proceeds

	2013	2012	Eight months period ended 2011
	USD	USD	USD
1 st lifting			112,189,575
2 nd lifting			115,579,115
3 rd lifting			109,569,254
4 th lifting			106,786,778
5 th lifting		111,157,790	-
6 th lifting		125,598,382	-
7 th lifting		89,863,837	-
8 th lifting		106,592,896	-
9 th lifting		107,858,417	-
10 th lifting	112,667,389	-	-
11 th lifting	108,207,353	-	-
12 th lifting	98,594,310	-	-
13 th lifting	103,296,345	-	-
14 th lifting	111,093,925	-	-
15 th lifting	<u>94,720,759</u>	<u>-</u>	<u>-</u>
Total Lifting Proceeds	628,580,081	541,071,322	444,124,722
Other Income			
Surface Rental - Tullow	116,359	63,866	
Surface Rental - Tap Oil	-	43,770	
Surface Rental - Kosmos Energy	16,954	35,438	
Surface Rental - Vanco	-	154,398	
Surface Rental - Hess Ghana Exploration	82,190	150,750	
Surface Rental - Eni Ghana Ep Ltd	324,219	118,888	
Surface Rental - Sopcl	555	3,025	

Surface Rental – Lukoil Overseas Gh. Ltd	76,142	-	
Surface Rental - Ophir Ghana Ltd	60,000	-	
Royalties - Omikron Energy Ltd	-	71,434	
Royalties - Sopcl	154,055	104,193	
Royalties - Lushann Int Gh Ltd	16,985	160,801	
Corporate Tax – All Partners	40,210,099		
Corporate Tax – Kosmos	55,004,842		
Corporate Tax – Tullow Ghana	66,699,272		
Corporate Tax – Anadarko	55,071,284		
Interest earned on Petroleum Holding Fund	<u>96,013</u>	<u>-</u>	<u>-</u>
Total Other Income	217,928,969	906,563	-
Total Receipts	<u>846,509,050</u>	<u>541,977,885</u>	<u>444,124,722</u>
Opening balance	354,148	-	-
Total Transfers (Details on page 8 for 2013)	<u>846,567,089</u>	<u>541,623,737</u>	<u>444,124,722</u>
Difference	<u>296,109</u>	<u>354,148</u>	<u>-</u>

2.4 FINANCIAL HIGHLIGHTS - 2013

6. Transfers

Transfers	Lifting 10	Lifting 11	Lifting 12	Lifting 13	Lifting 14	Lifting 15	Total USD
Equity finance (GNPC)	16,371,879	12,258,684	14,957,392	4,787,197	5,126,315	14,818,316	68,319,783
Carried and participation interest (GNPC)	25,970,881	26,228,801	22,474,708	27,899,952	30,014,951	21,412,299	154,001,592
ABFA	68,299,392	-	68,299,392	-	68,299,392	68,299,392	273,197,568
GSF	29,812,641	48,732,304	50,559,663	86,722,898	5,434,674	24,471,522	245,733,702
GHF	<u>12,776,846</u>	<u>20,885,273</u>	<u>21,668,427</u>	<u>37,166,956</u>	<u>2,329,146</u>	<u>10,487,796</u>	<u>105,314,444</u>
Total	<u>153,231,639</u>	<u>108,105,062</u>	<u>177,959,582</u>	<u>156,577,003</u>	<u>111,204,478</u>	<u>139,489,325</u>	<u>846,567,089</u>

Other income

There were changes in operatorship and payments made on behalf of operators during the period under review. The following are changes made:

- i. Omnikrom Energy made payment on behalf of Saltpond – SOPCL.
- ii. The surface area where Vanco was paying rent is now being paid for by Lukeoil. Lukeoil is now the operator and has made payment in the current year for the area rented by Vanco in the prior year.
- iii. TapOil operatorship has also changed to Ophir Oil. Ophir Oil has also made payment in respect of surface rental for the area which was paid for in the prior year by Tapoil.

CHAPTER THREE

DETAILED FINDINGS AND RECOMMENDATIONS

3.1 Unavailability of Investment policy guidelines

Condition

14. We observed during our audit that the petroleum unit had not received investment policy guidelines from the Ministry of Finance to assist in the investment decisions concerning the Ghana Petroleum Funds.

Cause

15. The investment policy guideline is in draft format and awaiting approval from the Minister.

Criteria

16. Section 25(a) of Petroleum Revenue Management Act, 2011 (Act 815) mandates the Minister of Finance to develop an investment policy for the investment of the Ghana Petroleum Fund. Section 30 (1(a)) states that “the functions of the Investment Advisory Committee are to formulate and propose to the Minister, the investment policy and management of the Ghana Stabilisation Fund and the Ghana Heritage Fund and the Minister shall submit it for approval by Parliament.

Effect

17. Critical investment decisions which may ensure a more effective utilisation and management of the Ghana Petroleum Funds may be missed.

Recommendation

18. The Ministry of Finance, under the recommendation of the Investment Advisory Committee, should ensure that an investment policy is put in place, duly approved by parliament, to guide the fund managers in the investment of the Ghana Petroleum Funds. This policy should also be reviewed on a regular basis to ensure that the best possible returns are achieved.

Management Comments

19. The Bank of Ghana has written to the Minister of Finance to bring the issue to his attention.

3.2 Late distribution of investment income earned by the GHAPET account

Condition

20. Investment incomes earned on overnight investments, before distribution, of the Funds in the GHAPET account amounting to US\$ 96,013 were not distributed until 2014.

Cause

21. This was due to distributions being done on invoice amounts although amounts received were put on overnight investment instruments before being distributed.

Criteria

22. The Petroleum Revenue Management Act, 2011, Act 815 requires that petroleum revenue assessed as due should be paid into the Petroleum Holding Fund for distribution during the relevant quarter.

Effect

23. Failure to include investment income as part of petroleum revenue to be distributed in the quarter may result in the amount to be distributed falling below one quarter of the Annual Budget Funding Amount. This may in turn result in underpayment or short falls into the Ghana Petroleum Funds which may not be the case if all incomes are taken into consideration.

Recommendation

24. All petroleum income receipts assessed as due in every quarter and paid in the relevant quarter should be part of distribution proceeds for the relevant quarter in accordance with section 3(2) of Act 815.

Management Comments

25. The investment income of US\$ 96,013 was received in small amounts averaging US\$158 per day from the year 2011 to 2013. Due to the immateriality of the inflows, they are accumulated and distributed along with lifting proceeds.

3.3 Conservative investment guidelines leading to low investment income earned till date

Condition

26. We noted during our review that the conservative nature of the investment guidelines led to low interest earned and received on investments made during the period under review. Table 3 shows the funds invested and the investment income for the various periods:

Table 3: Funds invested and incomes earned

Description	2013		2012	
	Fund balance (US\$)	Interest (US\$)	Fund balance (US\$)	Interest (US\$)
Ghana Stabilization fund	248,696,294	1,413,340	54,942,770	214,078
Ghana Heritage fund	89,690,046	1,126,764	13,988,437	60,209
Total	338,386,340	2,540,104	68,931,207	274,287

Cause

27. The compliance checklist developed for investment purposes provides for investment in the fixed income securities and other securities with low investment risk. The nature of investment risk assumed determines the required return to be earned. A low investment risk will therefore result in a low required return.

Criteria

28. Section 27 of Act 815 provides that (1) "the resources of the Ghana Petroleum Funds and subsequently the Ghana Petroleum Wealth Fund shall be invested in qualifying instruments prescribed by Executive Instrument".

(2) "The range of instruments designated as qualifying instruments shall be reviewed every three years or sooner by the Minister on the advice of the Investment Advisory Committee".

Effect

29. Investment income over and above the amount earned from investments made to date is being lost due to assumption of a low risk profile.

Recommendation

30. The Minister, on the advice of the investment Advisory Committee, should review the range of instruments designated as qualifying instruments for the purposes of investment of the Ghana Petroleum Funds.

Management Comments

31. It should be noted that investors currently face a low interest environment. The Petroleum Secretariat's investment decisions are based on the Qualifying instrument of the PRMA Act 815 which ensures that the portfolios of the Ghana Petroleum Funds are fairly balanced on the principles of safety, capital preservation and return enhancement.

3.4 Status of implementation of recommendations in the previous report

32. Our follow-up on the recommendations in the previous audit report on Management of Petroleum Funds for the period May 2011 to December 2012 disclosed that five out of the seven recommendations have been fully implemented. Details are provided in Appendix A.

CHAPTER FOUR

4.0 FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2013

General Information

Managers of the Fund	Yao A. Abalo (Head of Treasury, BoG) Nana Aba Ashun (Head of Petroleum Unit, BoG) Richard Assan (Petroleum Unit, BoG) Samuel Anin (Petroleum Unit, BoG)
Registered Office	Bank of Ghana One Thorpe Road P. O. Box GP 2674 Accra, Ghana
Auditors	Ernst & Young Ghana G15, White Avenue Airport Residential Area P.O. Box 16009, Airport Accra, Ghana
Bankers	Federal Reserve Bank of New York Euroclear SA/NV

REPORT OF THE FUND MANAGERS TO THE MEMBERS OF PARLIAMENT

The Fund Managers submit their report together with the audited financial statements for the year ended 31 December, 2013, which disclose the state of affairs of the Petroleum Funds.

Statement of fund manager's responsibilities

The Petroleum Revenue Management Act, 2011,(Act 815) requires the Managers of the Petroleum Funds (Bank of Ghana) to prepare financial statements that give a true and fair view of the state of affairs of the Petroleum Funds as at the end of the financial year and of its receipts, distributions, investments and withdrawals for the period then ended. The Fund Managers are required to ensure that proper accounting records are kept that disclose, with reasonable accuracy, the financial position and results of the petroleum receipts, distributions, investments and withdrawals of the Petroleum Funds.

The Fund Managers accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies in conformity with the International Public Sector Accounting Standards (IPSAS), "Financial Reporting under the Cash Basis of Accounting" (the cash basis IPSAS).

The Fund Managers further accept responsibility for the proper maintenance of accounting records that may be relied upon in the preparation of these financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements.

Principal activities

The Fund Managers are mandated to collect and distribute Petroleum Funds to various stakeholders (Petroleum Holding Fund) and the undertaking of investment activities with the funds (Ghana Petroleum Funds) based on the provisions of the Petroleum Revenue Management Act 2011 (Act 815).

Financial Results

The results of the year are set out on pages 7 to 11. The Petroleum Funds received a total of US\$846,509,050 as petroleum revenue during the period under review. The fund was distributed as follows: US\$222,321,375 to the Ghana National Petroleum Corporation (GNPC); US\$ 273,197,568 as Annual Budget Funding Amount (ABFA); US\$245,733,702 to the Ghana Stabilisation Fund; and US\$105,314,444 to the Ghana Heritage Fund. The fund earned US\$ 1,413,340 and US\$ 1,126,764 as investment income for the Ghana Stabilisation and Ghana Heritage Funds respectively.

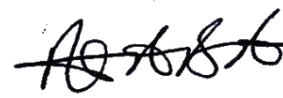
Fund managers

The names of the persons who were fund managers at any time during the year are disclosed on page 19.

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Fund Manager

Date 17/2/2015

A handwritten signature in black ink, appearing to be 'A. A. B. B.' with a horizontal line and a flourish at the end.

Fund Manager

Date 17/2/2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARLIAMENT OF THE REPUBLIC OF GHANA

Report on the financial statements

We have audited the accompanying financial statements of the Petroleum Funds, which comprise income and expenditure account for the year ended 31 December 2013, statement of affairs as of 31 December, 2013, statement of receipts and transfers, statement of deposit and withdrawals for the Ghana Stabilisation Fund, statement of deposits and withdrawals for the Ghana Heritage Fund for the year then ended, and a summary of significant accounting policies and other explanatory information, and fund managers' responsibilities, as set out on pages 12 to 20.

Managers' responsibility for the financial statements

The Fund Managers are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and in the manner required by Petroleum Revenue Management Act, 2011, Act 815, and for such internal controls as the Fund Managers determine is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error.

Auditors' responsibility

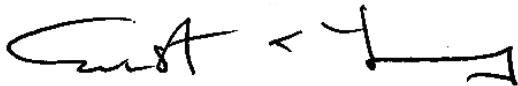
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence with regards to the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the financial statements of the entity in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund Managers, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the statement of affairs of the Petroleum Funds as at 31st December 2013, and its income and expenditure account for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS), "Financial Reporting under the Cash Basis of Accounting" (the cash basis IPSAS) and the Petroleum Revenue Management Act, 2011, Act 815.



Signed by Pamela Des-Bordes (ICAG\P\1329)

For and on behalf of Ernst & Young (ICAG\F\2015\126)

Chartered Accountants

Accra, Ghana

Date: 17/2/2015

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

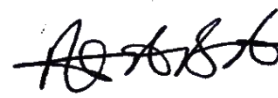
	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
Investment income (note 9)	2,540,104	320,903	27,682
Less			
Bank charges (note 11)	<u>20,963</u>	<u>12,051</u>	<u>-</u>
Surplus	2,519,141	308,852	27,682
Balance brought forward	336,534	27,682	-
Interest received attributable to 2011&2012 on petroleum holding fund (note 14)	<u>(68,436)</u>	<u>-</u>	<u>-</u>
Income Reserve	<u>2,787,239</u>	<u>336,534</u>	<u>27,682</u>

**STATEMENT OF AFFAIRS
AS AT 31 DECEMBER 2013**

	2013 US\$	2012 US\$	2011 US\$	2011 US\$
Assets				
Investment (note 10)	338,386,340	68,931,206	69,205,351	69,205,351
Bank balances (note 12)	<u>109,069,863</u>	<u>25,084,185</u>	<u>27,682</u>	<u>27,682</u>
Total Assets	<u>447,456,203</u>	<u>94,015,391</u>	<u>69,233,033</u>	<u>69,233,033</u>
Financed by:				
Accumulated Fund Accounts (Note 13)	444,668,964	93,678,857	69,205,351	69,205,351
Income Reserve	<u>2,787,239</u>	<u>336,534</u>	<u>27,682</u>	<u>27,682</u>
Total Liabilities and Reserves	<u>447,456,203</u>	<u>94,015,391</u>	<u>69,233,033</u>	<u>69,233,033</u>



Fund Manager
Date 17/2/2015



Fund Manager
Date 17/2/2015

**PETROLEUM HOLDING FUND
STATEMENT OF RECEIPTS AND TRANSFERS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
Opening balance	354,148	-	-
Total Funds Received (note 3)	846,509,050	541,977,885	444,124,722
Less:			
Carried & Participating Interest (note 5)	(154,001,592)	(106,319,296)	(75,479,488)
Transfer to GNPC Equity Finance (note 4)	(68,319,783)	(124,630,628)	(132,484,816)
Transfer to ABFA (note 6)	(273,197,568)	(286,554,460)	(166,955,067)
Transfer to Stabilisation Fund (note 7)	(245,733,702)	(16,883,547)	(54,805,351)
Transfer to Heritage Fund (note 8)	(105,314,444)	(7,235,806)	(14,400,000)
Closing Balance	<u>296,109</u>	<u>354,148</u>	<u>-</u>

**GHANA STABILISATION FUND
STATEMENT OF DEPOSITS AND WITHDRAWALS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
Opening balance January 1, 2013	71,898,585	54,810,030	-
Receipts			
1 st lifting	-	-	18,059,340
2 nd lifting	-	-	19,903,267
3 rd lifting	-	-	16,842,744
7 th lifting	-	16,883,547	-
10 th lifting	29,812,641	-	-
11 th lifting	48,732,304	-	-
12 th lifting	50,559,663	-	-
13 th lifting	86,722,898	-	-
14 th lifting	5,434,674	-	-
15 th lifting	<u>24,471,522</u>	<u>-</u>	<u>-</u>
	317,632,287	71,693,577	54,805,351
Interest Received (note 9)	1,413,340	214,048	4,679
Less Interest Expense (note 11)	<u>(11,477)</u>	<u>(9,040)</u>	<u>-</u>
Total	319,034,150	71,898,585	54,810,030
Less Withdrawals	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated Fund	<u>319,034,150</u>	<u>71,898,585</u>	<u>54,810,030</u>

NB: There were no distributions to Ghana Stabilisation Fund for the 4th, 5th, 6th, 8th and 9th liftings.

**GHANA HERITAGE FUND
STATEMENT OF DEPOSITS AND WITHDRAWALS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
Opening balance January 1, 2013	21,694,217	14,401,214	
Receipts			
1 st lifting	-	-	4,808,131
2 nd lifting	-	-	4,805,488
3 rd lifting	-	-	4,786,381
7 th lifting	-	7,235,806	-
10 th lifting	12,776,846	-	-
11 th lifting	20,885,273	-	-
12 th lifting	21,668,427	-	-
13 th lifting	37,166,956	-	-
14 th lifting	2,329,146	-	-
15 th lifting	<u>10,487,796</u>	<u>-</u>	<u>-</u>
	127,008,661	21,637,020	14,400,000
Interest Received (note 9)	1,126,764	60,208	1,214
Less Interest Expense (note 11)	<u>(9,486)</u>	<u>(3,011)</u>	<u>-</u>
Total	128,125,939	21,694,217	14,401,214
Less Withdrawals	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated Fund	<u>128,125,939</u>	<u>21,694,217</u>	<u>14,401,214</u>

NB: There were no distributions to Ghana Heritage Fund for the 4th, 5th, 6th, 8th and 9th liftings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Mandate

The Petroleum Revenue Management Funds (PRMF) secretariat is responsible for the management of petroleum revenue from the Jubilee Fields in a responsible, transparent, accountable and sustainable manner for the benefit of the citizens in Ghana in accordance with the Petroleum Revenue Management Act, 2011, Act 815.

1b. Major Funds

➤ Petroleum Holding Fund (Section 2 of Act 815)

The Petroleum Holding Fund is the designated public fund at the Bank of Ghana that receives and disburses petroleum revenue due the Republic. Petroleum revenues are deposited into this fund for subsequent transfers in accordance with the provisions of Act 815 Ghana Petroleum Funds (Section 11 of Act 815)

The Ghana Petroleum Funds comprise the Ghana Stabilisation and Ghana Heritage Funds. The Ghana Petroleum Funds receive from the Petroleum Holding Fund, petroleum revenues in excess of the Annual Budget Funding Amount (ABFA). The Annual Budget Funding Amount represents the amount of petroleum revenue allocated for spending in the financial year budget.

The Ghana Stabilisation Fund (Section 9 of Act 815) is a fund kept to cushion the impact on or sustain public expenditure capacity during periods of unanticipated petroleum revenue shortfalls. The Ghana Stabilisation Fund receives from the Petroleum Holding Fund seventy percent (70%) of the excess petroleum revenue remaining after the target for the annual budget funding amount for the quarter is met.

The Ghana Heritage Fund (Section 10 of Act 815) is a fund kept to provide an endowment to support development for future generations when petroleum reserves have been depleted; and to receive excess petroleum revenue. The Ghana Heritage Fund receives from the Petroleum Holding Fund a minimum of thirty percent (30%) of the excess petroleum revenue remaining after the target for the annual budget funding amount for the quarter is met.

1c. Transfers

Apart from transfers made from the Petroleum Holding Fund to the Ghana Petroleum Funds, transfers are also made to the Ghana National Petroleum Corporation and Consolidated Fund (Annual Budget Funding Amount).

The transfers made to the Ghana National Petroleum Corporation are for its equity financing and carried and participating interest.

The transfers made into the Consolidated Fund (Annual Budget Funding Amount) are in support of the national budget.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. Basis of Presentation

The Financial Statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) as issued by International Public Sector Accounting Standards Board. The Financial Statements are prepared on the cash basis IPSAS. Incomes/revenues are recorded when cash is received and expenses are recorded when cash is paid. Additional information has been presented in the notes which give further insight on the funds.

3. Ghana Group Oil Lifting Proceeds

	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
1st Lifting	-	-	112,189,575
2nd Lifting	-	-	115,579,115
3rd Lifting	-	-	109,569,254
4th Lifting	-	-	106,786,778
5th Lifting	-	111,157,790	-
6th Lifting	-	125,598,382	-
7th Lifting	-	89,863,837	-
8th Lifting	-	106,592,896	-
9th Lifting	-	107,858,417	-
10th Lifting	112,667,389	-	-
11th Lifting	108,207,353	-	-
12th Lifting	98,594,310	-	-
13th Lifting	103,296,345	-	-
14th Lifting	111,093,925	-	-
15th Lifting	<u>94,720,759</u>	-	-
	<u>628,580,081</u>	<u>541,071,322</u>	<u>444,124,722</u>

Other Income

Surface Rental - Tullow	116,359	63,866	-
Surface Rental - Tap Oil	-	43,770	-
Surface Rental - Kosmos Energy	16,954	35,438	-
Surface Rental - Vanco	-	154,398	-
Surface Rental - Hess Ghana Exploration	82,190	150,750	-
Surface Rental - Eni Ghana Ep Ltd	324,219	118,888	-
Surface Rental - Sopcl	555	3,025	-
Surface Rental - Lukoil Overseas Ghana Ltd	76,142	-	-
Surface Rental - Ophir Ghana Ltd	60,000	-	-
Royalties - Omikron Energy Ltd	-	71,434	-
Royalties - Sopcl	154,055	104,193	-
Royalties - Lushann Int Gh Ltd	16,985	160,801	-
Corporate Tax - All Partners	40,210,099	-	-
Corporate Tax - Kosmos	55,004,842	-	-
Corporate Tax - Tullow Ghana	66,699,272	-	-
Corporate Tax - Anadarko	55,071,284	-	-
Interest earned on Petroleum Holding Fund	<u>96,013</u>	<u>-</u>	<u>-</u>
Total Other Income	<u>217,928,969</u>	<u>906,563</u>	<u>-</u>
Total Receipts	<u>846,509,050</u>	<u>541,977,885</u>	<u>444,124,722</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

4. Distributions

	2013	2012	Eight months period ended 2011
Equity Finance (GNPC)	US\$	US\$	US\$
1st Lifting			32,453,455
2nd Lifting			33,433,959
3rd Lifting			31,695,448
4thLifting			34,901,954
5thLifting	-	32,083,911	-
6thLifting	-	28,774,038	-
7thLifting	-	27,603,476	-
8thLifting	-	18,195,508	-
9 th Lifting	-	17,973,695	-
10thLifting	16,371,879		-
11thLifting	12,258,684		-
12thLifting	14,957,392		-
13thLifting	4,787,197		-
14thLifting	5,126,315		-
15thLifting	14,818,316	-	-
	<u>68,319,783</u>	<u>124,630,628</u>	<u>132,484,816</u>

5. Carried & Participating Interest (GNPC)

	2013	2012	Eight months period ended 2011
Equity Finance (GNPC)	US\$	US\$	US\$
1st Lifting			19,472,073
2nd Lifting			20,060,375
3rd Lifting			19,017,269
4thLifting			16,929,771
5thLifting	-	19,250,346	-
6thLifting	-	24,742,341	-
7thLifting	-	14,896,363	-
8thLifting	-	23,488,124	-

9 th Lifting	-	23,942,122	-
10 th Lifting	25,970,881		-
11 th Lifting	26,228,801		-
12 th Lifting	22,474,708		-
13 th Lifting	27,899,952	-	-
14 th Lifting	30,014,951		-
15 th Lifting	<u>21,412,299</u>	<u>-</u>	<u>-</u>
	<u>154,001,592</u>	<u>106,319,296</u>	<u>75,479,488</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

6. Transfers to ABFA

	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
1st Lifting			37,396,576
2nd Lifting			37,376,025
3rd Lifting			37,227,412
4th Lifting			54,955,054
5th Lifting		59,823,532	-
6th Lifting		72,082,003	-
7th Lifting		23,797,062	-
8th Lifting		64,909,263	-
9th Lifting		65,942,600	-
10th Lifting	68,299,392	-	-
11th Lifting	-	-	-
12th Lifting	68,299,392	-	-
13th Lifting	-		-
14th Lifting	68,299,392		-
15th Lifting	68,299,392	-	-
	<u>273,197,568</u>	<u>286,554,460</u>	<u>166,955,067</u>

7. Transfer To Ghana Stabilisation Fund

	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
1st Lifting			18,059,340
2nd Lifting			19,903,267
3rd Lifting			16,842,744
7th Lifting		16,883,547	-
10th Lifting	29,812,641		-
11th Lifting	48,732,304		-
12th Lifting	50,559,663		--
13th Lifting	86,722,898		-
14th Lifting	5,434,674		-
15th Lifting	24,471,522	-	-
	<u>245,733,702</u>	<u>16,883,547</u>	<u>54,805,351</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

8. Transfer To Ghana Heritage Fund

	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
1st Lifting			4,808,131
2nd Lifting			4,805,488
3rd Lifting			4,786,381
7th Lifting	-	7,235,806	-
10th Lifting	12,776,846		-
11th Lifting	20,885,273		-
12th Lifting	21,668,427		-
13th Lifting	37,166,956		-
14th Lifting	2,329,146		-
15th Lifting	<u>10,487,796</u>	<u>-</u>	<u>-</u>
	<u>105,314,444</u>	<u>7,235,806</u>	<u>14,400,000</u>

9. Investment Income

	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
Petroleum Holding Fund Income	-	46,647	21,789
Ghana Stab. Fund Invest. Income	1,413,340	214,048	4,679
Ghana Heritage Fund Invest. Income	<u>1,126,764</u>	<u>60,208</u>	<u>1,214</u>
Total Income	<u>2,540,104</u>	<u>320,903</u>	<u>27,682</u>

Investment income includes an amount of US\$ 48,352 which is attributable to investments made during the year ended 31 December 2012. Details are as follows:

Fund	Investment amount US\$	Interest received in 2013
Ghana Stabilisation Fund	54.9 million	36,788.33
Ghana Heritage Fund	14 million	<u>11,563.77</u>
Total		<u>48,352</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

Investment income received during the year is classified in the following categories;

Account name	Ghana Stabilisation Fund	Ghana Heritage Fund	Total
	US\$	US\$	US\$
Bond	1,296,235	950,646	2,246,881
Commercial paper	70,958	160,858	231,816
Overnight/Repo agreements	19,047	15,259	34,306
Treasury bills	27,101	-	27,101
Total	<u>1,413,341</u>	<u>1,126,763</u>	<u>2,540,104</u>

Interest income of US\$792,934 attributable to the total investment of US\$338,386,340 held as at 31 December 2013, was earned and received in 2014. The table on the next page shows the details.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

Type of Security	Range of Duration	Cost of investment			Nominal value of Investment			Coupon range %	Interest received in 2014 attributable to 2013		
		Heritage Fund	Stabilisation Fund	Total	Heritage Fund	Stabilisation Fund	Total		Heritage Fund	Stabilisation Fund	Total
Treasury bills	91 days	-	14,997,535	14,997,535	-	15,000,000	15,000,000	0.016431	-	329	329
Treasury bills	182 days	-	27,995,057	27,995,057	-	28,000,000	28,000,000	0.011375 - 0.037917	-	3,743	3,743
Treasury bills	364 days	-	13,979,992	13,979,992	-	14,000,000	14,000,000	0.142917	-	18,007	18,007
Bonds	2 years	-	19,975,661	19,975,661	-	20,000,000	20,000,000	0.250000	-	6,227	6,227
Bonds	3 years	-	81,852,193	81,852,193	-	82,000,000	82,000,000	0.340850 - 0.875000	-	85,077	85,077
Bonds	5 years	41,856,507	78,042,723	119,899,230	42,000,000	78,208,000	120,208,000	1.000000 - 1.750000	60,312	150,550	210,862
Bonds	7 years	18,912,196	9,974,800	28,886,996	19,000,000	10,000,000	29,000,000	1.7500 - 2.125000	87,620	34,826	122,446
Bonds	10 years	14,904,676	1,878,333	16,783,010	15,000,000	2,000,000	17,000,000	2.500000 - 3.000000	129,583	17,167	146,750
Bonds	30 years	14,016,667	-	14,016,666	15,000,000	-	15,000,000	3.200000 - 3.625000	199,493	-	199,493
Total		89,690,046	248,696,294	338,386,340	91,000,000	249,208,000	340,208,000		477,008	315,926	792,934

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

10. Investment

Account Name	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
Ghana Stabilisation Fund	248,696,294	54,942,770	54,805,351
Ghana Heritage Fund	<u>89,690,046</u>	<u>13,988,436</u>	<u>14,400,000</u>
Total	<u>338,386,340</u>	<u>68,931,206</u>	<u>69,205,351</u>

A breakdown of the type of instruments invested in and the investment banks used are provided below:

i. Per type of investment instrument

Fund	Bonds (USD million)	US Treasury Bills (USD million)	Total(USD million)
Ghana Stabilisation Fund	191.72	56.97	248.69
Ghana Heritage Fund	<u>89.69</u>	<u>-</u>	<u>89.69</u>
Total	<u>281.41</u>	<u>56.97</u>	<u>338.38</u>

ii. Per investment bank

Fund	Euroclear (USD million)	Federal Reserve (USD million)	Total(USD million)
Ghana Stabilisation Fund	126.83	121.86	248.69
Ghana Heritage Fund	<u>41.09</u>	<u>48.60</u>	<u>89.69</u>
Total	<u>167.92</u>	<u>170.46</u>	<u>338.38</u>

11. Bank Charges

	2013	2012	Eight months period ended 2011
	US \$	US \$	US \$
Gh Stab Fund Euroclear Mgt Fee	11,477	9,040	-
Gh Hert Fund Euroclear Mgt Fee	<u>9,486</u>	<u>3,011</u>	<u>-</u>
Total	<u>20,963</u>	<u>12,051</u>	<u>-</u>

12. Bank Balances

Account Name	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
Ghana Petroleum Holding Fund	296,109	428,450	27,682
Ghana Stabilisation Fund	70,337,859	16,951,166	
Ghana Heritage Fund	<u>38,435,895</u>	<u>7,704,569</u>	<u>-</u>
Total	<u>109,069,863</u>	<u>25,084,185</u>	<u>27,682</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

13. Fund Accounts

	2013	2012	Eight months period ended 2011
	US\$	US\$	US\$
Petroleum Holding Fund	296,109	354,148	-
Ghana Stabilisation Fund	317,422,603	71,688,901	54,805,351
Ghana Heritage Fund	<u>126,950,252</u>	<u>21,635,808</u>	<u>14,400,000</u>
Total	<u>444,668,964</u>	<u>93,678,857</u>	<u>69,205,351</u>

The total amount of US\$444.668 million constitutes of US\$444.372 million allocated to the Ghana Petroleum Funds since inception.

14. Interest received on petroleum holding fund attributable to 2011 & 2012 (68,436)
Funds received into the petroleum holding fund are invested in overnight instruments until distribution is done. The amount of US\$ 68,436 represents the interest on overnight investment of the Petroleum Holding Fund from inception to 31 December 2012. This amount was treated as investment income in the prior year's which resulted in an increase in the reserve balance for the prior year. In 2013 the total amount of US\$96,013 (inclusive of interest on overnight investment for 2013 of US\$ 27,577) was taken out of reserves and treated as undistributed funds in the Petroleum Holding Fund account (note 3). The total amount of US\$96,013 has since been distributed with the 16th lifting proceeds in 2014.

15. Petroleum Holding Fund Interest

	2013
	US \$
Accrued Interest for 2011 and 2012 received	68,436
Interest received, 2013	<u>27,577</u>
Closing Balance	<u>96,013</u>

16. Petroleum holding fund bank balance

	2013
	US \$
Bank required minimum balance	200,000
Accrued Interest for 2011 and 2012 received	68,436
Interest received, 2013	27,577
GNPC difference	40
ABFA difference	56
Closing Balance	<u>296,109</u>

Undistributed Funds is made up of contributions from Ministry of Finance and Ghana National Petroleum Authority of \$100,000 each to satisfy the minimum account balance requirement of Federal Reserve Bank (\$200,000). The amount of US\$96,013 remains undistributed. This represents interest on overnight investment on the GHAPET account. This has since been distributed as part of the 16th lifting (1st quarter) proceeds for 2014.

Status of implementation of previous audit recommendations

The status of implementation of the recommendations in the previous audit report (May 2011 – December 2012) is provided in Table 2.

Table 2: Summary of the status of prior year issues and recommendations:

No.	Audit Findings	Recommendations	Management Response	Action Taken by Management	Auditor's Comments
1	Unavailability of Supporting document	Document should be kept on file and at one place	Documents were made available for verification except few.	Documents are now filed at the PRM Secretariat at BoG	Done
2	Transfer of fund from GHAPET to Federal Reserve Bank of New York (\$ 74,772,633.24) retained amount.	Distraintment on GHAPET account should be made in accordance with the act 518.	Transaction was made upon instruction from MoFEP.	The amount has been transferred to the GHAPET account.	Done
3	Late distribution of other income paid into GHAPET account	All income assessed and due should be added to the quarterly lifting and distributed.	Due to the immateriality of the other income accumulated and added to lifting's	Other Incomes are added to petroleum proceeds for distributions	Evidence from the 2013 account submitted

No.	Audit Findings	Recommendations	Management Response	Action Taken by Management	Auditor's Comments
4	Delay in constituting the Investment Advisory Committee	Provision of the Act in respect to the various offices should be established to perform its role.	It was the prerogative of the President to appoint the Advisory Committee. (PRMA Act 815).	The Advisory Committee has been appointed by the President	The Committee is now in place
5	Other income not recognised as petroleum revenue fund in the Financial Statement (678,998.75)	All petroleum revenues should be paid into the PHF account for distribution.	Other income was received based on invoice issued by GNPC and paid into an account. Nomination by GNPC not known by BoG	Management said that the issue is not resolved in that the PRM unit was set up after the transaction had already been authorised.	The issue has not been resolved.
6	Distribution not in accordance with PRM Act 2011 Act 815	Payment should be made into the Ghana Petroleum Funds only when petroleum Revenue collection in each financial year exceeds one quarter ABFA of the financial year. By Act 815	This distribution was undertaken in compliance with MoFEP instruction as per PRMA Act 815 Section 25(b).	Management said the issue was boarded on interpretation of the Act and they are complying with the provision in Law.	Evidence from the audit shows that distributions were done based on the PRMA, Act 815

No.	Audit Findings	Recommendations	Management Response	Action Taken by Management	Auditor's Comments
7	No value for money with respect to investment income earned till date	Advisory Committee should ensure that other securities are included in the portfolio of investment to ensure that an adequate required return is earned from invested funds.	Funds were allocated to GSF & GHF late in August 2011. Investment commenced in November 2011 due to delay in account opening process Also 2012 was characterised with severe uncertainty in the global financial market	Now investment income earned for the period under review has improved	Evidence in the accounts indicates that, the value for money may still be an issue in the current year

Mission Statement

The Ghana Audit Service exists

To promote

- good governance in the areas of transparency, accountability and probity in the public financial management system of Ghana

By auditing

- to recognized international auditing standards the management of public resources

And

- reporting to Parliament

