

FOREWORD

It gives me great pleasure to share with you this forensic audit report on the review of the Bank of Sierra Leone and a sample of Ministries, Department and Agencies.

The law gives me the mandate to subcontract audits, and this was implemented in this case.

The audit was conducted by RSM Risk Assurance UK LLP, which won the bid for the exercise, through an open competitive process of specialised forensic audit firms.

In August 2017, a review conducted by KPMG on foreign currency transactions identified serious internal control deficiencies within the Bank of Sierra Leone and indicated that the potential malpractice may extend beyond the BSL.

In order to get a better understanding of the issues, a forensic audit was performed in line with the terms of reference, set out in a request for proposals document which formed part of an open and competitive procurement process. The firm that carried out the audit exercise has significant proven experience in forensic investigations and auditing techniques.

The general objective of the forensic audit was to examine and report to the Government of Sierra Leone (GoSL), through the Ministry of Finance (MOF), on foreign and domestic transactions between the Bank of Sierra Leone and MDAs during the period between July 2015 and June 2018.

This forensic audit report gives the end result of a detailed examination of:

- (i) the potential misallocation of the funds, mismanagement or potential illicit activity within these organisations and/or any related parties, and the likely breadth and magnitude thereof;
- (ii) the reconciliation of foreign currency transactions and balances between the BSL and MDAs;
- (iii) the internal controls surrounding foreign currency transactions at and between MDAs and the BSL;
- (iv) any remedial measures required to strengthen internal controls at the MDAs and the BSL and the discharge of relevant fiduciary duties on the part of the management of the MDAs and the BSL and
- (v) to provide advice on best practice in relation to any policies and internal controls that need strengthening including the reporting and accountability arrangements for transactions relating to currency management and banking operations.

I would like to take this opportunity to thank the team from RSM Risk Assurance for a job well done, and I hope that the implementation by Government of the recommendations in this report, will create a positive impact on our nation's economic development.



Lara Taylor-Pearce (Mrs) FCCA FCA (SL)

Auditor General of Sierra Leone

EXECUTIVE SUMMARY

Context

To place this report into context there was a significant increase in the volume of data that we needed to obtain for analysis, the work required to ensure we had consistent reliable information and the necessity to report in time for the June 2019 IMF board meeting. This has limited our ability to undertake a higher volume of MDA specific testing. As a result, there are a number of transactions we believe would benefit from further, more detailed examination, details of which are provided later in this report.

It is of note that the bank operates a higher number of foreign exchange accounts than initially indicated in the Terms of Reference / Clarification Questions. These accounts are mainly held with international central banks. Many are specific project accounts or relate to deposit and investment although some are used in a similar way to 'current accounts'. Our work has also highlighted a number of supplier payment transactions present in more than one account.

There is also a lack of activity for some of key ministries (for example Health, Education and RSLAF) in the forex data and in the bank, accounts held by MDAs at the BSL. This suggests that not all MDA forex activity is channelled through the BSL and that other accounts may be held with commercial banks; these accounts are outside the scope of our work.

Supporting information was often missing in T24 transactional data on investment accounts. This made it challenging to trace specific transactions.

We have highlighted our key findings in the following paragraphs.

Reconciliation between MDA and BSL records

We have undertaken reconciliation exercises on the three largest MDAs as noted in the Special Report being those in receipt of funds greater than USD\$1m. We have reconciled the three MDA cash books / income records to the MDA T24 account statements. In all cases discrepancies, of various values were noted.

At the time of this report the BSL are unable to provide any supporting evidence behind one deposit recorded in the Foreign Currency Register for USD\$ 40,000 but not recorded in T24.

Transactions of Interest

Our testing of a sample of MDA transactions identified a number of concerns. Highlights are shown below with more detail in the main report.

- In some instances, even where supporting documents were provided, not all transactions could be traced to our database of 32 foreign bank accounts despite documents suggesting that payment had been made in FX. We have been able to trace some of these values to the AGD General Expenditure Account, but it suggests, nonetheless, that there may be other "foreign" bank accounts in operation.
- We also identified concerns relating to certain procurements. For example, in some cases, single source or restricted procurement methods appear to have been used to engage local businesses who are not approved resellers, do not hold the relevant international licences or have no notable historical expertise in the supply required. In the absence of adequate third-party supporting documents (including import documentation,

arms approval and other payments) we have questioned the authenticity of some of these transactions. Our research suggests that some of these companies may be linked which could be an indicator of collusive bidding behaviours. The contracts, that appear to be linked to grouped or “connected” companies, represent a significant risk to the Government who may have incurred additional costs and/or received sub-standard products in relation to these contracts.

- We found instances where advance payments had been made for urgent supplies which were not covered by an adequate performance bond or bank guarantee. In this context we also found cases where goods were often not delivered in accordance with required contractual deadlines.
- In some cases, the price comparisons we have made implies that there could have been significant overcharging on the assumption of good quality equipment. In this regard the supporting evidence was often found to be limited.
- We considered that some of the documents, used to support certain payments in our sample were probably not genuine, did not reflect the genuine version used by the AGD and had been signed by individuals who were not known as employees of the AGD department.

We understand that it is likely that some of the transactions referred to above will have been selected by the Government Transition Report; Commission of Enquiry; Audit Service Sierra Leone and the Anti-Corruption Commission. In this regard we have identified some cross over between transactions in our sample and the Government Transition Report however this is not consistent in all cases. In the absence of specific information we have highlighted, in the main report, a number of contract payments that do not appear to meet the standards expected and/or are potentially fraudulent.

In light of the above examples, further work will be required for the Government of Sierra Leone to fully understand any losses it may have incurred. This could include comparison of our findings with the current findings of the various Government bodies audits and investigations in addition to the ongoing Commission of Enquiry.

We should stress that our findings and conclusions are based only on the documents we were able to obtain to support the transactions seen and not on all of the transactions relating to the sample of contracts selected.

Security

The Bank of Sierra Leone is the supreme financial institution of the Country of Sierra Leone, given its importance there is an expectation of emphasis on security of the operations. Our work would suggest this is significantly deficient and compounded by the internal structural challenges linked to the regeneration of the main bank building. That said basic security controls are not operating which provide opportunity for unethical activities to occur. A comprehensive security review should be undertaken by a competent security advisor with experience of financial institutions with a degree of urgency.

Customers and the public are not segregated from secure banking areas allowing unrestricted movement around the building including to the vault areas. There is no way to differentiate between staff and the public. Security searches are inefficient and not undertaken thoroughly and

key security post are not staffed after 5pm. In this report we have highlighted a number of critical security failures which require addressing.

IT controls

IT access rights are not subject to sufficiently robust controls, access rights to selected bank systems are not always revoked when the staff members move roles, the current IT policy does not extend to use of personal devices often leading to potential security and information breaches with isolated incidents of staff using personal laptops including for access to SWIFT. Access to exception and audit functionality on key bank systems are not operating, though this may relate to the age of the software. We note a general administration profile in SWIFT with access held by two members of system administration, this limits traceability to a specific member of staff.

Internal Controls

We identified numerous internal control failures across the bank, many of which have previously been identified by BSL Internal Audit. This therefore calls into question the effectiveness of the BSL Audit Committee and of management actions based on the recommendations made. Examples include, lack of security paper printed sequentially numbered documents for official activities (noted destruction etc.) increasing the risk fraud; secretaries signing on behalf of Directors; and vouching not being undertaken in accordance with laid down policies in the first part of 2019.

Parallel Foreign Exchange

Allegations of a parallel foreign exchange market operating from the central bank's premises have been made. In addition to reconciling foreign exchange cash accounts and testing transactions we considered the available opportunities to create and fund any parallel system. Having reviewed the investigation documents, analysed the Foreign Currency Register (FCR) and T24 data, and considered the opportunities for the fraud to occur we have concluded the incidents were either:

- An act of 'passing off' using the bank as a place of trade outside of the banks own systems and taking advantage of the weak security controls in place at the bank; or
- Funding was either obtained through unofficial claims by BSL staff or in collusion with MDAs.

The opportunity for collusion with MDA staff does exist, there are a number of high value 'unaccounted' imprests, limited supporting documents and payments for activities where it is not clear if the activity took place. Some of these are noted to be under investigation by the Commission of Enquiry. These claims provide the opportunity for misuse however we are unable to conclude these are the source of the parallel foreign exchange funds.

The forex held in the vaults reconciles to external audit verified vault records, Travelex verified purchases, T24 and FCR records.

Based on the evidence provide and the testing undertaken we have insufficient evidence to suggest that an 'official' parallel foreign exchange market exists.

Supplier Payments in Foreign Exchange

Payments are made to international accounts in foreign exchange for Sierra Leone based businesses.

Payments are noted to relate to the full contract value. While supply of goods may be imported it is unclear why the profit element would be externalised, removing foreign exchange from Sierra Leone. It is also normal trading practice for the supplier to procure the goods, manage the forex risk, supply and be paid for the goods or services provided, in these examples it is the Government of Sierra Leone who bare the forex risk and potential tax loss if the associated profits are not declare.

Consideration should be given to better understanding the forex impact of paying contracts with Sierra Leone based companies to international accounts in forex rather than SLL equivalent only



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ABBREVIATIONS

ASSL	Audit Service Sierra Leone
AGD	Accountant Generals Department
AML	Anti-Money Laundering
BSL	Bank of Sierra Leone
GBP	Great British Pound
GoSL	Government of Sierra Leone
IAD	Internal Audit Department
IMF	International Monetary Fund
MDAs	Ministries, Departments and Agencies
MIS	Management Information Systems
MOD	Ministry of Defence
MLRO	Money Laundering Reporting Officer
MoF	Ministry of Finance
NMA	National Minerals Agency
NPPA	National Public Procurement Authority
NRA	National Revenue Authority
OIC	Officer-in-Charge
USD	United States Dollar
WHT	Withhold Tax

DISCLAIMERS AND LIMITATIONS OF SCOPE

This report is not suitable for use as court evidence and is for information purposes only. The findings expressed in this report are based on the data, documents, interviews and explanations provided to us. Should further information become available, we reserve the right to modify our findings, where necessary.

Where appropriate, reference has been made to additional information and explanations obtained during the course of this review. We have accepted the various documents for what they purport to be, and we did not enquire into their authenticity unless we had cause to do so. Electronic scanned copies of original or online documents are available should they be required.

There are documents and information that may exist which we have been unable to locate, were not handed to us or were not provided to us in the time available. As part of the methodology, sampling techniques have been used and as such we cannot provide assurance that the procedures applied detected all potential anomalies or irregularities.

Incorrect and/or inaccurate information was provided in the clarification questions issued by the Bank of Sierra Leone (BSL) in connection with the Terms of Reference. Specifically, and despite multiple requests, we have been unable to obtain details of the 5,193 transactions between the BSL and the Government of Sierra Leone (GoSL) Ministries, Departments and Agencies (MDAs) referred to in the clarification questions. The figure is not referred to in the KPMG report nor can a breakdown of the figure be produced by the BSL.

Further, the BSL have not been able to provide the details of the 13 accounts (seven local FX and six foreign FX) referred to in the clarification questions. In the absence of this information we have, instead, had to carry out searches for details of all foreign accounts held by the BSL on behalf of GoSL. In addition, we were initially informed that 18 accounts were held with various international financial institution. To date our work has identified and analysed 32 accounts.

Prior to RSM's engagement, KPMG completed the "Special Audit of Banking Operations and Currency Management Issues Internal Control Reviews for the period 1 August 2015 to 31 July 2017" dated May 2018. Before commencement of RSM's work, KPMG had closed their office in Sierra Leone. Following commencement of the RSM audit, the Lead Partner at KPMG was approached with a view to enabling us to find out more about the work undertaken. At the time of preparing this report he had not met with the RSM audit team.

The GoSL has approximately 1,298 bank accounts, with 989 bank accounts (76%) held with 15 commercial banks and 309 bank accounts (24%) held with the BSL. No audit work has been completed on the accounts held at commercial banks as these bank accounts are outside the agreed scope of this review.

During the data extraction phase, we found that we were unable to extract the SWIFT payee data from the SWIFT database. Accordingly, the details listed in the SWIFT printout files has been used to recreate the payee details. That said, a significant amount of payee data remains outstanding.

Neither RSM Risk Assurance Services LLP, nor any of the entities within the RSM Group, acts as accountant or statutory auditor to any party audited. This review does not constitute a statutory or external audit of the records maintained by either the Bank of Sierra Leone or Government of Sierra Leone Ministries, Departments and Agencies.

It was agreed that our procedures did not constitute an audit or review as conducted in accordance with International Standards on Auditing (UK and Ireland) issued by the Financial Reporting Council, or any other auditing standards, the objective of which would be the expression of assurance. Accordingly, we do not express such assurance. This review does not constitute a statutory or external audit of the records maintained by any

party. In so far as this report refers to matters of law, it should not be taken as expressing any formal opinion whatsoever.

The audit sample has been selected based on our risk criteria and does not include all transactions processed by the Bank of Sierra Leone on behalf of the Government of Sierra Leone between July 2015 and June 2018.

In line with our contract, both the draft and final audit reports will be shared, concurrently, with the Audit Service Sierra Leone, Bank of Sierra Leone, International Monetary Fund, Ministry of Finance, and the World Bank.

This report has been prepared for the Auditor General of Sierra Leone who accepts responsibility for the report on its submission.

To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report, to any other party than the Auditor General and shall not be liable for any loss, damage or expense of whatever nature which is caused by any person or persons' reliance on the content of this report.

We have not questioned the purpose of transactions but focused on the validity of process the payment followed. Where transactions of concern are noted we have identified these.

At the time of our fieldwork the bank's operating instructions were in the process of being revised to reflect changes in operating practices. For this reason, we have not focused on strict compliance with bank operating instruction unless it is prudent or required to do so. We have therefore considered the reasonableness of the process followed and, where appropriate, we have used observational, in addition to evidence-based, assessment and testing.

INTRODUCTION

Background

In August 2017, it emerged that BSL staff appeared to be operating a parallel foreign exchange market from the central bank's premises. KPMG Sierra Leone (KPMG) were commissioned to conduct a special audit to cover a two-year period from August 2015. The KPMG report identified serious internal control deficiencies and indications that the potential malpractice may extend beyond the BSL.

The findings of the Special Report indicated deletion of transactions may have occurred, which made it difficult to establish the magnitude of the potential fraud, or of collusion among BSL staff. In addition, some government agencies have significant foreign exchange activities with the BSL but KPMG was not able to confirm their balances with the BSL.

Objective

The general objective of our review was to examine and report to the GoSL, through Ministry of Finance (MoF) on: (i) the potential misallocation of the funds, mismanagement or illicit activity within these organisations and/or any related parties, and the breadth and magnitude thereof; (ii) the reconciliation of foreign currency transactions and balances between the BSL and MDAs; (iii) the internal controls surrounding foreign currency transactions at and between MDAs and the BSL; (iv) any remedial measures required to strengthen internal controls at the MDAs and the BSL; (v) the discharge of relevant fiduciary duties on the part of the management of the MDAs and the BSL; and (vi) to provide advice on best practice in relation to any policies and internal controls that need strengthening including the reporting and accountability arrangements for transactions relating to currency management and banking operations.

Scope

The scope of our review was to include, but not be limited to, the tasks listed in the following paragraph. It was agreed that the scope may be amended if, in our judgement, additional steps were needed to meet the above objectives, but with the agreement of the MoF, BSL, the IMF and the World Bank. Our work covered the three-year period from July 2015 to June 2018 and was divided into Reconciliation and Governance and Controls Tasks as follows:

Reconciliation Tasks

- Ascertain the foreign currency balances at the BSL and the MDAs and, where possible, reconcile the balances between the organisations.
- Analyse all foreign exchange suspense accounts and review supporting documentation and authorisation for all entries.
- Analyse all foreign currency accounts and review supporting documentation and authorisation for a sample of entries.
- Conduct a high-level review and analysis of all foreign exchange transactions (inflows and outflows) between the BSL and MDAs.
- Obtain supporting documentation from the BSL and MDAs for all individually significant transactions and verify the validity of remaining outflows on a sample basis.

Governance and Controls Tasks

- Conduct a review of both the front and back office functions covering banking operations and currency management with the view to evaluating the effectiveness of internal controls over transactions.
- Summarise any discrepancies noted in internal control procedures for the above transactions including non-compliance with BSL policies and regulations, the Sierra Leone Public Financial Management Act of 2016, non-adherence to authorisation procedures, and any other policies/procedures/regulations applicable.
- Document existing policies in summary form and recommend remedial measures to strengthen key operational controls in relevant areas.
- Review and evaluate the effectiveness of the BSL and MDAs internal controls over transactions, in particular the adequacy of BSL and MDA's staff and management's adherence to documented policies (such as authorisation and recording procedures).
- Assess whether management of the MDAs and the BSL fulfilled their relevant fiduciary duties

RECONCILIATION FINDINGS

The tasks required per the Terms of Reference were as follows

- Ascertain the foreign currency balances at the BSL and the MDAs and, where possible, reconcile the balances between the organisations
- Analyse all foreign exchange suspense accounts and review supporting documentation and authorisation covering all entries
- Analyse all foreign currency accounts and review supporting documentation and authorisation covering all entities
- Conduct a review and analysis of foreign exchange transactions (inflows and outflows) between the BSL and MDAs.
- Obtain supporting documentation from BSL and MDAs for all individually significant transactions and verify the validity of remaining outflows on a sample basis

1.1.1 Methodology

We have

- Considered the opportunities to form and supply an informal forex system within the bank;
- Matched manual records such as the Foreign Currency Record to electronic records, mainly T24;
- Matched external records to verify the banks evidence, included but not limited to:
 - Cash forex receipts from Travelex (Bank Note Sales)
 - Bank statements from international banks
 - Swift transactions to Swift invoice data; and
 - Swift transactions downloaded to Swift transactions recorded.

For the purpose of this exercise we separated forex transactions into cash (being physical notes and coinage) and non-cash (being an electronic or SWIFT transfers) using the banks systems.

Challenges & Constraints

We encountered a number of challenges in completing our work including the following:

- Record keeping within the bank requires improvement. For example, documents are held in various locations and not always kept in a logical order making reconciliation challenging.
- A number of transactions are made in the form of Bulk Transactions. Bulk Transactions are often used to make multiple international payments with one amount debited from the account. This approach is often used for cross-border salary or invoice payments and requires payment to be sent from the same account, be in the same currency as the sender's account and have the same execution date. Bulk payments require further analysis to understand and reconcile the underlying transactional values. The scope of work and time available did not allow for this.

- International receipts received in the form of a bulk transaction are unlikely to match directly to the bank or MDA records and require two stage testing.
- Timing delays between payment and receipt often caused by the international transfer system. Therefore, reconciliation by value and time as data factors will not, in all cases, realise a match.
- Forex accounts are noted to be in the currency of the account. However, T24 records transactions in SLL. While in most cases the 'description' in T24 recognised the forex value and exchange rate, this was not consistent in all cases.
- The currency exchange rate is not always consistently applied, we noted examples of the Buy Sell and Mid rates used in manually calculating the forex value to be entered into T24.

SWIFT Invoices to Transactions

In order to place confidence in the number of SWIFT accounts held by the bank, confirm the number of transactions made through the SWIFT system and obtain third party data verification, we undertook an analysis of the Swift invoices in an attempt to determine if

- a) additional accounts existed;
- b) we had been provided with all SWIFT data; and
- c) no irregularities existed.

Swift invoices could be confirmed to two Swift codes being BSLESLFR and BSLESLFB.

The invoices show the product/service provided, including the transaction number and count. We therefore selected a sample of 5 months to reconcile the exact charges made in the invoices seen, to the total number of message types that could be obtained from the SWIFT team. The information from both tables was then compared to determine if the figures could be reconciled. Based on the information available, this was not possible because the information in the invoice appears to refer to messages and not character counts. Each message represents a chargeable unit which is then multiplied by a set unit price to arrive at the total amount charged for the relevant category of message.

We concluded that it was not possible to reconcile the exact charges made between the invoices seen to the total number of message types that was obtained from the SWIFT team we cannot therefore provide third party verification that the number of SWIFT transactions invoiced for matched the transactional data in the extracted SWIFT data.

We requested evidence of the banks SWIFT invoice reconciliation, prior to approval for payment, however we confirmed that SWIFT messages issued are not reconciled to the SWIFT invoice to confirm that the services invoiced for has been provided.

1.2 Ascertain the foreign currency balances at the BSL and the MDAs and reconcile the balances between the organizations.

The GoSL has approximately 1,298 bank accounts, with 989 bank accounts (76%) held with 15 commercial banks and 309 bank accounts (24%) held with the BSL. No audit work has been completed on the accounts held at commercial banks as these bank accounts are outside the agreed scope of this review.

Transactions linked to donor funded projects are, in some instances, dealt with directly by the MDAs and not processed by the AGD. Not all MDAs maintain foreign currency balances, and/or trade in or use foreign currencies.

To manage income the GoSL uses 64 accounts, referred to collectively as the Consolidated Fund, into which GoSL income is filtered. The Special Report identified 18 MDA bank accounts held by the banks and in receipt of foreign currency. We extracted the data from T24 for all 18 MDA accounts and analysed it. Three MDAs were found to have received funds greater than USD\$1m being:

- Ministry of Fisheries and Marine Resource (MFMR)
- Government Gold and Diamond Office (GGDO); and
- National Minerals Agency (NMA)

We have undertaken an exercise to reconcile the accounts linked to these MDAs. The results are shown below.

1.2.1 Findings - Ministry of Fisheries and Marine Resource (MFMR) Reconciliation

We obtained income records from both the MDA and BSL, to compare and identify any anomalies. Income from the MFMR is recorded in electronic cash books (excel spreadsheet) and was provided by the Senior Accountant MFMR for our audit period. Income is recorded in both Leones (Le) and USD, as follows:

Years	Le Income	USD Income
2015	21,456,799,395.40	-
2016	51,350,352,358.01	1,902,693.12
2017	70,959,469,385.48	9,618,336.13
2018	33,381,261,772.88	5,347,842.00
Total	177,147,882,911.77	16,868,871.25

Using T24, we extracted the transactions within account 0111001437 (Marines Resources) for the audit period. The summary table below shows the annual incoming (credit) and outgoing (debit) transactions:

Years	Total Debits (Outgoing) Le	Total Credits (Incoming) Le
2015	29,339,310,149.89	17,688,920,661.62
2016	54,589,610,887.44	54,589,610,887.44
2017	71,804,593,127.27	71,822,051,567.49
2018	1,026,000.00	49,400,730,374.13
Total	155,734,540,164.60	193,501,313.49

Total income for the period is Le 193.5bn. At the end of each year, there is a debit transaction to transfer the balance out of the Marine Resources account (noted from 2015 to 2017). This debit is not included for January to June 2018 transactional data, explaining the low debit total for 2018. See 2015 to 2017 transfers below:

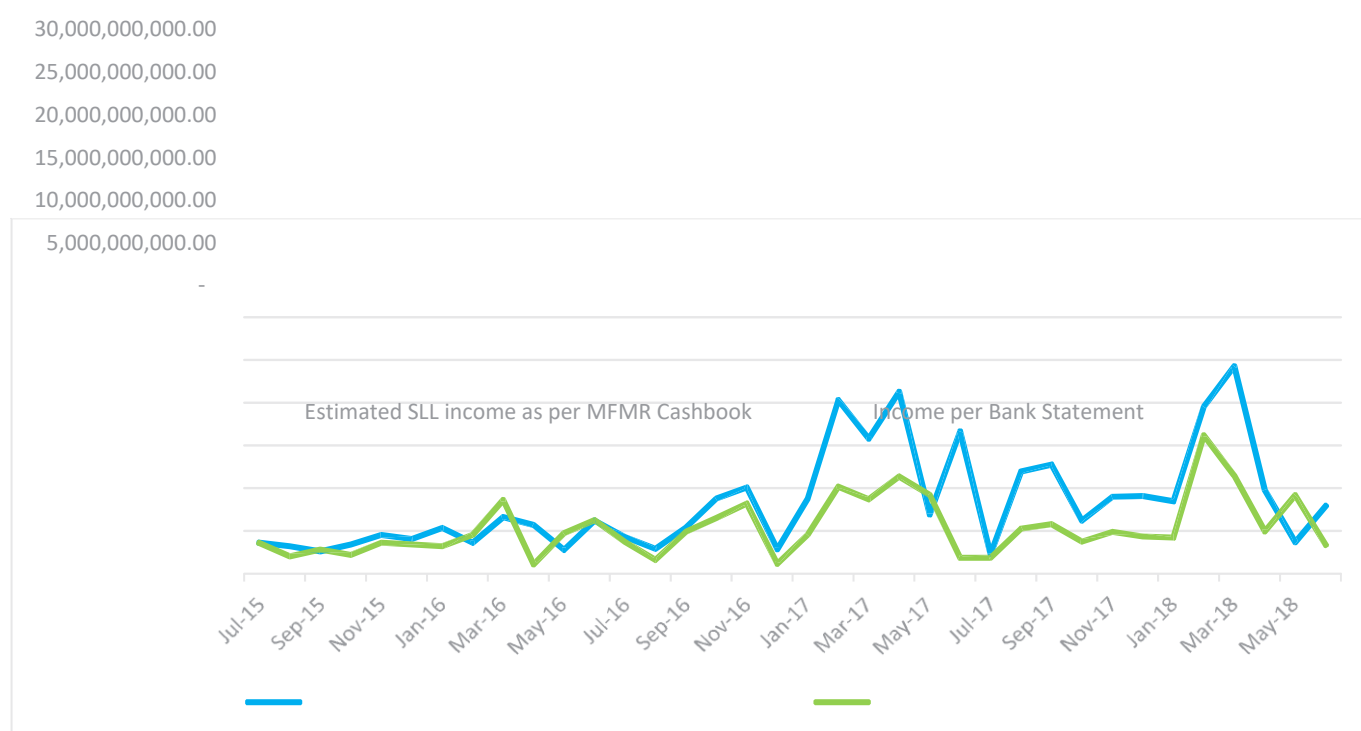
Combined Detail	Value Date	Debit (Le)
TRF OF BALANCE AS AT 31.12.2015	31 December 2015	29,339,310,149.89
TRF OF GOVT.ACC. BAL.AS AT 311216	30 December 2016	53,744,720,137.44
TRANSFER OF FUNDS BY ORDER OF AGD	29 December 2017	71,255,308,960.70

Using the FX rates provided by the Financial Markets team, we calculated the monthly average buy rate and applied this to the USD income to convert this to SLL. We combined both sets of data for comparison purposes. We undertook an analysis of income records, obtained from the Senior Accountant at the MFMR, and compared the MFMR cash book to the identified income as per the MFMR bank account held at BSL account number 0111001437. This showed the following differences:

Years	Estimated SLL income as per MFMR Cashbook Le	Income per Bank Statement Le	Difference Le
2015	21,456,799,395.40	17,688,920,661.62	3,767,878,733.78
2016	64,624,905,940.44	54,589,610,887.44	10,035,295,053.00
2017	141,001,301,813.81	71,822,051,567.49	69,179,250,246.32
2018	73,630,372,367.12	49,400,730,374.13	24,229,641,992.99
Total	300,713,379,516.77	193,501,313,490.68	107,212,066,026.09

This table shows that there were relatively smaller variances in 2015 and 2016, with a significant variance of an estimated Le 69.2bn in 2017. The results are shown as a line graph below.

Comparison of MFMR Cashbook to Acc 0111001437



The graph above demonstrates a month on month trend, with income showing a similar pattern in both MFMR records and account 0111001437. However, there were five months with notable differences, as shown below:

Month	Estimated SLL income as per MFMR Cashbook Le	Income per Bank Statement Le	Variance Le
Apr-16	5,701,068,230.99	1,088,832,165.30	4,612,236,065.69
May-16	2,806,379,824.12	4,747,246,929.31	-1,940,867,105.19
Dec-16	2,856,872,263.65	1,160,391,749.02	1,696,480,514.63
Jun-17	16,641,823,418.27	1,861,476,555.23	14,780,346,863.04
May-18	3,672,486,940.80	9,179,190,407.73	-5,506,703,466.93

Further work will be required by the Government of Sierra Leone and/or the Auditor General to better understand the differences noted.

1.2.2 Findings - Government Gold and Diamond Office (GGDO) Reconciliation

Analysis of the monthly income records provided by Previous Minerals Trading (PMT), also known as the Government Gold and Diamonds Office (GGDO) were obtained from the GGDO Finance Officer and compared to the GGDO bank account held at BSL; account number 0112006147, this account is recorded in Leones. Using the FX rates for USD (provided by the BSL Financial Markets Department) we converted the transactions into USD to indicate the value of transactions per year.

Years	Total Debits (USD)	Total Credits (USD)
2015	1,084,146.40	956,806.39
2016	2,876,374.76	2,921,034.07
2017	2,608,950.91	2,829,437.76
2018	4,044,953.84	4,342,944.78
Total	10,614,425.91	11,050,223.01

This showed that total income for the period was \$11m.

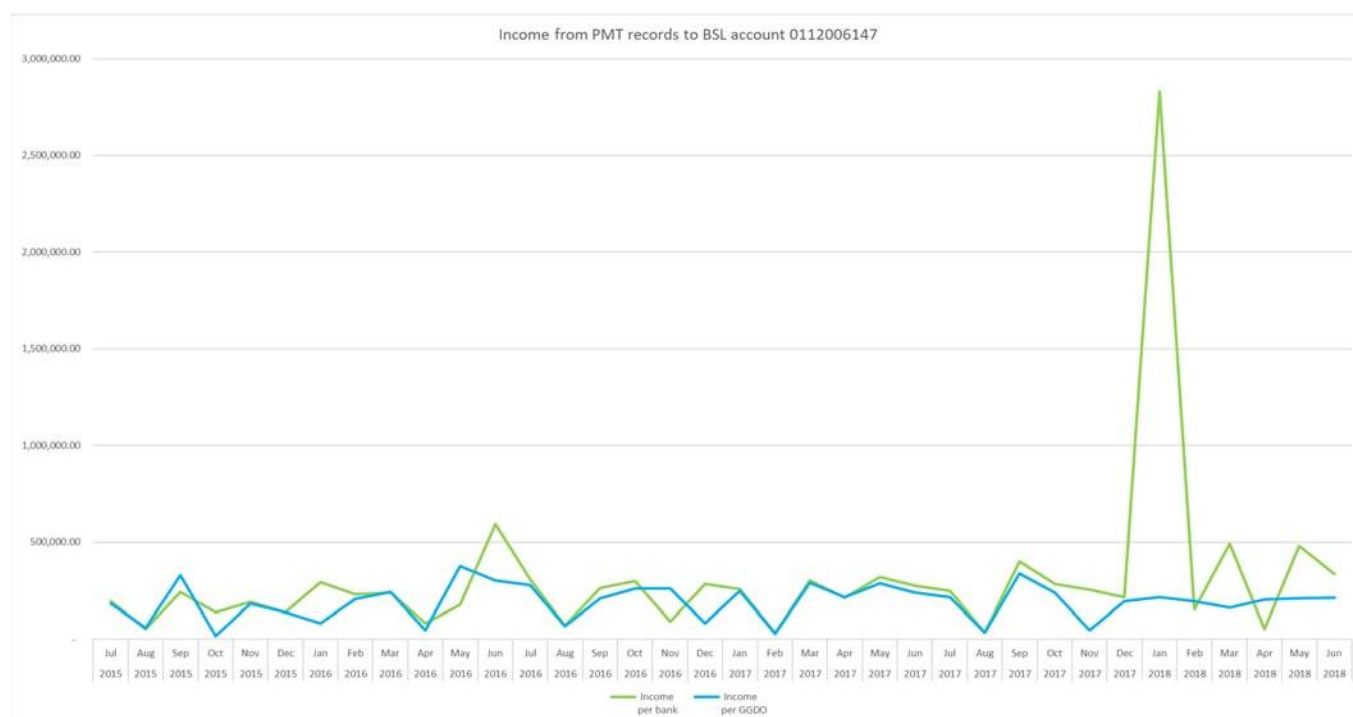
We were provided with the monthly income records from PMT. Transactions were noted to be in USD with banked income including a 0.3% corporation tax. The income summary per year is as follows

Year	Export Duty and Corporation Tax (USD)
2015	907,525.91
2016	2,399,911.77
2017	2,368,942.42
2018	1,191,493.67
Total	6,867,873.77

We combined both sets of data for comparison purposes and compared these to the identified income as per the PMT bank account held at BSL account number 0112006147. This showed the following differences:

Year	Income per bank (USD)	Income per GGDO (USD)	Variance (USD)
2015	956,806.39	907,525.91	49,280.48
2016	2,921,034.07	2,399,911.77	521,122.31
2017	2,829,437.76	2,368,942.42	460,495.34
2018	4,342,944.78	1,191,493.67	3,151,451.11
Total	11,050,223.01	6,867,873.76	4,182,349.24

Profiling the above data month by month gives rise to similar profiles of debit and credits with the notable exception of January 2018, as shown in the graph below:

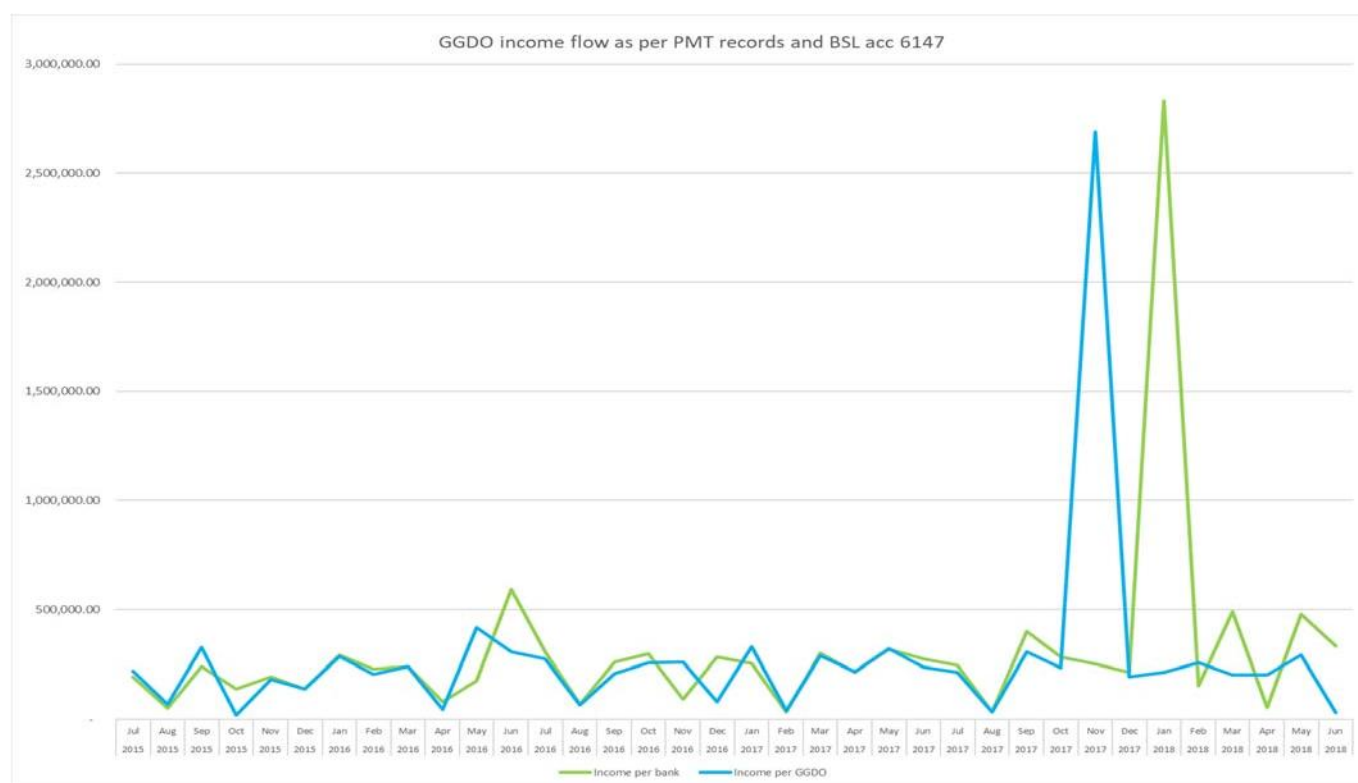


Additional adjustments were needed to account for royalty payments from mining companies. This was factored in, with the exception of one significant supplier (for the purpose of this report referred to as Company A) where payments are not made to account number 0112006147. Updating the income to reflect royalties, shows a clearer link between the income declared in both sets of books with totals as per the BSL statements being \$11.05m compared with \$9.9m in PMT giving rise to a variance of \$1.135m with significant variances in two months.

This is shown by year in the following table:

2015	956,806.39	955,813.19	993.20
2016	2,921,034.07	2,655,465.58	265,568.49
2017	2,829,437.76	5,101,196.48	-2,271,758.72
2018	4,342,944.78	1,202,290.66	3,140,654.12
Total	11,050,223.01	9,914,766	1,135,457

A revised graph to show the impact of factoring in the royalty payments shows a more mirrored profile, with a slight time lag.



Detailed Reconciliation in Sample Month

We conducted a review of the GGDO income records and bank account 0112006147 for June 2018. We identified 13 transactions from six individuals/ companies. We excluded Company A (who held a separate arrangement). Of the 12 transactions we were able to reconcile seven. The following five transactions could not be reconciled:

Transaction	Date	Income (USD)	Traced to Bank
A	28/06/2018	49,746.12	No
B	05/06/2018	5,984.10	5,881 paid on 8th June
C	07/06/2018	4,450.15	4,553 paid on 6th June
D	13/06/2018	15,763.39	14,450 paid on 18th June
E	14/06/2018	1,777.58	No
		77,721.34	

We reviewed the bank statement, and noted that there were six transactions that were not matched in the exercise above as detailed below

Description (Redacted)	Date	Amount paid	Comment
Transfer Txn- Cr	29/06/2018	128,950.00	This transaction could be linked to a receipt of 49k received on the on 28 June 2018. This date this is unconfirmed.
Cash Deposit	14/06/2018	12,543.41	
Cash Deposit	14/06/2018	3,105.00	This transaction could relate to a receipt of 1.8k received on the 14th June 2018. This date this is unconfirmed
Receipt Of Funds BO [REDACTED] IRO Tax Payment 3.3 Percent Shipment IFO [REDACTED] REF GGDO	18/06/2018	14,450.00	This transaction could relate to a receipt of 15.7k on 13th June 2018. This date this is unconfirmed
USD5881@7608.87 IFO [REDACTED] IRO Diamond Export Duty	08/06/2018	5,881.00	This transaction could relate to a receipt of 5.98k on the 8th June. This date this is unconfirmed
USD4553@7576.45 IFO [REDACTED] IRO Diamond Export Duty	06/06/2018	4,553.00	This transaction could relate to a receipt of 4.45k on 7th June. This date this is unconfirmed
		169,482.41	

There are no matches in the consolidated income (PMT) for two businesses. There were no transactions in consolidated income (PMT) for receipts over \$100k for one business. Individual and companies are linked, but it was unclear why the amounts are not noted.

In light of the above further work will be required by the Government of Sierra Leone to better understand the differences noted.

1.2.3 Findings - National Minerals Agency (NMA) Reconciliation

Analysis of the monthly income records provided, in the form of an extract from the Mining Cadastre System (MCAS) by the Compliance Manager at the NMA, was compared to the NMA bank account held at BSL; account number 0111001451.

Bank account 0111001451 is recorded in Leones. Using FX rates for USD (provided by the Financial Markets Department) we converted transactions into USD to indicate the value of transactions per year as follows;

Year	Total Debit (USD\$)	Total Credit (USD\$)
2015	15,972,412.78	9,717,112.67
2016	21,327,619.19	24,658,938.40
2017	19,530,853.45	20,301,021.42
2018	163,566.48	12,926,406.68
Total	56,994,451.90	67,603,479.17

Total income for the period was \$67.6m.

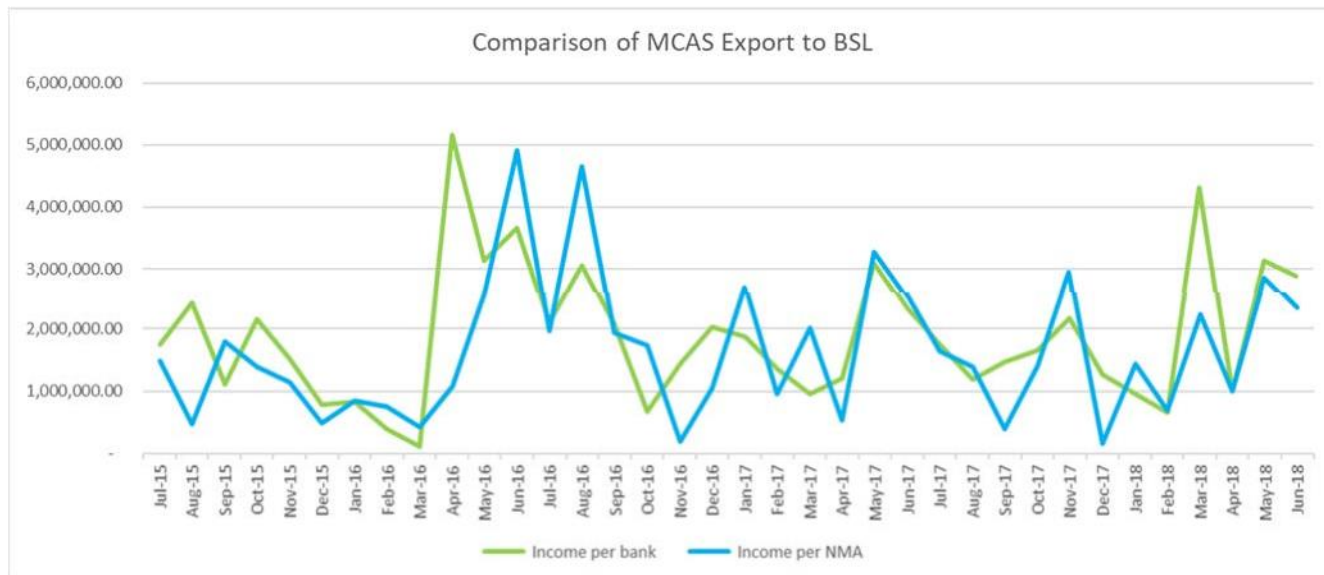
We were provided with an export from MCAS system which purports to capture all the transactions and associated income recorded by NMA. The results are shown below:

Year	Income (USD\$)
2015	6,756,527.66
2016	22,112,610.89
2017	19,909,646.35
2018	10,568,466.86
Total	59,347,251.76

We combined both sets of data for comparison purposes, this showed the following differences:

Year	Income per bank (USD\$)	Income per GGDO (USD\$)	Variance (USD\$)
2015	9,717,112.67	6,756,527.66	2,960,585.01
2016	24,658,938.40	22,112,610.89	2,546,327.51
2017	20,301,021.42	19,909,646.35	391,375.07
2018	12,926,406.68	10,568,466.86	2,357,939.82
Total	67,603,479.17	59,347,251.76	8,256,227.41

Profiling this data on a month by month basis demonstrated some consistency across the period, but there were months where income did not follow a similar pattern, as demonstrated by the chart overleaf.



There were a number of months with notable differences. The top five are shown below:

Month	Credit USD	Amount (USD)	Variance	%
Year	per 1451 (BSL)	per MCAS (NMA)	(USD\$)	
Aug-15	2,425,068.62	474,787.22	1,950,281.40	0.80
Apr-16	5,158,777.19	1,074,278.67	4,084,498.52	0.79
Jun-16	3,658,802.94	4,912,787.85	-1,253,984.91	-0.34
Aug-16	3,049,654.55	4,654,102.89	-1,604,448.34	-0.53
Mar-18	4,313,862.78	2,224,901.35	2,088,961.43	0.48

Further work will be required by the Government of Sierra Leone to better understand the differences highlighted above.

1.3 Analyse all foreign exchange suspense accounts and review supporting documentation and authorisation covering all entries

Foreign currency account queries were run in T24 to obtain details for all local and foreign currency accounts. This resulted in a total of 2,549 accounts being identified in T24. The 2,549 account names were searched for reference to 'suspense' accounts and variations on this spelling, which resulted in a total of 118 suspense accounts being traced of which 23 were in USD, 23 in EUR, 23 in GBP and 49 in SLL. The 49 SLL accounts were ignored as they are outside the scope of this review (i.e. deemed not to be foreign currency accounts). This left a total of 69 accounts to be reviewed.

The 69 remaining suspense accounts were searched for in T24 across the three-year audit period. Data extracts/screenshots were taken of each account, as supporting evidence, to show the number/value of transactions.

A further review of the 2,549 accounts identified 20 accounts with reference to 'forex' or 'foreign' in their name. Discussions with senior banking officials in the BSL finance department confirmed that the foreign receipt and foreign payment accounts as the equivalent of transit/suspense accounts, which should be used for all foreign currency transactions going in and out of BSL. Detailed testing was then completed on the foreign receipt and foreign payment accounts.

1.3.1 Findings - Suspense Accounts per T24

We tested all 69 accounts and found that none of these accounts contained transactions within the three-year period. This indicates that all transactions had been posted to the appropriate accounts initially, and these accounts were not required to be used. Accordingly, no supporting documentation or authorizations for these 69 accounts could be reviewed.

A further review of the 69 accounts, identified that all three sets of the 23 accounts, for each currency type were identical, these were confirmed as part of the standard chart of accounts in SUN system, we confirm that no activity has taken place across these accounts.

1.3.2 Findings - Foreign accounts per T24

The Senior Manager/Acting Division Head within the Finance Department confirmed that the foreign receipts and foreign payments are used as transit/suspense accounts. The Manager, Foreign Operations Section, Finance Department is responsible for postings to these two accounts which the team aim to reconcile to zero on a daily basis. Monthly reconciliations of these two accounts are the responsibility of the Financial Markets Department.

Analysis of the foreign payments and foreign receipts accounts noted that the foreign receipts account contains 277 transactions split between 142 debits and 135 credits. Line by line analysis found that, for the period covered by our review, the accounts were not reconciled every day, although improvements were noted in more recent months. For example, at the start of our audit period we noted delays of up to 6 months albeit we were able to confirm that, that since November 2017, regular daily/weekly reconciliations to zero were generally taking place.

The only significant exception to this rule was a period of three months from 19 December 2017 to 15 March 2018 where the average account balance was SLL 43 billion. It has been confirmed to us that this was due to all transactions in this period relating to the sale of the 709-carat diamond of Sierra Leone (The Peace Diamond) and GOSL deciding how funds should be allocated between accounts.

Detailed review of the foreign receipts monthly reconciliations found, reconciliations existed for all 36 months in the audit period, all 36 reconciliations had been prepared, checked and approved by different BSL staff, all 36 reconciliations except four had been completed in a timely basis (within a month of month end), and five months with unreconciled transactions had been reconciled in line with expected practise.

The foreign payments account contains 1,684 transactions split between 844 debits and 840 credits. Line by line analysis found the account was reconciled down to zero 92 times in the 1,068-day period indicating that this account was being reconciled, on average, every 12 days. Here again, however, we noted that since November 2017 the account was being reconciled daily.

Detailed review of the foreign payments monthly reconciliations found, reconciliations existed for all 36 months in the audit period, 34 of the 36 reconciliations had been prepared, checked and approved by different BSL staff, with 2 months missing signatures from either the approver, or checker, and 31 reconciliations had been completed on a timely basis (within a month of month end) with five reconciliations completed no later than three months later. Finally, a sample, being five of the 27 months with unreconciled transactions were checked and had been reconciled in line with expected practise.

1.3.3 Recommendations

Daily reconciliation of the suspense account should continue, supported by monthly bank statement reconciliations. Not only is this good practice but an essential internal control.

Unless further financial activity is planned in these 69 accounts, BSL should consider taking action to close these accounts to prevent any potential unauthorized misuse. Reducing the number of available suspense accounts will limit opportunities for error or misuse.

The next steps should include the need to analyse foreign exchange suspense accounts held by any MDAs holding foreign currency and review the supporting documentation and authorization for all entries, or a statistically valid sample depending on the volume of transactions.

1.4 Analyse all foreign currency accounts and review supporting documentation and authorisation covering all entries.

We reviewed 32 bank accounts held with international finance organisations by the Bank of Sierra Leone. These accounts are held in Euro (6); Great British Pound Sterling (6) Japanese Yen (1) United States Dollar (13) and the International Monetary Fund (IMF) XDR (6).

XDR are noted as having special drawing rights (also abbreviated SDR), they are supplementary foreign-exchange reserve assets defined and maintained by the International Monetary Fund (IMF). The SDR is the unit of account for the IMF, and is not a currency per se.

During the period covered by this review, accounts were held with the following institutions; Bank of England (1); Bank of France (1); Bank of International Settlements (6); Bank of Tokyo (1); Crown Agents Bank (12); Federal Reserve Bank (3); International Monetary Fund (6); Lloyds Bank (1) and Standard Chartered (1).

We have undertaken an exercise to trace investment transactions between the various bank accounts.

Summary of Account Activity

Please note for the purpose of this section a debit in the international banks account reflect a credit to the Bank of Sierra Leone and a credit reflects a debit from the international banks account.

1.4.1 BANK OF ENGLAND GBP Account 141000084

This account is a GBP operating account used for making overnight investments, purchasing bank notes, payment of local High Commission costs and supplier/other payments in GBP. It also receives funds, from the SLHC, for visa fees. Activity is summarised overleaf.

Description	Debit GBP	# Debits	Credit GBP	# Credits
Investment Transactions	4,727,743,643.90	162	4,750,321,122.35	154
Visa fees inbound	538,312.00	11	-	
Ebola Medals	254,644.93	15	445,162.50	6
Transfer from Closed HSBC account	75,018.19	2	-	
Refund	6,013.68	1	-	
Medical Cost	897.00	1	162,310.11	23
Education Costs	-		182,618.08	41
SL Embassy and High Commission costs	-		245,884.37	7
Membership Fee	-		47,660.21	11
Further Analysis Required	-		200,631.62	3
Other Charges	-		300,547.60	25
FOREX Purchases	-		402,400.00	3
Passport Charges	-		439,472.40	1
Supplier Invoices	-		8,205.91	1
Banknotes	-		8,372,170.00	9
Employee Costs	-		22,269.69	4
Salaries	-		2,752,650.10	38
Transfer	-		19,000,000.00	2
Travel Costs	-		65,748.72	22
Fees	-		131,483.00	2
Grand Total	4,728,618,529.70	192	4,783,100,336.66	352

The top category for debits and credits were as follows

- Bulk postings relating to investments (over 9bn transactions); followed by
- Investment transactions (255m).

Investments are mainly one, two week and one-month fixed deposits. Outbound payments were found to have been reconciled and returned over the period.

Debits and credits are comparable month on month, and there was limited activity in 2015 or during the first six months of 2016. The months with higher activity are August, September and December 2016, December 2017 and June 2018.

We noted USD\$19m outbound in two separate transactions, to the Bank of International Settlements which was confirmed as received in the recipient account:

- Outward Swift Payment on 15/06/2017 totalling 9m (FT1716690300); and
- Outward Swift Payment on 09/02/2017 totalling 10m (FT1704006195).

We identified nine transactions, that appear to be related to the Ebola Special Medals with total debits of £232,052.50 including reversals) and payments of £445,165.50 giving a total payment to the value £174,250.00 plus one additional payment, for a Ceremonial Chain of £17,860.

We also identified £8,372,170 recorded as 'reprinting of banknotes and coins'; £3,541,330 of which is linked to one company name, the remaining beneficiaries are not specified.

Other notable beneficiaries included the following:

- Payments to one individual totalling £90,313.25 mainly relating to DSA and flight cost reimbursements, with £6k inbound;
- Payments to various individuals, person 1 totalling £70,787.48; person 2 totalled £26,545; person 3 £20,100 and person 4 £18,765.25.
- Payments to a Sierra Leone based business for £25,438.62 in June 2017 and £26,545 in January 2018.

1.4.2 Federal Reserve Bank

Account USD 142001497

This account is recorded as a project account for the Financial Sector Development Programme. Limited activity is made though the account apart from overnight deposits and subsequent daily repayment. Due to delays in the overnight process these can range from 1 to 5 days (the 4 and 5 day gaps relate mainly to holiday periods).

Description	Debit (USD)	# Debits	Credit (USD)	# Credits
Course Fees	-	1	1,620.00	1
FSDP REPO	-	252	243,800,000.00	252
IDA Project Fees	238,232.44	2	-	2
Proceed FSDP Repo	245,812,984.10	256	2,000,168.56	256
Refund under IDA project	-	1	148,897.74	1
Supplier Fees	-	2	17,635.00	2
Grand Total	246,051,216.54	514	2,166,701.30	514

We observed the following:

- Deposits range between \$800,000 and \$1,000,000. On one occasion, on 29 December 2017, a total of USD 1,000,162.2 was transacted, no corresponding overnight deposit could be traced.
- One occasion where USD 1,000,000 was deposited on 25th April 2018 with no corresponding repayment noted.
- The same issue occurs on 31 May 2018 for USD\$ 1,000,000 where no supporting deposit is on account.

FEDERAL RESERVE BANK USD a/c 141000101

This account is a main USD operating account for the bank covering investment, forex auctions receipt and payments with commercial banks, debt service payments and supplier invoices. In terms of credits it receives funds from projects and licences, royalties and taxes. Activity on the account can be summarised as follows:

Description	Debit USD	# Debits	Credit USD	# Credits
Investment (Executive - Cost) ¹	166,900,000.00	3	32,385,033,441.67	758
Unknown Payment likely Commercial Bank Transaction*			485,470,582.22	803
Investment (Maturity - Proceeds) ²	32,612,814,739.54	763	442,817,458.26	8
Investment (Security)	260,000,000.00	7	209,796,621.52	6
Funds Transfer	119,149,970.00	38	106,782,423.61	36
Debt service payment	200,930.90	3	68,305,216.87	130
Project costs			67,884,195.59	140
Salaries and Wages	11,263,343.47	22	28,871,772.61	447
Receipt - Programme funds	548,707,298.42	141	28,674,487.40	8
FX Auction Payment			23,483,334.00	111
Supplier invoice - Vehicles			19,022,984.21	37
Supplier invoice - Medical	499,950.00	1	15,108,102.67	29
Contribution	47,012.00	1	13,824,785.84	49
Supplier invoice - RSLAF			11,937,831.42	10
Interest	91,835.36	4	10,937,319.33	98
Supplier invoice	203,030.00	1	8,682,793.67	34
Embassy costs	231,532.40	5	7,673,103.09	114
Supplier invoice - Ministry of Agriculture			6,996,418.45	23
Forex notes purchase			6,891,100.00	3
Supplier invoice - biometric			6,216,302.53	9
Supplier invoice - HE Chartered Flight	404,060.00	2	3,216,560.00	18
Receipt - Licence/Royalty/tax	86,671,879.30	454	1,660,115.94	19
Subscription cost			1,624,066.53	3
Supplier invoice - IT support			1,049,996.95	15
Staff costs	158,306.08	6	987,339.58	76
Valuation Fee			871,095.04	39
Supplier invoice - consulting costs	282,086.40	4	794,876.30	12
Supplier invoice - Uniforms			784,123.67	1
Supplier invoice - IT support			579,431.39	2

¹ The average credit transaction value is \$42,724,318.52

² The average transaction value is \$42,742,876.46

Allowances	24,664.80	14	556,946.02	38
Repayment - ineligible expenditure			471,219.86	7
FX Sales	3,474,571.90	15	208,378.48	1
HE costs			121,960.85	4
Repayment			34,912.00	1
Staff Travel	127.31	1	26,696.00	5
Fees			6,000.00	1
Staff travel			5,890.00	2
Other			3,536.75	2
Supplier invoice - SWIFT			1,086.89	33
Bank Charges			68.18	2
Visa Receipts	99,206.34	13		
Unknown receipt likely Commercial Bank Transaction*	175,842,190.73	14		
Receipts	534,935.00	3		
FX Auction Receipt	3,899,922.94	19		
Transaction value Total	33,991,501,592.89	1534	33,967,414,575.39	3134

Note: transaction value total includes fund movements and does not reflect the actual value of the funds.

* Of the 803 items annotated as "Unknown Payment likely Commercial Bank Transactions" these transactions did not have sufficient detail captured in the T24 data to understand their purpose. Further evidence was therefore reviewed on 245 items, to the value USD 213,135,693.87. These transactions were inter-bank dealings between the BSL and SL commercial banks for a variety of activities including Forex Auctions, transfer of funds, coupon bonds, forex purchases, FX swaps and fund transfers.

Transactions were collated and tested further as detailed in Section 1.5.1 of this report.

FEDERAL RESERVE BANK USD a/c 141000163

A review of this account suggests that this is a Local Liquidity Asset Ratio (LLAR) account and consists of transactions between commercial banks and the BSL. Our high-level assessment suggests that it also includes overnight deposit by local banks. Details are provided in the table below.

Description	Debit USD	# Debits	Credit USD	# Credits
Fund Receipt	27,000,000.00	1		
LLAR SPECIAL FUNDS	128,599,930.00	36	181,484,727.87	33
Overnight Deposit	56,900,866.25	9	14,470,200,000.00	403
Overnight Receipt	14,524,044,453.25	401	75,202,002.50	6
Unknown Credit	81,000,000.00	14		
Unknown debit			68,100,000.00	10
Grand Total	14,817,545,249.50	461	14,794,986,730.37	452

Unknown Credit and Debits are captured in T24 with no supporting explanation. A review of the Funds Transfer (FT) numbers suggests that these relate to commercial bank funding transactions with the BSL.

1.4.3 Bank of International Settlements

A review of the transactions in the Bank of International Settlement (BIS) six accounts identified no payments to organisations other than to financial institutions, transfers, payment of bank charges and interest. We noted that a number of transactions were defined as “Outward Swift Payment” with no additional information. Further review suggested that these were commercial bank transactions and that the supporting description captured in T24 has not been captured accurately. A summary of the BIS transactions is shown below:

Account	Currency	Summary Detail per RSM	No. of Debits	Total debits (units)	No. of credits	Total credits (units)
USD a/c 142001136	USD	Bank of International Settlement	1	10,000,000.00	1	17,000,000.00
USD a/c 142001136	USD	Interest Earned	36	47,404.15	0	-
USD a/c 142001136	USD	Investment	13	234,921,395.85	12	226,212,734.57
USD a/c 142001136	USD	Unknown beneficiary	1	17,000,000.00	1	19,000,000.00
GBP a/c 142001198	GBP	Interest Earned	39	20,146.85	0	-
GBP a/c 142001198	GBP	Investment	12	138,473,993.46	12	56,764,657.63
GBP a/c 142001198	GBP	Unknown	2	19,000,000.00	0	-
USD a/c 143000112	USD	Investment	102	2,122,578,721.94	99	2,060,992,856.27
USD a/c 143000112	USD	Crown Agents Bank Ltd	0	-	1	11,610,000.00
EURO a/c 142001150	EURO	Bank Charges	0	-	36	4,412.58
EURO a/c 142001150	EURO	Transfer	1	24,000,000.00	2	65,000,000.00
EURO a/c 142001150	EURO	Unknown	3	41,804,206.85	4	515,000.00
GBP a/c 143000095	GBP	Interest Earned	1	385.57	0	-
GBP a/c 143000095	GBP	Investment	102	961,313,000.57	105	979,507,605.83
			313	3,569,159,255.24	273	3,436,607,266.88

The BIS Euro Fixed Deposit Account 143000150 sees no activity during the period and has been excluded from the table above. The balance is recorded as zero.

1.4.4 BANK OF TOKYO-MITSUBISHI JPY a/c 142000799

Limited transactions of any value through this account as shown in the table below:

	Debit YEN	# Debits	Credit YEN	# Credits
Bank Charges	36,200.00	1	484,500.00	16
Commission Paid - Power Improvement			1,541,319.00	8
Unknown			19,000.00	1
Grand Total	36,200.00	1	2,044,819.00	25

The account balance, as at 28 Jun 2018, was YEN 62,952,144.00 in credit. No further work has therefore been undertaken on this account.

1.4.5 Crown Agents Bank

CROWN AGENT GEN FUNDING AC USD 142001318

A review of this account would suggest that it is an operating account receiving fees, royalties and other receipts, as well as being used for making payments against various supplier and other invoices. We identified similarities in the descriptions, values and supplier names, accordingly, some of these transactions are subject to investigated further. A summary is provided in the following table:

Description	# Debits	Debit USD	# Credits	Credit USD
Article On President	0	-	5	295,000.00
Bank Charges	2	7,570.79	23	69,396.69
Contra	20	21,036,292.94	20	21,036,316.59
Debt Service Pyt	1	142.34	18	8,324,120.71
Fines	2	100,000.00	0	-
Forex Deal In	0	-	4	752,800.00
Fx Auctions	2	549,944.12	9	1,100,000.00
Interest Payment	2	87,758.92	27	1,681,884.56
Licence Fees / Royalties	176	17,278,477.85	19	3,370,106.48
Maintenance Fees	0	-	4	497,556.50
Medical Bills	0	-	19	429,087.19
No Payee Detail In T24	2	6,400,000.00	45	48,345,000.00
Other	20	1,037,348.48	77	9,693,452.98
Project Costs	3	532,610.22	39	14,684,694.36
Project Costs (Energy Emergency Power)	0	-	2	681,031.08
Project Costs (Road)	2	189,629.48	25	8,876,277.73
Project Costs (Sierra Leone Police)	0	-	3	1,579,754.75

Project Costs (Solar Lights)	0	-	3	553,481.23
Project Costs (Substations)	0	-	6	1,290,691.78
Project Costs (Swift)	0	-	4	250,351.38
Project Costs (Thermal Plant)	0	-	2	500,000.00
Query	0	-	26	2,472,955.97
Receipt Of Funds	231	52,702,843.86	3	163,126.00
Return Of Funds	1	27,758.92	0	-
Salaries And Staff Costs	14	466,783.89	357	14,980,971.56
Sale Of Gem709 For Pastor Momoh And Team	0	-	1	170,874.00
Sierra Leone Civil Aviation Authority	2	265,225.00	0	-
Student Allowances	1	1,755.00	11	19,800.00
Taxation	75	11,654,246.44	0	-
Transfers	18	85,658,872.25	25	57,747,601.51
Travelex Bank	0	-	1	218,805.00
Grand Total	574	197,997,260.50	778	199,785,138.05

CROWN AGENT GEN FUNDING AC GBP 142001019

A review of this account suggests that the main function of the account is as a deposit account potentially linked to a single project, for example, a credit of 5,627,484.67 is received followed by debit to the same value, with all other amounts incidental. A summary of transactions is shown below.

Description	Debit GBP	# Debits	Credit GBP	# Credits
African Economic Magazine			114,000.00	1
Balance at Period End				
Balance at Period Start				
Bank Charges			75.00	3
Ebola Medals			157,605.00	2
Equipment			7,257.25	1
Investment			5,627,484.67	1
Investment Received	5,627,484.67	1		
Per Diem			6,589.56	1
Presidential Collar Chain Set			6,800.00	1
Project funds	1,974.08	1		
Tuition and Fees			13,570.00	7
Unknown Activity	8,412.98	1		
Visa Receipts	14,683.46	1		
Grand Total	5,652,555.19	4	5,933,381.48	17

Payments of significance include the African Economic Magazine (£114,000) and two payments subject to further investigation related to Ebola Medals (£157,605) and Collar Chain Set (£6,800).

CROWN AGENT GEN FUNDING AC USD 142001291

A review of this account suggests that it is a project related account holding funds linked to a letter of credit. Details are provided below:

Description	Debit USD	# Debits	Credit USD	# Credits
Transfer	-	-	154,727.52	1
Letter of Credit	1,000,000.00	1	-	-
drawdown LOC	222,380.91	1	5,967,653.39	7
receipt of funds	6,100,000.00	1	-	-
Grand Total	7,322,380.91	3	6,122,380.91	8

CROWN AGENT GEN FUNDING AC EUR 142001356

A review of this account suggests that it is funded from Crown Agents Bank in USD or from the CAB USD Current account. Other payments are noted below:

Description	Debit USD	# Debits	Credit USD	# Credits
Bank Charges	399,328.45	3	3,783.88	33
Debt Service Payment	-	-	43,971.22	1
Loan Repayment	2,664,851.22	1	-	-
Wages and Salaries	-	-	3,513,519.54	45
Contribution	-	-	174,216.30	9
staff costs	-	-	107,377.79	12
Project payment	-	-	889,353.46	3
Transfers	12,013,832.84	30	22,610,400.00	4
Supplier invoice	-	-	2,475,562.52	8
Embassy Costs	-	-	237,672.62	6
FOREX currency	-	-	201,200.00	1
SWIFT Invoice	846.32	1	86,112.93	14
Unknown Swift	515,000.00	4	300,000.00	1
Banknotes	-	-	349,800.00	2
EU Funds	15,419,422.50	1	-	-
Grand Total	31,013,281.33	40	30,992,970.26	139

From the above analysis we have selected a number of transactions for further analysis.

CROWN AGENT GEN FUNDING AC USD 143000071

A review of the account suggests limited activity with, in total, six transactions which are summarised below. The account balance, as at 13th February 2018, was zero.

Description	# Debits	Debit USD	# Credits	Credit USD
Amount Invested	-	-	3	41,608,453.35
Other Receipts	1	11,765,008.88	-	-
Transfers	1	154,727.52	1	154,727.52
Grand Total	2	11,919,736.40	4	41,763,180.87

The above implies that funds have been used for investment purposes, no interest is noted. Without further review of this account it is not clear why interest credits are not seen. This account may warrant further investigation by the Government of Sierra Leone.

CROWN AGENT GEN FUNDING USD AC 142001514

The account shows limited transactions, mainly in August 2015 relating to staff salaries, as summarised below. The account balance as at 20 June 2018 was \$ 458,946.22

Description	# Debits	Debit USD	# Credits	Credit USD
Salaries and Staff Costs	1	3,440.00	6	21,890.00
Grand Total	1	3,440.00	6	21,890.00

CROWN AGENTS BANK LIMITED ERRP III S USD 142001411

No transactions occurred during the period covered by this review. The opening and closing balances on 1st July 2015 and 30th June 2018 remain the same at USD 4,345.36.

OFID DEBT RELIEF SPECIAL ACCOUNT USD 142001473

No transactions took place between period 1st July 2015 and 30th June 2018.

CROWN AGENTS GEN FUNDING GBP 0143000136

The opening balance on this account is GBP£ 1,0626,266.64. Two debit transactions were identified during the period as follows:

- 'AMT INV IN 3 MTH F/DEP EXE 12/05/15' on 17 August 2015 for GBP 5,006,095.89 and
- 'AMT INV IN 3 MTH F/DEP EXE 29/5/15' on 4 September 2015 for GBP 5,620,170.75

The account balance was zero after the 4th September 2015 debit.

CAFSL EURO FIXED DEPOSIT ACCOUNT EUR 143000174

There are no transactions in this account and the balance is zero.

ADFERRP III GRANT ACCOUNT 142001394

Currency is unknown. There was no activity during the period, the balance is noted as zero.

CAFSL EURO LC PROVISION ACCOUNT 142001370

Currency EURO, no activity during the period, the balance is noted as zero.

1.4.6 Standard Chartered Bank

SCB-STRUCTURAL ADJ FUND AC USD 142001174

A review of this account suggests that it is used for transfers and receipt of funds mainly relating to Local Liquidity Asset Ratio (LLAR). We identified several transactions that we had to record as 'unknown' due to the limited information available in the T24 description. A summary is provided in the following table:

Description	Debit USD	# Debits	Credit USD	# Credits
Allowances	5,225.00	3	111,397.30	41
Bank Charges			11,933.75	36
Course			22,700.83	4
Debt service			863,325.05	11
Embassy costs/salaries	15000	1	943,123.92	18
Fees	3	1	423,999.64	7
Fund Transfer	34,000,000.00	2		
GOSL - Treasury	29975	1		
Interest			37,034.48	1
Other			1,475.00	1
Project costs			511,969.74	5
Receipt funds	11742349.28	166	118,659.40	5
Receipt funds LLAR	281,151,849.10	35	20,734,292.77	3
Staff Fees			213,517.13	35
Subscription/Fees			157,840.25	3
Supplier Invoice	495,455.32	3	6,479,548.06	32
Unknown	25000000	2	319,412,841.33	27
Valuation Fee			28,345.00	2
Visa Receipts	294,979.00	12		
Grand Total	352,734,835.70	226	350,072,003.65	231

A selection of transaction has been included for follow up work.

1.4.7 International Monetary Fund

HOLDINGS OF SDR a/c XDR115050001

The SDR is an IMF specific currency. The account contains 44 lines of activity which are mainly quota and reserve assets, with one receipt, one forex deal and interest/loan repayment and charges, a summary of the account activity follows

Description	Debit USD	# Debits	Credit USD	# Credits
Bank Charges			916,024.00	15
Quota and Reserve Asset	25,925,000.00	1	25,925,000.00	1
Receipt			24,440,000.00	1
Loan Repayment	13,096,302,540.00	2	13,114,564,340.00	27
Budget Support Loan	24,440,000.00	1		
Interest	939,650.00	12		
Receipt Forex Deal	10,000,000.00	1		
Grand Total	13,157,607,190.00	17	13,165,845,364.00	44

IMF SDR ALLOCATION XDR151200002

No activity took place in this account with the opening balance, on 1st July 2015, and closing balance on 30th June 2018, matching at SDR 99,505,615.00.

POSITION ACCOUNT - XDR – SLL XDRSLL140160001

Activity on the account can be summarised as follows:

Description	Debit USD	# Debits	Credit USD	# Credits
Bank Charges	8,081.00	3	0.00	0
Quarterly Charges	907,943.00	12	0.00	0
Unknown Activity	121,381,000.00	4	114,639,650.00	15
Grand Total	122,297,024.00	19	114,639,650.00	15

POVERTY REDUCTION AND GROWTH FACILITY - XDR151200001

This account is a loan deposit and repayment account. No transfer or other payment types were identified.

Description	Debit USD	# Debits	Credit USD	# Credits
Amount Received	0.00	0	121,381,000.00	4
Loan Repayment	13,114,564,340.00	27	13,096,302,540.00	2
Grand Total	13,114,564,340.00	27	13,217,683,540.00	6

IMF QUOTA SUBSCRIPTION AC XDR115020001

Limited activity of two value amounting to 103,700,000.00 which related to quota payments and reserves dated 26 February 2016. No further activity noted.

IMF-SAP LOAN AC XDR115040003

There was no activity on this account and at the time of our fieldwork, the balance was zero.

BANK OF FRANCE EUR a/c 141000125

This account would seem to be an operating account for Euro payments including embassy salaries and receipt of EU funds. There was high activity in December 2015, then high debit (inbound) activity in November 2016 followed by high credit (outbound) activity in November and December 2016.

There is a loan repayment from Sierra Rutile EUR20m and the highest value receipts from the European Commission EUR 24,777,754.01 (2015) and EUR 22,514,570.72 (2016).

The account is closed on the 8 May 2017 with the balance transferred in an Outward Swift Payment for EUR 504,206.85 (FT1712591085) to the Bank of International Settlements account 142001150.

Description	Debit USD	# Debits	Credit USD	# Credits
Bank charges	44.20	1	16,084.13	72
Banknotes		0	100,600.00	1
Contribution		0	25,466.65	1
Embassy Salaries/charges		0	1,149,202.96	18
Loan Repayment	39,999,978.00	2	20,000,000.00	1
Medical Cost		0	10,962.00	1
Other		1	9,629.33	12
Subscription	3,303.81	2		0
Training		0	600.00	1
Transfer	222,501.09	2	65,504,206.85	3
Travel Ticket		0	4,126.29	1
EU Funds Deposit	47,292,324.73	2		0
Supplier Invoice		0	691,624.53	4
Unknown		0	44,083.48	1
SWIFT (agrees to invoice)		0	68,668.98	1
Unknown Credit	3,400.00	1		0
	87,522,051.83	11	87,625,255.20	117

LLOYDS BANK POUND STERLING GBP a/c 142001057

No transactional activity was noted on this account. The account has a credit balance of GBP 123,965.77. It is unclear what this account relates to. If contract terms allow BSL would benefit from transferring these funds to an interest-bearing account.

1.4.8 Foreign Cash Transactions Testing

The BSL maintains records of foreign cash transactions in two forms, a manual handwritten ledger referred to as the Foreign Currency Register (FCR) and the T24 Teller Accounts (T24), which are electronic individual teller accounts in T24 in to which data is inputted. Transactions in both data sets mainly consist of receipts from purchased foreign exchange and DSA refunds, as well as payments of DSAs for GOSL and BSL staff to travel on official business, study courses, etc. The T24 data also contains details of cash movements between the treasury, vaults and cashiers' tills, often referred to as replenishments or transfers. BSL staff informed us that the T24 data was the definitive accounting records that supported BSL's financial statements, with the FCR maintained as a manual back-up record.

Foreign Currency Register

To enable a comprehensive review of all cash foreign cash exchange transactions (inflows and outflows) between the BSL and MDAs to be completed, the FCR data was captured electronically so a comprehensive database that could be analysed in depth for patterns, trends and anomalies was available. A summary of the FCR data is shown in the table below:

FCR DATA	USD\$		GBP£		EUR €		TOTAL	
	Sum	Count	Sum	Count	Sum	Count	Sum	Count
Receipts	14,401,516.00	1,602	575,372.30	9	467,430.00	7	15,444,318.30	1,618
Payments	14,481,633.00	2,419	124,425.00	31	128,900.00	10	14,734,958.00	2,460
No detail	12,984.00	6	0.00	0	0.00	0	12,984.00	6
Totals	28,896,133.00	4,027	699,797.30	40	596,330.00	17	30,192,260.30	4,084
Totals (%)	96%		2%		2%		100%	

The FCR contains 4,084 transactions split between United States Dollars, Great British Pounds and Euros. The majority of the transactions (96%) were in USD with these 4,027 transactions totalling USD\$ 28.9m, transactions in GBP and Euro were both less than 700,000, irrespective of currency. A summary of the ten highest receipts and payments in USD in the FCR is shown below:

#	FOREIGN CURRENCY REGISTER	Receipts		Payments	
	USD CURRENCY ONLY	USD\$	%	USD\$	%
1	Replenishment of Foreign Currency	6,850,000.00	48%		
2	BSL / GOSL Staff Members			6,429,033.00	44%
3	Office of the President			3,489,106.00	24%
4	GOSL Honourable Ministers / Directors of MDAs			2,011,931.00	14%
5	Government Gold and Diamond Office	1,346,725.00	9%		
6	Transfer to Main Vault			1,135,500.00	8%
7	Marine Resources	927,526.00	6%		
8	Mines and Mineral Resources	802,415.00	6%		
9	Peninsular Fishing Company	667,760.00	5%		
10	Permanent Secretary Youth and Sports			598,681.00	4%
		10,594,426.00	74%	13,664,251.00	94%
	All other receipts / payments	3,807,090.00	26%	817,382.00	6%
	Total	14,401,516.00	100%	14,481,633.00	100%

FCR data shows approximately half the income received is via the replenishment of foreign currency (48%), with deposits on behalf of Government Gold and Diamond Office (9%), Marine Resources (6%), Mines and Minerals Resources (6%) and Peninsular Fishing Company (5%), making up 75% of the income recorded. Audit work included verifying the accuracy of the replenishment of foreign currency amounts recorded in the FCR by visiting Travelex in the UK to vouch the data against their Bank Note Sales records, with all records agreeing.

Similarly, FCR data shows just under half the expenditure relates to DSAs for BSL and Government of Sierra Leone Staff Members (44%), with other payments to the Office of the President (24%), DSAs for GOSL Honourable Ministers / Directors of MDAs (14%), Transfers to the Main Vault (8%) and the Permanent Secretary for Youth and Sports (4%), making up 94% of all expenditure recorded.

T24 Teller Accounts

A review of all 2,549 BSL accounts identified 82 accounts with their product line described as “cash”, split between 34 accounts listed as SLL currency accounts and 48 accounts listed as GBP, EURO or USD accounts. The SLL currency accounts were excluded, and from the 48 teller accounts, 26 teller accounts were identified as containing foreign currency cash data, while the remaining 22 accounts contained no transactions relating to our audit period.

Data for the 26 teller accounts was extracted from T24 and aggregated in to a comprehensive database. A review of the 26 teller account descriptions found 18 teller accounts contained no reference to any BSL staff name and had generic names (i.e Central Vault Account - EUR), whereas 8 accounts were assigned to BSL staff names. A summary of the T24 data is shown in the table below:

T24 DATA	USD\$		GBP£		EUR €		TOTAL	
	Sum	Count	Sum	Count	Sum	Count	Sum	Count
Receipts	53,232,470.00	2,726	1,138,053.	45	2,031,635.	33	56,402,158.00	2,804
Payments	52,077,909.00	3,653	878,021.00	77	1,773,725.	43	54,729,655.00	3,773
Totals	105,310,379.00	6379	2,016,074.00	122	3,805,360.00	76	111,131,813.00	6577
Totals (%)	95%		2%		3%		100%	

The T24 data contained 6,577 transactions, 2,493 transactions more than the FCR. Examination of the different data sets found that ‘replenishments’, ‘transfers between vaults/cashiers’ and ‘treasury movements’ were routinely recorded in T24, but not in FCR, with 581 transactions totalling 63,749,292 units³ accounting for the majority of the difference in value.

³ Mixed currencies of USD, GBP and Euro

To gain confidence over the completeness of the databases we reconciled all transactions in them, that were greater than or equal to USD\$ 5,000, GBP £ 5,000 or EUR 5,000. This reconciliation exercise identified a number of variances, as summarised below:

FCR v T24 COMPARISON	USD\$		GBP£		EUR €		TOTAL	
	Sum	Count	Sum	Count	Sum	Count	Sum	Count
Transactions in FCR not in T24	884,176	10	192,255	2	32,125	1	1,108,556	13
Transactions in T24 not in FCR	2,390,525	108			72,600	2	2,463,125	110
Total	3,274,701	118	192,255	2	104,725	3	3,571,681	123

Most significantly, 13 transactions recorded in the FCR not in the T24 data were identified, with 10 of these transactions been in US dollar (10 transactions at USD\$ 884,176). These transactions ranged in value from \$13,800 to \$595,961, with an average value of \$88,418.

The higher number of unreconciled transactions (110) found in T24 not in the FCR, may suggest the FCR is not written up regularly. Focusing on the 108 US dollar transactions, the transactions ranged in value from \$10,000 to \$181,578, with the average value being \$ 22,323.

To determine the authenticity of these transactions, as well as other transactions in T24, in-depth sample testing was completed for all transactions for 16 of the 36-month audit period, with a total of 600 transactions tested.

1.4.9 Foreign currency cash withdrawals sample testing

We selected a sample of 600 cash transactions over the value of \$5,000 for detailed testing checking for adequacy and accuracy of the supporting documentation and cross referencing between T24 and the FCR. The majority of cash payments are for DSA, flight and other travel costs, medical costs, allowances, travel and unaccounted imprest. Evidence could be located for 570 transactions, of which:

- 96% had withdrawal or deposit slips generated from T24;
- 48% had cheques from GOSL / AGD;
- 67% had some form of receipt from BSL or voucher from MDA;
- 68% had clear approvals from MDA/ BSL;
- 60% had secondary approvals from AGD.

Two of the 600 transactions tested were deposits, 30 transactions could not be traced.

A summary of cash withdrawals are as follows:

Currency	Number of cash withdrawals	Value of cash withdrawals	Number of cash withdrawals sampled	Total value	% of value covered	% Count total withdrawals
USD	2026	16,195,025.00	563	6,190,119.00	38.20%	28%
EUR	6	503,715.00	3	94,720.00	18.80%	0%
GBP	6	102,406.00	2	26,000.00	25.4 %	0%
	2,038	16,801,146.00	568	6,310,839.00	57%	28%

We were not made aware of any clear guidance on the type of supporting documents required where a request for cash withdrawals is made.

There were inconsistencies in the types of hard copy documents included in support of each transaction.

No hard copy documents could be located by Banking Department for December 2015.

Transactional Discrepancies between T24, Foreign Currency Register and supporting documents

13 transactions were found to be over a material count value of 10,000. We were able to match ten transaction. with the three exceptions being one deposit and two withdrawals that were captured in the FCR but not recorded in T24. These are shown below:

Deposits

Date	Payee	MDA	Value
			USD
02/05/2017	Marine Resources	Ministry of Fisheries and Marine Resources	40,000.00
			40,000.00

Withdrawals

Date	Payee	MDA	Value
			EUR USD
11/08/2015	Secretar / to the President	Office of the President	32,125.00
12/08/2015	Secretar / to the President	Office of the President	27,465.00
			32,125.00 27,465.00

At the time of preparing this report the deposit of USD\$ 40,000.00 recorded as the Ministry of Fisheries and Marine Resources could not be traced.

A value of GBP£ 172,415.30 was originally identified in our draft report as an unsupported deposit allocated to the MMA. We can confirm that this transaction was wrongly allocated to MMA and was a sub total entry recorded incorrectly rather than being a deposit.

We also identified 28 transactions, totalling EUR10,000 and USD\$ 27,000 respectively with value differences between the two sources. Further investigation suggested these are genuine errors.

In the following paragraphs we have provided more detail on a series of transactions where our work identified various concerns.

1.4.10 Transfer Review

Central Vault

We performed a review of the Central Vault accounts (USD10001999, GBP10001999 and EUR10001999), identifying 52 transactions across our 36-month audit period as follows:

- 40 USD transactions totalling \$15,135,500;
- 7 EUR transactions totalling €785,000; and
- 5 GBP transactions totalling £556,000.

Using the date and value, we tracked each transaction to the corresponding Vault IV account respective of currency (USD10001998, GBP10001998 and EUR10001998). We tested the transaction references matched for each transaction, we found no exceptions.

Vault IV

We reviewed the Vault IV accounts (USD10001998, GBP10001998 and EUR10001998), identifying 802 transactions across our audit period as follows:

- 712 USD transactions totalling \$37,065,716;
- 27 EUR transactions totalling €1,527,920; and
- 63 GBP transactions totalling £1,120,152.

Our initial testing using date and value identified 802 matches, by checking against transaction reference only 778 were true matches, the remaining 24 were not matched accurately. We re-performed the matching exercise using transaction reference and matched 801 of 802. The remaining exception was a variance adjustment totalling \$100, deemed immaterial to investigate further.

Conclusion

We conclude that the transactions from the central vault to the vault IV match and transactions from vault IV to central vault and teller accounts are within material differences.

1.4.11 Forex Auctions

We were provided with FX Auctions information from the BSL Auctions team, retained in both hardcopy and softcopy excel documents. We selected a sample of 267 transactions lines for Forex Auctions between the period July 2015 to June 2018.

A total of 87 auctions to the value of USD\$ 198,700,000 took place between 8 July 2015 and 10 May 2017 with sales to Sierra Leone commercial banks of USD\$ 198,300,000. An auction includes multiple sales transactions.

We can confirm all FT transactions references and values could be matched between the SWIFT records, FX auction documents and BSL forex accounts mainly Federal Reserve Bank 141000101 and SCB-Structural Adj Fund Ac 142001174.

There are two transactions in the sample where the description does not match a FX auctions, one suggests it relates to fees for the auctioneer costs of the Peace Diamond, the other relates to engineering/FX to a commercial bank.

1.4.12 Foreign Exchange Payments

Payments are made to international accounts, in forex, for Sierra Leone based businesses who would seem to act in the capacity of import export agents, based on the evidence provided these businesses are not international business with operations in Sierra Leone. Payments for the full contract value are made to both Sierra Leone and internationally based commercial banks. Whilst supply of goods may be imported it is unclear why the profit element would be externalised, removing forex from Sierra Leone. It is also normal trading practice for the supplier to procure the goods, manage the forex risk, supply and be paid for the goods or services provided, in these examples it is the Government of Sierra Leone who bare the forex risk and potential tax loss if the associated profits are not declared.

The BSL and Government of Sierra Leone may need to consider the forex impact of paying contracts with Sierra Leone based companies to international accounts in forex rather than SLL equivalent only.

1.5 Obtain supporting documentation from the BSL and MDAs for all individually significant transactions and verify the validity of remaining outflows on a sample basis.

1.5.1 International Bank Transfer Payments Testing

Our work involved the testing of transactions paid by forex through the international bank accounts operated by the Bank of Sierra Leone, a total of 32 international accounts were identified. These have already been summarised earlier in this report.

We collated all entries from each international account into one main dataset, where we summarised the transaction type based on a manual line by line assessment. The data set was matched to T24 data to compliment the available data descriptions. It should be noted that a high number of transactions line had limited or no supporting description. Where applicable we tested selected transactions to other data such as Swift printouts to test the validity of the transaction type. Based on this testing we have made assumptions on some transaction types.

We also undertook an exercise to monitor movements between accounts, verify refunds and matched transfers between the accounts including investments and deposits.

Of the 32 international bank accounts, 23 are active whilst the remaining 9 showed no activity during the period covered by our review. There were 9,545 transactions to the count value of 169,118,499,081.84. Please note that in this context a 'count value' includes all currency denominations in both debit and credit format.

We removed 9,098 transactions at a value 168,892,534,879.34. These transactions related to investment (Maturity – Proceeds; executive costs; security); receipts of programme funds; LLAR; FSDP; wages and salaries; debt repayment; FX auction sales and receipts; bulk payments and payment for government operating costs overseas including High Commission running and similar transactions and all transaction under count value 50,000. These transactions were removed from our sample.

The remaining 447 transactions to the count value 225,964,202.50 were selected as supplier and other transactions of interest. A total of 204 transactions to the count value 88,106,343.81 were therefore selected for detail testing. The sample represented a range of transactions including supplier payments, value validations, round sum value and payments of interest. Our work identified a number of anomalies. For example, we were unable to trace the supporting documents expected to be present for our sample at both the BSL and AGD. BSL records can be poorly filed or archived incorrectly for the period under review. However, the AGD file store are well managed with files stored by MDA, month and year. Document management is good with files signed out when on loan. The absence of documents is unusual.

We then tested the values for support evidence held at the BSL, AGD and other locations where appropriate.

1.5.2 Specific Transactions of Interest

As a result of our sample testing we identified a number of concerns. For example, there appears to be a number of contracts where the purpose of the payment is not clear, is not valid or where value for money may not have been obtained. We have outlined below a summary of these transactions.

Further work will be required for the Government of Sierra Leone to fully understand whether any losses have been incurred either by omission or commission. Our findings are, from necessity, based only on the documents to

support the transactions seen and not on all of the transactions relating to the contracts selected. We further believe that there is a risk that some contracts are linked to grouped companies which, in turn, represent a further risk to the Government who may have incurred additional costs or received substandard products.

1.5.3 Tear Gas and other related Public Order Equipment

A contract was awarded by the Sierra Leone Police for the supply of public order equipment. The contract included the supply of 12,000 tear gas rounds at a contract unit price of USD\$ 119 being USD \$1,428,000.

Prior work undertaken by RSM, on similar tear gas contracts during over similar time period, suggests that the sale price was as much as 10 times higher than the prevailing open market value. This would suggest either that competitive tendering was not undertaken or that it was not effective.

Had the goods been procured from another manufacturer or reseller the Government of Sierra Leone could possibly have saved up to USD\$1.3m.

1.5.4 Presidential Fleet

Our sample include seven payments to the value of USD\$ 1,808,702.15 in relation to the Presidential Fleet. The payments were made to two Freetown based businesses for the procurement and supply of motor vehicles for the Office of the Vice President (3 vehicles) and the Office of the President (33 vehicles).

The payments were made between the 27 July 2015 and 14 April 2016 and the descriptions located imply that the payments relate to three contracts. No supporting transaction documents could be traced in the AGD stores. In addition, no documentation evidence other than the supporting SWIFT printout has been traced. We also identified the following

- The Office of the President have confirmed that they do not recognise the seven transactions.
- The average price of the vehicles ranges from \$24,637.68 to \$208,346.88.
- On the assumption that the contracts have delivered in full, not all contractual payment commitments can be traced to the international bank accounts.
- All payments are in USD but to Sierra Leone based banks.

A summary of the payments is set out below:

Number of vehicles	Payments made	Assumed contract value	Average price per vehicle	Comments
3	\$ 297,920.00	\$ 297,920.00	\$ 99,306.67	
8	\$750,048.75	\$1,666,775.00	\$208,346.88	Based on 45% payment
2	\$231,420.00	\$ 231,420.00	\$115,710.00	Descriptions suggests the assumed contract value is final payment, therefore the actual contract value may be higher.
23	\$529,313.40	\$566,666.67	\$ 24,637.68	Refers to assorted vehicles
	\$1,808,702.15	\$ 2,762,781.67		

In light of our findings we believe that the validity, of at least some of these payments, is questionable and warrants more detailed investigation.

1.5.5 Medals Company

Four contracts were awarded to a UK based company for the supply of various item types. Supporting evidence could only be provided by the Accountant General Office for five of the seven payments under these contracts. Thus, evidence could not be provided to support expenditure of £85,602.50 as summarised below

Contract Value	£ 363,315.00
Value Supported by Documents	£ 277,712.50
Unsupported	£ 85,602.50

National Honours

No competitive tender for this contract appears to have occurred. Whilst the National Public Procurement Agency (NPPA) agreed a 'no objection' to the procurement on the ground of the urgency they did raise concerns that a framework agreement should be implemented to ensure value for money and provide a copy of their letter issued in 2013. This letter suggests that prior concerns had not been addressed and that the Office of the President has failed to follow NPPA guidance for interacting with this supplier. On 24 November 2015 the Secretary to the President made a written request to set the company up as a vendor on IFMIS. However, earlier NPPA documents suggest they have been a supplier since at least 2013. Thus, the reason for this request is unclear.

The NPPA also made recommendations to alter the proposed contract to reduce the risk particularly relating to the impact of delayed delivery, again these recommendations do not appear to have been followed. We also noted that the contract allowed delivery within 12-week i.e. by 19th June. This was after the ceremony which was due to take place on 27th April.

In the supporting paperwork reference is also made to the Clerk to Parliament to agree to use Subsection (2) Section 110 of the Constitution of Sierra Leone (Act No. 6 of 1991). This allows for the ability to waive duties and taxes and minutes and reports of various meetings suggest this was accepted by the Parliamentary Finance and Economic Committee. However, our initial brief review of the Constitution (noting that we are not offering any form of legal opinion in this regard) seems to suggest that this subsection may not be correct in this instance. Perhaps more important there was no involvement by the National Revenue Authority in the decision-making process.

We further found that the payment details appeared to relate to the procurement of 14 types of Sierra Leone National Awards totalling 112 medals. There were to be awarded at the 55th Independence Ceremony on 27th April 2016. However, the available documentation appears to indicate that this presentation ceremony was cancelled.

In term of the payments made, six individual FT numbers, linked to the Bank of England GBP a/c 141000084, appeared to relate to the same payment value of GBP £87,125. These were documented as being related to the "Supply of Medals For Awards Ceremony To Govt Of Sierra Leone". Two debit value and four credit value entries suggested that actual payments of GBP £174,250 occurred between 30 June 2016 and 28 November 2016. Two of the debit and two of the credit transactions are likely to relate to performance bonds paid by Government via Crown Agents Bank and are not reversals.

Descriptions of the transactions are inconsistent with reference to 50% and 30% of contract value. However, it appeared that the supporting documents related to two transactions both for 50% of the contract value.

We also found the following:

- No original supporting invoices, delivery notes or shipping documents could be located
- A request for the provision of funds, dated 10th May 2016 from the Secretary to the President to the Financial Secretary, makes reference to the “55th Anniversary Celebrations on 27 April 2016”. However, three titles of the documents makes reference to a 2017 ceremony.
- The original quotation from the supplier notes that ‘we would be prepared to supply the damaged outer stock boxes and case as per listing at no charge’. No listing is provided, and it was unclear if this related to a later procurement for medal boxes

Based on our review of the available documentation it is impossible to conclude as to the purpose of this procurement and the ceremony or ceremonies to which the medals relate. We have therefore sought further information from the supplier but, at the time of preparing this report, that information has not been received.

Ebola Medals

Four individual FT numbers, linked to the Bank of England GBP a/c 141000084 and Crown Agents general Funding Account 142001019, were found to relate to the same payment value of GBP £78,802.50 and appear to relate to the Supply of Special Medals For Ebola Awards Ceremony at State House. One debit value and three credit values, suggesting two actual payments totalling GBP £157,605, occurred between 9 November 2015 and 25 April 2016. One debit and one credit transaction are likely to relate to performance bonds paid by Government via Crown Agents Bank and are not reversals. No supporting evidence could be traced at the Accountant Generals Office to support one of the payments.

Minutes from the Office of the President confirmed that a quotation was received for 200 Special Ebola Medals being 40 Silver Gilt; 50 Silver and 110 Silver Bronzed in Sterling Silver on 8 September 2015. No invitation to tender took place and this would therefore seem to be another single source procurement.

No NPPA communications were provided to us. However, a signed contract is in place and a performance bond was provided, albeit the authenticity of the latter has not been verified.

Reference was again made to the Clerk to Parliament to agree to invoke Subsection (2) Section 110 of the Constitution of Sierra Leone (Act No. 6 of 1991) to waive duties and taxes, minutes and again reports of meetings suggest that this was accepted by the Parliamentary Finance and Economic Committee. Once again, however, our initial review of the Constitution (see also above) suggests reference to this subsection may not be correct whilst again there was a notable absence of the involvement of the National Revenue Authority in the decision-making process.

For this procurement no original documents could be provided to us albeit a colour print of the delivery note (ref 512161) dated 16th December 2015, an invoice (ref 7990) dated 14th December 2015 for £78,802.50 and a Certificate of Verification, prepared by the Account General Stores and approved by the Secretary to the President, suggests that the goods were received on 16th December 2015.

However, our further enquiries found that AGD store department, verifications ceased in 2015, that the form provided was not the one used by the AGD store, and that the individual noted on the form was not known to the AGD staff. This therefore casts some doubt on the validity of the documentation referred to above.

Medal Cases

One payment was made, to the value GBP £17,860 on 13 July 2017, for (Ref: Chq No.274659 Dtd 8617) for the “Supply Of Goods And Services Rendered To State House For Awards Ceremony BO GOSL FAV”.

This payment appears to relate to 46 medal cases. However, the invoice relates to 58 medal cases whilst the delivery note relates to 12 Order of the Rokel 5th class; the invoice includes charges of £1,500 for delivery and attendance by the director of the company and DHL charges for certificates to Saudi Arabia. Thus, there are a number of inconsistencies in the supporting evidence.

It is therefore unclear if this procurement relates to payment for the boxes referred to in the National Honours 2017 procurement exercise. If it does relate to this then the expenditure was unnecessary as the original quote from the supplier states that ‘we would be prepared to supply the damaged outer stock boxes and case as per listing at no charge’.

We also considered that the company documents provided were not originals but appeared to be copies, scans or colour prints, given to the Stores Control Verification and dated 21 April 2017. It is unclear why original documents were not provided.

1.5.6 Military Supplies (Contract Value \$9,087,100)

A letter, signed on behalf of the Financial Secretary to the DG MOD represented a Certificate of Approval for the Award of Contract and requested approval to proceed with the contract. The letter stated that the contract had been concluded and that the following issues needed to be considered:

- Delivery is made according to the contract
- Payment is to be made to the supplier in line with the contract terms after appropriate WHT
- Original copies of appropriate performance bonds are submitted
- The signed contracts forwarded to the ministry before payment is made.

On 16 March 2016, a letter which appears to come from a senior civil servant in the MOD was sent to the Managing Director of the company informing them that they had been successful in their bid of 13 February 2016. Further supporting documents available on file included:

- A domestic tax clearance certificate dated 18 October 2017
- Certificate of company registration
- Certificate of incorporation

Then, on 10th March 2016 a letter was received from the National Public Procurement Authority (NPPA) stating that there was ‘no objection’ to the award of contract. Following this a 13-page contract, dated 17 March 2016 was signed by the ‘buyer’ and witness, it is unclear why the contract was not witnessed by a government official.

Subsequently, on 18th October 2017, the company Managing Director provided the company bank details for a payment of USD \$1,000,000. The payment was to be made to *Intermediary Bank of FBN International Bank PLC London*. A hand-written note suggests ‘further credit to FBN Bank (SL) Ltd.

As a result of this, on the 23 October 2017 a payment of USD \$1,000,000 was made out of the Federal Reserve Bank USD account 141000101 on FT1729668868. The payment was referred to as *“Part Pymt Fav XXX Services For The Supply Of Assorted Supplies To RSAF For ECOWAS Standby Force By Order Of Government Of S.Leone”*.

We were unable to trace the supporting documents for this payment at the Bank of Sierra Leone. Supporting documents, provided by the Accountant General's Office notes cheque number 276337 for Le 7,178,427,900 (USD\$ 946,675) dated 20 October 2017. The supporting letter appears to have been signed by Minister of Finance. The Le payment is short by the equivalent of USD\$ 53,325.

On 25th September 2017 (i.e. before the \$1m payment above) a senior civil servant in the MOD issued a request for the balance of 70% representing a final payment for the supply of assorted military equipment for the ECOWAS standby force. The letter refers to a contract to the value USD\$ 9,087,100. It suggests that 30% advance payment was made in March 2016. The letter also suggests that the payment should be made outside of the MOD budget.

This request for an allocation (for \$6,360,970) was signed and dated 25th September 2017, suggesting an outstanding balance of USD \$2,726,130. However, the advance payment was for USD \$2,724,000.

The letter contains a number of handwritten notes. One records that *‘we discussed this payment request with the HE yesterday process payment of USD \$1.5m out of the USD \$6,369,970 which represent 70% of the total contract.....and the balance from FY 2018’* The comment is dated 12 October 2017.’

A further handwritten note states the following *‘Lets pay the supplier the amount of \$1million’* dated 17 October 2017. On 6th October 2017 a signed letter acknowledged 100% supply of ECOWAS standby force equipment. Reference is made to

- Delivery note 116 dated 14 September 2017
- Invoice Ref 10025 dated 29 September 2017
- Receipt Voucher dated 18 August 2017

From our examination we found that the delivery notes have general information on the items supplied, but that no specifics were provided. For example, 22 (Mercedes) Benz Atego Troop Carriers are listed but no serial numbers, import documents, shipping or specifications were present

An ‘individual contract analysis’ form printed 20 October 2017 supporting the AGD pack then indicates that the following FX payments were made:

Date	USD	Le	EV no.	Cheq. No
05/08/2016	726,130.00	4,511,068,102.00	1158231	
24/11/2016	2,000,000.00	14,410,020,000.00	1163278	
20/10/2017	1,000,000.00	7,596,220,000.00	1174039	276337
	3,726,130.00	26,517,308,102.00		

Supporting documents, provided by the Accountant Generals Office in relation to cheque number 277293 for Le 38,280,337,325 and dated 9 February 2018, was supported by a letter that appeared to have been signed by the government minister.

A letter, from a senior civil servant in the MOD dated 1st January 2018, makes request for final payment of the balance of 59% of the contract.

Three payments are noted in the international bank accounts being:

Value Date	Credit
08/09/2016	689,823.50
29/11/2016	1,900,000.00
23/10/2017	1,000,000.00
	3,589,823.50

The payment values differ to the contract analysis.

Conclusions

A number of key points can be drawn from the foregoing analysis as follows:

- No specification was provided in any of the documents provided to us.
- No prices were specified on any document provided to us including the invoices. Reference is simply made to a flat rate figure of \$9,087,100
- The contract appears to afford the government limited protection albeit we do not offer a legal view on this point and we note that the contract was apparently agreed by the Solicitor General.
- Restricted procurement was used on the grounds of urgency, the 'sensitive nature of the products and the experience of the suppliers. However, many of the items purchased were, in fact, socks, clothing and standard motorised equipment.
- All of the suppliers would appear to be general merchants rather than specialists in military equipment.
- The contract was awarded and signed on 17 March 2016 with a stated delivery period of a maximum 90 days, the available documentation suggests that actual delivery was on or about 18th August 2017 being 519 days after contract signing date. No evidence exists of any challenge for this delay or enforcement of any performance bond.
- Article 10.0 of the contract "Effective Date and Life of Contract" states that the agreement shall enter into force from 31 March 2016 through 28th February 2017. No extension is on file whilst as noted above delivery was made outside of contract terms.
- No detailed serial numbers are noted on any delivery note, invoice or good receipt notes only general high-level descriptions.
- No WHT was applied and, no NRA waiver is on file.
- An 30% advance payment was made to the value of \$2,724,000, this payment could not be traced to the international bank account covered by our work.
- In practice an advance payment guarantee was provided, on behalf of the contractor, by Ecobank for \$2m. This is \$724,000 less than the advance payment.
- The guarantee was in force until 4 November 2016 no update guarantee is on file.
- We were unable to trace the advance or final payment in the international bank accounts.

In light of the above we have concluded that there is enough doubt surrounding this procurement to warrant further investigation and possible transfer, depending on the findings, to the Anti-Corruption Commission.

1.5.7 Arms Contract (Contract value \$45,898,250)

Correspondence and a contract was reviewed in relation to a procurement for Demolition Stores, Arms and Ammunition for Republic of Sierra Leone Armed Forces (RSLAF). The following section provides background and context on this contract.

- On the 14th July the NPPA wrote to the DG MOD providing no objection to sole source supply on the ground of sensitive military nature and that a special international licence is required to be able to legally deal in arms and ammunition.
- Two schedules of prices dated 14th April 2015 were provided by the supply company referencing MOD/HQ/JFC/KB/04/14 for 20 item lines valued at \$31,328,000 (no freight charges) and \$14,570,250 (inclusive of \$400,000 freight) for 18 item lines being a total of USD \$45,898,250 for 38 item lines
- A photocopy of an ECOWAS exemption certificate No. 042/04/15 to import arms and ammunition to the Republic of Sierra Leone is dated 17th April 2015. Reference is made to ECOWAS Convention on Small Arms and non-verbal reference SLHC/ABJ/ECW/225/15/020. The document relates to 12 item lines. A supporting letter from ECOWAS (not signed) was provided on 24th April 2015 to the HCSL Abuja. A supporting letter is issued dated 5 May 2016
- A photocopy of an ECOWAS exemption certificate No. 043/04/15 to import arms and ammunition to the Republic of Sierra Leone is dated 17th April 2015. Reference is made to ECOWAS Convention on Small Arms and non-verbal reference SLHC/ABJ/ECW/225/15/020. The document relates to 23 item lines. A supporting letter from ECOWAS (not signed) is provide 24th April 2015 to the HCSL Abuja. A supporting letter was issued dated 5th May 2016
- It is of note that the ECOWAS exemption certificates are not wholly consistent with the supply company submission
- A senior MOD Civil Servant wrote to the Clerk to Parliament on 28th April 2015 to request duty waiver. Reference to inserting the duty waiver can be found in a letter issued by the Development Secretary on 23rd April.
- The Committee on Finance and Economic Development agreed a duty waiver on 19th May 2015, drafted a report (dated 20th May and confirmed by letter from the Chair to the Majority Leader on 20th May 2015).
- The supplier was to provide 10% contract bond, 5% less than the advance payment.
- The effective period of the contract was 31 July 2015 to 30th June 2018.

Details of the payment terms and actual payments made are shown below:

Year	Value	Terms
	\$ 6,822,937.50	15% advance
	\$ 38,663,312.50	85% over 3 years
	\$ 45,486,250.00	
2017	\$ 3,221,942.70	
	\$ 3,221,942.70	
	\$ 3,221,942.70	

	\$	3,221,942.70	
	\$	12,887,770.80	
2018	\$	3,221,942.70	
	\$	3,221,942.70	
	\$	3,221,942.70	
	\$	3,221,942.70	
	\$	12,887,770.80	
2019	\$	3,221,942.70	
	\$	3,221,942.70	
	\$	3,221,942.70	
	\$	3,221,942.70	
	\$	12,887,770.80	\$ 38,663,312.40

On examining this contract in more detail we found the following:

- An unsigned letter to a senior MOD Civil Servant on 10th November 2015 outlines payment terms for the contract, stating the contract for \$45,898,250. However, this was to a different company.
- No trace of these values or transactions could be found in our international bank account database. There was one transaction linked to this company in the international payment database, however this was for the supply of ambulances.
- A contract was signed on 18th November 2015 between the MOD and the representative of the supply company. The contract is not signed by the MOD.
- The supplier was to withhold 5% withholding tax. This is contra to the waiver agreed by Parliament.
- The supplier was to supply 30% of goods each year. However, the treatment of the remaining 10% is not clear.
- A performance bond letter was provided from Union Trust Bank for \$1,988,924.17 dated 14 January 2016 expiry date of 31 December 2016, reference L/G No 786/9703-0025/16. A further advance payment bond letter is provided from Union Trust Bank for \$6,884,737.50 dated 14 January 2016 expiry date of 31 December 2016, reference L/G No 786/9703-0026/16. As noted above the contract period was through until 2018. Thus, these bonds did not cover the entire contract period.

No evidence of payment can be found in our database.

Conclusions

The company was awarded a contract on a sole source tender for USD \$45,898,250. A number of concerns have been identified as follows

- The available documents appear to make reference to two interchangeable companies
- No evidence of any payment can be found in our international payment database.
- Certain items are not supported by the ECOWAS exemption certificate
- Detail of the transactions cannot be found on <https://www.unroca.org/> arms trades database for any years.
- Here again the contract appears to afford the government limited protection albeit we do not offer a legal view on this point, we note that the contract was apparently agreed by the Solicitor General.

- WHT is noted in the contract but waiver has been applied.

As a result of the above we have concluded that there is sufficient uncertainty surrounding this procurement to warrant further investigation. Depending on the outcome of this it may then be appropriate to consider referring it to the Anti-Corruption Commission.

1.5.8 ORACLE Contract

A review of the BSL International Bank Accounts identified 20 transactions linked to a company awarded a contract to supply the BSL with Oracle, a database software and technology suite. The 20 transactions consisted of one debit (receipts from supplier) of USD\$ 6,100,000 and 19 credits (payments to supplier) totalling USD\$ 12,508,838 giving net credits of USD\$ 6,408,838. All 19 payments were made over the period 9th March 2017 to 17th May 2018. All transactions were in USD and paid from two BSL international bank accounts being Crown Agent General Funding Account 142001291 and the Federal Reserve Bank 141000101.

Payments for Oracle ranged from USD\$ 3,300,000 to USD\$ 41,000 excluding bank charges. A BSL IAD special investigation found that one payment for USD\$ 204,000 had been made to a fictitious account following BSL being the recipient of an email phishing scam in February 2018. These funds have not yet been recovered.

BSL IAD further confirmed the contract between BSL and the Oracle supplier had not been signed by the Oracle supplier at the time of their review and the Oracle system had yet to be implemented in the BSL despite them being paid USD\$ 6,408,838 since March 2017. Furthermore, examination of the payee descriptions indicated that one of the 19 payments for USD\$ 508,841 was for “support fees and penalties”, it is unclear what triggered the penalty payments where the supplier has not signed the contract.

1.5.9 Related Companies and potential over-pricing

Contracts were awarded to three Companies. Contracts Companies B and C related to the Ebola emergency, which was acknowledged by GOSL in May 2014 while the contract for Company D related to assorted goods for the Republic of Sierra Leone Armed Forces (RSLAF). A review of the international bank accounts traced 3 debits (receipts from the companies) and 20 credits (payments to the companies) as shown overleaf.

The contract with Company D is valued at USD 9,989,528 for the provision of G1098 stores. There is a single transaction valued at USD 998,952. We traced the transaction through to the international accounts, and found a transaction described as 30% payment for G1098 stoves. The dates fall within 5 days (25th to 30th November). Values from supporting documents and T24 are in the USD 900k bracket (999k & 949k respectively), a 50k variance.

It was unclear why the cheque states 10% whilst payment suggests 30%, with no further documents or transactions covering the remaining contract value.

Supporting documents for all three companies were then traced in the GOSL AGD archive We found that Companies B and C have the same Head Office address and Managing Directors with the same family name, while Companies C and D had the same trading address but owners with different family names.

These findings would suggest that the three Companies are potentially linked.

The supporting documents for all three companies, including contracts, invoices and delivery notes, with the contract details summarised as follows:

Contract Date	Contract Description	Contract Amount (USD\$)
08/11/2013	Contract between GOSL MOHS and Company B for medical supplies	6,942,606.00
22/07/2014	Contract between GOSL MOHS and Company C for medical supplies	3,964,143.97
22/08/2014	Contract between GOSL MOHS and Company C for additional personal protective equipment (PPE Kits), hospital and clinical thermometer and Sodium Hypo Chlorite	2,501,280.00
08/08/2016	Contract between GOSL Defence and Company D for supply and delivery of various items to Sierra Leone Armed Forces	9,989,528.00
Total contract value		23,397,557.97

Company B

The contract between GOSL MOHS and Company B for USD\$ 6,942,606 indicates that payment for the contract would be a 30% advance payment with the remaining 70% balance to be paid within 45 days of the completion of delivery and date of acceptance of certificates for the respective delivery issued by the purchaser.

The AGD Individual Contract Analysis document shows that a total of USD\$ 6,942,606 (equivalent to Le 32,877,734,211) was paid on this contract in six payments spanning a three-year period from 22 November 2013 to 16 December 2016.

A 9-page Schedule of Requirement dated 18 October 2013, provided to support the contract contained 40 different line items with descriptions, quantities, unit prices and totals in USDs. A comparison of a sample of three items with prices for comparable items from comparable suppliers indicates price differences which could suggest over pricing

For example, items bought from Company B cost between two and six times more than sourced elsewhere, indicating that GOSL may have achieved poor value for money. A table summarising the results of our price comparison exercise is shown below:

#	Description (SoR dated 18/10/13)	Amount per unit per SoR (USD\$)	Converted Amount per unit per SoR (GBP£)	Amount per Internet Searches (GBP£)	Difference between SoR v Internet Searches (GBP£)	Times Difference
1	Adult Wheel Chairs	589	367	200	167	1.8
2	Vital Signs Monitors	5,045	3,142	1,443	1,699	2.2
3	ECG Analyser	25,050	15,601	2,650	12,951	5.9

Company C

Company C entered into two contracts with the GOSL, one contract for medical supplies and one contract for additional personal protective equipment (PPE Kits), hospital and clinical thermometer and Sodium Hypo Chlorite (Powder Chlorine 45 kg). A summary of the supporting documents provided is shown below:

Contract dated 22 July 2014

The supporting documents traced at the AGD did not include all procurement documents although, from the documents provided, the following chronology was noted:

- On 11th July 2014, NPPA approved that the contractor could be used as the sole source procurement due to the urgent need to procure items for the Ebola emergency
- On 22th July 2014, a contract between GOSL and Company C for medical supplies for USD\$ 3,964,143.97 was signed with payment terms being 30% advance payment and the balance of 70% due after complete delivery. The contract, (para 10.1) states that *"delivery of goods shall be made by the supplier in accordance with the terms specified in the Schedule of Requirements"*.
- Delivery notes show deliveries between 27th July 2014 (Del No: Ebola 2014-01) and 27th October 2014 (Del No: Ebola 2014-32), with deliveries ranging from 5 days to 3 months after the date of contract signing.
- On 23rd October 2014, Company C issued an invoice for USD\$ 3,964,143.97 for 63 items for medical supplies to GOSL.

Contract dated 22 August 2014

The supporting documents traced at the AGD did not include all procurement documents although, from the documents provided, the following chronology was noted:

- On 21st August 2014, Permanent Secretary wrote to Company C confirming that the MOHS endorsed them to supply an additional 1,600 PPE kits approved by WHO based on the sample submitted by Company C.
- On 22 August 2014, a contract between GOSL and Company C for USD\$ 2,501,280 for additional PPE Kits, hospital and clinical thermometer and Sodium Hypo Chlorite (Powder Chlorine 45 kg) for Ebola emergency was signed. The contract (para 10.1) indicates *"delivery of goods shall be 50-60 days after signing of contract and receipt of advance payment or be made by the supplier in accordance with the terms specified in the Schedule of Requirements"*
- Delivery notes show that the goods were delivered between 27th September 2014 (Del No: Ebola 2014-01) and 22nd October 2014 (Del No: Add 2014-06), being one to two months (30-60 days approximately) after the contract was signed.
- On 23rd October 2014, an invoice lists three items being additional PPE Kits, hospital and clinical thermometer and Sodium Hypo Chlorite (Powder Chlorine 45 kg) for the Ebola emergency response

The contractual value for both of these contracts should have led to an International Competitive Bidding procurement being undertaken to ensure GOSL received value for money however the contract was sole sourced to Company C. However, given the urgency of the Ebola emergency the failure to do so may be understandable.

NPPA approved a no objection to the sole source procurement due to the need to urgently procure items. Documents provided show the PPE as well as Hospital and Clinical Thermometers were shipped into Sierra Leone via air indicating the goods were sourced from overseas suppliers or manufacturers.

A comparison of a sample of three items with prices for comparable items from suppliers in the UK again found potential over-pricing with items bought from Company C costing between 2.2 and 5 times more, indicating GOSL may have suffered a financial loss. A table summarising the outcome of our price comparison exercise is shown below:

# Description (Inv #994 dated 23/10/2014)	Amount per unit per Invoice #994 dated 23/10/2014 (USD\$)	Converted Amount per unit per Inv #994 dated 23/10/2014 (GBP£)	Amount per Internet Searches (USD\$/GBP£)	Difference between Inv #994 v Internet Searches (GBP£)	Times Difference
1 Surgical gloves 7, 7.5 and 8	39.77	-	USD\$ 18	22	2.2
2 Personnel Protective Equipment	904.55	562	159	403	3.5
3 Kidney Dish (size not specified on inv)	25.00	16	3	12	5.0

We also noted that Company C's invoice contains minimal descriptions and few if any details on what equipment is included within personal protective equipment or the size of equipment ordered, such as kidney dishes (normally in sizes of 500ml, 750ml and 1,500 ml).

Based on the findings of the price comparison exercise we recommend that this contract, and all other contracts between the GOSL and Company C, are subject to detailed investigation with a view to either cancelling them or renegotiating their value.

Company D

The contract between Company D and the Deputy Minister of Defence, acting on behalf of GOSL for the supply and delivery of various items to Sierra Leone Armed Forces for USD\$ 9,989,528 was entered in to on 8th August 2016. Payment terms were to be a 10% advance payment upon submission of 10% advance payment guarantee and a 10% performance bond to the MOD, and the remaining 90% based on final receipt of the various items. The contract lists 31 different items expected to be provided under the contract.

Prior to signing of the contract, a representative of the Financial Secretary, Ministry of Finance and Economic Development wrote to the Director General, Ministry of Defence, confirming that a draft version of the contract had been reviewed and they granted approval with four conditions.

A comparison of a sample of three items with prices from comparable suppliers found potential over pricing, with items bought from Company D costing between 2.8 and 5.4 times more than the market rate, indicating, again, that the GOSL may, at best, have achieved poor value for money or at worst been the victim of price fixing, A table summarising the outcome of this price comparison exercise is shown below:

# Description (Doc No 00111 dated 13/10/2016)	Amount per unit per Doc No 00111 dated 13/10/2016	Converted Amount per unit per Doc No 00111 dated 13/10/2016 (GBP£)	Amount per Internet Searches (GBP£)	Difference between Doc No 00111 v Internet Searches (GBP£)	Times Difference
1 Tentage 10 Man	2,200	1,797	365	1,432	4.9
2 Bed Roll Mat	99	81	15	66	5.4
3 Mosquito Net	79	51	18	33	2.8

1.5.9 Re-Direction of payment in favour of a company's Leones to USD Account

On 13th March 2017, Company E wrote to the Accountant General requesting that the payment be made in USD instead of Leones because 'the exchange rate used was not feasible for the funds transfer'.

On 14th March 2017, the 'Accountant General Department' wrote to the 'Director of Banking' at the 'Sierra Leone Central Bank' to request that the initial payment amounting to Le1,904,923,695 that was made to a company, be redirected to their USD dollar account instead of their Leones account where the initial cheque (number 273176) had originally been paid.

We confirmed the Leone value is credited back to the BSL account and subsequently repaid in USD but it is not clear why a payment in USD was required in this instance.

1.5.10 Duplicate Payments

Our work has identified two potentially duplicate payment transactions. There were two payments on the 6 March 2018 for the same value of Le 999,999,949.77 to two different suppliers for medical supplies under FT1806577570 and FT1806516098.

The veracity of these payments should therefore be confirmed.

1.5.11 Payment Tracing

We traced 28 payments, to the value USD 43,647,173.18, that appear to have been made to 14 Sierra Leone based businesses with a total contract commitment in total of USD158,779,872.00. As noted earlier in this section no evidence of payment can be traced for one contract valued at USD 45,898,250.00.

The available supporting evidence suggests that all payments were made in USD but to local Sierra Leone Commercial Banks. Not all payments could be traced to the international bank account database also suggesting that some payments were made in Leone equivalent. We attempted to trace transactions to the AGD General Expenditure account and noted the following examples, anomalies and inconsistencies:

- For a 2014 Fertilizer contract there were three forex transactions totalling USD 2,184,494 from 2014. Using the description and cheque numbers we were able to link these payments to two international transactions totalling USD 1,395,044.78. From the 2016 Fertilizer contract, there were four forex transactions between November 2016 and December 2017 totalling USD 4,290,000. Using the description and cheque numbers, we were again able to link these payments to five transactions within our international database, totalling USD 1,195,537.60. We obtained a general journal dated 10/03/2016 which captured a fertilizer related payment to the company totalling USD 300,000 and traced this to both international bank accounts and to the AGD General Expenditure account (Acc 0111001279). There were an additional five transactions regarding fertilizer for the value USD1,553,413.08. We have matched 10 of 13 transactions between international transactions and AGD, with three being matched but having value differences of Le 180m, 258m and 1.32bn. We are unable to reconcile these transactions.
- A contract awarded to a company for the provision of Security Scanners for Sierra Leone Police had a value of USD4,455,848. Two transactions were identified from supporting documents, being USD 1,005,081 in March 2015 and USD 990,102 in August 2015. Neither transaction could be traced to the international database. However we located the Leones value for the 990k transaction (Le 4.955bn) in the AGD General Expenditure account.

- A contract was awarded to a company for the provision of medical equipment for Ministry of Health and Sanitation, to the value of USD 5,691,510. Two transactions were identified from supporting documents, USD 1,138,302 in November 2015 and USD 2,845,755 in May 2017. We could not identify these transactions in the international database or AGD General Expenditure account. One transaction for USD 130,600 was traced with a corresponding Leones amount of Le 999,999,949 in the AGD account on the same day (06/03/2018).
- Sierra Leone Police engaged in a contract with a company for the provision of 25 new vehicles, valued at USD 1,513,900. Contract analysis identified a single payment of USD 454,170. We could not locate this value in the international accounts. We did, however, identify a Leone value equivalent to USD 454,000 transaction (Le 3.279bn) in the AGD General Expenditure account.
- The Ministry of Agriculture, Forestry and Food Security had a contract with a company for the provision of fertilizer, valued at USD 6,660,000. The contract analysis identified a single payment of USD 666,000. We could not locate the USD 660,000 in the international accounts. We found the Leones value for the USD 660,000 transaction (Le 4.115bn) in the AGD General Expenditure account. The description indicated that this was a bulk posting debit.
- Sierra Leone Police engaged in a contract with a supplier for the provision of new vehicles, valued at USD 1,400,000. The contract analysis identified a single payment of USD 420,000. We could not locate the USD 420,000 in the international accounts. We have identified three credits to the supplier totalling USD 396,900 made between August 2017 to January 2018 which relate to the payments for the supply of vehicles. Whilst they could be related to the contract it was not clear from the available evidence.
- There is a single transaction for one company valued at USD 298,348 for the supply of health and sanitation materials. This transaction was traced to the international transactions.
- A supplier held a contract with Ministry of Defence for the provision of military uniforms. This was valued at USD 33,461,816. We identified two payments valued at USD 3,346,181 in November 2016 and USD 6,692,363 in June 2017. We identified six transactions related to the company in the international accounts. The first transactions matched with the USD 3,346,181 transaction and both the descriptions and dates are similar. However, there was a USD 167,000 variance between the documents and T24. A second transaction of USD 134,000 relates to Republic of Sierra Leone Armed Forces (RSLAF) and is possibly a linked payment. There were four transactions that had the cheque number 274750. These came to USD 1,827,773 against the USD 6,692,000, a significant variance against the amount identified in hard copy documents, and descriptions indicate that these payments account for 80% of the total contract.
- A company was awarded a contract with SL Police for the provision of public order equipment, valued at USD 3,902,600. There were three transactions of USD 1,170,788, USD 217,437 and USD 975,650. For the USD 1.17m transactions, payments in the international accounts were split into six individual payments. We matched these using the cheque number. The total of all six payments was 1,106,394, which leaves a difference of USD 64,400. We identified an exact match on value for the USD 217, 437 transaction. No matching payment could be traced for the final USD 975,650 transaction in the international accounts. We searched the AGD account and identified six transactions totalling Le 6bn, with a matching cheque number. The Le value of the actual transaction was 7bn therefore one payment is possibly outside of the audit period.
- National Civil Registration Authority held a contract with a company for the provision of biometric kits. There is a single transaction valued at USD 2,641,904. We traced this transaction through and found two credits and one debit that are related to the transaction. One of the debits and the credit equalled USD 199,970 and appeared to reverse one another. The remaining transaction in international accounts was USD 200,000. The date for this transaction matched, and the description includes the cheque number. Review of the AGD account found the Leones value for the USD 200,000 transaction. There is a significant discrepancy between the transaction at USD 2.6m and the international transaction of USD 200,000.

- A company held a contract valued at USD 640,000, with one single transaction of USD 269,350 for 'consultancy fees'. We reviewed the international accounts and found one similar transaction with dates that were in the same period (December 2017/ January 2018), however there was also a value discrepancy (\$269k in documents compared to \$254.5k in T24).
- The Ministry of Agriculture, Forestry and Food Security has a contract with a company for the supply of fertilizer. There were four transactions valued at USD 1,314,000, USD 3,942,999, USD 438,000 and USD 705,000. We could not find any related transactions in the international database for the USD 1,314,000 and USD 3,942,999 transactions. Three transactions: USD 416,100, USD 350,000 and USD 316,225 had matching cheque numbers to the USD 438,000 and USD 705,000 transactions. There was an outstanding balance of 61,000. We checked the Leones values for the two unmatched transactions (1.3m and 3.9m) to AGD account and found the 1.3m (1.045bn). We could not identify the 3.9m (9.586bn) in the AGD accounts.

In our opinion all of the above discrepancies warrant further analysis and investigation.

1.5.12 Ministry of Sports – Cash payments

Sierra Leone v Ivory Coast (2017 AFCON) - USD 173,143

A review of the documentation supporting this cash payment of USD 173,143 noted the following anomalies:

- The payment voucher was for a flat figure
- There was no supporting breakdown of individuals involved
- Supporting evidence for travel, such as payments for fuel costs or air travel was not located;
- The budget request was not on letter headed paper and did not include a breakdown of expected costs;

1.5.13 Volleyball Championship in Austria (2017 FIVB)

The Fédération Internationale de Volleyball (FIVB) website confirms the competition schedule which aligned to the travel dates and the attendance of the Sierra Leone men's team. Dates matched the flight bookings.


A review of the Revised Budget found a breakdown of the costs including visa fees, accommodation, DSAs for individuals taking part (deputy minister, technical director and media) and allowances for athletes and officials.

Travel was not included in the budget for this trip but we located the supporting documentation at AGD. This included the estimated cost of the flights for each of the athletes and other participants. The documentation for the air tickets was, however, dated September and October 2017 and was therefore approved following the event.

We compared the revised budget provided with the allowance's payment, dated 31st July 2017, to the budget from the revised budget provided with the air tickets payment. We identified a USD 36,530 variance between the air ticket and allowances budget, mainly relating to air tickets, clothing and accommodation allowances.

A review of the supporting documents provided by the travel company noted the following anomalies:

- Outbound information was missing for five of nine individuals,
- Outbound information for the remaining four was not on the expected dates in line with the competition. Some of these appear to have been for the following month: 20th August 2017.

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- Inbound information was provided for all nine, with four travelling on reasonable dates. Two travelled slightly later; however there was a 20/ 21 days delay before the final three individuals travelled with no explanation provided.
 - One individual travelled from Paris and not Vienna.

We realise that there may well be acceptable explanations for some of the above anomalies. However, we consider that this warrants further investigation.

GOVERNANCE AND CONTROLS FINDINGS

Governance and Controls Tasks

- Conduct a review of both the front and back office functions covering banking operations and currency management with the view to evaluating the effectiveness of internal controls over transactions
- Summarise any discrepancies noted in internal control procedures for the above transactions including non-compliance with BSL policies and regulations, the Sierra Leone Public Financial Management Act of 2016, non-adherence to authorisation procedures, and any other policies/procedures/regulations applicable.
- Document existing policies in summary form and recommend remedial measures to strengthen key operational controls in relevant areas
- Review and evaluate the effectiveness of the BSL and MDAs internal controls over transactions, in particular the adequacy of BSL and MDA's staff and management's adherence to documented policies (such as authorisation and recording procedures).
- Assess whether management of the MDAs and the BSL fulfilled their relevant fiduciary duties.

As part of the agreed terms of reference for this review we were required to conduct a review of both the front and back office functions covering banking operations and currency management with a view to evaluating the effectiveness of internal controls over transactions.

This element of our work focussed on activities within the following areas;

- Banking Division: processing of forex and associated authorisations;
- Physical security within the banking hall, cashier offices, areas where currency is counted, the vaults and entrances to both Bank of Sierra Leone premises within Freetown,
- Vouching and archiving of forex records,
- Permissions granted to cashiers in T24 by MIS,
- Human Resource processes in place for the recruitment of banking staff.
- Review of current Banking Division procedures.

We also visited the following Ministries:

- Ministry of Mines and Mineral Resources;
- Ministry of Fisheries and Marine resources

1.6 Front Office

1.6.1 Banking Operations – Physical Security / Movement of Cash

The bank is, or should be, Sierra Leone's pre-eminent financial organisation, however we found that arrangement for physical security fell some way below the standards one would expect to find.

Access to the BSL is via an entrance manned by SL Police acting as security. The entrance is used by staff, visitors and customers alike. From observation, on multiple occasions, we found;

- persons not passing through the metal detector going unchallenged,
- where bags were scanned limited evidence of physical searches
- when the metal detector identified metal on persons passing through, the warnings were ignored.

Further, we noted that BSL security does not carry out any checks at all on persons leaving the BSL premises.

Recommendations

The bank should recruit a suitably qualified bank security consultant to report and make recommendations on the security enhancements required that are commensurate with the bank's activities.

Without delay the bank should implement security procedures that are subject to effective monitoring to ensure that only authorised persons are allowed to enter the bank's locations.

Management should ensure that staff are trained in the operation of x-ray machines and that searches are carried out in an effective manner. This may require the implementation of a training programme supported by management monitoring to ensure that checks are carried out effectively.

Management should introduce a process for the searching of staff and visitors leaving the bank's premises to reduce the risk of theft.

We also noted a number of other weaknesses as follows:

- Customers making deposits and withdrawals are not restricted to designated public areas within the bank. Our testing and observation found no physical controls in place to restrict customer access to the outer cashier office.
- Neither BSL staff or visitors are required to wear and openly display identification badges meaning that the identification of visitors is not immediately obvious. Testing found visitors walking in corridors and accessing BSL staff offices without supervision or authorisation, including the Assistant Directors office.
- Cash counting in the outer cashier office often occurs without any physical security in place to prevent unauthorised access to cash by customers, visitors or unauthorised staff.
- We observed the counting of large amounts of cash in the outer cashier office taking place without any physical security in place or security guards being present to deter or prevent theft. A lack of such security measures means there is no visible physical deterrent to theft.

Recommendations

Management should investigate options for restricting bank customers to the banking hall only by introducing a dedicated entrance.

Access to the Cashiers Office should be restricted to authorised persons only. To achieve this a physical barrier should be implemented and staff should challenge any persons that are believed to be in the Cashiers Office without authorisation.

Management should consider the implementation of identity cards that identify those staff that are authorised to access areas where valuable property and information is held within the banking hall area and its environs.

Due to the current lack of physical security in the outer cash office and its environs, management should consider posting a security guard in the office to provide protection for staff and for the currency held in the outer cash office.

Staff should be reminded that currency should not be left unattended in the office under any circumstances.

We also reviewed foreign currency cash movements from the outer cashier office to Vault VI (which is on the floor below) and observed that, when the amount of foreign currency received each day reaches USD\$10,000 (or the equivalent in other currencies), the cash is moved to Vault VI by two designated members of the Banking Division. When a withdrawal is required, the process is reversed. We noted, however, that the movement of large sums of cash does not require escort by security whilst the route taken is not restricted to BSL staff and requires those moving large cash values to pass customers during this process.

Recommendation

In the longer term, the route from the outer cashier office to Vault IV should be restricted to approved staff only. In the shorter term, at the time staff move currency from Vault IV to the outer cash office and vice versa, Security should clear the route of all customers whilst the transfer takes place

More generally the cash offices in the Banking Hall are temporary in nature and do not provide a secure physical barrier between the cashier and the Banking Hall. These temporary cash offices were noted during our initial scoping visit in December 2018 but are still in use six months later. From observation, it appeared that work on the refurbishment of the Banking Hall has not progressed significantly and it is therefore likely that these cashier offices may be in use for a significant amount of time thereby extending many of the problems and risks referred to above.

1.6.2 Banking Operations – Cash Office Security / Receipts

Physical Access controls

Cashiers are responsible for security of their designated cashier office. However, the current procedures do not specify cashier responsibilities for office keys beyond obtaining and returning the key at the end of business. We noted, from observation in the main cashier office, that a cashier office door had been left open with the keys in the door and the cage was unattended for the period we were in the office (several minutes). Unauthorised access to cash, office keys and secure items such as cashier stamps could result in theft, inappropriate use at a later date and further unauthorised access if a key is stolen.

Recommendation

Management should remind all staff that Cashier Offices should not be left open and unattended. If any member of staff notices that a cash office is left open and unattended then this should be reported to the Supervising Cashier immediately.

Customers making deposits should be able to clearly see the cash register displays and see that the cash is rung into the till. At present T24 cannot be accessed from within each cash office and display screens are not provided to allow customers to view the input of their transactions into T24. Customers are currently provided with a T24 receipt which is produced out of view. However, signed receipts are not obtained at this stage to confirm that deposits of often large sums of cash have been deposited.

Recommendation

Management should set up monitors within the Cash Offices to provide customers with additional assurance that deposits have been entered in to the banking system and the receipt provided is visibly produced as a result of the transaction taking place.

Current procedures require customers making deposits to go to the Assistant Directors office to obtain a sequentially numbered, signed voucher as proof of the deposit being made. This process requires the customer to leave the banking hall and access the Assistant Directors office. The latter should be a secure location where customer access is prevented. Thus, all parts of the transaction should be carried out across a secure cashier window which would not require a visit to the Assistant Director's office.

Recommendation

Procedures should be amended to require all stages of the deposit process taking place in the cashiers office / banking hall.

Customers depositing foreign currency should, as a minimum, be provided with a T24 print out using controlled stationery that is sequentially numbered, watermarked and includes the BSL logo as evidence of secure printing. In this regard we found that, at present, the T24 receipt provided to customers depositing foreign currency, was printed on plain paper that had a poor copy of the BSL logo printed on it. T24 receipts should be printed on secure letterhead. In the instance observed, the foreign currency cashier printed a letterhead then put the paper through again to print the deposit document. Ideally this should be a one-step process and utilise a document with a full letterhead, watermark and sequential number. This stationary should then be held securely.

Recommendation

Controlled stationery should be used to provide some assurance of the authenticity of each transaction.

IT Access controls

It is important that only those BSL staff with responsibility for foreign currency should have the relevant access rights in T24. We noted that at present there is one designated foreign currency cashier with a second cashier completing the role in her absence.

However, on checking the foreign currency permissions in T24 we noted 16 live cashier log-ins all with United States dollar permissions. This is a significant break down in internal control as it means that those who do not require or need access can still access the T24 system. This, in turn, increases the risk of fraud.

Recommendation

The Assistant Director should advise MIS formally by memorandum when permissions should be amended. Access to T24 should then be monitored and limited.

Furthermore, foreign cashiers should only be provided with the appropriate level of access as required. We noted a memorandum sent by the Assistant Director to MIS requesting that a cashier's access was amended to Supervising Cashier due to absence. The absence was intended to cover a single day, 8th February 2019. However, as the request did not specify dates, testing identify the cashier's rights had not been returned to cashier level access. Giving banking staff access rights above their operational need may, again, increase the risk of misuse of T24 and of fraud.

Recommendation

The Assistant Director should advise MIS formally by memorandum when permissions should be amended providing specific dates during which the changes in access should be applied.

Policies and procedures

A review of the current draft banking procedures noted that these procedures identify each member of staff required to authorise deposits and withdrawals. However, the current draft procedures do not identify alternative authorisers in the event of staff absence.

Recommendation

Procedures should identify alternative authorisers in the event of absence.

Vouching is required to be completed by an officer of the Payments System and Controls Division. This is intended to provide an independent assurance and as a final confirmation that each foreign currency transaction has been processed correctly and in full. However, our own walkthrough of the vouching process identified that the vouching backlog went back to the end of 2018, a delay of approximately two/three months at the time of testing. The delay in the vouching process results in the authorisation and completion of the foreign currency transaction process not being subject to all laid down controls. Thus there is no independent assurance available that each transaction has been processed correctly. Moreover, this means that the timely correction of errors cannot take place. At the time of preparing this report, the vouching requirements have not been updated in the Banking Division procedures.

Recommendations

Management should ensure that vouching is completed on a daily basis to provide independent confirmation that all forex deposits and withdrawals have been processed in accordance with expected requirements.

The current draft banking division procedures should be amended to include vouching as a mandatory part of the daily processing of forex deposit and withdrawal processes.

1.6.3 Banking Operations – Physical Security of Vault IV

During our review our team made two visits to Vault IV. The team were granted access to Vault IV by two designated banking office staff already present in the vault. On the first visit the auditor was not searched on entry or exit of the vault. On the second visit, the auditor was only searched on exit.

Recommendations

Management should not allow other members of staff, or visitors, to enter the vault without ensuring that adequate searches are taking place.

Security should be reminded that all staff entering Vault IV should be thoroughly searched on entry and exit regardless of their status.

Foreign currency is held in a 'black box' within Vault IV which should be secured by two padlocks each accessed separately by designated banking office staff from locked cabinets within Vault IV. During our review we noted that one of the combination locks was broken. Therefore, access to one of the keys used to open the 'black box' was not restricted to one of the designated key holders. Accordingly, the intended control of restricting the opening of the 'black box' to specified members of staff can be by-passed.

Recommendation

Management should ensure that access to the black box padlocks are restricted to designated staff only.

Vault IV requires two key holders and only designated key holders are allocated keys for the Vault. Keys are stored in safes in separate parts of the bank under the responsibility of two separate departments. The Panel A key is collected each morning by the named member of staff in accordance with the roster approved by the OIC General Services Department.

From our testing of the collection and return of the key in the register held within General Services Department, we noted that the register did not match the roster for the week commencing 10 February 2019. We established that this was because two members of staff on the roster had changed weeks. The OIC, supported by a memorandum issued on 14 November 2018, indicated that any request to change the roster must be made in writing to provide assurance that only the designated key holder can collect the key each day.

The implication of this finding is that unauthorised members of staff may gain access to vault keys, increasing the risk of collusion and unauthorised access.

Recommendations

Only staff identified on the roster should be allowed to collect Panel A keys on the specified duty dates.

Any changes in the roster between authorised staff should be submitted to the OIC in the General Services Department in writing 24 hours before the change in roster takes place.

Our work identified there is no reference to theft or fraud, and the subsequent action to be taken in the current draft procedures. This means that BSL staff may be unaware of the actions to be taken in the event of suspecting theft or fraud taking place and an opportunity to prevent the fraud or theft or at least minimise the impact, could be lost.

Recommendation

The procedures should be updated to include guidance to staff on the steps to be taken in the event that fraud or theft is found or suspected. This should include setting up appropriate whistle blowing processes.

1.6.4 Information Technology – Audit Trail

The Special Report made reference to deleted transactions, we reviewed the processes followed and the submission of electronic data to print the relevant T24 sheet. Mapping of T24 to the FCR noted a small number of inconsistencies and missing documents (these exceptions are dealt with elsewhere in this report)

The current version of T24 does not have exception reporting functionality (albeit we were not able to confirm with Temenos, the provider of T24). Exception reporting can, however, be created locally by the IT support team. Introducing some form of reporting in this area could improve the Banks's ability to identify deletions, mismatches and unmatched activity.

Recommendation

A suite of standard reports should be developed that would serve to highlight unusual activities in key risk areas

1.6.5 Information Technology – Access Controls

Access logs for all BSL staff were reviewed and it was identified that 43 of 323 BSL staff (13%) had never logged on to their domain. Of these 43 accounts 17 were enabled accounts and 26 disabled accounts.

It is noted that all BSL professional staff should have an assigned laptop or desktop, six BSL staff use their own personal computers, we are informed these are used when the assigned PC is not functioning properly. We were informed that personal laptops can be used for email, but not any bank systems such as SWIFT, T24 and Sun. However, this was found to be incorrect as we witnessed a member of BSL IT staff using SWIFT on their personal laptop, this practice should be stopped with immediate effect. BSL IT staff indicated that there were no policy or procedures covering use of personal laptops for work.

None of the IT systems have the functionality to generate audit trail showing additions, amendments or suspensions/ deletions. Active Directory changes, user registration, modification and de-registration forms are completed and signed by HR and systems administration.

We identified three administration profiles in SWIFT, which were held by two members of BSL system administration with the third being a generic profile. Where changes are made in the generic profile the opportunity to traced the changes to a specific member of staff are limited.

Recommendations

Access privileges should be reviewed on a regular basis and unused profiles removed.

Access rights and profiles should be reflective of business needs and not generic.

Staff should be required to sign up to the BSL IT policy which include international best practice and Sierra Leone legislation including data protection, email and IT usage policy including internet browsing, password protocols; adding peripherals, approval of IT equipment for use on BSL network, use and access of other systems, working on documents at home or away from the office access to third party sites and use of own computers.

All profiles should be allocated to a named individual (including IT support) to allow audit trails to be undertaken.

1.6.6 Currency Destruction

We tested records relating to the destruction of currency but were informed that BSL do not routinely destroy forex. In this regard we saw no evidence of foreign currencies being destroyed, or of mutilated/damaged bank notes being returned to their country of origin for replenishment

We were provided with records for a six-month period of 2017 only. No records could be provided or traced for 2015 and 2016. We were informed that no destructions took place in 2018 and visual verification suggests this could be correct given the volume of mutilated notes awaiting destruction in the Vault.

The process in place during 2017 was for the director of the Banking Department to send a memorandum to the Governor confirming the destruction of currency had occurred and to provide an update on progress. All documents are internally generated, there is no third-party supplier / external party used. Executive approval of the Governor is required to approve destruction of the notes.

There is no sequential numbering on the Certificates of Destruction (CODs), they are not security documents and look to be photocopied on standard paper. The CODs have similar numbers of notes and denominations being destroyed at a similar time, in the absence of individually numbering it is difficult to differentiate and authenticate.

No currency type is listed on CODs but denominations match Le, we have assumed all CODs seen related to Le.

Of the 153 CODs tested all are signed by all members of BSL staff involved. There are an immaterial number of exceptions where one signature was missing.

1.7 Back Office

1.7.1 Internal Audit Department: Resourcing

The 2017 and 2018 Internal Audit Plans were reviewed alongside the number of professional staff members at each grade in the IAD. Assumptions on the total amount of time available for each grade of staff to complete work were made as well as the number of days available annually after allowing for weekends, annual leave and bank holidays. A lower percentage of available days were assumed for audit staff to allow for training time and for comparative purposes, The total client days expected in a commercial audit firm were factored into our calculation albeit we have not assumed a similar level of productivity for the in-house team.

Based on this analysis it would appear that, even on a very conservative set of assumptions, there is greater capacity to deliver work than is currently being achieved given the annual resource plan of 554 days (using 2017 as an example). Furthermore, we noted that there were two people in the Quality Assurance and Improvement Programme (QAIP) and three people including a manager in the Follow-Up and Special Assignments Section. This compared to only one person, but four vacancies (including one manager,) in the IT audit team. Given the importance of IT controls this is a crucial gap. We also concluded that, the current structure, if all vacancies were filled, would be top heavy with one director and three assistant directors overseeing a team of three senior managers, two managers and 16 staff. We therefore recommend that the current structure of the team is revisited before current vacancies are filled and that as part of this priority is given to strengthening the team's IT audit capability either by recruitment or by training members of the existing team in core IT audit skills.

1.7.2 Internal Audit Department: Special Reviews

The BSL Internal Audit Special Investigations Team have undertaken special investigations into questionable SWIFT payments and unmatched transactions including (redacted for confidentiality purposes) the following:

1. Special investigation into a named business;
2. Investigation into the payment of Oracle support fees into a fictitious account;
3. Verification of Deposits and Withdrawals of Foreign currencies at the Banking Department
4. Special investigation into the Uncleared Balance in the Sundry Payments Account;
5. Letter of complaint from the Director of Finance, National Revenue Authority relating to an untraceable payment of \$35,000 in respect of Diamond Export License;
6. Investigation of Payment of Le37.32 Billion in favour of a named business.

On reviewing these reports we noted the following points:

- disciplinary action was usually not proposed against BSL individuals involved, including noted failures in the BSL Finance Department. Some of these individuals still remain in post in BSL.
- No individuals or postholders are named in one report even though this report suggests the potential to “bribe” to obtain a financial certificate rather than properly meet official requirements.
- The “Ways and Means” report demonstrates a level of non-compliance and potential fraud.
- Finally, the report on unsupported Forex transactions has been cross referenced to our work elsewhere in this report.

1.7.3 Anti-Fraud Culture

Our online searches and interviews with staff identified that the BSL does not have a confidential fraud/whistle blowing hotline advertised on their website where suspicions of potentially fraudulent activity can be reported. It is advisable, especially for financial services entities, to have a confidential fraud/whistle blowing hotline in place so that employees and others can confidentially alert an organisation about suspicions of misconduct, malpractice, unlawful or unethical behaviour within the workplace. Whistle blowing hotlines also perform a deterrent role as their availability can influence people's behaviour if they are aware a reporting mechanism exists.

By way of example, the UK regulators now require all financial services institutions to have some form of hotline in place and also to nominate a senior staff member to act as the “champion” of these arrangements. We have made a recommendation in this regard earlier in this report.

1.8 Other Issues

1.8.1 Parallel Foreign Exchange Market

In August 2017, it emerged that BSL staff appeared to be operating a parallel foreign exchange market from the central bank's premises.

In addition to reconciling cash FX accounts and testing transactions we considered the opportunities that might exist which would allow staff to create and fund such a parallel system. Clearly, with sufficient levels of collusion anything is possible.

However, having reviewed the investigation documents, analysed the FCR and T24 data and considered the opportunities for the fraud to occur we have concluded that, unless there were high levels of collusion, these incidents were either:

- An act of 'passing off' that is, using the bank as a place of trade outside of the bank's own systems and taking advantage of the weak security controls in place at the bank; or
- Funding and therefore foreign currency being obtained through unofficial claims by BSL staff or in collusion with MDAs. However, we found no direct evidence of transactions of sufficient value to fund \$300,000 through unofficial claims by BSL.

Nonetheless the opportunity for collusion with MDA staff does exist and there are a number of high value and 'unaccounted for' imprest balances and payments for anticipated activities. Some of these, we understand, under investigation by the Commission of Enquiry'. These advances do provide the opportunity for misuse, but we are unable to conclude that these were the source of the parallel forex funds.

Testing confirmed that the Forex held in the vault (main and vault 4) reconcile to external audit verified vault records, compares the Travelex purchases (verified with Travelex), T24 and FCR records.

We did not check the building for illegal forex and cannot confirm if alternative funds are in the building that could be used to fund the continuation of any parallel foreign exchange market. We do have serious concerns that the bank's security operations did not identify the operation of the alleged 'shadow market' and are still insufficient to limit its continuation.

1.8.2 Other linked findings

A surprise cash count of forex in the vaults and identified **\$113,559.00** of additional currency purported to link to pending payments to GoSL and BSL individuals dating back to 2016 but not collected. We understand that the BSL has implemented procedures to deal with these payments. We have also referred the details of these to the Auditor General's Office.

Between 20/07/2015 and 15/02/2017 three procurements of £10 notes to the value GBP £17,000 in were procured, a value similar to the current holding. Following the introduction of the new polymer note in the UK on 14 September 2017 the notes held by the BSL are no longer legal tender.

Recommendations

Payments should not be prepared in advance unless in exceptional cases.

The bank should limit forex holding which have not been collected by the beneficiary to a maximum of three months.

The bank should consider how to deal with the obsolete currency

