



**Report on the Technical
Audit of the Social
Security,
Telecommunications,
Civil Works and Energy
Sectors**

Volume I – Full Report

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LIST OF ABBREVIATIONS AND ACRONYMS

The following abbreviations and acronyms are used in this technical audit report

ACC	Anti-Corruption Commission
ACE	African Coast to Europe
ASSL	Audit Service Sierra Leone
CDMA	Code Division Multiple Access
CMB	Commerce and Mortgage Bank
CRM	Customer Relationship Management
DRP	Disaster Recovery Plan
ECOWAS	Economic Community of West Africa States
GTT	Government Transition Team
ICT	Information Communication and Technology
IT	Information Technology
LTE	Long-Term Evolution
NASSIT	National Social Security and Insurance Trust
NATCOM	National Telecommunications Commission
NFB	National Fiber Backbone
NRA	National Revenue Authority
POS	Point of Sale
RFP	Request for Proposal
SALCAB	Sierra Leone Cable Limited
SIERRATEL	Sierra Leone Telecommunications Company Ltd.
SALHOC	Sierra Leone Housing Cooperation
SALPOST	Sierra Leone Postal Services
SLBC	Sierra Leone Broadcasting Corporation
UADF	Universal Access Development Fund

INTRODUCTION

BACKGROUND INFORMATION

1. Section 119 of 1991 Constitution of Sierra Leone mandates the Auditor-General to audit all entities that are funded partly or wholly out of Public Funds.
2. Following the publication of the Government Transition Team (GTT) Report on Wednesday 4th July 2018, H.E. the President, acting in accordance with the advice of Cabinet, requested the Auditor-General, in accordance with Section 119 (7) of the 1991 Constitution of Sierra Leone, to conduct a technical audit on several sectors, which included the Social Security, Telecommunications, Civil Works, and Energy sectors.

Terms of reference:

3. In consideration of the request made by the Government of Sierra Leone, the Audit Service Sierra Leone advised that the terms of reference for the technical audit should be: to conduct technical audits of the various sectors in order to give an overview and make recommendations on the entities' systems, processes and activities based on work done on a test or sample basis, which will be built on evidence and data available. These audits will provide an evaluation of systems, processes and activities; focusing on compliance with regulations, rules and standards relating to these sectors; and under the following areas:
 - i. Corporate governance;
 - ii. Programme implementation and compliance;
 - iii. Procurement processes and procedures; and
 - iv. Value for money.

OBJECTIVES OF THE AUDIT

4. The primary objective of these technical audits is to support the Government of Sierra Leone's efforts in their fight against corruption and for the judicious use of public resources.

The specific objectives include:

- to assess the quality, efficiency and effectiveness of investments in the identified sectors,
- to identify and mitigate potential risks,
- to provide an assurance of revenue; and

- to recommend ways of delivering improved services or performance.

This work will build on previous financial audits that have been conducted by the Audit Service Sierra Leone.

AUDIT SCOPE AND LIMITATIONS

Scope

5. The technical audits primarily covered the period January 2015 to July 2018, but in some instances, the scope was adjusted to obtain sufficient information that would support our findings.
6. The institutions audited are listed below.

Social Security Sector

National Social Security Insurance Trust (NASSIT)

Telecommunication Sector

National Telecommunication Commission (NATCOM)

Sierra Leone Telecommunications Limited (SIERRATEL)

Sierra Leone Cable Limited (SALCAB)

Civil Works Sector

Ministry of Works and Public Asset

Sierra Leone Housing Corporation (SALHOC)

Road Maintenance Fund Administration (RMFA)

Energy Sector

The Ministry of Energy

Electricity Distribution and Supply Authority (EDSA)

Electricity Generation and Transmission Company (EGTC)

Limitations to the Audit

- i) The managements of both **Sierratel** and **NASSIT** failed to respond to the draft technical audit reports within the required timeframe (i.e. 15 days), in accordance with Section 93(3) of the Public Financial Management Act, 2016. This negatively impacted the audit process which all parties concerned were aware of the limited timing that had been allocated for the exercise.
- ii) There are documents, which were not made available by some auditees.

- iii) The original documents in relation to some projects and programmes were in the possession of the Anti-Corruption Commission and therefore were not available for verification.
- iv) Audit Service Sierra Leone issued circularisation letters, the response to which was very poor. Therefore, we could not reliably confirm some balances for some of the institutions audited.
- v) Some entities had not been previously audited by the Audit Service Sierra Leone

AUDIT APPROACH AND METHODOLOGY

7. The audit approach included an understanding of the operations of the entities and review of previous audit reports to determine the key areas to be audited. The methodology adopted included planning for the audit assignment, conducting the audit, submission of the audit queries, issuance of draft and final audit reports.
8. Some of the activities undertaken during the audit included documentary review, analytical review, interviews, physical verification of assets and debtors' circularisation as detailed below:

a) Planning

9. During planning, the technical audit team held various planning meetings between 10th and 15th November 2018, which included entry meetings with senior management of the 11 entities audited. During these meetings, the team discussed audit objectives, audit scope, expectations and all the activities and tasks to be undertaken in order to meet the set objectives.

b) Review of Documents

10. The documents reviewed include primary legislation (Acts) of the four sectors and Public Finance Management Act 2016, Public Financial Management Regulations 2006, Public Procurement and Disposal Act 2016, strategic plans (where available), operational manuals, financial statements, approved budgets, procurement documents, finance policy, payment vouchers, board minutes, cashbooks, bank statements and other relevant documents.

c) Analytical Review

11. Comparison and analysis of financial statement figures for 2015, 2016 and 2017 were done in order to understand the financial trend and identify the inherently risky areas. The review was also done to assess the existence and functioning of internal controls.

d) Interviews

12. The technical audit team interviewed the key personnel of the various entities with a view to broadly understand the sectors, key operations and obtain explanations for issues that were not clearly documented.

e) Physical Verification

13. The technical audit team conducted physically verification to ascertain existence of entities' assets and their condition.

Reporting and Report Structure:

14. The individual draft technical audit reports were issued to the management of the entities for their responses in accordance with the Audit Service Act, 2014. This final technical audit report is structured to include the Introduction, Executive Summary, and Detailed Findings. The report will be forwarded to the Minister of Finance and subsequently to Parliament.

Technical Auditors and funding of the audit exercise

15. The Audit Service Sierra Leone conducted this audit with support from the Auditors General of Ghana, Kenya and Tanzania. In total 50 auditors were involved in this exercise, with 27 auditors of those coming from the three supporting Supreme Audit Institutions (SAI) and the rest from the Audit Service Sierra Leone.
16. The auditors included Civil Engineers, Lawyers, Quantity Surveyors, Investment, Energy and Telecommunications Experts, Information Technology Systems Auditors, Forensic Auditors, Certified Fraud Examiners, Performance Auditors and Financial Auditors.
17. The United Kingdom Department for International Development (DFID) and the Government of Sierra Leone funded the costs of the audit exercise.

EXECUTIVE SUMMARY

18. This report presents findings from a technical audit report of four sectors namely Social Security, Telecommunications, Energy and Civil Works, which was undertaken in accordance with Section 119 of 1991 Constitution of Sierra Leone and the Audit Service Act, 2014.

The Audit Service Sierra Leone (ASSL) therefore conducted the technical audit with an objective to give an overview and make recommendations on the systems, processes and activities of 11 entities within these four sectors.

19. The scope of the technical audit was for the period between 1st January 2015 and July 2018, but in some instances, the scope was adjusted to obtain sufficient information. The methodology adopted included review of the legislative framework, interview of key personnel, physical verification of systems in place, examination of documents like contracts, payment vouchers, bank statements and relevant correspondences.

KEY FINDINGS

SOCIAL SECURITY SECTOR

NATIONAL SOCIAL SECURITY AND INSURANCE TRUST (NASSIT)

20. The National Social Security and Insurance Trust (NASSIT) is a Statutory Public Trust charged with the administration of Sierra Leone's national pension scheme. The primary responsibility is the part replacement of income lost as a result of the contingencies of old age, invalidity and death. The Trust came into being by the National Social Security and Insurance Trust Act, No.5 of 2001. As required by Section 1, Act No. 5 of 2001 came into operation by Presidential Order in Statutory Instrument No. 8 of 2001, on 31st August 2001

The key findings noted during the NASSIT audit are as follows:

21. We wish to bring to your attention the following observations and recommendations made for your information and necessary action. We have discussed these findings with key personnel at NASSIT and their responses to the queries issued where appropriate, were considered in compiling this report.

22. **However, it is important to note that the management of NASSIT did not respond to the draft management letter issued to them within the required timeframe (i.e. 15 days) in accordance with Section 93 (3) of the Public Financial Management Act, 2016.**
23. **Since its establishment and first investment on the 16th of August in 2002, NASSIT has cumulatively invested Le1,181,978,803,738.17 of contributors funds using various investment instruments including; Call Deposits, Fixed Deposits, Private Placements, Land Properties, Equity Properties, Debentures, Socially Targeted Investments and Government Bonds. The total cumulative return on investments from 16th August 2002 to 31st December 2018 amounts to Le 183,167,449,678.29. This represents an annual average return on investment of less than 1%.**

Corporate Governance

24. Section 16 (1) of the National Social Security and Insurance Trust Act, 2001 requires that the Board shall as soon as practicable, after the expiration of each financial year, but within six months thereafter, submit to the Minister of Finance, an annual report dealing generally with the activities and operations of the Trust within the financial year. Sub-section (3) of the same provision stipulates that the Board shall also submit to the same Minister such other reports on its affairs as the Minister may in writing request from time to time. We noted contrary to the provisions of the Act that the Board of NASSIT has not presented any report on its activities for the financial years 2016, 2017 and 2018.

We recommend that management and the Board should produce these reports not later than 30th June 2019, otherwise the Minister should take appropriate actions.

25. Various sections and portions of the NASSIT Act, 2001 indicate that some provisions and articles of the Act need to be reviewed as they have become outdated and outlived their essence and intended meanings. Specifically, sections dealing with fines and penalties still have rates that are very low and are not in consonance with the current economic trends in the country.

We recommend that management and the Board should endeavour to review the Act in line with the current economic trend in the country.

26. For the period under review, NASSIT did not provide operational documents, which had been approved by the Board of the Trust, such as a strategic plan, and an investment strategy, and policy document. As a result, the policy documents that were used lacked the expected power and authority as guiding instruments to steer the direction of the Trust's investments and other activities.

We recommend that management should ensure that draft policy documents of the Trust are given the necessary accent (approval) before making them operational.

27. Audited financial statements of the Trust for 2014 and 2015 showed that administrative expenses were 4.3% and 5.3% of the insurable earnings respectively. Moreover, our review of the draft financial statements for 2016 and 2017 (though not finalised) showed that administrative costs were 4.7% and 5.6% of the insurable earnings respectively. The administration expenses of the Trust for 2014 to 2017 are above the recommended limit of 3.5% of the insurable earnings as indicated in the Trust's own actuarial reports of 2010 and 2014.

We recommend that the Board and management should ensure that the Trust's administrative costs from 2019 onwards, is kept within the actuarial benchmark of 3.5%, otherwise the Board and management should be held responsible for exceeding this benchmark.

IT Systems

28. The management of NASSIT has over the years spent in excess of US\$ 2 Million on the IT system-NAPOS. However, the software is unable to adequately serve its intended purposes due to the non-completeness of some functionalities of the software.

We recommend that management should ensure that the uncompleted functionalities are completed to realize full automation of its operations.

29. Management of NASSIT runs separate IT systems (NAPOS II, SUN System, EDRMS, NASPAC and Biometric Record System (BRS) without any linkage/integration among them. The Trust has spent Le36,348,299,484.99 on maintenance of these systems. We concluded that if the systems were properly integrated some of the functionalities in the systems could have been made redundant, thereby reducing the cost of maintenance of the systems.

We recommend that management should either ensure that the separate systems are integrated where possible or give consideration to the acquisition of an encompassing enterprise solution.

30. Interrogation of the database of the Trust ran on NAPOS II system found that 99 records in the system which represented claims by contributors totaling Le1,140,285,840.24 were paid to same claim numbers in different claim batches. The risk to this is that a claim could have been paid in several batches leading to overpayment of benefits to these pensioners, resulting in the Trust losing money.

We recommend that management should look into fixing this security function in the NAPOS II to prevent any unlawful manipulation by system users.

31. Findings from the NASSIT database show that 123 establishments' names are duplicated and assigned different establishment numbers on the system. It is not clear as to whether some of the duplicated names are subsidiaries or branch offices of parent establishments or not.

We recommend that management and for that matter, the handlers of the NAPOS II system should endeavor to purge the database in order to weed out all duplicated establishment names and related records.

32. A review of the NASSIT database further disclosed that 64 pensioners are captured on the NAPOS II system as government pensioners and were paid a total of Le 409,230,625.00 between January 2013 and November 2018. However, the 64 pensioners did not have social security numbers. There is a risk that the so-called pensioners are not in fact eligible pensioners.

We recommend the following:

- i. Management should repair its database to ensure that all validation functions (rules and triggers) in the application are fully activated to avoid any falsification and manipulations of records and data on the system.**
- ii. The Trust or the appropriate authorities should recover the sum of Le 409,230,625.00 from officers that were involved in the processing of these transactions.**

33. Four government pensioners have been assigned the same social security number and were all being paid on the same number. Additionally, two other government pensioners on the same system also bear the same social security number and are both being paid on that same social security number. The six pensioners have been paid a total of Le 31,053,000.00 for November 2013. These two sets of social security numbers were created on the system by the account name-SBTS in 2013 and modified in February 2018.

We recommend the following:

- i. **The Trust or appropriate authorities should recover the sum of Le 31,053,000.00 paid to the six pensioners from the account name-SBTS with immediate effect.**
 - ii. **Management should look into why the two groups of government pensioners share same social security numbers with the view to correcting them.**
 - iii. **Management should obtain the source code of the application from the provider and to ensure that no embedded features are hidden in the application's functionalities, and more so, ensuring that the entire NAPOS II system is adequately secured from remote access by unauthorised users and intruders.**
34. The data dictionary in NAPOS II stipulates that all claim numbers should be of 11 characters. We observed that 248 claims totaling Le 5,405,013,164.06 were processed and paid on the system with the claim numbers of unmatched character length. Some had claim numbers of 2 character/digits, others had 9 and some were made up of 10 characters. The Trust stands at a risk of making illegitimate payments to undeserved pensioners and thereby losing huge sums of money.
- We recommend that management should address the situation by ensuring that data validity rules and triggers on the system are well defined and activated to prevent the recurring of processing abnormal claims.**
35. Seven hundred and eighty-seven (787) individuals who are below the pension age of 55 years were being paid pension. Although it is entirely possible for a Trust member to be paid pension under an Invalidity Claim at an age below 55 years, these claimants are usually paid out of the system (manually). However, the 787 were paid through the system and management could not provide evidence for this variation (Invalidity Report). For the

period between 2006 and 2018, the Trust has paid a total of Le12, 709,917,601.15 to the 787 supposed pensioners.

We recommend that management should immediately stop any payment to these individuals and identify the system users who created the supposed pensioners and the authorising officers for the payment of Le 12,709,971,601.15

36. There were payments of benefits to pensioners attached to employers with irregular numbers.

For instance, a pensioner with registration number T343490 was paid the sum of Le 2,105,970.12 notwithstanding the fact that the employers' registration number does not meet the standard character length of 11 and again the claim number for the transaction was made up of 12 characters instead of the standard length of 11 characters.

We recommend that management should further investigate the creation of the transaction record on the system and recover the amount of Le 2,105,970.12 jointly from the creator "MJG" and the modifier of the record "FOWLER".

37. Payments totaling Le 4,743,141,975.66 were made in respect of benefits to 193 contributors. The salaries of the contributors which formed the basis of calculating the benefits were not provided as part of the data held on the system. Management could not explain why and how the benefits and grants were calculated. This further adds to the flaws in the NAPOS II application.

We recommend the following:

- i. **A total overhaul of the NASSIT database as well as corrections of system errors that produce such misleading information regarding benefits payment.**
 - ii. **The Trust confirms the legitimacy of these payments otherwise the sum of Le 4,743,141,975.66 should be refunded by the officers that approved such payments.**
38. Aside from benefits paid on the NAPOS II system, we noticed that a lot more were processed and paid manually. For instance, a total of Le 2,488,629,102.08 was paid in respect of pensions, benefit for survivors and benefits for invalidity for November 2018. In all, 8,345 beneficiaries made up of 142 pensioners, 7,802 survivors and 401 invalids were paid manually outside the NAPOS II system. The likelihood of errors and intentional manipulations in the computation and calculations of the benefits cannot be ruled out.

We recommend that management should endeavour to define these beneficiaries in the system to avoid any possible manipulation of benefit paid out at the disadvantage of the Trust.

39. Since its establishment in 2002, NASSIT has been operating with a draft ICT strategy, which has not been approved by the Management and the Board. Notwithstanding the fact that it runs four different systems, which has led to significant increase in reliance on its IT infrastructure.

We urged management to provide an action plan indicating details of how the Trust will develop and approve for implementation an ICT strategy, which reflects the current strategic direction of the Trust.

40. NASSIT has no Business Continuity and Disaster Recovery plans for its operations.

We recommend that management should provide an action plan indicating details of how the Trust will develop and approve for implementation its plans and procedures which will be followed in the event of disaster and other unforeseen circumstances.

We further recommend that the procedures developed should be regularly tested using realistic simulations to demonstrate whether staff are capable of recovering critical information and systems within critical time scales.

41. NASSIT operations are mostly automated and require vibrant IT policies and strategies. This notwithstanding, the Trust has no approved and workable Change Management Strategy and Policy for the past 17 years of its existence. The Trust instead, relies on a draft Change Management Strategy and Policy, which is inadequate and falls short of being implementable in times of critical need for system changes. Again, the management of NASSIT does not have the source code of any of the applications it runs and therefore, lacks the basic start-off point for application changes and as well stands the risk of unauthorised system changes and modifications.

We recommend to the management of the Trust should put in place a well-couched and approved Change Management Strategy and Policy in place to facilitate effective system and application changes; ensuring that changes are performed by skilled and competent personnel who are capable of making changes correctly and securely. However, they should be supervised by an IT specialist and signed-off by an appropriate business representative. Furthermore, we recommend that management

should consider engaging the system developers to have an escrow agreement with NASSIT.

42. Segregation of duties in the IT systems and planning for an appropriate division of responsibilities and reflecting the same in the access privileges granted to users is necessary for the proper, efficient and secure execution of the business processes. However, we found that this is completely absent in the business processes of NASSIT. Our analysis of NAPOS II user set-up showed that there are seven system users who have conflicting rights including the right to create and modify benefit payments.

We recommend that management should ensure that the NAPOS II system access rights granted to users should be on the basis of least privilege and need-to-know in accordance with the user's job description.

43. A review and analysis of activities on NAPOS II about transactions involving payment of benefits, defining of members and logins into the system were executed on Sundays and Saturdays and at very odd hours outside the NASSIT normal working hours.

We recommend that management should ensure adequate general and application controls are in place, to either prevent or timely detect abnormal logins and restrict them to working hours or specifically slated times as may be determined by management.

44. The ICT department of NASSIT does not review the event/system logs that are maintained and stored by the NAPOSII Systems. In addition, there was no evidence that the department investigates any unsuccessful login attempts by users.

We recommend that management through the ICT department should have formal schedule for reviewing the event/activity logs of all corporate systems. Specifically, focusing on unauthorised access attempts to the system and attempts to view or change any security rules as well as authorised access to the system in order to detect any compromise on the access rights granted to any user.

45. NAPOS II system had a number of gaps in the receipt numbers issued out for contributions made to the Establishment (NASSIT).

We advised management to investigate the missing records in the receipting and put measures in place to prevent the recurrence of same.

Investments

46. No mechanism in place to test for the presence of the five considerations as set out in Section 7 (2) of the NASSIT Act, 2001 before approving an investment. Both the Board's Investment Committee and Management's Investment Committee approved investment ventures without any basis of checking to satisfy that the intended investment ventures met the requirements set out in the NASSIT Act.
47. We therefore conclude that all the investments made by the Trust to date to the tune of approximately Le 1,181,978,803,738.17 were so done unlawfully as there is no evidence that the Trust complied with the above provision.

We recommend that with immediate effect:

- i. the Trust ceases all investment activities until a proper mechanism is put in place to test for the five considerations required by the Act;**
 - ii. NASSIT reviews its entire portfolio of investment, to determine which ones are to be discontinued and those that they should maintain and under what conditions;**
 - iii. the Government of Sierra Leone (GoSL), ceases to remotely control the Board and Management of NASSIT; and**
 - iv. NASSIT ceases to act as a 'creditor' to the Government of Sierra Leone by funding projects that they (GoSL) wish to undertake but would rather have NASSIT fund it even if those projects do not meet the five requirements of the NASSIT Act, 2001.**
48. In contrast with the tenets of Section 25 (1-3) of the National Social Security and Insurance Trust Act, 2001 the Government of Sierra Leone is indebted to the Trust to the tune of Le 81billion in respect of contributions (both the 5% deduction from employees and the 10 % employers' contribution).
- We recommend that management of NASSIT should liaise with the central government to have the indebtedness settled. More so, government and for that matter the Ministry of Finance should endeavor to settle the indebtedness and to ensure regular payments of contributions of employees on government's payroll.**
49. Management disregarded the provisions of Section 46 (1) (a – d) of the Public Procurement Act, 2004 and awarded a construction contract for the Sewa Grounds Project (a

multipurpose market and transport terminal) to Capital Infrastructure & Partners Ltd. at the cost of US\$35.52 million via sole sourcing without approval from the Procurement Committee of the Trust as required by law.

50. The Trust has not signed any formal agreement with the government. Management decisions are most often influenced by central government, which in most cases do not benefit the Trust but instead cause losses and drain on the resources of the Trust.

We recommend the following:

- i. The appropriate authority should apply both Section 13 (6a&b) of the Public Procurement Act 2016 and Section 122 (1&2) of the Public Financial Management Act, 2016.**
 - ii. Management should be more proactive and respectful to the laws of the land and give credence to the promulgators of the law – Parliament in all their dealings in subsequent times.**
51. Non-performing investments- NASSIT has made 15 equity investments since 2004, with a total initial outlay of Le 202,643,094,751.84. These investments have since their acquisition performed dismally, yet management has continued to increase their stake in them. For instance, returns made on the equity investments amounts to only Le 6,126,572,040.00 representing 3.02% cumulative return on investment and an average cumulative annual return on investment of less than 1% (0.22%). This is way below the Trust's benchmark of Return on Investment threshold of inflation +2bp which is currently approximately 18.16%.

We recommend that management should ensure the following:

- i. With immediate effect, no new capital injection is made in any of the existing entities.**
- ii. The Trust should exit from all existing equity investments as some of these investments would not pay back (to the Trust) in the next 30 years.**
- iii. Ensure that all future equity investments are only approved after due considerations have been given to Section 7 of the NASSIT Act, 2001.**
- iv. Consider investing mostly in preference shares rather than ordinary shares in case they decide to enter into equity investments.**

52. The management of NASSIT has over the past five years made capital injections into some of its existing investments through the issuance of unsecured debentures totaling Le 250,752,085,310.00 thereby exposing the Trust's funds to eminent danger of loss should any such debenture holders fail to honour their obligations under the debenture agreement. Moreover, the Board of NASSIT gave a grace period of not less than five years after which the debenture holders will start redeeming the loan facility.

We recommend that management should consider investing in secured debentures only.

53. The Trust paid out a total of US\$519,825.00 in respect of the Makeni and Bo plazas, to redesign their existing plans and legal fees. However, these payments could not be substantiated as records pertaining to the cost of project redesigning and reasons for such an activity were not available since the very engineers who came up with the original design were the same people who were tasked to redesign the projects.

54. Furthermore, the Trust paid an out-of-court settlement of US\$40,000.00 to MODCOM Construction in respect of the construction of the Bo plaza, after it became apparent that the contractor was threatening to take legal action for breach of contract by the Trust. The decision to authorise this payment was taken solely by the Chairperson and later brought to the Board for ratification.

We recommend that the appropriate authority demand full refund from all the officers involved in the authorisation of these payments, including but not limited to, the Chairperson of the Board, the Director General, Director of Investments and Director of Finance.

55. NASSIT bought shares in a number of private limited companies. However, the value of these shares at acquisition was unclear and not transparent. Management failed to provide details of how the valuations were arrived at including the basis of valuation and the details of the valuer.

We recommend that management should re-value all acquired shares in private limited companies, to establish the correct valuation at the date of acquisition by a qualified valuer. In the event that there is a variance between the price arrived at and the price paid, the appropriate action is taken to remedy the variance.

56. The Board of Directors approved the signing and subsequent implementation of an estate management agreement, with a private limited company - Sierra Estate Management Company (SEMCO) in 2016. As part of this agreement, NASSIT provided SEMCO with Le 300,000,000.00 as seed capital (initial capital provided to start a business), and an additional amount of Le 1,940,000,000.00 as deposit for repairs.
57. We noted that SEMCO in its current form is not fit for purpose and is incapable of managing the Trust's assets in its custody, especially because of the lack of arm's length dealings with the Trust and endless interference by politicians and NASSIT officers.
58. We noted poor management of debts and uncollected revenue of Le11,436,628,842.51.
59. Some of the property were in some instances occupied by Politically Exposed Persons (PEPs) at no charge and with no contract. For instance, we noted during our visit in January 2019, that SEMCO had been asked by NASSIT officers to prepare three houses for the judges of the Commissions of Inquiry. SEMCO acted as they were verbally instructed and the occupants moved in even before a lease agreement was signed and/or payment were made. NASSIT acquired a number of property from RGSL, some of which were later sold to third parties. The buyers paid a deposit of 30% and had an understanding with NASSIT to be paying the outstanding balance of 70% over a number of years but on monthly basis. A review of the SEMCO list of debtors revealed that some of these buyers were in default in the payment of their monthly mortgage.

We recommend the following:

- i. The Board of SEMCO be duly constituted and a competent management team be appointed from a competitive exercise.**
- ii. An arm's-length arrangement be formally signed with SEMCO.**
- iii. SEMCO be allowed and empowered to recover all their legitimately outstanding income from their debtors.**
- iv. All current occupants should either sign a lease/tenancy agreement that requires the payment of a substantial deposit before occupancy and start paying immediately, or vacate the same.**
- v. All occupants who have arrears be given notice to vacate the property with all outstanding debts collected from them through the courts if necessary.**
- vi. NASSIT should resell the property at market rate at an arm's length transaction and deduct the outstanding balance due from those properties and the residual (if any) paid over to the initial buyers.**

60. NASSIT owns a 98% stake in the Commerce and Mortgage Bank (CMB) through an initial outlay of Le 55,900,000,000.00. It granted a loan of Le40 billion to CMB, of which Le 21 billion was later converted into equity shares and the Le19 billion remained as long term debenture. Of the 19 billion, 9 billion is being serviced presently and the remaining Le10 billion has been placed under a 5-year moratorium (grace period) of interest payment. The CMB has so far paid a cumulative amount of Le 20,167,784,290.00 to NASSIT in both loan repayments and dividends. However, management could not specifically state how much the CMB had paid as dividends, loan interest and principal repayment, since there are no specific terms in the loan agreement.

We recommend the following:

- i. Management should review its loan agreement with the CMB so as to establish specific and explicit terms.**
 - ii. NASSIT should stop injecting more money into the Bank, as there is a high risk of the Trust losing its money should the bank encounter financial difficulties.**
61. The CMB had a loan portfolio of Le 199,491,201,287.47 and a total overdrawn account of Le 76,586,325,075.60, representing 38.40% of the overall loan portfolio. The bank therefore operates under high level of concentration risk due to the high concentration of its loans portfolio on the Roads and Construction Sector, which are less diverse. This can lead to liquidity issues if the sector performs dismally leading to defaults in offsetting the overdraft facility.

We recommend that the management of the Trust advises the bank to diversify its loan portfolio so as to mitigate the bank's concentration risk and prevent any liquidity problems as well as the danger of borrowers defaulting to pay their loans.

62. Global Investment Limited had overdrawn its account with the CMB by Le12,978,148,812.22 (approximately US\$1.5million), yet the company has no approved overdraft facility with the Bank. It was therefore, unclear how the bank allowed this to happen. This means that the Bank has not instituted proper controls to ensure that only account holders with approved overdraft facilities are allowed to overdraw their accounts; a situation that can result in losses to the Bank should the overdraft holders fail to honour their obligations.

We recommend that the CMB ensures the following:

- i. **The entire management team under whose watch this happened, are sanctioned in line with Section 122 (1&2) of the Public Financial Management Act 2016.**
 - ii. **Management should put in place proper approval for all overdraft facilities. It should also formalise the necessary arrangements with Global Investment Limited to ensure recovery of the overdraft amount granted to the latter.**
63. High interference of NASSIT in the operations of the CMB does not promote effective operations. For instance, in 2014 NASSIT gave out a debenture loan to the CMB and directed the Bank to invest Le10, 000,000,000.00 of the loan amount in projects that will be ready for mortgage. NASSIT further invested Le 40,000,000,000 in the Bank by way of private placement at an annual interest rate of 14% for 5 years to be loaned out to the Roads Maintenance Funds Administration at an interest rate of 26%. It is unclear why NASSIT continues to use the CMB as an agent through which it channels funds to other departments and ventures but will not allow the Bank the free hand to do business on its own.
- We recommend that the management of NASSIT should keep away from interfering in the internal affairs (running) of the Bank so that the CMB management can duly be held responsible for their actions in the running of the affairs of the bank.**
64. Lack of proper management of the NASSIT staff mortgage loan agreement has led to long-standing arrears of outstanding loan and interest repayment of Le 2,440,554,099.09.
- We recommend that management should clearly spell out the loan modalities and separate debts accruing from loan defaulters from the liabilities of the Bank.**
65. The CMB has acquired over seven different plots of land valued at Le 24,270,974,883.00 within Freetown and its environs. The process by which some of these lands were acquired and the price paid are questionable. Some were acquired from customers who had defaulted on their loans with the Bank. Instead of the CMB disposing of those collaterals at arm's length transaction in an open market, they acquired the same at deals that were referred to as swaps (i.e. buying them at very high prices that resulted in the customers being paid millions after their debts have been cleared). We further noted

that the plots of land are not protected and therefore exposed to possible encroachment and subsequent litigations.

We recommend that these swap deals be thoroughly investigated and appropriate actions be taken and management should be proactive enough to protect the lands acquired.

66. The Board of Directors and Management of the CMB bought back the liability of Mr. Abdul Rahaman Tunkai Sankoh who had purchased a property at RGSL- Goderich Estate at US\$320,000.00. The customer had funded US\$120,000.00 of the property for a tenure of 5 years at an interest rate of 19%. As at March 2015, Mr. Sankoh had paid US\$246,000 and was left with US\$74,000.00 to be paid to RGSL. The transaction lacks transparency as it lends to inside dealings.

We recommend that management and the Board that approved the transaction should refund the residual amount of US\$166,400.00 paid to Mr. Abdul Rahaman Tankui Sankoh to the bank and also that the Central Bank of Sierra Leone should take a critical look into the issue and advise the CMB accordingly.

67. The management of NASSIT signed a mutual agreement with the Central Government of Sierra Leone (GoSL) and Sierra Leone Social Health Insurance Scheme (SleSHI) to operate a Social Health Insurance Scheme. NASSIT has so far spent Le9,750,071,779.20 in respect of setting up of the SleSHI scheme which was scheduled to start in 2017. The process was halted in 2017 and to date nothing has been done about it in spite of the huge expenditure made on the initial set up.

We recommend that management should act on the issue in accordance with the MOU, so as to ensure that the money sunk into the venture is not put to waste.

Actuarial Valuation

68. Section 47(1) of the NASSIT Act, 2001 states that the scheme shall be valued by an actuary every three years during the first ten years of the scheme and shall be valued every five years thereafter. For the period under review, there was no evidence that the Trust had been valued. The last valuation of the Trust was done in 2014. The absence of this may translate into management taking uninformed decisions at the detriment of the Trust.

We recommend that management should consider carrying out internal valuations of its operations and activities periodically at relatively shorter intervals for purposes of making informed decisions rather than to wait for external actuaries.

69. Failure to effect actuarial recommendations. There was no evidence that the recommendations of the actuarial valuation of 2014 had been implemented. Recommendations such as; developing a funding policy, conducting actuarial valuations on a three yearly basis, details of the contributors and their expected benefits being enlisted on the NAPOS system, regular investments evaluation and validation of past service have all not been implemented.

We recommend that management should consider this matter with urgency.

Structural Verification

70. As part of our technical audit exercise at NASSIT, we carried out structural verifications on various investments and observed the following:
71. At Golden Tulip, the ceiling had collapsed and other parts of the hotel were in a deplorable state. The hotel poses a threat to the safety and security of both staff and guests. In spite of an investment of Le 49.2 billion made by NASSIT to renovate the hotel, the state of the hotel in January 2009 was similar to the findings of the observations made in the Structural Assessment Report prepared by Techsult & Company Ltd. in 2006.

We recommend that NASSIT should commission a structural integrity assessment on the entire building to determine whether the building is fit for purpose, before further expenditure is done on maintenance, and engage a qualified structural engineer to prescribe and supervise appropriate remedial measures to be implemented to sustain the hotel.

72. Due to unavailability of as-built drawings for the Radisson Blu Hotel after the renovation works in 2014 (when Radisson Blu took over Mammy Yoko Hotel), building plans and schematic drawings for electrical and plumbing (water and sewage systems), the team could not ascertain whether all the works were carried out prior to phase II works which had been well executed.

We recommend that management should review the building plans to ascertain that all previous works had been done to ensure that more money is not spent on previously carried out works.

73. At Bintumani International Conference Centre, the audit findings established that the project had outstanding works since the kitchen equipment have not been fixed, and the video conference suites were not fully furnished with the needed furniture and equipment. Also, the facility does not have a maintenance schedule since it relies on ad hoc repairs. **NASSIT should prepare and implement a maintenance schedule to protect and sustain the facility and ensure that all outstanding and defective works are corrected.**
74. At Sewa Grounds there were outstanding works amounting to US\$1,970,207.97 on the market stalls and upscale lockup shops project, even though NASST had approved payment of US\$ 15,616,224.57 (i.e. 98% of the contract value for this component), and the layout of the buildings on site does not follow the layout of the plans and drawings provided. **We recommend that NASSIT should reject any payment for works done which do not meet specifications. They should also ensure that defects in the facility are rectified immediately and ensure a fast completion of the project, hand it over to be used for its intended purpose in order to avoid more costs and reduce the payback period of the project.**

TELECOMMUNICATIONS SECTOR

NATCOM

The key observations highlighted at NATCOM during the audit were as follows:

Inadequate Regulations under the Telecommunications Act

75. In assessing the operations of NATCOM in carrying out its mandate as provided for in the telecommunications sector, it was noted that NATCOM has not developed adequate regulations and guidelines to effectively regulate the telecommunications sector in Sierra Leone. These regulations provide a regulatory framework for the control, planning, administration and management of key areas in the sector. Some of the key areas which have not been properly regulated include:
- quality of service,
 - consumer protection,
 - fair competition and equality of treatment,
 - licensing of telecommunications operators,
 - inspection and approval of different types of telecommunications equipment,
 - management of frequency spectrum and
 - universal access to the telecommunications services in the country.
76. It is our professional opinion that NATCOM is missing out on valuable revenue in the millions of dollars, which could be used to develop the sector and eventually the country.

We therefore recommended that in order to effectively implement the Telecommunications Act, NATCOM should, in consultation with key stakeholders, draw up regulations and guidelines for the following key areas in the telecommunications sector:

- a. Consumer protection – the purpose of these regulations would be to indicate the rights and obligations of the consumer, safeguards, handling of consumer complaints and conflicts with telecommunications operators.**
- b. Quality of service – these regulations would ensure the parameters related to quality of service are clearly defined and measurable.**
- c. Fair competition and equality of treatment of telecommunications operators.**
- d. Licensing of telecommunications operators**
- e. Type approvals and inspection of telecommunications equipment**
- f. Radio communications and frequency spectrum**
- g. Universal access to telecommunications services**

In their response to the draft management letter, the management agreed to develop these regulations between 1st March and 31st December, 2019.

We further recommend that NATCOM should forward copies of the approved regulations to the Auditor-General for verification by 31st December, 2019.

Pricing and Tariffs

77. Although the management provided an un-signed copy of the regulatory charges for telecommunications facilities and services, it could not be confirmed that the Commission deliberated and approved these fees and charges. For instance, the board minutes for approval of application fees, annual renewal fees and initial charges of the third and fourth generation networks, which were issued during our audit scope, were not made available. In addition, in April 2017, the international gateway charges were increased from US\$ 0.065 per minute to US\$ 0.09 per minute. There was however no evidence to show the basis on which increment was made, and whether or not the Board deliberated and approved this increase. The charges and penalties imposed by NATCOM may therefore have been arbitrarily imposed on the telecommunications operators in contravention of the Telecommunications Act, 2006.

We recommend that NATCOM should deliberate and approve all the tariffs, charges and penalties levied on telecommunications operators. These tariffs, charges and penalties should also be made available to key stakeholders and the general public.

In their response to the draft management letter, the management informed the audit team that they are sanitising all tariffs and will benchmark across ECOWAS countries. The management also indicated that all tariffs, charges, schedule of fees will be presented to the Board for approval and made available to key stakeholders.

We further recommend that all the approved tariffs, charges, penalties and fees should be forwarded to the Auditor-General for verification.

Unfair competition and unequal treatment among telecommunications operators

78. Promotion of fair competition among telecommunications operators is one of the main functions of NATCOM. However, during the period of audit, the following instances indicated that the Commission did not demonstrate equal treatment of the telecommunications operators:
79. As provided under the Telecommunications Act, the Universal Access Development Fund (UADF) should comprise of income from all the telecommunications operators in Sierra Leone. It was however noted that

only the mobile network operators were subjected to paying an annual amount of US\$ 150,000 per year into the fund.

80. In 2016, upon defaulting to pay into the UADF from 2011 to 2015, NATCOM compelled the mobile network operators to pay the arrears which had accumulated to US\$ 750,000 per operator. However, only Orange (SL) Limited paid the arrears in full while Africell Sierra Leone was allowed to pay in installments; whereby they paid US\$ 250,000 in cash and the balance of US\$ 500,000 was to be paid in kind. The payment in kind included construction of three GSM sites, which are solely in use by Africell. This activity therefore would not qualify as an activity towards universal access, and also gives unfair treatment of other mobile network operators within the three regions.
81. In January 2018, NATCOM deliberated, approved and made advanced payment of US\$ 1,135,000 to Africell for expansion of their network connectivity in Masadu, Kenema, Koinadugu and Falaba districts.
82. In issuance of the fourth generation (4G) broadband cellular network licenses, NATCOM unfairly allowed different terms and conditions for the mobile network operators in terms of contract period, payment terms and annual regulatory fees.

In order to ensure fair competition among the mobile network operators, we recommended in our draft management letter, that:

- a) The GSM sites and network connectivity funded from the Universal Access Fund should be made accessible to all mobile network operators within six months. This will ensure that all the mobile network operators expand their network to these regional parts of the country, which will lead to more citizens having access to telecommunications services.**
- b) Since the Commission is yet to provide such a level playing field for all operators, we recommend that the unfair preferential treatment given to Africell in the payment of the UADF fees, be reversed and that they (Africell), should pay all of the US\$500,000, which was so-called settled-in-kind; and also to keep the sites that were developed in the process, which they are already doing.**
- c) Furthermore, we recommend that Africell should refund the sum of US\$ 1,135,000 which was paid to them to expand their network as it gave an unfair advantage to them over the other operators.**
- d) NATCOM should recover outstanding 4G license fees of US\$2,927,955 from Africell (SL) Ltd., US\$1,300,000 from QCELL (SL) Ltd. and US\$5,200,000 from Sierratel and forward evidence of recoveries to the Auditor-General for verification.**

In their response, management assured that they are working on a fair and open competition and bring to the attention to the Minister of Information and Communication the need to bring onboard, all other licensed operators including ISPs in paying into the established fund for Universal Access across the nation and recovering all the money from Africell. For the 4G licensed operators, the license fee of US\$2,927,955 from Africell (SL) Ltd., US\$1,300,000 from QCELL (SL) Ltd. and US\$5,200,000 from Sierratel should be paid to NATCOM and evidence of payment forwarded to the Auditor-General for verification.

We further recommend that the Auditor-General is kept up-to-date with the progress of recoveries on a quarterly basis.

Radio Frequency Spectrum

83. Although the management informed the audit team that NATCOM is using the International Telecommunication Union regulations, recommendations and policies on spectrum, NATCOM had not put in place a spectrum policy and national frequency plan for the proper management, allocation, licensing and regulation of the radio frequency spectrum in Sierra Leone.

In our draft management letter, we recommend that the Ministry of Information and Communications should develop the spectrum policy and the national frequency plan in compliance with Section 64 of the Telecommunications Act, 2006. Consequently, NATCOM should deliberate and approve the frequency allocation table, which should be in compliance with the set policy.

In their response, the management said they are working on a national radio frequency policy, national spectrum plan and a national frequency allocation table, which will be done by 31st August 2019.

We therefore recommend that the approved national radio frequency policy, national spectrum plan and national frequency allocation table should be forwarded to the Auditor-General for verification.

Universal Access Development Fund (UADF)

84. The UADF was established under the Telecommunications Act, 2006 with an objective to address the needs of communities that are most disadvantaged in the area of telecommunications. Review of the information available revealed that:

85. The Act provided that the income to this fund is determined by the Minister of Information and Communication via a statutory instrument. Instead, NATCOM arbitrarily charged US\$ 150,000 per year to all the mobile network operators without a statutory instrument from the Minister for Information and Communication.
86. In May 2017, the Chairman of NATCOM effected the severance of UADF from NATCOM without the due deliberation and approval of the full board of commissioners. The Telecommunications Act, 2006 does not provide having UADF as a separate entity from NATCOM.
87. During the period under audit, the UADF income amounted to over Le 7 billion. However, we observed that all of these funds were used by the Commission to cover administrative costs that included salaries to staff, mid-month allowances, transport allowances and office running expenses; instead of improving infrastructure that would ensure universal access to telecommunications services.
88. Furthermore, in June 2018, the Permanent Secretary in the Ministry of Information and Communications served a notice of closure to all members of staff directly with UADF effective end of July 2018. It was however observed that Le 59, 108,000.00 was paid from the UADF's Guarantee Trust Bank account between 1st August and 8th November 2018.

Given that UADF as constituted did not undertake any project towards ensuring universal access to telecommunications services, we recommended the following:

- i. Ministry of Information and Communications should issue statutory instrument in accordance with Section 13 of the Telecommunications Act.**
- ii. NATCOM should develop annual objectives and operating plans on how the UADF should be applied. These plans should mainly include implementation of specific universal service programs and projects in accordance with section 59 of the Telecommunication Act, 2006.**
- iii. NATCOM should develop guidelines on how to identify and evaluate project proposals.**
- iv. The officers that approved the total withdrawals of Le 59,108,000.00 from the Guarantee Trust Bank current account number: 2087846 should provide clear evidence and authority of these transactions; otherwise, the same should be disallowed and surcharged to those officers.**

In their response, the management stated that they intend to ensure that the newly setup UADF encompasses these recommendations.

We further recommend that management should provide the approved statutory instrument, UADF annual objectives and plans to the Auditor-General for verification.

International gateways installed by mobile network operators

89. The three mobile network operators (Africell Sierra Leone, Orange (SL) Limited and Sierratel) have installed and operate international gateways, which was granted by NATCOM. Upon examination of the contracts and visits to the operators, it was however observed that, contrary to the signed contracts, NATCOM did not approve the type of network equipment, and also failed to inspect and approve the metering and billing systems installed by the operators. This non-compliance with the contract creates a high risk in operation of the international gateway by the operators, and the integrity of data obtained from the systems may be compromised.

We recommended that NATCOM should inspect all the international gateways installed by the mobile network operators in order to ensure compliance with the contract in terms of type-approval of the network equipment and approval of the metering and billing systems by the end of June 2019.

In their response, management accepted the recommendations and intends to communicate in writing to all licensed gateway operators, requesting full access to their already developed metering and billing platforms for inspections and type approvals.

We further recommend that the management should provide evidence of inspection and type approvals done to all licensed gateway operators. These evidence should be forwarded to the Auditor-General for verification.

International Gateway Monitoring System

90. In October 2016, NATCOM appointed Subah Infosolution to build, operate and transfer an international gateway monitoring system. Review of documents and physical verification however revealed that:
91. NATCOM entered into contract with Subah Infosolution of the Republic of Mauritius whereas the tender bid had been submitted by Subah Infosolution, Ghana. Given that these two firms are registered in different countries and there was no evidence that they were a group of companies, NATCOM entered into a contract with a company that did not make a tender bid for the services.
92. In August 2017, an addendum to the initial contract was signed between NATCOM and Subah Infosolution of the Republic of Mauritius. The addendum provided for additional services namely: (a) monitoring of the quality of service provided by the operators and (b) monitoring of mobile money transactions. As at the time of the audit in December 2018, Subah Infosolution had not provided these additional services to NATCOM.
93. Physical verification done on 6th December, 2018 revealed that the international gateway monitoring system was not operational and that Subah Infosolution had not implemented redundant links as required

under the contract. In addition, the fraud management system, which is used in sim-box fraud detection, was also not operational.

94. Therefore, NATCOM did not have mechanism to monitor the international gateways maintained by the mobile operators and Sierra Leone was at high risk of sim-box frauds due to lack of effective preventive and detective system. This has a direct impact on the potential revenue due to the government in relation to international gateway charges.

In view of the international gateway monitoring system, we recommended that:

- a. NATCOM should review the contract with Subah Infosolution and seek legal advice with a view to terminate the contract due to non-performance under section 19 of the contract agreement with Subah Infosolution on the part of the vendor.**
- b. NATCOM should recover US\$ 150,000 that was paid to a Mr. Kallil Jalloh who was not a party to the contract with Subah Infosolution as far as the available information is concerned.**

In their response to the draft management letter, the management will present these findings on Subah Inforsolution to the Board with a view of obtaining legal advice from the Office of the Attorney General so as to terminate the contract due to non-performance. In addition, the management intends to engage Subah Inforsolution in an effort to recover the US\$150,000 paid to Kallil Jalloh.

Revenue Management

95. Examination of the counterfoil receipts revealed that NATCOM procured pre-printed receipts from a private vendor instead of the Government Printer as required under the financial management regulations. Due to this, there was evidence that parallel receipt numbers were in circulation and that duplicate and triplicate copies were either hand-written, blank or not legible as required by the financial management regulations.
96. Due to lack of proper audit trail, it was not possible to reliably determine the actual collections from the customers and the amount recorded in the books of accounts.

On revenue management, we had recommended the following:

- a. NATCOM should ensure that all pre-printed receipts are sourced from the Government Printer in accordance with the financial management regulations. These receipt books should also be properly recorded in stores registers that clearly indicate the procured books, requisitioned, issued and those in store.**
- b. NATCOM should also consider automating the financial management processes to ensure efficiency and effectiveness in management of its operations.**

In their response, management stated that the receipt books been mentioned were printed five years ago and as a result, the quality of the receipt papers deteriorated. However, the management mentioned that the receipt books have been decommissioned and the National Revenue Authority is now collecting and recording all NATCOM revenue receipts. The management mentioned that it had recently signed an agreement for the installation, training for and deployment of an automated accounting software package.

Donations

97. During the period under review, NATCOM paid US\$ 237,105.20 and Le 4,350,058,814.50 as part of support to national development. Although these payments were meant for entities, NATCOM however remitted the cash to individuals, which management has confirmed that they received directives from either the former Chairman of NATCOM or Ministry of Information and Communications. The evidence of these directives was however not provided to the audit team.

Particulars	Amount in US\$	Amount in Le
Support to Parliament	32,742	1,006,340,000,000
Support to Ministry of Political and Public Affairs		150,000,000
Emoluments to staff engaged by Ministry of Political and Public Affairs		398,118,814,50
Ministry of Information and Communication	10,000.00	73,000,000
Ministry of Information and Communication- share of international gateway revenue	194,363.20	392,600,000
Support to individuals and youth groups		2,330,000,000
TOTAL	237,105.20	4,350,058,814.50

We recommended that all the donations/support to national development that was paid to individuals totaling Le 4,350,058,814.50 and US\$ 237,105.20 should be fully recovered and paid back into the consolidated fund.

In their response, the management states that it will present the policy to the Board for approval. The management will also make efforts to locate the listed individuals so as to recover the full amount.

We further recommend that management should provide evidence of the recoveries to the Auditor-General for verification.

SIERRATEL

98. It is important to note that the Management of Sierratel did not respond to the draft management letter issued to them within the required timeframe (i.e. 15 days) in accordance with Section 93(3) of the Public Financial Management Act, 2016.

Details of Loan of US\$ 46.1 million not provided.

99. Agreement for two loans with banks in India and China valued at US\$ 46.1 million were not made available for verification.

We recommend that the Financial Secretary at the Ministry of Finance should ensure that Sierratel provide the auditors with details of the said loans including the loan agreements, what necessitated the loan, what it was used for and how much is currently outstanding.

IT Governance

100. Although Sierratel is highly dependent on IT infrastructure for efficient management of its core business, the management has not put in place critical IT governance documents that would ensure proper direction, control and management of the IT operations. Some of the documents that have not been developed include:
- i. ICT policy and procedures
 - ii. Change management procedures
 - iii. Back up policy

We recommend that the Board and senior management should consider to develop and approve key IT governance documents including ICT policy and procedures, back-up policy, change management procedures and disaster recovery policy.

Disaster Response and Recovery Measures

101. Despite the dependence on IT infrastructure, Sierratel has in place an outdated disaster response and disaster recovery policy that was approved in December 2015. The policy therefore has inadequacies including:
- i) it does not cover the new threats to the IT environment inherently introduced during the major upgrade of the billing system in 2017, and
 - ii) it does not indicate the disaster recovery solution that has been adopted at Sierratel.

We recommend an update of the disaster response and disaster recovery policy to deal with new threats.

Over-reliance on the vendor for the operations of Billing system

102. In 2017, Sierratel entered into a contract with Sterlite Technologies for the upgrade of the billing system, which supports their core business. However, the contract does not define how and when the system will be handed-over and commissioned. Therefore, Sierratel is highly dependent on the vendor for any changes and effective operation of the system. In addition, a review of the user accounts revealed that the vendor has eight active user accounts, which are used to remotely access the system. This over reliance not only compromises the confidentiality and integrity of data, but also increases the operational risk in the event the system fails.

We recommend that in order to mitigate the risks associated with over reliance on the vendor, the management should:

- a) Enhance capacity of the ICT department at Sierratel in the use of the billing system as per the agreement.**
- b) Consider entering into an escrow agreement with Sterlite Technologies.**
- c) Consider deactivating the existing user accounts and only provide access on a need basis and also temporal.**

Billing System

103. Analysis of data from the billing system, which is mainly used for creation and activation of recharge vouchers, revealed data integrity issues that includes:

- i) 74.4 million missing recharge voucher serial numbers;
- ii) 109,000 customers used recharge vouchers that had not been created in the system; and
- iii) 22,000 used vouchers that had not been activated as per the system.

The billing system therefore has significant weaknesses which has compromised revenue generation.

We recommend that the management should further probe the weaknesses of the billing system to identify the root causes.

Recharge of the Point of Sale (POS)

104. The Channel Interconnect System is used for recharging of the POS terminals, which are used for resale of either voice or data to customers. Review of the system however revealed that staff, Issa Bangura and Mani Issa in the IT department have two POS terminals in their names and had not accounted for revenue

collected totaling Le 33,501,383,670, which was 24% of the total recharge value of all POS terminals for the period 1st January 2015 to 30th November 2018.

105. Given that the IT department is the custodian of the data and system administrator, there is high risk in IT staff operating POS accounts. This greatly compromises the segregation of duties where the asset, data and system admin rights should not be held by the same individual.

We recommend the following:

- a) The management should review the POS operations with a view to enhance the internal controls including developing a policy, centralising the POS recharge and collections in one system in order to ensure auto-reconciliation of the revenue.**
- b) Furthermore, the two named IT staff members concerned should account for the sum of Le 33,501,383,670.00, otherwise the appropriate authority would be informed.**

POS Revenue that has not been Accounted For

106. Analysis of the total POS recharge values for 1st January 2016 to 31st May 2017 against the revenue collected and banked in the same period, revealed that Le 19,471,002,855 (40% of the total recharge value) had not been accounted for.

We recommend that the sum of Le 19,471,002,855 which is the variance between POS recharge and amount banked for the period under review be accounted for, otherwise the amount should be surcharged on all staff members concerned.

Non-registration of Mobile Subscribers

107. Regulations on registration of subscribers of sim and User Identity Module (UIM) cards require that every mobile network operator shall ensure that all subscribers are registered in the prescribed form. However, analysis of the mobile subscribers maintained by Sierratel revealed that 10,011 subscribers, which is 5.7% of all subscribers, had not been registered under any individual or company as required by the regulations.

We recommend that the management should ensure that all mobile subscribers are duly registered in accordance with the Telecommunications Act, 2006 before 30th June 2019, otherwise all unregistered subscribers should be disconnected thereafter.

CDMA Recharge Cards

108. Examination of the stock record cards revealed that the internal audit had previously conducted a physical stock count of the cards, which revealed discrepancies between the values on the stock record

cards and the stock that was physically in the store. The differences could be valued at Le 280,000,000 and there was no evidence of how the management resolved these discrepancies.

109. In addition, the technical audit team conducted a physical stock count in December 2018 and revealed differences with a net value of Le 398,120,000. These difference is a clear indication of internal control weaknesses in management of the recharge voucher cards, which could lead to loss of revenue to the company.

We recommend that management should ensure that the difference of Le 398,120,000 noted between the recharge vouchers' stock and physical stock count be recovered from the three officers who have access to the store.

Fifty Vehicles with book value of Le 2,488,571,624 not made Available for Verification

110. A physical inspection of the vehicles in January 2019 revealed that 50 vehicles were not in existence despite been recorded in the fixed assets register.

Since the Sierratel management has failed to account for these vehicles, we recommend that the matter be brought to the attention of the Anti-Corruption Commission.

SALCAB

Lack of Disaster Recovery Measures

111. SALCAB has installed the ECOWAN and national fiber optic backbone within the country. Review of the contract documents indicate that SALCAB does not have a disaster recovery plan that would clearly set out the process of preventing disruptions, preparedness for the disruption, response and recovery in the event of disruption. In addition, there are no redundancy line within the national fiber backbone to ensure continuous availability of connection. Therefore, in the event of a disruption including fiber cuts at any point in the cable path, SALCAB may not effectively identify, respond to and timely recover.

We recommended that the management of SALCAB should develop and seek for board approval of a disaster recovery plan, which will clearly outline the process to be followed in the event of a disaster. In addition, SALCAB should implement a disaster recovery solution, which would ensure continuity of services in the event of a fiber-optic disconnection within the network by 30th June 2019.

In their response to the draft management letter, the management stated that in terms of connectivity and network redundancy plans, the new management intends to deploy a robust and

resilience network that will serve as a major backbone to drive oceanic and terrestrial connectivity in Sierra Leone and the sub-region.

We further recommend that these redundancy plans should be forwarded to the Auditor-General for verification.

Type approval for Telecommunications Equipment

112. SALCAB has telecommunications equipment in use under the WiMax project. However, there was no evidence this equipment has been approved by the regulator as required by Section 45 of the Telecommunications Act, 2006. Therefore, SALCAB is at risk of penalties due to non-compliance with the law.

We recommended that SALCAB should seek for type-approvals for all the telecommunications equipment from the regulator, which are in use for their operations.

In their response to the draft management letter, the management indicate that SALCAB is registered under the Companies Act, 2009 and therefore is not regulated by the Telecommunications Act, 2006.

In our professional opinion, SALCAB is a telecommunications operator in Sierra Leone and is subject to licensing under the Telecommunications Act, 2006. In addition, all the telecommunications equipment in use should be type approved under the Telecommunications Act.

We therefore further recommend that SALCAB should be licensed under the Telecommunications Act and management should ensure compliance with the provisions of the said Act, in relation to the type approvals.

Irregular Contract with Conecta Linking Ideas & Solution (SL)

113. In December 2016, SALCAB signed a contract with Conectalis for the provision of operational support services for the start-up operations of the unified terrestrial optical fiber backbone network. The contract sum for 24 months was US\$ 496,478. An examination of available documents revealed the following:
- a. Although SALCAB claimed to have followed the national competitive bidding method for this procurement, evidence including advertisement in a national newspapers and the official NPPA website for a period of at least four weeks was not provided.
 - b. The contract deliverables appear to be similar to the day-to-day functions of the board of directors and included;

- (1) five-year term business plan;
- (2) annual budgets for 2017 and 2018;
- (3) full portfolio of SALCAB;
- (4) operational model; and
- (5) marketing and commercial plans

There was no evidence made available to the audit team to indicate that the deliverables were met in accordance with the agreed contract.

- c. As at 10th August 2018, Conectalis(SL) had been paid US\$ 526,299 and Le 2,311,461,593.00.

114. Therefore, SALCAB may have incurred the above expenditure for services that were not rendered by the service provider.

SALCAB may have incurred an expenditure of US\$ 526,299.56 and Le 2,311,461,593.50 for services that were not rendered by the supplier. We therefore recommend that all funds paid to this supplier be recovered before the 30th June 2019.

In their response to the draft management letter, the management indicated that the contract with Conectalis was terminated as it did not give value for money.

Although the contract has since been terminated as indicated by the management, we further recommend that the amounts paid to Conectalis should be recovered before 30th June 2019. The evidence of these recoveries should be submitted to the Auditor-General for verification.

Irregular contract with Kabaka Multimedia Entertainment

115. SALCAB signed two contracts with Kabaka Multimedia Entertainment:

- i) On 3rd December 2017, for the provision of “follow-up promotional multimedia sensitisation activities” for the sum of US\$ 50,000 and
- ii) On 5th March 2018 for the provision of “multimedia and public relations services” at a contract sum of Le 1,821,800,000. These contracts were awarded; but however, the management did not provide documentation to indicate which procurement method was followed.

116. Although SALCAB did not provide the payment vouchers for these transactions, examination of bank statements for the period between November 2017 to March 2018 indicated that SALCAB paid Le 1,619,100,000 to Kabaka Multimedia Entertainment.

117. Given that the management did not provide evidence that the vendor delivered these services, there is a likelihood that SALCAB incurred the expenditure for services that were not rendered.

Due to lack of evidence that Kabaka Multimedia Entertainment delivered services in accordance with the signed contracts, we had recommended that SALCAB should recover the sum of Le 1,619,100,000 and other amounts that were paid to them in relation to this contract.

In their response to the draft management letter, the management confirmed that the list of services in this contract were part of the terms of reference of the former chief commercial officer. The management further indicated that the contract was terminated as it did not give value for money.

We further recommend that the funds paid to Kabaka Multimedia Entertainment should be recovered before 30 June 2019. The evidence of these recoveries should also be submitted to the Auditor-General for verification.

Unsupported Expenditure

118. Examination of the bank statements for SALCAB's accounts maintained at Zenith Bank, Guarantee Trust Bank and First International Bank revealed that US\$ 2,493,842 and Le 1,606,996,942 as shown below was either transferred or withdrawn as cash without the necessary supporting documents including payment voucher, invoices and delivery notes.

Table 1; Unsupported Expenditure-SALCAB

No.	Name/Payee	Designation	Amount US\$	Amount Le	Remarks
1	Transfers	Unknown recipients	1,000,458.25	-	See appendix III
2	Mohammed Sheriff	Former Managing Director, SALCAB	481,384.98	-	See appendix IV
3	Idrissa Yilla	Former Chairman, SALCAB	382,971.63	-	See appendix V
4	Roland Nylander	Former Director, SALCAB	147,281.00	-	See appendix VI
5	Mustapha Silla	Former Admin Manager, SALCAB	-	1,606,996,942.00	See appendix VII
6	Others		244,924.34	-	See appendix VIII
7	Companies		236,822.49	-	See appendix IX
	Total		2,493,842.69	1,606,996,942.00	

119. Although there were no supporting documents, during an interview, the former administration manager Mr. Mustapha Silla confirmed to us that he withdrew Le 1,606,996,942 and handed over the cash to the former Managing director, Mr. Mohammed Sheriff, as payments to participants during nationwide sensitisation of the national terrestrial fiber network.
120. Therefore, total amounts of US\$2,493,842.69 and Le 1,606,996,94 may have been paid without provision of any services to SALCAB.

We recommended that the unsupported and unauthorised cash withdrawals and transfers of US\$ 2,493,842 and Le 1,606,996,942 should be recovered by 30th June 2019 from the individuals and entities concerned.

In their response to the draft management letter, the management confirmed that it did not have any supporting documents for these withdrawals and transfers. In addition, the former administrative officer, Mr. Mustapha O.B. Silla confirmed, in a letter dated 12th February 2019, that he withdrew Le 1,606,996,942 and handed over the cash to the former Managing director, Mr. Mohamed Sheriff and the former board chairman, Mr. Idrissa Yilla.

We further recommend that these unsupported and unauthorised cash withdrawals and transfers should be recovered from the individuals and entities concerned. These recoveries should be done before 30th June 2019 and the evidence should be submitted to the Auditor-General for verification.

Donations

121. Without a policy to guide on request, processing, approval and issuance of donations, during the period under review, SALCAB paid Le 3,258,194,500 as donations to individuals and companies as shown in table 2 below.

Table 2; SALCAB Donations

Particulars	Amount (Le)
Former Ministers (See appendix XVII)	233,879,500.00
Members of Parliament - Hon. Benneh Bangura	431,350,000.00
- Hon. Sheku Amani Sankoh	50,000,000.00
- Hon. Ibrahim Bundu	50,000,000.00
- Hon. Chernor R.M. Bah	50,000,000.00
Monthly donations to fiber-optic backbone	490,000,000.00
Kabaka Multimedia Entertainment	35,000,000.00
Freetown Nominees	20,000,000.00
Various individuals and organisations	1,897,965,000.00
TOTAL	3,258,194,500.00

We recommend that SALCAB should ensure that the sum of Le 3,258,194,500.00 is recovered from either the recipients or the officers who approved these donations.

In their response to the draft management letter, the management indicated that they were unable to obtain the supporting documents from the former SALCAB management team.

We therefore further recommend that all the monies donated should be recovered and repaid by either the beneficiaries or the officers who approved these expenses. The recoveries should be done before 30th June 2019 and evidence of the same should be submitted to the Auditor-General for verification.

CIVIL WORKS

MINISTRY OF WORKS AND PUBLIC ASSET

Ministry of Works and Public Assets Lack Adequate Strategies and Objectives for Housing Programs

122. Though the Ministry of Works and Public Assets is mandated among other things to design, coordinate and monitor the implementation of policies and programmes for the development of housing sector, the Ministry did not have adequate strategies and operational plans that would ensure the attainment of the housing program aimed at providing residential accommodation for all or at least majority of the civil servants.
123. The lack of a comprehensive strategy and operational plans for housing programmes has contributed largely the inability to achieve its goals. As a result, up to the period of audit, the Ministry of Works and Public Assets has not managed to provide residential accommodation for a large number of the civil servants. This is evidenced by the fact that, as at 2016, there were 4,800 civil servants who were eligible for quarters while there were only 787 quarters available nationwide, equivalent to 16% of the required.
124. The Ministry responded that steps were being taken to address the issue of lack of policies and programme. The Ministry gave an example of a Building Code that has been developed and submitted to the Law Officers Department for opinion which is yet to be sent to the Ministry. However, the Ministry did not submit the building code to support its response.

We recommend that the management of the Ministry of Works and Public Assets should not later than 30th June 2019:

- a. Develop comprehensive strategic and operational plans to support its overall goals for the provision of residential quarters to civil servants. This should consider the current housing needs of the civil servants; and**
- b. Develop housing policy stating the responsibility of each actor for proper management of government houses. The policy should be disseminated to other implementing public entities for effective implementation.**

Inadequate Adherence to the Standard Asset Acquisition Procedures

125. The audit noted that, the Ministry of Works and Public Assets did not adequately adhere to asset acquisition procedure as per Section 5.1 of the National Land Policy of Sierra Leone, 2015. Even though Ministry of Works lacks proper ownership documents for the available 318 quarters in the Western Area, an interview with the Permanent Secretary confirmed that the units belong to Ministry of Public Works. Up to the time of this audit, the Ministry has not made any efforts to register these lands and quarters,

believing that since they are state properties, they therefore do not necessarily need registration. Due to the lack of proper ownership documents for the quarters and the surrounding lands, it has become difficult to evict encroachers off its land plots without their consent.

126. In addition, the Ministry did not have an up-to-date assets register with sufficient information to enable efficient management of government quarters. This is contrary to the requirements of the Anti-Corruption Commission (ACC) best practices guide for the use of government assets including land plots and houses/quarters. As a result of the lack of an up-to-date assets register, it was difficult for the Ministry of Works and Public Assets to provide the following information: the exact number of quarters, their location, condition or state of those quarters, number of houses falling vacant, number of houses still used by retired civil servants, as well as the actual value of those houses.
127. The management accepted the observation and responded that land and government housing cadastral have been included in its 2019 strategic plan. The Ministry indicated it will hire a reputable consultant to create Works Electronic Database System which will ensure that all government land property and quarters are assessed and documented into electronic files. However, the Ministry did not submit the said 2019 strategic plan to support its response.
128. The Ministry also indicated that survey plan had been developed by a consultant on behalf of the Ministry, but up to the time of writing this report, were not submitted for audit verification; and even if they did, that document on its own does not guarantee ownership.

We recommend that not later than 30th June 2019, the Management of the Ministry of Works and Public Assets should in consultation with other stakeholders, including the Ministry of Lands Country Planning and Environment and the Law Officers Department:

- a. **develop and maintain an up-to-date register of all properties including land and buildings in their custody; and**
- b. **prepare ownership documents including legal title deeds where applicable for all properties listed in the register.**

The Ministry of Works Fails to Allocated quarters to Targeted Beneficiaries

129. The Ministry lacks effective mechanism for allocation of government quarters. The housing allocation mechanism currently used by the Ministry lacks transparency, fairness and could not capture necessary information like date of first appointment, date of birth or current employment of the applicants. As a result, a significant number of quarters were occupied by unintended beneficiaries (without reasons for their exceptions) such as non-civil servants, retired former civil servants which is against the requirements of the Sierra Leone Civil Service Code and Clause 33 of ACC's for the management of public assets.

130. The management accepted the observation and has taken initial steps like nationwide quarter verification exercise which will involve assessment of the eligibility of the occupants and review of application form to enable the quarter allocation committee make informed decision, on when the occupant is expected to retire without unwarranted from HRMO.
131. We acknowledge that the Ministry has already embarked on a nationwide quarter verification exercise. However, since this exercise has not been completed and no action has been put in place, we maintain that the Ministry lacks effective mechanisms for the allocation of its quarters.

We recommend that not later than 30th June 2019, that the Management of the Ministry of Works and Public Assets should:

- a. Develop effective house allocation mechanisms and ensure that it is adhered to. The developed mechanisms should allow transparency and enable the Ministry to capture all necessary details of the civil servants;**
- b. Ensure that there is proper documentation of house allocation proceedings;**
- c. Develop register of applicants to allow fairness and transparency in the allocation process;**
- d. In future establish follow-up mechanism for regular assessment of status of the occupants to determine their eligibility for occupying the government quarters; and**
- e. Improve its allocation and application letters to ensure that they have binding clauses for the tenants who will defaults. The Ministry should also ensure the defaulters are punished as per the terms in the offer letter.**
- f. The Ministry should evict tenants who are not government employees and does not qualify according to the civil service code.**

Lack effective system for managing rented quarters indicating a high risk for loss of government revenue

132. We noted that allocation systems used by the Ministry of Works and Public Assets have a loophole for loss of revenue. Analysis of status of occupants as of 2018 for 20 sampled quarters indicated that three quarters equivalent to 15 percent were occupied by retired staff after the six months grace period. Since the rents were deducted at source, from the occupant's salary, there is no assurance that the government through the office of Accountant General has managed to collect rents from the quarters which were allocated to such kind of people.
133. Furthermore, there were incidences whereby lower grade civil servant i.e. below Grade 7 were allocated to class A quarters which were supposed to be allocated to civil servants of Grade 7 and above. It is obvious that, less amount will be collected /deducted from the civil servant of lower grade compared to those of

Grade 7 and above. Lack of tenancy agreements has resulted into a failure of the Ministry to evict retired staff from the quarters.

134. The Ministry also does not have any records of the revenues realised from the quarters as required by Section 60 of the Financial Management Regulation, 2007. For the period under audit, the Ministry has not conducted rental assessment for all quarters in order to determine if 1/16 of the civil servant occupants is deducted from their salaries as rental charges.
135. The management accepted the observation and has taken initial steps like nationwide quarter verification exercise and review of application form. This will enable the quarter allocation committee to make informed decisions

We recommend that not later than 30th June 2019 the Management of the Ministry of Works and Public Assets should:

- a. Develop effective house allocation mechanism and ensure that defaulters are punished as the included terms in the offer letter;**
- b. The Ministry should develop effective coordination mechanism that will assure that rents are deducted from all beneficiaries of government quarters;**
- c. come-up with effective control mechanisms to safeguard the above stated leakages/loss of revenue;**
- d. Improve communication on the allocated quarters for proper reconciliations with Accountant General's Department with regards income from the rented quarters.**

**Failure to Pay Proceeds from the Sale of Government Quarters into the Consolidated Funds-
Le 2,620,000,000**

136. From the review of records from the Ministry of Works and some offer letters to beneficiaries, we noted that an assessment fee of Le 5,000,000 each was paid into the Imprest Account of the Ministry of Works and Public Assets at the Bank of Sierra Leone (A/C NO. 0112005102) by 155 applicants who wanted to purchase quarters. Similarly, the proceeds from the eventual sale of 29 of such quarters totaling Le 2,620,000,000 were paid into the Ministry's departmental account, titled: "Work Emergency Account No. 0112004648" at the Bank of Sierra Leone. This is contrary to the requirement of Section 44 (1) of the Public Financial Management Regulations, 2018; and indicates a risk for misuse of public funds.

137. Furthermore, the Ministry failed to provide bank statements of the above accounts and a detail analysis of how these funds were expended. Section 44 (1) of the Public Financial Management Regulations, 2018 states:

We recommend that the Management of the Ministry of Works and Public Assets should ensure the following:

- a) That the bank statements are provided together with an analysis of how the funds have been expended with detail supporting documents, otherwise all signatories to the above account should be held personally responsible for the refund of the funds.**
- b) In future, all such revenues should be banked intact into the Consolidated Revenue Fund.**

Inadequate Valuation of 29 Disposed Government Quarters Located in the Western Area

138. The audit noted that, from 2017 to 2018, the Ministry of Works did not conduct adequate valuation for the 29 disposed government quarters in Western Area. The valuation of disposed quarters was not done by independent professional valuers as one would expect. The selling price also did not include the value of land contrary to the requirements of the International Accounting Standards (IAS) 16 (58) which required that separate accounts for land and buildings should be made even when they are acquired together.

139. The management of the Ministry in principle agreed with the observation that the valuation was not done adequately. The Ministry indicated in its response that the valuation was done by a team comprising of officers of the then MWHI and MLCPE respectively.

The Ministry highlighted the reasons for this; that the sale was based on social grounds, which is equivalent to the sale as-it-is basis as approved by H.E the President as per minutes from the then Minister dated 5th December, 2017. Another reason was that since the Ministry did not fulfill its role of maintaining the quarters as required by the Law of landlord and tenant, the valuation could not strictly be made on an "open market". However, the Ministry should provide to the higher authority the mentioned documents that include minutes from H.E the President, as well as minutes from the then Minister dated 5th December 2017, and Cabinet Conclusion (Cabinet Paper, 2001) and (Cabinet Paper, 2016) 116 to support its response.

We recommend that the management of the Ministry of Works and Public Assets should do the following:

- a. As soon as they receive this report submit to ASSSL the Cabinet Conclusion CP (2001), CP (2016) 116 and the Minute showing the approval of H.E the then President to support its response.**

- b. Revisit the disposal process and recover the value of the land from the buyers where applicable.**
- c. In future, such disposals are valued by professional valuers in order to ensure maximum value is obtained from the disposed assets.**

Non-Adherence to the Principles of Disposal of Assets During the Disposal of 29 Government Quarters in Western Area

140. The disposal of 29 government quarters was also not done in accordance with the principles of disposal of assets, as the process was associated with lack of transparency and competition, and was also not disposed of at market prices. The disposal process was not carried-out with due diligence and efficiently. This is because the disposal included those government quarters located in prime areas. This was evidenced by an action of the current government to retrieve the sold quarters and lands in recent time in order to overturn the decision of the previous government regarding the disposal of those houses (quarters) and lands.
141. The Ministry accepted the observations and has indicated that it will develop mechanisms to ensure compliance with the principles of disposal of public assets. The mechanisms should enable the Ministry to demonstrate fairness, transparency, diligence and efficiency in the disposal of public assets.

We recommend that the Management of the Ministry of Works and Public Assets should do the following:

- a. Develop housing policy stating the responsibilities of each actor for proper management of government houses. The Policy should be disseminated to all implementing public entities for effective implementation.**
- b. Develop effective mechanisms to ensure compliance to the principles of disposal of public assets. The mechanisms should enable the Ministry to demonstrate fairness, transparency, diligence and efficiency in the disposal of public assets.**
- c. Monitor and evaluate disposal activities and use the results to take corrective actions. The actions taken should aim at ensuring optimal value of the property is realised and optimal utilisation of the assets prior to its disposal.**

Disposal was not carried out diligently and efficiently by the Ministry of Works and Public Assets

142. Through the interviews held with officials from the Ministry of Works and Public Assets and the review of correspondences related to the sale of land and quarters, it was revealed that the disposal process was not done diligently and efficiently. This is because the disposal included only government quarters located in prime areas. This was also evidenced by the action of the current government initiative to retrieve the sold quarters and land and to overturn the procurement approved by a cabinet conclusion of the previous government.
143. The Ministry accepted the observation and gave the reasons that, the Ministry was implementing the directive that was trickled down to it.

We recommend that the Management of the Ministry of Works and Public Assets in future should provide technical advice to the government prior to a similar decision.

SIERRA LEONE HOUSING CORPORATION

SALHOC did not adequately implement its Strategies

144. Although the Corporation has strategies and plans which to a large extent were in line with the expectation of the government's goals, it has not effectively implemented those strategies and plans. For the period covering four years of the Corporation's strategic plan, out of 22 strategic interventions, 10 have been partially implemented and 12 were not implemented at all. Despite the fact that SALHOC was vested by the Government of Sierra Leone, some property among them include 669 low cost houses, 218 units of houses, and 60 OAU villas. The revenue from these properties were expected to be used to construct similar property whereby increasing the stock. Since its establishment in 1982, SALHOC has managed to construct only 20 units of low cost houses.
145. Since the implementation of the SALHOC plans requires a significant amount of capital, SALHOC has failed to raise the required capital for this purpose. Weak revenue management and investment strategies were some of the key factors that led to this failure.
146. On the other hand, it appears as if, there is inadequate support from the government in relation to the enforcement of debt collection from the public entities that are occupying SALHOC property. Furthermore, the current annual rent charge for the property are relatively low when compared with the similar property owned by private individuals. For instance, the OAU Villas are currently being let out at an annual rate of Le 18,000,000.00, where as we were reliably informed that similar properties are currently being offered anywhere between Le 25, 000, 0000 and Le 30,000,000.

147. From the 218 house units located at Goderich, 7th Battalion and 2 house units at B. 28 King Harman Road occupied by the Ministry of Defence and the Ministry of Tourism respectively, there is an outstanding rent amount of Le 8,043,545,000 (with Defence being responsible for Le 5,881,400). The tendency of the government ministries allocating SALHOC property to other public entities, has significantly affected the performance of SALHOC due to failure to obtain revenue from the allocated property. A typical example is the 57 acres of land at Peninsular Road Goderich used by the National Social Security and Insurance Trust Fund.
148. During the audit, management accepted this observation and our initial recommendation to the same and has taken initial steps on it including development of concept note for a housing programme.

We recommend that the management of SALHOC should ensure the following:

- a. Establish investment policy and strategy that would attract investors that will enable the Corporation to raise necessary capital to assist in the implementation of its strategies and successfully fulfilment of its mandate.**
- b. Collaborate with the National Commission for Privatisation to ensure that government establishes the right policy frameworks to promote business and investors. This should involve the provision of sovereign guarantee or a customer guarantee to investors and minimise barriers to entry in order to attract the right form of investment structure and promote public private partnership.**
- c. in collaboration with the National Privatization Commission should develop right form of investment structure with minimal barriers to entry that will attract investors and promote partnership with private companies. This may be through the provision of sovereign guarantee or a customer guarantee to investors; and**
- d. Develop effective revenue collection mechanisms and use them to collect revenues from the leased and rented property.**

Non-adherence to the Standard Asset Acquisition Process

149. SALHOC failed to acquire proper ownership documents for the vested houses and plots of land, contrary to Sections 18 and 19 of the Sierra Leone Housing Corporation Act, 1982 and its first schedule. SALHOC has not made efforts to register the land and property vested in them on the assumption that these are property and don't necessarily require registration. SALHOC did not have title deeds, instead the Corporation relies on survey and site plans as documents that provide proof of ownership. This makes it difficult for the Corporation to reclaim their encroached lands due to absence of proper documents of ownership.

150. In addition, SALHOC did not establish values of the vested property at the time of acquisition and has not even carried out independent survey to establish the values of those houses acquired from the government. This is contrary to Section 22 of the Housing Corporation Act, 1982 which requires SALHOC to create a register in respect of the value of the assets transferred stock of the amount agreed upon between the government and the Corporation. Since its establishment in 1982, the valuation of few fixed assets owned by SALHOC was last carried out in 2010.
151. Due to lack of ownership documents and inadequate documentation of the details of the houses and lands, the Ministry of Land, Country planning and Environment have allocated some of the lands to other public entities and citizens who were ready to develop them.
152. During the audit, management accepted this observation and our initial recommendation to the same and has taken initial steps such as consultation with a private firm who will conduct survey and value all the SALHOC property.

We recommend that the management of SALHOC should ensure the following:

- a. Develop mechanisms to ensure that they have all necessary documents indicating the ownership for all property vested to the Corporation.**
- b. Improve its fixed assets register and ensure the register contains all detailed information such as age, location and their cost for proper accounting and management of assets.**

Inefficiencies in the revenue collection from the mortgage/rented houses and land

153. SALHOC has failed to efficiently collect rent and mortgage payments from tenants and house buyers which has significantly impacted their ability to manage their operations. For the period under review, SALHOC did not collect revenue totaling Le 4,926,869,455.70 which is equivalent to 50 percent of the expected revenue collection totaling Le 9,580,328,000.00.
154. From the mortgage for 669 low cost houses at Kissy sites I & II, which ended in 2016, there are outstanding mortgage for 59, totaling Le 43,733,700.00. Furthermore, there is a similar situation with properties that built and sold with an outstanding mortgage balance of Le 28,863,000 since 2012. Inefficiency in revenue collection is mainly associated with weak mechanisms for effective revenue collection, specifically ineffective legal enforcement, absence of internal control as well as inadequate support from the National Privatization Commission and Ministry of Finance in enforcing the collection of outstanding payments from the public entities.
155. The Cooperation management agreed and responded that it is reviewing all tenancy agreements lease with individuals, ministries department and agencies of which the management team will be responsible for

implementation. Meanwhile, the management team is currently ratifying lease, rent and tenancy agreements, which will be implemented by the SALHOC management team.

156. The auditors agreed with the management response. However, apart from reviewing the tenancy agreement, SALHOC management need to ensure that the house allocation mechanism is functioning effectively. Further, SALHOC should submit to the auditors a proof to show that they have started working on reviewing the tenancy agreements.

We recommend that the management of SALHOC should ensure the following:

- a. Review all their tenancy and mortgage agreements and ensure the agreements capture all necessary details to enhance tenant's compliance to payment of rents and protection of assets;**
- b. Seek the support of the National Commission for Privatisation in the recovery of its outstanding rents especially with governmental institutions in order to collect revenue that help them to solve the Corporation's financial constraints;**
- c. Through the Board of Directors, SALHOC should develop revenue collection strategy. The strategy should involve periodic review of rents charges and debt control mechanisms and**
- d. In collaboration with the National Commission for Privatisation, SALHOC should develop effective mechanisms in order to prevent excessive political interference into the affairs of state owned enterprises like SALHOC. This will enhance their performance.**

Inadequate Accounting of Revenue

157. There was unaccounted revenue from lease and mortgaged. This include 669 low cost houses and 20 pilot houses at Kisumu totaling Le4,681,598,040.24. This is because of inadequate supervision of the accounting section by SALHOC management to ensure that, they properly account for the revenue. On the other hand, lack of internal control, i.e., internal the failure on the side of audit unit to assess the internal controls of SALHOC has resulted into failure of the management to have a full view of the performance of the account section.
158. The management accepted the observation and indicated that the main reason was the challenging financial situation for its current operation that made them to utilise the collected revenue as such.

We recommend that the management of SALHOC should ensure:

- a. that revenues are properly accounted for and in case of any misapplication or misappropriation, appropriate sanctions are applied to the culprits to serve as deterrent to others and**
- b. internal controls are in place and are functioning well.**

SALHOC did not conduct adequate Maintenance of Public Houses

159. For the period under review, there was evidence that SALHOC carried out maintenance of its properties especially the OAU villas and those at the 7th Battalion surroundings, Goderich. Instead maintenance was mostly carried out by the tenants who would in return demand that the cost of such maintenance be offset against the rent payable, regardless of how high that cost was. That is to say SALHOC does not have much control of cost and quality of the maintenance activity. Lack of comprehensive maintenance plan which could provide the needed activity to be carried out, financial and human resources as well as the type of maintenance to be conducted has resulted in SALHOC's failure to prioritise this activity. On the other hand, unattainable financial situation which is associated with its failure to efficiently collect revenue, has made the corporation fail to allocate funds for the maintenance. This situation has also made SALHOC fail to have salaries that can attract such qualified personnel for handling maintenance activities. As a result, most of the houses are left in a dilapidated state.
160. The management accepted the observation and has indicated that it is working on our initial recommendations regarding the maintenance strategy. **We recommend that the Management of SALHOC should develop comprehensive maintenance plan and guide for maintenance activities. The plan should indicate type of maintenance to be performed, frequency to be done as well as the resources required for effective implementation of maintenance work**

Inadequate Management of Disposal of SALHOC Properties

161. SALHOC implemented the disposal of two OAU villas through exchange with the Chinese Embassy without conducting survey that could provide justifications for this exchange. Valuation of the villas was not done, and it is not clear whether this exchange was fairly done. Moreover, SALHOC did not seek approval from the National Asset and Government Property Commission prior to disposal. This is failure by the management to act proactively on the directives issued so as to safeguard public asset and thereby comply with the guiding procurement Act.
162. Similarly, mortgage of the 669 and 20 pilot houses at Kissy Site I & II was implemented prior to conducting surveys for justification, not valued and without obtaining approval from the National Asset and Government Property Commission. This is against Section 4(3) of the National Assets and Government's Property Commission Act of 1990. This section states that "No disposal of any national asset or Government property shall take place without prior consultation with the Commission.
163. Further, the disposal of 689 low-cost houses and the two OAU villas exchanged with Chinese Embassy were not done in accordance with principles of disposal of asset. The implementation was associated with

lack of transparency, fairness and limited competition. Furthermore, SALHOC did not advertise the mortgage of the 669 low-cost houses and 20 pilot houses, rather the houses were sold to the occupants. SALHOC also lack justification that direct exchange could provide competitive price for the villas if were to be sold in the market.

164. The disposal methods used impaired transparency and limited competition to allow any other public servant to acquire or purchase the disposed houses by SALHOC. In view of this, they failed to ensure the best available net return is obtained.
165. We conclude that, SALHOC disposed some of its property without proper justification and prior approval from the relevant authority. The disposal decision made by SALHOC did not consider the future needs of the property to obtain maximum value of the asset, as the method used had limited transparency, fairness and competition.
166. The management accepted the observation and our initially issued recommendation.

We recommend that the management of SALHOC should:

- a. in future give technical advice to the government and place value for property that they give out and receive;**
- b. ensure that they have mechanism in place to comply with the available legislation governing the disposal of public assets. The mechanism should enable SALHOC to demonstrate fairness, transparency, diligence and efficiency in the disposal of assets;**
- c. in collaboration with the National Commission for Privatization should monitor and evaluate disposal activities and use the results to take corrective actions. The actions taken should aim at ensuring optimal value of the property is realised; and**
- d. should establish proper documentation of mortgage for individual tenants and ensure that all the required mortgage documents are kept in one file for proper follow-up.**

SALHOC Lacks Adequate Governance Mechanisms for Control of its Operations

167. The governance systems at SALHOC are not adequate to control its operation. The Corporation lacks adequate capacity to fulfill its mandates. This was indicated by shortage of 52 percent of the required human resources. The organisation structure of SALHOC did not indicate the need for an internal audit and legal departments, despite that these units are crucial for the nature of activities undertaken by the Corporation. The internal audit unit could help the corporation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

168. The management has agreed with our initial recommendation and has indicated to have started working on them.
169. SALHOC does not have any performance agreement with either NCP, the Ministry of Works and Public Asset or the Ministry of Lands, Country Planning and the Environment. In this regard, the Corporation does not report its performance to any of these ministries. Furthermore, the management of SALHOC has been unable to sign the audited annual financial statements for 2016 and 2017. This has contributed to under performance of this corporation.
170. The management agreed and is working with our initially raised recommendation.

We recommend that the management of SALHOC should:

- a. review its staff compliments and organisation structure in order to adequately re-align its activities and cover identified gaps of the internal controls within the Corporation.**
- b. liaise with the NCP, Ministries of Land, Country Planning and the Environment and the Ministry of Works and Public Asset to ensure they sign the performance agreement on the matters related to housing;**
- c. ensure that staff with required skills related to the core business of the Corporation are recruited. This will facilitate in enhancing the performance of the Corporation; and**
- d. seek the support of the National Commission for Privatisation in the recovery of its outstanding rents especially with governmental institutions in order to collect revenue that could help them solve the Corporation's financial constraints.**

ROAD MAINTENANCE FUND ADMINISTRATION (RMFA)

Failure to execute powers to take part in determining/setting the amount of fuel levy chargeable per litre of a petrol or diesel

171. From interviews held with the Director of Finance and Investment at RMFA and a review of the RMFA board minutes, we observed that RMFA did not apply its powers conferred on it in Section 20 of the RMFA Act, 2010 in determining the amount of fuel levy that should be included in the pump price of fuel sold by oil companies.
172. For instance, we observed that between 2015 and 2017, the fuel levy charge for roads users was reviewed 12 times without the participation of the RMFA. According to interview with the RMFA officers, the road user charges on fuel levies is currently being set by the Ministry of Finance who in turn communicates those details of the pricing formula to RMFA.

173. In response to this audit query raised, RMFA pointed out that their Board and management did not have the powers to compel the ministers of finance, transport and trade to comply with any or all of the provisions of the RMFA Act.

We recommend that RMFA should liaise with the three ministries of trade transport and finance, and the Petroleum Regulatory Authority (PRA) to develop mechanisms that will ensure that all stakeholders are involved in the process of determining the fuel levy chargeable for the pump price of petrol and diesel.

Unreconciled Revenue from Oil Marketing Companies- Le 171,864,465.59

174. The audit team reviewed the cheques collected by RMFA from oil marketing companies in relation to fuel levy charges for the period under review and compared same with those reported to the PRA by the same oil marketing companies. We observed that the two sets of numbers were unreconciled and the difference of Le 171,864,465.59 was noted. What was reported by the oil marketing companies to have been collected and paid over the RMFA is higher than that reported to the PRA. The unreconciled difference indicates the risks on the reliability of the information provided by OMC to both the PRA and RMFA. On the other hand, RMFA also failed to follow-up and reconciled their figures with PRA.
175. In their management's response, RMFA accepted the finding and our initial recommendation to commence with immediate effect reconciliation exercises with OMCs & PRA.

We recommend that the Management of RMFA and PRA should provide the Auditor General with details of their fortnightly reconciliations as soon as they receive this report.

Undercollection of revenue from SLRSA- Le 21,102,777,910.39

176. The audit team noted that the amount remitted to RMFA by SLRSA in accordance with Section 19 (a) of the Roads Transport Authority Act of 2007 was less than the required amount. Analysis of the remittances for 2016 and 2017 indicated an adverse variance of more than 66%. For the financial years 2016 and 2017 unaudited figures provided, RMFA received a total of Le9,324,924,325 while they were supposed to have received Le30,427,702,235 giving an adverse variance of Le21,102,777,910.39. This is as a result of the fact that SLRSA's deductions as authorised by the Act, which permits for administrative deductions were misinterpreted to cover the entire costs of the organisation including capital and project costs.

177. The management accepted our initial finding and recommendation, and indicated that they would engage SLRSA and other key stakeholders to resolve this matter. Furthermore, we were advised that introduction of the Treasury Single Account should address this matter.

We recommend that the management of RMFA should request from SLRSA the unpaid amount of Le 21,102,777,910.39 with immediate effect.

Payment made to uncontracted third parties - Le 3,479,089,950.00

178. The review of payment vouchers, invoices and receipts from contractors at RMFA indicated that, RMFA has violated some of the conditions of works contracts and financial guidelines by making advanced payments worth Le 3,479,089,950 to nominees of contractors, who had no involvement in the contracts.
179. The management responded that the three nominees acted as the insurance brokers for the insurance of various equipment and machinery procured by the contractors. RMFA paid them upon the request made by the respective contractors.

We recommend that the management of RMFA should only make payments to contractors and not their nominees as this is not a good business practice. This may have adverse impact on whatever banking arrangement that may exist between the contractors and their bankers and also taxation of contractors.

Payments without obtaining required documentation - Le 274,912,412,935.22

180. The review of 21 sampled contracts financed by RMFA we noted that payments to contractors amounting to Le 274,912,412,935.22 were made without having complete set of necessary documents as required by RMFA financial guidelines. Most of these payments were missing relevant documents such as advance payment guarantee (APG), performance guarantee, contract, progress report from engineer/consultant and procurement evaluation proceedings.
181. Management in its response to our draft report stated that RMFA is not a procuring entity and therefore, referred auditors to the various LGAs who are the implementing agencies. Furthermore, the RMFA indicated that they would take action to address the missing procurement evaluation proceedings.
182. However, this does not mean that RMFA is not supposed to exercise due diligence in making any payment and making sure that any payment is accompanied by all the required documentation as per Section 63 of the Public Financial Management Act.

We recommend that RMFA should adhere to the Administration's internal financial guidelines when processing transactions; as well as the Public Financial Management Act, 2016; the Public Procurement Act, 2016 and the RMFA Client Service Charter.

**Addenda approved for three roads without justifications and exceeding 25% of the initial contract sum-
Le 42,076,860,243.50 and US \$ 31,678,988.51**

183. A review of the contract documents at RMFA indicated that RMFA has been accepting contract addendums with an increase in the contract price of more than 25% of the original contract value. This is contrary to Section 147 of the Public Procurement Regulations which states that modification above 25% of the original contract value should be treated as a new procurement and could therefore form a new contract.
184. The contract involving rehabilitation works at King Jimmy Bridge was the one with the highest margin of addendum whereby the cost was increased by 895% which is more than 9 times the original price of the contract. The contract number C21 that involved the rehabilitation of roads in Waterloo was also another contract with the higher margin of addendums having more than 153% of the original contract price.
185. The former CEO was contacted and this was his response “The RMFA does not have any statutory mandate to approve the procurement activities or procedures of the SLRA or any of its implementing agencies. This is the mandate of the National Public Procurement Authority (NPPA). It is the view of the previous management of RMFA that the SLRA would have sought and received the prior approval of the NPPA and any other relevant authority before the award and signing of any addendum”.
We recommend that RMFA and SLRA should stop allowing any future contracts with additional costs that will add up to more than 25% of the original contract price and must comply with section 144, subsection 5 of the Public Procurement Regulations, 2006.

SIERRA LEONE ROADS AUTHORITY (SLRA)

Lack of Needs Assessment Analysis

186. It was discovered that, SLRA did not conduct any needs assessment to assess the extent of road works that they were able to undertake since 2010/2011 to 2017/2018. It was noted that projects started early in 2011 and most of them are yet to be completed and some did not start at all. As a result, SLRA embarked on implementing huge number of projects with the aim to complete them within one and half, to two years. However, only seven of 18 road projects have been practically completed, namely: Kailahun Townships, Mange-Mambolo, Wilkinson Road, Kono-Kabala Township, Kabala-Township Phase II, Freetown Roads (Kissy Rad, Fourahbay Road, Magazine Cut, Macauley Street, Haja Sonie Drive, UN Drive et al), King Jimmy Embankment and drainage works.

We recommend that SLRA and the government should undertake project needs assessment to identify the number of projects needed and establish a reason for implementation of such projects.

This will provide a reasonable budget for the execution of project including inclusion of projects in annual procurement plan, and setting and approving budget for the identified projects;

Inadequate Feasibility Study

187. The audit noted that, feasibility study was inadequately conducted prior to planning and implementation of the road rehabilitation and construction activities. Projects' feasibility studies were not conducted in 14 of the 18 road projects that were reviewed, representing 78 percent. It was further noted that only 4 of the 18 projects that were reviewed had feasibility study reports provided to the audit team.
188. Reasons for such inadequacy were due to the fact that projects were carried out in a 'design and build' approach, whereby the bidders submitted their conceptual drawings and financial proposal to be reviewed and evaluated by SLRA. However, even for the four projects which had undergone feasibility studies, the reviewed feasibility studies did not indicate the type and level of service that was expected by SLRA. Feasibility studies reviewed did not indicate the timeframes and assumptions of the project.
189. According to interviews held with officials of SLRA, those projects were executed in the already existing roads, so there was no need to conduct feasibility studies. However, through the review of projects implementation files, auditors noted that, the feasibility studies were needed for effective planning and design of the projects at every stage. This is because, by the time feasibility study was done, up to this moment, there are changes in population size, traffic (number of vehicles) that use the roads; therefore all these have to be taken into consideration during construction of new roads. It is through feasibility studies that these changes can be identified and associated issues be incorporated into the new project designs.

We recommend that SLRA should:

- i. ensure that it carryout comprehensive feasibility studies prior to planning and implementation of road rehabilitation and construction activities; and**
- ii. review all ongoing road projects especially those with no feasibility study and devise a mechanism that will ensure that projects being implemented are reviewed and mini-studies done to avoid future variations and addenda that would affect road projects in terms of cost and quality.**

Inadequate Environmental Impact Assessment for Road Projects

190. It was discovered that, contractors did not submit and conduct environmental impact assessment (EIA) before starting the projects thereby leading to delays and disputes among the contracting parties as well as the Environment Protection Agency (EPA).
191. Moreover, the audit noted that there were only two EIA reports prepared by M/s Techsult & Company Limited in collaboration with SLRA for Taima-Njala Road project and by M/s Compagine Saheliene D'Enterprises for Kabala Township Phase II. Other 16 remaining projects audited namely: Bandajuma-Pujehun, Kailahun Township, Moyamba et.al., Blama-Hanga, Weima Bridge, Freetown Streets Phase II, West Zone Lot 3 and Freetown Streets Phase II, East Zone Lot 1, Makeni – Kabala Phase II, Wilkinson Road, Kono-Kabala Township, Kissy Road, Fourahbay Road, Magazine Cut, Macauley Street, Haja Sonie Drive, UN Drive et. al. and King Jimmy Embankment and drainage works did not have EIA reports before starting them, thereby leading to delays and disputes among the contracting parties as well as EPA.

We recommend that SLRA should:

- i. carry-out comprehensive environmental impact assessment prior to undertaking any road project so as to ascertain environmental threats and social effects and propose mitigation measures when the projects will be undertaken in order to maintain a reasonable foreseeable road project costs; and**
- ii. review the design-and-build approach to make it necessary for contractors to prepare and submit both the environmental and social impact assessment as well as the environmental management plan during the bidding process.**

Weaknesses in Preparation and Review of Road Projects Designs

192. The audit noted that contractors were considered in procurement process after submitting preliminary drawings and designs. Prior to awarding a contract to contractors, the awarded contractor was supposed to submit final designs and drawings which were supposed to be approved by SLRA prior to signing of contract. There were also no project briefs in all 18 projects audited.
193. Review of 18 road projects indicated that only 8, which are: Bandajuma-Pujehun, Taima-Njala, Moyamba et.al, Freetown Streets Phase II, East Zone lot 1 and Freetown Streets Phase II, West Zone lot 3, Mange - Mambolo Road, Makeni-Kamakwei and Makeni – Kabala Phase II road projects had preliminary project drawings. However, only five of the eight projects submitted had preliminary designs included in their bidding documents. In these five which had submitted preliminary drawings during bidding, it was only two road projects namely: Moyamba et.al, Makeni-Kabala which had final designs of the road project.

194. Furthermore, the remaining 10 preliminary project drawings were not made available to the auditors, namely: Blama-Hanga, Kailahun Township, Weima Bridge, Waterloo Township, Makeni – Kabala Phase II, Wilkinson Road, Kono-Kabala Township, Kabala Township Phase II, Jomo Kenyatta et. al., Kissy Road, Fourahbay Road, Magazine Cut, Macauley Street, Haja Sonie Drive., UN Drive, et. al. and King Jimmy embankment and drainage works. Finally, we observed from all 18 road projects that there was no evidence to confirm that the drawings that were used by contractors for execution of road projects were approved by SLRA.

We recommend that SLRA should:

- i. consider reviewing the current implemented designs and drawings of all ongoing road projects and develop a mechanism that will ensure contractors' designs and drawings are reflective of the actual working environment, set requirements and meet the required standards for road works not later than 30th June 2019; and**
- ii. ensure that all road designs and drawing are properly documented and stored both in consultant's and SLRA's offices.**

Inadequate Option Analysis for Road Projects that are Currently Implemented

195. Review of 18 road construction projects indicated that only two of 18 contractors submitted options and priority ranking in their preliminary drawings. However, SLRA did not ascertain the option and sub-options or priorities for projects to be implemented, and for the preferred options or sub-options from the preliminary drawings submitted by contractors on a design-and-build basis.

196. This was due to lack of detailed design and reviews by SLRA or consultants in the submitted designs. Due to the procurement approach that was used, i.e. design-and-build SLRA did not pay enough attention to designs which were submitted to it, in order to ensure that contractors submit various designs options and sub-options for consideration by SLRA.

We recommend that SLRA should ensure that contractors submit preliminary studies which indicate road project's options and sub-options and their priority ranking, implementation approach, scheduling, budgeting, organisation as well as project quality controls plans.

Inadequate Approval of Submitted Contractors' Designs and Drawings

197. According to Section 5 (1) of SLRA Act, 2010, SLRA is required to prepare and approve all designs, specifications, roads construction plans, programme of works and cost estimates for all road works. However, the Act allows the Authority to commission these functions to third parties.

198. The review of all designs availed to the audit team during the audit indicated that there was no evidence whether all 18 road designs submitted to SLRA by contractors were adequately reviewed and approved. The audit team could not establish any approvals from SLRA of all contractors who were awarded contracts in all 18 road projects. This is despite the fact that SLRA is responsible for ensuring that designs are in accordance with standards and specifications.
199. With design-and-build contracts, SLRA on its own or through consultants was expected to review all designs and studies prepared by contractors before awarding them contracts. But, the audit noted that, SLRA left all the preparations of designs, preliminary drawings and financial costing to contractors and there were weaknesses in managing and reviewing submitted designs.
200. The consequences of inadequate review of road project designs included failure to capture and include relevant project details that will provide clear scope of the project during execution; failure to have effective cost estimate for the project; and failure to have effective time for execution of the project that will determine completion time. In addition, it will lead to difficulties in assessing feasibility and viability of the road project that SLRA intends to pursue.

We recommend that SLRA should ensure that all project designs and drawings submitted by contractors during bidding are adequately reviewed and approved by SLRA prior to proceeding with contracting and project executions.

Lack of Justification for the Road Works Projects Being Executed

201. SLRA did not provide any justification with regards to projects' viability and capacity to undertake such projects. The following were noted:
- a) there were no project managers' proposals to SLRA whether the projects would be implemented adequately;
 - b) according to the Ministry of Finance¹, 40 road projects were earmarked as priority projects by the government at the time; and
 - c) there was no guarantee of the funds to finance road projects that were implemented;
 - d) we however acknowledge to have noted that there were correspondences for 8 road projects between 2009 and 2017 between SLRA and the Ministry of Finance, Ministry of Works and Ministry of Transport on confirmation of availability of funds.

However other 10 projects had no availability of funds committed for execution of such projects.

¹Report of the Ministry of Finance.

We recommend that SLRA should ensure that there are sufficient funds to finance road projects that it intends to undertake. And funds are adequate and should be readily available to cover all project costs in order to avoid unforeseen increase in project costs.

Execution of Road Projects not in the Annual Procurement plan

202. The audit noted that 6 of the 18 road projects with an estimated value of US\$ 284,261,254.60 were not included in the annual procurement plans. These projects include but not limited to the Kailahun Townships, Blama Hanga and Weima Bridge, Waterloo Township and Kono-Kabala roads.
203. Furthermore, it was noted that, annual procurement plans did not have approvals of the SLRA management and the NPPA.

We recommend that SLRA should ensure that:

- i. all road projects that they intend to procure and implement in a respective financial year are well captured in its budgets and annual procurement plans; and**
- ii. the prepared budgets and annual procurement plans undergo quality control and accordingly obtain necessary approvals from SLRA management and NPPA.**

Review of Designs were not adequately done

204. It was noted that, the design reviews were not adequately done prior to commencement of the road projects. The audit noted that there were weaknesses in reviews of engineering road designs. These were attributed to delays in appointment of consultants to review designs. Delay in appointing the consultant for reviewing detailed road designs ranged between 1.3 to 24 months after commencement of the road projects. This meant that projects had started without the implemented road designs being reviewed by SLRA or Consultants.
205. As a result, contractors were executing the road projects without having proper supervision of the consultants. The consultants were vital for protecting the interest of client, in this case SLRA (government) in the course of implementation of road project.

We recommend that SLRA should ensure that:

- i. if it decides to use consultants in a particular road project, consultants should be timely procured for the purpose of reviewing the designs submitted by contractors and propose for any change or adjustments before projects are implemented; and**
- ii. SLRA should also ensure that design review reports are readily available and submitted to for final review and approval by SLRA management.**

Award of Contracts without Evaluation

206. We noted that contractors with estimated contract amount of US\$ 732,710.92 were awarded contracts without being evaluated. An example of these were noted in two contractors (M/s Awesome Consortium Limited and M/s Moliba Investments Limited) at the Weima Bridge projects signed on Friday, 7th July 2017 which cover 40km in total, were awarded contracts without advertising the tender and without being evaluated.
207. There were no documented procedures in place showing how these two contracts were awarded to the two contractors with 20km each; and the contract document, especially in the contract data sheet, indicated that the commencement of work would be 20th April 2017. However, the contract was surprisingly signed on 7th July 2017, three months after commencement of work, meaning that the two contractors had started work before signing the contracts. We could not get evidence as to whether or not the tender was advertised, received, opened, evaluated and whether the recommended bidder was approved by procurement committee and awarded the contract. Same applied to a total of eight more projects. **We recommend that SLRA should ensure that all submitted bids go through the same evaluation procedures and that they are adequately evaluated for the purpose of obtaining the lowest evaluated bidder. More so, the action of SLRA management breaches the public procurement procedures and as such should be sanctioned accordingly.**

Inadequate Construction Material Tests

208. We discovered that, only six of the 18 road projects that were audited had at least complied with on-site contractual obligations. On the other hand, it was noted that material tests for 14 projects carried-out were not approved by SLRA, as there was no evidence which indicated that SLRA approved the material test results.
- We recommend that SLRA should ensure that all materials being used by contractors for road works are adequately tested and that they meet the required standards and quality as per specifications. Further, we suggest to the management of SLRA to ensure that construction materials of all ongoing projects are adequately tested and approved for use to avoid the use of sub-standard materials.**

Increased Cost of Projects Due to Addenda and Variations

209. Review of documents for the selected 18 projects revealed that, the execution of road projects was associated with many addenda and variations that resulted into change of project contract value, and completion time with an estimated value of US\$ 199,241,806.47 and Le 2,776,312,339.

210. It was also noted that, SLRA entered into addenda of adding roads with no clearly stated reason for that addendum; and without assurance of the availability of funds for the addenda entered into. For example, SLRA entered into addenda for construction of 10 additional roads while the original contract was unfinished with shortage of fund to finance the project. It was found that, addenda raised the original contract price to up to 895 percent of the original price for King Jimmy embankment and drainage works. The least addendum was 3.5 percent increase which was for Kono-Kabala township road project.
211. In addition, nine of the 18 projects had variations that are more than 25% of the original contract price. However, in contrary to the requirements of Section 114 (5) of the Procurement Regulations of 2016, these variations ought to be considered as new projects or contracts.

We therefore recommend that SLRA should:

- i. ensure that it conduct site verifications and measure the works being undertaken by contractors on site;**
- ii. devise a mechanism which will ensure that payments made to contractors are only those of the actual work done and not for unexecuted works.**
- iii. carry-out follow-ups on issued instructions to contractors and to verify whether recommendations/instructions were implemented by contractors;**
- iv. ensure that all addenda are reviewed and approved before any additional work is proposed by contractors or consultants. It should also ensure that the addenda or variations are not more than of 25 percent of the contract price as per the Procurement Act, 2016.**

Unapproved Variation Orders and Addenda

212. We noted that despite several addenda that were issued by contractors, there was no adequate evidence whether such variations/addenda were approved by SLRA. The variations led to a number of addenda to original contracts which were also not approved by SLRA.
213. For example, there were addendum on the rehabilitation of Moyamba township streets, whereby the original contract was adjusted by adding the construction of a bridge and sidewalks which were not in the contract originally; Taima-Njala project was extended from an original contract of 5.5km to 23km; Freetown streets Phase II, Lot III West, two additional roads were added to the original contract which were Minah Road and Sugar Land Road with an estimate cost of Le46 billion; Kailahun project was varied from the original contract sum by adding two streets,namely: Mowo and Banya streets, as well as removal and relocation of utilities.

We recommend that the Management of SLRA should:

- i. Ensure that all addenda attributed by additional works, change in designs or contract modifications are scrutinized and reviewed before they are approved;**
- ii. Ensure there is assurance of fund for execution of the works under addenda.**

Increased Cost for Untimely Completion of Road Works/Projects

214. The audit found-out that, timely completion of each phase and of the overall project was not an explicit high priority throughout the project as the projects were not completed within the required time, leading to an increase of US\$ 371,450,676.35.
215. As a result, there were delays in the completion of road projects and consequently contributed to cost overrun and affected the quality of the roads due to weathering and use. It was evidenced that, delays in completing road projects ranged from 3.3 to 72 months.

We recommend that SLRA should:

- i. ensure that road works are implemented as per agreed timeframe stipulated in the contract agreement and programme of works;**
- ii. review contractors' capacity from time to time so as to assess both financial and technical capacity of contractors; and**
- iii. consider conducting detailed post-qualification of contractors in order to evaluate the validity of contractors' companies.**

Late Advance Payments to Contractors

216. In all 18 projects audited, it was noted that contractors' payments claims were paid late, once they were raised leading to increase in payment amount due to delays. However, due to lack of payments details, the audit verified only three payments details for 3 road projects namely: Bandajuma-Pujehun, Taima-Njala and Moyamba et.al. However, details for one project, namely Moyamba et.al was not complete. The remaining 15 projects had no full advance payment details.
217. It was revealed that, payments to contractors were delayed for an average time of two to 54 months after they have raised their claims. It was also noted that, delay in payments of advance payments was attributed to a bureaucratic payment process whereby the payment request is raised by the contractor, reviewed by the consultant and thereafter forwarded to SLRA for approval.

218. In addition, it was noted that due to implementation of multiple road projects in the country, the government usually fails to commit and secure funds to fund all ongoing projects at a time, thereby posing a risk of projects delays with its associated accruing interest on late payments.

We recommend that SLRA should:

- i. ensure that advanced payments are timely processed and paid to contractors; and**
- ii. in collaboration with the Ministry of Finance should establish a mechanism that will ensure payments are processed, made and information to that effect is shared between the Ministry of Finance and SLRA.**

Late Payments of Interim Payment Certificates to Contractors Leading to Interest Rates

219. The audit noted that, Sierra Leone Roads Authority (SLRA) has been delaying in processing and paying Interim Payment Certificates (IPC) after contractors had submitted their requests. In all projects reviewed, it was noted that IPCs took an average of six months to two years before payment by the government. This led to suspension of projects, stoppage of works or abandonment of site, thereby causing significant delays in completion of projects.

220. For instance, due to delay in payment of IPCs, it was noted that for the Mange-Mambolo/Rokupr, Spur Road projects, the interest payment claimed by the contractor due to delays in paying IPCs nos. 1 to 20 amounted to US\$3,045,878.40. This covered the period February 2014 to December 2016. The delays ranged between two to four months.

We recommend that SLRA should:

- i. review all payment status of claimed IPCs and conduct the verification of all outstanding payment details and interest thereon for all ongoing road projects not later than 30 June 2019;**
- ii. in collaboration with the Ministry of finance should establish a mechanism that will ensure payments are timely processed and information shared between the Ministry of finance and SLRA;**
- iii. in collaboration with the Ministry of Finance should ensure that copies and all payments details are recorded and shared between the two entities for the purpose of follow-up of contractors.**

Some Sections of the Roads did not meet the Required Quality Standards

221. As part of the audit, six of 18 road projects were sampled and subjected to destructive and non-destructive tests to independently verify the quality of works constructed and whether the tested components met the specifications.

222. The test concluded that 50% of the sampled projects that were subjected to Schmidt Hammer Tests, failed in some of the road sections (Chainage) in which the tested head wall, wing wall of double box culvert, abutments and side drains (11%) failed as the tested strength was less than the minimum specified required strength. Failed sections were recorded from Kabala Township Phase II at Koda Kayaka box culverts, Freetown Streets Phase II, West Zone Lot 3 at Atlantic – Juba Bridge, Barbadorie Road-box culvert (at Chainage 1+450 and 1+900) and Moyamba et.al at the Moyamba bridge (Kamara Road).

Findings on Destructive Tests on Road Projects

223. The audit team studied relevant test standards. The number of tests were determined using Technical Specifications of SLRA and the project Particular Technical Specification that specifies that, Cores shall be cut and tested at the rate of 1 per 1,000m or at such other rate determined by the Engineer². For the sake of our coring plan, we took ten cores for each of the four selected road projects for test.
224. For the projects that were subjected to destructive tests on road pavements, there was also no uniformity in the way bituminous materials complied with the required specification. The aggregates used for construction were not all complied with the specification requirement, as most of them were falling out of required grading envelope. This has great implications on the quality of the roads as well as cost of projects resulting from unprecedented maintenances and rehabilitations.

We recommend that SLRA should:

- i. carry out non-destructive tests adequately and keep records of all test results for particular road project being implemented;**
- ii. SLRA should also carry out review of all tests carried out by contractors and ascertain whether they comply with approved specifications and standards.**
- iii. make effective monitoring on the quality of material used for road projects throughout the project execution stages to ensure that materials used meet the required specification; and**
- iv. for materials that require testing of several parameters, SLRA should ensure that required specification are met.**

Inadequate Reporting of Executed Road Works

225. The consultants for all road projects are required to prepare monthly progress reports and submit them to the employer (SLRA) for deliberations. This is according to the contract documents. The auditors

reviewed the inception reports; however, monthly progress reports and quarterly progress reports for 11 of the 18 sampled projects were not produced for audit review.

226. There was no regular reporting of road works in all road projects audited. Reports made available were not complete or in accordance with the consultants' agreements. There were inadequate correspondences between SLRA and consultants including reviews and approval consultants' reports.

We recommend that SLRA should:

- i. ensure that those consultants who have failed to produce progress reports as per the contract agreements of the 9 projects listed in Appendix "A" be requested to refund all fees paid to them for this exercise. More so, management should ensure that in future, such reports are produced before payments are made;**
- ii. ensure that it does follow-ups on the reported progress and verify the details of the progress reports regularly; and**
- iii. consider reviewing consultants' agreement and enforce the terms of contracts of consultancy services including taking necessary actions against consultants who do not prepare and report on the progress of road works.**

Governance for Road Projects Being Executed

Change of Names of a Contractor

227. We noted that SLRA did not pay much attention to the administration of contracts. For instance, we observed that a contractor originally registered as M/s Tee-Mark Limited changed the business name to M/s First Tricon during the execution of the contract. SLRA failed to enquire about the reason for the change of name and to assess the impact of such a change on the existing contract.

We recommend that management of SLRA should:

- i. ensure that the contractor provide them with adequate explanations, information and justifications regarding this change of name; and**
- ii. adequately conduct background check and due diligence on all contractors before awarding contracts, and also remain vigilant during the management of contracts.**

Withdrawal of Contractors after Award of Contract

228. Our review of the contract agreement for the Freetown Streets Phase II West Zone lot 3 and correspondences between SLRA and the contractor showed that the contractor for the project at the time

of bidding and awarding of the contract was a joint venture comprising of M/s Secon and M/s Dawnus. However, after the award of the said contract, M/s Dawnus wrote to SLRA informing the Authority its decision to withdraw from the joint venture and consequently the project.

229. We further observed that there were no steps taken by SLRA to review the contract in the light of the withdrawal notice from M/s Dawnus, instead the other party to the joint venture carried on implementing some aspects of the contract.

We recommend that Management of SLRA should:

- i. Immediately call for a thorough review of this contract with the view of arriving at a way forward for its implementation;**
- ii. Review all joint ventures (JVs) contracts entered into between SLRA and contractors to ascertain their current existence in order to ensure that JVs are not used to frustrate the performance of contracts during the execution of road works.**

ENERGY SECTOR

MINISTRY OF ENERGY

230. We noted that there was no comprehensive strategic plan covering the period of our audit. This is essentially to provide key guidance for the achievements of the Ministry's objectives including the sustainability of power for Sierra Leone.

We recommend that the Ministry should develop a strategic plan to provide guidance in the achievements of strategic goals and objectives.

231. We noted during our review of hand-over notes of key personnel of the Ministry of Energy that hand-over notes were not comprehensive enough to provide information on financial and administrative issues, assets, liabilities as well as projects being undertaken by the Ministry.

To provide a reference point for the new management team, we recommend that the incoming management team prepare takeover notes to provide detailed stock of the state of the Ministry as at the date of assumption of duties for the purposes of transparency and accountability.

232. We noted during our review of the National Power Authority /Bo Kenema Power Station, Asset and Liability Splitting report that a total amount of Le28,692,391,000.00 was available during the unbundling

exercise which was disbursed accordingly to settle the obligations of the former National Power Authority (NPA). Relevant expenditure / disbursement records are however not available to authenticate the disbursements made.

We recommend that the management team of the Ministry of Energy during the unbundling exercise should account for the disbursement of Le28,692,391,000.00, being funds of the former National Power Authority without any delay; failing which the appropriate authorities should recover same.

233. We noted during our review of the National Power Authority /Bo Kenema Power Station Asset and Liability Splitting report that a total amount of Le 147,459,317,000.00 in respect of long term liabilities were without supporting records and therefore could not be verified by the consultant, PKF Accountants.
234. We however noted that approvals have been given and payments effected for liabilities amounting to US\$1,045,650.50.

We recommend that the authorising officers should be held accountable for the payments made or the appropriate authorities should recover same.

235. We noted during the audit that there was no formal contract agreement between Ministry of Energy and National Petroleum, Sierra Leone for the provision of fuel, although grade 7 and above staff are given chits for fuel on weekly basis. We could also not sight fuel reconciliation with the records of the National Petroleum.

To promote accountability, we recommend that management should maintain proper records in respect of transactions with the National Petroleum, and also on staff who are beneficiaries of fuel allocations.

236. We noted that payment totaling Le 112,541,000.00 were without the relevant supporting documents.

We recommend that the authorising and paying officers should provide relevant supporting documents in respect of the payments for our review or the appropriate authorities should recover same.

237. We noted that in 2015 there was a fire outbreak at the Electricity House leading to the destruction of valuable financial records and properties running into millions of Leones. However, the fire investigation report provided failed to disclose the properties and valuable records that were destroyed during the incident.

We recommend that the management team that was in place at that material time should be held accountable for properties and valuable records that were destroyed during the fire incident.

238. Management failed to present to the team cashbooks, payment vouchers, bank statements and other records on bank reconciliation statements of the Ministry of Energy and Power imprest account. Records on the 2015 financial year were also not made available for review.

We recommend that the non-availability of these records be brought to the attention of the appropriate authorities.

239. We noted during the audit that the Ministry of Energy failed to maintain a fixed asset register in accordance with approved format of the Accountant General. We further noted that the services of Coman Enterprise were secured by the Ministry in 2017 to develop an asset register on behalf of the latter. However, the asset register developed by the service provider did not meet the requirement of the Accountant General, regarding same.

We recommend that the Asset Register should be maintained in accordance with the Accountant General's Department's asset register and be updated consistently for the purposes of accountability.

240. Records including authorised payment vouchers regarding payment of Le 251,725,000.00 (Cheque no. 3002370) from Bumbuna Falls Hydro Electric Project account was not presented for our review.

We recommend that the officer who authorised this payment should refund the said amount except where the officer can provide detailed records on the payment.

241. The Ministry of Energy signed a contract with Salini to operate and maintain the Bumbuna hydro dam with a monthly fixed charge of €220,000.00 including periods when Bumbuna scales down its operations in the dry season.

242. Further, we noted that even though clause C of the Bumbuna O&M Contract (Addendum No. 3) which was signed in February 2017 requires that rotation and twinning arrangements shall be implemented for trained and competent local engineers to be deployed as counterparts to each of the key expatriate staff in strict accordance with the actual operation and maintenance needs of the facility which will be handed over on 1st January, 2019, the training plans were never executed and there are plans to extend the contract for another two years with an estimated cost of € 5,280,000.00.

243. In our opinion, value for money has not been achieved over the total payments of Le 100,334,709,791.74 during the last contract period ending 31st December, 2018.

We recommend that the Ministry of Energy review the operation and maintenance relationship with Salini with the object of getting value for money from the deal. Failing, the appropriate authorities should take pragmatic measures to address the concerns raised.

ELECTRICITY DISTRIBUTION AND SUPPLY AUTHORITY (EDSA)

244. Our review of administrative files disclosed that between 2015 and May 2018, EDSA has been governed by three different Board of Directors, thereby resulting in inconsistent policies and strategies.

We recommend that the Ministry of Energy take pragmatic steps to ensure stability of the Board by identifying and appointing experienced board members, with clearly defined terms of reference for effective corporate governance.

245. We noted during our review of governance that management paid a total of Le500,629,876.00 in sitting allowances, monthly board stipends, electricity and fuel allowances. However, we were not provided with any document that details the remuneration package of the Board.

We recommend that the National Electricity Act should be amended to include provisions on guidance for Board remunerations. Meanwhile, for probity, transparency and accountability, we recommend that the Director – General seek approval from the Ministry of Energy on matters of Board remuneration.

246. EDSA, upon a request from the Ministry of Energy paid a total of Le 1,489,116,531.50 into the former National Power Authority's bank account with the Sierra Leone Commercial Bank as commitments on behalf of EGTC without any justification.

We initially recommended that, management of EDSA should obtain authentic evidence on the asset and liability splitting report to justify these payments; failing which, the Ministry of Energy should refund the amount of Le 1,489,116,531.50. Furthermore, we requested for bank statements for the period 1st January, 2015 to date on the NPA account with the Sierra Leone Commercial Bank for our review. Since management of EDSA has failed to adhere to the above initial recommendations, we are now recommending that the appropriate authority take steps to recover the full amount of Le 1,489,116,531.50.

247. EDSA's financial statements for the financial years 2015 to 2017 have been qualified by KPMG on grounds of material misstatements in the area of fixed assets, revenues, deferred income among other things. However, EDSA has not been able to resolve these issues using a coordinated approach even though they have made steady progress from a disclaimer opinion to 'Except for' opinions. But the challenges that resulted in these qualifications of the accounts still remain.

To promote accountability and transparency in the accounts, we entreat the Board to address the concerns raised by KPMG in the annual reports and provide us with a road-map on the implementation of all the recommendations of KPMG not later than 30th June 2019, otherwise management's ability to manage the organisation should be reviewed.

248. We noted that the Ministry of Finance is a key signatory and controls all the collections account of EDSA and that EDSA had to submit monthly budgets for approval before funds are released for operational expenses.

We recommend that the Ministry of Finance grant EDSA financial and administrative autonomy over all bank accounts. We further recommend that the National Electricity Act, 2011 should be amended to reflect any changes in the financial and Administrative arrangements of EDSA.

249. Our review of the Finance and Audit Committee (reference number MOM-EDSA-FAC-170717-000) disclosed that EDSA had a total amount of Le 455,000,000.00 directly debited to its Guarantee Trust bank account by a court order as judgment debt payment.

We recommend that the former legal advisor should explain with valid reasons why he failed to defend EDSA in court and also not be surcharged with Le 455,000,000.00

250. The finance department failed to provide information on cashbooks, bank statements and payment vouchers for 2015. Additionally, financial records for January to May 2018 were also not made available.

We recommend that the head of finance should make available all financial records for our review. Meanwhile, a copy of the comprehensive fire report on the fire incident at the Electricity House should be available for our review.

251. The finance department initiated direct transfers and paid a total amount of Le 265,792,072,192.56 from 2016 to 2017 to individuals, institutions (suppliers and service providers as well as EGTC) without obtaining evidence of receipt of funds from the beneficiaries.

For payments to suppliers and service providers, we recommend that EDSA obtain legitimate and authentic receipt as proof of payment or the appropriate authority should recover same.

252. We noted that EDSA paid a total amount of Le 29,902,459,635.00 between August to September 2018 based on directives from the Ministry of Finance and Accountant General without any contractual obligation or justification. **We recommend that in the absence of any contract documents to justify the payments made, the authorising and paying officers should recover the amount of Le 29,902, 459,635.00 without any delay.**
253. We noted that EDSA made a total direct transfer payments amounting to Le 12,500,000,000.00 on behalf of EGTC to the fuel revolving account without any justification. **We initially recommended that the head of finance should make available supporting records on these transfers for our review.**
We now recommend that EDSA should desist from paying EGTC's obligations to third parties henceforth. We further recommend that the appropriate authority should verify the transfers made for authenticity.
254. Management used overdrafts amounting to Le17,724,865,555.33 at a cost of Le 284,022,941.14 in paying for bank guarantees and related charges in favour of B.E.S. (Europe) Ltd. for the supply of meters without any justification and authorisation. At the transaction dates, total funds amounting to Le 39,041,508,498.46 were available in other bank accounts for spending. **We recommend that the amount of Le 284,022,941.14 should be recovered from the authorising officer of the transaction and all procurement and store records relating to the transactions should be made available for review or the appropriate authority should recover same.**
255. Our review of the Finance and Audit Committee minutes disclosed that the Technical Department has been able to uncover cases of illegal abstraction of electricity and zero bills amounting to Le 2,890,031,954.00. However, no effort has been made by management towards the recovery of these losses and resulting fines. **We recommend that the Director-General should provide evidence of recoveries made from the affected customers for our review. Meanwhile, the Director-General should furnish us with a full scale report on illegal abstractions from January 2015 to date for our review.**
256. We noted during our review that Aggreko International Ltd. was contracted in an emergency power deal to supply power during the dry season to cater for shortfalls in power supply from the hydro dams, at an agreed capacity charge of US\$ 1,690,000.00; payments for fuel and a \$0.008 /kWh charge for power

produced. The payment of capacity charges was a fixed charge regardless of whether power was produced or not. However, the absence of a long term national strategy to address the energy needs of Sierra Leone largely resulted in emergency power deals that come with very expensive clauses. **We recommend that EDSA , the Ministry of Energy and all stakeholders should devise a long term national power strategy rather than relying on emergency power deals that comes at expensive cost.**

257. EDSA could not make available procurement and contract records relating to contracts payments totalling Le 36,625,548,354.00.

We initially recommended that the Director – General should contact the government for contract documents on Addax and make available all records relating to the first Aggreko contract and US Diversify for our review. However, since they have failed to implement our initial recommendation, we now recommend that action should be taken by the appropriate authority.

258. Power purchases from EGTC amounting to Le 737,422,180,589.05 were not justified or substantiated with any contract agreement specifying the terms and conditions of power supplies to EDSA. **We recommend that EDSA should make available the MOU document for our review and also address any concerns raised without any further delay.**

259. An amount of Le 18,809,131,800.00 was paid to National Petroleum, Sierra Leone Ltd. for fuel supplies to Aggreko and US Diversify without adequate and independent report on deliveries made. Management also failed to provide a reconciliation statement on fuel purchases and power supplies by both Aggreko and US diversify.

In the absence of any justification for the deliveries and utilisation of fuel for power supply, we recommend that the appropriate authority should recover same except where the officers can provide enough evidence on fuel purchase and power production.

260. We noted during our review of the 2017 Aggreko power deal that between 1st July and 31st October 2017, EDSA was charged a total amount of US\$ 563,371.43 by Aggreko for capacity charges for the plant at Black Hall Road power station even though there was no production of power within this period due to the use of the Bumbuna hydro for power production.

We recommend that EDSA liaise with the Ministry of Energy, EGTC and all other stakeholders to devise a longer term power production strategy rather than relying on short-term emergency power deals that comes with significant cost.

261. The World Bank subsidised to pay the total capacity charges in the Aggreko power purchase agreement in 2017 which amounted to US\$ 1,952,600.00. The Ministry of Finance who was` custodians of the funds however failed to pay US\$ 541,257.62 being outstanding capacity charges, and transferred the debt to EDSA for payment.

We recommend that management should recover the funds from the Ministry of Finance without any delay or have the custodians of the funds personally liable if these funds have been misapplied for unauthorised purposes.

262. EDSA spent a total amount of Le2,032,920,320.40 and Le 4,877,130,150.24 in buying network assets and maintenance and repair works respectively under emergency circumstances without substantiating them with certificates of work done and maintenance reports. These purchases are not routed through store due to the emergency nature of request.

263. The asset register is often not updated with new acquisitions of network assets. We were also unable to establish the legitimacy of disposals in accordance with Part XII of the 2006 Procurement Regulations.

We recommend that the operations and maintenance units should justify these expenditures with relevant supporting records including verification or certification reports. They should also make available list of all unserviceable assets and parts replacements for our inspection or the appropriate authority recover same, except where the officers can justify these expenditures with enough supporting evidence.

264. Magburaka electrification project was approved for single-sourcing and had three unspecified lots to the project. We however noted that EDSA dealt with over six suppliers and service providers without any comprehensive project estimates to justify a total amount of Le 3,893,799,071.30 spent.

We recommend that the authorising and paying officers should justify the amount spent on the project with relevant project estimates, key deliverables, monitoring and inspection reports as well as payment certificates for our review or the appropriate authority recover the sum of Le 3,893,799,071.30.

265. There is no evidence indicating work done including procurement records, project progress report, certificates for work done and bill of quantities to justify a total amount of Le 228,476,058.45 spent as part of rehabilitation of the Electricity House.

We recommend that the authorising and paying officers should justify the amount spent on the project with relevant project estimates, key deliverables, monitoring and inspection reports as well as payment certificates for our review, or the appropriate authority should recover same.

266. The contract awarded to 3BMD for engineering and technical support services and civil works in the deployment of 10MW plant at Kingtom power station was without the involvement of the Tender Committee of EDSA. Total payments made amounted to US\$ 348,301.58. There is also no evidence indicating work done including project progress report, certificates for work done, bill of quantities and any handover notes.

We recommend that the appropriate authority should pursue the authorising and paying officers for recovery of the amount of US\$348,301.58, with further sanctions against all parties in the transaction.

267. The rehabilitation of the disaster recovery site was awarded to Messrs M&S Holdings at a contract sum of US\$214,156.00 with EDSA paying a total amount of US\$192,740.40 and Le 51,935,000.00 for site installations and paving works without any evidence of delivery of equipment that the contractor was required to provide. There is also nothing from the contractor confirming receipt of these payments.

We recommend that the appropriate authority should recover the amount of US\$ 192,740.40 and Le 51,935,000.00 without any delay.

268. We noted that between January 2015 and May 2018, four Aggregators only paid Le 391,168,942,529.36 from electricity pre-paid voucher sales of Le 435,235,871,304.96 as recognised by Conlog system without remitting the difference of Le 80,817,560,181.74 as a result of disputed sales transaction. Management however failed to take any action to address the differences in sales transactions with the Aggregators.

269. Furthermore, we have observed that the inability of the EDSA system to determine transactions that have been uploaded on customer meters is hindering their ability to both reconcile with Aggregators and account for deferred income properly.

We recommend that management should investigate and recover the amount of Le 80,817,560,181.74 from the Aggregators without any delay, or the appropriate authority should recover the same from the authorising officers of the sales transactions.

We further recommend that management should provide us with a roadmap on how they intend to address any deficiencies in Conlog system application for our review.

270. The Commercial Department failed to fully account for revenue in respect of 5,812 meters installed in 2016. Of this number of meters, only 3,619 meters were accounted for at a value of Le 2, 695,280,940.00.

We recommend that the Finance Department, Commercial Department and the Stores Manager at the time be held accountable for the 2,193 meters valued currently at Le 2,971,515,000.00; or the appropriate authority should recover the same.

271. We noted that Great Plain application and Conlog application systems are not integrated to deliver critical businesses information such as invoices and other information, compelling management to manually generate invoices and other critical business information.

272. The absence of IT governance structure and IT strategy as well as risk management are crucially the underlying factors to the anomaly.

We recommend that management should address the concerns raised without any delay.

273. We observed during the audit that the Internal Audit Department of EDSA lacks personnel, organisational and logistical support to effectively carry out their duties.

We recommend that management should resource the Internal Audit Unit including capacity building to enable them carry out their work effectively and efficiently.

ELECTRICITY GENERATION AND TRANSMISSION COMPANY (EGTC)

274. EGTC made payments totalling Le 850,078,145.55 to Salini and other suppliers without providing the necessary supporting expenditure documents to justify these payments.

We recommend that the appropriate authority should recover the sum of Le 850,078,145.55 from the officers who authorised these payments.

275. An annual procurement plan in accordance with Section 28(a-f) of the Public Procurement Regulations of 2006 was not prepared by the company for the period 2015 to 2018.

We recommend that the appropriate authority should hold the authorising officers accountable for violation of the procurement law. Management should ensure that annual procurement plans are prepared to guide all future procurement activities.

276. It was observed that request for quotation (RFQ) method was used instead of National Competitive Bidding (NCB) method for procurement totalling Le 839,189,500.00.

We recommend that the appropriate authority should hold the authorising officers accountable for violation of the procurement legislation.

277. A review of payment vouchers and their supporting documents for the procurement of a 350 KVA generator for the President Lodge at Hill Station in 2016, revealed that A A Enterprise with the least price of Le 435, 000,000.00 and a delivery period of two weeks was not awarded the contract. Instead, the contract was awarded to Integrated Power and Control Solution Ltd. with a contract price of Le 455, 000,000.00 and immediate delivery. This resulted in a loss of Le 20, 000,000.00 only because of the delivery period.

We recommend that the appropriate authority should hold the authorising officers accountable for the loss except where they have sufficient records to justify the same.

278. Management could not substantiate payments for fuel to the National Petroleum with supporting records such as invoices, delivery notes, receipts etc. Furthermore, supplier reconciliation statements were also not available to authenticate payments totaling Le11,763,357,345.

We recommend that the authority concern recover the amount of Le11,763,357,345.

279. A review of 2016 receivable schedule and invoices in respect of sale of electricity to EDSA, revealed that, there was an actual sale of Le 163,287,926,952.00; but on the face of the financial statement, only Le 159,558,100,000.00 was disclosed, resulting in an outstanding amount of Le 3,729,826,952.00.

We recommend that the authorising officers should refund the amount of Le 3,729,826,952.00 except where they can account for same. Failing which, the appropriate authority should pursue recovery of the amount of Le 3,729,826,952.

280. We reviewed contract agreement between EGTC and OC Associates (SL) Ltd. and noted that EGTC implemented Financial Management Information System (Software) at a cost of US\$44,001.00 without

ensuring that the software delivers value to the operations of EGTC because modules were neither been used, or were not functioning.

We recommend that the appropriate authority should recover the amount of US\$44,001.00 from the authorising officers immediately.

281. We noted that management outsourced the system administrator's role as defined in the IT Strategic Plan to the developers of HR& Payroll and Great Plain applications for financial reporting, creating additional cost burden for the company.

We recommend that management should explain to the appropriate authority why it failed to use its internal staff for the system administrator's role but rather resorted to outsourcing.

282. We noted that the EGTC's ICT policy document has not been approved to warrant effective implementation. We further noted that access to the server room was not controlled by a strong authentication method such as an electronic combination lock, a badge reader, a fingerprint reader or other biometric device. Additionally, the server room had not been fully secured and no log book maintained to have activities undertaken tracked for incident management.

283. We again noted that the windows in the server room were without shatterproof or protected by metal gates to prevent access if broken into. The CCTV monitoring device in the server room was also malfunctioning.
- To guarantee effective management and control of ICT infrastructure, we recommend that management take relevant measures to develop an ICT policy and also put in place governance structures which can help deliver the overall ICT strategy of EGTC.**

284. We noted that the High Court of Sierra Leone passed a judgment on debt of Le 490,000,000.00 and issued a debit order advice to GT Bank and Rokel Commercial Bank to debit EGTC's accounts nos. 201312772110 and 02-011077712 -01 to the tune of Le 352,000,000 and Le 138, 0000,000 respectively, for which EGTC had no knowledge of the case, nor given a chance for legal representation.

We recommend that management should take relevant measures to recover these amounts without any further delay.

285. We noted during our review of the Salini operating and maintenance contract (addendum no. 3) and a physical inspection of the project site, that the Bumbuna hydro dam has not been handed over to selected local engineers as at 10th January, 2019.

We recommend that management should ensure that the training aspect of the contract is executed to the letter without any delay to save cost and fully upgrade and utilise the capacity of local engineers.

286. We noted widespread procurement irregularities relating to the procurement of a 550kVA generator for Lunsar Town, amounting to Le 632, 000,000; including the absence of monitoring and inspection reports on test-run and installations.

We recommend that the management should provide relevant monitoring reports for our review or the appropriate authority should hold the authorising officers accountable. Meanwhile, the installation, test-run and commissioning report should be provided for our inspection.

287. We noted that annual procurement plans were not prepared by the company for the period under review. Procurement worth Le 6,358,965,873 could not be analysed to establish variances with the plan and to ensure competitiveness and transparency in the procurement activities of EGTC.

We recommend that the appropriate authority should hold the authorising officers accountable for violations of the procurement act and apply sanctions where necessary.

288. Procurement of vehicle spares and consumables worth Le73,419,750 were procured in bits, and uncompetitively awarded to Hayat Auto Spares.

We recommend that the appropriate authorities should hold the authorising officers accountable for violations of the procurement act and apply sanctions where necessary.

289. Documentary evidence in the form of newspaper advert, bid register, bid opening minutes, bid documents for bidders, bid evaluation report, advanced payment guarantees, quotations, delivery note etc. to justify that an open, transparent and competitive procurement processes were carried out for the procurement of goods, repairs and maintenance worth Le Le1,626,359,751 were not submitted for audit.

We recommend that the appropriate authority should hold the authorising officers accountable for malpractices in procurement activities amounting to Le 1,626,359,751 and apply sanctions where necessary.

DETAILED FINDINGS AND OBSERVATIONS

SOCIAL SECURITY SECTOR

INTRODUCTION

294. The social security system of Sierra Leone offers a protection against risk related to old age, death, and disability, as well as the risk related to occupational diseases and work-related injuries. The actuarial valuation focus is only on the old-age, disability and survivor benefits. Income into the pension scheme results from three sources: contributions from employers, workers and the government; investment income and penalties due to delays in the payment of contributions or in transmission of the statements (declarations) of salary.

NASSIT

295. The National Social Security and Insurance Trust (NASSIT) is a Statutory Public Trust charged with the administration of Sierra Leone's national pension scheme. The primary responsibility is the part replacement of income lost as a result of the contingencies of old age, invalidity and death. The Trust came into being by the National Social Security and Insurance Trust Act, No.5 of 2001. As required by Section 1, Act No. 5 of 2001 came into operation by Presidential Order in Statutory Instrument No. 8 of 2001, on 31st August 2001.

Mandate of NASSIT

- i. To provide income protection for the contributors under the specified contingencies of old age, invalidity and death as well as such contingencies to be prescribed by the Ministry of Labour, Social Security and Industrial Relations from time to time.
- ii. To cover both formal and informal sector employees in all forms of productive employment thereby providing an opportunity for every Sierra Leonean to be a member of the scheme.
- iii. To provide both social and economic benefits for all Sierra Leoneans through investing in various social projects.
- iv. To provide for the vulnerable groups in society through the introduction of a Social Safety Net Scheme.
- v. To harness the protection provided by the Social Security Scheme and that provided by the extended family system through support for and strengthening of the extended family to derive the relevant synergies.

The ensuing part of this report gives detailed findings for the three clients audited.

Corporate Governance

Failure to Prepare and Submit to the Minister of Finance Annual Reports on the Trust's activities

296. Section 16 (1) of the National Social Security and Insurance Trust Act, 2001 requires that, the Board shall as soon as practicable, after the expiration of each financial year, but within six months thereafter, submit to the Minister of Finance an annual report dealing generally with the activities and operations of the Trust within the financial year. Sub-section 3 of the same provision stipulates that the Board shall also submit to the Minister such other reports on its affairs as the Minister may in writing request from time to time. Contrary to the provisions of the Act, the Board of NASSIT has not presented any report on its activities for 2016, 2017 and 2018.
297. Management indicated that the Trust does not have any substantive Chairperson. This however, does not hold as there is an acting Chairperson and the role was not vacant for the entire period under review. Failure to fulfill this legislative mandate deprives the Minister the opportunity to make informed decisions on the Trust on a regular and timely basis.

We recommend that Management and the Board should be proactive in submitting annual reports; failing which, the Minister should sanction management and the board of the trust, in accordance with the Public Financial Management Act of Sierra Leone.

The Need to Review the NASSIT Act, 2001

298. Our perusal of various sections and portions of the NASSIT Act, 2001 showed that some provisions and articles of the Act need to be reviewed, as they have become outdated and out lived their essence and intended meanings. Specifically, sections dealing with fines and penalties still have rates that are very low and are not in consonance with the current economic trends in the country. Notable among these include Section 8 which provides for the remuneration of Board members of the Trust to be fixed by Parliament. There is the tendency that Parliament may set the remuneration at a high rate such that it may have a negative toll on the overall performance of the Trust.
299. Section 30 sets out the penalties for not registering employees with the Trust by employers as summary conviction to a fine of Le5,000,000.00, or to an imprisonment term not exceeding three months, or both. Similarly, Section 32 (g) provides that offenders under paragraphs (d) to (e) shall be fined not more than Le5,000,000.00 or imprisoned for not more than five years, or both. We found these not to be punitive enough, considering the current economic trends in the country. These and other lax in the Act are major factors for the ill/non-performance of many of the Trust's investment.
300. Management did not respond.

We therefore recommend that Management and the Board should endeavor to review the Act, to be in tune with the current economic dispensation in the country.

Operating on the Basis of an Unapproved Strategic Policy

301. Strategic policy of an organisation serves as a blue print and a document of authority that guide the operations and overall functions of the trust. In this regard, such a document needs to be approved and signed by the highest governing body in the governing structure of the organisation.
302. We observed that the Trust did not provide an approved strategic plan and investment strategy and policy document. As a result, the policy documents that were being used lacked the expected power and authority as a guiding instrument to steer the direction of the Trust's investment.
303. Due to the lack of potency of the investment policy document, we could not obtain any proof that recommendations made by the Board including:
- i. The Trust intervening in strategic sectors as listed hereunder - Finance and Corporate Sector; Commercial Real Estate, including student hostels, agriculture, value-added industrial production; and the health sector.
 - ii. That the percentages of each sector listed above be benchmarked (i.e. exposure on each to be quantified)
 - iii. That the projections for long-term liquidity - matching assets for sovereign bonds and corporate debentures allocation be indicated in the planned strategy;
 - iv. The risk levels that are rated extreme be no-go area for new intervention or look out for safe alternative; that the investment activities of the Trust be matched-up to that of the actuarial benchmark of inflation plus 2%, instead of inflation plus 1%; (to be included in the Investment Strategy and Policy -2015 - 2017).
304. The investment performances, strategy and policy be reviewed quarterly and annually (reports to be submitted to the Investment Committee 21 days after the end of the quarter and year respectively), were actually undertaken: the essence of which is to ensure and enhance the maximisation of overall returns, as well as make meaningful contribution to the Sierra Leone economy,
305. The policy lacks a risk management framework (risk profile). It is also silent on what needs to be done to ensure that the investments (the main engine to sustain the Trust and wane it from over-dependence on member contributions) are protected against possible risks. More so, it lacks criteria on the individual investment weights that are ideal for the organisation and the rebalancing strategy is not clear enough.

306. There is no evidence that the Trust evaluates potential investment avenues before venturing into them as outlined in the Strategy and Policy. Management's refusal to get its policy document approved is seen as deliberate attempt to cover up and make room for false manipulation of the system to gain undue personal advantage at the expense of the Trust.

307. Management did not respond to this.

We recommend that management and the Board should endeavor to review the Act for it to be in line with current economic dispensation in the country.

High Administration Costs (5.6% of total insurable income)

308. According to International Standards on Social Security Association, Guideline No.1 on actuarial valuations, social security schemes should have well document financial sustainability and actuarial measures which include ratios and set benchmarks. For administration expenses, NASSIT is using the benchmark set in its 2010 actuarial report which caps administration expenses at 3.5% of the insurable earnings. The actuarial report also states that, as the scheme becomes more mature administration expenses as a percentage of the insurable assets are expected to decrease.

309. A review of the audited financial statements for 2014 and 2015 show that administration expenses are 4.3% and 5.3% of the insurable earnings respectively. Our review of the draft financial statements for 2016 and 2017 (though not finalised) show that administration costs are 4.7% and 5.6% of the insurable earnings respectively. Table 3 below shows the administration costs as percentage of the insurable earnings.

Table 3: Admin expenses as a percentage of insurable earnings

Admin expenses as a percentage of insurable earnings				
	2014	2015	2016	2017
Contributions	271,863,180	326,313,163	356,490,223	375,753,538
Insurable earnings	1,812,421,200	2,175,421,087	2,376,601,487	2,505,023,587
Admin expenses	78,150,656	115,496,539	111,052,716	139,561,310
Admin expenses as a %age of insurable assets	4.3	5.3	4.7	5.6

Source: Analysis of NASSITs financial statements

310. The administration expenses for 2014 to 2017 are above the recommended limit of 3.5% of the insurable earnings. According to NASSIT's actuarial reports, administration expenses as percentage of insurable earnings are meant to decrease as the scheme matures. However, the case is different and the costs are rather increasing with time from 4.3% in 2014 to 5.6% in 2017. The finance department

does not have written guidelines on cost minimisation and this could be one of the reasons why the costs are increasing with time.

311. Given that NASSIT's investments are not yielding significant returns, increase in administration costs as a percentage of insurable earnings is a challenge to sustainability of the Trust, since these expenses are being paid from members' contributions, which in turn will affect the Trust's ability to pay its beneficiaries.

There was no response from management.

We recommend that management should institute measures to reduce administrative cost to the actual benchmark of 3.5%

Corporate Software - NAPOS II System

Purchase of IT System, NAPOS US\$ 2,292,464.58 which is unable to serve its intended purpose.

312. From our reviews of the available records with regards to the general operations of NASSIT, we noted that management of the Trust in 2004 purchased an IT System, NAPOS I at the price of Le572,021,810.00
313. Management further entered into agreement with the software vendor, SBTS, to upgrade the system to NAPOS II so as to incorporate a biometric data function which can capture and instantly produce bio-data and all relevant information about members (contributors) of the Trust. The upgrade, together with additional functionalities cost the Trust \$2,292,464.58.
314. The upgraded system has several flaws and hiccups including but not limited to: lack of audit logs (no audit trail); lack of segregation of duties within the application package; and changes, user access rights as well as user privileges are not properly defined on the system, hence cashiers has unlimited access to most of the application menus and can therefore perform any task within the application system. This was a major contributing factor to the loss of Le207, 535,712.45 through wrong data capture, unauthorised reversal entries and fictitious manipulations between January 2015 and September 2016 at the Western Regional Office of the Trust.
315. The NAPOS II system has been customised with pre-determined reasons for reversal entries. This makes it easy for user (cashiers) to make reversal entries at will with a uniform reason. Again, for the improperly defined schedules on the NAPOS II system, authority for reversal entries is indiscriminately given by supervisors of all kinds. The NAPOS II application per its customisation in NASSIT does not identify abnormal transaction. For instance, the system accepts postings of transaction of past and outdated transactions including transaction of working hours on weekends.

316. Reconciliations are done manually instead of being done automatically by the system. Other flaws of the system include: the processing of benefits is done manually, which is supposed to be done automatically by the system; interests and penalties are supposed to be charged and process automatically by the system, but these are however done manually, amidst high risk of not processing all interests and penalties Moreover, the NAPOS II system is expected to produce reports on the contributions captured in the system, but most often, it produces conflicting reports.
317. The inability of the NAPOS II to fully serve its intended purpose in NASSIT is largely attributed to application bugs and lack of due diligence by management in the procurement process and the deployment of the live application without carrying out any parallel testing or to properly migrate its data from its existed system and to properly sign off for the system to be used in the live environment of the Trust. We also noted that two components of the application (benefits processing and contributions processing – government contributions) were not completed by software provider in accordance with the agreed contract. The current state of NAPOS II functions in NASSIT poses serious threat of misappropriation of funds of the Trust, through fraudulent manipulation of records and physical cash receipt.
318. Management responded by categorising the various functions and capabilities of NAPOS II which included the existence of embedded audit trails in the system; a defined menu hierarchy which seeks to provide adequate segregation of duties within the NAPOS II; internal matching reconciliation in the contributions and accounts models (contribution details) and benefits (old age and invalidity) contingencies; claims and payroll processing among others. However, it conceded that there are overlaps in some user operations which tend to occlude the segregation of duties in the system. Management also agreed that bugs in the NAPOS II system was the cause of cashier financial loss through transactional reversals which they claimed was fixed by the system developer when it was detected.

Management indicated that it submitted to the system developer(SBTS) a list of bugs discovered on the system, clarifications and outstanding requirements for the appropriate fixes to be done, but SBTS abandoned the fixes process shortly after designation additionally, it was stated that two main components of the BRS-NAPOS II(Benefit Processing- survivor payroll and inspectorate model-interest and penalty computations) were not completed by the developer as at the time of his abandonment of the fixes process in 2016.

We recommended to management to ensure that the NAPOS II system is fully completed and implemented by the provider as expected of him by the contract terms in order to ensure full automation of its operations.

Lack of Integration between IT Systems ran by NASSIT – Le 36,348,299,484.99 (NAPOS I & II, SUN System, EDRMS and Biometric Record System (BRS))

319. Our audit disclosed that management of NASSIT runs four separate IT systems (applications) without any linkage or integration between the applications. For lack of integration between the corporate applications, management of the Trust spent between 2007 and 2016 a total of **Le 36,348,299,484.99** on the four applications as shown in Table 2 below. Therefore, should there be some integration between the separate applications; functions of some could be performed within some modules of others instead, of acquiring a complete application package for those functions. For instance, the payroll function for which NASPAC is being used can be performed within the SUN system which has a payroll module. Management only needs to pay for the license of that, instead of buying a completely separate application.

Table 4; Amount spent on IT Systems

System	Amount (Le)
NAPOS (I & II)	17,602,545,271.10
SUN System	892,526,663.15
EDRMS	632,500,000.00
BRS	17,220,727,550.74
Total	<u>36,348,299,484.99</u>

Source: NASSIT data

320. For lack of integration between applications used in NASSIT data transfer from one system to another is plagued with data integrity challenges. For instance, payroll data prepared in Microsoft Excel format has to be converted and transferred to the NASPAC via Vision compatibility utility software. The possibility data from one application being edited and altered before being loaded into another for further processing cannot be ruled out. Data validity becomes a challenge as several man hours are spent validating converted data from one system before being uploaded into another for further work or processing.
321. NAPOS II and BRS are currently not integrated because off live updates components and so are the other systems. However, the SUN accounting system and the BRS are also not integrated but an interface exists between the two to read offline data from NAPOS II into SUN through NAPSO II MXL and SUN Vision. More so, the EDRMS of the Trust does not integrate with any of the other three applications but it has an interface that could be used to integrate the NAPOS II and other applications which management stated it would implement in the near future.

322. Management further stated it would require a seamless interface between NAPOS II and SUN which it would request developer (KPMG) to provide. It further promised to ensure that the Biometric Pension system provides integration between its mainstream applications.

We recommend that management expedites the integration process to cut down application maintenance and related costs.

Duplicated Claims

i. Claim numbers with different social security numbers in different batches of claims (99 records) – Le 1,140,285,840.24

323. Our scrutiny of the Trust's database ran on NAPOS II system showed that 99 records in the system representing claims by contributors were paid to the same claim numbers in different claim batches. Claim payment through the NAPOS system are batched and assigned batch numbers which are supposed to be unique to specific claims and are not to be duplicated. We however found that some claim numbers are duplicated and used in multiples for claims that fall in different batches and for different social security numbers. **See Appendix 1 for details.**

324. A total of Le 1,140,285,840.24 had been paid in respect of 99 records in this category. Of this, 27 were paid without them being identified with any batch numbers. Payments made to claimants in this category amounted to Le 1,110,679,628.29. The un-batched claims are expected to be rejected by the system per the data definition tables and data dictionary, the successful processing of these claim record through the system shows that the validity rules in the system are not functioning properly, or they can be overruled by unscrupulous users to manipulate the system to their personal advantage.

325. Management responded that claim payments are initiated at the regional levels and payments made at the head office, and that the transfers of data from the regional offices to the head office are done in batches. The claim numbers are generated in the regional offices and are therefore, not duplicated for the payment of pensions which are strictly processed using social security numbers.

326. Management's explanation is a bit ambiguous and therefore cannot be acceptable.

We recommend that management look into fixing security functions to prevent any unlawful manipulation by system users.

ii. Duplicated Establishment Names with Different Establishment Numbers (123 records)

327. We noted during our review of the NASSIT database, that 123 establishment names are duplicated and assigned different establishment numbers on the system. It is not clear whether some of the duplicated names are subsidiaries or branch offices of a parent establishment or not. This paints an obscure picture

of the total number of contributing establishments to the Trust and it also associated with high tendency of making wrong entries for contributor when going by establishment names. **See details in Appendix 2.**

328. Management did not respond.

We recommend that management and the handlers of NAPOS II system should endeavor to purge their database in order to weed out all duplicate establishments and their related records.

Payment of government pension to 64 pensioners without social security numbers – Le409,230,625.00

329. We noted from the data backup which we scrutinised that 64 pensioners are captured on the NAPOS II system as government pensioners who have been paid a total of Le 409,230,625.00 between January 2013 and November 2018. **See details in Appendix 3.**

330. The said pensioners have no social security numbers, yet their pension pay is processed and paid on the system (NAPOS II), notwithstanding the fact that one of the validity triggers in the system is to reject entries that have no valid social security numbers. This implies that the validity rule/trigger to rejecting data entries and records without valid social security numbers is not working properly or has been deactivated, or can be disabled by users at will. This connotes a high risk possibility of users manipulating the system to pay non-existing pensioners.

331. Management explained that the 64 pensioners were initially paid by government before the introduction of Social Security in Sierra Leone and that they are paid with PIN and Military numbers in the case of Ex-service. They further stated that the Trust continues to recognise government pensioners with PIN codes generated by Controller and Accountant General's department which informs the unique identifier in the systems.

332. **We recommend that the management should redefine its data dictionary to incorporate these exceptions.**

Payment of six Government Pensioners with Same Social Security Number - Le 31,053,000.57

333. We observed from our review of the latest data backup of NASSIT, that four government pensioner have been assigned the same social security number and are all paid with same. Two other government pensioners on the same system also bear the same social security number and are both paid with same. **See details in Appendix 4.** The six pensioners have been paid a total of Le 31,035,000.00 for November 2013. See details attached. We noted that the six pensioners were all created on the system by the system provider, SBTS in 2013, and again modified by him in February 2018.

334. This implies that the system provider still has access to the live environment of the application, thereby posing a high risk to the Trust's database in the application being manipulated at will by the application developer and provider, particularly as the Trust and software providers are in a legal tussle over payment of maintenance fee for the software.
335. Management explained that the six pensioners all have separate and unique claim numbers, and that, individuals are entitled to receive more than one pension at the same time if they had worked and retired from two different institutions. This response is not comprehensible enough and management should look into why the groups of government pensioners share the same social security numbers with the view of correcting them.

We recommend that management should obtain the source-code of the NAPOS II application from the provider and ensure that no embedded features are hidden in the application to ensure that the entire system is adequately secured from remote access by unauthorised users and intruders.

Claims paid with irregular claim numbers – Le 5,405,043,164.06

336. As stipulated in the data dictionary in NAPOS II, all claim numbers should be of 11 characters. We observed that 248 claims totaling Le5,405,013,164.06 were processed and paid on the system. However, the claim numbers of the 248 claims did not meet the criterion set in the data dictionary. Some had claim numbers of 2 character/digits, others had 9 and some were made of 10 characters. **See details in Appendix 5.**
337. This again lend to the weak validating rules and triggers in the system. Ideally, the system ought to reject any claim that bears a claim number that does not meet the character length defined in the data dictionary; however, the opposite is happening on the system. Thus making room for unlawful and unqualified claims to be processed and paid for without them being noticed immediately.
338. Management revealed that the data dictionary of the Trust ICT system has a maximum character length of 12 and not 11. During data migration from NAPOS I to NAPOS II in 2013, some anomalies on claim numbers that occurred could not be traced. More so, some data fields were defined as text data type and others as alphanumeric fields by the system developer which truncated the numeric aspect of the claim numbers. This was amended to accommodate subsequent data transfers.
339. This response was not attainable as the data migration ought to have been filtered and all errors corrected before the live data transfer.

We recommend that management should properly address the situation by ensuring that data validity rules and triggers on the system are well defined and activated to prevent recurrence

of processing with irregular numbers.

Payment of Pension to 787 Individuals who are under the pension age of 55 years

Le 12,709,917,601.15

340. Our interrogation of the NASSIT database also revealed that pensions pay is paid to some individuals who are below the pension age of 55 years or more (under-age pensioners). Pensioners of this age category as per the Trust's database numbers 787 pensioners. For the period between 2006 and 2018 the Trust has paid a total of Le 12,709,917,601.15 to the supposed pensioners. **See details in Appendix 6.** Management could not provide us with any reason for the anomaly which from our audit point of view is a big drain on the Trust's resources. The anomaly can be attributed to lack of effective monitoring of activities of data entry clerks and other users of the system.
341. Management indicated that the pensioners in question are all invalid pensioners claiming benefits on medical grounds and that age is not an eligibility condition for their payments. Management however, did not provide medical records by the NASSIT Medical Board on these pensioners.

We recommend that management should provide medical reports on these pensioners or immediately stop payments to them.

Benefits paid to Pensioner attached to employer with irregular number – Le 2,105,970.12

342. We noted that an employer with registration number T343490 was paid a sum of Le 2,105,970.12 notwithstanding the fact that the employers' registration number does not meet the standard character length of 11 and again the claim number for the transaction was made up of 12 characters instead of the standard length of 11 characters. **See details in Appendix 7.** The data validation flaws in the NAPOS II system, the entry (claim) was passed and processed. There is the likelihood that the transaction was not a genuine one yet it was honored on the system.
343. Management indicated that the pensioner in question is a retired teacher who is paid with a unique PIN code that has the prefix 'T'.

We recommend that management should redefine its data dictionary to incorporate these exceptions.

Benefits paid based on null salary – Le 6,271,266,865.86

344. The backup data obtained from the NAPOS II system of NASSIT contains payments totaling Le 4,743,141,975.66 made in respect of benefits to 193 contributors. The salaries of the contributors upon the basis of which the benefits were calculated were not provided in the data on system. It is therefore a fantasy as to how management arrived at the benefits paid to the 193 beneficiaries as the

system registered “null” as their salaries. In addition to the benefits paid, the 193 beneficiaries were paid grants totaling Le 1,528,124,890.20 based on the same ‘null’ value as salaries. **See details in Appendix 8.** Management could not explain why and how the benefits and grants were calculated. This further adds to the flaws in the NAPOS II application.

345. Management stated that the pensioners involved are those who are not captured on the system and whose details were imported into the system after social security numbers were generated for them and that in the importation process the interface provided for limited fields, thereby leaving out the best five years salaries, and that the exclusion of some fields in the Benefit Pension Data Module of the system interface is the reason for the null salary columns. It was further explained that pensioners amounts had already been computed outside the system for such pensioners.

We recommend for a total overhaul of the NASSIT data as well as corrections on the system exclusions to make the data reliable and to forestall producing misleading information regarding benefit payments.

Manually processing and payment of Benefits – Le 2,488,629,102.08

346. Aside from benefits paid on the NAPOS II system, a lot more are processed and paid manually. For instance, a total of Le 2,488,629,102.08 was paid in respect of pensions pay, benefit for survivors and benefits for invalid for November 2018. In all 8,345 beneficiaries made up of 142 pensioners, 7,802 survivors and 401 invalids were paid manually outside the NOPAS II system.
347. The likelihood of errors and intentional manipulations in the computation and calculations of the benefits cannot be ruled out. Management explained that the 142 pensioners are paid manually because their social security numbers cannot be accepted in the NAPOS system. This we found strange, for we expected management to find out and resolve whatever problem there is with those social security numbers rather than to use it as an excuse to be paying the pensions manually.
348. Management explained that processing of survivor’s pension pay has always been done manually since the module was not implemented in the Fox Pro NAPOS system and also where a person’s status changes from grant to pension the person’s benefits has to be reassessed for the benefit to be recomputed. However, NAPOS II system as operated by the Trust does not have the utility for reassessing and re-computing benefit, therefore the manual processing of such benefits.

We recommend that management endeavor to implement the missing modules in the system to automatically process benefits of the sort to avoid any possible manipulation of benefits paid.

Operating with Unapproved IT Documentation

349. As best practice, departments in schemes develop strategic plans upon which annual plans are derived from. We observed that NASSIT has been operating with a draft ICT strategy which has not been approved by management. In addition, the Trust has invested and implemented four different systems, which has led to significant increase in reliance on its IT infrastructure. Due to this, the Trust is exposed to the following implications:

- i. Lack of clear objectives and management commitment
- ii. Lack of proper alignment of the ICT projects with the current and future business needs
- iii. Lack of a defined and agreed upon framework upon which the IT function operates and manages the IT risks
- iv. Lack of a framework for addressing risks inherent to the different ICT delivery options and strategies to mitigate those risks.

350. Management indicated that it already has IT documents in place which the ICT division updates on a yearly basis, except that they have not been approved by authorities of the trust. Management promised to finalise and submit the documents to the Joint Technical and Operations Committee for discussion and recommendation to the appropriate authorities for approval.

Management was advised to be more proactive and expedite action on the issue.

Absence of Business Continuity and Disaster Recovery Plans

351. NASSIT has no Business Continuity and Disaster Recovery plans for its operations. These plans are management tools that detail the procedures which should be undertaken to ensure that operations of the Trust are not disrupted in the event of unforeseen disasters; and that adequate measures are also taken to ensure swift recovery from any eventualities. This implies that the scheme may fail to undertake adequate measures to safeguard its resources in the event of unforeseen disasters.

352. Management's response was that, it already has a document on Business Continuity and Disaster Recovery plan for the Trust's operations, but currently lacks physical infrastructure to support the documentation. However, it could not produce the said document for our review.

The audit advises management to ensure the speedy development and adoption of these plans and procedures which will be followed in the event of a disaster.

Draft Change Management Strategy and Policy

353. The Trust has installed various systems, which have been developed by the contracted vendors/programmers. The source-codes of these applications ought to be made available to the Trust

which is to aid its change management activities. A change management strategy also ensures that changes to the application are applied correctly and do not compromise the security of the application. We however noted that no source-code of any of the Trust's application has been handed to management. We also observed that the Trust has a draft IT change management strategy and inadequate, which will ensure that all changes to the source-code are procedural and approved this is however not adequate and comprehensive enough as it fails to identify who should authorise changes as well as who should effect system changes. In effect, unauthorised changes to the application may be done without any trial as there may be resistance by users towards the system changes.

354. Management claimed it has a draft change management policy and strategy documents in place which it promised to submit to the Joint Technical and Operations Committee for the necessary review and approval.

We advised management to be more proactive and expedite action on the issue.

Lack of Segregation of Duties on the NAPOS II System

355. The increasing reliance of business processes on the IT systems to supporting their execution calls for critical consideration of risks that might arise from lack of proper segregation of duties in the IT systems. Therefore, planning for an appropriate division of responsibilities and reflecting it in the access privileges granted to users of IT systems becomes paramount and necessary for the proper, efficient and secure execution of the business processes. Our analysis of NAPOS II user set-up showed that there are seven system users who have conflicting rights including the right to create and modify benefit payments. **See details in Appendix 9.**

356. The Implications of this are that the Trust may make commitment to fictitious contractors who may be paid for services which are not rendered to the Scheme. There is a possible lack of accountability in the data and information handling due to access by officers over weekends and a likelihood of data manipulation if the Trust's database is accessed by unauthorised person. Management's indifferent attitude towards the effective running of the Trust's IT system coupled with lax of the IT Department of the Trust is the cause of the lapse.

357. Management indicated that some level of segregation exists within the BRS-NAPOS II system which allows user access as mandated and required by their levels of operations within the Trust. Management however, stated that it is constrained with unavailability of source codes for the BRS-NAPOS II application, absence of direct access to the biometric vendor (NEURO Technology) for license renewal authorisation of the BRS-NAPOS II and absence of system level training in BRS-NAPOS II.

We urged management to proactively tackle the constraint issues so as to improve on segregation of duties in their ICT systems.

Data and Records (transaction) Editing on Weekend and Non-working Hours

358. We noted from our review and analysis of activities on NAPOS II, that transaction involving payment of benefits, defining of members and logins to the system were executed on Sunday and Saturday and at very odd hours beside the normal working hours in NASSIT. **See details in Appendix 10.** This is as a result of relaxed and unrestricted access rights to the system users. The anomaly is associated with high likelihood of fictitious pensioners who may be paid benefits by the Trust; the recording and processing of non-existent benefits by the Trust; understatement of the cash and bank balances, and possible lack of accountability in the data and information handling due to access by officers over the weekend.
359. Management explained that instances sited for editing and recording on the systems are all within the official working hours of the Trust and that staff of the benefit division are occasionally requested to work on Saturdays between 9 am and 5 pm.
360. We cannot accept management's position on the matter as there are clear evidence of data editing at odd hours such as 11:30 pm.

We recommend to management to ensure that adequate general and application controls are in place to either prevent or timely detect abnormal data entries, as well as wrong pooling such as wrong cheques numbers or pooling of such cheques twice in order to ensure data integrity.

Failure to formally review event/activity logs on the NAPOS II System

361. To continually maintain data integrity, the ICT department is expected to regularly review the event/system/activity logs and also investigate failed login attempts by users. We however observed that the ICT department of NASSIT does not review the event/system logs that are maintained and stored by the NAPOSII Systems. In addition, there was no evidence that the department investigates any unsuccessful login attempts by users. Dereliction of duty by the officers of the ICT department is the cause of this infraction which has the effect of leading to a situation where unauthorised activities may go undetected and could cause substantial loss or damage to the operations of the Trust.
362. No management response.

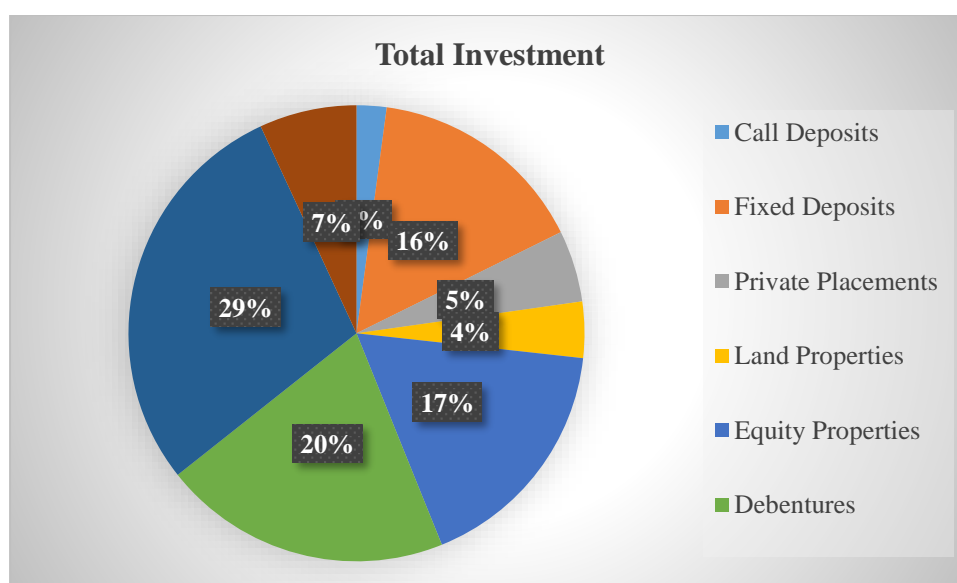
We recommend that management through the ICT department should formally schedule and review the event/ activity logs of all corporate systems specifically focusing on unauthorised

access attempts to the system and attempts to view any changes on any security rules as well as authorised access to the system in order to detect any compromise on the access rights granted to any user.

NASSIT Investments

363. As at December 2018, NASSIT had investments totaling to **Le 1,181,978,803,738.17** across the country. The investments were distributed across different asset classes as shown in **Figure 1** below:

Figure 1: NASSIT Investments Distribution

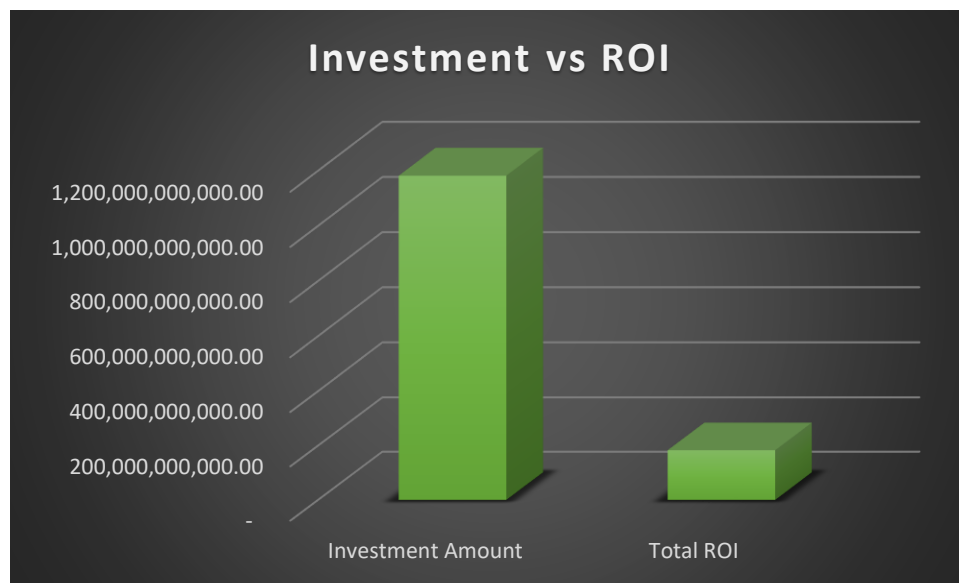


Source: NASSIT investments data.

Investment Performance

364. Section 7, subsection 1 states that subject to the approval of the Board, the Trust may invest any part of the fund not immediately required to be expended to meet any of its obligations under the Act. NASSIT has cumulatively invested 43% of the contributions since its inception in 2002. The cumulative return on these investments vis-a-vis the contributions are just **6.81%** as shown in **Figure 2** below. Socially Targetted Investments have not been able to break even and the only profit realised is due to the inflation of the US Dollar and the fact that the houses were valued in dollars at the time of investing which has since appreciated. It is therefore safe to say that if the Dollar did not gain against a weakening Leone, there would be no positive returns. The investment risk of generating enough funds to pay benefits, is the responsibility of the Trust, and that is why the investments of the Trust have to perform.

Figure 2; Investment Performance



NASSIT Investments Data

Absence of mechanisms to test for existence/presence of caveats and conditions of potential investment venture before going into them.

365. Section 7 (1) provides for the Trust to invest part of its funds not immediately required to be expended on to meet any of its obligations under the Act. Sub-section (2) indicates that the Board shall in approving any investment take into consideration:

- i. The safety and yield of the investment
- ii. The liquidity of the investment
- iii. The need to maintain the real value and spread of the investment
- iv. The maintenance of the fund and diversification of the portfolio of the investment and
- v. The harmony of the investment with public interest

366. We however noted that management has no mechanism in place to test for the presence of the five caveats stated above before going into any investment. The Board's investment committee as well as management's investment committee approves of investment venture without any basis of checking to satisfy that the intended investment venture meets the qualifications set out in the NASSIT Act. These implicitly mean that all the investments entered into by the Trust were conspicuously engaged in against the law and are therefore illegal.

367. Failure on the part of the Board and management to go by the dictates of the Act was the cause of the breach which has contributed immensely to the Trust investing in over 15 non-performing investments.

The management of the Trust could not give any real reason for its absolute disregard for the dictates of the Act in its investment activities.

368. Management responded that all their proposals for approval normally contained measures that clearly show the viability of such investments. Safety and yield is considered using inflation (inflation +200bp) as an indicator. The returns are discounted using prudent discount rate especially the project related investments and debentures to preserve the value of the funds and in turn generate adequate returns that augments benefits payment in the long-run.
369. On liquidity, return-based measures such as Current ratio and Quick Acid Test Ratio are used. The lack of a functional stock exchange implies that spread cannot be easily measured given the fact that there is need to compare prices of stock/shares viz-a-viz asking price and offer price. In diversification, the trust has entered into varying sectors in order to tailor the assets according to the liquidity needs of the Trust on the demand notice of the contingencies as they fall due. On harmonisation of public interest, perception surveys are normally undertaken by the Trust for some of the investments. And initial assessments are normally done prior to the approval process of the concept.
370. Management's response is not accepted as they did not produce any document showing that the five criteria were put into consideration before undertaking the investments. Besides, the Socially Targeted Investments only meet one criterion.

We recommend that Management should ensure that all the investments undertaken meet the criteria as stated in the Act.

The GoSL indebtedness to NASSIT converted to bonds of Le 81,558,800.000.00

371. Section 25 (1-3) of the National Social Security and Insurance Trust Act, 2001 requires every employer to deduct 5% off employees monthly basic and to contribute 10% of the earnings of each employee for each month and shall pay the total contributions (5% employees deduction and 10 % employers contribution) to the Trust within 15 days after the end of each month. The Central Government of SL is indebted to the Trust to the tune of Le81billion in respect of contributions (both the 5% deduction and the 10 % employers' contribution) and NASSIT administers or pre-finances the pension payment of government pensioners for which government should in turn make these refunds to NASSIT on quarterly basis. However, from 2012, the government has failed to meet its obligations and this has resulted in a situation where contributions of paying Trust members have been directly used by government to meet its obligation to its pensioners.
372. The unpaid contributions from government were converted to government bonds by NASSIT, at the request of the government since 2012 and have since been rolled over both in nominal value and

interest. Currently, the total government bonds under this arrangement amounts to Le81, 558,800,000.

373. Management did not provide any response to this. We advised management to liaise with the central government to have the issue resolved.

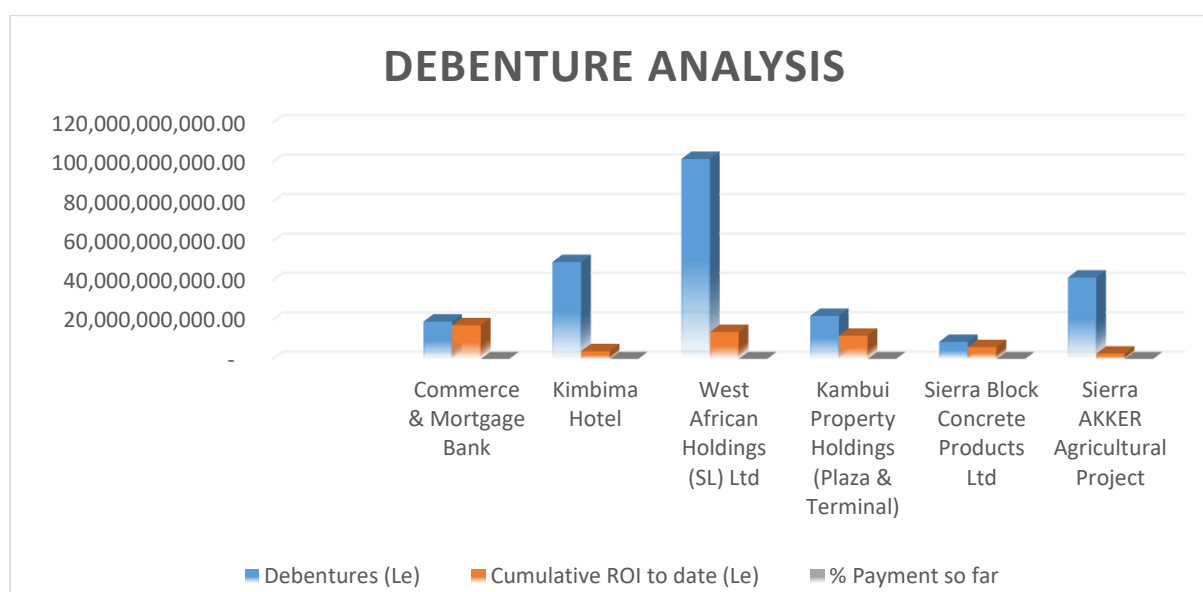
We recommend that the Government and the Ministry of Finance should endeavor to settle its issue and to ensure regular payment of contributions of employees on government payroll.

Financing investments with unsecured debentures – Le 250,752,085,310.00

374. Section 7 (1) provides for the Trust to invest part of its funds to meet any of its obligations. The Act (2) indicates that the Board shall in approving any investment, take into consideration; the safety and yield of the investment and the liquidity of the investment. Contrary to this, we observed during our audit that the management of NASSIT has over the past years embarked on financing some of its investments through the issuance of naked and unsecured debentures. As at the time of the audit, the total amount of debentures given out by NASSIT was Le241,752,085,310.00 with a current value of Le250,752,085,310.00 and cumulative returns amounting to Le55,350,181,748.00 which represent a return of 0.23. The only debenture currently being serviced was the Le 9,000,000,000.00 given to Commerce and Mortgage Bank for operations.

375. Figure 3 below shows the debentures given to individual NASSIT subsidiaries and the payments to date. West African Holdings Ltd. had the highest debenture standing at Le 101,495,781,470.00 including a Loan owed to them by Afrinord which is yet to be repaid and is currently being serviced by NASSIT.

Figure 3: Debenture Analysis



Source: NASSIT Investments data

376. Financing investment projects through such unsecured debenture exposes the Trust's funds to eminent danger of loss should the debenture holder fail to honour his obligation under the debenture agreement. The Board further gave a grace period of not less than 5 years after which, the debenture holder will start redeeming the loan facility. The effect of this is that should any of the beneficiary institutions fold up before the 5 years, NASSIT would stand the risk of losing the value of its investment as well as any expected interest thereon.
377. There were no Exit Strategies in any of the investments at the time of entry into them thereby posing a challenge on how the trust can opt out of such investments ventures. It is unclear how the Trust intends to get its money back on the debentures especially in subsidiaries where it owns 100% of the shares.
378. Management indicated that the Trust's provision of debt security has been to ventures in which it holds majority share (60-100%). Except for Sierra Akker Agriculture where it holds 30% shares, the Trust has granted the debentures to such subsidiaries at their incubation stages wherein the issued share had been fully exhausted and the ventures needed to be fully funded for their objectives to be met.
379. This explanation does not hold since NASSIT failed to determine what is sufficient and realistic for the realisation of the objectives of the companies. This is therefore, resulting in the debenture financing which is not the safe way of investing contributor's money.

We recommend that management take steps to stop the practice of debenture financing. However, in critical cases management should ensure that the borrower provides adequate security and guarantee in the event of exiting due to their failure in meeting the obligations.

NASSIT financing government projects (Sewa Grounds Project) without any formal agreement – US\$35.3 million

380. The management of NASSIT resolved to finance a government project (Sewa Grounds Project) with contributors' money (US\$33.52 million) for which the Trust has not signed any formal agreement with the government. It was unclear who the actual owner of the project is, for the Central Government only directed NASSIT to finance the project whereas the Freetown City Council released a piece of land for the project. However, there was no formal agreement signed between NASSIT and the other participating agents/bodies.

381. The management of NASSIT could not indicate to us how it tested and satisfied itself with the viability of such investment in line with the five caveats set in Section 7 of the NASSIT Act, 2001 before embarking on the investment venture. The possibility of NASSIT getting its money back is unclear. Management did not respond to this issue as they failed to respond to the draft report.

We recommend that management ensure that an agreement is reached on repayment terms of the monies invested into government projects in order to secure public money with regards such arrangements.

Award of contract (Sewa Grounds Development Project) via sole sourcing without approval by the Public Procurement Committee valued at US\$ 35.3 million

382. According to the board minutes of the 90th meeting of the Board dated 16th February, 2015, Sewa Grounds is a project that was undertaken by the Government of Sierra Leone with NASSIT as the financier. There were no minutes of project approvals and the opening activities were undertaken without the knowledge of the Board. The project cost was a fixed contract sum of **US\$ 33.52 million**; breakdown of which was as shown in Table 5 below:

Table 5: Sewa Grounds approved Budget

Activity	Cost
Construction cost of Market at the Sewa Grounds	US\$ 15.96 million
Value of existing property on Sewa Grounds	US\$ 3.3 million
Engineering, Construction and Project Management	US\$ 2.075 million
Geotechnical Investigations on all three sites	US\$ 0.186 million
Cost for relocation and construction of the Cathedral School;	US\$1.9 million
Cost of construction of Car Park Facility.	US\$ 10.1million
Total	\$33,521,000.00

Source: NASSIT Investments data

383. The designs and revenue projections for the proposed construction of shopping and parking facilities at Sewa Grounds were as follows: 414 market stalls, 500 lock-up shops, multi-purpose hall, banking halls and restaurants; the parking tower and relocation of Cathedral School to A. J. Momoh Street. As at the time of the audit, **US\$24,011,217.45** had been paid to the contractors but did not represent the works done. Progress of works had been slow and not consistent with the planned program of works. As at February 2017, the works executed did not reflect the payment done so far, and the works were still not completed by December 2018. The Anglican Diocese of Freetown was yet to identify a land for relocation of the school. It was unclear when the project was intended to be completed. How much the various objects were to bring in as revenue was not clearly stated, making it difficult to know the

payback period on this investment if any, and there was no documentation in place on the requisition of the project and the need for NASSIT to finance the same using public funds.

384. Section 46 (1) (a – d) of the Public Procurement Act, 2004 provides circumstances in which public procurement can be done using the sole source method. Sub-section 2 of the same provision indicates that the use of sole source procurement method on the ground referred to in paragraphs (a–e) of sub-section 1 shall be subject to prior approval by the Public Procurement Committee. Notwithstanding the above provisions of the law, management of the Trust awarded the construction project (Sewa Grounds Project) through sole sourcing. However, there is no evidence that the procurement committee of the Trust approved the same. Management simply disregarded the provisions of the PPA in the award of the contract, not making the award process open for competitiveness; but instead management and the Board hand-picked Capital Infrastructure & Partners Ltd. as a resident project consultant who engaged works contractors to carry out the actual construction work.
385. The Trust's dealings with the respective works contractors are clouded with a lot of ambiguities as it is not clear who engaged them on the work; (be it the Trust or the project consultant/engineer). The contract documents between respective contractors could not be made available for our review. The award of the Sewa Grounds project lacks transparency and does not promote accountability and good corporate governance. Again, flouting provisions of the PPA 2016 with impunity as demonstrated by management and the Board of the Trust seriously undermines the authority of the promulgators of the law. It could be argued that value for money may not have been achieved. We further observed that management has already paid out 55% (US\$18 million) of the cost of the project, yet the project is at a halt.
386. Physical inspection of the project revealed that the project consultant Capital Infrastructure and Partners seldom visited the project site. There was no evidence of their presence on site for a substantial part of the project duration as required per the contract they signed with the Trust, which provides that the consultant should frequently visit the project site to supervise work done by the contractor (MKD JASS Ltd.).
387. The project completion has been delayed thereby having the tendency of resulting in cost overruns due to inflation and other economic factors. The project was originally scheduled to complete in February 2018, however, work has stalled. Management circumvented the contract procedure enshrined in the Public Procurement Act, 2016 and hand-picked the project consultant as well as the contractor instead of making the contract award transparent and competitive. As per the contract between the Trust and Capital Infrastructure and Partners, the latter is entitled to 13.5% of the contract price payable on certificate of work certified and submitted to the Trust. We noted a claim of Le414, 534.04 being 13.5% of the upward increase in the contract price. The Trust on the other hand has also made a claim

of US\$ 369,796.59 from the consultant for some substandard works that the later have done not in accordance with specifications stated in the contract.

388. The Trust in 2017 terminated the contract of the project consultant, Capital Infrastructure and Partners, and engaged the services of a caretaker consultant, Balla Kamara. Reasons for this development as well as procedures followed for the engagement of Balla Kamara could not be obtained. Mr. Balla Kamara also put up a claim of Le80,000,000.00 as being amount spent on a visit of the former president of the republic to the Sewa Ground project site in July 2018 without any supporting documents. Management could hardly justify some of the bills paid on the project mainly due to poor management of the project and ineffective monitoring of work by the project consultant and contractors. The current status of the Grounds is as shown in the attached **Structure Report**.
389. Management responded that the project was done through sole sourcing method and the National Public Procurement Authority (NPPA) gave the no-objection to this.
390. The management's response cannot be accepted since the Trust did not get approval from its Procurement Committee to use the sole sourcing method. Additionally, the no-objection from the NPPA only gave guidelines on issues management needed to satisfy in considering the method and not an express approval.

We recommend that officials involved in signing the contract agreements be sanctioned in accordance with Section 122 of the Public Financial Management Act 2016. We also advise management to be proactive and respectful to the laws of the land and give credence to the promulgators of the law that is Parliament in all their dealings in subsequent times.

Non-Performing Investments – Le 202,643,094,751.84

391. NASSIT has a set Return on Investment threshold of inflation +2bp which is currently approximately 18.16%. During our audit, it was observed that NASSIT had invested in 22 different ventures, 15 of which are of equity investment with a total initial outlay of Le 202,643,094,751.84. Returns made on the equity investment since their inception amounts only Le 6,126,572,040.00 representing 3.02% in cumulative returns and an annualised return on investments of less than 1%. Notwithstanding the dismal performance of these investments, NASSIT continues to inject more working capital into these investments.
392. The management did not provide or have any exit strategy in place, therefore the Trust's continuous stay in investments that are not viable. Details of the investments involved are attached as **Appendix 11**.

393. Management in response argued that the investments were performing and had so far generated an investment income of Le 6.37 billion (3.14%) since the inception and some of the investments had been paying dividend with the exception of CMB, SCB, Ecobank, Transnational Incorporation and Rokel Commercial Bank. However, they are prudently sound and if the Trust institutes strategic measures and modalities to ensure their viability, the objectives of investing in this class of assets will be met and more capital gains will be realised.
394. Management's response is not comprehensible enough, for returns of Le 6.37 billion (3.14%) on investments of Le 202,643,094,751.84 since inception. This performance is not to be pleased with as it is below their base rate of Inflation+2 basis points.

We recommend that:

- i. with immediate effect, no new capital injection is made in any of the existing entities;**
- ii. as best as possible, exit from all existing equity investments as some of these investments would not pay back to the Trust in the next 30 years and**
- iii. ensure that all future equity investments are only approved after due considerations have been given to Section 7 of the NASSIT Act, 2001.**

395. Notable among these include:

i. West Africa Holdings Limited

396. The West Africa Holdings Limited is a company that is fully owned by NASSIT. WAHL was incorporated in 2010 to operate Radisson Blu Mammy Yoko Hotel in Sierra Leone. It has an authorised and issued share capital of 30 million of Le 1000 each. The Trust held 80% of the shares acquired on two instances at a total cost of US\$ 12,060,000. (First 9,000,000@US\$ 0.49 and 15,000,000@0.51) being shares offered by Mr. Roger Crooks the then majority shareholder with 90% Share. The Trust also purchased additional shares and as at date, is the sole owner in the West Africa Holdings (SL) Limited valuing **US\$ 15, 588,000**.
397. Having acquired the shares, the company was faced with the responsibility to refurbish the hotel to an international standard to meet the theme of the world class brand operators. In partial fulfilment of such, works commenced and were financed by Mr. Roger Crooks.

NASSIT LOAN TO WAHL

398. WAHL signed a Management Operating Agreement with Rezidor Group, thereby becoming Radisson Blu - Mammy Yoko Hotel, in meeting the demands of the management agreement that had key items on the Phase Two Listings required for the smooth running of the Hotel such as a third generator (650 KVA), CCTV cameras and a Pool Ablution Project. The key requirements of the Hotel being a capital

expenditure were to be financed by the shareholders of the company (West Africa Holdings Limited) for the payment of outstanding debt to local and international contractors. In line with this, the Board approved the total sum of **US\$ 13,157,539.36** as debenture loan to West Africa Holdings provided by the Trust for a period of 84 months, on a quarterly repayment basis after a grace period of one year at an interest rate of US Libor plus a margin of eight percent (8%) to which a loan agreement was duly executed, signed and registered. The monies transferred to WAHL by NASSIT were **US\$ 17,431,884.86** as opposed to the **US\$ 13,157,539.36** that had been approved. In 2017, Radisson Blu requested for funding of Phase 2 project totaling to US\$ 1.277 million. The various items undertaken during this phase and the current status of the hotel is as shown in the attached **Structure Report**.

399. As at January 2018, the total loan amount disbursed to Radisson Blu by NASSIT for renovations and or maintenance was **US\$19,654,429.51** against an approved amount of **US\$ 19,686,667.56**. There is no evidence that Radisson Blu had started repaying this loan both in interest and principal.

AFRINORD Loan

400. West Africa Holdings Limited contacted Afrinord- Hotel Investments AS- a company fully owned by Africa Joint Venture Holdings (Rezidor), Norwegian Investment Fund for Developing Countries (Norfund), The Industrialization Fund for Developing Countries (IFU), Swedfund International AB (Swedfund) and Finnish Fund for Industrial Cooperation Ltd. (Finnfund) for the provision of a loan facility of US\$ 9 million to complete the refurbishment of the hotel. Chief amongst the terms of the facility was 8.5% plus three months London Inter-Bank Offered Rate (LIBOR), a twenty-four month quarterly instalment loan payable in six years with other fees and avoidable charges. This loan is secured on the fixed and floating assets of the business and that proceeds from the Hotel's facilities shall be paid into a Debt Service Account, thereby collateralising on the cash flow from the operations of the Hotel.
401. The loan agreement forbids the borrower to: sell, transfer or otherwise dispose in or more transactions any part of the project or the Hotel, declare dividends and terminate the management agreement among other things. The loan amount approved for Radisson Blu did not complete the standard requirement of upgrading the Hotel. Therefore, a secondary source of financing was targeted and as at 2014, WAHL had not met some of the terms and conditions of the loan agreement especially the repayment of the loan and quarterly principal. As at 31st December 2014, the amount due stood at US\$ 1, 872,793.08. The West Africa Holdings Limited entered into negotiations with the loan providers for the terms and conditions on the loan agreement to be amended, but a negative response was received from the Board of Afrinord. West Africa Holdings failing to honor its obligation, could result in the liquidation of the

Company and have rippling consequences for the Trust as majority shareholder and creditor. The penalty charges levied on the Trust were to be addressed to save the image of the Trust.

402. At the time of the audit, the total payments made by both NASSIT and Radisson Blu for the Afrinord loan were US\$ 8,305,575.70 in principal, interest and penalties and the outstanding principal on the loan is US\$. 4,267,418.30 as shown in Table 6 below. The loan was unsustainable and the books of Radisson Blu Mammy Yoko Hotel should be thoroughly examined to determine the decisions of the Board.

Table 6; Afrinord Loan

	Amount in US\$	Default	Repayment	Balance
Loan amount from Afrinord	9,000,000			9,000,000
Outstanding interest after six months grace period	582,417.00			9,582,417
3rd July, 2016, NASSIT repayment			1,872,753.08	
Jan 2017			977,782.70	
Repayment by Radisson Blu			5,455,000.00	
Total Repayment				
Principal Loan Repayment		5,314,998.70		
Interest on Loan		2,603,038.08		
Interest Default		387,539.00		
Outstanding Principal as at 1st July 2018 (Afrinord Loan)				4,267,418.30
Total NASSIT Loan				19,686,667.56
Total Loans				23,954,085.86

Source: WAHL Loans

403. There was no evidence that Radisson Blu has been servicing the NASSIT loan as at the time of the Audit. The operator's fees in accordance with the Management Operating Agreement were considerably high and there is need to review the MOA. The fees are as shown in the Table 7 below.

Table 7: Management Agreement Fees

Base Fee	Management Fee	Marketing/ Advertising Contribution	Reservation Fee
2% of Total Revenue for first partial Fiscal Year and first full year 2.25 % of Total Revenue for second full Fiscal Year 2.5 % of Total Revenue for third full Fiscal Year 2.75 % of Total Revenue for fourth full Fiscal Year 3.0 % of Total Revenue for fourth full Fiscal Year	5% of total gross Operating Profit- on 0-19.99% GOP 6% of total gross Operating Profit- on 20-29.99% GOP 8% of total gross Operating Profit- on 30-39.99% GOP 10% of total gross Operating Profit- on 40-49.99% GOP 12% of total gross Operating 50% GOP	2.5% of Gross Room Revenue	US\$ 11.00 Per reservation per room

Source: Management Agreement-Radisson Blu

404. The high management fees charged by Rezidor Group; the uncompleted refurbishment of the Hotel as at the time of the audit, and the fact that the Hotel was opened in a rush in order to meet the six months' deadline set by the Rezidor Group after which they were to take over the running of the Hotel, could be reasons why Radisson Blu and by extension WAHL are still unable to pay back on its obligations. The high debt to equity ratio at the Hotel is also a major concern. NASSIT should look into divesting and or capitalising on their loan and further review the management agreement to allow the entity be able to make profits and pay returns to the Trust on their investment.
405. Management revealed that WAHL has not paid dividends to NASSIT because it has been financing the Afrinord loan which ranks first in repayment. It further indicated that management signed a subordinate loan agreement between WAHL and Afrinord Investment Bank for which all funds generated from the Hotel's operation would be remitted into a Debt Servicing Account until the Afrinord loan is fully paid. However, the Trust has been accruing interest in the loan amount which is due to be capitalised to the principal amount and amortised accordingly over the tenure of the loan.
406. Management explanations leads to the fact that WAHL is underperforming.

We recommend that the Trust takes a second look in its dealings and arrangement with WAHL since we see it has adding cost agent rather than a value adding investment.

ii. Commerce and Mortgage Bank,

407. The Commerce and Mortgage Bank was established in 2008 as a mortgage bank, but due to the limited scope to expand the business, it was converted to a deposit taking bank with only one branch. As at the time of the audit, NASSIT owned 98% of the shares of CMB. NASSIT's total investment in CMB included a loan of **Le 40,000,000,000.00**. **Le 21,000,000,000.00** was converted into equity, while Le 19,000,000,000.00 was a long standing debenture. **Le9,000,000,000.00** was currently being repaid while Le 10,000,000,000.00 was under moratorium. To date, Commerce and Mortgage Bank had repaid a cumulative **Le3, 006, 748, 000.00** in both loan repayment and dividends. It was not possible to determine how much CMB had paid as loan repayment and dividend separately.
408. CMB was the sole collector of NASSIT contributions in the Western area. The contributions are deposited into the NASSIT operations account and at the end of the week, 50% of the contributions are sent to the NASSIT account at the Bank of Sierra Leone. As at 10th December 2018, the NASSIT collection Account at CMB had a balance of Le 5,306,672,109.07

Concentration Risk

409. Concentration risk is the level of risk in a bank's portfolio arising from concentration to a single counterparty or sector. CMB had a loan portfolio of Le 199,491,201,287.47 and a total overdrawn amount of Le 76,586,325,075.60 which formed 38.40% of the overall loan portfolio.

Table 8: Entities with high concentration risk

Account	Entity	Amount	% of total overdraft
21044471253	PAVI FORT AL ASSOCIATES (SL) L	-33,990,548,505.18	44.38200746
21043301257	GLOBAL INVESTMENT LIMITED	-12,978,148,812.22	16.94577824
21049981365	TSR/GTI INC (SL) LTD	-4,824,873,603.85	6.29991529
21048851368	UPLINK CONSTRUCTION AND CIVIL	-2,711,986,453.82	3.541084457
21048461368	SECON (SL) LTD	-2,061,584,258.14	2.69184382
Total		-56,567,141,633.21	73.86062927
Total Overdrawn		-76,586,325,075.60	

Source: CMB data

410. As at 11th December 2018, 73% representing **Le 56,567,141,633.21** of this overdraft belonged to companies working in the roads sector. Pavi Fort Associates, Uplink Construction and Civil works had contracts with Sierra Leone Roads Authority, while Secon SL and Tsr/Gti Inc. (SL) Ltd. had contracts with the Roads Management Fund Authority. The risk arises from the fact that more concentrated

portfolios are less diverse and therefore the returns on the underlying assets are more correlated. This is risky because the bank may face liquidity issues if the sector performs dismally leading to defaults on offsetting the overdraft facility.

411. Management responded that it's working frantically to dilute the level of concentration risk by diversifying into other sectors, recovering loans available to companies operating within the road sector and set a maximum sectorial exposure for loans at 25%.

Management is advised to expedite action on ensuring that the concentration risk of the bank is at manageable levels and cuts across the various sectors in order to safeguard its liquidity in the long run.

Unapproved Overdrafts

412. Global Investment Limited had an overdraw of **Le -12,978,148,812.22** yet the account did not have an overdraft facility that had been approved by the bank. It was therefore unclear how the account had been overdrawn without its having a facility in place. This means that the bank has not put in proper measures to ensure that only accounts with an approved overdraft facility are overdrawn.
413. Management indicated that it acted on a Board Resolution passed at its emergency meeting held on the 29th August, 2018 to consolidate various accounts under Global Investment and also made provisions for a monthly repayment of Le 900 million.
414. From our audit point of view, these arrangement is not in the best interest of the bank and for that matter, NASSIT's investment.

We recommend that management should rethink into this arrangement and find a pragmatic way of getting the money from the borrower since the current arrangement would take so long a time to recover the unapproved overdraft.

High NASSIT Interference

415. The audit revealed that there was high interference of NASSIT. According to the debenture loan agreement between NASSIT and HFC Mortgage Bank dated 20th May 2014. The trust extended a debenture loan to HFC Mortgage Bank, part of which (Le 10,000,000,000) was supposed to be invested in projects. This amount accrues interest but is on a five-year moratorium until when the project will be ready for mortgage purposes. NASSIT further invested an amount of Le 40,000,000,000 by way of private placement to be loaned out to the Roads Maintenance Funds Administration at an interest rate of 26%. It was unclear why NASSIT used CMB as an agent through which funds were passed to.

416. Management responded by stating that the Company's Memorandum and Articles of Association require owners to appoint board members to run the company and that NASSIT being the majority shareholder and customer of the bank, they compete for NASSIT funds like any other financial institution.

417. This response does not hold from our audit perspective in that, we do not foresee how NASSIT can compete for its own funds like any other financial institution yet it's not a financial institution. We see this as a way of diverting the attention of auditors from the real issues.

We recommend that NASSIT should allow management of CMB a free hand to run the affairs of the bank so as to hold them responsible for their actions.

Mismanagement of NASSIT Staff Mortgage Loan

418. CMB was in charge of managing the Trust's staff mortgage loan. According to correspondence, the housing scheme commenced on 1st May 2011 with the following terms: the fund would be a revolving fund, the mortgage loan was to be charged at an interest rate of 7% which was later revised on 30th June 2014 to 3% for a maximum period of 20 years and to be managed at a fee of 2%. As at November, the Fund's account had a balance of Le18,032,169.00 and a total of **Le 49,114,970,550.50** had been disbursed to NASSIT staff. The outstanding amount including interest was **Le 42,071,955,691.72**. Prequalification of the loan is done by NASSIT, including the monthly repayment amounts and the repayment periods. CMB was only involved in the evaluation of the security to ensure that it was adequate for the loan amount and the disbursement of the same. The repayment of the loan was done at source and CMB sent an aggregate sum in lieu of the loan to NASSIT. The money involved in the loan is not maintained in the CMB books as CMB only acts as a pass-through for the funds. However, in cases of default on the payment by former employees, the default formed part of the CMB books and was not transferrable to NASSIT. The agreement on the Employer Assisted Housing Scheme is silent on how to treat the said funds.

419. As at 12th December 2018, the total defaults on the staff mortgage loan was **Le2, 950, 932, 539.72**. The defaults are grouped into two: defaulters who have exited the organisation having achieved the 10-year threshold of maintaining the interest rate of the scheme and those who have not achieved the 10-year threshold whose loans are put on commercial mortgage scheme as shown below.

Table 9: Defaulters who have exited the scheme having met the 10-year threshold for service

NAME	AMOUNT (Le)	OUTSTANDING
Sengu Koroma	559,000,000.00	387,939,209.87
Gibril Saccoh	688,000,000.00	461,149,349.26
Samuel Bangura Jr.	720,000,000.00	565,853,844.10
Idris Turay	565,500,000.00	668,867,308.49
Belford Doherty	200,000,000.00	25,508,381.42
Davidson Peters-John	569,500,300.00	177,275,359.52
Daniel S. Khanu	450,000,000.00	137,433,147.91
Tenneh T. Smart	292,000,000.00	16,527,498.52
Total		2,440,554,099.09

Source: ASSL Analysis

Table 10: Defaulters who have exited the scheme and not met the 10-year threshold for service of NASSIT

NAME	AMOUNT	OUTSTANDING
Nehemiah Fofanah	103,500,000.00	256,009,406.02
Abu Bakarr Koroma	122,550,000.00	254,369,034.61
Total		510,378,440.63

Source: ASSL Analysis

Investment in Unprotected Land Banks -Le24, 270,974,883.00

420. Cases of land grabbing are very common in Sierra Leone. With this in mind, it is expected that land owners will take necessary measures to protect their land from land grabbers. Although CMB has employed and deployed caretakers on most of its lands, the bank has not done enough to protect its lands from being grabbed by outsiders. We visited seven pieces of land purported to be owned by the bank and found that only two of them (Bathurst I and II) were fenced. The rest of the lands located at Charlotte, Mothain, Gloucester I and II and Songo are not fenced and don't have concrete pillars erected at the borders of the land to discourage and ward off encroachers.
421. Failure to protect the lands from encroachers led to CMB losing Mothain land to the previous owners who re-sold the land to other people. Although CMB argues that there was an agreement with the Ministry of Lands for the owners to give them an adjacent piece of land as compensation for the lost land, management could not produce any evidence that the proposed adjacent piece of land was really transferred to CMB. The piece of land that CMB claim to have been given is not fenced and does not have concrete demarcating pillars. Management appears to be indifferent about protecting the lands of

the bank, notwithstanding the fact that the bank has sunk over Le**24,613,691,000.00** in the acquisition of these lands. See list attached as **Appendix12**.

422. More so, management did not do due diligence in acquiring the lands. For instance, management itself could not identify and show to the audit team the exact demarcation of the purported land it claims to own at Songo. We realised that the land at Baw Baw is virtually situated on rocky hills which will be extremely difficult to develop as evidenced in the challenge faced by the bank in trying to construct two housing units but stalled midway. At Gloucester I, 10 units of two bedroom self-contained apartments and a hall have been developed. The 10 completed units have not been sold and have been left un-occupied for the fact that its location has not developed and lack basic amenities like road, water and electricity. Funds of the bank and for that matter NASSIT, have been thrown into the dust regarding the land acquisitions which are not yielding any returns to the bank.
423. Management indicated that the Le 24.6 billion was invested between 2011 and 2013 on eleven different parcels of land part of which involved swap deals with loan defaulting customers. They further stated that it has now started the processing of protecting the parcels of land and have secured board approval to commence erecting pillars around the parameters of Mongegba land bank. Management's response is unacceptable as it is seen as a way of diverting the attention of the auditors from critical issues. However, if management is now thinking of protecting lands bought as far back as 2011, then it appears there is negligence on the part of management.

We recommend that these swap deals be thoroughly investigated and appropriate action be taken and management should be proactive enough to protect the lands acquired.

Buying back the Liability of a Customer – US\$320,000.00

424. The Board of Directors and Management of CMB bought back the liability of Mr. Abdul Rahaman Tunkai Sanko who had purchased a property at RGSL- Goderich Estate at US\$320,000.00. The customer had funded US\$120,000.00 of the property for a tenure of 5 years at an interest rate of 19%. As at March 2015, Mr. Sankoh had paid US\$246,000 and was left with US\$74,000.00 to be paid to RGSL. Mr. Sankoh did not meet his monthly repayment on the home purchase mortgage loan to CMB. As at the end of February 2015, he owed the bank a total of Le 778 million.
425. On the request of Mr. Abdul Rahaman Tunka Sankoh, management of CMB forwarded a four-point proposal to the Board for the purchase of the liability of the customer which the Board approved at its 55th meeting held on 23rd March 2015. The proposal was that:
- i. The property under mortgage owned by Mr. Abdul Rahaman Tunkai Sankoh at Regimanuel Gray Estate, Goderich be purchased by CMB at the cost of US\$398,900.00 which was

US\$30,000.00 less than the then market price of US\$428,000.00 as was advised by the developer, RGSL.

- ii. That Le 791 million (US\$158,000.00) from the proceeds be used to completely liquidate the mortgage loan of Mr. Abdul Rahaman Tunkai Sankoh.
- iii. That US\$74,000.00 should be paid to RGSL in full settlement of Mr. Abdul Rahaman Tunkai Sankoh's outstanding balance.
- iv. That the residue of US\$ 166,400 be paid to Mr. Abdul Rahaman Tunkai Sankoh.

426. The transaction was carried through as per the proposal approved by the Board. From our audit perspective, the Board and management failed to exercise due diligence in the transaction. For instance, management could not explain the basis of valuation of the property provided by the developer - Regimanuel Gray SL. More so, the act of swapping and buying back of liabilities from customers is not in the best interest of the Bank, and does not promote efficiency and transparency but lends to inside dealings that are clouded with ambiguity and uncertainties. Further, management could not show to our audit team ownership documents of the bought back property.
427. **We recommend that management and for that matter, the Board that approved the transaction should refund the residual amount of US\$166,400.00 paid to Mr. Abdul Rahaman Tankui Sankoh to the bank.**

i. Sierra AKKER Agriculture Company Ltd.

428. NASSIT again gave out a debenture facility of Le 41,422,500,000.00 to Sierra AKKER Agriculture Company Ltd. at the terms of TTB + 100bp in 2014. This over the period of four years accumulated interest of Le 2,738,200,188.00 for which not a cent has been paid to NASSIT.
429. Management explained that the company made the first quarter interest and principal repayment of US\$ 2.5 million and subsequently sought for a deferment on the repayment for a year in order to get the company fully functional. This was however, not accepted by the Trust and the company is also not repaying the loan as required. Management claimed that it had scheduled an emergency shareholders' meeting for January 2019 to discuss this matter.
430. Management's response cannot be accepted but rather, its indifference attitude regarding the investment in Sierra Akker is seen as absolute dereliction of duty.

We recommend that management should endeavor to collect all monies due it from Sierra Akker and discontinue any investment relationship with the company.

ii. Regimanuel Gray (SL) Ltd.

431. NASSIT is in a joint venture arrangement with Regimanuel Gray, (Ghana) for the establishment of a housing estate company and construction facilities nationwide and international. The Trust acquired 600,000 (40%) shares valued at Le 12.50 in the company valuing at Le 7,498, 880.00 and Regimanuel Gray, Ghana 60%. It was not clear how the valuation of the shares was arrived at. In 2007, the Trust guaranteed a loan secured by RGSL from Ecobank Ghana of US\$ 6,000,000.00 for the purchase of equipment and other machineries to augment the operations of the company.
432. A loan of Le7.5 billion was issued by the Trust for the business to carry on operations. Currently, the interest accrued on the loan was over Le8 billion far above the initial amount of the loan granted. This was yet to be financed either in the form of interest payment or principal repayment. This was impeding on the investment performance of the Trust as the interest payments on the loan were irregular.
433. IFRS reporting framework requires management to make disclosures when they are aware of material uncertainty related to events and conditions that may cast significant doubt about an entity's ability to continue as a going concern. Regimanuel Gray's financial statements were last audited in 2015, and the management disclosed that there is no assurance that the company will continue to operate since the company had accumulated loss of Le36.1 billion and cash flow projections continued to show deficits financing of which was doubtful. The concern that RGSL may not be in business for the foreseeable future can be confirmed by the following:
- i. RGSL has never made profit since inception in 2006 and does not seem to have a way out in financing its deficits.
 - ii. Marketing of the business had been poor though there were high demands.
 - iii. The company failed to have an AGM which was a breach of the Companies Act of 2009. RGSL also entirely managed Sierra Concrete Block Products which had management issues.
 - iv. RGSL has been having problems with acquiring freehold for land which has made them not make any sales for houses since 2013. Lack of freehold has also led to the company losing land allocated to it.
 - v. The company is not in a position to pay its auditors (BDO) and therefore the company's financial statements are not being audited.
 - vi. The company is struggling to pay for minor things like security and rent for country manager.
434. Despite all of the above, there is no evidence that NASSIT is doing anything to secure its investment in RGSL. This is more so because there was no effective representation of the Trust in the governing structure of the business as members representing the Trust were either ex-employees and/or ex-members of the Board of Trustees. There was no appointee in the management of the business as agreed in the Memorandum of Understanding. It was initially agreed at inception that the business

would be run by expertise of Regimanuel Gray Limited (Ghana) who in turn was to transfer knowledge and know-how to the Sierra Leonean counterparts and thereafter, the company would be operated by the Sierra Leoneans. This was yet to be done.

435. Management stated that it is setting up modalities in place to convert its loan of US\$ 1.37 million into shares to be agreed on and appropriated accordingly at an AGM.
436. Management's response is baseless and cannot be accepted in any way since it is not even clear which AGM they intend to decide on the modalities and lacks timelines on the same. The response indicates that they are only buying time and giving excuses.

We recommend that management should come out clearly on how they intend to get the contributor's money back.

iii. Sierra Block Concrete Products

437. Sierra Block Concrete Products is a company started by a joint venture between Regimanuel Gray (Ghana) and NASSIT. Sierra Block is involved in the production and sale of pavement, hollow and all block works for all types of construction exercise. The Trust has a 60% stake in the business representing 7,110,000 shares valued at Le 7.11 billion. Additionally, a loan of Le 7.5 billion was issued to the company in 2005 to start operations of the business. According to a Consolidation Agreement dated 15th November 2006, the loan amount was Le 8,653,345,205.00 that would expire on 30th June 2010. This amount was the consolidated amount of Le 7.5 billion and the accrued interest charged at inflation plus 5% (17%) to be repaid in 14 equal installments of Le 749,077,925.97, pegged on between 8-10% of the sales of the company and no penalty for prepayment.
438. As at the time of the audit, the loan stood at Le 8,653,345,205.00 and had a total repayment of Le6,013,060,100.00. However, the loan in the books of the Trust while Sierra Block had a loan balance of Le 6,760,925,000 in their books. The business had management issues; for example, it lacked marketing strategies that affect the profitability and had not had any profits since inception. No governance structures had been put in place and there was a breach of contract in that the expertise in the business had not transferred the knowledge and know-how to the Sierra Leonean counterparts which had been one of the conditions of the joint venture.

iv. Golden Tulip Essential Kimbima (GTEK)

439. Kimbima Hotel Limited was first registered as a private company on 12th August 2002 with Wilfred Sam-King as the founder and first Director of the company. The aim of the company is to

provide hotel and hospitality services to a wide range of customers. The company started with a nominal capital of Le 2,000,000 divided into 100 shares of Le20,000 each.

440. On 4th April 2009, Golden Tulip, Kimbima Hotel received a loan of US\$ 10,734,618.50. The sum of US\$2,000,000 was converted into equity and the rest disbursed for renovation and upgrading. The loan was meant for project expenditure including refurbishment. In December 2009, according to minutes of the 91st meeting of the Board, NASSIT acquired 99 percent of the company's shares valued at Le18 billion following which a debenture loan of Le 29.1 billion was approved for redevelopment and rehabilitation project to enhance the functionality of the Hotel to achieve 3–4 star international status.
441. On 14th December 2015, the company signed an agreement with Golden Tulip West Africa to provide management, sales and marketing, flavoring and reservation services. Following a seven year upgrade and refurbishment plan on the original and existing property, the company reopened in April 2016 with a total of 65 rooms split into two sections. 43 in the old section and 22 in the new section.
442. In a letter dated 25th June 2018, Golden Tulip wrote to NASSIT expressing complaint over an unsafe hotel building. As at January 2019, there were no reports available to be able to ascertain the works undertaken and the specifications of the project at the onset. However, interviews with the hotel management revealed that the works done on the hotel were substandard and in spite of the fact that the hotel management had written to NASSIT on the need to renovate the hotel, this has not yet been done.
443. The new section that was constructed in 2014 had leaking rooms due to poor workmanship and the use of substandard materials. There were no documents showing the scope of works carried out on the hotel to raise it to international standards before the management was transferred to Golden Tulip and the hotel continues to experience defects. For example, there is poor plumbing works. The current status of the hotel is as shown in the attached Structure Report.
444. Further, there has not been any major interest shown by the Golden Tulip Brand to the hotel as they have not kept their end of the bargain in training and provision of qualified top management as set out in the management agreement. The Hotel had in January decided to withhold the payments due to the brand until this is resolved.
445. Golden Tulip was unable to service the loan as it has high maintenance costs stemming from the fact that the Hotel was an old building and had low room uptake as at the time of the audit, the room had an occupancy rate of only 9.2%. The company is currently running on revenue from Food and Beverages which is not enough to pay the overheads and maintenance. And it is unclear whether the Hotel will be able to service the loan in the long run.

446. This shows that NASSIT is incurring losses with regards this investment and therefore, there is need for the Trust to re-evaluate its stake to ensure it recovers its monies in the long run by ensuring that the Hotel is refurbished to meet international standards and attract guests, swapping the debt owed by Golden Tulip Essential into equity and review the management agreement to ensure that whatever was signed is being provided.
447. Management stated in its response that the company is 100% owned by the Trust and the debenture was to carry out the rehabilitation and reconstruction of the facility. It further indicated that GTEK has remitted its net income generated from operations into Owner's account maintained at Union Trust Bank. They could however, not the quantum of amount paid to this Account.
448. We see this as one of the gimmicks of management since interviews with the management of GTEK stated that the Hotel has not been able to remit any funds to the Trust due to the high Maintenance costs at the hotel.

We recommend that management of the Trust should clearly come up with how much has been paid into this account from the operations of the hotel and how it intends to get the contributor's money sunk into GTEK back. Failing which the authorizers of the loan should be made to recover the loan amount of US\$ 10 million to the Trust.

Unsubstantiated payments on the Makeni and Bo shopping malls project - US\$ 519,825.00

i. Makeni Shopping Plaza

449. The total approved budget by the Board of NASSIT for the Makeni Shopping Plaza was US\$8,259,048.46. As at the time of this audit, US\$7,765,345.72 had been disbursed. However, the project is still incomplete in its entirety. The NASSIT Board again approved the sum of US\$479,825.00 for the redesigning and upgrading of the Makeni Transport Terminal and Shopping Plaza. Works are still ongoing to correct the defects discontinue the leakages. Project snags identified and listed by the consultants for the attention of the contractor, Regimanuel Gray as at the time of handing over of the project had been, seepage/leakage in the upper roof slab which was a cause of concern by the Trust. Other outstanding works on the project were: completion of the ceiling that had collapsed; amendments on the electrical works and repairs on the boreholes erected.
450. It was established that the budget previously approved for the construction had been exhausted. Documents show that the lead contractor Regimanuel Gray carried out works that were found to be of substandard and yet the company was paid for certificates raised and forwarded for works.

451. Management indicated that additional cost was incurred on the Makeni Plaza to remedy the defects in the original construction as put up by RGSL and that the additional works were approved by the Board of Trustees of the Trust.
452. Management failed to exercise due care in the original construction works for the project, as they failed to ensure that the project design was scrutinised and technically acceptable.

We recommend that the additional cost of US\$ 479,825.00 be recovered from the authorisers of this expenditure (the chairperson of the Board, the Director General, Director of Investments and Director of Finance) for their collective negligence of duty which resulted in the additional cost.

ii. Bo Shopping Plaza and Transport Terminal

453. A total sum of US\$ 180,817.36 had been paid to Modcom Construction Company, being the remaining balance after deductions listed hereunder from the initial outstanding amount required on the certified valuation certificate No. 8 in the sum of US\$301,191.39 - payment to Sierra Concrete Blocks - US\$ 38,009.13, Garnishee order in favour of Messrs S. V. Electricals - US\$ 65,302.00, Social Security indebtedness - Le 83,531,454.52; and that the external solicitors have been duly informed of the instructions of the Board to discontinue the action instituted by Messrs. Modcom Construction Company against the Trust.
454. An additional sum of US\$40,000 was expended on legal charges and interest repayment in 2017, as a result of management's undue delayed payment to Messrs Modcom Construction Company. Notwithstanding the Board's approval for the payment of bills submitted by the company, the payment of the legal charges was unilaterally approved by the then chairperson of the Trust's Board and the issue later brought to the notice of the Board for ratification.
455. In response, management stated that the work was put on hold due to a vacuum on the Board of Trustees until November 2014. As a result, the contractor could not continue the project and went to court claiming damages for having mobilised machinery equipment and securing an overdraft facility. This resulted in an out of court settlement with a garnishee cost of US\$ 40,000. Management further indicated that it has resolved to guard against any such expenses by not entertaining anyone who will cause undue loss regarding the lease and taking informed decisions.
456. We could not accept management's response as it is seen as a deliberate attempt to create cost on the Trust to the benefit of the contractor since there was no justification for management putting the work on hold and also in the absence of the substantive Board of Trustees, there was an Acting Committee which could have foreseen the implementation and completion of the project.

We recommend that the authorisers of the legal charges of US\$ 40,000((the chairperson of the Board and the Director General,) should be surcharged for the full cost of the US. 40,000 since there were no justifications for the payment.

Ambiguity in Valuation of Shares

457. The Trust has invested in shares in some companies. However, it is not clear how management arrived at valuation of the shares that they bought and whether they had a clearly set out process for acquisition of same. For instance, the Trust acquired 600,000 (40%) shares in Regimanuel Gray (SL) Ltd. (RGSL) valuing at Le 7,498, 880.00. It was not clear how the valuation of the shares was arrived at.
458. A detailed outline on how the valuation of the RGSL shares was arrived at as well as management's assessment of the viability of the said investment was not availed to the auditors for review.
459. Management responded that RGSL had an authorised share capital of 3million shares valued at Le 10,000 per share and it was agreed that 50% of these shares should be issued at the agreed shareholding. They further stated that they undertook due diligence on the company and incurred expenses which were later capitalised.
460. This response is unacceptable as it does not show how the shares were valued and documentation showing valuation of the said shares were not produced.

We recommend that from now on, management should ensure that the evaluation of shares is done in all investments that they intend to go into in order to assess whether the investments and or the ventures will be viable to the Trust.

Dubious contract with Sierra Estate Management Company for the management of real estates of NASSIT Le 300,000,000.00

461. The National Social Security and Insurance Trust (NASSIT) established Sierra Estate Management Company Limited (SEMCO) on 17th January, 2012 and registered it as a company limited by shares on 29th May, 2017 with NASSIT holding 100% shares. SEMCO therefore is a separate legal entity having separate identity from the shareholder (NASSIT).
462. The Board of Directors approved of the signing of estate management agreement with Sierra Estate Management Company (SEMCO) in 2016. According to the agreement, SEMCO is to take charge of the management of:
- i. the Trust's shopping malls in Makeni and Bo which comprise 62 stores each and a transport terminal in Makeni;
 - ii. affordable houses; 6 in Makeni, 6 in Bo, 10 in Waterloo and 6 in Kenema and

iii. the trust's estate houses and 48 apartments at Regimanuel Gray estates.

463. Physical inspection carried out during the audit revealed that four out of the 10 housing units were unoccupied with two of the four units being damaged. SEMCO management could not explain why the other two houses remain damaged and unoccupied.
464. We noted that SEMCO is using two of the apartments as storage facilities. The apartments were not built for that purpose and they are being used as such denies NASSIT of its much anticipated rent revenue.
465. The management of the Trust seeded SEMCO with an initial Le 300,000,000.00 as seed capital. Furthermore, the Trust paid an additional amount of Le 1,940,000,000.00, in accordance with an unsigned agreement between the two institutions, as repairs deposit.
466. SEMCO is to remit 85% of its quarterly collections to NASSIT and to retain the remaining 15% for its operational cost. Paragraph 14.2 of the unsigned agreement provides that the owner (NASSIT) will pay or authorise SEMCO to offer up to a certain percentage (not specified) of the first month's rent as a leasing incentive to tenants and agents for no apparent reason.
- Our quest to peruse the actual amount that NASSIT/SEMCO had paid to tenants in this regard could not be met by management for lack of records to that effect. Paragraph 7.1 of the agreement provides that the manager SEMCO shall render to the owner (NASSIT) a quarterly statement showing all incomes and expenses of the former's operations. However, management of NASSIT could not provide any statement to that effect since management did not have that. Furthermore, the basis of arriving at the 15% retain income could not be explained.
467. From our audit perspective, the percentage of collections retainable by SEMCO is high since all repairs on the facilities are to be borne by NASSIT. The lapses in this arrangement are due to lack of due care on the part of the Board in approving the investment proposal coupled with management's dereliction of duty and gross negligence in approving an agreement of the like which is flawed with inadequacies such as mentioned above.
468. Management stated that SEMCO has been doing well in its rental services and that it has generated a total sum of Le15.337 billion for the Trust. More so, the Le 1.94 billion granted to the company was not a loan but a start-up working capital to expand its operations besides the seed money of Le 300 million given to the company. Management emphasised that the monies given to SEMCO were all approved by the Management Investment Committee and the Investment Committee of the Board.
469. From our audit point of view, the fact that the Investment Committees of both Management and the Board approved of the monies granted to SEMCO, does not mean that all was well with the arrangement. We found out that some processes of the agreement are weird and do not favour the Trust. For instance, after giving the seed money and the working capital, the Trust still expected to

bear all major repairs and replenishment costs. Furthermore, there is no mechanism in place to determine the revenue generated by SEMCO at any point in time.

We recommend that the current Board together with management sub-committee on investment should take a second look at the Trust's arrangement with SEMCO with the view of reviewing it for the best interest of the Trust and its contributors for as it stands at the moment, the Trust will in no way benefit from this arrangement and for that matter, from its huge investments in the real estate handed to SEMCO. More so, the Board together with the management team that authorised and signed the agreement should be sanctioned in accordance with Section 122 of the Public Finance Management Act, 2016.

Lack of Proper Governance at SEMCO

- 470. Our audit revealed that there is poor governance structure at SEMCO with the Board consisting of only two people. Mr. Hassan Bangura the head of Internal Audit at NASSIT used to sit on the Board but for conflict of interest, the SEMCO auditor David Bertin recommended that he should not sit on the Board, and since then he has not been replaced.
- 471. The company lacks any infrastructure and runs without a proper IT system. It runs Quickbook accounting software which is not appropriate for estate management.
- 472. We require management to explain why this development of loose arrangement in SEMCO when valuable assets and property of contributors are entrusted in their hands to manage.
- 473. Management did not respond to this as at the time of reporting.

We recommend that management should restructure its arrangements with SEMCO so as to clearly indicate to the management of SEMCO their responsibilities and to be able to hold them responsible for their actions and inactions.

Poor Debt Management and Uncollected Revenue – Le11,436,628,842.51.

- 474. Our audit disclosed that there was poor debt management at SEMCO as evidenced by total accumulated unreconciled debt of Le11,436,628,842.51 for utilities rent arrears. **See Appendix 59.**
- 475. Some individual debtors owe over Le 500,000,000 to Le 672,932,954.00.
- 476. We demanded from management why this huge uncollected revenue as at 24th January 2019, and how they intend to get the debtors to pay up.
- 477. Management had not responded as at the time of compiling this report.

We recommend that SEMCO management should collect all outstanding debts without any further delay and subsequently, be more proactive in its dealings with tenants and occupants of the Trust's facilities under their management.

Stalled activities pertaining to the operations of SleSHI after establishment expenditure of Le 9,750,071,779.20

478. The management of NASSIT signed a mutual agreement with the Central Government of Sierra Leone (GoSL) and Sierra Leone Social Health Insurance Scheme (SleSHI) to operate a Social Health Insurance Scheme at NASSIT, conceptualised in 2007 and subsequently established in 2009. This was given a legal backing through the Sierra Leone Social Health Insurance Scheme Act of 2017 and presidential accent for its rollout. As per the mutual agreement between the three parties, NASSIT is expected to provide seed money for the establishment of SleSHI for which the GoSL is to reimburse NASSIT after SleSHI Scheme has become operational by (1st January, 2019). The parties are expected to develop a payment plan for the settlement of the set up expenditure to NASSIT by the GoSL.
479. NASSIT had so far spent Le9,750,071,779.20 in respect of the setting up of the SleSHI Scheme which was scheduled to start in 2017. However, the process was halted in 2017 and to date, nothing is done about it in spite of the huge expenditure made on the initial set up, details of which are provided below:

Table 11; SleSHI Funds

SleSHI - SUMMARY OF EXPENDITURES/ACTIVITIES - Le9,750,071,779.20	
Activity	Amount Spent (Le)
SleSHI Study Tour	1,311,583,998.25
Willingness to Pay Survey	1,373,855,658.75
SleSHI Policy Development	1,036,254,775.00
SleSHI Stakeholders Consultation	723,376,998.75
Actuarial Valuation of SleSHI	1,538,412,641.84
Public Outreach & Media Relations	2,097,165,400.00
Health Care Facilities Assessment	579,570,000.00
SleSHI Bill	305,749,454.82
SleSHI Indegents Study	22,131,000.40
SleShi Admin. Expenses	761,971,851.39
Total	<u>9,750,071,779.20</u>

480. Management could not show to our audit team how it tested the viability of such investment in line with the five caveats set in Section 7 of the NASSIT Act, 2001 before embarking on the investment venture. The audit could not ascertain why the expenditure on SleSHI which has not started two years

after its expected start date had not be charged against on management for whose dereliction of duty and inaction SleSHI has not started operation to enable the GoSL pay back the seed money paid by NASSIT.

481. Management did not respond to this as at the time of compilation of this management letter.

We recommend that management should endeavor to make SleSHI operational, failure of which, the Board together with the management that authorised the formation expenses should be sanctioned in accordance with Section 122 of the Public Finance Management Act, 2016.

Excessive government interference in the operations of NASSIT

482. Management decisions are most often influenced by Central Government, which in most cases does not benefit the Trust but instead, courses losses and drain on the resources of the Trust. Cases in point of such interference include:

- i. The Trust's decision to finance Sewa Grounds project; where a supervising consultant was handpicked by the Government to handle the project and this was duly accepted by NASSIT management.
- ii. The decision to convert government indebtedness to NASSIT into government bonds and to roll it over at maturity. This was put on NASSIT management by the Central Government and management accepted.
- iii. The decision to administer government pension funds and to pay government pensioners.
- iv. The decision to undertake socially targeted investments which have not brought in any income to NASSIT and do not have any prospects of bringing in any income to the Trust.

483. Management did not respond to this.

From our audit perspective, management needs to wean itself from government influence since NASSIT is a body corporate separate from government machinery and it is expected to function as a corporate body and not as a social intervention agency of government.

Sisimi Project

484. Our audit disclosed that management of NASSIT invested US\$1million into a multi-purpose medical facility which has been halted since 2016. We however did not pursue the matter further for the fact that the issue had already been referred to the Anti-Corruption Committee who are investigating the matter.

As a general recommendation on investments, considering the current status of NASSIT's investments of various kinds, many of which are generally not in good state and standard, we recommend that NASSIT should put a hold on any new investments that it intends to undertake until all the current stock of investments are properly evaluated in accordance with the NASSIT

Act of 2001 and also ensure that these investments are well managed in a way that will bring benefits to contributors.

Actuarial Assessment.

Actuarial valuation in arrears

485. Section 47(1) of the NASSIT Act, 2001 states that the scheme shall be valued by an actuary every three years during the first ten years of the scheme and shall be valued every five years thereafter. Actuarial valuations are critical in the successful operations and implementation of Social Security and Insurance Trust, since it serves as a guide for informed decisions by management. The absence of this may translate into management taking irresponsible decisions at the detriment of the Trust. Management appears to be down playing or not to knowing the value of the actuarial activities in its operations hence the failure to ensure that actuarial valuations are periodically done to guide management in its decision making particularly in its investment decisions.
486. For the period under review, there was no evidence that the Trust had been valued. The last valuation had been done in 2014. The lack of up to date actuarial valuations on NASSIT, management (for that matter the Investment Department), makes investment decisions without collaborating with the Actuarial and Research Unit of the Trust. Management could not provide us with reasons for not conducting internal valuation of the Trust to determine its viability.

Failure to Act on the Recommendations of the Actuarial Report

487. Section 47(1) of the NASSIT Act, 2001 states that the scheme shall be valued by an actuary every three years during the first ten years of the scheme and shall be valued every five years thereafter. According to the 2014 Actuarial Valuation report: there exist two basic categories of members of the scheme:
- i. Pensioners who are retired contributory scheme members; and survivors and dependents of former scheme members.
 - ii. Members who are expected to receive income in the future. Deferred members who are no longer contributing to the scheme but not yet eligible to receive pension. Active members who are currently contributing to the scheme.
488. The highlights of the valuation were that as a matter of principal, the initial benefit amount is unknown given the fact that it is based on best 5 years' average salary. Also given that benefit is paid until the death of the last survivor, then how long benefits Will have to be paid is also unknown, thus

emphasising the uncertainty of the size of the liability and is based on individual's lifecycle that is, accumulation (building up of funds) and de-accumulation (paying out benefits). The scheme accumulated phase is currently funded by contribution from employee (5%) and the employer (10%). Contributions plus investment income is used to pay benefits plus the cost of administering the scheme. Actuarial valuation was a solvency test on the financial sustainability of the Trust. It compares the value of benefit liabilities plus cost of administrative expenses to the value of assets and future contributions.

489. The actuarial valuation gave out the following recommendations:

- i. The Trust to continue the work on the NAPOS system in order to have a comprehensive database including all.
- ii. The contributors and the pensioners of the scheme with their complete information relating to benefit calculation be enlisted in the database. The main database had 256,797 records split 4,026, 14,265 and 238,516 between deaths, pensioners and actives respectively.
- iii. There was a large number of actives over normal retirement age (12,304), and also those with service greater than 15 years were 6,488, given that the scheme only started in 2002. Approximately 70% in expected number of retirements from 2018 onward, highlighting the staffing implications for those that process benefits.
- iv. Many members had not validated their past services. Less than 10% of future retirees of the scheme had validated past service data. Indulgence of trustees representing the various institutions on the Board to communicate the matter to their representative Boards and the Government as a matter of urgency.
- v. Reconciliation of the In-force (Actives) employees to the contribution data files. There were 661,411 number records for which management could not trace corresponding Social Security Numbers recorded on the contribution file. Only 72% of active employees' records have contribution records due to un-allocation of contributions, this has led to a huge number of contribution gaps on members' records.
- vi. The results of the actuarial valuation show that the growing maturity of the scheme, which is a normal process for all young pension schemes, will bring challenges over the long-term. Therefore, NASSIT should put in place a formal written funding policy in order to clearly state the objectives of the stakeholders towards the contribution rates, the benefit level and the level of the reserve to make it a lot easier to take action when necessary in order to adjust the scheme in line with the funding objectives.
- vii. NASSIT currently has a target administrative expenses level of 3.5% of insurable earnings. NASSIT should continue to closely monitor administrative expenses in order to reduce them

as much as possible. As the scheme becomes more mature, there should be more efficiency in managing the it. Therefore, the target of 3.5% should be revised frequently or a schedule of reduction of the target could be determined up front, leading to a level in line with administrative expenses expected when the scheme will be more mature.

- viii. Concerning the investment policy, NASSIT should find ways to frequently re-evaluate the market value of investments. NASSIT should find investment channels to invest outside of the Sierra Leone economy. This would help diversify the risk of the investment policy. The target of 15 to 20 percent is appropriate, but the effective investments outside of Sierra Leone should get closer to this target. Offshore investments should not be only in fixed income securities, but also in other investments like equities.
- ix. According to the investment policy, the general objective of investing funds is to match the Trust's assets with its liabilities. It is also written that the reserves of the fund primarily consist of accumulated surpluses of contributions over benefit payments and administrative expenses plus income from investment, for a partially funded scheme, the objective should be that the contributions plus the investment incomes be able to pay for the benefits over a given period. A targeted level of reserve, taking into account all the assets, should also be specified. These objectives should be described in a funding policy.
- x. The investments made should be re-evaluated frequently to be aware of risks and to follow the real market value and the funding policy should have contribution rates, monitoring and setting trigger points for the investments, recovery plan, risks faced by the scheme and how these risks can be managed and funding objectives (like contribution stability or improving the funding ratios);
- xi. NASSIT should continue the work on the NAPOS system in order to have a comprehensive database including all the contributors and the pensioners of the scheme, with their complete information relating to benefit calculation. All the different sources of data (Accountant General data, Facts and Figures publications, NAPOS data, etc.) should be analysed and matched together and differences should be explained. Special attention should be given to inactive participants in order to keep track of them over time.
- xii. Actuarial valuations be performed once every three years.
- xiii. Indexation of benefits has not kept pace with inflation since the inception of the scheme. Considering the high level of inflation in Sierra Leone, benefit adequacy can be jeopardised if indexation is not sufficient. Currently, ad hoc increases are granted. A formal and clear provision about annual automatic indexation would be useful and should be taken into account when developing a funding policy.

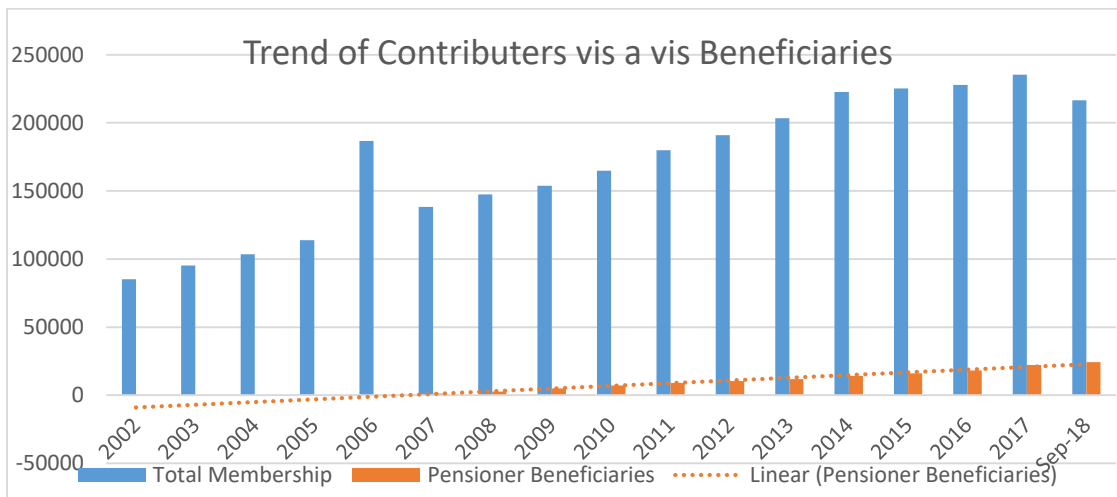
The Effects on NASSIT:

490. To compensate for the increase, about Le14.3 billion would be required in addition to the current pension payroll for the 2015 financial year; on an average of 62%, government pensioners currently receiving less than Le250,000. The sum of Le7.6 billion would be required on the current accountant general pension payroll to meet the demand on pension payment for the financial year 2015. 47% of the new old-age pensioners in 2016 will be receiving the minimum pension and that this percentage may drop to 30% over the long-term due to maturity process of the scheme. Actuarial projections indicated that the cost of the modification to the national minimum wage would be 0.4% if the General Average Premium (GAP) is calculated over 20 years and 0.6% if it is calculated over 50 years. For the long term, the cost of the scheme would be closer to 1% as there will be more pensioners impacted by the new higher minimum pension. Therefore, the reserves of the scheme would be depleted one year earlier if the cost of the new wage bill is absorbed by the Trust.
491. The short term and long term pointed out that if the financial cost of the new policy is absorbed by the Trust, the pressure on the scheme over the long-term will be increased and unsustainable in the face of future pronouncements.
492. As at the time of the audit, there was no proof that the recommendations of the actuarial valuation had been worked on or is being worked on. There is still no funding policy in place, actuarial valuations had not been done on a three-year basis, the NAPOS system did not still have the details of the contributors and their expected benefits, investments evaluations were not steadily done and validation of past service had still not been effectively done.

NASSIT Benefit Analysis

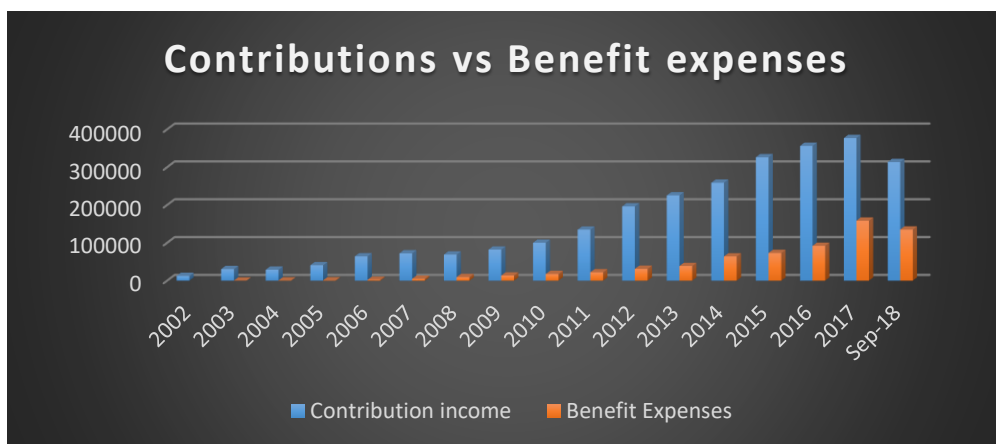
493. The NASSIT membership and pensioners over the years were as shown in figure 4 below. The membership had reached its highest, while the benefit expenses and payouts were increasing on a yearly basis.

Figure 4: Benefits-Future Liabilities



Source; ASSL analysis

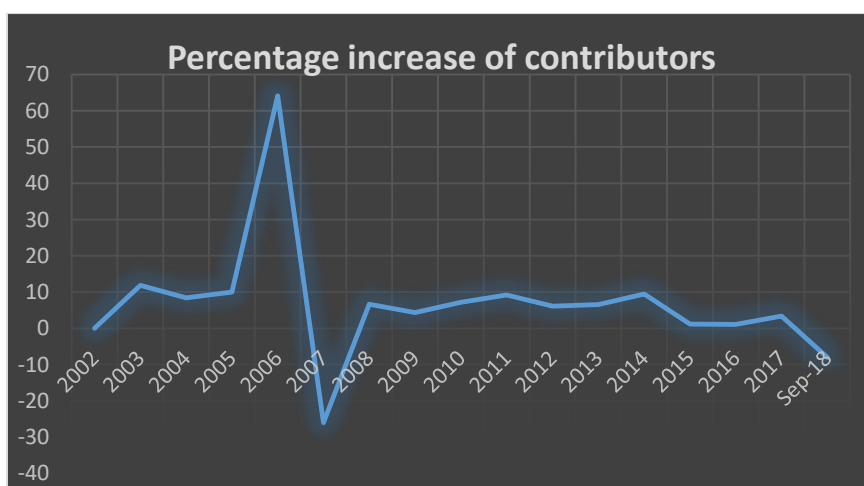
Figure 5: Contribution compared to Benefit payments



Source; ASSL analysis

494. Distribution of new entrants could not be determined at the time of the audit. This was due to lack of clear way of identifying the entrance and approximate exit of the entrants; that is, it was not possible to establish how long the new entrants would be in the system and whether the contributions brought in would need an earlier payment of benefits.

Figure 6: Distribution of new entrants (percent)



Source; ASSL Analysis

495. Management did not provide any response to this.

We recommend that management should endeavour to carry out internal valuations of its operations and activities for the purposes of making informed decisions rather than wait for external actuaries.

Structural Verification Report

496. Following the technical audit exercise at NASSIT from 12 November to 14 December 2018, it was prudent to ascertain the nature and costs of maintenance activities undertaken on some of its assets in view of the expenditure involved.

497. The audit team inspected the Golden Tulip Essentials Kimbima Hotel, Radisson Blu Mammy Yoko Hotel (renovations carried out under the Phase II project of the hotel) and Bintumani International Conference Centre on the 9th, 10th and 14th January 2019 to ascertain their state and maintenance activities carried out on the facilities. The team also visited the Sewa Grounds Market Stalls and Upscale Lockup Shops Project on 15 January 2019 to ascertain whether works carried out are in accordance with construction drawings, dimensions, technical specifications and the project was within the specified time and budget. We have provided our observations in the following tables.

a. Golden Tulip Essential Kimbima

Table 12; Observations made by audit team on the status of Golden Tulip Essential Kimbima Hotel on 9 January 2019.

Location / Component	Observations
Walls	Dampness in walls (internal and external), columns, beams and ceiling, Cracks in fence wall, Cracks in external wall of the Naimbana Block
Ceiling	Suspended ceiling in conference room are sagging, collapsed ceiling concrete cover revealing rusted reinforcement bars in the ceiling slab of kitchen and other areas
Floor	Loose floor tiles under carpets in rooms and other areas, floor slabs leading to the panoramic elevator are poorly supported
Plumbing	Inferior pipe for plumbing and waste water, poor connection of pipe works at the Sewa Block, sewage pipelines are not professionally installed outside and inside the buildings, poor drainage system at the car park
Electrical	Wiring at the distribution panel not done professionally, Inoperable 500KVA Cummins Generator stored outside the car park, two (2) voltage regulators (Cooper Power Systems 165 KVA, Manufactured in Jan 2006) not in use
Retaining Wall	Cracks in retaining wall underneath Naimbana Block, footing of retaining wall not adequately supported on firm soil

Location / Component	Observations
Columns	Poor concrete workmanship. Honeycombing seen in columns for support structure of the car park
Beams	Poor concrete workmanship. Honeycombing seen in beams for support structure for the car park
Slabs	Inadequate size of reinforcement bar in deck slab of car park, floor slabs leading to the panoramic elevator are poorly supported, collapsed ceiling concrete cover revealing rusted reinforcement bars in the ceiling slab
Painting	Emulsion paint used instead of acrylic latex paint which provides better protection against sea elements, Paint on walls peeling off due to dampness

498. In addition to the above, it was also noted that:



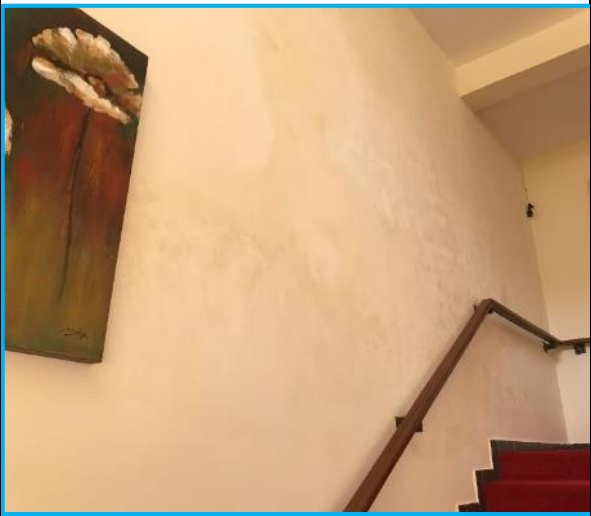
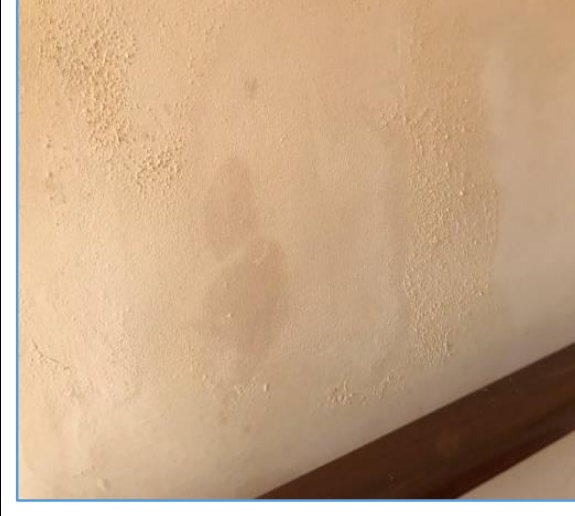
- i. Paint on walls peeling off due to dampness and ingress of water, which may have been caused by inappropriate wall treatment prior to painting and using emulsion paint instead of acrylic latex paint.
- ii. Collapsed ceiling possibly caused by poor concrete mix and inadequate concrete cover (cover of about 25mm was used). British Standard 8110 recommends a cover of 40- 50 mm for buildings close to the sea.
- iii. Honeycombing observed in the structural elements (beams and columns) are a sign of defective concrete. The honeycombs observed pose the risk of sea breeze and water penetrating the concrete, corroding the reinforcement, weakening the concrete and causing possible failure of the structure.
- iv. Floor slabs leading to the panoramic elevator and the suspended slab at the car park vibrate when people walk on them

499. The audit team was not provided with as-built drawings for the hotel facility after the renovation works in 2015, building plans and schematic drawings for electrical and plumbing systems and GTEK lacked a maintenance schedule. However, it was noted that management of Golden Tulip Essential Kimbima had reported to NASSIT Management on the collapsed ceiling and the deteriorated state of other parts and fixture of the hotel and concluded that the Golden Tulip Kimbima Hotel, poses a threat to the safety and security of both staff and guests. Despite the investment of Le 49.2 billion made by NASSIT to renovate the hotel, the state of the hotel in January 2009 is similar to the observations made in the Structural Assessment Report prepared by Techsult & Company Ltd in 2006.

500. We recommend that NASSIT should commission a structural integrity assessment on the entire building to determine whether the building is fit for purpose, before further expenditure is done on maintenance and engage a qualified structural engineer to prescribe and supervise appropriate remedial measures to be implemented to sustain the hotel.

Pictures from the audit observations

(Note: Red rings are used to indicate defects which might not be visible to the reader)

<p><i>Picture 1: Dampness in walls</i></p>  A photograph of a wall and ceiling corner. A red dashed circle highlights a large, irregular water stain on the white wall and ceiling.	<p><i>Picture 2: Dampness in walls</i></p>  A photograph of a wall and ceiling corner. A red dashed circle highlights a large, irregular water stain on the white wall and ceiling, with some peeling paint visible.
<p><i>Picture 3: Dampness in walls</i></p>  A photograph of a wall and ceiling corner. A red dashed circle highlights a large, irregular water stain on the white wall and ceiling.	<p><i>Picture 4: Dampness in walls</i></p>  A photograph of a wall and ceiling corner. A red dashed circle highlights a large, irregular water stain on the white wall and ceiling.

Picture 5: Dampness in walls



Picture 6: Dampness in walls



Picture 7: Cracks and dampness in external walls



Picture 8: Cracks and dampness in external walls



Picture 9: Signs of water leakage in hotel room ceiling



Picture 10: Crack in ceiling of hotel room



Picture 11: Deteriorating floor tiles



Picture 12: Deteriorated mortar screed on floor leading to garden view



Picture 13: Poor connection of hot water pipelines



Picture 14: Poor connection of pipelines



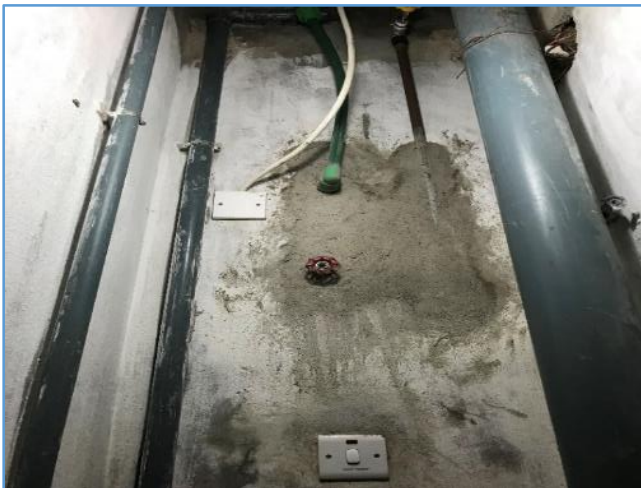
Picture 15: Poor connection of sewage pipelines



Picture 16: Poor connection of sewage pipelines



Picture 17: Poor connection of internal pipelines



Picture 18: Poor connection of external pipelines



Picture 19: Unprofessional wiring of electrical mains switch



Picture 20: Unprofessional wiring of electrical mains switch



Picture 21: Inoperable 500KVA Cummins Generator



Picture 22: Engine of inoperable 500KVA Cummins



Generator

Picture 23: Inoperable 165KVA voltage regulator



Picture 24: Inoperable 165KVA voltage regulator



Picture 25: Poor waste water drainage at car park



Picture 26: Cracks in retaining wall



Picture 27: Poorly supported retaining wall footing and column



Picture 28: Poorly supported retaining wall footing and column



Picture 29: Exposed retaining wall reinforcement bars rusted



Picture 30: Honeycombing in concrete works





Picture 31: Honeycombing in concrete works



Picture 32: Honeycombing in retaining wall



Picture 33: Honeycombing in concrete works

Picture 34: Honeycombing in columns



Picture 35: External beam and slab with rusted reinforcement exposed



Picture 36: Dampness in beams at Gym



Picture 37: Failed concrete cover exposing rusted reinforcement in slabs



Picture 38: Failed concrete cover exposing rusted reinforcement in slabs



Picture 39: Failed concrete cover exposing rusted reinforcement in slabs



Picture 40: Failed concrete cover exposing rusted reinforcement in slabs



Picture 41: Cracks in external fence wall



Picture 42: Cracks in external fence wall



Picture 43: Inadequate support of slab walkway leading to panoramic



Picture 44: Inadequate support of slab walkway leading to panoramic elevator



Picture 45: Industrial laundry iron stored at the carpark has not been used since purchase and delivery



Picture 46: Industrial laundry iron stored at the carpark has not been used since purchase and delivery



b. Radisson Blu Hotel

Table 13: Observations made by audit team on Phase 2 works carried out at Radisson Blu Mammy Yoko Hotel on 10 January 2019

Description	Observation
Transformer/ Switch gear replacement	Activity is ongoing. New platform and roofing structure constructed and generator mounted. Installation of transformers and automatic voltage regulators yet to be completed
Fire Panel/ Evacuation speakers	Installed and operational
Swimming pool pumps	Installed and operational
Buffer door conference room/collapsible door for ballroom	Collapsible door installed splitting ballrooms Aberdeen 1 and Aberdeen 2.
Automatic sliding doors for restaurant and bars	This item was swapped for the purchasing of spare parts needed for the automatic sliding doors for the main hotel entrance
Additional lobby furniture	Provided and in use
Kitchen and bar equipment	Provided and in use
Laundry equipment	Provided and in use
Replacement of Chiller No. 1	New Chiller installed and operational
Painting of hotel façade	Hotel painted
Resealing of roof area	Roof resealed
Upgrade of hotel rooms to required standard	10 hotel room suites upgraded by partitioning sitting area and sleeping area, provision of additional TV, furniture and appliances
Outdoor lights and lounge furniture	Lights installed and lounge furniture (poolside tables, chairs, and 7 canopies) provided and are in use
AV equipment for outdoor meeting and banqueting equipment	7 sets of mixers and cordless microphones provided

501. In addition to the above observations we noted that

- i. Radisson Blu has a maintenance system in place at that involves all facets of maintenance staff (plumbing, electrical, mechanical and aesthetics). The system records hotel equipment and facilities daily, logging faults and repairs, maintenance requests and scheduling of routine maintenance repairs.

- ii. Maintenance officers at Radisson Blu provided maintenance checklists, reports and documentation to the audit team to show that the hotel is continuously undergoing routine maintenance, spot maintenance and periodic maintenance to keep the facility in good working order.
 - iii. Balustrade on fire escape railings are rusting.
502. The audit inspection team only verified the phase 2 works carried out by Radisson Blu Mammy Yoko Hotel and concluded that the works executed were without defects. However due to unavailability of as-built drawings for the hotel facility after the renovation works in 2014 when Radisson Blu took over the hotel, building plans and schematic drawings for electrical and plumbing (water and sewage) systems we could not ascertain whether all the works were carried out prior to phase II.

Pictures from the audit observations

Picture 47: Automatic voltage stabilizing and switching system yet to be operationalized



Picture 49: 650KVA generator yet to be mounted on concrete platform

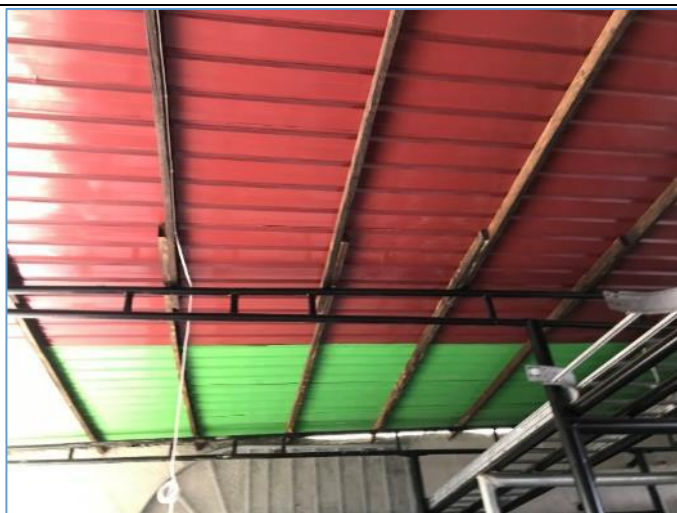
Picture 48: 710KVA generator mounted on concrete platform and yet to be operationalised



Picture 50: Roofing structure for generator and transformers



Picture 51: Newly installed Chiller No. 1



Picture 52: Old Chiller No.2 and Chiller No.3



Picture 53: Resealed of concrete roof on top of restaurant and bar



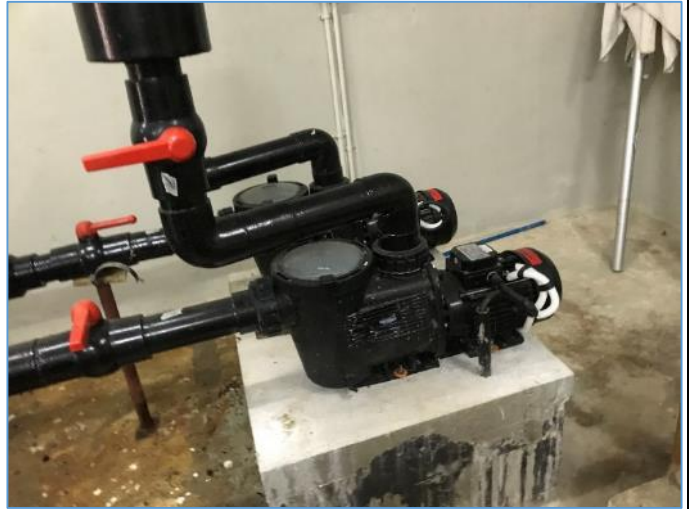
Picture 54: Resealed of concrete roof on top of conference and meeting rooms



Picture 55: Resealed concrete roof



Picture 56: Replaced swimming pool pumps



Picture 57: Newly constructed and fully furnished gym



Picture 58: Outdoor lounge furniture



Picture 59: Outdoor canopy



Picture 60: Outdoor hot service summer hut



Picture 61: External wall lights installed



Picture 62: External wall lights installed



Picture 63: Outdoor lights installed



Picture 64: Outdoor lights installed



Picture 65: Outdoor lights installed



Picture 66: Fire panels installed



Picture 67: Gas detection panels



Picture 68: Evacuation speakers installed



Picture 69: Emergency lights installed



Picture 70: Kitchen equipment procured



Picture 71: Kitchen equipment procured



Picture 72: Kitchen equipment procured



Picture 73: Ice maker procured



Picture 74: Dishwasher procured



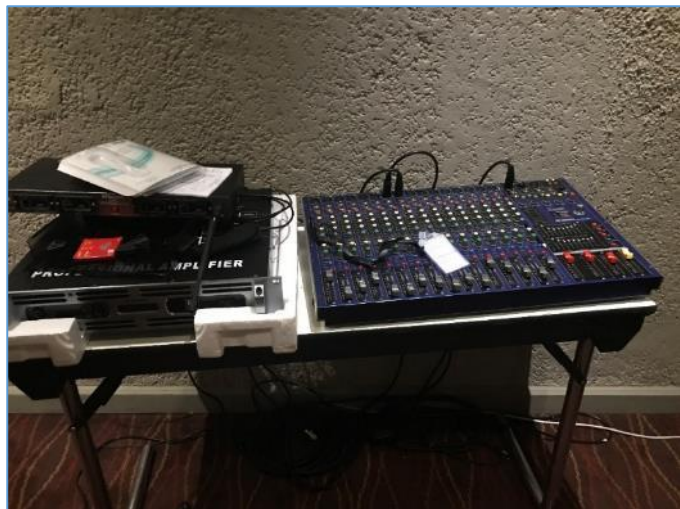
Picture 75: Irons procured for laundry



Picture 76: dryer procured for laundry



Picture 77: Audio equipment procured



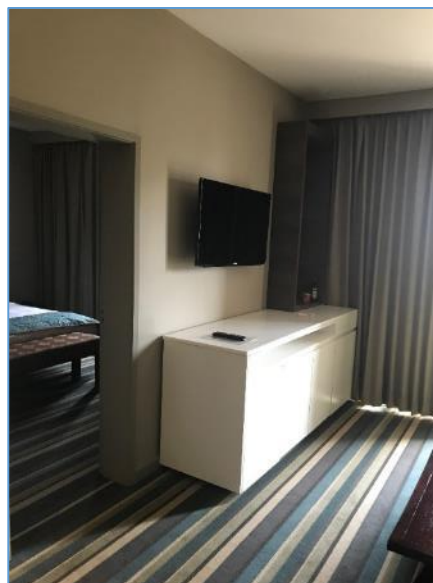
Picture 78: Audio equipment procured



Picture 79: Lobby furniture procured



Picture 80: refurbished suite with new TV and furnishes



c. Bintumani Conference Centre (Freetown International Conference Centre FICC)

503. According to the public procurement Act 2006, section 31 contract price variations shall only be permitted if provided for in the procurement contract. The act does not stipulate the percentage beyond which contract price should be varied which is the best practice, for example in Kenya and Ghana if variation of contract price is beyond 25%, the contract has to be terminated and retendering done.

504. A review of Bintumani contract documents revealed that the contract price was varied by US\$ 8,049,013 from US\$ 8,202,060 to US\$ 16,251,073 which is 98% of the original contract price. Although the Public Procurement Act 2006 section 31 (3) gives lee way for the contracting agency to state percentage beyond which contract price cannot be varied without tendering, NASSIT did not explore this option. The contract price variation was as a result of additional works which were not in the original contract. Existence of such a magnitude of additional works requiring 98% contract price variation could only mean that NASSIT did not do proper assessment of the works that needed to be done.
505. There was delay in completion of the project which according to the project manager was caused by; the contractor not employing skilled workers and engineers, using equipment which were not good for project of such magnitude and decision by the board to reverse project managers' recommendation on award of subcontracts works in January 2011 and nominating the contractor SCS to award the subcontracts which they delayed in doing. Two of the sub-contractors contracts were terminated one due to non-performance and the other due to poor performance. Review of documents also revealed that there are cases of poor works by the contractor, for example Electricity Distribution and Supply Authority wrote to NASSIT on 8th July 2015 giving notice to disconnect the premises because the electricity works had not been done satisfactorily. Interview with the premise manager also revealed that the AC installed was faulty and had not been rectified at the time of the audit.

Table 14: Observations made by audit team on the status of Bintumani International Conference Centre 14 January 2019

No.	Location / Component	Observations
1	Walls	Rendered and painted and tiled in some areas
2	Ceiling	Aluminium open ceiling, perforated metal ceiling, plaster board ceiling and suspended ceiling installed at open areas and conference rooms. Maple Veneer ceiling in main auditorium attacked by wood boring insects, ceiling leakage seen at Banquet Hall 1 and the Business centre
3	Floor	Tiled in open areas, conference rooms and carpeted in main auditorium
4	Plumbing	Plumbing fixtures in kitchen on ground floor and basement incomplete
5	Electrical	Lightening conductor strip displaced from building
6	Drainage	Drains installed around the building and at the car parks
7	Retaining Wall	Retaining walls constructed at the car park
8	Columns	Columns tested in main auditorium and outside conference room 3 were above concrete strength of 25N/mm ³
9	Beams	No defects observed in beams
10	Slabs	No defects observed in columns

11	Painting	The facility is painted
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506. Additionally, the audit observed that;

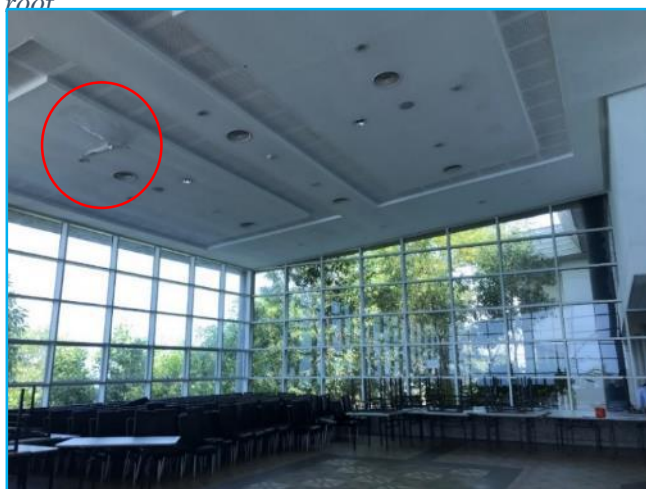
- i. Video conference equipment not installed in video conference rooms
- ii. Glass Panoramic lift with Bill of Quantity (BoQ) price of US\$ 150,000 installed is not-operational.
- iii. Passenger lift with BoQ price of US\$ 120,000 installed is faulty and not in use.
- iv. Tiles on the 1st floor are loose and cracking
- v. Maple Veneer Acoustic ceiling panel in auditorium with a Bill of Quantity (BoQ) price of US\$ 105,560 is being destroyed by wood boring insects
- vi. Long span aluminium sheets fixed as roof covering instead of Rigidal Ziplok 400 standing seam white polyester coated aluminium roof covering
- vii. Kitchen equipment with BoQ price of US\$ 80,000 not installed in the two kitchens
- viii. The Facility does not have a maintenance schedule in place.

507. Further, the audit established that the Bintumani International Conference Centre project has outstanding works since the kitchen equipment has not been fixed, and the video conference suite are not fully furnished with the needed furniture and equipment. Also, the facility does not have a maintenance schedule since it relies on ad hoc repairs.

508. We therefore recommend that NASSIT should prepare in implement a maintenance schedule to protect and sustain the facility and ensure that all outstanding and defective works are corrected.

Pictures from the audit observations

Picture 81: banquet hall one ceiling damaged by leaking roof



Picture 82: Damaged ceiling at Banquet Hall



Picture 83: Ceiling coming off in foyer of conference centre



Picture 84: Wood boring insect residue of left on



carpet in main auditorium

Picture 85: Wood boring insect residue left on carpet in



main auditorium

Picture 86: Wood boring insect residue left on carpet in main auditorium



Picture 87: Wood boring insect residue of left on stage in



main auditorium

Picture 88 : Non-functional panoramic lift



Picture 89: Non-functional panoramic lift



Picture 90: Floor tiles cracking on first floor in front of lift



Picture 91: Unfurnished Video conference room



Picture 92: Unfurnished video conference room



Picture 93: Incomplete installation of Video conference equipment



Picture 94: Unfurnished kitchen with single sink



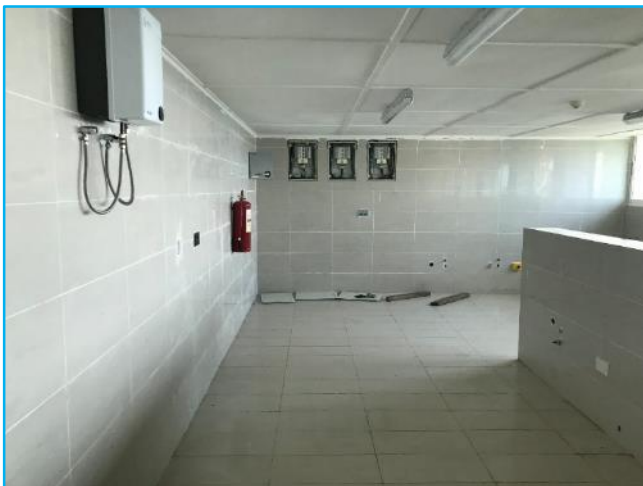
Picture 95: Unfurnished kitchen



Picture 96: Unfurnished kitchen



Picture 97: Unfurnished kitchen 2



Picture 98: Unfurnished Kitchen 2



Picture 99: Poorly installed electrical fittings in Kitchen 2



Picture 100: poorly installed wall socket with corroded pattress box



Picture 101: Cracks in concrete drive way behind conference centre



Picture 102: loose external wall tiles fallen off



d. Sewa Grounds

Table 15: Observations made by audit team on the status of Sewa Grounds Market stalls and upscale lockup shops on 15 January 2019.

No.	Location / Component	Observations
1	Walls	Rendered and painted with white filler paint in some sections.
2	Ceiling	No ceiling on third floor as per drawings. Rendered concrete slab ceiling from ground to second floor.
3	Floor	Floors are partly screeded. Terrazzo floor finish has not been done.
4	Plumbing	Pipework installed for some washrooms on ground floor to third floor.
5	Electrical	Pipework conduits and pattress boxes for switches and sockets installed.
6	Drainage	No drains provided for runoff water from the roof gutter.
7	Columns	Honeycombs noted in columns of Market stalls and columns in Sanusi Building
8	Beams	Honeycombs noted in plinth of Market stalls and beams in Sanusi Building
9	Slabs	Gaps left in first and second floors for lighting pose a hazard to users of the facility.
10	Roof	Roof is fixed. We observe signs of leakage at roof overlap joints. The roof trusses, rafters and purlins are painted with white paint.
11	Painting	White wash paint in some areas that have been rendered.

509. It was further observed that:

- i. The contract was signed on 7th November 2014 at a sum of US\$ 15,616,224.57 for a period of two (2) years, however the project is not completed as at 15 January, 2019 (two year and two months after it was expected to be completed)
- ii. The general arrangement layout of the buildings NASSIT provided the audit team is different from what has been constructed on the ground. The Sanusi Block (which is close to the entrance) is not part of the original building plans presented by NASSIT
- iii. The Steel double panel door fabricated on site fitted on lockup shops instead of aluminium double panel doors. Bill of Quantity (BoQ) amount for specified Aluminium double panel door is US\$ 90,025.28
- iv. Steel casement windows fabricated on site fitted in window openings instead purpose made aluminium casement windows with aluminium sections and frames as specified in the BoQ with an amount of US\$ 2,212.00

- v. Expansion joints sealed with mortar and as a result of movement, cracks have developed at the sealed columns
- vi. Roof design is different from drawings provided. Metal plates fabricated on site and welded to form roof gutter in-between roof sections
- vii. Columns and beams not plumb
- viii. Fabricated steel balustrades have begun rusting
- ix. Possibility of steel trusses rusting due to leakage of rain water from the steel rain gutter fabricated from steel







Works in Contract Bill of Quantities Not executed





MARKET STALLS - BUILDING WORKS		
Element No.	Description	BoQ Amount (US\$)
6	Timber Doors: Supply and fix 45mm thick panelled doors Steel door frames Wrot Mahogany frames and linings Supply and fix Ironmongery Prepare surface and apply 3 coats of polyurethane clear varnish on wood work Prepare surface and apply universal undercoat with two coats Plascon Velvaglo to steel door frames	18,623.58
9	Terrazo floors Skirting	62,050.84
11	Wall finishes: Cement sand screed to receive other finishes Supply and fix 200x200 white glazed ceramic wall tiles	9,061.08
12	Internal floor finishes	143,486.54
UPSCALE LOCKUP SHOPS – BUILDING WORKS		
12	Worktops with 70mm thick concrete topping finished with Terrazzo finish	1,033.93
EXTERNAL WORKS		
1, 2, 3, 4, 6, 7, 8, 9, 10	Site clearance, paving, retaining wall, external staircase and staircase finishes, balustrading and railing, bridges, boundary wall, storm water drainage and landscaping	511,669.00
ELECTRICAL WORKS		

1	Power supply, Transformer, Lighting, Earthing and lighting protection, firefighting, security screening and amenity lighting	1,037,665.00
MECHANICAL WORKS		
Element No.	Description	BoQ Amount (US\$)
1	Sanitary fittings, external drainage, water tank, water connection, sewer connection	186,618.00
Total		1,970,207.97

510. It was also noted that there were outstanding works amounting to US\$ 1,970,207.97 on the market stalls and upscale lockup shops project even though 98% of the contract sum representing US\$ 15,616,224.57 had been approved by NASSIT for payment to the contractor.
511. We recommend that NASSIT should reject and not pay for works done which does not meet specifications, ensure that defects in the facility are rectified immediately and ensure a fast completion of the project hand it over to be used for its intended purpose in order to avoid more costs and reduce the payback period of the project.

Pictures from the audit observations

<p><i>Picture 103: External walls painted</i></p> 	<p><i>Picture 104: External walls painted</i></p> 
<p><i>Picture 105: Internal walls partly painted with white emulsion paint</i></p> 	<p><i>Picture 106: Internal walls partly painted with white emulsion paint</i></p> 
<p><i>Picture 107: Concrete slab as ceiling with steel grill for partial lighting</i></p> 	<p><i>Picture 108: Concrete slab as ceiling with steel grill for partial lighting</i></p> 

Picture 109: Concrete slab as ceiling	Picture 110: Unfinished floor with steel grill to
	
	allow lighting
Picture 111: Unfinished floor	Picture 112: Mortar screed finished floor in
	
	Lockable shops
Picture 113: Plumbing works not completed in washrooms	Picture 114: Plumbing works not completed in washrooms



*Picture 115: Electrical works not completed
(pattress boxes and PVC pipes installed without
electrical wiring and fixtures)*

*Picture 116: Electrical works not completed
(pattress boxes and PVC pipes installed without
electrical wiring and fixtures)*



*Picture 117: Electrical works not completed
(pattress boxes and PVC pipes installed without*



electrical wiring and fixtures)

*Picture 118: Electrical works not completed
(pattress boxes and PVC pipes installed without*



electrical wiring and fixtures)

*Picture 119: Rain water roof drain fitted with steel
collector (instead of plastic) and fitted to PVC pipe*



*Picture 120: Rain water roof drain fitted with steel
collector (instead of plastic) and fitted to PVC pipe*



Picture 121: Beams constructed are rendered but



not horizontally plumbed.

Picture 122: Beams constructed are rendered but



not horizontally plumbed.

Picture 123: Beams constructed are rendered but
not horizontally plumbed.



Picture 124: Horizontally unplumbed beams



Picture 125: Expansion joint in beams



Picture 126: Expansion joint in beams



Picture 127: Expansion joint in column sealed with



mortar

Picture 128: Columns with expansion joints covered with mortar showing cracks



Picture 129: Slabs with opening to allow light into lower floors of building



Picture 130: Slabs with opening to allow light into lower floors of building



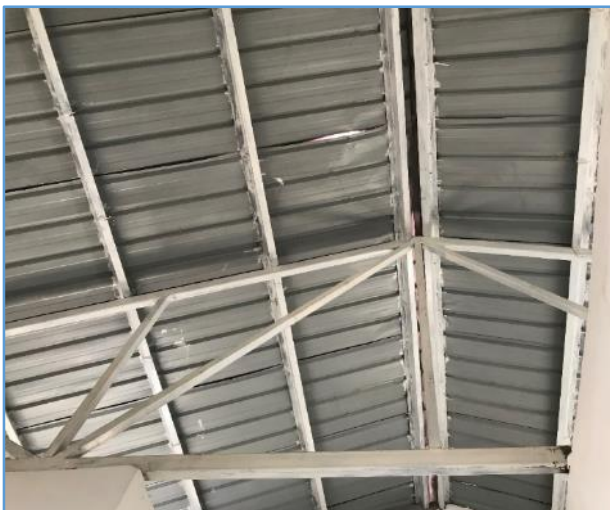
Picture 131: Aluminium long span roof and painted steel roof truss



Picture 132: Leakage of rain water from fabricated steel rain gutter on roof beam



Picture 133: Lapping of roofing sheet not done right leaving hole for rain water to enter the building



Picture 134: Welded Steel truss and roof hooks not does not conform to drawings provided



Picture 135: Welded Steel truss and roof hooks not does not conform to drawings provided



Picture 136: Fabricated steel rain gutter supported with mortar above steel truss







Picture 137: Poorly fitted long span roof with hole



Picture 138: Fabricated steel rain gutter in between



poorly lapped roofing material

<p>Picture 139: Contractor fabrication of steel</p>  <p>doorframes and doors</p>	<p>Picture 140: Contractor fabrication of steel plate rain</p>  <p>gutter</p>
<p>Picture 141: Signs of corrosion on installed steel balustrades</p> 	<p>Picture 142: Fabricated steel frames and windows fitted with clear glass, instead of aluminium windows</p>  <p>and frames with clear glass</p>

Picture 143: Fabricated steel frames and doors fitted with translucent glass, instead of aluminium doors



and frames with clear glass

Picture 144: Fabricated steel frames and doors fitted with translucent glass, instead of aluminium doors



and frames with clear glass

Picture 145: Honeycombing seen in reinforced concrete columns, beams, slabs and staircase



Picture 146: Honeycombing seen in reinforced concrete columns, beams, slabs and staircase



Picture 147: Honeycombing observed in reinforced



concrete slabs for ramp

Picture 148: Skewed and crooked staircase



Picture 149: Honeycombing observed in column and beam



Picture 150: Honey combing observed in staircase



TELECOMMUNICATIONS SECTOR

INTRODUCTION

512. The Government of Sierra Leone governs telecommunication sector through the Ministry of Information and Communication.

513. The mandate of the Ministry includes the following:

- i) To provide policy guidance and strategic direction on all matters concerning the media, access to public information, broadcasting, telecommunication, postal service and information communication technology.
- ii) Facilitate universal, ubiquitous and cost effective access to information and communications infrastructure and services throughout the country.
- iii) Promote the utilisation of ICT in all spheres of life to optimise the accelerated socio-economic growth and development through dissemination of public information and provision of innovative information and communication technologies.
- iv) Formulate and implement policies of information and communications technology.
- v) To provide press and information services to Government ministries and Departments, locally and externally.

514. The Ministry also performs oversight roles on the following agencies and departments that relates to their functions:

- i) National Telecommunications Commission (NATCOM)
- ii) Sierra Leone Postal Services (SALPOST)
- iii) Sierra Leone Cable Limited (SALCAB)
- iv) Sierra Leone Broadcasting Corporation (SLCB)
- v) Sierra Leone Telecommunications Co. Ltd (Sierratel)
- vi) Sierra Leone News Agency (SLENA)
- vii) Government Printing Department (GPD)

515. In terms of the legislative framework, the Government of Sierra Leone has enacted and developed laws and policies which regulate the telecommunication's sector. These laws and policies include:

- i) Telecommunications Act, 2006 as amended in 2009 and 2015
- ii) Right to access information Act, 2013
- iii) The Electronic Transactions Act, 2018
- iv) The National ICT Policy 2017

v) National Cyber Security Policy 2016-2020

516. According to the National ICT Policy 2017, the following statistics relate to the telecommunications sector in Sierra Leone:

- i. There are four mobile network operators, where three are GSM mobile companies (i.e. Airtel Group, Africell Sierra Leone and Smart Group) and Sierratel which is a government owned company that has established a fixed and wireless network using the Code Division Multiple Access (CDMA) technology. The mobile data services are delivered on the 3G high speed data package technology.
- ii. The GSM mobile subscribers are approximately 4 million and over one million users have internet services.
- iii. The mobile voice telephony has covered 70% of the territory of 72,000 sq. km and about 57% of the population of the seven million inhabitants. The 3G mobile data coverage is however limited to Freetown Bo, Kenema, Makeni and Koidu.
- iv. The internet service is provided via fixed line telephony (ADSL) fixed wireless access (CDMA 2000 and WiMAX) and 3G mobile data.

517. In addition, according to the records maintained by the main regulator, NATCOM, the following companies have since been granted the 4G licenses to operate in Sierra Leone.

- i. Africell
- ii. Orange
- iii. Qcell

The ensuing part of this report gives detailed findings for the three clients audited.

NATCOM

518. The National Telecommunications Commission (NATCOM) was established in 2006, under the Telecommunications Act, in order to provide for the licensing and regulation of telecommunications operators in Sierra Leone. This Act has been amended in 2009 and 2015 vide Sierra Leone Gazette Vol. CXL no.39 dated 3rd September 2009 and Vol. CXLVI, No. 19 dated 16th April, 2015 respectively.

519. Under Section 9 of the Telecommunication Act, the functions of NATCOM include but not limited to:

- a) Promote fair competition among telecommunications operators;

- b) Protect telecommunications operators and consumers from unfair conduct on the part of other such operators with regard to the quality of telecommunications services and the tariffs payable in respect of those services;
- c) Ensure universal availability of efficient, reliable and cost effective telecommunications services throughout Sierra Leone;
- d) Grant licenses for the operation of telecommunications networks;
- e) Manage, allocate license and regulate the use of the radio frequency spectrum and the geostationary satellite orbits in Sierra Leone;
- f) Prepare and review a national frequency allocation plan;
- g) Establish the national telephone numbering plan and to assign numbers accordingly;
- h) Internationally represent Sierra Leone in telecommunications matters;
- i) Designate and ensure the maintenance of standards of telecommunications equipment, including internationally approved standards;
- j) Determine a code of practice relating to dealings by operators with international telecommunications operators and regulate international accounting rates;
- k) Provide guidelines on tariffs chargeable for the provision of telecommunications services;
- l) Provide after consultation with the minister, authorisations to operators of radio telephone stations on ships and aircraft registered in Sierra Leone;
- m) Establish training standards for telecommunications operators and to monitor the implementation of the training standards;
- n) Maintain a register of operators;
- o) Establish, by regulations, the protection of data on computer files and their transmission, and to safeguard the secrecy of telecommunications and the protection of personal data in collaboration with the telecommunications network operators; and
- p) Do all such other things as will contribute to the attainment of the object stated in subsection.

The observations made during the technical audit of NATCOM are as follows:

Regulations under the Telecommunications Act.

534. Under section 82 of the Telecommunications Act, 2006, the Commission may by statutory instrument, make regulations for the effective implementation of this Act. As an industry practice, the regulations provide proper guidelines to the service providers in relation to compliance with the Act.

535. It was however noted that the Commission has not developed the regulations to provide a regulatory framework for the control, planning, administration and management of the following key areas:

1. Consumer protection
2. Quality of service
3. Fair competition and equality of treatment
4. Licensing of telecommunication operators
5. Type approvals and inspection of telecommunication equipment
6. Radio communication and frequency spectrum
7. Universal access to telecommunication services

536. Due to lack of the above regulations in the telecommunication sector, the government may not have fully tapped into the potential revenue within the sector.

537. In response to this issue, the Director General mentioned that the Commission has plans to develop and approve at least six (6) regulations in 2019.

In order to effectively implement the Telecommunications Act, NATCOM should, in consultation with key stakeholders, make regulations and guidelines for the following key areas in telecommunications sector:

- i. Consumer protection – the purpose of these regulations would be to indicate the rights and obligations of the consumer, safeguards, handling of consumer complaints and conflicts with the telecommunication operators.**
- ii. Quality of service – these regulations would ensure the parameters related to quality of service are clearly defined and measurable.**
- iii. Fair competition and equality of treatment - these regulations provide for the promotion of fair competition and protection against abuse of market power or other anti-competitive practices.**
- iv. Licensing of telecommunication operators-these regulations would provide framework on granting of licenses, terms and conditions, renewal of licenses, applicable fees and penalties imposed.**
- v. Approvals and inspection of type of telecommunication equipment -these regulations would provide for application for type acceptance, quality of samples to be submitted, evaluation of the samples, exemptions, offences and penalties.**

- vi. **Radio communication and frequency spectrum** - these regulations provide for equitable, fair allocation and assignment of the spectrum in order to benefit maximum number of users.
- vii. **Universal access to telecommunication services** – these regulations provide a framework for the design and implementation of universal access within the country.

In their response to draft management letter, the management agreed to develop these regulations between 1st March 2019 and 31st December 2019.

We further recommend that NATCOM should forward the copies of the approved regulations to the Auditor-General for verification by 31st December 2019.

Pricing and Tariff

- 538. Although the management made available unsigned regulatory charges for communication facilities and charges, there was no evidence that these charges had been deliberated upon and approved by the Commission.
- 539. In addition, according to the contracts between the mobile network operators and NATCOM, the international gateway charges for the international incoming and outgoing call charges were US\$ 0.065 per minute. However, invoices issued to the mobile operators in April 2017 indicated that the charges had been increased to US\$ 0.09 per minute. Further, NATCOM was also invoicing for the interconnection charges. There were no documents available to indicate the basis of the increase, and also no board minutes were provided to confirm that the Commission deliberated and approved these charges.
- 540. The charges and penalties may therefore have been arbitrarily imposed on the telecommunications operators.
- 541. In response to this issue, the Director General explained that NATCOM has the intention of sanitising the tariffs and benchmarking the charges across ECOWAS countries.

We recommend that NATCOM should deliberate and approve all the tariffs, charges and penalties levied on telecommunication operators. These tariffs, charges and penalties should also be made available to key stakeholders and the general public.

In their response to the draft management letter, the management informed the audit team that they are sanitising all tariffs and will benchmark across ECOWAS countries. The management indicated that all tariffs, charges, schedule of fees will also be presented to the Board for approval and made available to key stakeholders.

We further recommend that all the approved tariffs, charges, penalties and fees should be forwarded to the Auditor-General for verification.

Unfair Competition among Telecommunication Operators

542. Under Section 9 (1) and (2) of the Telecommunications Act, 2006, one of the functions of the Commission is to promote fair competition among telecommunications operators. Available information however indicates that, during the audit period between January 2015 and 2018, the Commission did not demonstrate equal treatment of the telecommunication operators as detailed below:

a) Universal Access Development Fund (UADF)

543. Under Section 13 of the Telecommunications Act of 2006, the Universal Access Development Fund consist of a percentage of the gross income of service providers as declared for income tax purposes. This implied that all the service providers were to be charged and the fund thereby established. It was however noted that only the mobile network operators were charged an amount of US\$ 150,000 for 2014 to 2017.

544. Between 2011 and 2015, the mobile network operators did not pay towards the UADF, and are therefore compelled to pay in 2016. It was however observed that the Commission only compelled Orange (previously Airtel), who paid the total arrears of US\$ 750,000 in cash while Africell were allowed to pay US\$ 250,000 in cash and the balance of US\$ 500,000 to be paid in kind.

545. The payment in kind, whose actual cost is reported as US\$ 639, 627, was for construction of GSM sites in three regions namely Yumbuma, Fintonia and Kadabie. Africell also procured two motor vehicles for the Commission. It was noted, that these GSM sites are solely for use by Africell and therefore do not qualify as an activity towards universal access and also gives unfair treatment of the other mobile network operators within the three regions.

546. On 18th January 2018, the Commission approved payment of US\$ 935,000 to Africell for expansion of their network in Masadu, Kenema; Koinadugu and Falaba Districts. The Commission, on diverse dates, paid to Africell US\$ 1,135,000 in advance for construction of four sites. In addition, as per confirmation letter dated 30th November 2018, Africell had only completed two of the four intended sites.

b) Issuance of Fourth Generation (4G) License

547. On the issuance of 4G licenses to mobile network operators, the Commission unfairly allowed different terms and conditions for the operators as summarized below:

Table 16; Unfair terms of 4G license

	MOBILE NETWORK OPERATOR	ISSUE DATE	CONTRAC T PERIOD	PAYMENT TERMS	ANNUAL REGULATOR Y FEE	REMARKS
1	Africell (SL) Ltd.	1 July 2017	15 years	In full	US\$ 400,000	Only paid US\$ 4,172,045
2	QCell (SL) Ltd.	22nd May 2017	10 Years	7 Instalments up to Dec 2024	US\$ 600,000	Only paid US\$ 500,000
3	Sierratel	13th July 2017	10 Years	In full	2% of gross revenue	Only paid US\$ 1,500,000

In order to ensure fair competition among the mobile network operators, we hereby recommend that:

- a) The GSM sites and network connectivity funded from the Universal Access Fund should be made accessible to all mobile network operators within six months. This will ensure that all the mobile network operators expand their network to these regional parts of the country, which will lead to more citizens having access to telecommunication services.**
- b) Since the Commission is yet to provide such a level playing field for all operators, we recommend that the unfair preferential treatment given to Africell in the payment of the UADF fees, be reversed and that they (Africell), should pay all of the US\$500,000, which was so-called settled-in-kind; and also to keep the sites that were developed in the process, which they are already doing.**
- c) Furthermore, we recommend that Africell should refund the sum of US\$1,135,000 which was paid to them to expand their network as it gave an unfair advantage to them over the other operators.**
- d) NATCOM should recover outstanding 4G license fees of US\$2,927,955 from Africell (SL) Ltd., US\$1,300,000 from QCELL (SL) Ltd. and US\$5,200,000 from Sierratel and forward evidence of recoveries to the Auditor-General for verification.**

In their response, management assured they are working on fair and open competition and bring to the attention to the Minister of Information and Communication the need to bring on board, all other license operators including ISPs in paying into the established fund for universal access across the nation and recovering all the money from Africell. For the 4G licensed operators, the license fee of US\$2,927,955 from Africell (SL) Ltd., US\$1,300,000 from QCELL (SL) Ltd. and

US\$5,200,000 from Sierratell should be paid to NATCOM and evidence of payment forwarded to the Auditor-General for verification.

We further recommend that the Auditor-General is kept up to date with the progress of recoveries on a quarterly basis.

Radio Frequency Spectrum

548. Under Section 11 (f) of the Telecommunications Act of 2006, the Minister for Information and Communications shall appoint a spectrum committee responsible for setting strategies for spectrum policy and reviewing the frequency allocation table among other responsibilities. In addition, under Section 9 (2) (e) and (f), the functions of the Commission include: to manage, allocate license and regulate the use of radio frequency spectrum and to prepare and review a national frequency plan. However, during the audit, we were not provided with the following:

1. Spectrum policy
2. National frequency plan and
3. Approved frequency allocation table

549. There is a likelihood of arbitrary allocation of frequencies, which may not ensure that maximum number of users are utilising the frequency.

It is therefore recommended that:

- i) **NATCOM should constitute a committee to perform the functions as mandated by the Telecommunications Act and for proper management of its frequency spectrum. In addition, NATCOM should put in place a spectrum policy and national frequency plan for the proper management, allocation, licensing and regulation of the radio frequency; and**
- ii) **the Ministry of Information and Communications should develop the spectrum policy and the national frequency plan in compliance with Section 64 of Telecommunications Act, 2006. Consequently, NATCOM should deliberate and approve the frequency allocation table, which should be in compliance with the set policy.**

In their response, the management said they are working on national radio frequency policy, National Spectrum Plan and a National Frequency Allocation Table (NFAT), which will be done by 31st August 2019.

We therefore recommend that the approved national radio frequency policy, national spectrum plan and national frequency allocation table should be forwarded to the Auditor-General for verification.

Register of Operators

550. Under Section 9 (2) (n) of the Act, the function of the Commission is to prepare a register of operators. During the audit, we were not provided with a register of operators but from the invoices issued by the Commission, the audit team established the operators who were charged during the audit period. However, corroborative evidence from SALCAB indicate that the following service providers were provided with internet bandwidth but they are not registered as telecommunications operators by the Commission.

1. Atlas Communication
2. Lee Wireless
3. PCs Holdings
4. Sintel
5. Sonatel
6. Africable SL Limited

551. Due to non-registration of these service providers, NATCOM has not fully tapped into the potential revenue.

It is therefore recommended that NATCOM should establish a mechanism of ensuring that all telecommunications operators in Sierra Leone are identified and duly licensed in accordance with the Telecommunications Act.

In their response to the draft management letter, the management indicate that they will cross check on the status of the operators above.

Universal Access Development Fund

552. Section 13 of the Telecommunications Act, 2006 as amended in 2009 and 2015 established the Universal Access Development Fund (UADF), which shall consist of a percentage of the gross income of the service providers as declared for income tax purposes determined by the Minister by statutory. Under Section 16 (2), the Universal Access Development Fund shall be used to address the needs of the least advantaged communities in telecommunications.

553. Examination of records and interviews conducted revealed the following on the establishment and operations of the UADF:

- i. The Minister for Finance via letter ref.: MI/6/13 dated 29th September 2010 created and appointed members to a special supervisory committee of the UADF. This appointment was not provided for in the Telecommunications Act, 2006.
- ii. On 25th July 2011, the Permanent Secretary informed the Chairman of the special supervisory committee that the Minister wanted the committee to be converted to a Board. Consequently, in May 2017, the Chairman of NATCOM effected the severance of UADF from NATCOM. However, there were no minutes of board meetings available to indicate that this decision was discussed and approved by the full board. In addition, there were no provisions in the Telecommunications Act to have the UADF as a separate entity from NATCOM.
- iii. Despite NATCOM charging the MNOs and collecting US\$ 150,000 per year towards the UADF, there was no statutory instrument issued by the Minister in accordance with the Telecommunications Act, 2006.
- iv. In 2016, the MNOs had not paid towards the UADF for 2011-2015, which translates to US\$ 750,000 for each operator. NATCOM therefore instructed the operators to pay the arrears in full. It was however noted that Orange (Sierra Leone) Limited paid the full amount while Africell was allowed to partly pay in cash and the balance to be repaid in kind. The payment in kind was for construction of GSM sites and purchase of motor vehicles for the Commission. The construction of the GSM sites, which are solely used by Africell, was estimated at US\$ 639, 625 while US\$ 250,000 was paid in cash. It is therefore recommended that the GSM sites and network connectivity funded from the Universal Access Fund should be made accessible to all the mobile network operators. This will ensure that all the mobile network operators expand their network to these regional parts of the country, which will lead to more citizens having access to telecommunications services.
- v. During the period under audit, UADF income amounted to over Le 7 billion; of which only office operational costs were paid including salaries to staff, mid-month allowances, transport allowances and office running expenses.

554. In June 2018, the Permanent Secretary in the Ministry of Information and Communications served a notice of closure to all members of staff directly with UADF effective at the end of July 2018. It was however observed that Le 59, 108,000.00 was irregularly paid from the UADF's GT Bank account between 1st August and 8th November 2018 as shown in **Appendix 13**.

Given that UADF as constituted did not undertake any project towards ensuring universal access to telecommunication services, we therefore recommended that:

- a. Ministry of Information and Communications should issue statutory instrument in accordance with Section 13 of the Telecommunications Act.**
- b. NATCOM should develop annual objectives and operating plans on how the UADF should be applied. These plans should mainly include implementation of specific universal service programs and projects in accordance with Section 59 of the Telecommunication Act, 2006.**
- c. NATCOM should develop guidelines on how to identify and evaluate project proposals.**
- d. The officers that approved the total withdrawals of Le 59,108,000.00 from GTB current account number 2087846, should provide clear evidence and authority of these transaction; otherwise the same should be disallowed and surcharged to those officers.**

In their response, the management intend to ensure that the newly setup UADF encompasses these recommendations going forward.

We further recommend that management should provide the approved statutory instrument, UADF annual objectives and plans to the Auditor-General for verification.

Procurement of Quality Service System

555. In 2014, NATCOM procured quality of service system through tender no. NATCOM/ENG/Q03E/2013/0001. Subsequently, on 20th February 2014, Slone Limited signed a contract with NATCOM for the supply of the system at a consideration amount of US\$ 202,156.74.
556. However, there was no evidence on how the equipment for quality of service was procured even though a bid document for Slone Limited was available. The technical audit team could therefore not establish whether the procurement process was in accordance with the law and whether there was value for money in the procurement of this system.

We recommend that the management should provide evidence of procurement process of the quality of service.

International Gateway installed by MNOs

557. The enactment of Section 33 of the Telecommunications Act through the amendment done in 2015 led to liberalisation of the international gateway. In 2016, the mobile network operators therefore applied for a license to install and operate a gateway. Examination of the contract documents revealed the following:

- i. *Under condition 33 of the contract, the licensee was to ensure that its network equipment is type-approved by the Commission or a body approved by or accredited to the Commission within 6 months from the effective date of the license and shall obtain any necessary compliance certificates or licenses with the respective regulations.*
- ii. *Under condition 41 of the contract, the licensee was to obtain approval from the Commission for the description and operation of the respective metering and billing system used in relation to any of the licensee's system. Further, the licensee shall not keep or bring into use in connection with any of the licensee's system, any metering and billing system which is not approved by the Commission.*

558. There was no evidence provided by NATCOM to indicate compliance with these key conditions. Upon visiting the MNOs, it was confirmed that the network equipment was not type-approved and that the metering and billing system had not been approved by the Commission. This non-compliance with the contract creates a high risk in operation of the international gateway at the MNOs and the integrity of data obtained from the systems may be compromised.

We recommend that NATCOM should inspect all the international gateways installed by the mobile network operators in order to ensure compliance with the contract in terms of type-approval of the network equipment and approval of the metering and billing systems by the end of June 2019.

In their response, management accepted the recommendations and intends to communicate in writing to all licensed gateway operators, requesting full access to their already developed metering and billing platforms for inspections and type approvals.

We further recommend that the management should provide evidence of inspection and type approvals done to all licensed gateway operators. These evidence should be forwarded to the Auditor-General for verification.

International Gateway Monitoring System

559. The Telecommunications (Amendment) Act, 2015 introduced a new section of the Act. Section 33(1) states that: the supervision of the international gateway shall be done by the Commission or an agent appointed by the Commission on its behalf. Section 33(2) further states that the Commission shall appoint an agent for the monitoring of the international gateways.
560. This amendment led to the Commission commencing the process of procuring an agent for the monitoring of the international gateway. Examination of the procurement records, payment vouchers and interviews conducted revealed the following:
561. The contract for the monitoring of the international gateway was issued to two companies namely: Slone Limited and Subah Infosolution.

Slone Limited

562. For the contract between NATCOM and Slone Limited, it was noted as follows:
- i. On 20th February 2014, NATCOM entered into an agreement with Slone Limited for the supply of quality of service monitoring system. On 13th June 2014, a supplementary agreement was entered into between NATCOM and Slone Limited. This supplementary agreement introduced the design, build, delivery and operation of platform to monitor international and domestic voice and data telecommunications traffic. An amendment dated 12th August 2014 between NATCOM and Slone Telecom Limited for the monitoring of the international gateway Schedule 8, on government tariff was amended by deleting US\$ 13,200,000,000 per (thirteen million, two hundred thousand) to US\$ 10,000,000,000 (ten million).
 - ii. In a letter Ref.: NTC/ADG/IGMS/004 dated 13th October 2015 and issued to all the MNOs, the then Acting Director General instructed the MNOs to put on hold all transactions with Slone Limited for the international gateway monitoring.
 - iii. Due to NATCOM putting on hold all the activities of the international gateway monitoring system, Slone Limited sought for arbitration at the secretariat of ICC International Court of Arbitration. This arbitration led to NATCOM incurring legal fees of US\$ 1,548,454.17 for both local and international lawyers. The recruitment process of and the basis for the charge rate to these lawyers were not available for audit and therefore could not establish whether it was done in accordance with the law.
 - iv. Although there is no evidence that the contract was terminated, NATCOM in August 2016 commenced the procurement process for the international gateway monitoring system that was eventually awarded to Subah Infosolution.

Subah Infosolution

563. For the contract between NATCOM and Subah Infosolution, it was noted as follows:

- i. The tender bid document was made by Subah Infosolution (Ghana) while on 26 October 2016, NATCOM entered into a contract with Subah Infosolution of the republic of Mauritius. In law, these are two different entities registered in different countries. Given that these two firms are registered in different countries and there was no evidence that they were a group of companies, NATCOM entered into a contract with a company that did not make a tender bid for the services.
- ii. On 9th August 2017, an addendum to the initial contract was signed between NATCOM and Subah Infosolution Limited of the Republic of Mauritius. This addendum included an extension of the contract period from three to five years and also provided for additional services to be undertaken by Subah Infosolution. These services were: (a) monitoring of the quality of service provided by the operators and (b) monitoring of mobile money transactions. There were no board minutes available to indicate that the contract extension and additional services were deliberated and approved by the Commission.
- iii. Review of the invoices from Subah Infosolution and payment vouchers revealed that the supplier had been paid US\$ 1,032, 475.32. Of this amount, Subah Infosolution instructed NATCOM to directly pay US\$ 150,000 to a Mr. Khalil Jalloh who was not party to the contract. There was no evidence of Subah Infosolution acknowledging receipt for the payment to Khalil Jalloh, therefore the funds may not have been for the intended purposes.
- iv. Review of all Subah Infosolution invoices submitted as at July 2018 also indicated that NATCOM had a total of US\$ 3,058,219.62 as amount owing to Subah Infosolution. This amount of US\$ 3,058,219.62 included an invoice of January 2018 where Subah Infosolution had charged for interconnectivity amounting US\$ 1,637,067.39. These interconnectivity charges were not provided for in the contract between NATCOM and Subah Infosolution and were therefore not due to Subah Infosolution.
- v. A physical verification on 6th December 2018, and in the presence of the Director-General and Deputy Director-General of NATCOM, Subah Infosolution could neither provide evidence nor demonstrate the following:
 - a) How the international gateway monitoring system operates, including access levels, processing of the CDRs from the MNOs and report of the international incoming and outgoing calls.

- b) Implementation of the redundant links as required under the contract.
- c) Physical disaster recovery site.
- d) Report showing all the international incoming and outgoing calls for June 2017 to October 2018.
- vi. During the meeting with Subah Infosolution officials on 6th December 2018, the technical audit team was also informed that:
 - a) The revenue management/assurance system was owned by a company known as Cod Compass and that the system had shut down three to four weeks prior to the meeting.
 - b) The fraud management system was owned by a company known as Latro, which is an American based company. This system was not operational at the time of audit.

564. Based on the foregoing, the technical auditors could reliably conclude that the international gateway monitoring system in Sierra Leone was not operational, the fraud management system used in sim box detection was also not operational and that Subah Infosolution was in breach of their contract with NATCOM.

In view of the international gateway monitoring system, we recommend that:

- a. **NATCOM should review the contract with Subah Infosolution and seek legal advice with a view to terminate the contract due to non-performance under Section 19 of the contract agreement with Subah Infosolution on the part of the vendor.**
- b. **NATCOM should recover US\$ 150,000 that was paid to a Mr. Kallil Jalloh who was not party to the contract with Subah Infosolution as far as the available information is concerned.**

In their response to draft management letter, the management will present these findings on Subah Inforsolution to the Board with a view of obtaining legal advice from the Office of the Attorney General so as to terminate the contract due to non-performance. In addition, the management intends to engage Subah Infosolution in an effort to recover the US\$ 150,000 paid to Kallil Jalloh.

Revenue Management

- 565. Review of the revenue cycle, which included examination of invoices, receipt books and bank statements revealed the following:
- 566. According to regulation 50 (4) of the Financial Management Regulations 2007, all revenues of government shall be documented on receipts on specially pre-printed and serially numbered forms printed by the Government Printer. Furthermore, regulation 50 (6) states that the departmental revenue collecting agent shall request permission for any exemption to regulation

50 (4) from the Government Printer who may recommend final approval from the Accountant General. It was however noted that NATCOM maintained pre-printed receipts that were procured from a private vendor and the management did not provide evidence of approval by the Accountant General.

567. The delivery and issuance of the accountable receipt books was not properly controlled and there was no stock register to indicate all the serial numbers of books delivered, requisitioned, issued and in stock.

568. Upon examination of the counterfoil receipt books, it was noted that there were parallel serial numbers 1601-1650, which were in circulation as shown below:

Table 17; Counterfeit Receipt books

DATE	RECEIPT NO.	DETAILS	AMOUNT (Le)
22 Mar 2018	1606	Africa Young Voices Media	46,100,000
28 June 2018	1606	Elim Radio	3,908,955

569. In addition, there were parallel receipt book numbers with similar serial numbers but for different currencies, Leone and Dollar. For instance, there were two sets of serial numbers 0401-0450.

570. According to regulation 50 (1) of the Financial Management Regulations 2007, when departmental receipts, licenses or other accountable books are issued from counterfoil books, the officer signing the original of the receipts, licenses or accountable books shall initial the counterfoil, and shall ensure that it contains all the necessary detail including the amount received, the particulars of the payment, and date of payment and that it accords with the original. Regulation 50 (2) further clarifies that when such documents are issued from books which make provision for duplicates and other copies to be reproduced by carbon paper, the officer issuing the document shall ensure that the carbon copies are clear and legible in every respect. On examining the receipt books, it was revealed that, as per the receipts register, 26 original receipts of Le 8,360,428,311.05 had been issued but the duplicate and triplicate copies were either blank or not legible; 37 original receipts of Le 22, 070, 570, 710.17 were issued but the figures in the duplicate receipts were handwritten and the triplicate copies were blank.

571. From the above exceptions and due to lack of proper audit trail, it was not possible to reliably determine the actual collections from the customers and the amount recorded in the books of accounts.

On revenue management, it is recommended that:

- a. NATCOM should ensure that all pre-printed receipts are sourced from the Government Printer in accordance with the financial management regulations.

These receipt books should also be properly recorded in stores registers that clearly indicate the procured books, requisitioned, issued and in store.

- b. NATCOM should also consider automating the financial management processes to ensure efficiency and effectiveness in management of their operations.

In their response, the management stated that the receipt books been mentioned were printed five years ago and as a result, the quality of the receipt papers deteriorated. However, the management mentioned that the receipt books have been decommissioned and the National Revenue Authority is now collecting and recording all NATCOM revenue receipts. The management also mentioned that it had recently signed an agreement for the installation, training for and deployment of an automated accounting software package.

Receivables

572. Regulation 60(1) of the Financial Management Regulation, 2007 requires departmental revenue collectors to keep records of moneys collected in such form as the Accountant-General may determine. Sub Regulation 2 also states that *“the records shall show the person from whom revenue is due, the amount payable, date, location, receipt number and amount of collections made.”*
573. We however noted that NATCOM did not maintain a ledger of receivables. Receivable ledger records all amounts invoiced to customers, payments made and outstanding balances. Each customer’s account is updated as and when they are invoiced and/or payments made. However, apart from their major clients (Africell, Airtel, Sierratel, and QCell), NATCOM did not have accounts for its other clients into which all invoices and payments will be posted and outstanding balances tracked and follow-ups made for recoveries.
574. A letter referenced number TA- Telecoms dated 6th November 2018 from Deputy Auditor General, ASSL, to the Director General, National Telecommunication Commission requested for circularisation of some clients of the Commission.
575. Upon circularisation of the customers to establish the receivables figure as at November 2018, only the following three (3) of the 20 companies that were circularised responded as detailed in the following table below:

Table 18; receivables figure

Company	Date of response	Outstanding balance as at 30 November 2018
Medosat SL Limited	12 December 2018	USD 10, 000.00
Standard Chartered Bank	14 December 2018	0
Orange (SL) Limited	13 December 2018	Le2,810,594,240.39

The Commission should also consider automating the financial management processes in order to ensure efficiency and effectiveness in management of its debtors.

Support to Africell (SL) Limited in Excess of Board Approval – US\$200,000.00

576. The Board of NATCOM in its meeting held on Thursday, 18th January 2018, approved as support to Africell (SL) Limited in respect of a proposal they submitted requesting assistance for the construction of network connectivity in some areas.
577. We noted that management paid a total of US\$1,135,000 instead of US\$935,000 approved by the Board as support to Africell (SL) Limited resulting in excess payment of US\$200,000.00. as detailed in **Appendix 14.**

Further to paragraph 57 on UADF, we recommended that Africell should refund the sum of US\$ 1,135,000 which was paid to them to expand their network as it gave an unfair advantage to them over the other operators.

In their response, the management stated that it had communicated with Africell with the intention to fully recover the full amount.

Support to National Development/Donations

578. A review of the NATCOM Act 2006 as amended by the Act of 2009, subject to section 14, subsection 3(d), the Director General (DG) of the Commission shall be responsible “for recording and keeping minutes of the Commission in a book kept for that purpose”. This means that the DG is also the Corporate Secretary to the Board of Commissioners. As at the time of audit, the technical audit team was not provided with board minutes held between 2015-2018 to support approval of national development.
579. We observed that the Board and Management of NATCOM have over the past years offered support to individuals and organisations including the Parliament of Sierra Leone.
580. Our review of the January 2015 to May 2018 vouchers available to the technical audit team revealed a total of Le 4,350,058,814.50 and US\$ 237,105.12 were paid irregularly in the form of support as summarized in the table below:

Table 19;Summary of payments:

Number	Issue	Amount (LE)	US\$
1	Support to Parliament	1,006,340,000.00	32,742.00
2	Support to Ministry of Political and Public Affairs	548,118,814.50	0
3	Support to the Ministry of Information and Communication	73,000,000.00	10,000.00
4	Other support to individual and youth groups	2,330,000,000.00	0
5	Share of the International Gateway revenue	392,600,000	194,363.12
	Total	4,350,058,814.50	237,105.12

a) Support to Parliament - Le 1,006,340,000.00 and US\$32,742.00 –

581. Request for support letters attached to vouchers under this category were on the letterhead of Parliament but the funds were paid/transferred to individuals instead of being channelled through Parliament to ensure accountability as detailed in **Appendix 15**.

b) Support to Ministry of Political and Public Affairs – Le150,000,000.00 –

582. Funds released as support to this Ministry were also routed through individuals instead of the Ministry's account.

583. Emoluments of contract staff allegedly engaged by the Ministry of Political and Public Affairs – Le 398,118,814.50. The Commission between July 2016 and March 2018 paid the emoluments of three consultants allegedly engaged by the Ministry of Political and Public Affairs. **Appendix 16**.

c) Support to the Ministry of Information and Communication – Le73,000,000.00 and US\$10,000.00-

584. Request for support letters emanating from this Ministry were also honoured through the release of cash to individuals instead of issuing crossed cheques for payment into the Ministry's account. **Appendix 17**.

d) Other support to individual and youth groups

585. Support to individuals and other youth groups amounting to Le 2,330,000,000 were paid out without supporting documentation. **Appendix 18**.

e) Share of the International Gateway revenue in 2016 and 2017- NATCOM

586. A total of US\$ 194,363.12 and Le 392,600,000 were paid to Donald Newman and Paul Sandi in relation to 10% share of the international gateway revenue. The payment was meant for the

Ministry of Information and Communication but it was directly paid in cash to individuals.
Appendix 19.

From the foregoing, we could not satisfy ourselves that the funds released were used for the intended purposes. All the donations/ support to national development that was paid to individuals totalling to Le 4,320,058,814 and US\$ 237,105 should be fully recovered from the officers who approved it. There was no evidence if all these payments were delivered to the institution and therefore all these payments were irregular.

In their response, the management states that it will present the policy to the Board for approval. The management will also make efforts to locate the listed individuals so as to recover the full amount.

We further recommend that management should provide evidence of the recoveries to the Auditor-General for verification.

Failure to Disclose Advances to SALCAB in Financial Records

587. In a letter from the Ministry of Information and Communications ref. GP/4/13 and dated 27th August 2013, SALCAB is required to pay back to the Commission whatever funds the Commission provided for SALCAB's operation.

588. We noted that the Commission had advanced a total of US\$1,009,812.64 and Le62,250,000.00 to SALCAB between August 2013 and February 2016. However, the Commission did not recognise the advances granted to SALCAB in its books of accounts and SALCAB is yet to make any payment in respect of the advances. As detailed in **Appendix 20.**

The loan from NATCOM should be recognised in the books of SALCAB and repayments of the said loan should be made with immediate effect and evidence of repayment sent to the Auditor-General for verification.

In their response, the management stated that they had informed SALCAB in writing about the outstanding loan and that the management will maintain efforts to recover these loan or advances.

We further recommend that NATCOM should provide evidence of these loan recoveries to the Auditor-General for verification.

Construction of New NATCOM House

589. Although the tender for the construction of NATCOM house was said to be under scrutiny by the Anti-Corruption Commission, the technical audit team obtained some relevant documents and made the following observations:
590. Analysis of the 2015–2018 budgets indicated that a total of Le 64,298,005,000 had been allocated for the construction of the new NATCOM house as shown below:

Table 20; construction of the new NATCOM House

Year	Amount in the budget in Le
2015	5,000,000,000.00
2016	10,000,000,000.00
2017	28,000,000,000.00
2018	21,298,005,000.00
TOTAL	64,298,005,000.00

591. NATCOM did not provide tender documents for review. These documents include submitted proposals by the bidders, bid matrixes, bid opening, bid attendance register, SPF4 evaluation reports a recommendation report and other relevant documents.
592. According to sections 41 and 42 of the Public Procurement Act of 2016, *a procuring entity may use restricted bidding procedures when bidding for goods, works or non-consultancy services in accordance with section of the Act where:*
- the goods, works or services are only available from a limited number of bidders;*
 - when the time and cost of considering a large number of bids is disproportionate to the estimated value of the procurement.*
593. However, in a letter ref. NATCOM/DG/2015/001 and dated 11th June 2015, the acting Director General wrote to the National Public Procurement Authority (NPPA) seeking for a no-Objection for use of restrictive bidding in the procurement for the new project. As per this letter, the procurement committee had recommended for use of restrictive bidding due to time, financial/technical capabilities of contractors and the cumbersome nature of international bidding procedure. These grounds were in contravention of the Public Procurement Act.
594. In a subsequent letter dated 25th June 2015, NPPA gave a No-Objection for the use of restrictive bidding for the new building where it cited the basis as encroachments and technicality problems.
595. On 10th September 2015, NATCOM signed a contract with International Construction Company Limited for the construction of new head office building at a cost of

(US\$ 7,000,000.00) Le 39,616,720,264.00 where the contractor was to complete the new building within 18 months.

596. According to Procurement Regulation 144 (5) of 2006: where the contract modification causes the contract value to be increased by up to twenty-five percent of the original contract value, the Procurement Unit shall obtain the approval of the appropriate award authority specified in the First Schedule of the Act.
597. However, between June 2016 and November 2017, NATCOM signed supplementary contracts and addendums which caused the contract value to be increased by 133% of the original contract value. In addition, the supplementary contracts and addendums increased the contract value above the budgeted amount for 2015-2018. The cost of construction of the new building had therefore increased from Le 39,616,720,264 to Le 92,240,683,290 as shown below:

Table 21; cost of construction of the new

No.	Detail	Date	Amount (US\$)	Amount in (Le)
1	Original Contract	10th Sept. 2015	7,000,000.00	39,616,720,264.00
2	Supplemental Contract- Additional works	1st June 2016	2,123,767.63	12,019,529,729.06
3	Addendum – one additional floor	7th April 2017	1,050,456.82	5,945,093,426.76
4	Variation of works	3rd Nov. 2017	6,124,065.23	34,659,339,870.77
	Total amount		16,298,289.68	92,240,683,290.60

598. NATCOM did not provide evidence to show that these increments were approved as required by the law.

Even though the case was being handled by the ACC, from the analysis of payments and examination of documents, there may not have been value for money in this procurement. The several addenda on changes of prices in various dates was also against the procurement laws, there were no board approvals and therefore management should be held accountable for any loss that may have been incurred.

In their response to draft management letter, the management confirmed that the case was being handled by the Anti-Corruption Commission. The management intends to contact

several former members of the management team, to also inform them on the findings and where applicable, hold those individuals accountable to possibly refund the losses.

SIERRATEL

595. Sierra Leone Telecommunications Company Ltd. (Sierratel) was incorporated under the Companies Act of Sierra Leone on 1st April 1995, and holds a license for the provision of fixed line and mobile telecommunications services in Sierra Leone.
596. Sierratel was established on 1st April 1995 as a result of a merger between two former Telecommunication entities, Sierra Leone External Telecommunication Company Limited (SLET) and Sierra Leone National Telecommunication Company (SLNTC). Before the merger, SLET was jointly owned by the Government of Sierra Leone and Cable and Wireless of the United Kingdom each had 51% and 49% shares respectively. Consequently, the United Kingdom withdrew its share from SLET; as a result, SLET became 100% state owned and went into the merger that way.
597. The objectives of the company are to carry on for profit in accordance with commercial principles the provision and management of internal telecommunications and associated services in Sierra Leone.

The observations made during the technical audit of Sierratel are as follows:

Details of Loan with estimated value of US\$ 44 million not provided.

598. Agreement for two loans with banks in India and China valued at US\$ 46.1 million were not made available for verification.

We recommend that the Financial Secretary at the Ministry of Finance should ensure that Sierratel provide the auditors with details of the said loans including the loan agreements, what necessitated the loan, what it was used for and how much is currently outstanding.

IT Governance

599. Sierratel is highly dependent on the IT infrastructure for the efficient and effective management of its core business as a mobile network operator. Upon request and interviews conducted, it was however observed that the following critical IT documents had neither been developed, nor reviewed to manage the operations as detailed below:

a) ICT Policy and Procedures

600. Sierratel does not have in place a formally approved ICT policy and procedures manual for its IT operations. The board and senior management has therefore not provided proper direction of how the IT infrastructure should be managed and operated.

601. In view of this, the critical IT assets and information may not be adequately safeguarded from unauthorised access and manipulation. In addition, the roles and responsibilities in relation to It infrastructure may not have been properly allocated.

602. It is therefore recommended that Sierratel IT department should develop and seek board approval for ICT policy and procedures, which will cover all critical IT operations so as to protect the confidentiality, integrity and availability of customer and corporate data.

b) Formal Change Management Procedures

603. During an interview with the IT Manager, Mr. Issa Bangura, it was revealed that in 2017 Sierratel undertook a major change and upgrade of the billing system. It was however noted that Sierratel did not have change management policy and procedures to guide through the process of the major change and upgrade. It was also not possible to review how the process was undertaken in 2017 and whether all the safeguards were taken to ensure security of the system and data. In addition, Sierratel did not demonstrate whether it had a test environment where changes were tested prior to implementation in the live environment.

604. Sierratel risks implementing changes that are not logged, tested, assessed and authorised prior to implementation and reviewed against planned outcomes following the implementation which will compromise the quality of service they provide to their customers. Sierratel was also not properly guided on revert-back mechanism in the event a major change/upgrade introduces bugs/errors into the existing system.

605. It is recommended that Sierratel come up with board approved change management procedures as this process assures mitigation of the risks of negatively impacting the stability or integrity of the production environment.

c) Back-up Policy and Procedures

606. An interview conducted with the IT Manager, Mr. Issa Bangura revealed that there is no formal backup policy in place at Sierratel. In addition, there were no back-ups done for all their systems maintained at Sierratel. However, there was a document used for internal processes which does not highlight the procedures and schedules of back-ups to be taken while taking the back-ups and if the back-ups have ever been tested.

607. Sierratel is at risk of losing critical customer and revenue data in the event of system failure that requires data restoration from untested back-ups.

We recommend that the Board and senior management should consider to develop and approve key IT governance documents including ICT policy and procedures, back-up policy, change management procedures and disaster recovery policy.

d) Disaster Response and Recovery Measures

608. Sierratel made available a policy on disaster response and recovery, which was signed and approved by the Director of Finance on 31st December 2015. Review of this policy indicates the following:

1. The maximum review frequency of the policy is two years, and therefore as at the time of the audit in December 2018, the policy was outdated. Given that the Sierratel had an upgrade of their billing system in 2017, the policy does not cover the new IT environment and threats, which are associated with changes to a system.
2. The policy does not clearly indicate the disaster recovery solution that has been adopted at Sierratel. It is therefore not possible to establish where critical data, systems and physical IT assets would be re-located in the event of a disaster.
3. There is no provision of how the policy would be tested, frequency of testing and how testing results would be used to improve the policy.

609. Sierratel is therefore at risk of not been able to recover its critical systems and data in the event of a disaster at the primary site.

We recommend an update of the disaster response and disaster recovery policy to deal with new threats.

Over-reliance on Vendor for Billing System

610. On 23rd February 2017, Sierratel entered into a contract with Sterlite Technologies Limited for the upgrade of their billing system to include LTE and VoLTE services. A review of the contract revealed that there was no end date or a mention of handover of the system and databases to Sierratel upon successful completion of the upgrade. After conducting an interview with the IT Manager, Mr. Issa Bangura, it was also noted that any changes required by Sierratel had to be formally requested to the vendor, who remotely access the system to implement the recommended changes, as Sierratel does not own the system. In essence, Sierratel is highly dependent on the vendor for the effective operation of the system.

611. Sierratel is at risk of compromising the confidentiality, integrity and availability of their core billing system.

We recommend that in order to mitigate the risks associated with over reliance on the vendor, the management should:

- a) **Enhance capacity of the ICT department at Sierratel in the use of the billing system as per the agreement.**
- b) **Consider entering into an escrow agreement with Sterlite Technologies.**

- c) **Consider deactivating the existing user accounts and only provide access on a need basis and also temporal.**

Billing System

612. Billing system is mainly used for the creation and activation of recharge vouchers (including scratch cards and electronic vouchers). From the walkthrough of the system and available information, the process includes creation of scratch cards in batches upon request by the senior management, the generated serial numbers are then allocated the denominations as per the request and upon the dealer procuring the scratch cards are activated for use by the customers. Upon the customers recharging their devices, the serial numbers of the activated scratch cards are withheld from the batches to avoid re-use of similar serial numbers.

Analysis of the data extracted from the billing system however revealed the following:

a) User accounts

613. Further to paragraph 3.3 of this report, there are eight active user accounts which are used by the vendor of the billing system who are said to be located in India. The usernames for these accounts are: hardik; hardiks; kp; krunal; krutarth01; rabinder; saurabh and tarak. Given that vendors are not employees of Sierratel, there is a high risk of confidentiality and integrity of data been compromised. In addition, there are two users who are Sierratel employees but have more than one user account. These employees are Abdul Rahim Turay and Zainab Fullah.

b) Missing Batch Numbers

614. The recharge vouchers are created in batches, which are sequentially generated by the system. However, review of the batch numbers revealed that batch numbers BAT004 to BAT100 are missing from the system and thus poses a great risk on the completeness of the batch numbers. In addition, the missing batch numbers may be used to create unauthorized recharge vouchers.

c) Missing Recharge Voucher Serial Numbers

615. A sequential check of the recharge voucher serial numbers indicate that 74,420,000 serial numbers are missing from the system. The missing serial numbers may be used to create unauthorised recharge vouchers. Details are attached as **Appendix 21**.

d) Recharge vouchers not created in the system

616. Analysis of the available voucher recharge usage report against the recharge vouchers created in the system between 1st January 2017 and 30th November 2018 revealed that 108,890 cards were used by the customers but they had not been created in the system as they could not be found in

the list of recharge vouchers created between 1st January 2017 and 30th November 2018. Details are attached as **Appendix 22**.

e) Use of inactive recharge vouchers

617. Further analysis indicated that 22,215 cards were used by customers as per the recharge usage report but these cards had not been activated for use as per the status in the system. Details are attached as **Appendix 23**.

f) System not updated upon use of recharge vouchers by customers

618. There were 25,478 cards that had been used in 2018 as per usage report, but the usage of these cards had not been updated in the system where the cards status was billed instead of in-use. Therefore, there is a risk of re-using the recharge vouchers if the system does not update the status of the cards. Details are attached as **Appendix 24**.

The billing system therefore has significant weaknesses that compromises on data integrity and may lead to loss of revenue. It is recommended that:

- i. We recommend that the management should further probe the weaknesses of the billing system to identify the root causes.**
- ii. The user accounts used by vendors should be deactivated and a review of the audit logs done to check whether these accounts were used to compromise on data integrity.**
- iii. One of the user accounts maintained by the two employees is deleted. In addition to this, the audit logs for the two user accounts should be reviewed to check whether the employees' activities in the system were in line with their job descriptions.**
- iv. The management should account for the missing batch numbers and serial numbers in the billing system.**
- v. The management should determine any system deficiencies that may have led to use of recharge vouchers that had not been activated and also the system failure to update the use of recharge vouchers by customers.**

Recharge of the POS

619. Sierratel has in place the POS system where devices are recharged with credit for resell to customers as either voice or data. The channel interconnect system is used for the recharge of these POS terminals, which are managed by Sierratel employees. Upon resale to customers, receipts are issued from the CRM system and the POS are debited with the amount.

Review of the system and analysis of extracted data revealed the following:

a) Lack of Authority to Recharge the POS

620. The requests for all the recharge of the POS were not provided, thereby casting doubt on the authority and approval to recharge the POS. The total recharge for these POS terminals for 1st January 2015 to 30th November 2018 was Le138,888,221,496.00

b) Lack of Segregation of Duties

621. The IT Manager, Issa Bangura and the sole user of the Channel Interconnect System, Mani Issa, have POS account numbers SIERRATEL000017 and SIERRATEL000020 that are registered under their names respectively. During the period 1st January 2015 to 30th November 2018, these two POS accounts were credited with Le33,501,383,670.00 (24% of the total recharge value) as shown below:

Table 22; two POS accounts with 24% of recharge value at SierraTel

NAME	ACCOUNT NUMBER	TOTAL RECHARGE IN LE
Mani Issa	SIERRATEL000020	31,865,647,022.00
Issa Bangura	SIERRATEL000017	1,635,736,648.00
	TOTAL	33,501,383,670.00

622. Given that the IT department is the custodian of the data and system administrator, there is high risk in IT staff operating POS accounts. This greatly compromises the segregation of duties where the asset, data and system admin rights should not be held by the same individual.

623. In addition, the receipts collected from these two POS accounts were not available and therefore could not ascertain whether the credit of Le33,501,383,670.00 was properly accounted for.

c) POS Unaccounted for

624. Among the POS accounts in the system, there exists a POS account number SIERRATEL000063, which is under the name TestSierratelReseller. This POS account cannot be reliably traced to any Sierratel employee and the recharge credit of Le15,596,000 made between 1st January 2015 and 30th November 2018 could not be accounted for.

d) POS Reseller detailed Report

625. The system maintains a POS reseller detailed report which indicates the actual usage of the credit by the customers. This report indicates the date, POS account number, mobile

subscriber/subscriber ID of the customer, the purchased package and price, which is the amount paid by the customer.

626. Analysis of the POS reseller detail report against the POS recharged amounts for 1st January to 30th November 2018, however revealed that POS accounts were recharged with Le43,897,427,842.00; but the actual usage as per the reseller detail report was Le49,653,265,000.00. Therefore, there is a high likelihood that the system may have been manipulated to resell packages to customers amounting to Le5,755,837,158 without recharging the POS accounts through the system, which may have led to loss of revenue.

We therefore recommend the following:

- a) The management should review the POS operations with a view to enhance the internal controls including developing a policy, centralising the POS recharge and collections in one system so as to ensure auto-reconciliation of the revenue.**
- b) Furthermore, the two named IT staff members concerned should account for the sum of Le 33,501,383,670.00, otherwise the appropriate authority would be informed.**
- c) Based on the findings and understanding of the system, the management should ensure that the IT department only plays the role of custodian of data and system administration.**

Le19,471,002,855.00 not accounted for as POS Revenue

627. Upon resale to customers, the POS are debited with the package price procured by the customer. However, the actual receipts and collections from the customers are recorded and issued from the CRM system.

Analysis of the revenue collected and banked from the POS resellers indicate the following:

628. The system generated receipts from the CRM system were not availed for analysis. However, the finance department provided revenue reports for 1st January 2016 to 31st May 2017, which indicated the amounts collected and banked from all the POS sales.
629. Analysis of the POS recharged against the collections and banking made for 1st January 2016 to 31st May 2017 revealed that, of the total recharge of Le48,771,491,005, only Le29,300,488,150 was collected from customers and banked. Therefore, a balance of Le 19,471,002,855 (i.e. 40%) of the total POS recharge in the same period was collected from

the customers, but was not remitted to Sierratel. Therefore, there is a likelihood that this revenue was lost. Details are shown below:

MONTH	POS RECHARGE VALUE	CASH COLLECTED AND BANKED	UNREMITTED CASH
	LE	LE	LE
Jan-16	2,170,035,001	1,500,095,000	669,940,001
Feb-16	1,482,110,000	1,168,212,000	313,898,000
Mar-16	1,956,340,000	1,266,903,000	689,437,000
Apr-16	2,862,400,000	1,596,850,000	1,265,550,000
May-16	3,526,110,001	1,474,958,000	2,051,152,001
Jun-16	2,760,920,001	1,696,004,000	1,064,916,001
Jul-16	2,227,825,000	1,683,829,000	543,996,000
Aug-16	2,745,305,000	1,518,153,500	1,227,151,500
Sep-16	3,177,470,002	1,624,749,000	1,552,721,002
Oct-16	2,831,165,000	1,638,443,750	1,192,721,250
Nov-16	2,829,850,000	1,726,993,000	1,102,857,000
Dec-16	3,122,024,000	1,848,785,000	1,273,239,000
Jan-17	2,378,162,000	2,172,556,000	205,606,000
Feb-17	2,607,180,000	1,942,136,000	665,044,000
Mar-17	3,600,990,000	2,244,756,500	1,356,233,500
Apr-17	4,581,505,000	2,009,955,500	2,571,549,500
May-17	3,912,100,000	2,187,108,900	1,724,991,100
TOTAL	48,771,491,005	29,300,488,150	19,471,002,855

In view of the above and findings on revenue from the POS, the management should consider the following recommendations in order to properly account for POS revenue:

- i. Developing a policy that will govern the operations of the POS system including the maximum recharge value; and also design a serialized authority to recharge POS form, which should clearly indicate who requested, who authorised and who approved the recharge.
- ii. Designing internal control procedures where the POS are only recharged upon the employee accounting for all the collections.
- iii. POS collections to be done in the Channel Interconnect System so as to auto-reconciliation of the POS credits with the collections made.
- iv. We recommend the sum of Le 19,471,002,855 which is the variance between POS Recharge and amount banked for the period under review be accounted for, otherwise the amount should be surcharged on all staff members concerned.

Non-registration of Mobile Subscribers

630. Under the Telecommunications Operators (Registration of Subscribers of SIM and UIM cards) Regulations 2009, regulation 2 states that every operator either by itself or its sales agent shall register any individual or company who wishes to subscribe to a mobile cellular service provided by the operator, in the form set out in the schedule. Further, regulation 6 states that any person who before the coming into force of these regulations has been subscribing to the services of an operator shall, within six months of the coming into force of the regulations register with the operator whose services are being subscribed to. Upon request, Sierratel made available 174,302 mobile subscribers and on analysis the following observation was made:
631. Analysis of the mobile subscribers maintained by Sierratel, however, revealed that of the 174,302 mobile subscribers, there were 10,011 subscribers, which have not been registered to any individual or company. Details are attached as **Appendix 25**.
632. Sierratel is at risk of being fined for non-compliance with this particular requirement of the Telecommunications Act, 2009 and also individuals with unregistered sim and UIM cards could use them to perpetrate illegal activities.

We recommend that the management should ensure that all mobile subscribers are duly registered in accordance with the Telecommunications Act, 2006 before 30th June 2019, otherwise all unregistered subscribers should be disconnected thereafter.

CDMA Stock

633. The available financial statements for 2015 and 2016 indicated the value of CDMA stock as Le4,077,283,000 and Le6,342,737,000 respectively. Examination of stock cards and physical inspection of the stocks however revealed the following:
634. Although the figures in the financial statements agreed with the general ledger balances, the audit team was not provided with the source documents that include local purchase orders and delivery notes of the CDMA stock. We could therefore not confirm whether these stocks had been procured and delivered at Sierratel stores.

Physical stock take

635. A physical stock count of the CDMA stock done on 11th December 2018 also revealed the following:
- a. Sim cards – bin card records showed 44 in stock but none was in store during the physical count.
 - b. EC176 – bin card records showed 1 in stock but none was in store during the physical count.

- c. L200 Low-end phones – bin card records showed 47 in stock but physical count revealed 32 in stock, the difference of 15 could not be accounted for.
- d. Huawei EC5321 Mifi – bin card records showed nil in stock but physical count revealed 32 in stock.

Table 23; Bin cards

	ITEM	Cost price	Balance in stock card	Physical count	Value of Unavailable stock
	CDMA Products				
1	Sim cards	0.49 EUROS	44	not available	Euros 21.56
2	EC 176	Le 200,000	1	not available	Le 200,000
3	L200 CDMA low end phones	\$20	47	32	\$ 300
4	Huawei EC5321 MIFI	\$69.50	Nil	32	\$ 2,224

636. The CDMA stock records may therefore not be complete and value of stock of CDMA may have been misstated.

It is recommended that:

- i. **The source documents such as purchase orders and delivery notes for the CDMA stock should be maintained and availed for audit review**
- ii. **The management should account for the differences noted in the stock items when the physical inventory count was conducted and that store records should be regularly updated.**
- iii. **Management should ensure that the difference of Le 398,120,000 noted between the recharge vouchers' stock and physical stock count be recovered from the three officers who have access to the store.**

CDMA Recharge Cards

637. Upon being created in the billing system, the recharge cards are physically printed by a vendor and stored at Sierratel headquarters. Examination of the stock cards and physical count of the recharge cards revealed the following:

- a) **Differences in stock of CDMA recharge cards after physical inspection by the internal audit.**

638. Our review of bin cards revealed discrepancies in inventory of recharge cards were noted when the last physical inspection was done by the internal audit. Differences were noted between the

recorded stock balance of the bin cards and the quantities physically counted. Evidence was not submitted to show how these discrepancies were resolved. The differences are shown below:

Table 24; Differences in stock of CDMA recharge cards

DENOMINATION	INTERNAL AUDIT STOCK COUNT	LAST STOCK BALANCE (BIN CARD)	DIFFERENCE IN UNITS	TOTAL COST OF THE UNITS IN LE'
LE 2,000	1,007,500	1,037,500	30,000	60,000,000
LE 5,000	683,000	703,000	20,000	100,000,000
LE 10,000	76,000	86,000	10,000	100,000,000
LE 20,000	42,000	43,000	1,000	20,000,000
TOTAL				280,000,000

639. Physical count by the audit team on 10th December 2018 also noted differences in stock of CDMA recharge cards where the stocks recorded in the stock bins was different from the physically counted stock as shown below:

Table 25;stocks recorded in the stock bins was different

DENOMINATION	TECHNICAL AUDIT STOCK COUNT	LAST STOCK BALANCE (BIN CARD)	DIFFERENCE	TOTAL COST OF THE UNITS IN LE
			IN UNITS	
LE 2,000	1,012,500	1,007,500	5,000	10,000,000
LE 5,000	677,624	678,000	(376)	(1,880,000)
LE 10,000	60,000	51,000	9,000	90,000,000
LE 20,000	54,000	39,000	15,000	300,000,000
TOTAL				398,120,000

640. The resulting differences could not be accounted for and therefore the stock management at Sierratel may have weaknesses that may lead to revenue loss.

We recommended that these differences should be recovered from the three officers who have access to the store.

Vehicles not Accounted for: Le2,488,571,624.44

641. Section 13(2g) of the Public Financial Management Act, 2016 states that: “For discharging his general responsibilities under subsection (1), the vote controller of a budgetary agency shall

safeguard and manage assets and public money under the responsibilities of the budgetary agency”.

642. Our physical verification of Sierratel vehicles on 11th January 2019, at the Tower Hill Office revealed that 50 of 79 vehicles with historical cost of Le2,488,571,624.44 could not be accounted for. Twenty-seven vehicles were physically verified, whilst two vehicles with registration numbers AHZ 211 and AHZ 214 which were said to be stationed at the Bo and Kono offices respectively could not be verified. We also noted that 23 of the physically verified vehicles were not recorded in the 2015 fixed assets register made available to us. The registration numbers of 24 vehicles of the 50 unaccounted vehicles could not be ascertained, as their life cards were not located. Details are attached as **Appendix 26**.

Since the Sierratel management failed to account for these vehicles, we recommend that the matter be brought to the attention of the Anti-Corruption Commission.

SALCAB

643. The Sierra Leone Cable Limited (SALCAB) is a fully government owned company incorporated as a limited liability company on 25 March 2010 to serve as a special purpose vehicle to participate in and join the Africa Coast to Europe Submarine Cable (ACE) Consortium as the designated landing party for Sierra Leone.
644. The main objective of SALCAB is to provide and operate a world-class telecommunications backbone network infrastructure that will drive connectivity and economic growth. The aim of SALCAB is also to provide internet bandwidth to government, individual households, small, medium and large businesses, educational institutions, health sector, the hospitality industry, non-governmental organizations at an affordable cost. In essence, the role of the company is to reduce the cost of internet bandwidth.
645. SALCAB is the ACE Submarine Cable Landing Party in Sierra Leone responsible for the operation and commercialisation of wholesale internet services on ACE Submarine Cable, as well as the providing national wholesale services over the ECOWAS Wide Area Network (ECOWAN).
646. SALCAB’s mission is to bring value to our society, through the innovative, open access, neutral and efficient management for the provision of wholesale national and international services in order to increase the access to the internet and telecommunications services, while improving quality and reducing the costs.

The following observations were made during the technical audit of SALCAB:

ACE Cable and Operations

647. The ACE (African Coast to Europe) submarine communications cable is a cable system along the west coast of Africa between France and South Africa managed by a consortium of 19 operators & administrations headed by Orange. The consortium agreement was signed on 5th June 2010, but it was not available for review and understanding of their operations and obligations by SALCAB.
648. During an interview with the CCO Mr. Pkakima, the audit team was informed that it was agreed that an average sum of amount was to be paid to ACE on a quarterly basis through money transfer.
649. The technical team conducted another meeting with the management of SALCAB on 10th January 2019, where the Managing Director admitted that they are yet to understand the details of the contract between SALCAB and ACE Consortium as the document was too voluminous.
650. The technical audit team however established that SALCAB is billed by Africa Coast-Europe (ACE Consortium) for operation and maintenance costs. However, the audit team could not establish the amount paid to ACE Consortium for the period under audit review.
651. There could be at a risk of making irregular payments to ACE Consortium or even duplicate payments been made from SLACAB's operational bank accounts.

It is therefore recommended that:

- i) The management should get an in-depth understanding of the contractual agreement between SALCAB and ACE Consortium.**
- ii) SALCAB should review the invoices from ACE Consortium and compare if the invoices are in agreement with contractual obligations.**
- iii) The management should find out the amount of money that has been paid to ACE Consortium vis-a-vis the invoices received to establish the validity of the payments made.**

ECOWAN and National Fibre Backbone (NFB)

652. The ECOWAN and NFB project had an objective to deploy a terrestrial fiber backbone to take the huge traffic from the landing station to be distributed across the country. The ECOWAN & NFB network is an open access neutral fiber network providing telecommunications operators with a full set of wholesale services, including National IPLC services, ethernet services, IP transit and internet services as well as collocation services. The project was implemented in 15

locations across the country. During the audit review, the technical audit team noted and observed the following:

Type Approval for Telecommunications Equipment

653. Under Section 45(2) of the Telecommunications Act of 2006, no person who provides a telecommunications service or supplies telecommunications equipment shall use or supply, as the case may be, any telecommunications equipment which does not comply with technical standards prescribed by the Commission.
654. It was however observed that SALCAB does not have type approvals for the telecommunications equipment in use on the WiMax project including SFP modules and DWDM equipment.
655. SALCAB is therefore at risk of penalties due to non-compliance with the Telecommunications Act, 2006.

We recommended that SALCAB should seek for type-approvals for all the telecommunications equipment from the regulator, which are in use for their operations.

In their response to draft management letter, the management indicate that SALCAB is registered under the Companies Act, 2009 and therefore not regulated by the Telecommunications Act, 2006.

In our professional opinion, SALCAB is a telecommunications operator in Sierra Leone and is therefore subject to licensing under the Telecommunications Act 2006. In addition, all the telecommunications equipment in use should be type approved under the Telecommunications Act.

Disaster Recovery Measures

656. After conducting interviews and reviewing the ECOWAN and national fiber-optic backbone (NFB) project documents and network diagrams, it was observed that link level redundancy was not considered during implementation of the project. This means that in the event of fiber cuts at any point in the path, services to customers would be disrupted.
657. It was also observed that SALCAB does not have a Disaster Recovery Plan (DRP), which would set out details allowing a structured, orderly and timely recovery of IT operations in the event there is a major disruption.

We recommended that the management of SALCAB should develop and seek for board approval of a disaster recovery plan, which will clearly outline the process to be followed in the event of a disaster. In addition, SALCAB should implement a disaster recovery

solution, which would ensure continuity of services in the event of a fiber-optic disconnection within the network by June 30, 2019.

In their response to draft management letter, the management stated that in terms of connectivity and network redundancy plans, the new management intends to deploy a robust and resilience network that will serve as a major backbone to drive oceanic and terrestrial connectivity in Sierra Leone and the sub-region.

We further recommend that these redundancy plans should be forwarded to the Auditor-General for verification.

Non-payment of Frequency License Fees

658. During the implementation of the WiMAX project, SALCAB obtained the WiMAX spectrum frequency band 50MHz of 2.5GHz. According to the Telecommunication Act of 2006, the licensing of frequencies is done by NATCOM, which includes payment of application fees and annual regulatory fees.

659. However, a review of payments made to the regulator since the implementation of the project revealed that SALCAB was not remitting annual fees for the frequencies allocated by the regulator.

We had recommended that SALCAB should remit annual fees to NATCOM for the frequencies allocated.

In their response to the draft management letter, the management SALCAB is registered under the Companies Act and therefore not regulated by the Telecommunications Act, 2006.

In our professional opinion, SALCAB is a telecommunications operator in Sierra Leone and is subject to licensing under the Telecommunications Act 2006. In addition, all the frequencies used by SALCAB should be licensed in accordance with the Telecommunications Act and the appropriate fees should be paid to the regulator.

We therefore further recommend that SALCAB should be licensed under the Telecommunications Act and management should ensure compliance with the provisions of in relation to the frequencies.

Irregular Payment to Consultant

660. During the audit, it was revealed that on 15th November 2018, Dr. Emmanuel Mannah entered into a contract with SALCAB to prepare the project completion report of the ECOWAN

Sierra Leone project. Review of the contract terms and other relevant information revealed the following:

- i. According to the signed handover report, the ECOWAN Sierra Leone Project had been completed in January 2017.
- ii. On 18 May 2018 before signing of the contract, Dr. Emmanuel Mannah was paid US\$ 9,000 as part payment (60%) of the contract.

661. SALCAB engaged Dr. Emmanuel Mannah for services that had already been undertaken and that there was no value for money in the payment of these services.

It is therefore recommended that SALCAB should always follow the Public Procurement Act, 2016 when procuring consultancy services. This irregular amount of US\$9,000 paid to the consultant should be recovered and paid into the company's bank account and evidence of payment forwarded to the Auditor-General for verification.

In the response to draft management letter, the management indicate that they have instituted a system that would ensure procurement are done in accordance with the public procurement Act. In addition, the management indicated that they did not receive, from the previous management, any document in relation to the contract with Dr. Emmanuel Mannah.

We therefore further recommend that SALCAB should recover the amount of US\$ 9,000 that was paid to Dr. Emmanuel Mannah before 30th June 2019. The evidence of this recovery should be submitted to the Auditor-General for verification.

Contracts

a) The provision of Operational Support Services for the Start-Up Operations of the Unified Terrestrial Optical Fiber Backbone Network Procurement: SALCAB/TFN/2016/002

662. On 24th June 2016, the Procurement Committee held a meeting to put in place plans for the procurement of maintenance support services for the start-up operations of SALCAB's terrestrial fiber optic cable network.

663. The Managing Director informed the meeting that SALCAB was in the process of taking over the ECOWAN project and NFB networks and combining them with its own network to form a terrestrial fiber network in Sierra Leone.

664. The MD also informed the meeting that the management of SALCAB had decided to outsource several aspects of the future network operations to achieve efficiency and effective service provision. The MD further admitted there was need to hire a consultant for the operational start-up operation of the terrestrial fiber network. During the meeting, the procurement unit was instructed to initiate the procurement process of the service.
665. On 15th September 2016, the Permanent Secretary, Ministry of Information and Communication appointed the Managing Director for SALCAB to be the Chairman of Bid Evaluation Committee for the procurement of maintenance support services for terrestrial fibre optic cable network.
666. On 20th September 2016 the Deputy Director of Communication, MIC appointed the Procurement Officer, SALCAB to be a member of the bid evaluation committee for the procurement of maintenance support services for terrestrial fiber optic cable network
667. On 19th September 2016, SALCAB made an advertisement for Request of Expression of Interest for the Provision of Operational Support Services for Start-Up Operations of the unified terrestrial optical fiber backbone network. The expression of interest was to be delivered in a written form or email not later than 26th September 2018
668. According to the bid register, only Conecta Linking Ideas & Solutions (Conectalis) and Compendi SL Offshore submitted bids.
669. Tender opening was done on 13th October 2016 by Tapsiru Alieu Sesay, Andrew Kamara, Abdul Rahman, Sylvester Elliot and Gladys Lawali.
670. In prequalification evaluation, a firm was considered responsive if it produced evidence of the following requirements:
671. The first category was the Statutory Documents-Validity which comprised of business registration, tax clearance, NASSIT and MET/other licenses. The second category was eligibility that is work experience and similar assignments, signed bid form, bid security and completeness of the bid.
672. According to the opening evaluation report signed by Mr. T.A. Sesay, the Procurement Officer, Compendi SAL (Offshore) did not submit tax clearance, NASSIT and Met/Other Licenses. Compendi SAL was thus disqualified on this basis; the technical audit team could not ascertain whether these qualifications were included in the bid document
673. In the prequalification evaluation, only Conecta Linking Ideas & Solutions (SL) was considered responsive and proceeded to the technical evaluation.
674. On 19th October 2016, the Managing Director SALCAB wrote to Compendi SAL Offshore to inform them that their expression of interest was rejected and not considered for further evaluation by SALCAB. This was a recommendation made by bid opening committee because

they did not meet minimum information requirement (tax and other related statutory requirements)

675. SALCAB did not avail Compendi SAL Offshore's bid therefore the technical audit team could not ascertain whether the documents were presented or not.

Request for Proposals

676. On 20th October 2016 SALCAB sent Request for Proposal (RFP) to Conectalis via email informing them to submit their proposal in both hard and soft copies not later than noon of 27th October 2016. The email further stated that all bids must be quoted in Leones.

677. The special audit team could not ascertain the date when Conectalis submitted their bids since SALCAB did not make available the bid submission register.

678. The bids were evaluated on 1st November 2016. The bid evaluation committee consisted of:

- i. Andrew Kamara- Chairman
- ii. Tapsiru Sesay-Procurement Officer
- iii. Sylvester Elliot- Station Manager
- iv. Abdul Rahman Wurie-Chief Technical Officer
- v. Ms. Gladys M. Lavali –Human Resource Officer

679. The set criteria for the bids were specific relevant experience, methodology and response to TOR, qualification of key personnel, capacity building/knowledge transfer and price.

680. The technical audit team noted that the individual evaluation reports were not compiled to get an average mark; thus the audit team could not ascertain the results that were used to propose Conectalis for award.

681. The procurement committee proposed that Conectalis be awarded the contract on 1st November 2016.

682. The contract between SALCAB and Conectalis was signed on 4th December 2016 at yearly contract sum of US\$ 496,478.00. The expiration of the contract was 24 months or such other time period as the parties may agree in writing.

683. According to the contract, the deliverables were:

- i. A full five-year business plan
- ii. 2017 and 2018 annual budgets
- iii. A full portfolio of SALCAB services
- iv. A complete operational model (process definition, procedures and main technical instructions

- v. Engineering, configuration, deployment and management of IP backbone and access network
- vi. The service contracts (MSA), service orders forms (SOF) and commercial procedures to operators (Relational Model)
- vii. The rate card of SALCAB services
- viii. Actualisation of webpage
- ix. Marketing and commercial plan
- x. Control on all KPI of outsourced services
- xi. Control of all KPI of services delivered

684. A total payment of US\$ 526,299.56 and Le 2,311,461,593.5 was made to Conectalis for the period under review. The technical audit team could not ascertain whether this was the full amount expended to the firm.

685. The technical audit team made the followings observations:

- i. The advertisement for the services was placed and vendors were allowed seven days to submit their bids. This was contrary to the Public Procurement Act, 2016 which provides that bidders should be given at least 14 days to submit their bids.
- ii. SALCAB used the National Competitive Bidding method instead of International Competitive Method as required by the Public Procurement Act, which provides that International Competitive Bidding (ICB) shall be held when the estimated value of the procurement exceeds Le 600 million.
- iii. SALCAB did not prepare a budget and procurement plan for the period. This contravenes section 29 (1) and (2) of the Public Procurement Act, 2016 which states that: *“(1) All procuring entities shall undertake procurement planning, with a view to achieving maximum value for public expenditure and the other objects of this Act, (2) The procurement plan to support the procuring entity’s approved programme and budget shall indicate:*
 - (a) contract packages,*
 - (b) estimated cost of each package,*
 - (c) the procurement method, and*
 - (d) processing steps and times.*
- iv. SALCAB did not conduct a feasibility study of the service they were procuring, thus there were not terms of reference and specifications for the service.
- v. The technical audit team noted that on 6th October 2016 before tender opening the Procurement Officer Mr. Tapsiru Sesay sent an email to Connectalis indicating that as

soon as prequalification is done, SALCAB will require them to submit proposals on 17th October 2016.

- vi. Conectalis was the only firm invited to submit the proposal after Compendi SAL Offshore was disqualified for non-submission of tax clearance, NASSIT and Met/ other licenses.
- vii. The contract between SALCAB and Conectalis was signed on 4th December 2016 for an annual contract sum of US\$ 496,478.00 and contract period of 24 months (2 years)
- viii. Conectalis had however been paid US\$ 33,667 prior to signing the contract. These payments were made on different dates between 15th February and 14th July 2016
- ix. SALCAB did not make available any evidence including reports to confirm that Conectalis delivered the services paid for.

686. Therefore, SALCAB may have incurred an expenditure of US\$ 526,299.56 and Le 2,311,461,593.50 for services that were not rendered by the supplier as detailed in **Appendix 27**.

SALCAB may have incurred an expenditure of US\$ 526,299.56 and Le 2,311,461,593.50 for services that were not rendered by the supplier. We therefore recommend all funds paid to this supplier be recovered before the June 30, 2019.

In their response to the draft management letter, the management indicated that the contract with Conectalis was terminated as it did not give value for money.

Although the contract has since been terminated as indicated by the management, we further recommend that the amounts paid to Conectalis should be recovered before 30 June 2019. The evidence of these recoveries should be submitted to the Auditor-General for verification.

b) Nationwide Multimedia Sensitisation Activities

- 687. A review of the procurement process by the technical audit team identified that the procurement was done in two phases.
- 688. The procurement committee held a meeting on 25th September 2017 to deliberate on multimedia sensitisation for schools and university connectivity project and T-shirt printing and other items.
- 689. In the meeting, the CFO Mr. Aaron-Johnson proposed that SALCAB could use restricted bidding procedure.
- 690. The committee agreed that SALCAB should request quotations from the pre-qualified bidders. The identified bidders were;

- i. Kabaka Multimedia & Entertainment
- ii. Yengae Investment
- iii. Vadilson Virg Ent.

691. On 8th January 2018, the procurement committee held a meeting to put plans in place for the annual procurement activities. One of the items presented in the meeting was Media and Communications services with an estimated cost of Le 2,129,950,000.

692. In the meeting, the CFO advised the committee that procurement of selected items should be awarded to SALCAB's existing suppliers because the items were urgent. One of the items was Media and Communications Services.

693. The technical audit team noted that Kabaka Multimedia & Entertainment was awarded the contracts.

694. A total payment of Le 1,619,100,000.00 was made to Kabaka Multimedia & Entertainment between 17th November 2017 and 9th March 2018 as detailed in **Appendix 28**.

695. The technical audit team made the following observations:

- i. SALCAB used Request for Quotations to procure services contrary to Public Procurement Act, 2016 which states that: 'The request for quotations method may be used for the procurement of goods and works when the estimated value of the procurement of services does not exceed Le 60 million'.
- ii. SALCAB signed two contracts with Kabaka Multimedia Entertainment as follows:
 - a) The first contract was signed on 3rd December 2017 with a contract sum of US\$ 50,000.00. The contract was for the provision of follow-up promotional multimedia sensitisation activities in favor of the schools and university connectivity project that will target the general public over the Christmas holidays
 - b) The second contract was signed on 5th March 2018 with a contract sum of Le 1,821,800,000. The contract was for the provision of multimedia and public relations services to promote SALCAB's drive to create positive image and maintain a national awareness about Sierra Leone's terrestrial fiber network
- iii. SALCAB did not make available the payment vouchers to ascertain the amounts paid to Kabaka Multimedia Limited. However, examination of the bank statements indicated that SALCAB paid Le 1,619,100,000 between 17th November 2017 and 9th March 2018.
- iv. There was no evidence available to indicate that Kabaka Multimedia Entertainment delivered the services.
- v. Kabaka Multimedia Entertainment was irregularly awarded the contracts.

696. Therefore, SALCAB may have incurred an expenditure of Le 1,619,100,000 for services that were not provided by the supplier.

697. The Company Status Report indicated that Kabaka Multimedia and Entertainment Company Limited has not filed annual returns since date of incorporation, in accordance with section 317 of the Companies Act. The report also revealed that the directors of Kabaka Multimedia and Entertainment Company Limited are Abu Bakarr Turay Esq and Mrs. Mahentta Turay.

It is therefore recommended that:

- i) The management of SALCAB should develop annual procurement plan for all its activities, which should be approved.**
- ii) Due to lack of evidence that Kabaka Multimedia Entertainment delivered services in accordance with the signed contracts, we recommend that SALCAB should recover the sum of Le 1,619,100,000 and other amounts that were paid to them in relation to this contract.**

In their response to the draft management letter, the management confirmed that the list of services in this contract were part of the terms of reference of the former chief commercial officer. The management further indicated that the contract was terminated as it did not give value for money.

We further recommend that the funds paid to Kabaka Multimedia Entertainment should be recovered before 30th June 2019. The evidence of these recoveries should also be submitted to the Auditor-General for verification.

Unsupported Expenditure

698. Under regulation 73 (1) of the Financial Management Regulations 2007, all disbursements of public monies shall be properly supported by payment vouchers.

699. A review of SALCAB's bank statements indicated that there were payments, withdrawals and transfers of monies totaling US\$ 2,493,842.69 and Le 1,606,996,942.00 from January 2015 to May 2018 from various bank accounts operated by SALCAB as summarised in the table 2 below:

Table 26: Payments, withdrawals and transfers

No	Name/Payee	Designation	Amount US\$	Amount Le	Remarks
1	Transfers	Unknown recipients	1,000,458.25	-	See appendix 29
2	Mohammed Sheriff	Former Managing Director, SALCAB	481,384.98	-	See appendix 30
3	Idrissa Yilla	Former Chairman, SALCAB	382,971.63	-	See appendix 31
4	Roland Nylander	Former Director, SALCAB	147,281.00	-	See appendix 32
5	Mustapha Silla	Former Admin Manager, SALCAB	-	1,606,996,942.00	See appendix 33
6	Others		244,924.34	-	See appendix 34
7	Companies		236,822.49	-	See appendix 35
	Total		2,493,842.69	1,606,996,942.00	

700. The following observations were also made:

- i. All these withdrawals were not supported by any payment voucher, invoices and delivery notes.
- ii. The transfers of US\$ 1,000,458.25 were done without any details of where the money was wired to, or approvals to make the transfers. A further US\$ 236,822.49 was paid out to companies i.e. Orange (SL) Limited, AFRIX and Techwire ICT Solution, who did not have any contract with SALCAB and therefore we could not ascertain the services offered.
- iii. The audit team conducted an interview on 5th December 2018 with the former Administration Manager Mr. Mustapha Silla with regards Le 1,606,996,942.00 that was withdrawn under his name. During the interview, Mr. Silla informed the audit team that the former Managing Director, Mr. Mohammed Sheriff, used to write cheques in his name, and that he handed over the cash to the former Managing Director Mr. Mohammed Sheriff, for participants during nationwide sensitisation of the national terrestrial fiber network. However, Mr. Mustapha Silla admitted that he did not have any supporting documents for handing over the cash to the former Managing Director, Mr. Mohammed Sheriff.

701. The total amount of US\$2,493,842.69 and Le 1,606,996,94 may have been paid without provision of any services to SALCAB.

We recommend that the unsupported and unauthorized cash withdrawals and transfers of US\$ 2,493,842 and Le 1,606,996,942 should be recovered by 30th June 2019 from the individuals and entities concerned and paid back into the company's account with evidence sent for audit verification.

In their response to the draft management letter, the management confirmed that it did not have any supporting documents for these withdrawals and transfers. In addition, the former administrative officer, Mr. Mustapha O.B. Silla confirmed, in a letter dated 12 February 2019, that he withdrew Le 1,606,996,942 and handed over the cash to the former Managing director, Mr. Mohamed Sheriff and the former board chairman, Mr. Idrissa Yilla.

We further recommend that these unsupported and unauthorized cash withdrawals and transfers should be recovered from the individuals and entities concerned. These recoveries should be done before 30 June 2019 and the evidence should be submitted to the Auditor-General for verification.

Generator Fuel Expenses

702. During the period under audit, SALCAB procured fuel for its generators located at the cable landing stations and other sites within the country. The following observations were made upon examination of the generator fuel expenses:

- i. Under regulation 73 (1) of the Financial Management Regulations 2007, all disbursements of public moneys shall be properly supported by payment vouchers. However, as per the QuickBooks' general ledger, SALCAB paid Le 1,588,010,000 for fuel between 1st January 2015 and 31st May 2018; but only payment vouchers for Le 136,840,000 were made available for audit. Therefore, a total expenditure of Le1,145,385,000 could not be supported, and we could not ascertain whether these expenses were for fuel, and whether the fuel were delivered to the sites. **See Appendix 36.**
- ii. In addition, regulation 236 of the Financial Management Regulations 2007 provides that a logbook or operating record shall be maintained for each vehicle, launch or plant. The logbook records the details of fuel, oil, spares, other consumables, servicing, repairs among others. However, SALCAB did not provide the fuel consumption records for all the cable landing stations and sites for the period under audit. Therefore, the audit team

was restricted in verifying fuel consumption, running hours and maintenance services done.

- iii. Lapse in the internal control indicate that the officer requesting the supply of fuel was also the same officer who ensured delivery of fuel to the sites. In addition, the security firm contracted by SALCAB, Quest Security Investigations & Logistics Ltd., was also the supplier of fuel to the sites. This lack of proper internal controls poses a great risk to ensure that fuel requested, delivered and paid for are properly accounted for.

703. In view of the above, the audit team could not reliably confirm that the fuel expenses of Le 1,588,010,000 was incurred for goods that were delivered to SALCAB.

We recommended that adequate internal controls should be designed to ensure proper segregation of duties and accounting for all expenses.

In their response to the draft management letter, the management stated that they did not have any supporting documents for these payments. In addition, the management indicated that internal audit unit would ensure segregation of duties and sound internal control systems.

Board Expenses

Examination of available documents in relation to board expenses revealed the following:

- 704. Review of the Board minutes indicate that the number of board members was reduced from twelve (12) in June 2013 to three (3) in September 2013. SALCAB did not provide documentation to indicate the basis and rationale to reduce board members, which gave the Chairman unfettered powers to control the day-to-day operations of the company.
- 705. SALCAB did not provide the supporting documents for Le 262,871,200 in the 2015 financial year and Le123,105,000 in 2016. No payment records were submitted for FYs 2017 and 2018 as detailed in **Appendix 37**.

We recommended that SLACAB should make available the supported board expenditure to the Auditor-General by 30th June 2019, otherwise, the money should be recovered from the authorised signatories and paid into the company's bank account and evidence submitted to the Auditor-General for verification by 31st July 2019.

In the response to draft management letter, the management only provided the appointment letters of the directors. The management also confirmed that it did not have any supporting documents for these payments.

We therefore further recommend that the amounts paid should be recovered from the signatories to the bank accounts by 30th June 2019. The evidence of these recoveries should also be submitted to the Auditor-General for verification.

Donations

706. During the period under audit, SALCAB made donations to various institutions and individuals. Examination of the available documentation including cheques books, bank statements, payment vouchers and QuickBooks' ledgers revealed the following:

- i. SALCAB did not have a policy to guide the request, processing, approval and issuance of donations paid by the company.
- ii. SALCAB paid cash and benefits in kind to former Ministers of Information and Communication totaling Le 233, 897,500 as shown in **Appendix 38**.
- iii. SALCAB paid Le 431, 250,000 to the former Chairman of the Parliamentary Oversight Committee on Information and Communications, Hon. Benneh Bangura as detailed in **Appendix 39**.
- iv. Other members of parliament were paid as follows:
 - a) Hon. Sheku Amani Sankoh received **Le50,000,000** for the proposed construction of the Lumley market. This payment ought to have been paid to the Freetown City Council which is responsible for markets.
 - b) The former speaker of the house, Hon. Ibrahim Bundu received Le50,000,000 toward constituency 52 annual trade fair.
 - c) Hon. Chernor R.M. Bah received Le50,000,000; the purpose for this payment was however not disclosed to the audit team.

707. SALCAB made monthly donations totaling Le490,000,000 to the Fiber Optic Backbone Project. However, there was no evidence to support the basis for which these donations were made. **See appendix 40.**

708. SALCAB had contractual agreements with Kabaka Multimedia and Freetown Nominees for supply of goods and services. It was however revealed that SALCAB also made donations to these suppliers as shown in table 3 below:

Table 27; Donations to Suppliers

Date	Numb.	Name	Memo	Bank	Debit
23rd Dec. 2016	1491519	Babafemi H. Aaron Johnson	Christmas donation to Freetown Nominees	GTB	20,000,000
1st Dec. 2018	2109334	KABAKA Multimedia	Sponsorship for the upcoming xmas beach fiesta 25th Dec 2017	1103 · FIB - SLL	35,000,000
Total					55,000,000

709. SALCAB also made donations totaling Le 1,897,965,000 to government entities, individuals and private organisations as shown in **Appendix 41**. The payment vouchers and supporting documents for these donations were not available to verify the purpose.

We recommend that SALCAB should ensure that the sum of Le 3,258,194,500.00 is recovered from either the recipients or the officers who approved these donations.

In their response to the draft management letter, the management indicated that they were unable to obtain the supporting documents form the former SALCAB management team.

We therefore further recommend that all the monies donated should be recovered and re-paid by either the beneficiaries or the officers who approved these expenses. The recoveries should be done before 30 June 2019 and evidence of the same should submitted to the Auditor-General for verification.

Loans

710. Review of the availed audited financial statements for SALCAB for 2014 and 2015 indicated that SALCAB owed NATCOM Le 3,067,400,000 and Le 4,064,025,000 respectively.

711. A review of SALCAB's Board of Directors minutes showed that on 2nd September 2013 the Board of Directors held a meeting and the Chairman informed the meeting that the Government of Sierra Leone had assumed full responsibility of the operations and administrations of SALCAB.

712. On 18th October 2013, the Chairman reported to the meeting that a three months' budget for operation of SALCAB had been prepared and submitted to the then President of the Republic of

Sierra Leone, Dr. Ernest Bai Koroma, the Minister of Information and Communication and NATCOM, noting that the budget had been approved but the authorities informed management that it was a loan to SALCAB.

713. In a board meeting held on 25th May 2016, the Chairman informed the board that SALCAB had received a soft loan from NATCOM as per a government directive in the sum US\$900,000.
714. In the same meeting, it was noted that SALCAB had repaid US\$210,000. However, the board was informed that NATCOM was requesting a repayment of the outstanding amount. The board agreed to pay US\$ 100,000 to NATCOM and the balance to be repaid as agreed by SALCAB and NATCOM.
715. SALCAB did not make available documents regarding the loan agreement, loan register and amortization schedule for the loans received from NATCOM. The audit team could therefore not ascertain the status of the loans.
716. A review of payment vouchers and banks statements from NATCOM revealed that US\$ 1,009,812.64 and Le 62,250,000.00 was issued to SALCAB between 2013 and 2016 as detailed in table 28 below:

Table 28; Details of Payment Vouchers to SALCAB

Date	Voucher No.	Details	Payee	Amount	Amount	A/C
				US\$	Leones (Le)	
30th Aug. 2013	0741	Transfer of funds iro of support to continue servicing their clients	SALCAB	200,000.00	-	GTB
30th Aug. 2013	0740	Transfer of funds iro of support to continue servicing their clients	SALCAB	167,588.16	-	FIB
15th Nov. 2013	0766	SALCAB (Support in operations)	SALCAB	339,687.24	-	FIB
21st Jan. 2014	06771	Transfer of funds iro of support towards local and international operations and maintenance budget for 4th quarter, 2013	SALCAB	219,687.24	-	SLCB(Leones-converted)
7th Feb. 2013	0654	Payment for SALCAB as LOAN	SALCAB	82,850.00	-	GTB
19th Feb. 2016	05291	Loan to SALCAB	SALCAB	-	62,250,000.00	
		TOTAL		1,009,812.64	62,250,000.00	

717. Given that NATCOM did not record these loans as receivables, there is a likelihood that these funds were not utilized for the intended purpose.

It is therefore recommended that SALCAB and NATCOM should conduct a reconciliation of these loan amounts with a view to establishing the correct balances and loan recovery measures to be made.

In their response to the draft management letter, the management confirmed the existence of the loan. In addition, the management stated that SALCAB and NATCOM held a meeting to reconcile the loan balances.

We therefore further recommend that the reconciled loan figures and repayment plans should be submitted to the Auditor-General for verification before 30 June 2019.

Revenue

718. SALCAB currently offers four services to various clients who in turn pay for the services delivered. These services include:

- IP Transit
- IP list line
- Terrestrial fiber

719. Collocation of power

720. According to an interview conducted with CCO, Mr. Pkakima, each service has a price that is determined by SALCAB from time to time.

721. SALCAB has 13 clients (ISPs and mobile operators). At the end of every month, SALCAB raises an invoice to each client depending on the service/product offered to the client. The technical audit team could however not determine the basis or criteria used to invoice the clients.

722. An analysis of the data extracted from QuickBooks at SALCAB indicate that SALCAB invoiced Le 133,218,256,666.74 and collected Le 88,485,322,708.21 for the period under audit review as detailed in Appendix XVI. The debt as at July 2018 was therefore Le 44,732,933,959.

723. The technical audit team made the following observations:

- i. The Ministry of Information and Communication has not made any payments to SALCAB for the services provided and currently owes SALCAB Le 27,440,003,796.49.

- ii. Invoices for Onlime Limited were understated by Le 2,364,908,909.50 as detailed in table 5 below.

Table 29; Onlime Invoice understatement

Date	Invoice Number	Invoice Amount (Le)	Posted Amount (Le)	Deviation
1st May 2017	01052017-04	464,260,060.00	245,411,365.05	218,848,694.95
1st June 2017	01062017-04	483,862,500.00	245,411,365.05	238,451,134.95
1st/ July 2017	01072017-04	483,862,500.00	245,411,365.05	238,451,134.95
1st Aug. 2017	01082017-04	483,862,500.00	245,411,365.05	238,451,134.95
1st Sept. 2017	01092017-04	483,862,500.00	245,411,365.05	238,451,134.95
1st Oct. 2017	01102017-04	483,862,500.00	245,411,365.05	238,451,134.95
1st Nov. 2017	01112017-04	483,862,500.00	245,411,365.05	238,451,134.95
1st Dec. 2017	01122017-04	483,862,500.00	245,411,365.05	238,451,134.95
1st Jan. 2018	01012018-04	483,862,500.00	245,411,365.05	238,451,134.95
1st Feb. 2018	01022018-04	483,862,500.00	245,411,365.05	238,451,134.95
Total		4,819,022,560.00	2,454,113,650.50	2,364,908,909.50

It is therefore recommended that:

- i) **SALCAB should develop a policy on debt management and institute debt recovery measures for its customers.**
- ii) **SALCAB should ensure that accurate invoice amounts are posted in the QuickBooks.**

In their response to the draft management letter, the management confirmed that their records indicated huge debt owed to SALCAB by its customers. In addition, the management indicated that it had set-up a committee to develop repayment plans for all its debtors.

It is therefore further recommended that the management should submit these repayment plans by 30 June 2019 and should, on a quarterly basis, provide evidence of any debt collected by SALCAB.

CIVIL WORKS

INTRODUCTION

724. Civil works in Sierra Leone involves construction activities that include houses, transport and water infrastructures. This sector has significant contribution to the national economy of Sierra Leone. It also takes a large percent of the total annual budget of GOSL.
725. The main identified key actors responsible for management of civil works in Sierra Leone include Ministry of Works and Public Asset, SALHOC, RMFA and SLRA.
726. The governing policies and legislation in this sector include:
- a) National Land Policy of Sierra Leone, 2015
 - b) Public Procurement Act, 2016
 - c) National Assets and Government's Property Commission Act, 1990
 - d) Sierra Leone Public Procurement Act of 2004 and 2016
 - e) Public Finance Management Act, 2016
 - f) Public Finance Management Regulations 2018
 - g) Sierra Leone Civil Service Code Rules and Regulations
 - h) Sierra Leone Roads Act of 1992 (as amended in 2010)
 - i) Sierra Leone Roads Maintenance Fund Administration Act, 2010
 - j) Sierra Leone Roads Traffic Acts 2007; and
 - k) Sierra Leone Roads Transport Authority Act, 1996

THE MINISTRY OF WORKS AND PUBLIC ASSET

727. The Ministry of Works and Public Assets is responsible for the construction and maintenance of all government buildings including residential quarters for civil servants. Its key functions include: developing regulations for building and civil engineering standards; identifying quarrying sites; registration of all civil works contractors; providing housing for civil servants; collaborating with other MDAs/Institutions to develop a National Infrastructural Policy; providing professional advice to all MDAs/Institutions/Non-state involved in infrastructural development (These include for example, electricity, water, sewage and sanitation); providing oversight responsibilities for SALHOC, SLRA and now National Asset and Government Property Commission.
728. The Ministry of Works and Public Assets was assessed on its effectiveness in the management of government residential quarters to ensure adequate provision of houses to meet the needs of civil servants in Sierra Leone. The findings are as detailed below:

Planning for Housing Programs

729. Sierra Leone embarked on the Agenda for Prosperity (A4P), for social and economic development for 2013-2018. Pillar 6 of the A4P – Social Protection is geared towards strengthening support for housing. The audit team made an assessment of the strategies and plans for housing programs to ascertain whether the Ministry of Works has adequate plans to enable it achieve the overall government goal for provision of low-cost houses to its citizen. The following are the audit observations:

Ministry Works and Public Assets does not have adequate Strategies and Objectives for Housing Programs

730. The Ministry of Works did not have adequate strategies and operational plans that would ensure the attainment of the housing program aimed at providing residential accommodation for all or at least majority of the civil servants and not public servants. This is despite the fact that the Ministry is mandated to design, coordinate and monitor the implementation of policies and programmes for the development of housing sector.

731. The Ministry does not have plans related to formulation of housing policies as part of its mandate. The reviewed Ministry's Strategic Plan and MTEF for 2015-2017 did not provide adequate strategies for facilitating the achievement of government goal as well as details of operational interventions. Furthermore, through the review of expenditure analysis for 2014, it was noted that two activities related to housing issues were planned. These activities were: (a) repair of government buildings and (b) review of housing policy. But, there were no funds allocated by the Ministry to facilitate the implementation of those two planned activities. The Ministry focused more on the maintenance and construction of presidential lodge and offices and less on its goal for the provision of affordable housing, in order to reduce the number of people living in slums by 50 percent.

732. A review of the Annual Performance Target Implementation reports 2017, revealed the activities planned were focus on the rehabilitation of quarters for senior public servants as presented in the Table below:

Table 30: Analysis of Performance Tracking Table 2017

OUTCOME	Housing Intervention Planned
Improved Policy formulation, support and Dissemination	National Housing Developed
Effective contribution to the Implementation of the Agenda for Prosperity	Construction and rehabilitation of roads to government quarters in Cockrill South, and Brookfields)
Improved Institutional capacity	Recruitment of Senior Professional
	50 Artisan recruited
	Training on auto card to 8 officers
Improved Institutional Reforms and Functions	Formulation of Independent Procurement Committee
	Conducting four internal/Integrity Audit Committee
Effective Contribution to the Implementation of Sustainable Development Goals. AU2063 Agenda for Improvement	No intervention related to housing
Improved Institutional Mandate	Construction of Presidential/VIP Lodges in Makeni
	Rehabilitation of Presidential Lodge and Construction of Outside toilets in Lungi Airport
	Construction of additional floor and replacement of wooden floor in Administration Building of the Ministry of Works
	Rehabilitation of Provincial Secretary's Quarters- BO
	Rehabilitation of Provincial Secretary's Quarters- Kenemal
	Rehabilitation of SDO's and DO's Quarters- Moyamba
	Rehabilitation of SDO's and DO's Quarters- Kono
	Rehabilitation of SDO's and DO's Quarters- Pujehun
	Rehabilitation of SDO's and DO's Quarters- Kailahun
	Construction of escape Stairwell at Technical Building – Ministry of Works
	Develop Compliance Stickers for Ministry of Works Policy and Regulation

Source: Performance Tracking Table Report, 2017

733. As seen above, of the 27 interventions planned, neither of them were focused on quarters located in the Western Area. The main reasons attributed to lack of adequate strategic and operational plans for the implementation of housing programs were:

- a) *Inadequate accountability on the side of management of the Ministry*: being the Ministry responsible for infrastructure and houses, the responsible ministry's officials did not take adequate initiatives for the preparation of the annual performance report;
- b) *Lack of competent staff at the Ministry of Works*: The Professional Department lack staff with adequate capacity who will advise the Ministry during planning; and
- c) *Poor coordination within the department in the Ministries*: The planning department and the Professional Division were required to coordinate well to ensure this important aspect of the Ministry is captured in their plans.

734. The Ministry failed to fulfil its role for the provision of housing to civil servants due to lack of accountability and prioritisation of housing programs. The Ministry does not have housing policy, comprehensive strategic and its operational plans, leading to failure to build-up adequate stock sufficient for the available number of civil servants. Lack of the strategy and housing policy has resulted into poor management of the few available government quarters.

735. The Ministry responded that steps were being taken to address the issue of lack of policies and programme. The Ministry gave an example of a Building Code that has been developed and submitted to the Law Officers Department for opinion which is yet to be sent to the Ministry.

736. Audit recognizes the availability of the performance tracking table used by the Ministry. Review and analysis of 2017 PTT reports indicated that the interventions were mainly focused more on the maintenance and construction of presidential lodge and offices and less focus on its goal for the provision of affordable housing so as to reduce the number of people living in slums by 50 percent. Interventions included were the Construction and rehabilitation of roads to government quarters in Cockerill and South Brookfields. Further out of the 27 interventions planned neither of them were focused on quarters located in Western area.

We recommend that the Management of the Ministry of Works and Public Assets should not later than 30th June 2019

- a. **develop comprehensive strategic and operational plans to supports its overall goals for the provision of quarters to civil servant;**
- b. **identify needs of housing in SL and use the result to develop a detailed strategies and operational plans to facilitate its implementation; and**
- c. **develop housing policy stating the responsibility of each actor for proper management of government houses. The Policy should be disseminated to other implementing public entities for effective implementation.**

Acquisition of Assets and their Recording to the Register

737. In this aspect, the audit assessed the extent of adherence to the standard procedures for acquisition of land (property) and houses. The audit team looked at methods used to acquire land and houses and the recording of those properties.

Below are the observations on this area:

Inadequate Adherence to Standard Acquisition Procedures by the Ministry of Works and Public Asset

738. Through the interview with officers from the Ministry, it was noted that, the Ministry don't know the exactly number of quarters which were vested to it. It was noted that, all of the 318 existing government quarters managed by the Ministry were inherited properties from the colonial government in 27th April 1961 and vested to the custodianship of the Ministry by the SL Government. However, the audit noted the following weaknesses:

i) *Ministry lack Proper Ownership over the vested Properties and Quarters*

739. The audit noted that the Ministry of Works and Public Assets lack documents to show proof of proper ownership of the vested properties (land and houses). It was further noted that 318 houses in Western Area under the ownership of the government lack proper documentation that provide proof of ownership.

740. This is contrary to the requirement of section 5.1 of the National Land Policy of Sierra Leone, 2015 which states that for an entity or individual to have proper ownership of the land or a house must have in possession the following documents: (a) survey plans (b) free hold (c) lease and (d)a complete conveyance. These documents should be approved by the Director of Surveys and Lands within the Ministry of Land Country Planning and Environment and registered with the Ministry through the system deeds registration.

741. Officials from the Ministry of Works pointed out that, they only have survey plans as a document showing the proof of their ownership. This is despite the fact that survey plan is not the only documents that qualify as one of the documents that can provide proof of ownership. The survey plans have to be accompanied by either free hold, lease hold for temporary ownership with specific conditions under which a violation of some of these rules may render the grant null and void. For a permanent ownership, one was required to have survey plan accompanied by a conveyance.

742. Further, the management of the Ministry explained that because those properties are situated within state owned lands, they do not need to have title deeds. The auditors found that argument to be contrary to the legal requirements as stated in the section 5.1 of Land Policy, 2015.

743. The Ministry could not provide to the auditors any documents for its properties and quarters. In absence of the necessary documents which provide proof of ownership the Ministry found it hard to evict people who invaded and encroached its land plots.
744. We conclude that the Ministry failed to adhere to the standard procedures for the acquisition of properties by ensuring that all necessary ownership documents are in place. Up to the time of this audit, the Ministry has not taken any initiative to register land and quarters believing that they are the state land. In absence of the necessary documents which provide proof of ownership the Ministry, provided room for the allocated officials to acquire part of the surrounding
745. We also attribute this as lack of accountability of the Ministry to safe guard the government property by ensuring that they obtain permanent ownership document as required by section 5.1 of the National Land Policy of Sierra Leone, 2015.
746. The management accepted the finding and indicated to take action to it such as engaging consultant to develop electronic data base and including housing issues in its 2019 strategic plan. The Ministry did not provide its 2019 strategic plan to supports its response. In addition, the Survey Plan on its own does not guarantee ownership of the property.

We recommend that not later than 30th June 2019, that the Management of the Ministry of Works and Public Assets should in consultation with other stakeholders, including; the Ministry of Land Country Planning and Environment and the Law Officers Department:

- a. Develop and maintain an up to date register of all properties including land and buildings in their custody; and**
- b. Prepare ownership documents including legal title deeds where applicable for all properties listed in the register.**

ii) *Ministry of Works and Public Assets do not have proper and up-to-date Records of its land plots and houses properties*

747. It was noted that the Ministry of Works and Public Asset do not have proper and up-to-date records of its properties (mainly land plots and houses) that are owned by the government countrywide. This was noted to be contrary to the requirements of the Anti-Corruption Commission (ACC) best practices guide for the use of Government Assets including land plots and houses/quarters. The practice guide requires the Government through the Ministry of Works, Housing and Infrastructure currently namely Ministry of Works and Public Assets to introduce and maintain up-to-date register containing the list and number all government owned land plots and houses/quarters and their corresponding details.

748. The register was expected to contain the following information: (a) its location (b) cost at acquisition (c) condition or nature and (d) age. For proper management of asset, it was expected the Ministry to have proper records of all assets under their custodian in their fixed asset register, which was not the case.
749. Therefore, it was not possible for the officials from the Ministry of Works and Public Assets to come out with the exact number of quarters the Ministry owns, location where those houses are located, conditional state of those houses, number of houses in need of major maintenance, number of houses fall vacant, number of houses still used by retired civil servants and also the actual value of those houses.
750. As a result of not maintaining proper records of its properties, it was further noted that the Ministry's officials were not fully aware of the actual and correct number of:
- those government quarters that were either sold out or demolished without knowledge of the Ministry;
 - tenants who have erected additional housing structures without the knowledge of the Ministry; and
 - plots that have been sold.
751. It was further noted that the Ministry from 23rd July 2018 has started to carry out survey to establish the number of its houses/quarters, to identify illegal and legal occupants, ascertain status of buildings whether sold, leased or rented, assets that has been transferred to other occupants, to ascertain completed and ongoing constructions adjoining the government quarters and to identify number of quarters dilapidated. The Ministry indicated that as a result a comprehensive report for the purpose of proper management and control was to be provided six weeks after commencement of the verification exercise.
752. Failure of the Ministry to have proper record of the assets was mainly attributed by: (a) lack of prioritization and accountability for the officials responsible for records; and (b) failure of the Ministry to conduct regular physical verifications of the assets as required by the best practice of assets management.
753. In absence of the necessary register with detailed information on cost, age, location, the Ministry could not manage to properly account for the assets in their books of accounts. It also creates high risk for the properties to be abused by entrusted government officials.
754. We conclude that the Ministry lacks sufficient information of government quarters and land under its custodianship. This was caused by the failure of the Ministry to develop and maintain fixed asset register. Lack of prioritization and accountability of the officials responsible for records; and failure of the Ministry to conduct regular physical verifications of the assets as

required by the best practice of assets management has contributed to these anomalies. As a result, some of the entrusted government officials have erected additional housing structures without the knowledge of the Ministry of Works and Public Assets.

755. The management responded that there is Asset Register which has been maintained by the Asset Commission in the Ministry. The Ministry will request for the asset register which will be submitted to the audit team.
756. We are of the view that Asset Commission was expected to maintain the National Asset Register, and it was just recently shifted to be under the Ministry. The Ministry was also expected to have its Asset Register and reports to this Commission. This response strongly justifies the absence of the asset registry.

We recommend that the Management of the Ministry of Works and Public Assets should: The Ministry of Works and Public Assets should develop registry of the government quarters and land under its custodianship, and ensure that the register is regularly updated.

Management of Contract and Lease Agreement of Government Houses and Properties

757. The assessment for effectiveness of management of contracts and lease agreement was made covering adherence to the allocation process, lease arrangement, its implementation as well as management of revenue collection. The following were the observations:

The Ministry of Works Fails to Allocated quarters to Targeted Beneficiaries

758. The Ministry did not follow the guidelines for allocating houses and quarters and best practices developed by the Anti-Corruption Commission (ACC). Through the review of government quarter allocation reports, it was noted that houses and government quarters were allocated to unintended beneficiaries such as officials working in provincials, retired and those working under contracts terms. Further, quarter Class A quarters which were required to be allocated to grade 7-14 staff, were allocated to staff of lower grades.
759. This is contrary to the requirements of the Sierra Leone Civil Service Code and Clause 33 of ACC's for management of public assets, which require the Ministry to allocate the public quarters to the Ministers, Deputy Minister, Speaker, Deputy Speaker, Leader of the majority in parliament and civil servants. Civil servants are the one appointed through the Public Service Commission and Human Resource Management Office. They are subject to General Orders, Pension Scheme and all other rules and regulations in force for civil servants. Table 3.2 presents the number of quarters occupied by civil and non-civil servants.

**Table 31: Number of houses occupied by Civil Servants and Non-civil servants
(2015 – 2018)**

Year	Total Number of government quarters	No. of quarters occupied by Civil Servants	No. of houses occupied by Non-Civil Servants
2015	Not provided	Not provided	Not provided
2016	341	292	35
2017	Not provided	Not provided	Not provided
2018	342	283	42

Source: Auditors' Analysis from Allocation of Government Quarters in Western Area (2019)

760. As indicated in Table 3.2, the Ministry could not provide records regarding total number of government quarters and number of quarters occupied by civil servant to the auditors for 2015 and 2017. However, records for 2016 and 2018 that were provided to auditors, show an increasing number of quarters which were allocated to non-civil servants. This means that if action is not taken, this weakness may get worse.
761. Our analysis of status of occupants as of 2018 for 20 sampled quarters indicated that 3 quarters equivalent to 15 percent were occupied by retired staff, 8 equivalents to 40 percent were occupied by civil servants and 3 are occupied by non-civil servants. The status for the remaining 6 occupants was not indicated in the records of the Ministry of Works and Public Assets. Details are presented in Table 32:

Table 32: Status of the occupiers of the houses and Government Quarters in 2018

SN	House No.	Location	Status of occupier of the house ²
1	CT3	Cline Town	Civil Servant
2	CT 30 B	Cline Town	Retired
3	BP 15	Bellair Park	Civil Servant
4	C14	Cockrill	Civil Servant
5	C15	Cockrill	Civil Servant
6	C16	Cockerill	NA
7	C26	Cockerill	Civil Servant
8	HS52	Hill Station	Non Civil Servant
9	HS12	Hill Station	Non Civil Servant
10	HS55	Hill Station	Civil Servant
11	B40	Brookfields	Retired
12	GRH10	Brookfields	NA
11	W12	Spur Road	NA
13	40A	Murray Town	NA
14	40B	Murray Town	NA
15	7 York Road	Waterloo	NA
16	W7	Spur Loop	Retired
17	W12	Spur Loop	Non Civil Servant
18	122 Wilkinson Rd	Wilkinson Road	Civil Servant
19	92 Wilkinson Rd	Wilkinson Road	Civil Servant
20	Juba Estate 5	Juba	Civil Servant

Source: Auditors' Analysis from Allocation Records (2018)

762. Furthermore, it was noted that Class A quarters which were required to be allocated to grade 7-14 staff, were allocated to staff of lower grades. Table 33 presents the grade of occupants for year.

²Categorised as civil servant, retired or non-civil servant

Table 33; Grades of the occupiers of the Class A Quarters for 2016 & 2018

Financial Year	Location	Total Number of Quarters	Number Quarters occupied by Civil Servants of Grade 7 and above	Number Quarters occupied by Civil Servants of Lower Grade	Number Quarters occupied Unknown Grades
2016	Cline Town	25	8	2	15
	Aberdeen	5	3	0	2
	Bellair Park	13	5	0	8
	Hill Station	55	30	1	24
	Spur Road and Loop	40	36	0	14
	Cockrill L & Wilkinson Road	54	37	1	16
2018	Cline Town	21	10	2	9
	Aberdeen	3	3	0	0
	Bellair Park	8	5	0	3
	Hill Station	41	16	1	24
	Spur Road and Loop	27	13	1	
	Cockrill L & Wilkinson Road	48	32	1	15

Source: Allocation of Government Quarters Reports, 2016 and 2018

763. As indicated in Table 3.4, there were lower grades civil servants who were allocated in class A quarters. However, there were a significant number of occupants whose grades were not indicated in the reports. This was contributed by the following reasons

Non-adherence to allocation procedures

764. The interviewed senior officials from the Ministry of Works admitted the allocation procedure was totally ignored because sometimes they receive directives from political leaders. As a result, the management of these quarters had been poorly done indicated by circumstances where these quarters were illegally acquired, allocated to non-deserving staff, sold out to both civil and public servants and in some extreme cases to politicians or business men.

765. The management of the Ministry also did not provide adequate documentation including meeting minutes of the House Allocation Committee to justify that the committee have been approving the allocation for all three years covered. We only reviewed one minutes for the meeting held

on 21st March 2018, where 11 applicants were approved basing on the vacancies from occupants expected to retire and those who were terminated. The provided file contains offer letter and few application letters. It was also difficult to ascertain whether the allocation committee conducted thorough evaluation of applications to determine eligibility based on the allocation criteria stated in the ACC's guideline.

Gaps in the Application Form

766. The interviewed senior officials said that the application form was missing information to assist the allocation committee to ensure that they are strictly allocating to the deserving beneficiaries. Allocation letters issued by the Ministry for quarters located in the Western Area required tenants to keep quarters in a tenable condition, but did not specify the maintenance obligations of the Ministry. The officials mentioned that, currently the Ministry has designed a new form application for quarters which will be able to capture additional information's such as appointment letter, SSNIT, last promotion letters.
767. We conclude that the Ministry lacks effective mechanism for allocation of government quarters. The allocation mechanism used by the Ministry was weak and associated with lack of transparency and fairness. The Ministry also failed to adhere to the allocation guidelines; as a result, a significant number of quarters were allocated to unintended beneficiaries. These created a high risk of loss of government revenues from the occupants of these quarters, as well as risk of abuse of the properties.
768. The management accepted the findings and has already embarked on a nationwide quarter verification exercise and has reviewed the quarter application form to include the applicant to enable the quarter allocation committee to make informed decision, on when the occupant is expected to retire without unwarranted from HRMO.
769. We acknowledge that the Ministry has already embarked on a nationwide quarter verification exercise. However, since this exercise has not been completed and no action has been put in place, we maintain that the Ministry lacks effective mechanisms for the allocation of its quarters.

We recommend that the Management of the Ministry of Works and Public Assets should:

- g. develop effective house allocation mechanisms and ensure that it is adhered to. The developed mechanisms should allow transparency and enable the Ministry to capture all necessary details of the civil servants;**
- h. ensure that there is proper documentation of house allocation proceedings;**
- i. develop register of applicants to allow fairness and transparency in the allocation process;**

- j. **establish follow-up mechanism for regular assessment of status of the occupants to determine their eligibility for occupying the government quarters; and**
- k. **improve its allocation and application letters to ensure that they have bounding clauses for the tenants who will defaults. The Ministry should also ensure the defaulters are punished as per the included terms in the offer letter.**

Inadequate Management of Revenue from the Houses and Land

770. Best practices require entities to formulate effective and workable strategies/policies with regards to revenue management. Revenue from mortgage of houses usually span over a long period of time therefore demands a strategy of this sort to ensure an effective collection and utilisation of the proceeds therein.
771. Review of reports by the Ministry of Works and Public asset, and interview with Financial Manager, we noted that there is inadequate management of revenue collection from the leased houses and properties. This was also noted for the mortgage houses. The inadequate management was indicated by the following weaknesses:

i) Ministry of Works and Public Asset lack effective system for revenue management

772. The Ministry of Works was required to allocate government quarters to civil servants for which rents were expected to be deducted at source from the incomes of the beneficiaries by the Accountant General's Department. As explained above, the allocation systems used by the Ministry have a loophole for loss of revenue as detailed below:

No effective system to capture rents from occupants who are not civil servants

773. The system created a loophole for the Ministry to allocate quarters to unintended beneficiaries whose salaries are not paid by the Accountant General's Department. Due to this gap, there is no assurance that the government through the Accountant General has managed to collect rents for these quarters that were allocate to such kind of people.

Loss of revenue as result of allocation of Class A quarters to lower grade officers

774. As explained in above, there were civil servants below grade 7 who were allocated with class A quarters. It is obvious that, less amount will be collected /deducted from the civil servant of lower grade as compared to those of grade 7 and above. This is also an indication of loss of revenue.

Failure to evict Retired Staff from the Quarters

775. The audit noted that, there were some retired staff who were still occupying government quarters after the six months grace period. This means that the Ministry was not collecting revenue from these quarters for that period.
776. We attribute these anomalies to the absence of effective internal controls and internal policies to safeguard these revenue losses. The actual amount of revenues that should have accrued to Government would be grossly understated by these leakages. Consequentially, the effect is that less amount of the income from the rent will be realised and remitted to the Ministry for maintenance work and possible replication of some of these quarters.
777. The Ministry accepted the observation and indicated to address such, as a nationwide quarter verification exercise will help to address auditors' concern.
778. We acknowledge that the Ministry has already embarked on a nationwide quarter verification exercise. However, since this exercise has not been completed and no action has been put in place, we maintain that the Ministry lacks effective system of revenue management from its quarters.

We recommend that the Management of the Ministry of Works and Public Assets should:

- a. Come-up with effective control mechanisms to safeguard the above stated leakages/loss of revenue.**
- b. Improve communication on the allocated quarters for proper reconciliations with the Accountant General's Department with regards to income from the rent and amount remitted to the Ministry.**

Lack of Tenancy Agreement

779. Upon review of the allocation letters and interviews held with officials from the Ministry of Works and Public Assets, it was noted that the Ministry did not have an agreement with the occupants; instead, the occupant was issued with an offer letter. It was also noted that, the allocation letters issued by the Ministry for quarters located in Western Area required tenants to keep quarters in a tenable condition, but did not specify the maintenance obligations of the Ministry.
780. Despite paragraphs 4.32 to 4.34 of the Civil Service Code, Regulations and Rules the civil servant is required to vacate within six months of the occupant's retirement, overseas posting,

or demise; these points were not specified in the allocation letter. The allocation letters did not have any provision for the penalty to be levied on tenants in case they default, especially on failure to keep the quarters in good condition and failure to vacate the quarters as required. As a result, a significant number of occupants continue to occupy quarters after the six months grace period after their retirement. Failure of the Ministry to assess the adequacy of allocation and application letters resulted in weak tenant agreements.

781. We conclude that the Ministry did not assess the risk of allocating quarters without having tenancy agreements. We attribute these anomalies to the absence of effective internal controls and internal policies to safeguard these revenue losses. The actual amount of revenue that should have accrued to government would be grossly understated by these leakages. Consequently, the effect is that less amount of the income from the rent will be realised and remitted to the Ministry for maintenance work and possible replication of some of these quarters.

782. The Management responded that the Ministry is presently reviewing the letters of offer to be issued to beneficiaries where all the issues highlighted will be addressed. However, the Ministry should also have tenancy agreement in addition to the offer letters, for proper control of the revenue from the quarter, as well as to safeguard government's property.

We recommend that the Management of the Ministry of Works and Public Assets should:

a) Ensure that all tenants have tenancy agreement. The agreements should be properly documented in the individual tenants file and signed by both parties.

ii) Inadequate Control of Revenue from the Quarters

783. Section 60 of the Financial Management Regulations 2007, requires the Ministry of Work and Public Assets through its Account Department to keep records of moneys collected. The Ministry was expected to conduct rental assessment for all quarters in order to ascertain whether, the rental fees are deducted from the salaries of the occupants. This could cover the management of the quarters with a focus of the cost of the maintenance.

784. However, through the interviews held with Ministry's officials, we realised that, the Ministry does not have any records of the revenue realised from the quarters. The officials claimed that the rent is deducted at the source by the Accountant General; no follow up has been done.

785. The Ministry was not making follow-up to determine if 1/16 of the basic salaries of civil servant occupants are deducted as per the Civil Service Code. It did not also make follow-up on how the rents from the

non-civil servants are paid to the Accountant General. In this case, there is no assurance that all occupants are paying rents due to the weakness observed on the side of the Ministry.

Lack of effective system for managing rented quarters; indicating a high risk for loss of government revenue

786. We noted that allocation systems used by the Ministry of Works and Public Assets have a loophole for loss of revenue. This was evidenced by incidences of quarters which were occupied by retired staff and quarters that were allocated to non-civil servants. Since the rents were deducted at source, from the employee's salary, there is no assurance that the government through the accountant general has managed to collect rents from the quarters which were allocated to such kind of people.
787. Furthermore, there were incidences whereby lower grade civil servant i.e. grades 7 and below were allocated to Class A quarters which were supposed to be allocated to civil servants of grade 7 and above. It is obvious that, less amount will be collected /deducted from the civil servant of lower grade compared to those of grade 7 and above. This is because rents have been set in accordance to the level of salary. The lower the salary grade, the lower the rent and vice versa. This is also an indication of loss of revenue.
788. We conclude that, the Ministry lacks effective mechanism for control of revenues from the allocated quarters. The Ministry is not aware on the amount of revenues obtained from the allocated quarters. Therefore, the Ministry of Woks is not sure whether the maintenance amount remitted by the Ministry of Finance corresponds to the rents collected for that particular year.
789. The management responded that the concern was also highlighted by the verification team in the Ministry. The Ministry will address this through the report of the verifier.
790. We still maintain that, the Ministry needs to have records of the revenue collected from the rents and follow-up of revenue from the rents paid by the occupants.

We recommend that not later than 30th June 2019 the Management of the Ministry of Works and Public Assets should:

- a. Develop effective house allocation mechanism and ensure the defaulters are punished as the included terms in the offer letter;**
- b. The Ministry should develop effective coordination mechanism that will assure that rents are deducted from all beneficiaries of government quarters;**
- c. come-up with effective control mechanisms to safeguard the above stated leakages/loss of revenue;**

Failure to Pay Proceeds from the Sale of Government Quarters in Consolidated Funds

791. Section 44 (1) of the Public Financial Management Regulations, 2018 states “All public monies, including but not limited to tax and non-tax revenue shall be paid into the Consolidated Fund, unless otherwise provided by an Act of Parliament”. These revenues are meant to construct and maintenance government of residential quarters for civil servants.
792. The review of records from the Ministry of Works and offer letters to beneficiaries of land and quarters, we noted that assessment fees of Le 5,000,000 was paid through Imprest Account no. 0112005102 of the Ministry of Works and Public Asset at the Bank of Sierra Leone by 155 occupants who wanted to purchase quarters allocated to them. Similarly, the proceeds from the sale of 29 quarters amounting Le 2,620,000,000 were paid into Work Emergence Account no. 0112004648 at the Bank of Sierra Leone. This is contrary to the requirement of Section 44 (1) of the Public Financial Management Regulations of 2018, and indicates a risk for misusing the funds.
793. We attribute that the Ministry violated the requirements of the management of public funds, which creates a risk for misuse of funds.

We recommend that the Management of the Ministry of Works and Public Assets should ensure:

- a) That the bank statements are provided together with an analysis of how the funds have been expended with detail supporting documents otherwise all signatories to the above account should be held personally responsible for the refund of the funds.**
- b) In future, all such revenues should be banked intact into the consolidated revenue fund.**

Management of Maintenance of Quarters

794. Maintenance is the combination of all technical, administrative and managerial actions during the life cycle of an asset intended to retain it, or restore it to, a state in which it can perform the required function necessary to provide a given service. Maintenance can also extend the life of the asset beyond the original design life.
795. It was expected that the Ministry of Works and Public Asset as the property managers or owners to ensure their houses are maintained in order to preserve and protect the building and the occupants. Not only will regular and proper maintenance make the houses healthy and safe places to live, but resale and rent values are higher for properties that keep up regular

maintenance. Inadequate or lack of maintenance, for the building can make it inhabitable and poses negative effects on the users. The audit assessed the extent to which the Ministry of Works and Public Assets planned, budgeted and implemented maintenance activities of the quarters. Below are the observations:

i) The Ministry of Works and Public Asset Lacked Comprehensive Maintenance Plan of Government Quarters

796. The Ministry of Works and Public Assets is responsible for the management of government residential quarters. Rule 4.35 of the Civil Service Code, Rules and Regulations states that quarters in the Western Area should be allocated by the Ministry of Works and Public Assets. This section only considered the quarters in the Western Area administered by the Ministry of Works and Public Assets.

797. The audit team has noted that the Ministry of Works lacked comprehensive maintenance plans of government quarters leaving them in a dilapidated state. This was indicated by the following:

Lack of Comprehensive Routine Maintenance Plans

798. Efficient management of maintenance work requires adequate and systematic means of planning, budgeting, monitoring and controlling. Therefore, it was expected that the Ministry of Works and Public Assets should develop a comprehensive maintenance plan for the government buildings every year. The maintenance plan was required to indicate what needs to be done, when it should be done, who will do the work and how much the work will cost. The plan was also required to state what type of maintenance was required (major or minor) and whether the maintenance work is complete corrective, emergency or rehabilitation. However, we noted the following:

No routine maintenance plans

799. Through the interviews held with the Acting Professional Head and Acting Chief Engineer of the Ministry, we noted that the Ministry did not have a comprehensive routine maintenance plan for the government quarters under its custodianship. Instead, the maintenance is done on ad-hoc basis upon request by the tenants. It was further noted that the maintenance done by the tenants are not supervised by the Ministry, due to shortage of staff. The Ministry just assess and approve the work-done for refund purposes.

800. Through the interviews with the Acting Professional Head and Acting Chief Engineer they confirmed that the Ministry did not have maintenance plans for the government quarters under their custodianship. Instead, the maintenance is done on adhoc basis upon request by the tenants.

This was also confirmed through the review of ASSL Performance Audit report on Management of Government Residential Quarters 2016. This report indicated that the Ministry had not developed any arrangements/plans for maintenance of quarters. Instead, the maintenance is done by the tenants without any supervision from the Ministry, and they obtained refund from the Ministry.

801. In absence of the Ministries official to supervise the maintenance activities undertaken by the tenants, there is no assurance that the maintenance is done as per standards that meet the required quality. In addition, because assessment of the cost by a Ministry quantity surveyor, is done without going to the site, and the Ministry approved a maximum amount to be spent by the occupant which would be reimbursed by the Ministry, this also did not guarantee that the maintenance was done in an economic way.
802. Lack of comprehensive maintenance plans, is mainly due to failure by the Ministry to conduct survey and inspections, which could assist the Ministry in developing this plan. The plan will provide useful information related to type of maintenance required for every quarter as well as the necessary resources in terms of human resources, equipment and cost. As a result, the Ministry is not aware of the condition of the quarters and the maintenance requirement.
803. We conclude that, officials responsible for maintenance did not conduct surveys and inspections of government quarters to establish the maintenance requirements. Due to this, the Ministry was not well informed on the condition of the quarters and the maintenance required, leading to failure to develop plan for this activity. As a result, most of the government quarters were left in a dilapidated state.
804. The management accepted the finding and indicated to develop comprehensive maintenance plan to guide the maintenance activities which will indicate type of maintenance, frequency, as well as the resources required for its effective implementation.

We recommend that the Management of the Ministry of Works and Public Assets should:

- a. **Conduct surveys to determine the condition of quarters and the resources needed for maintenance. The survey results should be used to develop comprehensive maintenance plans;**
 - b. **Develop comprehensive maintenance plan to guide the maintenance activities. The plan should indicate type of maintenance, frequency as well as resources needed for its effective implementations.**
- ii) **Inadequate Resources allocated for Maintenance of Government quarters by MoW**

805. For effective implementation of maintenance, the Ministry was expected to have adequate plan for resources required. This may include but not limited to human resources, financial resources as well as working tools and transport facilities. However, the audit noted that the Ministry lacked plans to ensure availability of adequate resources for handling this task as detailed below:

Insufficient Human resources to handle maintenance activities

806. Furthermore, through the interviews held with ministry officials and review of the staff compliment of the Ministry of Works and Public Assets, it was noted that the Ministry did not plan for sufficient human resources for handling maintenance activities. Currently, the Ministry of Works has four engineers who are responsible for handling maintenance of all 318 available quarters. The Ministry has not yet done any analysis to come up with the required number of technical personnel namely: quantity surveyors, assistant quantity surveyors, civil engineers and technicians needed for handling maintenance of government quarters. The reasons given for this shortage of staff is: (a) low prioritisation of maintenance work within the Ministry and (b) lack of comprehensive human resource plan that reflect all needs and mandates of the Ministry.

807. The lack of comprehensive maintenance plan is mainly caused by the failure of the Ministry to conduct surveys and inspections which could assist the Ministry in developing this plan. The plan would provide useful information related to the type of maintenance required for every quarter as well as the necessary resources needed in terms of human resources, equipment and cost. Because of this, the Ministry is not aware of the conditions of the government quarters and the maintenance requirements. As a result, maintenance activities have not been done as required, leaving the quarters in a dilapidated state.

The Insufficient Vehicles and Working tools for Maintenance Activities

808. The audit further noted that, the Ministry did not plan for working tools such as vehicles and equipment required for handling maintenance activities. As a result, officials working in the building section were not able to conduct inspections and maintenance of the government quarters.

Inadequate Funds Allocated for Maintenance Activities

809. Despite the fact the Ministry of Finance has been collecting rent from the officials who occupied the government quarters, the amount remitted was not adequate to cover for the maintenance as requested by occupants. Furthermore, through interviews held with officials from the Ministry of Works and Public Assets and review of the Expenditure Estimates 2015-2018, it was noted that the Ministry plans for maintenance of government quarters but the

approved budgetary estimates are always cut down by the Ministry of Finance. Table 34 presents the planned and allocated budget for the maintenance:

Table 34: Maintenance Budget and allocated Amount from 2015-2018

Financial Year	Proposed Budget ³ (Le)	Allocated (Le) ⁴	Variance (Le)
2015	103,242,294,208	2,618,600,000	100,623,694,208
2016	119,686,661,924	2,913,600,000	116,773,061,924
2017	141,743,661,924	2,913,600,000	138,830,061,924
2018	Not Provided	3,878,500,000	
Total		12,324,300,000	

Source: Expenditure Estimates, 2015-2018; Report (2019)

810. As seen in Table 34, there is a big variation between the budgeted and the allocated amounts. The average allocated amount is approximately two percent of the budgeted amount for the period of three years covered by this audit. Causes for inadequate funding for maintenance include:

Low rent charges for the Government Quarters

811. It was explained that, the rents were deducted at source from the salaries of the beneficiaries which is 1/16 of their monthly basic salary. However, the audit team noted that this amount is not sufficient to cover the maintenance cost.
812. The Ministry failed to conduct surveys and inspections of government quarters to establish the maintenance requirements. Because of this, the Ministry was not well informed on the condition of the quarters and the maintenance requirement, leading to failure to develop a comprehensive maintenance plan. As a result, most of the government quarters were left in a dilapidated state.
813. The Ministry accepted the observation and provide reason that the budgetary provision made is drastically low and the Ministry will use this information to contact the Ministry of Finance. The low rental, it is because of low salaries and devaluation of our currency. But, it is possible that the higher the salary, the higher the rent and vice versa. There is manpower plan in the Ministry, and the Ministry is about to request a waiver for the recruitment of qualified professional and technical staff since there is a moratorium on recruitment. The Ministry did not provide to the audit team the manpower plan and its implementation to support its response.

³Figures as extracted from Strategic Plan MTEF Budget Proposal. The amount is for the Division of architectural design, construction and Maintenance – Account Code 4080101

⁴ Figures are extracted from expenditure estimates for repair and maintenance of government buildings Account Code 43102000-000

We recommend that the Management of the Ministry of Works and Public Assets should:

- a. submit to ASSL the manpower plan and its implementation to support its response as soon as they receive this report;**
- b. conduct surveys of the government quarters to determine the condition of quarters, type of maintenance and the resources needed for maintenance. The results of the surveys should be used to develop comprehensive maintenance plans; and**
- c. review the rents for its tenants to ensure that rents will be adequate to cover costs for the maintenance.**

Ministry of Works didn't conduct Regular Maintenance on the Quarters

814. It was expected the Ministry of Works should conduct routine maintenance of the government quarters to ensure are kept in good state. This is important because if routine maintenance work is not done, there is a risk that the cost for emergency maintenance will be high. The assets will deteriorate and in the long run costs to restore or replace the assets become much higher.
815. Interviews with the Permanent Secretary, the Acting Chief Engineer and the Professional Head of the Ministry disclosed that regular maintenance of these quarters had not been done. The audit noted that, the quarters owned by Ministry of Works are over 20 years of age, and they therefore require periodic minor and major maintenance to keep them in good habitable state, even if there are no claims or complaints on maintenances from the tenants. However, the Ministry did not plan for regular maintenance. As presented in section 3.5.1 above, this was as a result of failure of the Ministry to come up with a comprehensive maintenance plan as well as allocation of the necessary maintenance resources.
816. We noted that the Ministry of Works and Public Assets did not conduct regular maintenance of the government quarters. Despite that fact, the quarters are managed by the Ministry of Works are over 20 years old and thus demand periodic maintenances (minor and major maintenances) to keep them in good habitable state even if there are no claims or complaints on maintenance from the tenants. Table 35 presents the number of quarters maintained by the occupants from 2015-2018.

Table 35: Number of Quarters Maintained and Funds Reimbursed to the Occupants of the quarter (Million Leone) from 2015-2018

Financial Year	Total Number of Quarters Maintained	Range of Maintenance Funds Reimbursed to occupants
2015	34	Le 8m –Le 20m
2016	18	Le 5m –Le 25m
2017	18	Le 10m – Le 25m
2018	15	Le 13m –Le 25m
Total	85	

Source: Auditors' Analysis from Maintenance Records, 2019

817. For the period of four years, only 85 quarters of the available 318 quarters were maintained. This was a result of failure of the Ministry to come-up with a comprehensive maintenance plan. Therefore, most of these quarters had not been maintained for several years and they had accumulated minor defects and are dilapidated. Through our physical visits, we noted that 75 percent of the visited quarters were dilapidated.
818. This was confirmed through physical observation and interviews held by tenants where all 12 interviewed tenants, declared that the Ministry has not done maintenance in their quarters and 11 of them were dilapidated. Because most of the quarters had not been attended for several years and they had accumulated minor defects and are dilapidated. Table 3.7 present the situation based on the visited quarters.

Table 36: Maintenance Status and Condition of the few Visited Quarters

SN	Location	House Number/ Total Number of Houses	Condition of Building Structure (Percentage)		Regular Maintenance Conducted
			Good	Dilapidated	
1	Hill Station	7	2	5	Not done
2	Cline Town	5	1	4	

Source: Auditors' Analysis based on site visits and Ministry's record, (2019)

819. The Ministry did not conduct regular maintenance of government quarters in the Western Area. This is as a result of lack of comprehensive plans and prioritisation of maintenance activities. As a result, houses have accumulated defects and the cost of the maintenance has been increasing.
820. The Ministry accepted and insisted that it cannot do all the quarters at the same time. However, we insist that, the Ministry should have a plan for maintenance to cover a significant number of quarters. The fact that most quarters owned by the Ministry of Works and Public Works are over

20 years old, and they require periodic minor and major maintenances to keep them in good habitable state, even if there are no claims or complaints on maintenances from the tenants.

We recommend that the management of the Ministry of Works and Public Assets should develop comprehensive maintenance plan that will ensure that regular maintenance is done to a significant number of government quarters in the Western Area.

Ministry of Works does not Conduct Monitoring of its Maintenance Activities

821. Through the interview with officials from the Ministry responsible for maintenance, we noted that, the Ministry did not conduct monitoring of maintenance activities done by the tenants, instead, the Ministry was assessing the cost and approve for refund. Adequate monitoring is essential to ensure the interests of the government and to keep costs down. It is important to know how maintenance is supervised, how frequently it is done and what level of expertise is used to ensure that quality maintenance is done.
822. Inadequate supervision of maintenance activities on the side of the Ministry, does not provide assurance that, quality maintenance was done. Because of poor condition, many quarters have resulted in the Ministry of Works and Public Asset forced to rent private houses across the country for use as residential accommodation. The performance audit report issued by ASSL, 2016 has indicated that at the end of 2014, the Ministry was renting 27 private houses at an estimated cost in 2014 of Le293,900,890. The report also showed that the Ministry of Works and Public Asset owed landlords significant sums in respect of rents for private rented houses, of which the arrears of rent was Le145 million for 2014 financial year.

Ministry Lacks Record for Maintenance Activities

823. The Ministry lacks system for recording maintenance of the quarters for easy tracking of the history of maintenance of the buildings under their custody. Keeping registers would help to track the history of buildings and the frequency of maintenance that could help to identify the nature and type of defects that would need attention in the next cycle of maintenance. In absence of this recording system, it is difficult for the Ministry to track expenditure in a building that would help in estimation of the future expenditures in maintenance.
824. The Ministry lack monitoring systems for the maintenance of government quarters. This is because, the Ministry lack quality assurance mechanism for the maintenance activities as well as system for recording maintenance of the quarters for easy tracking of the history of maintenance of the buildings under their custody. Further, the Ministry does not supervise the

maintenance done by tenants to ensure that they meet the required quality. This anomaly is attributed to the inadequate number of officials responsible for maintenance. Thus there is no assurance that the maintenance done by tenants meet the required quality.

825. The management responded that resource is inadequate and not regular, therefore the Ministry cannot do all the quarters at the same time. However, having inadequate resources does not exclude the Ministry to undermine the monitoring roles of the maintenance activities. Monitoring is also part of the quality assurance of the maintenance activities. Thus, the Ministry should prioritize this element of monitoring to ensure that the government properties are protected and are in good condition.

We recommend that the Management of the Ministry of Works and Public Assets should:

- a) **develop functioning monitoring systems for government quarters; and**
- b) **establish maintenance register for quarters for easy tracking of maintenance requirements.**

Management of Disposal of Government Quarters and State Lands Inadequate Planning for Disposal of Public Houses and Quarters

826. Efficient disposal process start with strong planning that establishes a clear, and well-aligned, purposes for the program and ensures due diligence in the assessment of benefits, risks and cost. The planning process covers four elements which are decision to dispose, valuation of asset, selection of best disposal options in terms of method and price and obtaining approval for disposal before the disposal of asset.

827. The Best Practice for disposal of assets requires the maximization of the net benefits to the government prior to its disposal. Thus, the Ministry of Works was supposed to conduct cost benefit analysis to weigh the advantages that will be obtained from the disposal of public residential houses against the advantages of retaining those houses. These assessments were to consider both current and a long term perspective. This could have help them to come up with a strong justification for the disposal.

828. The assessment of adequacy of planning was done covering preparation of plan, proposal done by board of survey, inspection, evaluation and suggestion of method and price for disposal. It also assessed the approval and decision making if it was done by relevant authority and consideration of the national interest was done. The audit noted that there was inadequate planning for disposal as indicated by the following:

Lack of Disposal Plan for Public Assets

829. Ministry of Works was expected to have prepared disposal plan for the disposed government quarters, houses and lands. It is recommended that the disposal plan should cover the same time as the strategic plan where for the case of residential houses, this could be up to 20 years. This period provides sufficient time for the planning, implementation of asset changes and on-going evaluation of asset sales against current and future market trends to achieve the best long term financial performance.
830. Interviewed senior officials from the Ministry of Works declared that they do not have a disposal plan for their properties and houses that could guide the process of disposal of public assets. It was noted that, Ministry of Works and Public Assets disposed parts of its 29 quarters in western area and their adjoining piece of land. The officials told the auditors, that the Ministry did not plan to dispose its properties as they have not managed to build adequate stock for the available civil servants. The disposal of government quarters was the decision made by the cabinet and Ministry of Work and Public Asset was directed to implement this decision.
831. The Procurement Officer of the Ministry of Works in his interview made it clear that those sales were not part of the Procurement Plans of the Ministry and that the Procurement Unit did not organize any sale of these properties either by public bid or public auction. The specific findings are provided below:
832. The Ministry accepted the observation and shows a willingness to develop mechanism to ensure compliance with the principles of disposal public assets. The mechanisms should enable the Ministry to demonstrate fairness, transparency, diligence and efficiency in the disposal of public assets.

Inadequate Valuation of Disposed 29 Government Quarters located in Western Area

833. For the period under audit, we noted that the Ministry of Works has been disposing some of its quarters to the occupants. Review of records provided by the Ministry of Works indicated that, there were 155 occupants who paid assessment fees amounting to 5,000,000 Leones through Imprest Account of the Ministry of Works and Public Asset Works Emergence Account No. 0112005102 of Bank of Sierra Leone for the intention of buying the quarters which were allocated for them. However, out of the 155 occupants who paid their assessment fees, 29 of them were successful and managed to buy the quarters, and the remaining 126 occupants were requesting for the refunds because the quarters were not sold to them.

834. The proceeds from the sale of these quarters were paid into Work Emergence Account No 0112004648 of the bank of the Bank of Sierra Leone. However, the audit noted the following in the valuation done:

Valuation was not done by independent Valuer

835. Section 161(2) of Public Procurement Act, requires the Procurement Entity to establish the reserve sale price by obtaining two independent market-based valuations of assets to be sold and if it is not possible, previous selling prices for similar goods sold by the Procuring Entity or another government entity may be used to establish the reserve price. The audit learned that the Ministry of Works did not fulfil this. From the interviews held with officials from the Ministry of Works, it was noted that, there was a team of valuation which was composed with 5 members who were quantity surveyors, 3 of them were from the Ministry of Works and 2 coming from the Ministry of Lands. Because both Ministry of Land and the Ministry of Works were involved in the management of these quarters, relying on the valuation done by the internal staff could not provide assurance of independence of the valuation team. The management of the Ministry of Works could not provide the reasons why they did not consider coming up with a second valuation done by independent valuer as required by the Act.

The valuations did not account for the cost of the Land

836. The audit reviewed seven provided valuation reports done in 2017, and noted that, the valuation of the sold quarters did not include the value of the land, contrary to the requirements of the International Accounting Standards. According to the International Accounting Standards (IAS) 16 (58) insisted that in determining the value of the building, Procuring Entities were required to account for Land and buildings separately even when they are acquired together.
837. Our interviews held with 2 members of the valuation team and the review of 3 valuation reports we noted that, the team just considered the value of the size of entire floor size of the building structure. The value of the land and the cost for the building materials were not considered. In addition, the report did not show the state of the buildings, survey plan or map to supports the dimensions stated in the report. Table 37 presents the summary of cost items considered in the valuation of three sold quarters:

Table 37; Summary of the items include in the valuation of Sold Quarters

SN	LOCATION	QUARTER NUMBER	PRICE ITEMS CONSIDERED			TOTAL VALUE (Leones)
			Cost of the Size of the land on which the land is residing	Structure of the building- Total Floor Area) total ground size	Cost of the building Structure	
1	Eastern part of Freetown	4 ^A Mamba Ridge	Not included	116,317,900	Not Included	116,317,900
2	Bellaire Park		Not Included	178,439,680	Not Included	178,439,680
3	Cockrill North	C18	Not Included	100,753,000	Not Included	100,753,000
4	Bellaire Park	B 13	Not Included	31,455,000	Not Included	31,455,000
5	Eastern Part of Freetown	B30	Not Included	41,868,000	Not Included	41,868,000
6	Hill Station	H10 ⁵	Not Included	60,000,000	Not Included	60,000,000
7	Cockrill North	C2 ⁶	Not Included	250,000,000	Not Included	250,000,000
8						

Source: Auditors' Analysis of the Valuation Reports, 2019

838. The management of the Ministry of Works and Public Asset was not able to provide to the auditors the evidence that, the disposed quarters were all valued by independent valuer prior to disposal. It was not clear whether these quarters were valued following the principles of accounting as required by IAS 16 and section 161 of the Public Procurement Act. The absence of supporting evidence for valuation did not guarantee achievement of best available net return for the disposed quarters.
839. The Management of Ministry in principle agreed with the observation that valuation was not done adequately. The Ministry indicate in its response that the valuation was done by a team comprising of officers of them MWHI and MLCPE respectively which was not an independent.

⁵1 storey building with 3 bedrooms, 1 large sitting room and living room.2 town lots.

⁶1 storey building of concrete and block work with 5 bed rooms and 1 master bedroom, sitting rooms, dining room, kitchen toilet and bathroom. 2.5 town lots

The Ministry highlighted the reasons for this that the sale was based on social base which is equivalent to the sale as is basis as approved by H.E the President as per minute from the then Minister dated 5th December 2017. Other reasons were that since the Ministry did not fulfil its role of maintaining the quarters as required by the Law of land lord and tenant, the valuation could not strictly be made on the open market.

We recommend that the Management of the Ministry of Works and Public Assets should:

- a. Submit to the ASSL the mentioned documents that include minutes by HE the President, as per minutes from the then Minister dated 5th December 2017 and Cabinet Conclusion CP (2001) and CP (2016) 116 support its responses soon as this report.**
- b. Ensure that the valuation of quarters is done following the Public Procurement Act and International Accounting Standards. This is in order to ensure maximum value of asset is obtained from the disposed assets.**

i) Approval of Disposal was done without consideration of National Interest

840. Prior to approval of the disposal proposal of public asset, the approving authority was required to consider the need for best net outcome and efficiency in the use of public funds therefore in the implementation of disposal of government quarters and lease of the lands it was expected that the Management of the Ministry of Works and Public Assets and the Cabinet as well as the National Asset Commission to consider the best interests of the public and Nation at large.
841. It was also required to ensure that the proposed approaches for disposal would provide equal opportunities to all eligible buyers to compete in buying the assets and the need to ensure that national, social, economic and environmental interests are protected.
842. Despite the fact that we did not manage to see the cabinet conclusion for disposal of the 29 government quarters, the audit team failed to get confirmation from the Ministry of Works showing that the approval was done by considering the best interests of the nation. The fact that currently there is scarcity of houses for the public and civil servants does not support this action for disposing this kind of much needed assets. Furthermore, selling the quarters while the Ministry of Works and Public Asset is renting in the private owners also provide sufficient evidence that the approving authority did not consider the national interest.
843. The audit concludes that the Ministry of Works and Public Assets did not prepare plans for the disposal of 29 government quarters and their adjoining lands. Although, the Ministry claimed

that the disposal decision was made by the cabinet and the Ministry of Work and Public Assets was directed to implement this decision, the Ministry did not fulfil its role of advising the government on the best way to implement this.

844. The Ministry of Works did not conduct cost-benefit analysis taking into consideration both current and a long-term perspective. The Ministry did not weigh-in the advantages that would be obtained from the disposal of public residential houses against the advantages of retaining those houses to ensure maximization of the net benefits to the government prior to their disposal. Thus, the Ministry lacks justification for the disposal of houses including the reasons for the disposal, methods and how the prices were determined and the approval from the National Asset Commission.
845. Since the Ministry of Works has not managed to build up adequate stock of quarters for civil servants, it is clearly indicated that the management of the Ministry did not consider the best interest of the Nations. The fact that, currently there is scarcity of houses for the public.
846. The Ministry in principle agreed with the observation that valuation was not done adequately as its indicated that the evaluation team was made up of officials from MoW and MoL which in reality were not independent. The Ministry highlighted the reason that the sale was based on social base which is equivalent to the sale as is basis as approved by H.E the President as per minute from the then Minister dated 5th December 2017. Other reasons were that since the Ministry did not fulfil its role of maintaining the quarters as required by the Law of land lord and tenant, the valuation could not strictly be made on “open market”.

We recommend that the Management of the Ministry of Works and Public Assets should:

- a. Develop a disposal plan based on the thorough survey done by the Board of Survey before implementing the plan for disposal of residential quarters. This should among other things provide what to be disposed, reasons for the disposal, methods and price;**
- b. Ensure that it obtains approval from National Asset Commission before disposal of public assets. This is to ensure that public interests are protected; and**
- c. Ensure that the valuation of quarters is done following the Public Procurement Act and International Accounting Standards. This is in order to ensure optimal utilization of the assets prior to its disposal.**

Non Adherence to the Principles of Disposal

847. The principles of disposal of public assets any disposal base on consideration on the need to achieve the best available net return, with honesty in a competitive manner and fairness. It further requires the disposal to apply competitive method except when the market is limited and few buyers who are willing to pay the reserve price.
848. The Ministry of Works was expected to follow the principles of disposal, i.e. fair and honesty, transparent and in a competitive manner during the disposal of government quarters and houses. The audit noted the following irregularities:

i)Limited competition, transparent and fairness during disposal of Government Quarters

849. The principle of disposal of public assets is based on consideration on the need to achieve the best available net return, with honesty in a competitive manner and fairness. It further requires the entity disposing the asset to apply competitive method except when the market is limited and few buyers are willing to pay the reserve price. The audit noted that the Ministry of Works and Public Assets did not adhere to these principles.
850. Section 161 2(g) of Public Procurement Act, 2016 requires all public entities to propose the method(s) for sale and prepare draft advertisements and sale documents. This was to ensure the entity obtain maximum value of the assets. The audit noted that, the Ministry of Works and Public Assets did not advertise this sale of government quarters, rather the houses were sold to the occupants. The audit team deduced further that the method used impaired transparency and limited competition to allow any other public servant to acquire or purchase the disposed quarters. These disposal arrangements do not promote fairness to other citizens who were willing to buy those houses.
851. Furthermore, the auditors identified that there was no adequate risk analysis of the method used to assess if the proposed potential buyers would be able to pay the amount of sale price using their salaries, since priority was given to those residing in those quarters regardless of their ability to pay and/or if they really needed to buy the house.
852. The management agreed with the observation and states it was addressing the cabinet conclusion CP (2001) 105 of 16th May 2001 a key component had been “Cabinet approved the outright sale or mortgage of government quarters to public servants with priority to be given to present occupants. That similarly, lands of burnt-out quarters to be sold to previous occupants”. Such a directive is specific and was further buttressed by Cabinet Conclusion CP (2016) 116. Any deviation from this is going against the authority of the Executive.

ii) Sale of Government Quarters at far less than their Market Values

853. The audit concluded that these quarters were sold below their market values, based on our experience with some of our clients who have had real estate transaction such as NASSIT and CM Bank.

854. The Ministry of Works and Public Assets could not provide assessment report for all sold quarters to the auditors to prove if the assessment team adequately considered the location of the quarters. Our analysis noted that, the prices for the sale were even below the price of the prevailing market of the land in the similar location. Making an assumption that, for every quarter that was sold occupies approximately 1-2.5 town lots of land as said by interviewed officials, the prices were noted to be far below the market price for the land only; without even considering the building. Table 38 presents the comparison of the selling and the market prices for the land in the similar location for the quarters sold in 2018:

Table 38; Number of Sold Government Quarters for year 2018 and their corresponding prices

No	Location	Number of Quarters Sold	Approximate size of the land (Town Lots)	Price Range for the land (1 Town lot) (million Le)	Range of Selling Price (SP) (million Le)
1	Hill Station	9	2 Town lots	60-70	60-150
2	Cockerill North and South	3	2 Town lots	150-200	100-250
3	B1, Brookfields	3	2 Town lots	60-80	60-80
4	Spur Road, Wilberforce	6	2 Town lots		65-110
5	Thompson Bay, Cockerill	2	2 Town lots	60 – 70	100-120
6	King Harman Road	2	2 Town lots		80-120
7	Escourt Crescent Road	2	2 Town lots		80
8	MQ & Spur Loop	1	2 Town lots		65
9	Cline town	1	2 Town lots		80
	Total	29			

***Source:** Auditor's Analysis from interviews held with Officials from the Ministry of Works; and review of Records of proceeds from the sale of 29 quarters, 2019*

855. The selling prices in various locations were less than the prices for a town lot of the land. This clearly indicates that, the valuation was not adequately done to cover both the value of land and building.
856. The interviewed officials mentioned that, the land was not valued because currently, there is no standard price for a piece of 1 town lot that has been issued to the public by the Ministry of Land. There is however no regulatory board for regulating the price of land. However, it was not clear how the evaluation team managed to come up with the value of the properties, with the existing limitation as declared by the evaluation members.
857. The Ministry in principle agreed that the price was below the market value, for the reasons that the sale was done at social value in consideration of their massive deterioration. It also indicated that the sale value at 2018 was above the value provided by the consultant who did the work on behalf of the Ministry in 2001.

iii) Disposal was not carried out diligently and efficiently by the Ministry of Works and Public Assets

858. The principles of disposal of assets require the disposal process to be carried out diligently and efficiently. Through the interviews held with officials from the Ministry of Works and Public Assets and the review of correspondences related to the sale of land and quarters, it was revealed that the disposal process was not done diligently and efficiently. This is because the disposal included only government quarters located in prime areas.
859. It was also evidenced by an action of the current government administrative initiative to retrieve the sold quarters and lands and to overturn the procurement approved by a cabinet conclusion of the previous government administration. This was indicated by a draft cabinet memorandum in a letter with Reference No. CO/42B dated 10th August 2018 requiring the Ministry of Works and Public Assets in collaboration with the Ministry of Land, Housing and Environment to make available a list of the quarters and lands sold. This was as a result of the review of the Cabinet Policy Review Unit with the intention of overturning the previous cabinet conclusion relating to the sale/mortgage of government quarters and land to civil servants.
860. The Ministry accepted the observation and gave the reasons that, the Ministry was implementing the directive that was trickled down to it.

We recommend that the Management of the Ministry of Works and Public Assets in future should provide technical advice to the government prior to decisions.

iv) Inadequate Monitoring of Disposal of Assets by the Ministry of Works and Public Assets

861. International Standards Organisation (ISO-55001) required the Ministry of Works and Public Assets, Ministry of Finance, National Assets Commission and National Commission for Privatisation to monitor and evaluate the way government assets including quarters are disposed in a manner that the end result of the program are considered beneficial to the nation.
862. The audit noted that, the management of the Ministry of Works and Public Assets, did not conduct monitoring and evaluation of the disposal activities. Since 2008 the Ministry of Works and Public Assets has been selling government quarters without adherence to the procedures, yet the audit did not find any action taken by the Ministry to correct this anomaly. This is because of lack of accountability at the Ministry in conducting evaluation of the disposal to check whether the objectives were achieved and public interest were protected.

863. Moreover, the audit also noted that, the National Assets and Government Property Commission did not take proactive measures and advise the government regarding the action of the Ministry to dispose of property. The interviewed officials from the National Assets and Government Property Commission declared that, they normally conduct periodic monitoring of the assets, and it has come to their knowledge that the Ministry of Works and Public Assets has been selling quarters without informing the Commission. The officials indicated that most of these state institutions do not involve the Commission in either disposal or exchange processes; but the business of the Commission is to oversee all activities regarding the management of these state assets.
864. The National Asset Commission Act of 1990 gives the Commission power to retrieve those properties sold without the consent of the Commission, and the power to summon for illegal sales and possession of state assets. However, the audit noted that the Commission has not taken corrective measures using its given powers. Thus, the Commission did not adequately fulfil its mandate for safeguarding the government properties.
865. We conclude that, the disposal of 29 quarters was not done in accordance to principles of disposal of assets. The disposal was associated with lack of transparency, competition and was also not disposed at the market price in our opinion. The disposal process was not carried out diligently and efficiently. Lack of accountability on the side of the Ministry of Works and coordination within the government entities responsible for managing the assets were the main factors leading to non-adherence to principles and procedures of disposal of assets.
866. Furthermore, inadequate monitoring of disposal activities by the Ministry of Works and Public Assets, and National Asset and Government Property Commission, was also a factor that contributed to disposal of government quarters without following principles of disposal of assets. Both the Ministry of Works and National Asset and Government Property Commission did not evaluate the previous disposal done and draw lessons from which the current disposal conducted in 2018 could have benefited. As a result, the needed quarters have been disposed of at lower than economic prices, thus resulting in a loss to the government.

We recommend that the Management of the Ministry of Works and Public Assets should:

- a. develop effective mechanism to ensure compliance with principles of disposal of public assets. The mechanism should enable the Ministry to demonstrate fairness, transparency, diligence and efficiency in the disposal of assets; and**
- b. monitor and evaluate disposal activities and use the results to take corrective actions. The actions taken should aim at ensuring that optimal value of the property is realised.**

867. Corporate governance is the system by which organisations are directed and controlled. It encompasses the relationship between the board of directors, shareholders and other stakeholders, and the effects on corporate strategy and performance. The audit noted weaknesses related to governance matters as detailed below:

Failure of the Internal Audit Division to Cover Government Quarters

868. Through the interviews held with internal audit officials of the Ministry of Works and Public Asset and review of internal audit reports for 2015-2018, we noted that, issues related to government quarters in the Western Area were not covered. Despite the fact that government quarters are among the key public assets under the custodianship of the Ministry. Table 3.10 presents issued covered by the internal audit sections for the period under review:

Table 39: Summary of the Internal Audit Covered and the elements covered

FINANCIAL YEAR	NUMBER OF INTERNAL AUDIT REPORTS PRODUCED	ELEMENT COVERED	OBERVATIONS
2015	2	Maintenance of government rented houses in provinces and refurbishment of Ag. Minister’s office	Poor maintenance of building structures in the Provinces

2018	2	Personnel Audit	Unauthorised absence of staff from duty
			Payment of 4 staff who have attained statutory retirement age
			Presence of unemployed staff in Housing Division
		Procurement Audit	Procurement not done as per plan
			Procurement not done as per standards
			Procurement of grounded vehicle spare parts
			Procurement of works for rehabilitation of quarters which were then sold to the same occupant in the same year.

Source: Auditors' Analysis of Internal Audit Reports (2019)

869. As seen in Table 3.9, from 2015 to 2017, the internal audit division did not touch upon any issue regarding government quarters in the Western Area, even though they are responsible for ensuring the security over the government assets by enforcing the existing internal controls in place and report back if they are functioning or not. Instead, the internal audit focused on fixed asset related to ICT equipment, vehicles and a little part of the personnel.
870. The officials could not provide convincing reasons as to why they did not adequately cover government quarters in Western Areas, despite the existing challenges on the management of the assets. We attribute this as a failure of the internal audit to conduct risk based audit for this period under audit.
871. The internal audit of the Ministry of Works did not adequately assess the government quarters located in Western Areas. Instead, the internal audit focused on ICT equipment and quarters which were located in the provinces. This is a result of failure to properly plan for the audit based on risk bases.
872. The Ministry accepted the finding giving reasons that in a given year all activities could not be covered. The management has indicated that they will cover this activity in their plan for 2019. Ministry did not provide to auditors the audit plan for 2019 to support their response. The audit

team recognises that in a given year all activities could not be covered, and that is why there is a need to properly plan focusing on the high risk areas.

We recommend that the Internal Audit Unit of the Ministry of Works and Public Assets should:

- a) Submit to the ASSL its 2019 internal audit plan to support its response as soon as they receive this report.**
- b) ensure the internal audit units cover the government quarters in their audit plan;**

SIERRA LEONE HOUSING CORPORATION (SALHOC)

873. This was established by the Sierra Leone Housing Corporation Act of 1982 to assist in the provision of housing facilities in an effort to improve the living standard of people. It is responsible for assisting the government in the provision of housing facilities to 10, 30 and 60 percent of high, middle and low income earners. Through the establishment of this Act, the corporation is mandated to acquire, hold, and dispose property whether movable or immovable, construct houses and provide loans for the construction of houses and building materials for all income families in Sierra Leone. The findings for the Technical Audit of SALHOC were as follows:

Planning for Housing Programs

874. Sierra Leone embarked on the Agenda for Prosperity (A4P), for social and economic development from 2013 to 2018. Pillar 6 of the A4P – Social Protection is geared towards strengthening support for housing. One of its objective focuses on increasing access to affordable housing for all as one of the visions in Sierra Leone by 2035. Thus, the goal of the Government of Sierra Leone was to achieve maximum addition to the housing sector, so as to ensure that every Sierra Leonean has access to safe, sanitary and decent housing, through home ownership, rental, or temporary social assistance. The goal focuses on exploring the possibilities of providing housing for public sector workers, college graduates, unemployed and vulnerable groups. This programme was to be implemented through a public-private partnership.
875. According to the Sierra Leone Housing Corporation Act of 1982, SALHOC is expected to assist the government in the provision of affordable houses designed to cater for 10, 30 and 60 percent of low, middle and high income earners respectively. Therefore, the audit team made an assessment of the strategies and plans for housing programmes to ascertain whether SALHOC has adequate plans to enable it achieve the overall government goal for the provision of low-cost houses for its citizens. The following are the audit observations:

Business and Annual Operational Plans of SALHOC were Aligned to the Government's Goal

876. Through the review of SALHOC strategic plans (2015-2018), draft business and annual operational plans for the period 2015 - 2018, it was noted that to a large extent, SALHOC managed to come up with the strategic goals, objectives and interventions which were in line with the expectation of the government as set in its housing programme. Appendix 1 provides the summary of the strategic objective and their corresponding planned interventions for the period 2015 - 2018. Table 3.1 provides an analysis of the government's goals, strategic and operational plans set by SALHOC.

Table 40: Analysis of the government's goals, strategic and operational plans set by SALHOC for the period 2015 – 2018

Government's Goal	Planned objective or intervention by SALHOC	
	Strategic Plan	Annual Operational Plan
To achieve maximum addition to the housing sector so as to ensure every Sierra Leonean has access to safe, sanitary and decent housing, through home ownership, rental, or temporary social assistance.	To develop a minimum of 6,500 houses for sale and lease by June 2018	To develop a minimum of 3,200 houses for sale and lease by June 2017
	To develop 6,000 affordable houses for middle and low income group by June 2018	To develop 2,500 affordable houses for middle and low income group by June 2018
	To develop 500 medium and high class houses for sale and lease by June, 2018	To develop 200 medium and high class houses for sale and lease by December, 2017
		To develop 500 affordable houses for middle and middle income group by June 2018
	To become a leading real estate developer	To play a role of master developer by December, 2016

		Acquire land, plan and serve them. Sell some projects to developers
	To become an efficient real estate manager	Marketing of houses constructed for sale by December, 2017
		To mobilise investment funds of SLL 12 billion by December, 2017
		To embark on intensive marketing of houses constructed for sale by December, 2017
	To strengthen operational efficiency and control mechanism	To enhance operational efficiency and compliance by December, 2018
		To develop strategic relationship with local authority utility agencies and stakeholders
	To optimally deploy human resources base	To enhance effective human resource utilisation by December 2017, continually enhance human resource development and capacity building
	To review and improve all contracts and legal environment	Streamlining all contracts binding the corporation by February, 2016. Prepare SALHOC Act regulations by December, 2015.

		Minimise disputes and reduce backlog of court cases by June, 2017.
	To boost the corporate image	To restore SALHOC public image. To develop CSR by June, 2016

Source: Auditor's Analysis (2018)

The strategic and operational interventions were aligned with the government's goal.

SALHOC did not adequately implement its strategies

877. It was noted that SALHOC did not implement its set strategies. From 22 strategies set to be implemented during that period, none of the strategies were fully implemented and 10 were partially implemented as detailed in Appendix 1 of this report. The inability of SALHOC to implement its strategies was caused by inadequate government support to facilitate in achieving its strategies. The audit further noted that the main contributing factors to insufficient implementation of the set strategies by SALHOC were:

- i. ***Lack of strategies to attract investors***: For the period under review, the audit noted that SALHOC did not engage private investors. This was due to lack of effective strategies and terms such as guarantees, investment structure which could attract investors. As a result, the corporation could not implement its planned strategies;
- ii. ***Lack of strategies for effective revenue management***: It was noted that SALHOC failed to collect its rents from the tenants. It also lacks strategies for revenue collections and utilisation.

878. SALHOC has not managed to adequately implement its strategies. This is because since its establishment in 1982, it has managed to construct only 20 units of low cost houses, while it was planned to construct 6500 low cost houses. Further, for the period covering four years of its strategic plan, it has partially implemented 50% of its planned strategic interventions. This was caused by the lack of effective investment strategies that would attract investors. On the other hand, the corporation lacks effective revenue collection strategies, resulting in failure to collect enough revenue for its operations.

879. During the audit, management accepted this observation and initial recommendation and presently, the corporation is working on a reviewed plan for implementation and has taken initial

steps to include the development of concept note for housing programme. The auditors acknowledged the management's response and noted that it has developed the concept note and drafted MoU with investors to ensure sustainable funding of its strategies.

We recommend that the management of SALHOC should:

- a. Establish an investment policy and strategy that would attract investors to enable the corporation raise necessary capital to assist in the implementation of its strategies and successful fulfilment of its mandate;**
- b. Collaborate with National Commission for Privatisation to ensure that the government establishes right policy frameworks to promote business and investors. This should involve the provision of sovereign guarantee or a customer guarantee to investors in order to minimise entry barriers to attract right form of investment structure to properly partner with private companies.**
- c. In collaboration with the National Privatisation Commission, the corporation should develop the right form of investment structure with minimal entering barriers that will attract investors and promote partnership with private companies. This may be through the provision of sovereign guarantee or a customer guarantee to investors;**
- d. Develop effective revenue collection mechanisms and use them to collect revenues from the leased and rented property.**

Acquisition of assets and their recording into the Register

880. In this aspect, the audit assessed the extent of adherence to the standard procedures for acquisition of land (property) and houses. The audit team looked at methods used to acquire land and houses and the recording of those properties. Below are the observations in this area:

i. SALHOC did not adequately adhere to the standard acquisition procedures

881. The audit further noted that SALHOC did not adhere to the standard procedures for the acquisition of land and houses contrary to sections 18 and 19 of the Sierra Leone Housing Corporation Act, 1982 and its first schedule. The following were the irregularities noted during the transfer of the vested properties to SALHOC (the Corporation).

ii. SALHOC failed to acquire proper ownership document for the vested land

882. Although Government vested these properties to the SALHOC, the ownership document was not transferred to this corporation. SALHOC management did not ensure that they have documents showing ownership for the acquired land as well as the documents showing their details such as the cost of acquired properties.

883. This is contrary to the requirements of section 5.1 of the National Land Policy of Sierra Leone, 2015 which states that, “for an entity or individual to have proper ownership of land or a house, it must have in its possession the following documents: (a) survey plans (b) free hold (c) lease and (d) a completed a conveyance. These documents should be approved by the Director of Surveys and Lands within the Ministry of Land, Country Planning and Environment and registered with the Ministry through the system deeds registration”.
884. Table 41 presents the summary of the land plots owned by SALHOC but lack documents showing clear ownership and current value of plots.

Table 41; List of land acquired by SALHOC but lack documents showing clear ownership and current value of plots

Location	Acreage (acre)	Cost at Acquisition (Le)	Current Cost (Le)	Year Acquired
OAU ESTATE- Hill Station	30	6,000,000	Unknown	1982
Kissy Public Housing Estate	9	90,000	Unknown	1982
Parsonage Street Estate	5	100,000	Unknown	1982
Kissy Mess Messy Land (site 2)	30	240,000	Unknown	1982
Golden Rich 7 th Battalion	40	Unknown	Unknown	1982
Banqueting Hall, Hill Station	3.604	Unknown	Unknown	1982
B. 28 King Harman Road Property	0.843/4.32	Unknown	Unknown	2003
Head Quarters at 50 Siaka Steven Street	0.843	Unknown	Unknown	1982
Skill Development and Training Centre at Kissy	1.4622	Unknown	Unknown	1992
Building Materials Production Centre at Tikonko Road Bo	1.2	Unknown	Unknown	1993
Peninsular Road Goderich	57.118	Unknown	Unknown	1986
Kissy Bai Bureh Road	1.4622	Unknown	Unknown	1992

Source: Sierra Leone Housing Corporation Act, 1982 and Strategic Plan 2015-2018

885. As indicated in Table 41, land plots acquired by SALHOC did not have title deeds, instead the Corporation relies on survey and site plans as documents that provide proof of ownership. This

makes it difficult for the Corporation to lay claim for the encroached land without having proper documents of ownership. The audit also noted that as a result of the lack of proper ownership documents, insufficient record keeping, inadequate supervision and follow-up of its land plots; some of those land plots were encroached by individuals or allocated to other government entities like NASSIT by the Ministry of Lands without prior consent of SALHOC. Table 3.3 presents a list of land plots that have been encroached and allocated to other entities:

Table 42: List of lands which have been encroached by individuals or allocated to other government entities without SALHOC's consent

Land Location	Acrage	Year Acquired	Status as of December 2018
OAU ESTATE- Hill Station	30	1982	Encroached and there are building constructed in some Villas e.g. Villa 19
Personage Street State	5	1982	Ministry of Land offered these plots to Private People
Golden Rich 7 th Battalion	40	1984	Occupied by Military Officers since 1993 after 218 units of houses were built
B. 28 King Harman Road Property	0.843	2003	Hosting the Ministry of Tourism and Cultural Affairs
Skill Development and Training Center at Kissy	1.4622	1992	Approximately 0.6 acres have been encroached by private individuals/citizens
Building Materials Production Centre at Tikonko Road Bo	1.2	1993	0.8 has been allocated to private people
Peninsular Road Goderich	57.118	1986	Used Property for Rent Sea View Estate by National Social Security and Insurance Trust Fund

Source: Sierra Leone Housing Corporation Act, 1982 & Strategic Plan 2015-2018

886. Interviewed officials from the Ministry of Lands, Country Planning and the Environment clarified to the audit team that, SALHOC did not have proper ownership document for the lands. Since the lands were not developed for a long time, and the fact that land is scarce in Freetown, the Ministry allocated those lands to individuals who were ready to develop the lands after obtaining no objection from the Ministry of Works. However, the Ministry of Lands could not provide document to prove that the allocation was done after obtaining no objection letter.

iii. Lack of ownership for the vested houses

887. Similarly, the documents that provide for the ownership of those houses were not handed over to SALHOC. The only supporting document provided was the survey plan which could not

enable the Corporation to have full details such as cost for some of its houses. the summary of the houses acquired by SALHOC and their details is as shown below:

Table 43; Summary of the houses acquired by SALHOC but lack documents showing clear ownership and current value

Location	Units	Cost at Acquisition (Le)	Current Cost (Le)	Year Acquired
OAU ESTATE- Hill Station (full furnished)	60	6,000,000	Not Known	1982
Kissy Public Housing Estate - Low Cost Site 1	314	Not Known	Not Known	1982
Kissy Public Housing Estate - Site 2	355	Not Known	Not Known	1982
Golden Rich 7th Battalion	218	Not Known	Not Known	1984
B. 28 King Harman Road Property	2	Not Known	Not Known	2003
Head Quarters at 50 Siaka Steven Street	2 Storey Building	Not Known	Not Known	2015
Flats and other ancillary Facilities –Six miles	52	Not Known	Not Known	Jan-18
Kissy	20	Not Known	Not Known	2009

Source: SL Housing Corporation Act, 1982 & Strategic Plan 2015-2018

iv. Failure to establish costs of vested property at the time of acquisition

888. Although SALHOC managed to record the transferred houses to its fixed asset register, its management did not ensure that they agree with the government on the value for some of the houses or even carry out independent survey to establish the cost of those houses acquired from the government. Reviewed SALHOC fixed assets register lacks details of the cost of acquisition for most of its land plots and houses. Although section 22 of the Housing Corporation Act, 1982 requires SALHOC to create in respect of the value of the assets transferred stock of the amount agreed upon between the government and the Corporation, such stock was to be issued to the government and should bear interest rate as from the date of transfer. As a result, SALHOC has not managed to present the actual value of houses and land plots under its possession in its books of account.

v. Failure by SALHOC to conduct valuation of assets regularly

889. The audit noted that both the Ministry of Works and SALHOC did not carry-out annual stock verification and regular valuation of its property. For the case of SALHOC, through the review of valuation certificates, it was noted that since its establishment in 1982, the valuation of few fixed assets was carried-out in 2010 for the last time. The books of account also include 2 Villas which have been handed over to the Chinese Embassy in Freetown. The SALHOC senior officials claimed that the valuation exercise is very expensive; the corporation cannot cover this cost amidst their financial constraints. As a result, the corporation failed to present the true and fair value of the property in the books of account.
890. SALHOC failed to adhere to the standard procedures for the acquisition of property by ensuring that all necessary ownership documents are in its possession. It has not applied any effort to ensure that land and quarters are registered to guarantee proper ownership. SALHOC has not also developed lands and secure the land that was vested to it. As a result, some of the lands have been allocated to other public entities and citizens who were ready to develop them by the Ministry of Lands, Country Planning and the Environment. In addition, SALHOC is not doing regular inspection and valuation of its houses and land due to lack of prioritisation of this activity. We attributed this to lack of accountability of the SALHOC management to safeguard government property by ensuring that SALHOC obtains permanent ownership documents as required by section 5.1 of the National Lands Policy of Sierra Leone, 2015.
891. The management accepted our initial recommendation/findings and they have consulted a private firm to conduct survey and valuation of all its property. Management also responded that the Board Chairman and management team of SALHOC are currently working on the documentation of ownership and the revaluation of SALHOC's property. It has consulted a private firm that will conduct a survey and value all the SALHOC property.

We recommend that SALHOC management should:

- a. Develop mechanism to ensure that they have all necessary documents indicating the ownership of all property vested to them;**
- b. Improve its fixed asset register and ensure that the register contains information such as age, location and cost of each asset for proper accounting and management of assets;**
- c. Conduct regular inspections and valuation of its property.**

Management of Tenancy and Lease Agreement of Government Houses and Property

892. The assessment for effective management of contracts and lease agreement was made covering adherence to the allocation process, lease arrangement, its implementation as well as management of revenue collection. The following were the observations:

i. SALHOC did not adequately adhere to the allocation process

893. According to section 11 (e) of SL Housing Corporation Act of 1982, SALHOC was expected to establish criteria, and procedures to determine the eligibility of occupants and rental or carrying charges. For this case, the corporation was also expected to determine criteria and procedures with respect to periodic review of occupant's incomes and adjustment of rental or carrying charges. It was also expected to develop and follow approved procedures for leasing/ transfer / mortgage of its houses or land.

894. The audit noted that, SALHOC managed to develop allocation procedures as required by the Act. The corporation also established allocation committee which do evaluate and approve the applicant allocations. It has also established the allocation criteria which were based on the income of the tenants, to help them determine whether the applicant falls under low, medium or higher income earners categories. The allocation committee which composed of SALHOC Technical Team and chaired by the General Manager, was responsible for evaluation of the applicants and grant the approval.

895. The audit noted that, although SALHOC management do have described procedure and process for the allocation of its houses, they are not adequately adhered to. This was indicated in the different categories of houses owned by SALHOC as described below:

Lack of adequate documentation for allocation of OAU VILLAS

896. A review of individual tenant's files for OAU Villa did not provide evidence to assure auditors that the allocation procedures were adhered to. Most files for individual tenants (houses) have offer letters which specify amount of payment for lease and the specific condition of the lease regarding the maintenance and rehabilitation of the houses. Minutes of the allocation committee, lease agreement and application letters were missing in most of the individual files. As a result, it was difficult for the auditors to ascertain whether the process for allocating OAU Villas was followed or not.

ii. SALHOC had weak tenancy lease and mortgage agreements

897. We noted the following weaknesses related to tenancy and mortgage agreement:

The developed agreements lack sufficient terms bounding the tenants

898. From the review of sampled lease agreements for the government houses, it was noted that in those lease agreements, SALHOC managed to specify the payment schedule, method and amount to be paid in the lease agreements. The agreements also specified the payment methods, period for lease, responsibilities for the repairs and maintenance to be made and the clauses for restrictions of tenant to be engaged in illegal activities.
899. However, it was further noted that the lease agreements for 5 OAU Villas houses did not state, the specific period of rent and actions to be taken in case of late payment of rental fees, no provision for the penalty to be paid by tenants in case they default. Similarly, the reviewed offer letters for the lease of freehold parcel of land at Kissy Estate, we noted that, some of letters were silent on the period of payment and they did not have any provision for the penalty to be paid in case of default. As a result, most of the tenants after initial payments, did not comply with the payment of their rents, resulting into outstanding rent arrears amounting Le7,093,600,000, Le28,863,000 for mortgage of 20 pilot Houses at Kissy Estate and Le 112,900,000.00 for freehold lease of parcel of land at Kissy Estate II.

SALHOC did not ensure that all tenants have agreements

900. From the reviewed individual tenant's files of OAU Villa, it was noted that, most of the files were missing in the tenancy agreements. Out of 23 sampled files, 18 tenant files did not have tenancy agreement. Additionally, in all of the 23 sampled files, there was no renewed tenancy agreement while some of the VILLAS have been occupied by the same people for more than three to ten years without renewing the tenancy agreement. The tenancy agreement is for a period of three years and it is supposed to be renewed after its expiry.
901. SALHOC management did not foresee the risk associated with leasing property to people without agreements. Another could be the fact that offer letters were interpreted to replace the tenancy agreement.
902. Further, in the offer letter, the tenant was directed to organise with the SALHOC solicitor and pay to the firm 10 percent of annual rents so that he can prepare the tenancy lease agreement. SALHOC did not have mechanisms to ensure the tenants complies with this despite that due to the cost implication the tenant may not easily comply with this requirement. As a result, most of the tenants were not paying their rents as required.
903. Although SALHOC managed to develop criteria and allocation procedures, the procedures were not adequately adhered to. The allocation was associated with poor documentation to make it easy to follow through. Most of the tenants did not have tenancy agreements, because SALHOC

left this for the individual tenants to make follow-up to the solicitor. However, the few tenancy and lease agreements that were available lack sufficient terms bounding the tenants such as the specific period of rent and actions to be taken in case of late payment of rental fees and lack provisions for the penalty to be paid by tenants in case they default. Due to this, most of the tenants were not complying with their obligation for payment of the rents or mortgage arrangements.

904. The Corporation management agreed and responded that it is reviewing all tenancy agreements lease with individuals, ministries and agencies of which the management team will be responsible for implementation. The audit noted that management has sent letters to tenants informing them of the possibilities of reviewing their rents. However, apart from reviewing the tenancy agreement, SALHOC management needs to ensure that the house allocation mechanism is functioning effectively.
905. The auditors agreed with the management response. However, apart from reviewing the tenancy agreement, SALHOC management needs to ensure that the house allocation mechanism is functioning effectively. Further, SALHOC should submit to auditors a proof that they have started review on the tenancy agreements.

We recommend that the management of SALHOC should:

- a. Review all tenancy and mortgage agreements and ensure that the agreements capture all necessary details to enhance tenant's compliance to payment of rents and protection of assets;**
- b. Ensure that the allocation committee is functioning effectively. The house allocation proceedings should be well documented for proper follow-up.**

Inadequate management of revenue from the houses and land

906. Best practices require entities to formulate effective and workable strategies/policies with regards to revenue management. Revenue from mortgage of houses usually span over a long period of time hence, demands a strategy of this sort of arrangement to ensure an effective collection and utilisation of the proceeds therein.
907. A review of reports from SALHOC, and interview with financial manager, we noted that there is inadequate management of revenue collection from the leased houses and property. This was also noted for the mortgage houses. The inadequate management of revenue was indicated by the following weaknesses:

i. Delay in collection of revenue from the leased land and rented houses

908. For a period under review, SALHOC did not collect revenue amounting 4,926,869,455.70 Leones while the expected revenue collection required was 9,580,328,000.00 Leones. Table 44 presents the extent of revenue collection from 2015- 2018.

Table 44; Extent of Collection of Revenue from all Sources - 2015-2018

Year	Expected /Budgeted amount to be collected billions Leones	Actual amount to be collected billions Leones	Uncollected revenue Amount (Le)	Percentage of Uncollected revenue (%)
2015	1,963,078,000.00	983,649,184.80	979,428,815.00	50
2016	2,696,250,000.00	1,690,752,398.00	1,005,497,602.00	37.30
2017	2,326,250,000.00	965,893,701.30	1,360,356,298.70	58.50
2018	2,594,750,000.00	1,013,163,260.00	1,581,586,740.00	60.95
Total	9,580,328,000.00	4,653,458,544.10	4,926,869,455.70	51.43

Source: SALHOC Annual Budget Reports, 2015-2018

909. As seen above, SALHOC management did not collect 50 percent of revenue from the property and houses for the three years. These scenarios for each category of houses are as detailed below: These scenarios for each category of revenue source is as detailed below:

Outstanding Mortgage Revenue from 669 Low Cost Houses at Kissy Sites 1 & 11 Amounting – 43,733,700.00 Leones

910. We noted through the review of the minutes of the Board of Directors meetings for the period from 2006- to 2016, a 15 years' mortgage agreement was reached and entered into by 669 tenants and SALHOC. This was the mortgage for 669 Low Cost Houses at Kissy sites 1 & 11. This agreement mortgage of these affordable houses to low income earners began in 2002 and ended in 2016. We observed that even though the mortgage period ended far back in 2016, some of the beneficiaries still owe to date. The details are as presented in Appendix 2 of this report. Table 3.6 provides the summary of the outstanding mortgage for the 59 customers up to 2018

Table 45; Outstanding Mortgage of 669 low Cost Houses up to December 2018

SN	Range of the Outstanding Mortgage (000 Le)	Number of Customers	Percentage of the customers out of 59 Customers (%)
1	36-500	26	44
2	501-1000	17	28
3	1001-1500	12	20
4	1501-2000	1	1.7
5	2001-2500	2	3.4
6	2501-3000	1	1.7

Source: Auditors Analysis, (2019)

911. As seen in Table 3.6, the outstanding mortgage range from 36,000 to 3,000,000 Leones, where more than 50 percent of the 59 customers fall in the range of 36,000- 1,000,000 Leones. Lack of effective and workable revenue collection mechanism as well as lack of supervision on the part of the General Manager over the activities of the Finance department has led to this anomaly. The continuous holding of these monies by the tenants which otherwise should have been paid to the Corporation is affecting the objective of this mortgage exercise. SALHOC expected to use mortgage proceeds to serve as a revolving fund out of which more of such affordable houses should be replicated. This eventually impairs the overall objective of government solving the housing needs of its citizenry. In addition, time value of these monies is as well seriously compromised.

Outstanding Mortgage Revenue from 20 Pilot Houses at Kissy – Le28,863,000

912. Best practices require entities to formulate effective and workable strategies/policies with regards to revenue management. Revenue from mortgage of houses usually span over a long period of time hence, demands a strategy of this sort to ensure an effective collection and utilisation of the proceeds therein.
913. Through the interviews with SALHOC's officials and review of the meeting minutes of Board of Directors, Board decision was reached for the proceeds from the mortgage of the 669 low cost houses to be used to develop pilot houses. Based on this Board decision, 20 pilot houses were constructed in total within two separate periods with each of these periods witnessing the construction of 10 houses.

914. Each of these sets were mortgaged within a varied period of three (3) years with the first set spanning from 2006 to 2009, while the last set began from 2009 to 2012. We observed that even though both mortgage periods ended far back in 2012, four (4) of the beneficiaries are still owing in total Le28,863,000 to date. Table 47 presents the details:

Table 46: Details of the Outstanding Mortgage of 20 Pilot House

No.		Name	Block No.	Total Amount Payable (Le)	Amount Paid (Le)	Amount Outstanding (Le)
1.		Mrs. Khadija Kamara (Rogers)	N374	71,525,324.64	64,225,324.64	7,300,000.00
2.		Mr. Abdul A.B.Sesay	N364	32,680,000.00	29,080,000.00	3,600,000.00
3.		Ms. Rosaline O. Sankoh	N362	32,680,000.00	15,680,000.00	17,000,000.00
4.		Mr. Albert J. Yanguba	N356	44,600,000.00	43,637,000.00	963,000.00
Total				181,485,324.64	152,622,324.64	28,863,000.00

Source: Individual Payment Cards & SALHOC Financial Records

915. There is outstanding mortgage for the 20 pilot houses equivalent to 16 percent of the amount required to be collected. Lack of effective and workable revenue collection mechanism as well as lack of supervision on the part of the General Manager over the activities of the Finance department has led to this anomaly.

916. The continuous holding of these monies by the tenants which otherwise should have been paid to the Corporation is affecting the objective of this mortgage exercise which demands that the proceeds should serve as a revolving fund out of which more of such affordable houses should be replicated. The overall objective of government by solving the housing needs of its citizenry has also been defeated. Time value of these monies is as well seriously compromised with.

Outstanding Rent Arrears Amounting – Le 8,750,237,300.00

917. The audit noted that SALHOC has outstanding rent arrears for various house leased. Fifty-eight (58) units of houses located at OAU Villas, 218 units located at Golden Rich 7th Battalion and 2 units at B. 28 King Harman Road were among the assets vested to SALHOC according to the SALHOC Act of 1982 as amended in 1986. SALHOC was required to use the revenue from the lease of these property to assist government in the provision of affordable houses to its numerous citizens.
918. We observed that these three (3) facilities are on rental basis and the tenants occupying these facilities owe SALHOC Le 8,750,237,300.00 in total as at 10th December, 2018. The detail of the arrears is presented in Table 48 below:

Table 47; Summary of Rent Arrears from Various SALHOC Houses as at 10th December, 2018

SN	PROPERTY	OCCUPANTS	TOTAL ARREAS AS OF 2018 (Le)
1	58 OAU VILLAS	Private, Public and Government Officials	706,692,300.00
2	218 Units at Golden Rich 7 th Battalion	Ministry of Defence	5,881,400,000.00
3	2 Flats units at B. 28 King Harman Road	Ministry of Tourism	2,162,145,000.00
Total			8,750,237,300.00

Source: SALHOC's Financial Records (2018)

919. Reasons for inadequate collection of revenue from OAU VILLA include:
- (a) Weaknesses in lease agreement which lack specific clauses bounding tenants for late payments of rents;
 - (b) Weak legal enforcement on tenants who violate lease agreement;
 - (c) Lack of internal audit unit that should have captured the weakness in the revenue management and advise the management for immediate corrective actions;
 - (d) Lack of support from the Ministry of Works and Public Assets and Ministry of Finance in enforcing the collection of outstanding payments from the public entities;
 - (e) Inadequate debt collection mechanism by SALHOC.
920. Non-payment of these arrears is significantly affecting the smooth operations of SALHOC as a corporate body thereby preventing it from meeting its conferred mandate.

921. SALHOC failed to efficiently collect rent and mortgage from its revenue sources, and thus negatively affect its achievement. This is due to weak mechanisms for effective collection, specifically ineffective legal enforcement, absence of internal control as well as inadequate support from the National Privatisation Commission and the Ministry of Finance in enforcing the collection of outstanding payments from the public entities.
922. The management accepted our initial recommendation and started to work on a robust strategy for the collection of revenue from all sources, which will be implemented by the SALHOC management team.

We recommend that the management of SALHOC should:

- a. Develop an effective and workable debt collection mechanism to collect the outstanding debts;**
- b. Liaise with Rent Control Departments and Law Enforcement Agencies to evict tenants who refuse to pay rents;**
- c. As a matter of urgency, come up with an effective strategy that will assist in recovery of long overdue mortgage amounts;**
- d. Develop proactive measures for its future mortgage arrangements to forestall delay in the collection of mortgage revenue.**

Outstanding Lease Payments from the Freehold Parcel of Land at Kissy Site II Amounting – Le112,900,000.00

923. A review of financial records indicated that, SALHOC did not collect the lease from the freehold parcel of lands at Kissy Site II. For the 10 tenants, the outstanding amount was Le 112,900,000.00. However, the management of SALHOC could not provide to the auditors for assessment the details for the remaining 659 piece of land. Thus, it was difficult for the auditors to ascertain whether SALHOC, has collected all lease revenue expected from the leased lands.

A total of Le 5,881,400,000 accrued rents has not been paid to SALHOC by the Ministry of Defence

924. It was noted that 218 units of houses at Goderich 7th Battalion were allocated to the Ministry of Defence following the purported presidential directives. The facilities were vested to SALHOC by SL Government by Public Notice No. 4 of 1986 and include 218 units on 40.357 acres of land and with additional ancillary facilities.

925. Although this was the effort of the government towards supporting SALHOC with sound base for capitalisation of savings and loan scheme through the sale of the completed units, its objective was not fulfilled. Since 2005 to date, the corporation has not received rent in respect of the occupancy of that estate. Currently, a total of Le 5,881,400,000 accrued rents has not been paid to SALHOC.
926. In respect of this, SALHOC management has made several attempts to enforce this non-payment. However, these follow ups have not yielded any better result. The corporation on two occasions has sent letters to insist on this payment through the Financial Secretary with Reference No. SLHC/GM/26, SLHC/GM/28 of 2017 and 2018 respectively. However, the Ministry of Defence requested the Financial Secretary to consider offsetting this huge debt through a letter with Ref No. D/MoD/1000 dated 27th October, 2016. No action has been taken with regards to this particular issue up to date.
927. Similarly, 2 units at B.28 King Harman Road property did not follow the formal allocation procedure, as its allocation was also the presidential directives through a letter with Reference No. OP/PSF/44 of 19th September, 2008 to the Ministry of Works to allocate it to the Ministry of Tourism and Cultural Affairs. The Board of Directors of SALHOC approved the payment of \$25,000 as an annual rent. Since 2009 up to date, no payment has been made to SALHOC. The outstanding rent from January 2009 to 2018 is Le 2,162,145,000.00.
928. The extent of inefficiency in revenue collection is clearly indicated by increasing trend of the rent receivables. We also observed from the review of the three years' financial statements (2015, 2016 & 2017) that the rent receivable figure is on an increasing trend. This is a clear indication of the corporation's inability to adequately recover its rents from the tenants. Table 48 provides the details of trend of rent receivables from 2015-2018.

Table 48; Trend of rent receivables from 2015 -2018 of SALHOC

Year	Rent Receivable (Le)	Percentage of Increase (%)
2015	1,844,905,000.00	-
2016	2,535,554,000.00	37.44
2017	3,742,590,000.00	47.60

Source: Draft Financial Statement, 2015, 2016 & 2017

929. As indicated above, the value increased from 2015 to 2017 is 105%. This means that, SALHOC does not have effective mechanism to recover their debts.
930. SALHOC did not adequately adhere to its established house allocation procedures. The allocation was mainly driven by frequent directives from higher authorities such as National Asset and Government Property and the Cabinet requiring SALHOC to allocate its houses to public entities; which did not fulfil their obligations for paying rents. These incidences have placed SALHOC as a corporate body in unfavourable position thereby hindering the effective operation of its mandate. It has also placed government in a conflict of interest situation and in a position of mistrust in the sight of the general public since same assets could be allocated to more than one agency as owners. Again this situation does not also encourage private participation which is a key driving force of growth in this sector (disincentive for PPP arrangements).
931. It has also made SALHOC to meet its operational cost including payments of salaries to its employees. We noted that, for the period under review, SALHOC has not pay salaries for the months of October and November, 2018. Even for the previous paid salaries, they only paid the net salaries leaving out the 5 percent NASSIT contribution and PAYE amounts.
932. The management responded that it is currently working on a robust strategy for the collection of revenue from all sources.

We recommend that management of SALHOC should:

- a. **Ensure that the Board of Directors liaise with the appropriate state institutions such as the National Assets and Government's Property Commission as well as the National Commission for Privatisation to settle the issue on the true ownership and control over these assets;**
- b. **In collaboration with the National Commission for Privatisation to develop effective mechanisms so as to prevent excessive political interferences into the affairs of State Owned Enterprises like SALHOC in order to enhance their performance.**

Unaccounted Revenue from Lease and Mortgaged Houses - 4,681,598,040.24 Leone

933. Incidences of unaccounted revenue were also among the weaknesses noted in revenue management at SALHOC. The few examples of noted incidences are as presented below:

Unaccounted Revenue out of the Mortgage of 20 Pilot Houses at Kissy - Le 890,258,516.60

934. A review of financial records from SALHOC, indicated that revenue amounting to Le 890,258,516.60 was realised as proceeds from the mortgage of the 20 Pilot Houses at Kissy as at 10th December, 2018. However, the management of SALHOC could not provide to auditors any detail on the utilisation of such proceeds.

***Unaccounted Revenue Generated out of the Mortgage of 669 Houses at Kissy –
Le 3,791,339,523.64***

935. A review of financial records from SALHOC indicated that a total amount of Le 3,791,339,523.64 was realised as proceeds from the mortgage of the 669 low cost houses at Kissy as at 10th December, 2018. By the time of this audit, the Management of SALHOC could not provide us with any detail on the utilisation of such proceeds.

936. Lack of effective supervision and monitoring by SALHOC management has led to this anomaly. This ineffective accounting for the revenue generated has contributed to the abysmal performance of SALHOC over the years with regards to meeting its mandate.

937. Lack of effective supervision and monitoring by management led to this anomaly. Ineffective accounting for the revenue generated has contributed to the abysmal performance of SALHOC over the years with regards to meeting its mandate.

938. The management responded that it has observed the utilisation of revenue collected from the mortgage of 669 units and the 20 Pilot Housing units on recurrent expenditures of the Corporation. The Corporation was faced with challenging financial situation for its current operation and utilised the collected revenue as such. Management hopes to correct the anomaly and not repeat the mistake.

We recommend that the Management of SALHOC should ensure:

- a. That revenue proceeds are properly accounted for and in case of any misapplication or misappropriation sanctions are applied to the culprits to serve as deterrent to others;**
- b. Internal controls are in place and are functioning well.**

Annual Rent Charge for OAU Villas is Relatively Lower than Market Price

939. Interviewed senior officials from SALHOC, mentioned that the rent paid is far below the market prices. According to the officials, looking at the location and the maintenance cost of these OAU villas coupled with the current economic trend, we noted that annual rent of Le 18,000,000.00 charged on the occupancy of these houses/villas may be below the prevailing market price.

940. We noted that management of SALHOC made several attempts / efforts to get the rent reviewed upwards, however all these efforts yielded no results. Lack of support from government in this

regard has led to the annual rent not being adjusted in consonant with current economic trend in the country.

941. SALHOC therefore, as a corporation is unable to meet its mandate in the face of current economic trend. The culture of routine maintenance of these villas has also been downgraded to the background leaving most of these villas in dilapidated states.
942. SALHOC is charging the annual rent at relatively lower price than the market price as a result of lack of support from the government towards reviewing the rents for OAU Villas. This has contributed to the failure of the corporation to meet its operational cost.
943. The management responded that, the corporation recognises the observation on the rent prices charged for the OAU Villas and is working on the recommendations. The Board and the management team of SALHOC will be engaging to review the current rent prices of the OAU Villas as compared to prevailing market prices.

We recommend that SALHOC Management and Board of Directors should review its rents for OAU Villas to match with the prevailing market prices.

Management of Maintenance of Public Houses

944. Maintenance is the combination of all technical, administrative and managerial actions during the life cycle of an asset intended to retain it in, or restore it to, a state in which it can perform the required function necessary to provide a given service. Maintenance can also extend the life of the asset beyond the original design life.
945. It was expected that SALHOC as the property managers or owners to ensure their houses are maintained to preserve and protect the building and the occupants. Not only will regular and proper maintenance make the houses healthy and safe places to live, but also resale and rent values are higher for property that keep up regular maintenance. Inadequate or lack of maintenance, for the building can make it inhabitable and poses negative effects on the users.
946. The audit assessed the extent to which SALHOC planned, budgeted and implemented maintenance activities of the quarters and houses. Below are the observations:

i)SALHOC Lacked Comprehensive Maintenance Plan for its Houses

947. The audit team has noted that SALHOC lacks a comprehensive maintenance plan for its houses. This was indicated by the following weaknesses:

Lack of regular maintenance plan and budget

948. SALHOC was expected to have a regular maintenance plan to ensure funding for regular maintenance. The management of SALHOC did not provide the maintenance plan for the period under review. SALHOC Estate Manager confirmed in his interview that there has not been a

maintenance plan for the period under review. The officials said that before 2015, they used to paint and do outside repair until when they were asked by the General Manager to stop repair and maintenance. Currently, maintenance is done by the occupants of VILLAS where SALHOC rarely supervise this activity; they do verify the submitted cost. Upon approval, the cost is defrayed to their rents.

949. However, the officials said that most of the tenants inflate the cost. In the analysis of the rehabilitation of VILLAS, it was noted that the cost submitted was approximately Le2.3 billion and upon verification, it was reduced to Le1.1 billion.

SALHOC did not allocate adequate resources for maintenance activities

950. The audit team noted that SALHOC did not allocate adequate resources such as human resources and funds necessary for the implementation of maintenance activities. The details are as presented below:

Lack of budget for maintenance activities

951. Part VII sec. 29 (Application of Revenue) of the SALHOC Act, 1982 states in sub- sec C that maintenance is one expense on which the Corporation should apply its revenue. However, through the interview with the Finance and Estate Managers, it was noted that SALHOC has not budgeted neither applied its revenue on maintenance for the period under review. The maintenance was left to the tenants as explained above.
952. The reason for not allocating funds for maintenance was due to financial constraints facing the corporation as a result of failure to collect rents from its tenants. Other reason is lack of prioritisation of maintenance activities by SALHOC management.

Insufficient Human resources to handle maintenance activities

953. Through the interview with SALHOC Administrative Officer, Estate Manager and review of the organisational structure, it was noted that the SALHOC did not plan for sufficient human resources to handle maintenance activities. Currently, there is one engineer heading the housing and planning section. The corporation does not have House and Planning Manager, Construction Engineer, Estate Officer, Estate Supervisor, Electrician and Project Engineer as required by its organisational structure. All of these vacant positions have employees who are working under contracts.
954. The reason for this shortage as stated by the administrator is that, the corporation cannot pay salaries because of the financial constraints. It was further stated that, because of this financial situation, SALHOC cannot afford salaries that can attract such qualified personnel.

955. The management responded that, the head of Housing and Planning Department is working on a strategy for general maintenance of SALHOC property and it is also included in the concept paper for housing strategy.

We recommend that the management of SALHOC should:

- a. Develop a comprehensive maintenance plan and guide for maintenance activities. The plan should indicate types of maintenance to be performed, frequency, as well as the resources required for effective implementation of maintenance work;**
- b. Prioritise the maintenance activity and use part of its revenue for such maintenance as required by SALHOC Act, 1982;**
- c. Ensure that it has sufficient human personnel with the required skills for managing maintenance activities of its houses.**

Maintenance of government houses not adequately done

956. Regular maintenance of residential quarters is obvious to avoid dilapidation of the assets. A review of documents and interviews with the Estate Manager revealed that regular maintenance has not been done by SALHOC for the period under review. There were no maintenance reports, other than the details submitted by tenants for the maintenance cost and item covered. The reason, as claimed by the SALHOC management was that the rents paid are far below the market values and could not cover repair and maintenance per year. As a result, most of the buildings are dilapidated. Analysis of the defrayed maintenance cost for 14 tenants has indicated that almost approximately more than 50 percent of the rents is deducted to cover cost for the maintenance incurred by tenants as indicated in Table 50 below

Table 49: Analysis of Maintenance Cost Defrayed to 20 Tenants Rent Cost

VILLA NO.	Period covered (Year)	Rehabilitation cost submitted (Million Le)	Rehabilitation cost submitted and approved (Million Le)	Defrayed amount per year/yearly deducted from Rent (Million Le)	Annual rent for the Villa (Million Le)	Percentage of rent deducted (Le)
10	2013-2016	39.8	28.1	7.0	15	47
25	2010-2014	240.6	52.4	10.5	15	70
35	2009-2016	NA	64.0	8.1	15	54
49	2010-2019	110.1	82.0	8.2	15	55
13	2008-2015	67.3	58.8	7.4	15	49
21	2012-2016	126.6	59.9	9.9	15	66
23	2010-2017	65.2	44.8	5.6	15	37
27	2013-2015	NA	31.8	10.6	15	71
32	2011-2018	293.7	70.0	8.8	15	59
36	2006-2015	385.1	73.1	7.3	15	49
41	2009-2016	106.6	74.9	9.4	15	63
45	2011-2016	74.8	45.6	9.1	15	61
46	2011-2018	302.3	88.6	11.1	15	74

Source: Auditor's Analysis from SALHOC finance records, 2018

957. As indicated in Table 3.10 above, almost more than 50% of the rents were defrayed to cover maintenance cost incurred by tenants. The scope of maintenance includes fixing of inner accessories of the house, while the maintenance cost for the inner parts of the house was expected to be the responsibility of the tenants and not of the land lord. There are 14 villas equivalent to 24 percent of the 58 Villas where SALHOC was expected to get revenue for running their operations. This situation has made SALHOC failed to achieve its objective.

958. SALHOC management agreed with the auditors' observation and declared that the head of Housing and Planning Department is working on a maintenance plan for the general maintenance of SALHOC Property.

We recommend that SALHOC should establish mechanisms to ensure that maintenance is done regularly.

Management of Disposal of Government Assets

959. The audit assessed the extent to which SALHOC adhered to the principles of disposal of public assets. The assessment covers the planning for disposal, implementation of disposal as well as the monitoring and evaluation of disposal process. Below are the detailed observations:

i. Inadequate Planning for Disposal of Public Houses

960. Efficient disposal process start with strong planning that establishes a clear, and well-aligned, purposes for the programme and ensures due diligence in the assessment of benefits, risks and cost. The planning process covers four elements which are; decisions to dispose, valuation of asset, selection of best disposal options in terms of method and price, obtaining approval for disposal of asset.
961. The assessment of the adequacy of planning was done covering preparation of plan, proposal done by board of survey, inspection, evaluation and suggestion of method and price for disposal. It also assessed the approval and decision making, if it was done by relevant authority and consideration of the national interest. The audit noted that there was inadequate planning for disposal as indicated by the following:
962. SALHOC was expected to have prepared disposal plan for the disposed public houses and lands. It is recommended that the disposal plan should cover the same time as the strategic plan where for the case of residential houses, this could be up to 20 years. This period provides sufficient time for the planning, implementation of asset changes and on-going evaluation of asset sales against current and future market trends to achieve the best long term financial performance. However, this was not done as detailed below:

SALHOC Lacks Disposal Plan for the Public Houses and Land

963. SALHOC disposes of few of its property vested to it by the government. Among the disposed property include 4.3215 acres of land together with 2 Villas (Nos. 42 and 43) of the OAU Estates which were exchanged with Chinese Embassy, 669 low cost houses through mortgage arrangement. Interviewed senior officials from the SALHOC declared that they do not have a disposal plan for the 2 villas. The Office of the President initiated the disposal by instructing the Ministry of Works and Public Assets (by then named Ministry of Works, Housing and Technical Assistance) to allocate four acres of land including Villas 42 and 43 in a letter dated 6th May, 2003. SALHOC management implemented this disposal without coming out with a proper plan for disposal so as to safeguard the public interest.

964. In the same manner, SALHOC management claimed that they were directed by the GoSL to sell 669 low cost houses to the occupants under mortgage arrangement. However, copies of the directives from GoSL to sell these properties were not made available by SALHOC to the audit team for review. In addition, the SALHOC management's mortgage of 669 low cost houses was implemented prior to preparation of the mortgage arrangement, which could guide the process of disposal of public assets.
965. Although the Ministry of Works and SALHOC did not have a strategic plan for disposal, the reason they gave for not having adequate housing that covers the need of civil and public officials, was that they were expecting to have an implementation plan. The audit noted that, they implemented the claimed directives without preparation of the implementation plan as detailed in the subsequent sections:

Lack of Justification for Disposal of Public Properties

966. The best practice for disposal of assets requires the maximisation of the net benefits to the government prior to its disposal. Thus, SALHOC was supposed to conduct cost benefit analysis to weigh the advantages that will be obtained from the disposal of public residential houses against the advantages of retaining those houses. These assessments were to consider both current and a long term perspective. This could have helped them to come up with a strong justification for the disposal.
967. Being the entities responsible for managing these assets, they did not take time to assess the quarters and houses to be disposed off to determine the need for the disposal. Either, these entities did not assess whether the assets are in excess, not needed, obsolete or damaged through the assessment, or they did not consider the likelihood of that quarters and houses being required in the foreseeable future even if it was not presently used effectively. Principally, it is only when assets are unable to provide a level of service in a cost effective manner can be justified for disposal. In this respect, SALHOC's management did not consider the trade-off between retention and disposal of these particular assets by taking into account the financial and non-financial implications of the loss of that asset. The specific details for each category of houses are provided below:

SALHOC Mortgaged 689 Low Cost Houses Approval from National Assets and Government's Property Commission

968. We observed that the diplomatic exchange of the two (2) Villas, the mortgage of the 669 Low Cost Houses at Kissy sites I & II and the mortgage of the 20 Pilot Houses at Kissy by SALHOC were done without the consultation and approval of the National Assets Commission.
969. This is against section 4(3) of the National Assets and Government's Property Commission Act of 1990. This section states that: "No disposal of any national asset or Government property

shall take place without prior consultation with the Commission. Except if there is authorisation from the Office of the President or the National Public Procurement Authority (NPPA). In view of this, all government agencies are required to consult the Commission prior to sale or disposal of any assets. Further, it requires that a board of survey with representatives from the responsible departments should assess and recommend the sale or disposal. This should be sales by public bid or sales by public auction except if authorised by the Office of the President.

970. It was noted that 669 low cost houses at Kissy Estate were mortgaged to original occupants since 2002 for 15 years in order to generate funds for the replication of other low cost houses for low and middle income earners. However, the management of SALHOC did not manage to provide evidence to prove that, the approval to mortgage those houses was provided by the National Assets and Government's Property Commission (relevant authority). SALHOC could not provide any document or correspondence to show that a Board of Survey was put in place to look into and recommend the sale of these government assets.
971. The approval could also provide details on the method for sale through mortgage, price and beneficiaries. Contrary to this requirement, SALHOC did not consult National Assets Commission regarding this matter. This was also confirmed through the interview with the management of the National Assets Commission.
972. We attribute this anomaly to a gross disrespect for the promulgators of this Act. In absence of the approval evidence, it was difficult to prove whether these disposals were approved by the National Assets Commission or the President's office as claimed by the SALHOC officials. This action cannot justify whether the disposal of these assets was made at fair cost/prices. Failure to consult and seek approval from this Commission before those disposal processes were embarked on rendered them illegal activities / transactions. Section 6(d) of the Commission's Act also has the power to recover assets disposed under this circumstance to the state.

SALHOC Leased Freehold Pieces of Land at Railway Line, Kissy Low Cost Housing Estate Site II without Approval from National Assets and Government's Property Commission

973. Through the review of offer letters, we observed that the management of SALHOC leased to the occupants of Kissy Low Cost Houses a piece of lands as a freehold. This action was done without the consultation and approval of National Assets and Government's Property Commission. This is against section 4(3) of the National Assets and Government's Property Commission Act of 1990. This section states that: "No disposal of any national asset or Government's property shall take place without prior consultation with the Commission. Except if there is authorisation from the Office of the President or the National Public Procurement Authority (NPPA). In view of

this, all government agencies are required to consult with the Commission prior to the sale or disposal of any assets.

974. The Management of SALHOC could not provide any document to show how this decision was arrived at and who approved the lease of those pieces of land.

SALHOC did not conduct Valuation of the disposed 689 low cost houses and the 2 OAU Villas exchanged with the Chinese Embassy

975. We noted that, SALHOC did not do valuation of the assets they disposed. This is contrary to the requirement of the Public Procurement Act, 2016. According to section 161 (1) of the Public Procurement Act, at least once a year, the head of the procuring entity is required to appoint a board of survey to examine, group and price all assets, and report its findings and recommendations to the entity and National Public Procurement Authority.
976. Furthermore, section 161(2) requires the procurement entity to establish the reserve sale price by obtaining two independent market-based valuations for assets to be sold and if it is not possible, previous selling prices for similar goods sold by the procuring entity or another government entity may be used to establish the reserve price.
977. Moreover, the International Accounting Standards (IAS) 16 (58) insisted that in determining the value of the building, procuring entities were required to account for land and buildings separately even when they are acquired together. However, the audit noted that SALHOC did not value the 669 low cost houses and 20 housing units at Kissy Estate 1 and 2, 20 pilot houses before mortgage prices were offered to the tenants. A review of offer letter, indicated that the tenants have to accept offer in 4 weeks and pay 5% upfront. The management of SALHOC did not provide to the auditors, how they arrive at the price for these mortgage arrangement. Thus, it is difficult to prove whether the valuation was properly done and all necessary factors were considered.
978. SALHOC did not do the valuation of the 2 Villas prior to the exchange with the 4 acres of the Chinese Embassy land. The management of SALHOC could not provide a reason why they did not do the valuation; instead they keep on insisting that, it was a Presidential directive through the Ministry of Works. The audit team has a view that, despite being the directive, SALHOC was also required to advice the government on the proper manner of disposal before implementing this directive. In this case, SALHOC's management is not sure whether the exchange and the disposal through mortgage arrangements were done at fair market prices.
979. The management agreed with the observation, and that they are working on the recommendations. The Board and management team are responsible to implement any disposal plan with approval from NCP (National Commission for Privatisation) or any other line

ministries. However, the response of management does not give assurance that will guarantee that no disposal will be done prior to the preparation of disposal plan covering all elements apart from approvals by relevant authority. This, among others includes valuation of assets and analysis of cost benefit analysis for the disposal.

980. The response of the management does not give assurance that no disposal will be done prior to the preparation of the disposal plan covering all elements apart from approvals by relevant authority. This among others includes valuation of assets and analysis of cost benefit for the disposal.

We recommend that the management of SALHOC should:

- a. Liaise with the National Assets and Government's Property Commission to rectify noted anomalies in order to avoid possible legal cases in future;**
- b. Ensure that they have mechanism in place to comply with the available legislations governing the disposal of public assets.**

Non Adherence to the Principles of Disposal

981. The principles of disposal of public assets state that any disposal should be based on consideration for the need to achieve the best available net return, with honesty in a competitive manner and fairness. It further requires the disposal to apply competitive method except when the market is limited and few buyers who are willing to pay the reserve price.

982. SALHOC was required to follow the principles of disposal, i.e. fairness honesty and transparency in a competitive manner during the disposal of government houses. The audit noted the following irregularities in the implementation of public assets disposals:

i) Failure to use a competitive method during disposal of government houses

983. The audit noted that, SALHOC did not advertise the mortgage of the 669 low cost houses; rather the houses were sold to the occupants. The audit team deducted further that the method used impaired transparency and limited competition to allow any other public servant to acquire or purchase the mortgaged houses.

984. Similarly, SALHOC lacks justification that direct exchange could provide competitive price for the Villas if they were to be sold in an open market. The audit team deducted further that the method used impaired transparency and limited competition to allow any other public servant to acquire or purchase the SALHOC disposed houses.

- i. Lack of transparency and fairness in the disposal of 689 low cost houses by SALHOC**

985. It was expected that the disposal would be done in a fair and transparent manner. Section 161 2(g) of Public Procurement Act, 2016 requires that, all public entities should propose the method(s) for sales, prepare draft advertisements and sales documents. This is to ensure that the entity obtains maximum value of the assets.
986. According to the offer letters sent to the people who acquired these 669 houses on mortgage for 15 years, the 669 houses were offered on priority to the current occupants. Similarly, mortgage of 20 pilot houses was not announced to the public. This is against the requirement of the Public Procurement Act.
987. Again, SALHOC management did not conduct adequate risk analysis of the method used to assess whether the current occupants were able to repay the mortgage loans. Even though the mortgage periods ended far back in 2012, there is an outstanding amount of Le28,863,000 to date for 20 pilot houses and Le3,791,339,523.64 for 669 low cost houses which mortgage period ended in 2016.
988. As per the established modality for allocation of Low cost houses to tenants at Kissy, applicants were expected to apply to SALHOC through the General Manager. The General Manager upon the receipt of those applications, minutes them and forward the applications to the allocation committee of which he is the chairperson. The application letters are then vetted by the committee and offer letters given to deserving applicants. These particulars were expected to be placed on their individual files and a general file is expected to be maintained to contain the individual offer letters (float file).
989. However, we observed during the review of the individual tenants' files that these particulars were non-existing and there was no float used for recording payments made by tenants. When the officials from estate office and the planning and housing unit were questioned about the documentation gaps, they could not provide any concrete reason. The officials declared that most of these activities were centralised at the General Manager's office.
990. The absence of these documents on the individual tenants' files and where no float file also existed is a violation as per SALHOC's established modality on fair allocation of these houses. Thus, the management of SALHOC did not manage to provide to the auditors, the evidence such as application letter, approval from allocation committees for the houses mortgaged to beneficiaries who were not the original occupants.
991. Further, the existence of these gaps in the documentation process could not allow the audit team to have an audit trail to ascertain whether the houses were actually allocated to the deserving tenants being persons within the bracket of low income earners. The probability that one person could be allocated more than one house is also high.

992. SALHOC did not observe the principles of disposal of public assets. The disposal of OAU Villas and mortgage of 689 low cost houses, were not done in a transparent manner which limits the competition and fairness to other public officials who could have been interested. Further, inadequate monitoring of disposal activities by the National Assets and Government's Property Commission, was also a factor that contributed to disposal of public assets without following principles of disposal of assets.

993. The management agreed with the observation, and declared that it is working on it:

We recommend that SALHOC management should:

- a. Develop effective mechanisms to ensure it comply with the principles of disposal of public assets. The mechanisms should enable SALHOC to demonstrate fairness, transparency, diligence and efficiency in the disposal of assets;**
- b. In collaboration with the National Commission for Privatisation, the Corporation should monitor and evaluate disposal activities and use the results to take corrective actions. The actions taken should aim at ensuring optimal value for the property is realised;**
- c. Should establish proper documentation of mortgage for individual tenants and ensure that all the required mortgage documents are kept in one file for proper follow-up.**

SALHOC Governance Systems

994. The audit noted weaknesses in the governance systems of SALHOC as detailed below:

SALHOC did not prepare annual performance reports

995. SALHOC was neither submitting performance report to the Ministry of Lands and Country Planning nor to the Ministry of Works and Public Assets. This was also confirmed by the interviewed SALHOC officials, whereby declared that SALHOC for the last four years has not submitted any performance report to the ministries.

996. Section 32 of Sierra Leone Housing Corporation Act, 1982, requires that SALHOC should report to the Minister responsible for Land, Housing and Country Planning all information with respect to the property and functions of the corporation, not later than three months after the end of each year. The corporation was also required to submit to the Ministry on returns, accounts and other information with respect thereto and afford him facilities for verification of information furnished in he may requires.

997. This may be associated with the frequent changes of the placement of the housing issues under these two ministries. When the corporation was established, housing issues were placed under the Ministry of Lands. For the period under review, housing issues were placed under the Ministry of Works, and recently, housing issues have been again shifted to the Ministry of Lands.

These changes were not reflected in the Amended Sierra Leone Housing Corporation Act, 1986, as a result, SALHOC was not reporting their performance to either of the two ministries.

998. Failure of SALHOC to report its performance to these two ministries, has undermined the ability of the government to effectively oversee the performance of SALHOC, understand the challenges it faces and agree on future plans. Therefore, this situation contributed to underperformance of the corporation.
999. To a large extent, failure of SALHOC to report its performance to the line ministries that can provide technical support and advice, has contributed to the underperformance of the corporation. This placed the ministries with limited information on the performance of the corporation for housing related matters, to effectively oversee the performance of SALHOC, understand the challenges it faces and agree on future plans. Absence of performance agreement between the ministries and SALHOC, and lack of accountability were the main cause for non-reporting of performance.
1000. The management agreed with the observation, and indicated that the management team will work on it.

The Management of SALHOC should:

- a) **Liaise with the Ministries of Land, Country Planning and the Environment and the Ministry of Works and Public Assets to ensure they sign the performance agreement on the matters related to housing;**
- b) **Ensure that it prepares annual performance reports based on the performance agreement and submit to the ministries for review and advice.**

Inadequate Capacity of SALHOC to fulfil its Mandate

1001. It was noted that, the corporation has limited capacity for fulfilling its mandate. Analysis of the organisation's structure and staff list, we noted that SALHOC is currently operating with deficit of staff. In total, there are 25 permanent staff and other 16 staff working on contracts to fill the gaps but still most of the positions are vacant.
1002. The current vacant positions at SALHOC include; Personal Assistant; Corporate/Secretary, Procurement, Corporate Secretary, IT Assistant, Assistant Human Resource Officer, Finance Officer, Accounting Supervisor, Housing and Planning Manager, Construction Engineer, Estate Officer, Estate Supervisor, Electrician, Project Engineer and Loan Officer. Table 51 presents the status of staffing level at SALHOC.

Table 50: Status of the staffing level at SALHOC as of December 2018

Staff Category /Office	Needed number of staff	Available number of staff	%age available staff
General Manager's Office	5	4	80
Deputy Manager's Office	4	2	50
Corporate Secretary's Office (Corporate Secretary/Legal Officer)	1	0	0
Administration Department	13	9	69
Accounts Department (Accountants)	5	3	60
Housing and Planning Department (Engineers , Artisan and Technician)	7	1	14
Savings and Loan Department(7	3	43
Total	42	22	52

Source: SALHOC Staff List, 2018

1003.As indicated in Table 3.11 above, the three departments/office General Manager's office, Deputy General Manager's office, Administration and Accounts office, the available staff at least range from 50 -80 percent. The department that handled the activity of the corporation is manned by only one Engineer and the savings and loan department has only 14 percent of the required staff.

1004.SALHOC management mentioned that, they failed to fill the gap due to the financial constraints and thus it cannot pay salaries. In addition, NCP officials being supervisors for this corporation mentioned that SALHOC could not attract the right calibre of staff as per their organogram especially engineers due to funding issues.

1005.The financial constraints facing SALHOC is also contributed by the unwillingness of the government entities to pay their rents as required. Up to date, a total of Le7,093,600,000 is outstanding debt that is yet to be paid to SALHOC by 2 government entities i.e. Ministry of Defence and Ministry of Tourism. Other reasons mentioned were inability of SALHOC to better manage their revenue/ cost centres against their expense centre. Usually, the corporation has been experiencing a budget deficit over a period of time.

1006.SALHOC has limited capacity to fulfil its mandated activities. The corporation has a shortage of 42 percent of the required number of staff. The financial constraints facing SALHOC, has made it to fail to have attractive salary structure especially for professions like engineers and

lawyers. Other reasons include inability of SALHOC to manage better their revenue/ cost centres against their expense centre. Inadequate capacity has also contributed to failure of SALHOC to achieve the targets.

1007. The management agreed with the auditors observation and declared that the management team will work on it.

We recommend that the management of SALHOC should:

- a. Ensure that staff with required skills related to the core business of the corporation are recruited. This will facilitate in enhancing the performance of the Corporation;**
- b. Seek the support of the National Commission for Privatisation in the recovery of its outstanding rents especially with government institutions in order to collect revenue that would help them to solve some of the corporation's financial constraints;**
- c. In collaboration with the National Privatisation Commission, the corporation should develop the right form of investment structure with minimal barriers to entry that will attract investors and promote partnership with private companies. This may be through the provision of sovereign guarantee or a customer guarantee to investors;**

Lack of Internal Controls

1008. Internal controls are very key as they support the corporation in identifying risk management by determining whether controls over key risks are in place and are functioning properly. Furthermore, through the review of the organisation's structure, we noted that, the corporation lack internal audit and legal departments. These units are crucial units for the nature of activities undertaken by the corporation. The internal audit could help the corporation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

1009. Moreover, for the period under review, SALHOC has entered into contracts with solicitors / private legal firm. This firm namely Tanner Legal Advisory for a period of five (5) years, with a contract sum of Le20,000,000 per annum. Its main roles were to represent SALHOC in court, to advise SALHOC on all legal matters, and to stand on behalf of the corporation on all issues relating to legal proceedings. But, SALHOC is in view that the firm is not effective because it has not managed to assist SALHOC to deal with the tenants who have delayed in paying the rents for a long time.

1010. They further said that the firm looks ineffective because it usually finds itself in a conflict of interest situation as it serves as private solicitor for most people who have either illegally encroached on SALHOC lands or defaulted in the payment of their rents. Apart from the salary

paid to solicitor/legal firm amounting to Le20,000,000, the firm is paid 10% of annual rents for each tenant which could have been used by corporation to cover operational cost. However, as at 14th December 2018, SALHOC paid Le30,000,000.00 to Tanner Legal Advisory for the period starting from 1st January, 2015 to date with an outstanding balance of Le50,000 ,000.00

1011.The main factors necessary for robust internal control that were lacking include:

- a) ***Lack of close supervision from the line ministries:*** We noted that the Ministry of Works and the Ministry of Lands did not adequately supervise SALHOC to ensure it achieves its objective. This could have been noted by the ministry and probably corrective measures could have been taken;
- b) ***Inadequate review of performance of the SALHOC by NCP:*** We noted that, NCP has not adequately conducted performance evaluation of the SALHOC and thus this weakness was not highlighted and acted upon; and
- c) ***Lack of prioritisation on the side of SALHOC Board of Directors:*** SALHOC management and Board of Directors did not prioritise and ensure the internal controls are in place. This is because they did not take into consideration the risks that are associated with operating in the absence of the internal control.

1012.SALHOC is operating without having adequate internal controls. The corporation lacks internal audit and legal units which could help to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control, and governance processes. This is mainly due to failure of SALHOC to review its organisation's structure and ensure that it aligns with its activities. Other causes include lack of close supervision from the line ministries as well as inadequate monitoring of performance of the corporation by the National Privatisation Commission. The absence of the internal control contributed to the failure of the corporation towards achieving its objectives.

1013.The management agreed with the observation and has taken initial action on this including sharing this with NCP and Board of Directors.

We recommend that the management of SALHOC should:

- a. **Use the services of the Attorney General's office, instead of the private solicitor which has a cost implication to the corporation; and**
- b. **Review the staff's compliments and organisation's structure in order to adequately re-align its activities and cover identified gaps of the internal controls within the corporation.**

Absence of Performance Agreement

1014. It was noted that SALHOC does not have any performance agreement with the Ministry of Works and the Ministry of Lands, Country Planning and the Environment regarding the management of housing.
1015. The reason mentioned was that the corporation is supervised by the National Commission for Privatisation. This was contradicting as the role of the Ministry is to provide supervisory role on technical related issues. The interviewed officials from the two ministries said that, the housing issue has been frequently shifted between the two ministries without clear demarcation for the shifted housing activities. According to the officials from the Ministry Works and the Ministry of Lands, currently it is not very clear which housing activities should be manned by each of the ministries as all of them are responsible for the housing activities. Lack of this performance agreement, might contribute to the failure of SALHOC in achieving its objectives.
1016. When comparing with other state owned enterprises such as the National Commission for Privatisation, it was noted that, they have signed the performance agreement with the Director General and the corporation has been submitting quarterly report for review. However, these agreements and reports have not been provided to auditors for review.
1017. SALHOC lacks performance agreements with either the ministry of Lands or the Ministry of Works and Public Asset who are responsible for managing the housing matters in Sierra Leone. Because of this, neither of the two ministries has been tracking the performance of this corporation. Lack of this performance agreement, might contribute to the failure of SALHOC in achieving its objectives.
1018. The management agreed with the observation and that the management team is responsible to implement this observation

We recommend that the management of SALHOC should:

- a. Liaise with the Ministries of Lands, Country Planning and Environment and Ministry of Works and Public Assets to ensure they sign the performance agreement on the matters related to housing; and**
- b. Ensure it prepares its annual performance reports based on the agreed performance agreement and submit to the ministries for review and advice.**

SALHOC Annual Financial Statements has not been Audited and Approved

1019. Section 86 (1) of the Public Financial Management Act, 2016 states that "within three months after the accounts of a financial year are closed at the end of a complementary period, final accounts should be prepared. subsection (3) of section 86 requires the public entities to submit to the Auditor-General annual financial statements for each of the financial year". Contrary to

the above section, the management of SALHOC failed to submit their annual financial statements for the periods 2016 and 2017 for audit. Even the 2015 financial statement which has been audited is yet to be approved by the board of the corporation, because the board of directors has been dissolved.

1020. We attributed this to management's failure to comply with the above section of the Act. The audit team could not ascertain the true financial position of the corporation as well as the true and fair nature of the transactions that constituted the draft financial statements of the above stated years. The recommendations in the 2015 financial statements could as well not being implemented by the management of the corporation because it is yet to be approved by the board. The going concern position of the corporation could also not be ascertained.

1021. The management of SALHOC has had difficulties in the signing of the audited annual financial statements for the periods 2016 and 2017.

1022. The management agreed with the auditors observation and indicated that considerable steps have been taken for the signing of the audited financial statement which was delayed due to the dissolution of the Board of Directors. It indicated that the head of the finance department is responsible for the implementation of this observation.

We recommend that the management of SALHOC should:

- a. Ensure that outstanding financial statements are presented for audit to avoid sanctions being placed on them; and**
- b. Develop mechanism to ensure that it complies with section 86(1) of the Act.**

Lack of Institutional Continuity/Succession Plan

1023. Businesses are established with the aim of operating into foreseeable environment hence, there is always the need to have in place a continuity plan which would remain unchanged irrespective of a change in administration or management. The audit noted that SALHOC did not have a succession plan. This was because SALHOC as a corporate body experiences frequent change of Board of Directors and the General Manager. Thus, those projects initiated by one administration lack continuation and would be abolished with the coming into force of another administration.

1024. We attribute this anomaly to the absence of a continuity plan in SALHOC. Thus, the purpose of establishing SALHOC to be a real estate provider in the country has been defeated due to this unfortunate practice. Eventually strategic plans are either poorly implemented or never implemented.

1025. SALHOC lack institutional development plan that could provide the road-map to the development of the corporation despite Board of Directors or management changes. As a result, the strategic plans are either poorly implemented or never implemented.

1026. The management agreed with the observation, and it has indicated that it is working on a strategy for continuity as one of the strategies in the upcoming review of the corporation's strategic plan.

We recommend that the management of SALHOC should:

- a. Come-up with an institutional development plan that would provide the road-map to the development of the corporation despite Board of Directors or management changes; and**
- b. Adopt and practise the culture of succession plan within the corporation so that institutional memories and continuity can always be preserved.**

ROADS MAINTENANCE FUND ADMINISTRATION (RMFA)

1027. Roads Maintenance Funds Administration (RMFA) is the government entity that was established by the Roads Maintenance Fund Administration Act of 2010. The Administration was given responsibility for financing maintenance works for the core road network of the country after receiving financing requests from SLRA and 21 local councils.

1028. The findings highlight four key areas for which Roads Maintenance Funds Administration (RMFA) are functioning from including: (1) management of revenue collections, (2) disbursement of funds, (3) management of contracts and (4) the technical and operational reviews of Roads Maintenance Funds Administration. Below are the findings for each area.

Management of Revenue Collections

1029. According to Section 19 of the Roads Maintenance Fund Administration Act, RMFA has got four main sources of funds for road maintenance in Sierra Leone. Those sources include:

- a) Fuel levy, which contributes an average of 95 % of the total annual revenue of RMFA;
- b) vehicles registration and licensing, and other fees which contributes an average of 4% of the total annual revenue of RMFA;
- c) investment Income which contributes 1% and
- d) other incomes that contribute less than 1% of RMFA's income.

Failure to execute powers to take part in determining/setting the amount of fuel levy chargeable per litre of a petrol or diesel

1030. Section 20 (1) (d) of Road Maintenance Fund Administration Act of 2010 grants powers to RMFA after consultation with Ministers responsible for Finance, Trade and Transport to determine and impose a charge on every litre of petrol and diesel imported into the country to be included in the selling price of petrol and diesel. The charge on fuel is one of the principal sources of revenues that RMFA is depending on in order to finance its maintenance projects.

1031. The roads user charges contained within the general "single pricing formula" for fuel is triggered by two scenarios; the direct change of amount of roads user charges which is done collectively by government in accordance to the laws depending on the economic situation/needs and the bi-weekly reviews of the single pricing formula which is done to accommodate the changes in the world market prices and the exchange rate.

1032. The interviews held with the director responsible for Finance and Investment at RMFA and review of the minutes of RMFA Board meetings indicated that RMFA has not been exercising its powers to take part in determining/setting the amount of fuel levies as roads user charges payable to the Administration by the Oil and Marketing Companies.
1033. Between 2015 and 2017, the fuel levy charge for roads users was reviewed 12 times none of which was set/influenced by RMFA which principally has a mandate on that. According to RMFA, the roads user charges on fuel levies is currently set by the Minister of Finance who is communicating it to PRA in order to effect the single pricing formula. RMFA is just informed on the amount set in their category for their information. This is contrary to the RMFA Act which provides full power for RMFA to determine/set the amount of fuel levy for roads user charges with a discussion with Ministers responsible for Finance, Trade and Transport.
1034. There are no clearly set procedures for reviewing the fuel levies, however section 20(1) of the RMFA Act, requires RMFA to present a review of their expenditure needs and make a case for reviewing fuel levy. However, the review of board meeting minutes indicates that RMFA has not yet presented an objective analysis of their expenditure needs to influence the government to review the fuel levy in their favour.
1035. In response to this audit query raised, RMFA pointed out that their Board and the Management did not have the powers to compel the Ministers of Finance, Transport and Trade to comply with any or all of the provisions of the RMFA Act.
1036. RMFA has failed to exercise its powers in determining and setting the fuel levy as per the RMFA Act, 2010. Despite being its key source of revenue, RMFA has failed to take strong initiatives to exercise its powers in taking part in the setting of the fuel levy.

We recommend that RMFA should liaise with the three Ministries of Trade, Transport and Finance, and the PRA to develop mechanisms that will ensure all stakeholders are involved in the process of determining the fuel levy chargeable for the pump price of petrol and diesel.

Unreconciled Revenue from Oil and Marketing Companies

1037. Section 16 (1) of the Roads Maintenance Administration Fund provides for the sources of revenue for RMFA, and mentions the roads user charges levied on fuel as one of the sources of revenue for RMFA that will be used in financing of its maintenance activities. The roads user charges are levied on fuel and collected by RMFA through the weekly cheques issued by the Oil and Marketing Companies. The Oil and Marketing Companies prepare the cheques for the fuel sold during the previous week. The cheques are accompanied by the C27 form which shows the breakdown to arrive at the amount paid to RMFA. The OMCs should also submit the copy of the same to Petroleum Regulatory Authority as a matter of compliance to the law.

1038. The audit team reviewed the cheques collected by RMFA together with the RMFA and reconciled the amount collected and checked whether there was a full collection of the amount as per reports of RMFA and PRA. Table 54 shows the collection reports from the two sources; cheques submitted by OMC to RMFA and collections reports from PRA.

Table 51: The Analysis and Reconciliation of Roads User Charges levied on Fuel between PRA and RMFA

Year	This are the amount of Analysis of Revenue received from Fuel Levy between 2015 and 2017 (Amount in Le)		
	RMFA	PRA	Difference
2015	87,459,602,388.30	87,229,647,607.64	229,954,780.66
2016	88,435,840,943.00	88,180,332,096.28	255,508,846.72
2017	111,454,708,824.85	111,768,307,986.64	(313,599,161.79)
Total	287,350,152,156	287,178,287,691	171,864,465.59

Source: OMC Cheques, RMFA Reports, PRA Reconciliation reports

1039. Table 53 indicates that there is a difference in revenues between the two sources in the past three years. What is reported to be collected by RMFA is higher than what the companies have submitted as evidence of remittances to PRA. In total, for the past three years, the audit team found a positive difference of Le 56,956,089,869.34. However, in the financial year 2017, the revenue collected by RMFA was lower than what was reported by PRA by Le 317,400,296.12. The unreconciled difference indicates the risks on the reliability of the information provided by OMC to both PRA and RMFA. On the other side, RMFA itself did not have a means of making a follow-up or reconciling their revenues against what is reported by OMC to PRA.

1040. Through interviews held with officials at PRA, it was noted that the main reason for having the differing figures is the fact that RMFA is not conducting the reconciliation on their part. According to PRA, RMFA was supposed to reconcile the figures and work on any difference that may arise.

1041. In their management response, RMFA accepted the finding and our initial recommendation to commence with immediate effect reconciliation exercises with OMCs & PRA.

1042. RMFA is not conducting proper reconciliation of the revenue collected from OMCs and that there are existing differences in revenues between what is declared by OMCs to them as opposed to what has been declared to PRA.

We recommend that the Management of RMFA and PRA should provide the Auditor General with details of their fortnightly reconciliations as soon as they receive this report.

Under-collection of revenue from SLRSA

1043. Section 16 (1) of the Roads Maintenance Acts lists the principal sources of revenue for RMFA which includes the fees collected from vehicle registration, licensing and other license fees collected under the Roads Traffic Acts, 2007. Additionally, Section 19 (a) of the Roads Transport Authority Act of 1996 provides for SLRSA to use the Roads Fund to meet the administrative expenses of the Roads Transport Authority, in the collection and payment of the vehicle registration and licensing fees into the Roads Funds which is currently RMFA.

1044. However, the audit team noted that the amount of revenues collected by the Roads Maintenance Fund Administration from these sources of revenues over the last three years under considerations are far below the required amount. It was noted by the audit team that SLRSA were defraying more than the allowable costs before remitting the same to RMFA. Table 55 shows the total amount collected against the total amount remitted to RMFA between the 2015 and 2017 financial years.

Table 52: Amount collected by SLRSA vs Actual Amount remitted to RMFA

Year	Total Revenue Collected by SLRSA (Le)	Amount Remitted to RMFA (Le)	Percentage Remitted (%)
2015	29,063,481,337	5,828,681,014	20

2016	47,217,343,368	4,065,039,150	9
2017	50,536,244,451	5,259,885,175	10

Source: SLRSA Income and Expenditure reports; SLRSA Transfer Letters

1045. From Table 54, it can be indicated that SLRSA defrayed an average of 13% of their revenue to SLRSA during financial years 2015 to 2017. The audit team went further by comparing the amount that was supposed to be remitted by SLRSA based on the SLRSA Act.

1046. The SLRSA Act instructs SLRSA to remit all the amount remaining after deducting administrative costs only that were used during the collection of the particular revenue. Table 5 shows the amount of revenue that was supposed to be remitted to RMFA after deducting administrative costs only.

Table 53: Amount collected vs Amount remitted after deducting administrative expenses

Year	Total Revenue Collected (Le)	Total administrative (Le)	Amount to be Remitted (Le)	Actual Amount Remitted (Le)
2015	29,063,481,337	Not available	Not Available	5,828,681,014
2016	47,217,343,368	28,212,689,072.80	19,004,654,295.20	4,065,039,150
2017	50,536,244,451	39,113,196,510.81	11,423,047,940.19	5,259,885,175

Source: SLRSA Income and Expenditure reports; SLRSA Transfer Letters

1047. Table 56 indicates that the amount that was remitted to RMFA is less than the actual amount that was supposed to be remitted to them based on the SLRSA Act. Analysis of the remittances for the two years 2016 and 2017 indicates that there is a variance of more than 66% of the actual amount remitted against the actual amount that supposed to be remitted to RMFA. For the two financial years of 2016 and 2017, RMFA received a total of Le 9,324,924,325 while they were supposed to receive Le 30,427,702,235.

1048. The management accepted our initial finding and recommendation, and indicated that they would engage SLRSA and other key stakeholders to resolve this matter. Furthermore, we were advised that introduction of the Treasury Single Account should address this matter.

1049. RMFA has not been able to establish a proper mechanism that would ensure that it collects all the revenues related to fees collected by SLRSA. RMFA does not have proper

information that would enable them to reconcile the revenues and see if they have adequately collected all the revenues.

We recommend that the managements of RMFA should request from SLRSA the unpaid amount of Le 21,102,777,910.39 with immediate effect.

Lack of investment policy

1050.The RMFA Act, 2010 provides for RMFA to make short-term investments so as to utilise any idle cash that would be available at RMFA to generate additional income. However, RMFA has not developed an investment policy as per requirement of the Act which would be followed in deciding what investment portfolio to invest in. Currently, the financial guidelines of 2011 developed by RMFA has outlined procedures to be followed by RMFA during investment and is the only guiding document which provides steps to be followed regarding same.

1051.The review of the financial statements and performance reports has indicated that, the income from investment is not regarded as a key source of income and therefore is not prioritised to the extent of developing policies and guidance to manage the investment activities. Despite having the Director who is specifically tasked with investment, the organisations is still lacking a guide on how they will invest their available cash or solicit cash through investment means in case of cash constraints.

1052.The absence of proper guidance and policies for managing investment activities has resulted into a highly fluctuating investment income with declining profits from investments. The profit realized from the investments done by RMFA has dropped by 97% from Le 316,703,810.00 in 2015 to just Le 11,007,894.00 in 2017.

1053.The Management accepted the finding and states that going forward will work on develop an investment policy to address the issues raised; also the very high demand for funding on the RMFA over the past few years has seen a decline in financial fortunes and consequently in the level of investment.

1054.However, this was not based on the fact that, this was a requirement of the Act and the fact that in the future, RMFA may be holding significant amount of funds and might be subjected in riskier investments if they do not have well thought through investment policy.

1055.Road Maintenance Fund Administration has an investment policy but however, this policy is not comprehensive as there is no guide as to what type of investment to invest in considering the nature of available cash. No cash management strategy is specified in the operational manual of the RMFA.

We recommend that RMFA Management should develop a comprehensive investment policy document and incorporate cash management strategies which will serve as a guiding tool for investment decision making.

Insufficient Disbursement of Funds to Council

1056. The PPME Guideline has stipulated that the local councils will receive an allocation of 20% of the total revenue collected by RMFA annually. However, the trend has indicated that the budget for councils has been fluctuating each year with an allocation which is less than the 20% stipulated in their PPME guideline. The councils received a portion equivalent to 21%, 9% and 6% during the financial years 2015, 2016 and 2017 respectively. This is equivalent to an average of 12% of the total revenue received by RMFA. As a result, the projects from councils were delayed despite having gone a substantial milestone for completion. During the 2016 and 2017 financial years, councils received the least portion of the RMFA revenue, whereby of the total revenue received by the councils, only 6% of the total revenue received by RMFA during that year. The total budget allocation by RMFA to different expenditure units for the financial years 2015, 2016 and 2017 were Le 93,930,430,901, Le93,260,096,134 and Le114,198,184,695 respectively. Table 57 shows the proportion of budget allocation in percentage at RMFA during financial years 2015 to 2017.

Table 54: The Proportion of Budgetary Expenditure Consumption from RMFA

EXPENDITURE UNIT	Total Revenue		
	AMOUNT SPENT IN PERCENTAGES		
	2015	2016	2017
<i>SLRA</i>	52	80	60
<i>Local Councils</i>	21	9	6
<i>Administrative</i>	9	11	9
<i>Other Expenses</i>	17	32	25
Total	100	132⁷	100

⁷ There was an over-expenditure by RMFA that caused the percentage expenditure to go above 100.

1057. From the Table, it can be deduced that the expenditure pattern has been changing for the different units of expenditure at RMFA. The expenditure for council has been declining since 2015 from 21% of the total revenue to only 6% of the total revenue. On the other side, the expenditure for SLRA has been fluctuating from 52% during financial year 2015 to 60% in financial year 2017. The expenditure rose to the highest during the financial year 2016 because of the same decision by RMFA to finance the six major rehabilitation projects. There has been an over expenditure in the financial year 2016 which was mainly caused by the loan acquired from the commercial banks and the decision to finance the major rehabilitation projects which were out of their annual budget.
1058. The review of board meeting minutes indicates that the main reason for decline in the disbursement of funds to councils particularly for financial years 2016 and 2017 was the decision by RMFA to finance the major roads rehabilitation projects. The board meetings minutes during the financial year 2017 reached an agreement that all funding to councils be suspended in order to finance the major roads rehabilitation projects.
1059. The management accepted the finding stating that funding of major rehabilitation projects and the outbreak of Ebola Virus diseases were the causes. Management notes that there has been a decline in the disbursements to the Local Councils. This will be addressed accordingly moving forward.
1060. The Roads Maintenance Fund Administration has not been able to disburse to the Local Councils the 20% of total revenue collected as per policy for 2016 and 2017 financial years and that was mainly due to the fact that RMFA concentrated mainly on financing core road construction and rehabilitation which was not part of their budget.
1061. The management of RMFA should ensure that the 20% quota of the total revenue collected annually is distributed to the local councils on timely manner going forward to enable the local councils to execute and complete their annual road projects. In addition, RMFA must stop financing road projects that are not maintenance related which should be financed by the Ministry of Finance and Economic Development.

Payment of Le3,479,089,950.00 to uncontracted third parties

1062. While executing the contracts signed by SLRA, RMFA was supposed to issue payments based on the requirements of financial guidelines and contractual agreements with procured contractors. According to Section 3.1 of the conditions of works contract and letter of

acceptance issued by the procured contractor provide for advance payments to be utilized for activities of mobilisation of construction plants, equipment and key personnel.

1063. The review of payment vouchers, invoices and receipts from contractors at RMFA indicates that, RMFA has violated some of the conditions of works contracts and financial guidelines by paying advance payments worth Le3,479,089,950 to two contractors; M/s Pavi Forti Al-Associates and the joint companies of M/s SECON and M/s DAWNUS through different payees who are deemed invalid contrary to section 3.1 of the Conditions for Works Contract.

1064. The two contracts involving rehabilitation work in city and provincial town roads in the Western Zone executed by M/s SECON and M/s DAWNUS and the rehabilitation of Kabala Township Roads which were performed by M/s Pavi Fort Al Associates involved direct payments as part of advance payments amounting Le3,479,089,950.00 to invalid payees conducting insurance businesses and building works which is contrary to the contractual conditions. The insurance firms were supplying services which were not part of the services allowable as part of advance payment. This is contrary to the conditions of the contracts signed between RMFA and M/s Pavi-Fort Al Associates and M/s SECON and M/s DAWNUS on the particular maintenance projects.

Table 55: Detailed amount paid for as Advanced Payments to invalid payees

Contract Code #	Name of the Contractor	Name of the Payee	Total amounts of Advance Payments Wrongly Paid (Le)
C04	M/s Pavi Fort Al Associates	Millennium Insurance Brokers and Consultants	411,851,910
C08	M/s Secon SL (Ltd.)	Reliance Insurance Trust Corporation SL (Ltd.)	1,142,000,000.00
C08	M/s Secon SL (Ltd.)	Mackie Building Materials SL (Ltd.)	1,925,238,040
	TOTAL		3,479,089,950

Source: Payment Vouchers, Funds Transfer Letters, Contracts of Works

1065. From above, it can be noted that there has been Le 3,479,089,950 that was paid to payees who are not defined in the contract of works signed by SLRA and agreed by RMFA. Additionally, the payments indicate that the companies paid were not providers of the services that are allowable for payment of advance payments as per the contractual conditions. The payments of contract amount therefore violated their agreements between

SLRA and RMFA to their contractors as per their acceptance letters issued by the contractors.

1066.The management responded that the three nominees acted as the insurance brokers for the insurance of various equipment and machinery procured by the contractors. RMFA paid them upon the request made by the respective contractors.

1067.RMFA does not have proper controls and checks for authorising payments to contractors. The payments to contractors for advance payments violated the public procurement regulations and the contractual conditions that SLRA and RMFA together have agreed.

1068.We recommend that the management of RMFA should only make payments to contractors and not their nominees as this is not a good business practice and may have adverse impact on whatever banking arrangement that may exist between the contractors and their bankers and also taxation of contractors, the contractual conditions and other financial regulations.

Payments done for works not performed

1069.The RMFA's Financial Guidelines requires that the payments of all works to be done after the approvals by their technical personnel of the work done and that no payments shall be made without prior verification of the actual work conducted. However, the assessment of the contracts for maintenance and rehabilitation works of which RMFA has financed indicates that there are four works contracts of which RMFA has already paid for but the actual work-done is comparatively less than the payments done to them. From a sample of twenty-one projects that were studied by the audit team, four projects have indicated the payments by government for more than the proportion of the work done by the contractor.

Table 56: Payments vs Actual Works

Contract Code #	Actual Work done (%)	Total Payments done (%)	Activities that were paid for but are yet to be performed	Project Duration (months)(as at December 2018)	Implementation Status
C17	0	30	-Preliminaries -Excavation works -Formworks -Concrete works	14	Delayed for 8 months
C05	33	41	Preliminaries	35	Delayed for 17 months

C21	20	30	Preliminaries	38	Delayed for 26 months
C08	20	35	Preliminaries	35	Delayed for 17 months

Source: Field work observations, Contract Documents, Project Tracker, RMFA Monitoring and Evaluation reports, Payment Vouchers.

1070. The table above shows that four projects which are currently executed by SLRA and Council, various works were paid for but until to the time when the audit team visited the project sites were yet to be performed. This is despite having gone beyond the agreed time the projects were still performed below the actual payments made. The table indicates that the works performed in the different contracts indicated on the table were far below their actual levels of payments. The contract involving the construction of Renka and Garda bridges in Makeni City was not performed at all, despite having received 30% of their contract sum. The project has already exceeded eight months from their initial agreed completion time. The other rehabilitation projects at Waterloo, Western Zone and Kenema City did not perform to their disbursement levels despite having received enough payments.

1071. Consequently, this poses a risk of non-completion of the projects or performance below the agreed quality standards because a delayed works that has been done below the payment levels indicates the financial constraints to the contractor which again poses a risk of non-performance of the work.

1072. The management agreed and in its response it indicated the reasons that some projects were ongoing. The management also states that it is the responsibility of SLRA/Consultants to ensure that all preliminaries are fully executed before the approval of measured works certificate and submission of Interim Certificates.

1073. However, this argument does not relieve them from their key roles as per Section 63 of the Public Financial Management Act, 2016 and as per Section 9 subsection 2 (c) of the RMFA Act.

1074. RMFA is not sufficiently making effective follow-ups of the disbursements in such a way that some contractors are not performing a work comparable to their payment levels.

We recommend that RMFA should strengthen its monitoring function to ensure that there is an effective utilisation of disbursed funds and that the value for money is realised during the implementation of maintenance projects financed by RMFA.

Payments collectively worth Le 274,912,412,935.22 were made without obtaining all required documentation

1075. The financial guidelines of RMFA require that necessary documentation to be presented or be attached with the contracts before the payments are done. For instance, the payments of Advance payment require the submission of Advance Payment Guarantee issued by a Bank. The RMFA Client's Service Charter demands submission of some key documents by the implementing agencies before any payments are made.

1076. However, the review of 21 sampled contracts for which the financier was RMFA indicates that some of the payments collectively amounting to Le 274,912,412,935.22 were done without having complete documentations that are necessary before effecting any payments. The following is the list of key documents missing and the specific contracts with the missing documents.

Table 57: Assessment of Missing Documents from the 21 Sampled Contracts

SN	Missing Document	Contract Code #	No. of contracts	Total Amount paid (Le)
1	Advance Payment Guarantee (APG)	C01, C13, C14, C15, C16, C17, C18, C19 and C20	9	7,513,150,157.61
2	Performance Bond	C01, C06, C07, C13, C14, C15, C16, C17, C18, C19, C20 and C21	11	83,823,597,452.81
3	Progress/Engineer's report	C14, C17, and C21	3	74,787,532,346.00
4	Contract of Works	C01, C13, C14, C15, C16, C17, C18	7	2,662,950,157.61
6	Procurement Evaluation Procedures reports	C01, C02, C03, C04, C05, C06, C07, C08, C09, C10, C11, C12, C13, C14, C15, C16, C17, C18, C19, C20 and C21	21	274,912,412,935.22

Source: Contract Documents, Payment Vouchers, Receipts

1077. The analysis done in Table 60 indicates that the compliance levels for contracts before disbursement are relatively low. The analysis indicates that almost all contracts had more than one issue for which the contractor was non-compliant. The most non-compliance observation is that submission of the procurement evaluation procedures whereby all of the 21 contracts submitted by the implementing agencies did not contain the procurement

evaluation proceedings. The amount paid despite non-submission of the procurement proceeding amounts to Le 274,912,412,935.22.

1078.Management in their response to our draft report stated that RMFA is not a procuring entity and therefore, referred auditors to the various LGAs who are the implementing agencies. Furthermore, the RMFA indicated that they would take action to address the missing procurement evaluation proceedings.

1079.However, this does not mean that RMFA is not supposed to exercise due diligence in making any payment and making sure that any payment is accompanied by all the required documentations as per Section 63 of the Public Financial Management Act. Furthermore, the audit team is still of the view that RMFA is actually a procuring entity based on Public Procurement Act 2006 and therefore accountable for the use of the public funds on those procurements conducted.

1080.RMFA has failed to exercise strong financial controls procedures by not being able to scrutinize all the payments on whether they are meeting all the criteria for being financed based on their service charter and financial regulations. RMFA continue to issue payments for contracts of works despite missing key documents.

We recommend that RMFA should adhere to the Administration's internal financial guidelines when processing transactions as well as the Public Financial Management Act 2016, Public Financial Management 2016 and the RMFA Client Service Charter.

Advance Payment made above the regulatory requirement of 30%

1081.Section 135(1) of the Public Procurement Regulations of 2016 requires the rate for advance payment not to exceed 30% of the contract sum. The advance payment shall be provided with a submission of a valid advance payment guarantee. The review of payment vouchers and contract of works at RMFA indicated that RMFA has been advancing some of the payment at a rate which is more than the allowable 30% stipulated in the law. This practice violates the Public Procurement Act and risks the public funds disbursed to a particular contractor. Table 62 some of the contracts of which RMFA advanced more than 30% as an advance payment.

Table 58: The Assessment of contracts with advance payment more than 30%

Project Name	Agency	Contract Value (Le)	Advance Payment Made (Le)	Rate of Advance Payment	Advance Payment Guarantee
Emergency works; Construction of 1no. twin box culvert, Embankment construction and stone pitching of Edges Kambia road, Lungi/ Kan Construction/ October 2016/December 2016	SLRA	144,272,611.00	72,136,305.5	50%	NONE
Comprehensive cleaning exercise of 10 public places in the Western Area Rural District/ Western Area Rural District Council/June 2017	Western Area Rural District Council	1,514,819,250.00	757,409,625	50%	NONE
Cleaning of Major Flash Flood in Freetown/ Freetown City Council/June 2017	Freetown City Council	3,950,000,000.00	1,975,000,000	50%	NONE
Construction of 20m span reinforced concrete bridge along the Mateboi to Masorie / Bombali District Council/ February 2017	Bombali District Council	603,399,950.00	301,699,975	50%	NONE
Rehabilitation of Abib drive and Mansaray Drive, SS Camp Regent Village and Construction of 195m reinforced concrete at the left cambered edge	Western Area Rural District Council	661,944,150.00	330,972,075	50%	NONE

and 3 no. reinforced box culvert over 6m width/ Western Area Rural District Council/ November 2017					
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Source: Project Tracker and Payment Vouchers

1082.As it is indicated from table 62 that, the rate of advance payment made has been more than 30% to the contract value. All of the six contracts that were selected were paid 50% of the contract sum as an advance payment. Additionally, the advance payments were not secured by an advance payment guarantee as per the procurement regulations.

1083.Furthermore, based on the interviews held with officials from RMFA, the advance payments exceeded the required levels in order to speed up the implementation of the projects especially in the district councils. However, the district council engineers did not confirm whether the performance of contractors was motivated by the amount of advance payments because the projects were still experiencing delays despite disbursing this significant amount as advance payment.

1084.Consequently, there is high risk for the government to lose the funds disbursed in case the contractors did not perform to the agreement. Moreover, the additional sums paid in excess of the 30% unnecessarily reduces the liquidity of RMFA and therefore capacity to pay for other contractors or pay for interim payments in other contracts.

1085.In response to this observation the management stated that for all local council projects stated, it is the responsibility of the councils to disburse to their respective contractors as per their stipulated contract agreements. Disbursements made directly to implementing agencies can vary as per availability of funds, nature of programme/project and expediency of programme/project, ranging from 5 to 100%.

1086.RMFA did not abide to the public procurement regulations and the contracts with the contractors by paying advance payments to some of the contracts at a rate which is above the regulatory requirement of 30%.

We recommend that RMFA should ensure that all the advance payments are within the regulatory requirement of 30%

Weaknesses in Contract Management

1087.The section presents findings in the management of contracts for works procured by RMFA from SLRA, local councils and their implementing agencies. The section highlights

observations on reviews and approvals processes and how the contracts were managed during the execution of the agreed works.

Addenda approved without justifications

1088. RMFA is supposed to execute the contract payments based on the initial contract sum and any additional payments in excess of original contract sum have to be sufficiently justified. This will guarantee the protection of its financial interests in the contract and avoid unnecessary and sometimes unjustified increase in the cost of the works during execution stage. Additionally, the RMFA Client's Service Charter requires implementing agencies to submit justification for any variation in the cost from the original contract sum.

1089. However, the recent practice indicates that RMFA has been accepting and executing contract addendums without any justification from the contractor on the reasons for applying for an addendum. The notifications and applications of addendums contains only details of the works that are being added to the original contract but does not state why there has been an additional works and whether the additional works are justifiable. This is contrary to their client's service charter that demands submission of the respective justification before an addendum is approved. Table 63 provides details of the three major projects with addendums which were executed without providing justifications for the addendums.

Table 59: Projects with Unjustified Addendums

Project Name	No of Addendums	Additional Amount due to Addendums (US\$)	Reasons for Addenda
Rehabilitation of 14.7 Kabala Township Roads	1	5,804,689.72	Not Provided
Rehabilitation of 32.16km Roads in Waterloo township	2	25,874,298.79	Not Provided
King Jimmy Bridge Embankment	2	42,076,860,243.50 (Le)	Not Provided

Source: Contract Documents, Project Registers, Addendums Documents

1090. Table 63 indicates that, the addenda executed by RMFA were not accompanied by the justifications to provide the reasons for the addenda. Two of the contracts have submitted more than one addenda and all of them are missing the reasons for requested addenda.

1091. In response to this observation the management indicated that they have contacted the former CEO, who provided the definition and difference between variation and addendum in civil work. The Former CEO indicated that the RMFA's client service charter requires implementing agencies to submit justifications to management, particularly when such variations cause an increase the cost of the original contract. His response further indicated that the Addendums awarded and signed by SLRA would have received the prior approval of Government through the relevant and appropriate authorities.

1092. RMFA's practices are not aligning with its service charter for not sufficiently assessing addendums before approving and making payments on them.

RMFA should ensure that there are sufficient documentations and reasons for justifying contract addendums before approval is made.

Absence of criteria for approving core roads maintenance programmes from implementing agencies

1093. The PPME Manual requires RMFA to communicate to the implementing agencies criteria that would be used to evaluate the submitted core road maintenance programs for the upcoming financial year. The criteria have to be sent six months prior to the end of the financial year. However, the review of manuals and board meetings indicates that RMFA has not developed the detailed criteria that are to be used in evaluating the submitted core roads maintenance programs. RMFA is relying on the provisions of Sections 18(2) a-f of RMFA Act which are generally the components to be covered in the submitted core roads programs and do not point out how the programs is covering the economically efficient core road networks as per section 17 subsection 3(a) and how it will be contributing to the achievement of overall objectives of RMFA as per section 19 (3).

1094. As a result, RMFA has not been sending the required criteria for approving the work programs to its key implementing agencies as per RMFA PPME Manual. This has led to frequent correspondences and delays in submission of the core roads maintenance program from implementing agencies. Ultimately, this causes implementing agencies to submit short terms maintenance programs which is contrary to the RMFA Act which requires core roads maintenance programs. It is however difficult to evaluate whether the short-term programs are meeting the criteria for approving the annual core roads maintenance programs.

1095.The former CEO was contacted and this was his response “The past Management believed that the core road maintenance programmes financed by the Administration achieved, but not limited to, the under mentioned socio-economic benefits/efficiencies by road users: Reduced travelling times, travelling costs, and road vehicle maintenance costs, improved physical access to health centres, schools, agriculture areas, etc. especially in rural communities, easy and cost effective transportation of goods and services and increased economic activities between communities and regions

1096.It is also the view of the previous Management that the national road maintenance programmes financed during and before the period under review were consistent with the achievement of the object for which the Administration is established, as contained in Section 9(1) of the RMFA Act, 2010”.

1097.RMFA has not developed clear criteria for approving core roads maintenance programmes to be complied by its implementing agencies. Therefore, non-compliance to RMFA Act 2010 is also a result of lacking clear criteria for approving core road maintenance programmes.

RMFA should develop and communicate explicit criteria for approving core roads maintenance programmes to its implementing agencies.

No guidelines for handling emergency maintenance projects

1098.RMFA has been requested in different times to finance emergency roads maintenance projects which are part of their mandate as a road related activity. In the past 3 years, the expenditure for emergency projects rose 13 times from Le 733 million to Le 9.6 billion in 2016 with a decline in 2017 to Le 4.9 billion. With this significant increase in the expenditure of emergency roads maintenance, RMFA was supposed to have a guideline that would be followed whenever there is an emergency project to avoid any misappropriation of funds under the umbrella of emergency projects. The current PPME Manual does not only provide for how the emergency project would be handled but also does not mention them as part of the project to be guided by the current manual.

1099.Consequently, RMFA involved in financing projects which do not address the main objectives of establishing RMFA. For instance, in 2015, RMFA was involved in financing emergency clearing of landfill and debris at Granville dumpsite. These projects did cost RMFA Le 4,850,200,000.00. Furthermore, it was noted that there is no clear justification on whether the clearing of landfill and debris addressed the core objectives of RMFA which

is “to finance the maintenance of core roads network”. In addition to that, the procurement procedures for acquiring the two contractors namely, M/s Northern Investment INC Ltd and M/s Marie Investment and General Merchandise who performed the work did not follow the procedures for emergency procurements as stipulated by the National Procurement Act. Table 68 summarizes some of the key matters of non-compliance for some emergency projects.

Table 60: Compliance Assessment for some Emergency Projects

Name of Project	Compliance Assessment for Key Aspects			
	Within RMFA Objectives	M&E	Procurement	Payments
Emergency clearing of Landfill and Debris at the Granville Dump Site- Burmeh along Bai Bureh Road(Lot 2)/ Northern Investment INC Limited/ May 2017	NO	Not Done Same photos of evidence as Lot 1 attached	Not complied with Emergency Procurement Procedures	Payments done Without Engineers Verification report
Emergency clearing of Landfill and Debris at the Granville Dump Site- Burmeh along Bai Bureh Road(Lot 1)/ Ya Marie investment and General Merchandise/ May 2017	NO	Not Done Same photos of evidence as Lot 2 attached	Not complied with Emergency Procurement Procedures	Payments done Without Engineers Verification report

Source: Contractors Reports, Payment requests.

1100.From Table 68 it can be noted that the emergency projects observed had not complied with certain regulations and guidelines. All of the projects did not, on its nature, qualify to be within the RMFA objectives for financing. On the other side, there were no M&E done on the projects to enable them being certified for payments. The audit team noted that there were no monitoring reports from either RMFA or City councils to justify the works that were done and whether the payments were actually the ones deserved. This ultimately caused the payments to be done without Engineers’ reports which is against the public procurement and financial regulations. The audit team noted further that there were no procurement proceedings of the same projects to show how the contractors were awarded the particular projects.

1101.The management responded to this observation giving reasons that there were a lot of flooding and failure to that section of the road because of this dumpsite. The response

indicated that a joint assessment was done by SLRA Engineers and the Freetown City Council engineers who have the sole responsibility for clearing of this landfill and subsequently submitted a proposal with justification which was approved by executive management. However, this does not sufficiently justify the availability of proper guidelines for handling emergency maintenance projects.

RMFA should ensure that there is a proper guidance for responding to emergency maintenance projects which will help them to avoid any chances of carrying-out projects which are out of their mandates and those that may negatively affect its financial capacity to finance other road projects.

Insufficient M&E reports for appraising IPC's

1102. Section 9 subsection 2(c) of the RMFA Act requires RMFA to conduct effective monitoring of the funds they disburse to the implementing agencies so as to ensure that the value for money is realized from the conducted projects. However, the review of the M&E reports developed by RMFA has indicated that the information collected from the field reported in the papers do not objectively evaluate the work done by contractors. The reports provide a general opinion of the Engineers without having a supporting analysis of how much work has been accomplished. There are no working papers attached to indicate whether the work done coincides with the approved BoQs as per contract.

1103. The M&E reports do not provide a breakdown of what is done as per BoQs. Consequently, the insufficient details contained in the current reports do not provide the needed evaluation of whether there is value-for-money and most of them do not contain details that may indicate non-performing projects. Additionally, the reports do not provide sufficient details of progress indicators, analysis of the job done and value for the work done. Some of the visual aids included do not show the date they were taken to enable judgement on the authenticity of the dates and implementation time. The monitoring activity on the other side is not guided by any tool but only have a standard reporting format.

1104. Consequently, the insufficient reporting does not provide fair and sufficient information for deciding on the amount to be paid or suggested amount for payment. There is the risk of disbursement of funds for works that have not been performed or a contractor who is non-performing. As a result, this may limit the possibility of RMFA to take corrective actions earlier for non-performing projects and prevent losses for terminated projects.

1105. The management responded that the reports developed by RMFA consistently refer to the submitted scope of works by implementing partners and has indicated that they are not the

supervising agency. Thus, the style of our internal reports capture the fact that the audience we are writing it for are not engineer and they need to understand it. This instruction was given by the former management. The RMFA reports are done in line with the submitted BOQs and Certificates submitted by Implementing Partners. However, this observation has been noted and will be reflected in subsequent reports accordingly.

1106.RMFA is not producing sufficient M&E reports for appraising and paying for the interim certificates that are being received. The reports contain insufficient details to enable independent valuation of the performance of the work done by the contractors.

1107.RMFA should conduct effective monitoring and produce detailed reports that will enable independent and objective valuation of the performance of the work done by all the contractor before disbursement of funds.

Extreme delays in completion of roads maintenance project

1108.RMFA is supposed to have effective monitoring of the road projects to ensure that those road projects are commencing and completed on time in order to reduce unnecessary costs to the government and therefore achieve value for money. The review of projects portfolio at RMFA has indicated that there are extreme delays in completion of roads maintenance projects at RMFA. The following table presents the number of projects with delays during the financial years 2015-2017.

Table 61: Assessment of Project's Implementation Time

Financial Year	Total no of projects	PROJECT IMPLEMENTATION TIME			
		No delays	1-6 months delays	6-12 months delay	More than 1 year delay
2015	39	0	0	0	39
2016	53	2	0	51	0
2017	91	0	0	3	88

Source: Project Tracker, Performance Agreement (President & CEO), RMFA's M&E reports

1109.The analysis of the project implementation time indicated that most of the projects have been delayed from six months to more than a year. For instance, in the financial year 2015 all of the projects were delayed for more than a year from the initial planned completion time. For the past three years, RMFA was monitoring a total of 183 projects out of which 127 projects, equivalent to 70 percent of all projects were delayed for more than a year from its initial completion time. Currently, RMFA is financing some of the projects which are more than 7 years old from start date.

1110.RMFA has indicated that the main causes for project delays are:

- a) delayed funds from RMFA due to budgetary constraints;
- b) weak supervisions from SLRA;
- c) insufficient Monitoring of the project implementation by RMFA; and
- d) other natural calamities e.g. Ebola outbreak.

1111.Consequently, the delayed projects have added up expenses to the government and justified contract price variations which are incurring the government even more costs. For instance, the delays in implementation of six major rehabilitation projects signed in 2015 and 2016 have caused a total increase of Le 357,041,669,989 due to exchange rate difference only while excluding interests and prices adjustments.

1112.The management accepted this observation stated that the delays are primarily due to poor contract management by implementing agencies and non-availability of funds, both of which are beyond the control of RMFA.RMFA and SLRA has not conducted a sufficient monitoring and supervision of the project implementation to enable them to identify concerns for project delays and avoid negative consequences to the government side.

RMFA should work collaboratively with SLRA to ensure that projects are timely implemented and that delays are quickly reported and actions are taken to avoid unnecessary costs to the government.

Absence of Memorandum of Understanding (MoU) between RMFA and its Stakeholders

1113.The work of RMFA in financing the maintenance of roads work involves frequent correspondences with implementing agencies and other stakeholders from planning stage up to execution stage. All of the correspondences with its implementing agencies involves matters of compliance and strict adherence to procedures.

1114.In order to effectively follow-up on these correspondences, RMFA was supposed to have included within it a form of agreements that binds implementing agencies in meeting the different requirements of RMFA as financiers of roads maintenance works. The current

practice indicates that there is no agreement on work procedures between RMFA and its implementing agencies namely; SLRA, Local Councils and other Agencies doing road related works to abide with the requirements pointed-out in the RMFA Act, Manuals and RMFA's Client Service Charter. Consequently, the absence of MoU has led to non-compliance to different procedures and provisions of the RMFA Act which are affecting the performance of RMFA in financing the road maintenance works. Some of the key matters which are frequently non-complied and affecting the performance of RMFA are stipulated in Table 70:

Table 62: Compliance Status of Some of Key Correspondences at RMFA

Sn.	Matter(s)	Stakeholders/ Agency	Status
1	Submission of Work-plans from Local Councils	All 21 Local Councils	Not Complied
2	Remittances of Revenue from SLRSA	SLRSA	Partially Complied
3	Submission of Procurement Evaluation Procedures from SLRA	SLRA	Not Complied
4	Submission of Procurement Evaluation Procedures from Local Councils	All 21 Local Councils	Not Complied
5	Submission of Work-Plans from SLRA	SLRA	Submitted by SLRA but not meeting criteria
6	Setting/Determination of Fuel Levy	Multiple ⁸	Not effective
7	Submitting Contracts of Works	All 21 Local Councils	Not complied

Source: Interviews with PRA, SLRSA and RMFA officials, RMFA Board Meetings minutes, C27 Forms, Income & Expenditure reports at SLRSA

1115. Table 70 indicates that some of the key matters for compliance by RMFA were not fully complied with by the stakeholders or implementing agencies. Stakeholders are currently not complying fully in submitting their maintenance work plans or programs, submission of their procurement evaluation procedures and submitting their signed contracts for the case of councils. Remittance of revenue from SLRSA is partially complied, while determination of fuel levy has not been effective by RMFA. One issue on submission of revenue from SLRSA is partially complied.

⁸Petroleum Regulatory Agency, Oil Marketing Companies, Ministry of Trade and Industry, Ministry of Transport and Aviation and Ministry of Finance.

1116. Further analysis was made to establish the consequences to non-compliance to the submission of work plans and contracts, submission of procurement proceedings, submission of remittance and determination of fuel levy. The following were noted to be the risks posed by these non-compliances:

- i. Wastage of government resources (i.e. the rejected maintenance programmes from SLRA in the past 3 years has cost the government financial and human resources to prepare the annual maintenance programme and therefore it is now considered to be a waste of resources to the government);
- ii. Risks of disbursing funds to maintenance programs that do not meet the objectives of RMFA;
- iii. Risks of procuring contractors that cannot perform works;
- iv. Risks of running short of funds to finance maintenance programs; and
- v. Agreeing into contracts that may have adverse conditions to the government.

1117. The management responded that, a draft procedures arrangement already exists for SLRA and RMFA, as developed by CEMMATS Group Limited and AFRICON in 2004. Subsequent meetings had been held to review and finalise this document. However, the Administration will engage stakeholders to finalise and approve this document.

1118. There is weak enforcement and consequently non-compliance with the procedures on preparation of core roads maintenance programs and procurement of works set by RMFA to its stakeholders (implementing agencies) which may generally affect RMFA's performance in delivering its services and attaining set objectives as per the mandate of its establishment.

RMFA should:

- i. **develop and agree a Memorandum of understanding with its key implementing agencies to enable effective communication between them; and**
- ii. **propose and spearhead the process of developing regulations guiding the Roads Maintenance Fund Administration Act to enforce the implementation of the Act with inclusion of possible penalties or other forms of rewards for compliance or non-compliance to its requirements.**

Absence of updated Core Road Network

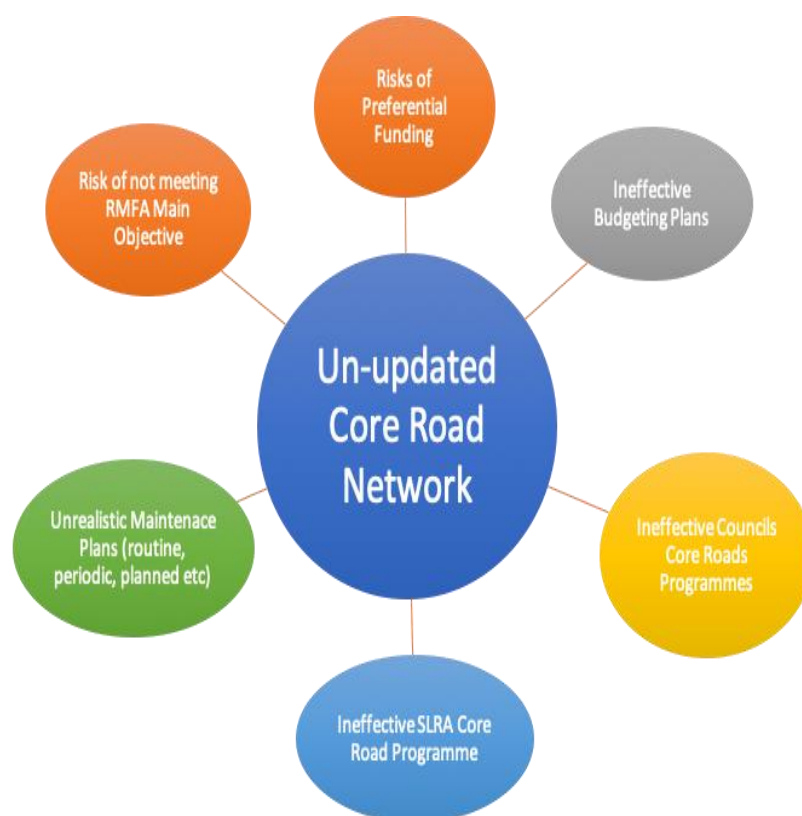
1119. Principally, the Road Maintenance Fund Administration Act 2010 established RMFA in order to finance the maintenance activities of the core road network. The Administration is furthermore required to submit the performance agreement to the President of the Republic

of Sierra Leone detailing the strategies it intends to use to achieve this objective. In addition to these, RMFA requires implementing agencies (SLRA and Councils) to submit to them core road programmes which is a road maintenance programme derived from the core road network.

1120. In order to meet the above requirements RMFA was supposed to possess an updated core roads network in order to effectively measure their performance and enforce compliance to its implementing agencies. However, RMFA does not possess an updated core road network which could be used as a benchmark of evaluating themselves of how much they are meeting their core objectives. The current road network being used for planning reference was developed and updated in 2012 by the then Roads Transport Authority. The interviews held with officials at RMFA has indicated that, they have failed to update the core roads network because they are depending on SLRA to update the core roads network which will be forming basis for their work programmes. SLRA on the other side has not been able to develop it because of the intensity of the exercise which requires a deep analysis and computations.

1121. Consequently, the absence of updated core road network could potentially lead to different challenges that may affect the performance of RMFA as depicted in the diagram below.

Figure 7; Unupdated Core Road Network



1122. In response to the audit query, RMFA denoted that it is SLRA who have not been able to update the core roads network despite willingness by RMFA to finance the roads network. RMFA has therefore continued to operate with the old roads network which has made it not possible to evaluate their works and how much they have performed in terms of maintaining core road network. Below is management's response to this query: "Following several discussions with SLRA, it had been agreed that an updated core road network and development of subsequent road maintenance programmes is the responsibility of SLRA. RMFA on several occasions have requested from SLRA an update on the current status of the road network and the data used to develop the road maintenance programmes submitted over the years. This was captured in most of the reports and minutes of meetings submitted to you inclusive of the CEMMATS reports. However, we will continue to engage stakeholders to address this flaw"

1123. RMFA is currently working on maintaining roads from un-updated core roads network which does not reflect the actual needs of the communities who need to benefit these roads projects.

1124. RMFA should collaborate with SLRSA and the Local councils to prepare and make use of the updated core road network.

Absence of Quality Assurance Framework at RMFA

1125. The Project Planning, Monitoring and Evaluation (PPME) Manual, requires RMFA to monitor whether the funds disbursed to the implementing agencies are being spent while observing the principles of value for money. However, the current practice at RMFA indicates that there is no obvious system for checking value for money of the projects particularly on the quality assurance of the works done by the implementing agencies. The main tool for following up the works done by implementing agencies is the M&E reports issued by RMFA itself which does not provide details about the quality of the work done or assess the quality of work done. Furthermore, RMFA does not have a compensating mechanism for quality assurance checklists even from the implementing agencies. There is no tool that can indicate whether implementing agencies have quality controls checklists in execution of their works.

1126. The absence of quality assurance framework is contributed by the fact that there is no overall system for effective monitoring of the financed projects. There are no tools developed for conducting sufficient and comprehensive monitoring. This possesses a risk

on the output of the works that have been financed by RMFA. The works performed by RMFA, do not have test of checking whether they are meeting the desired quality and standards particularly those implemented by Local Councils. This is evidenced by the results of the M&E visits done to different projects implemented by RMFA.

1127. While we recognise the need for a quality assurance framework, we also note that this is the primary responsibility of the implementing partners as they execute day to day supervision of projects. We are also very careful not to duplicate our responsibilities. Going forward, this will be addressed. RMFA does not have a mechanism for assessing the quality of the works conducted by the procured contractors and supervised by implementing agencies namely SLRA and Local Councils.

1128. RMFA needs to establish a mechanism for assessing the quality of the works undertaken in order to guarantee the achievement of value for money in terms of the quality of works, time and cost.

Absence of effective Core Roads Maintenance Programmes

1129. The Roads Maintenance Administration Act requires RMFA to finance roads maintenance programs from implementing agencies that meet the objectives of which the Administration was established. In addition, the Act requires Councils and SLRA to prepare and submit core road maintenance programs for consideration of funding in the subsequent financial year. However, the review of maintenance plans at RMFA and interviews with Project Managers at RMFA indicates that there are no effective maintenance programs to be executed by RMFA annually.

1130. The review of maintenance plans at RMFA indicates that councils do not submit their maintenance programs and therefore end up relying on interim short-term programs which is against the requirement of the Act. On the other hand, SLRA has been submitting maintenance programs which have been rejected by RMFA because of not meeting the required standards stipulated by RMFA. In addition to this, there has been an increase in emergency maintenance projects financed by RMFA particularly in the financial year 2016 and 2017. The costs of emergency projects rose significantly 13 times from 700m Leones in 2015 to 9.5 billion Leones in 2016. The increase in emergency projects poses a risk to the implementation and achievement of RMFA Budgetary plans.

1131. The audit team analysed the main factors that contributes to lacking the effective core roads maintenance programmes includes:

- a) Non-submission of annual core roads maintenance programmes by councils

b) Absence of core roads maintenance programme from SLRA.

1132. Local councils and SLRA are the two major stakeholders for RMFA which consumes about 90% of the total funds for maintenance at RMFA. However, RMFA has been working on short terms maintenance plans for both of their key stakeholders. Absence of effective annual roads maintenance programmes results to unfocused funding pattern for maintenance programmes. This was evidenced by RMFA's shift into financing major rehabilitation projects and moving away from financing their normal maintenance programmes. This may also affect the extent to which they can meet their core function of maintaining their core roads network.

1133. In response to the audit query, RMFA management noted that the absence of effective core roads maintenance programme was caused by the non-compliance by SLRA to the provisions of section 18(2) a-f of the RMFA Act. This however, did not answer the fact that RMFA is the one that has to prepare the clear criteria for what is the acceptable core roads maintenance programme to be accepted by them. The frequent submission and rejection of the SLRA maintenance programme has clearly indicated the existing challenge on the clarity of the criteria for acceptable core roads maintenance programme. Below is what management has to say: "While we recognise the need for a quality assurance framework, we also note that this is the primary responsibility of the implementing partners as they execute day to day supervision of projects. We are also very careful not to duplicate our responsibilities. Going forward, this will be addressed".

1134. RMFA does not have an effective maintenance programmes which can be used to guide the financing pattern which would enable them to track whether they are meeting their core objectives as per its establishment. RMFA needs to enforce the implementation of its Act by encouraging and insisting that its stakeholders meet their obligations by sending acceptable core roads maintenance programmes within the stipulated time frame.

Absence of Acceptable Standards for Costing Roads Maintenance

1135. RMFA as a financier of the roads maintenance projects is required to ensure that the projects of which they finance are executed cost effectively as a means of observing value for money. Establishing the standards costs of maintenance will guarantee that RMFA sign contracts that are comparatively cost-effective. This will also enable RMFA compare projects costs from different sites and establish reasonable costs for projects per desired unit. Currently, neither RMFA nor Implementing agencies (SLRA and Councils) have an

established system for costing of roads maintenance projects. Consequently, the costs of maintaining roads have been varying significantly from one location to another, even when the projects have similar road works. Table 71 shows the computation of costs per km maintained in the six major rehabilitation projects undertaken by RMFA.

Table 63: Assessment of Maintenance Costs per Unit of a Km

Road Project	Road Distance Covered (Km's)	Total Contract Cost (Le)	Approx. Cost per km maintained (Bill Le)
Rehabilitation of 6.15km in Kenema City (Blama and Hanga Road)/ First Tricon/January 2016/January 2017/(USD 8,545,237.92)	6.15	49,989,641,832.00	8.1
Rehabilitation of City and Provincial Township Roads Phase II(31.007km) East Zone (Lot1) / CRSB/ (USD 39,953,057.44)	31.007	231,994,220,045.12	7.5
Rehabilitation of City and Provincial Township Roads Phase II(27.7km)Central Zone (Lot2)/ CRIG/(USD 42,511,544.96)	27.7	246,850,512,772.88	9
Rehabilitation of City and Provincial Township Roads Phase II(33.1km) West Zone (Lot 3)/ SECON- DAWNUS Joint Venture/(USD 48,670,107.85)	33.1	267,685,593,175.00	8.1
Rehabilitation of 14.7 km of Kabala Township Roads	14.7	87,177,077,427.00	6

Rehabilitation of 32.16km of Roads in Waterloo Township /Beton Villa/Oct 2015	32.16	243,973,635,215.00	7.6
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Source: Contract Documents, Payment Vouchers, Acceptance letters, Project Tracker

1136. Table 71 indicates that the cost of rehabilitation is varying from one road project to another.

The table indicates that the rehabilitation cost per kilometre of a road varied from 6 billion per km to 9 billion per kilometre. Among the roads that were maintained in the six major rehabilitation projects, the Provincial and Township roads in the West Zone were the most expensive roads to be maintained costing 9 billion per each of the kilometre. The least expensive road was the Kabala Township road costing about 6 billion per one kilometre.

1137. It was noted that the main factor for lacking standard costing system for maintenance of roads was the lack of close cooperation between SLRA which the purchaser of the road works and RMFA which is the financier of the Roads works. The existing loophole has resulted into procuring roads that are costing different amount for same length.

1138. The management accepted this observation and states that it has been brought up with SLRA on several occasions, including by CEMMATS Group during their technical consultancy services to RMFA. Spreadsheets requesting range of unit costs for maintenance and rehabilitation treatments/activities nationwide were prepared and sent for the perusal of SLRA and this has not been adhered to.

1139. RMFA does not have a proper method for establishing and evaluating costs of carrying-out road maintenance projects in order to procure contractors at reasonable prices and hence achieving value-for-money.

1140. RMFA and SLRA should collaboratively work together to establish standard costing system for different roads projects that will enable them to procure works without a significant variation in terms of costs.

SIERRA LEONE ROADS AUTHORITY (SLRA)

1141. The overall tasks for administration, control, development and maintenance of all roads and related structures national wide (execution of construction, re-construction and rehabilitation of roads in cities, provinces and regions in the country) are falling under the Sierra Leone Roads Authority which is under the Ministry of Works and Public Assets as a corporate Body established by the Sierra Leone Roads Act of 1992 (as amended in 2010), committed to excellence in terms of provision of a safe and secured National Road.

Project Initiation

Lack of analysis for needs assessment

1142. Before planning for any procurement, SLRA is required to carry-out a comprehensive needs assessment before carrying out any procurement. This is as per Section 5 (1)(f) of the PPA, 2006 as amended in 2016. The Act requires SLRA to formulate annual and multi-year activities and work programmes and outlined needs for roads forming part of the national road network and those forming part of the core road network. SLRA did not conduct any needs assessment so as to assess the extent of road works that they could be able to implement since 2010/11 to 2017/18. It was noted however, that projects started early in 2011 and most of them are yet to be completed and some not started at all.
1143. As a result, SLRA embarked in implementing huge number of projects within the period of 1.5 to 2 years whereas only 7 out of 18 road project have been practically completed namely Kailahun Townships, Mange-Mambolo, Wilkinson Road, Kono-Kabala Township, Kabala-Township Phase II, Freetown Roads (Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al), King Jimmy Embankment and drainage works. The causes for this were attributed by SLRA not prioritizing the road projects. However, it was noted that needs assessments were not included and budgeted for in the procurement plans for 2010/2011 to 2017/2018 and budget for the respective years. As a consequence, all projects have delayed in terms of payment, completion and quality of the works. This also has led to implementation of road projects which would not be practically feasible.
1144. SLRA does not conduct needs assessment before implementing road projects. Lack of needs assessments has resulted into significant delays and increased costs due to late payments of payments certificates which contributed to additional charges due to interests arisen as a result of late payments. This has denied the communities an opportunity to use certain roads due to non-completion.
1145. The management was of the view that Although it allows the contractor to be appointed to carry out all of the design work, but has been our wish as client to have greater influence over the design, a concept design and outline (or performance) specification have always been prepared by the authority, and then the contractor is appointed to complete

the design and carry out the construction. However, we insist that needs assessment is key to road projects in order to ascertain the need and establish cost of the projects.

We recommend that the Management of SLRA should ensure that needs assessment is adequately conducted to ascertain the necessities to implement particular road projects prior to embarking in any road projects in order to ascertain fund commitments and need for undertaking any road project.

Inadequate Feasibility Study

1146. According to the SLRA Act 1993, as amended in 2010, SLRA is mandated to take full responsibilities of the feasibility studies and engineering designs, roads condition surveys, preparation of Bills of Quantities, procurement and contracting of contractors and consultants for all road works.

1147. According to Section 5 (1) (h) of the Act, SLRA is required to control, develop, maintain, efficiently plan and reliably manage the national road network to provide safe, reliable and sustainable means of transport. This includes the commission engineering, traffic and economic studies for the maintenance, safety and improvement of the national road network. However, the audit noted that, feasibility study was inadequately conducted prior to planning and implementation of the road rehabilitation and construction activities. Projects' feasibility studies were not conducted in 14 out of 18 road projects that were reviewed. Details of the projects are as indicated in Table 72

Table 64: Status of Feasibility Study for the Roadworks Projects

S/N	Road project Name	Feasibility study	
		Yes	No
1	Bandajuma-Pujehun	✓	-
2	Taiama - Njala	✓	-
3	Moyamba et al	✓	-
4	Kailahun Township	-	✓
5	Blama - Hanga	-	✓
6	Weima Bridge	-	✓
7	Freetown street Phase II, East zone, Lot 1	-	✓
8	Freetown street Phase II, West zone, Lot 3	-	✓
9	Mange-Mambolo	-	✓
10	Makeni-Kamakwei	✓	-
11	Waterloo Township	-	✓

S/N	Road project Name	Feasibility study	
		Yes	No
12	Makeni-Kabala Phase II	-	✓
13	Wilkinson Road	-	✓
14	Kono-Kabala	-	✓
15	Kabala-Township Phase II	-	✓
16	Jomo Kenyatta	-	✓
17	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al	-	✓
18	King Jimmy Embankment and drainage works	-	✓
	Total	4	14

Source: Feasibility Study Reports and project files

1148. As indicated above, only 4 out of 18 projects that were reviewed had feasibility study reports provided to the audit team. Reasons for such inadequacy were due to the fact that projects were carried out in Design and Build approach whereas the bidders submitted their conceptual drawings and financial proposal to be reviewed and evaluated by SLRA. Even for the four projects which had undergone feasibility studies, the reviewed feasibility studies did not indicate the type and level of service that was expected by SLRA. Feasibility studies reviewed did not indicate the timeframes and assumptions of the project.

1149. The reasons confirmed through interviews held with officials of Sierra Leone Roads Authority (SLRA) were that, those projects were executed in the already existing roads hence there was no need to conduct the feasibility study. However, through the review of projects implementation files, auditors noted that, the feasibility studies were needed for effective planning and design of the projects at every stage. The consequences of not conducting feasibility studies include: (a) failure to have focus on the project and narrow down the available possibilities for the project (b) failure to provide reasons for either carrying out the said project or not; and (c) failure to show the outcomes of specific actions.

1150. SLRA does not adequately conduct feasibility studies or commission the same to capable evaluated consultants in order to genuinely identify the nature of roads, cost and structure of the roads to be constructed including their viability.

1151. The Management acknowledged the audit observation that they have been executing the design and build road project without carrying out feasibility studies for over years, which is against the best practice.

We recommend that the Management of SLRA review all on-going road projects particularly those with no feasibility study and devise a mechanism that will ensure that projects being implemented are reviewed and mini-studies done to avoid future variations and addenda that would affect road projects in terms of cost and quality.

Inadequate Environmental Impact Assessment for Road Projects

1152. Prior to carrying out such huge projects, the contractor was required to conduct an environmental impact assessment and submit reports to SLRA and EPA showing possible environmental threats and proposed plan for mitigating them. The EIA report should be approved by EPA and SLRA. However, contractors did not submit and conduct EIA before starting the projects leading to delays and disputes among the contracting parties as well as EPA. Moreover, the audit noted that there were only 2 EIA reports prepared in by M/s Techsult & Company Limited in collaboration with SLRA for Taima-Njala Road project and by M/s Compagine Saheliene D'Enterprises for Kabala Township Phase II.
1153. Other 16 remaining projects audited namely, Bandajuma-Pujehun, Kailahun Township, Moyamba et.al, Blama-Hanga, Weima Bridge, Freetown Streets Phase II West Zone Lot 3 and Freetown Streets Phase II East Zone Lot 1, Makeni – Kabala Phase II, Wilkinson Road, Kono-Kabala Township, Kissy Road, Fourabbay Road, Magazine Cut, Macauley Street., Haja Sonie Drive, UN Drive Et. Al. and King Jimmy Embankment and drainage works did not have EIA reports before starting the projects leading to delays and disputes among the contracting parties as well as EPA.
1154. SLRA does not adequately conduct environmental impact assessments or instruct contractors to undertake environmental impact assessments and social impact assessments to assess their respective impact to the roads projects to be implemented. This means that contractors did not prepare environmental management plans which is ought to be developed to remedy issues that have been observed in EIA. This puts the environment into risk since contractor is not obliged to take mitigation measure in order to remedy or reclaim the land in some of the areas that are prone for environmental destruction in the course of road works.
1155. The SLRA management responded that, most of the studies carried out such as conducting feasibility studies, and detailed engineering designs and preparations of tender documents have some environmental impact assessment considerations, however, not all projects had environmental impact licenses as the management of SLRA presented only license for Beton Villa (SL) Limited for quarry operation at Madina/Tombo Village Freetown

Peninsula (Valid from 5th May 2016 to 5th May 2017) and Final Invoice Payment for EIA license renewal and monitoring fees for Secon John Bay Quarry that was submitted to the Ministry of Works and Public assets on 21st January, 2019. However we insist that not all projects were subjected to feasibility studies thus there were inadequacies in conduction of feasibility studies in most of road projects being implemented.

We therefore recommend that the Management of SLRA should:

- i. ensure that it carries-out comprehensive environmental impact assessment prior to undertaking any road project so as to ascertain environmental threats and social effects and propose mitigation measures when the projects will be undertaken. It should also ensure that EIA licenses are obtained from the Environmental Protection Agency for the carried out EIA studies; and**
- ii. in case of design and build approach, it should also review the design and build approach to make it necessary to contractors to prepare and submit both the environmental and social impact assessment as well as the environmental management plan during the bidding process.**

Concept Design and Design Review

1156. Section 5 (1)(j) of the SLRA Act, 2010 requires SLRA to commission location and design studies and preparation of construction plans, specifications, cost estimates and other documents relevant to the project. Accordingly, the audit reviewed several concept designs and other additional documents and the following were noted:

Weaknesses in the Preparation and Review of Road Projects Designs

1157. The audit noted that contractors were considered in procurement process after submitting preliminary drawings and design. Prior to awarding a contract to contractors, the awarded contractor was supposed to submit final designs and drawings which were supposed to be approved by SLRA prior to signing of contract. Also, there were no project briefs in all 18 projects audited.

1158. Review of 18 road projects indicated that only 8 which are Bandajuma-Pujehun, Taima-Njala Moyamba et.al, Freetown Streets Phase II East Zone lot 1 and Freetown Streets Phase

II West Zone lot 3, Mange - Mambolo Road, Makeni-Kamakwei and Makeni – Kabala Phase II road projects had preliminary project drawings. However, among the 5 it was only 2 road project namely, Moyamba et.al, Makeni-Kabala which had final designs of the road project. Furthermore, remaining preliminary project drawings of 10 road projects were not availed to the auditors namely Blama-Hanga, Kailahun Township, Weima Bridge, Waterloo Township, Makeni – Kabala Phase II, Wilkinson Road, Kono-Kabala Township, Kabala Township Phase II, Jomo Kenyata et al, Kissy Road, Fourabay Road, Magazine Cut, Macauley Street, Haja Sonie Drive, UN Drive, et. al. and King Jimmy Embankment and drainage works.

1159. On the other hand, in all contracted bidders in 18 road projects, there was no evidence as to whether the drawings being executed were approved by SLRA. Status of the projects and presence of designs and design or report is as indicated in Table 3.2.

Table 65: Projects with Reviewed and Approved Designs and Design Reports

S/N	Road project Name	Design Drawings	Design report	Reviewed by SLRA
1	Bandajuma-Pujehun	X	x	X
2	Taiaama - Njala	✓	x	X
3	Moyamba et. al.	✓	✓	X
4	Kailahun Township	X	x	X
5	Blama hanga	X	x	X
6	Weima Bridge	X	x	X
7	Freetown street Phase II, East zone, Lot 1	X	x	X
8	Freetown street Phase II, West zone, Lot 3	X	x	X
9	Mange - Mambolo Road	✓	✓	X
10	Makeni-Kamakwei	✓	✓	✓
11	Waterloo Township	X	✓	✓
12	Makeni – Kabala PH. II	✓	x	X
13	Wilkinson Road	X	x	X
14	Kono-Kabala Township	✓	x	X
15	Kabala Township PH. II	X	✓	✓
16	Jomo Kenyata et al	X	x	X

S/N	Road project Name	Design Drawings	Design report	Reviewed by SLRA
17	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Drive, UN Drive et. al.	X	x	X
18	King Jimmy Embankment and drainage works	X	x	X
	Total	6	5	3

Source: Review of Aailed Designs from Contractors

1160. For all 18 road projects audited, 13 contractors for specific road projects did not submit design reports whilst only 5, namely M/s First Tricon Ltd. for Taima – Njala and M/s First Tricon for Moyamba et.al. M/s China Railway Seventh Group (CRSG) for Mange-Mambolo and M/s Compaigne Saheliene Enterprise for Makeni-Kamakwie-Madinoula Road projects and M/s Bentovilla (SL) Limited for Waterloo road projects had submitted final design drawings to SLRA. However, despite of those 4 submitted design reports, only 1 contractor M/s First Tricon for Moyamba road project had a design report submitted to SLRA.

1161. The audit noted that, the reasons for not reviewing the designs were because SLRA commissioned all these activities to contractors and they remained with review role through Consultants. However, the audit was of the opinion that the reasons for non-review were because of lack of feasibility studies and inadequate review of the designs submitted by contractors during procurement. Other reason noted was that SLRA lacked thorough collection of information from contractors to provide relevant road design details from which projects could be easily implemented.

1162. Furthermore, design details could provide reasonable cost estimates for SLRA and guide it to procure the lowest evaluated bidder with contract award that is most economical for effective execution of the projects to reduce/avoid cost overrun, time overrun and quality.

1163. SLRA used design and build method for execution of projects, in which a contractor carried out designs and build, whereas the design review, management and supervision were carried out by the consultant. Review of contract files indicated that, there were shortfalls in the designs that resulted into significant changes and cost overrun during project execution.

1164. SLRA did not ensure that contractors are adequately preparing road designs and drawings during the submission of bids. This is because SLRA did not prepare the designs as the projects were executed in design and build approach.

1165. The Management responded that, concept designs were provided during the tender stage of the design and build projects, however, not all projects have been provided with the required details.

We recommend that the Management of SLRA should consider reviewing the current implemented designs and drawings of all on-going road projects and develop a mechanism that will ensure contractors' designs and drawings are reflective of the actual working environment, set requirements and meet the required standards for approved road works.

Inadequate Option Analysis for Road Projects that are currently implemented

1166. Review of 8 road construction projects indicated that only 2 out of 18 contractors submitted options and priority ranking in their preliminary drawings. However, SLRA did not ascertain the option and sub-options or priorities for projects to be implemented and for the preferred options or sub-options from the preliminary drawings submitted by contractors on a design and build basis. Table 73 indicates extent of options submitted by contractors.

Table 66: Submitted Preliminary Drawing for Road Projects with Option/sub-options

S/N	Road project Name	Options/ sub-option
1	Bandajuma-Pujehun	X
2	Taiama – Njala	✓
3	Moyamba et al	✓
4	Kailahun Township	X
5	Blama hanga	X
6	Weima Bridge	X
7	Freetown street Phase II, East zone, Lot 1	X
8	Freetown street Phase II, West zone, Lot 3	X
9	Mange-Mambolo road and Rokupr Spur road	X
10	Makeni–Kamakwie Road	X
11	Makeni – Kabala (Phase II)	X

S/N	Road project Name	Options/ sub-option
12	Kabala Township Phase II	X
13	Kono-Kabala	X
14	Jomo Kenyatta et. al.	X
15	Wilkinson Road + additional Works (King Street et al)	X
16	Waterloo Township	X
17	Kissy Road Fourab bay road	X
18	King Jimmy additional Roads	X

Source: Submitted Contractors Preliminary Drawings

1167. As indicated above, it was only 2 road projects whose designs provided for design options and sub-options, these were Taiama-Njala and Moyamba et.al.

1168. The causes for this inadequacy were due to lack of detailed design and reviews by SLRA or consultants in the submitted designs. Also, because of the procurement approach that was used i.e. Design and Build (DB), SLRA did not pay enough attentions to designs which were submitted to it to ensure that contractors submit various design options and sub-options for consideration by SLRA. Consequences for not providing for design options and sub-options led to SLRA opting to maximum cost of the projects as contractors may seek to restrict the project in one option. On the other hand, projects are executed with a risk of cost variations for which the employer cannot have assurance of financing the projects.

1169. SLRA did not consider different project options in order to identify among those options the most optimal options which has lesser project cost elements and the most favourable approach including priorities for implementation of the projects.

1170. The Management has responded that during bidding contractors were not necessarily required to submit different project options in projects that were tendered under Design and Build procedures. However, the management has acknowledged that, the project design options that were submitted by contractors were not used to optimize cost. The management has also indicated that, it will look into ways of improving the procurement methods to improve contract management.

We recommend that the Management of SLRA should ensure that contractors prepare and submit preliminary studies which indicate project design options and sub-options and their priority ranking, implementation approach, scheduling, budgeting, organization as well as project quality controls.

Inadequate Approval of Submitted Contractors' Designs and Drawings

1171. According to Section 5 (1) of SLRA Act 2010, SLRA is required to prepare and approve all designs, specifications, roads construction plans, programme of works and cost estimates for all road works. However, the Act allows the Authority to commission these functions to third parties. The view of all designs availed to the audit team during the audit indicated that there was no evidence as to whether all 18 road designs submitted to SLRA by contractors were adequately reviewed and approved. However, the audit team could not establish any approvals from SLRA of all contractors who were awarded contracts in all 18 road projects. This is despite that SLRA is responsible for ensuring that designs are in accordance to standards and specifications.
1172. With design and build contracts, SLRA on its own or through consultants was expected to review all designs, and studies prepared by contractors before awarding them contracts. But, the audit noted that, SLRA left all the preparations of designs, preliminary drawings and financial costing to contractors. The consequences of inadequate design review including: failure to capture and including relevant project details that will provide clear scope of the project during execution, failure to have effective cost estimate for the project and failure to have effective time for execution of the project that will determine completion time. In addition, it will lead to difficulties in assessing feasibility and viability of the road project that SLRA intends to pursue.
1173. SLRA does not adequately review and approve project designs and drawing which are submitted by contractors prior to awarding them contracts. This has resulted into several variations and addenda during the implementation of the projects. Those variations and addenda could be avoided or reduced if designs could be adequately reviewed and approved by SLRA at earlier stages of the construction work.
1174. The Management was of the view that, the design approval is a continuous process during project implementation and this was carried out during all projects in question, however, there were no evidence showing that SLRA management gave approval on the Designs and Drawings submitted by Contractors.

We recommend that the Management of SLRA should ensure that all project designs and drawings submitted by contractors during procurement are adequately reviewed and approved by SLRA prior to proceeding with contracting and project executions.

Project Definitions and Concept Design

Inadequate Project Definition and Engineering Estimates

1175. Review of the availed technical specifications and designs from contractors revealed that only 2 out of 18 road projects were adequately defined to address the backgrounds, objectives, priorities, options / sub-options. For the rest 16 road projects there were no evidence that those projects were defined as shown on Table 3.4.

Table 67: Projects with projects options, Project Brief and Engineers Estimates

S/N	Road project Name	Options/ sub-option	Engineer's Estimates	Project brief	Remarks
1	Bandajuma-Pujehun	x	X	x	Not adequate
2	Taiama – Njala	✓	✓	x	Not Adequate
3	Moyamba et al	✓	✓	x	Not Adequate
4	Kailahun Township	x	X	x	Ne details
5	Blama hanga	x	X	x	No details
6	Weima Bridge	x	X	x	Condition survey
7	Freetown street Phase II, East zone, Lot 1	x	X	x	No details
8	Freetown street Phase II, West zone, Lot 3	x	X	x	No details
9	Mange-Mambolo road and Rokupr Spur road	x	✓	x	
10	Makeni–Kamakwie Road	x	✓	x	Not adequate
11	Makeni – Kabala (Phase II)	x	✓	x	Not adequate
12	Kabala Township Phase II	x	✓	x	Not adequate
13	Kono-Kabala	x	X	x	No details
14	Jomo Kenyatta et al	x	X	x	No details
15	Wilkinson Road + additional Works (King Street et al)	x	X	x	No details
16	Waterloo Township	x	X	x	No details
17	Kissy Road Fourab bay road	x	X	x	No details

S/N	Road project Name	Options/ sub-option	Engineer's Estimates	Project brief	Remarks
18	King Jimmy additional Roads	x	X	x	No details
	Total	2	6	0	No reviews done

Source: *Review of Aailed Contractors Designs and Reports*

1176. As indicated in Table 74 above, it can be noted that only 2 projects had provided for option analysis in their respective project designs, 6 road projects had engineering estimates (BoQ) provided for while all had no project brief in place. It was further noted that in 3 projects namely Bandajuma – Pujehun, Taima – Njala and Kailahun Road projects that these were taken care of during the execution of the project leading to increased cost from the original contract price. Reasons for such weaknesses were due to the fact that SLRA did not conduct review of projects' designs prior to awarding the contracts to contractors thus leaving the whole design and cost estimates to be prepared by the contractors themselves.

1177. This implies that, it is very difficult for SLRA to have an estimated cost of the project which can be used in preparation of budget for roads project. Also, lack of cost estimates for the remaining 12 projects resulted into having no basis for comparison of cost when various bidders applied for the tenders. As a result, road projects were not acquired at the lowest cost consistent with meeting program requirements and other approved objectives. This is because, the mode of execution of projects opted by Sierra Leone Roads Authority (SLRA) provided a loop hole for variations due to the fact that, the contractors were required to design and build roads, while consultants had to carry out design review, management and supervision of the project.

1178. The audit found that, the designs carried out by contractors were conceptual and not detailed design, and when consultants reviewed the designs prepared by contractors the designs were associated with many changes which increased the project cost when such changes as commented by consultant were incorporated by the contractors. These road projects are as indicated in Table 76.

Table 68: Shortfalls in design of roads as presented by contractors

S/N	Name of the project	Contractor	Identified shortfall
1	Waterloo township	M/s Betonvilla (SL) Limited.	<ul style="list-style-type: none"> As a result of failure of contractor to undertake detailed design, the Consultant was asked to undertake a full design of the whole project. This included undertaking investigations to gather data and information needed to complete the design of the storm drains, culverts and the pavements. The contractor started the work before the arrival of the Consultant on site on the 1st July 2016.
3	Kabala Township Phase II	Pavi Fort Al Associate of 15 Kissy Road Freetown	<ul style="list-style-type: none"> The BoQs have major discrepancies in the quantities as compared with the design drawings and specifications. In the contractor's submission, there is no given typical cross section.
4	Makeni-Kamakwei-Madinaoula	M/s Compagnie Saheliene D'Enterprises	<ul style="list-style-type: none"> Re-alignment of the road from km 0+000 to km 70+000; The design left out the Panlap junction as indicated in the feasibility study done in 1980 but later on it was proposed as modification of the Panlap junction as per addendum 2, this brought a cost of US\$ 330,165.05.
5	Rokupr Spur/Mange-Mambolo	M/s China Railway Seventh Group (CRSG)	<ul style="list-style-type: none"> Inadequate design of 600mm pipe culvert size that caused replacement to 900mm; and Inadequate design of vertical alignment that caused additional cost.

Source: Project design details, monthly progress reports and contract implementation files

1179. From Table 76, it is shown projects had changes after the consultant had reviewed the work.

The changes found in the design resulted into variation in quantities of the items. According to contract agreement under design and build projects, the changes in scope are not allowed except if are initiated by the employer since the projects are lump sum (price is fixed). Variations in quantities led to the increase in scope after design review by consultant were considered to be caused by the employer, hence the employer should cover cost for such changes, as a result project cost after design review increased.

1180. The consequences of inadequate design include: (a) increase in project cost as a result of variations; (b) delays in project completion time; and (c) poses a risk of employer failing to finance the project.

1181. SLRA do not adequately define the road projects that they intend to implement in terms of cost and priority. It also does not adequately prepare engineering estimates that would be used as the benchmark to the cost of the projects and to the estimates submitted by contractors.

1182.SLRA management acknowledged that option analysis studies referenced above were conducted and furthermore, the reasons for many of the cost changes in the others were due to additional scope to the existing contracts some of which were either endorsed by line Ministries, or ordered by government covered most of the roads under rehabilitation. However, the auditors are in opinion that, the additional scope to the existing contracts was as a result of inadequate need assessment for which could not be identified at project initiation stage.

We recommend that the Management of SLRA should:

- i. Ensure that for every project that is planned to be implemented, there are clearly defined in terms of backgrounds, need, to address the objectives, priorities, options / sub-options; and**
- ii. Ensure that Confidential Engineering estimates are readily available prior to initiating the procurement process for the purposes of benchmarking during tender evaluation.**

Concept Design

1183.The purpose of reviewing the concept designs was to assess whether SLRA carried out relevant studies for traffic, soil, geometric design, pavement, hydrological, materials (borrow pit), socio-economic and environmental and cost benefit analysis (CBA) to arrive at the chosen concept designs for the selected road projects. This is as per Section 5 (2)(j) of the SLRA Act (amendment) 2010 mandates SLRA to commission location and design studies and preparation of construction plans, specifications, cost estimates and other documents.

1184.Interviews held with Project Managers for all 8 road projects audited indicated that conceptual/preliminary designs were submitted by bidders/contractors. However, there was no evidence as to whether studies for traffic, soil, geometric design, pavement, hydrological, materials (borrow pit), socio-economic and environmental and cost benefit analysis (CBA) to arrive at the chosen concept designs for the selected road projects were reviewed and approved by SLRA.

1185.Table 77 indicates studies which were carried-out in order to support the designs submitted by contractors.

Table 69: Studies conducted to come up with selected concept design

S/N	Road project name	Traffic study	Soil study	Geometric design	Pavement design	Hydrological study	ESIA	CBA
1	Bandajuma-Pujehun	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Taiaama - Njala	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Moyamba et al	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Kailahun Township	No	No	No	No	No	No	No
5	Blama hanga	No	No	No	No	No	No	No
6	Weima Bridge	No	No	No	No	No	No	No
7	Freetown street Phase II, East zone, Lot 1	No	No	Yes	Yes	No	No	No
8	Freetown street Phase II, West zone, Lot 3	No	No	Yes	Yes	No	No	No
9	Mange-Mambolo road and Rokupr Spur road		Yes	Yes	Yes	Yes	Yes	No
10	Makeni–Kamakwie Road	Yes	Yes	Yes	Yes	Yes	Yes	Yes
11	Makeni – Kabala (Phase II)	Yes	*yes	Yes	Yes	Yes	*yes	⁹ No
12	Kabala Township Phase II	¹⁰ Yes	Yes	Yes	Yes	Yes	Yes	Yes
13	Kono-Kabala	¹¹ N/p	N/p	N/p	N/p	N/p	N/p	N/p
14	Jomo Kenyatta et al	N/p	N/p	N/p	N/p	N/p	N/p	N/p
15	Wilkinson Road + additional Works (King Street et al)	N/p	N/p	N/p	N/p	N/p	N/p	N/p
16	Waterloo Township	Yes	Yes	Yes	Yes	Yes	No	No
17	Kissy Road Fourab bay road	No	No	No	No	No	No	No
18	King Jimmy additional Roads	No	No	No	No	No	No	No

Source: Auditor analysis from Designs Submitted by Contractors to SLRA

1186.As indicated in Table 77 it was only 8 out of 18 road projects audited which carried out studies before coming-up with concept designs. These were Bandajuma–Pujehun, Taima–

⁹No means not done and no document available

¹⁰Yes means documents reviewed

¹¹N/P means not provided by SLRA

Njala, Moyamba et.al, Mange-Mambolo road and Rokupr Spur, Makeni–Kamakwie, Makeni – Kabala (Phase II), Waterloo Township, and Kabala Township Phase II road projects. This represents 44.4 percent of all 18 projects audited. All these were prepared by contractors.

1187. On the other hand, according to the review based on provided road designs and design reports, SLRA prepared road design studies for 4 out of 18 selected road projects as shown in Table 78. The Audit Team found out that the following studies were conducted:

Table 70: Types of Studies Conducted by SLRA

S/N	Design study conducted	No. of conducted studies Reviewed	No. of Projects without Studies Provided
1	Traffic	4	15
2	Soil study	4	15
3	Geometric design	4	15
4	Pavement design	4	15
5	Hydrological study	4	15
6	Environmental and socio Impact Assessment (ESIA)	4	15
7	Cost Benefit Analysis (CBA)	4	15
8	Cost estimates	6	12

Source: Auditor's analysis from documents review and interviews

1188. As indicated above, SLRA conducted Socio-economic impact studies in 3 projects out of the 18 selected projects, the same for the environmental impact studies which was done for 3 out of 18 selected projects and inadequately prepared in another, the cost benefits analysis was provided for 3 projects, not provided for 3 projects and not done for 2 road projects¹² while estimates were not provided for all 18 selected projects. For the projects that design information/studies were available, only 3 projects were complete, not prepared and others were not availed for audit review.

1189. Furthermore, the audit noted that failure of SLRA to prepare the above design studies was attributed by the design and build concept that was applied to all 18 selected road projects in which the competing contractors were required to prepare preliminary engineering designs (technical proposal) and Bill of Quantities (financial proposal) as part of the submitted tender documents to the employer (SLRA) to evaluate and award the tender to

¹² According to interview with SLRA officials

whoever contractor that is convinced with his proposals. However, review of the availed bid advertisements did not detail all the requirements.

1190. Other studies that were forming part in the contractors' proposals were Geometric and pavement designs were prepared mostly due to the fact that there is no way they can be ignored as they give location of the road route/location of existing chainages levels and proposed design levels (profile drawings) which guide the contractor during construction of road project. However, there were weaknesses in this aspect as these studies were conducted after award of contract and during implementation of the projects.

1191. This made SLRA to just work on the preliminary engineering designs of the awarded contractors rather than preparing the detailed engineering designs, confidential engineers' estimates and other studies for each road projects. There was no review of implemented designs that was conducted by consultant.

Reasons for inadequacies in designs and design reviews

1192. According to Regulation 56(2)(b) of the Public Procurement Regulations of 2006, the bidding period shall start on the date of the first publication of bidding announcement and shall finish on the date of the bid submission deadline, and it is 6 weeks for international competitive bidding.

1193. Also, Regulation 56(4) (a) of the Public Procurement Regulations of 2006 requires that, in determining an appropriate bidding period for each requirement, the Procurement Unit shall take into account, in addition to the minimum bidding period: the time required for preparation of bids, taking into account the level of detail required and the complexity of bids.

1194. The review of contract files revealed that, SLRA allowed the bidders about 6 weeks to present their information from which SLRA evaluated and selected the suitable bidders, however, the Procurement Unit did not take into account in addition to the minimum bidding period the time that could allow the contractors to carry out design and preparation of bidding document as the design and build contracts are complex bids. As a result, the tenderers who bid for these projects did not spend ample time to collect all relevant data needed to come up with appropriate designs for the works, the situation that caused projects to end up with scope revisions, addenda, delays and extensions of time and cost overruns as detailed in Table 79.

Table 71: Deficiencies in strategy for reducing project time of delivery and cost

Road Name	Initial Starting time	Planned completion time	Revised completion date	Cost (USD)	Revised cost (USD)
Jomo Kenyatta et. al.	March, 2012	No details	January, 2018	22,653,572	63,400,505
Wilkinson Road + additional Works (King Street et. al.)	June, 2012	No details	January, 2018	20,056,089	30,647,805
Waterloo Township	January, 2016	February, 2017	June, 2018	16,908,428	42,782,727
Kissy Road Fourab bay road	April, 2014	11 th October, 2014	April, 2016	4,003,346	7,550,893
King Jimmy + additional Roads	January, 2014	20 th June, 2014	December, 2017	1,075,540	10,704,100
Kono-Kabala	May, 2012	8 th April, 2012	December, 2017	19,660,588	20,343,611
Makeni – Kamakwei-Madina Oula(Guinea Border Road)	October, 2012	18 th October, 2016	November, 2019	100,354,011	119,375,383
Makeni – Kabala (Phase II)	October, 2014	September, 2016	June, 2019	18,515,115	18,515,115
Upgrading Rokupr Spur/Mange-Mambolo Road	January, 2013	30 th August, 2014	July, 2018	13,704,854	37,031,620
Kabala Township Phase II	April, 2016	September 2017	December, 2017	15,294,224	21,098,913

Source: Project implementation files, Ministry of Finance report, and progress reports

1195.From the Table it is shown that, 9 out of 10 projects were associated with significant changes in project cost and time, while the remaining 1 project (on-going) is had the same amount of cost as at the time of audit in November, 2018. Based in this analysis, it is likely that, even this one project may end up with changes in project cost.

1196.The consequences of limited time for collection of relevant data for appropriate project design include: (a) Preparation of road design that does not capture project relevant details for execution of the project (b) Failure to get reasonable project cost estimate and (c) Failure to get proper time estimate for execution of the project.

1197.SLRA did not provide for reasonable time for collection of data on respective road projects prior to deciding on implementing them. It also did not project the cost elements related to limited data collection on road projects when planning to implement the road projects.

1198.The Management of SLRA accepted that it relied on information collected during previous township roads studies by consultant to assess the submission of contractors for these projects.

We recommend that the Management of SLRA should:

- i. provide ample and reasonable time for collection of data in order to ensure adequate and relevant information is collected in respect of the road projects prior to preparation of designs and project drawings; and**
- ii. ensure that designs submitted from contractors during bidding are comprehensive and relevant to specific road project that contractors intend to undertake.**

Justification for the Road Works Projects

1199.SLRA did not provide for any justification with regard to projects' viability and capacity to undertake such projects. There was no project managers proposals to SLRA as to whether the projects would be implemented adequately; However, according to the Ministry of Finance, it was noted that the government prioritized to undertake road projects as priority projects. 40 roads were earmarked as priority projects.

1200.SLRA confirmed that, the projects were implemented due to directives from the Ministry of Finance thus there would be no way that they could deny the projects. However, there was no evidence as to whether those directives were issued by the Ministry of Finance. There was no guarantee of the fund to finance road projects thus projects were implemented without justifications and without fund availability confirmation.

1201.This was caused by inadequate use of design and build concept in the implementation of road projects in the sense that the contractors who bid for the works submit their proposals for selection, after being awarded and they were already given contract agreements to sign and commence execution of the project prior to the review of the drawings. Consequences for not preparing and reviewing projects' designs led to: (a) Failure to execute project within the approved and available budget (b) Delay in achieving a purpose of a project such a provision of transport service with less vehicle operating cost, reducing travelling time (c) Failure to timely achieves institutions targets as planned.

1202.SLRA does not provide adequate justification for road projects that it intends to execute for a particular period of time. It does not also seek from relevant Ministries e.g. Ministry of Works and Ministry of Finance for confirmation of funds to finance the road projects to be implemented for respective period of time.

1203.The Management of SLRA has accepted the audit observation and stated that, the issue of ensuring that further improvement on financial commitment from the Ministries of Works and Finance are obtained prior to the commitment of contractors and consultants to various projects will be looked at.

We recommend that the Management of SLRA should:

- i. ensure that there is sufficient fund to finance road projects that it intends to undertake; and**
- ii. that funds are readily available by obtaining reasonable and sufficient funds to cover for all project costs.**

Not all executed Projects were in SLRA Budget and Procurement Plan

1204.According to Regulations 33 of the Public Procurement Regulations, 2006, the Procurement Unit shall ensure that the proposed procurement is identifiable within the annual procurement plan and adequate funds are available within the remaining annual budget, prior to initiating procurement proceedings and shall take into account all costs involved in the procurement.

1205.In addition to the total contract price, include the following: contingencies, including any anticipated contract variations, exchange rate fluctuations or allowance for price adjustment; other costs relating to the successful completion of a procurement requirement

for which the procuring entity will be liable; costs relating to facilities, services or resources to be provided by the procuring entity, such as office space or communication facilities for consultants or counterpart staff; and the cost of any related contract, which is necessary for the successful implementation of the procurement, such as a contract for engineering supervision of a construction contract.

1206. The audit noted that only 13 out of 18 road projects Bandajuma-Pujehun, Taiama Njala, Moyamba et al, Freetown Streets Phase II, East zone Lot 1 and Freetown street Phase II, West zone Lot 3, Rokupr Spur/Mange-Mambolo, Makeni-Kamakwei-Madinaoula, Kono-Kabala Township, kabala Township Phase II, Wilkinson Road, Jomo kenyata et al, Kissy Road & Fourab bay Road, King Jimmy Embankment and drainage works were in the annual procurement plans.

1207. However, it was noted that these projects were included in the annual plans each year for the period from 2010/2011 to 2017/2018. The 3 road projects that were not included in the Annual Procurement Plan include Kailahun Townships, Blama Hanga and Weima Bridge, Waterloo Township and Kono-Kabala roads. Furthermore, it was noted that, annual procurement plans did not have approvals of the SLRA management and NPPA.

1208. Review of procurement files and correspondences revealed that, 7 out of 18 projects were in the budgets while the remaining 12 projects had information missing. Table 80 indicates list of road projects which were implemented without being in specific budget and annual procurement plans.

Table 72: List of Road Projects with and without Budget

Road projects with approved budget	Road projects without approved budget
<ol style="list-style-type: none"> 1) Waterloo Township 2) King Jimmy + additional roads 3) Makeni-Kabala Phase II 4) Bandajuma-Pujehun 5) Taiama – Njala 6) Moyamba et al 7) Kailahun Township 	<ol style="list-style-type: none"> 1) Rokupr Spur/Mange-Mambolo road 2) Wilkinson Road 3) Makeni-Kamakwei-Madinaoula 4) Kabala Township Phase II 5) Kono-Kabala Township 6) Jomo Kenyata et al 7) Kissy road, Fourab bay Road 8) Freetown street Phase II, East zone, Lot 1 9) Freetown street Phase II, West zone, Lot 3 10) Blama-Hanga 11) Weima Bridge

Source: SLRA Strategic Plan and Annual Budgets 2015-2018, Annual Procurement Plans

- 1209.As indicated above, only 7 road projects out of 18 audited were budgeted for and were included in the annual procurement plans. The remaining projects were implemented without being in procurement plans. Furthermore, the audit noted that Strategic plans availed to auditors had no management approval; records of procurement committee showing they approved the procurement plans were not provided; No records of the Board of Directors of SLRA and SLRA's procurement committee indicating that they reviewed and approved the budgets and annual procurement plans;
- 1210.On the other hand, it was noted that budgets for all road projects reviewed road projects were not realistic as they were either understated or overstated as indicated below.

Table 73: Status of availability of selected projects in the approved budget

S/N	Name of project	Contract price (USD)	Budget for the project (USD)	Difference
1	Waterloo township	16,908,428.31	14,339,158.14	2,569,270.17
2	Kono - Kabala	19,660,588.59	Not in budget	-
3	Kabala Township Phase II	15,294,224.11	Not in budget	-
4	Makeni-Kamakwei-Madinaoula	100,265,413.78	Not in budget	-
5	Rokupr Spur/Mange-Mambolo	13,704,854.26	Not in budget	-
6	King Jimmy + additional Roads	1,075,540.00	7,035,000.00	-5,959,460.00
7	Kissy Road Fourab bay road	4,003,346.56	Not in budget	-
8	Wilkinson Road + additional Works (King Street et al)	20,056,089.73	Not in budget	-
9	Jomo Kenyata et all	22,653,572.28	Not in budget	-
10	Makeni – Kabala (Phase II)	18,515,115.85	18,900,000.00	-384,884.15
11	Bandajuma-Pujehun	21,715,746.40	240,000,000 (Le)	
12	Taiama – Njala	8,816,124.81	200,000,000 (Le)	
13	Moyamba et al	No contract	Not in budget	
14	Kailahun Township	No contract	Not in budget	
15	Blama hanga	No contract	Not in budget	
16	Weima Bridge	2,776,312,339 (Le)	Not in budget	

S/N	Name of project	Contract price (USD)	Budget for the project (USD)	Difference
17	Freetown street Phase II, East zone, Lot 1	39,953,057.44	Not in budget	
18	Freetown street Phase II, West zone, Lot 3	48,670,107.85	Not in budget	

Source: Budget of and Annual Procurement Plans selected projects.

1211.As indicated above, only 7 projects were budgeted for. This is about 61 percent of all 18 road reviewed. This supposes that the remaining 11 road projects were implemented using the budget that was planned for other activities within the Sierra Leone Roads Authority. The consequences of executing roads projects without approved budget include: Failure to finance the execution of project, Delay in execution of the projects and Risk of executing projects using budget prepared for other activities. SLRA does not adequately provide for budgets in road projects. It also does not adequately capture the planned projects into its Annual Procurement Plans. Also, SLRA does not keep records showing that the strategic plans and Annual Procurement Plans underwent the budget process and approvals from relevant authorities. SLRA controls in terms of planning are not working.

1212.The Management responded that all the referenced are in our annual budget and procurement plan, however, there was no evidence on the availability of such project as auditors noted that, there was review of budgets in subsequent years for projects that lacked budget when such projects started.

We recommend that the Management of SLRA should:

- i. Ensure that all road projects intended to be procured and implemented in a respective year are well captured in its budgets and annual procurement plans; and**
- ii. ensure that the prepared budgets and annual procurement plans undergo quality control and accordingly obtain necessary approvals from responsible and accountable authorities.**

Detailed Project Designs and Review

1213.The audit observed several weaknesses in terms of review of designs and designs that were submitted by contractors during bidding process. The following issues were noted:

Review of Designs Not Adequately Done

1214. There were no documents availed to the auditors with respect to terms of reference for procuring of the consultants to review the concept or preliminary road designs. As a result, Project briefs were not in place for all 18 projects reviewed, Periodic requirement were not established as there were no documented procedure for both consultants and contractors, Procedure for accepting change of scope were neither established nor documented and could not be verified by the audit team;
1215. Inadequate reviews of engineering road designs were attributed by delays for appointment of consultants to review designs and supervise the road works. Table 82 indicates timelines in appointment of consultants.

Table 74: Timelines for Appointment of Consultants as compared to contractors

S/N	Name of Road Project	Date of Contract	Date for appointment of Consultants	Delay in Months
1	Bandajuma-Pujehun	1 st June 2012	1 st June 2014	24
2	Taiama – Njala	1 st June 2012	1 st June 2014	24
3	Moyamba et. al.	No contract	No details	Not verified
4	Kailahun Township	No Contract	No details	Not verified
5	Blama hanga	No contract	No details	Not verified
6	Weima Bridge	7 th July 2017	No details	No consultant appointed
7	Freetown street Phase II, East zone, Lot 1	No contract	No details	Not verified
8	Freetown street Phase II, West zone, Lot 3	No contract	No details	Not verified
9	Mange-Mambolo road and Rokupr Spur road	18 th October, 2012	No details	Not verified
10	Makeni–Kamakwie Road	4 th October, 2012	12 th November, 2012	1.3
11	Makeni – Kabala (Phase II)	1 st July, 2016	27 th January, 2016	6
12	Kabala Township Phase II	24 th March, 2016	1 st July, 2016	3.3

S/N	Name of Road Project	Date of Contract	Date for appointment of Consultants	Delay in Months
13	Kono-Kabala	8th April, 2011	1st November, 2011	7
14	Jomo Kenyatta et al	March, 2012	No details	Not verified
15	Wilkinson Road + additional Works (King Street et al)	1st June, 2010	1st November, 2010	5
16	Waterloo Township	27th January, 2016	1st July, 2016	6
17	Kissy Road Fourab bay road	11 th April, 2014	No details	Not verified
18	King Jimmy additional Roads	January, 2014	No details	Not verified

Source: Review of availed Contractors' and Consultants' Contracts

1216.As indicated in below delays in appointing the consultant for reviewing detailed road designs ranged between 1.3 to 24 months. This means that projects had started without the implemented road designs being reviewed by SLRA or consultants. As a result, contractors were performing those projects for sometimes without having proper supervision of the consultants. The consultant is always required to protect the interest of client, in this case SLRA, in the course of implementation of road project. The delay in engaging supervising consultant contributed significantly to the delays in reviewing design from contractors as contractors executed projects without reviewed design and drawings.

1217.In addition, the audit noted that; for all 18 reviewed contracts, it was noted that consultants were appointed after the contract was signed; Reviews of the designs and drawings were not done by consultants although the interviews held with project managers indicated that consultants were supposed to review the designs submitted by the winning bidders and provide comments; adverts for expression of interest for consultants not adequately done. The audit noted that there were only 3 out of 18 adverts that were expected to be issued for expression of interest/request for proposal for consultancy services and these were Bandajuma-Pujehun, Taima-Njala and Moyamba et.al road projects.

1218.SLRA does not adequately appoint consultants prior to entering into contract with contractors for the purpose of reviewing the submitted detailed designs and drawings. SLRA does not also take into account of the consequences that may result if the project is implemented without reviewing the submitted designs from contractors.

1219. The Management of SLRA has accepted that due to some delays in procurement of consultants, the commencement of the services of consultants may not always start at the same time of the works contract, also stated that, SLRA stepped in to ensure that supervision services were provided by engineers during this period to ensure that works are executed with the required specifications. However, there were no evidences on the reviews carried out by SLRA due to delay in procurement of consultants. Therefore, for projects that procurement of consultants was delayed, works were executed without review.

We recommend that the Management of SLRA should:

- i. Ensure that if it decides to use consultants in particular road project then, consultants should be procured timely for the purpose of reviewing the designs submitted by contractors and propose for any change or adjustment; and**
- ii. Ensure that design review reports are readily available and submitted to for final review and approval by SLRA management.**

Acquired projects did not meet program requirements and other approved objectives

1220. It was found that, projects were not acquired at the lowest cost consistent with meeting program requirements and other approved objectives. This is because, the mode of execution of projects opted by Sierra Leone Roads Authority (SLRA) provided a loop hole for variations due to the fact that, the contractors were required to design and build roads, while consultants had to carry out design review, management and supervision of the project.

1221. The audit found that, the designs carried out by contractors for tendering process were conceptual and not detailed design, and when consultants reviewed the designs prepared by contractors the designs were associated with many changes which increased the project cost when such changes as commented by consultant were incorporated by the contractors. This is as indicated in Table 83.

Table 75: Shortfalls in design of roads as presented by contractors

S/N	Name of the project	Contractor	Identified shortfall
1	Waterloo township	Bentonvilla (SL) Limited.	As a result of failure of contractor to undertake detailed design, the Consultant was asked to undertake a full design of the whole project.

S/N	Name of the project	Contractor	Identified shortfall
			This included undertaking investigations to gather data and information needed to complete the design of the storm drains, culverts and the pavements. The contractor started work before the arrival of the Consultant on site on the 1 st July 2016.
2	Kono-Kabala	Guicopres Ltd	No details
3	Kabala Township Phase II	Pavi Fort Al Associate of 15 Kissy Road Freetown	<ul style="list-style-type: none"> The BOQ has major discrepancies in the quantities as compared with the design drawings and specifications. In the Contractor's submission, there is no given typical cross section.
4	Makeni-Kamakwei-Madinaoula	Compagnie Saheliene D'Enterprises	<ul style="list-style-type: none"> Re-alignment of the road from km 0+000 to km 70+000; The design left out the Panlap junction as indicated in the feasibility study done in 1980 but later on it was proposed as modification of the Panlap junction as per addendum 2, this brought a cost of USD 330,165.05.
5	Rokupr Spur/Mange-Mambolo	China Railway Seventh Group (CRSG)	<ul style="list-style-type: none"> Inadequate design of 600mm pipe culvert size that caused replacement to 900mm; and Inadequate design of vertical alignment that caused additional cost.
6	King Jimmy + additional Roads	M/s Beton Villa Sierra Leone Ltd.	No details
7	Kissy Road Fourab bay road	China Railway Seventh Group (CRSG)	No details
8	Wilkinson Road + additional Works (King Street et al)	China Railway Seventh Group, 41 Lumley Beach Road, Aberdeen, Freetown	No details
9	Jomo Kenyata et all	China Railway Seventh Group (CRSG)	No details
10	Makeni – Kabala (Phase II)	Compagnie Sahelienne D'Enterprises Ltd.	No details

S/N	Name of the project	Contractor	Identified shortfall
		(SCE) Senegal.	
11	Bandajuma-Pujehun	M/s First Tricon	No project drawings provided
12	Taiama - Njala	M/s First Tricon	No project drawings provided
13	Moyamba et al	M/s First Tricon	The designs did not capture the asphalt mixed designs thus design was done after commencement of the project
14	Kailahun Township	ISU	The designs did not take into account the Kailahun round about
15	Blama hanga	M/s First Tricon	No drawings and BoQ provided
16	Weima Bridge	Moliba Investment & Awesome Consortium	No drawings and BoQ provided
17	Freetown street Phase II, East zone, Lot 1	CRSG	No detailed BoQ
18	Freetown street Phase II, West zone, Lot 3	Seacon/Dawnus	No detailed BoQ

Source: Project design details, monthly progress reports and contract implementation files

1222. From above, it is shown that, 10 out of 18 projects had changes after the consultant reviewed work or after contractors started actual work. The changes found in the design resulted into variation in quantities of the items. According to contract agreement under design and build projects, the changes in scope are not allowed except if are by employer since the projects are lump sum (price is fixed). The variations in quantities that cause increase in scope after design review by consultant are considered to be by employer, hence the employer should cover cost for such changes, as a result project cost after design review increases.

1223. The consequences of inadequate design include: Increase in project cost as a result of variations, delay in project completion time and pose a risk of employer failing to finance the project. SLRA does not adequately ensure that designs presented by contractors are consistent in terms of specifications and cost. It also does not review individual bills of quantities for the purpose of validating the itemized cost to reflect the current existing cost if items or market price.

1224. The Management is of the view that it believes that projects met or are meeting objectives as the roads completed or sections are now serving useful purpose in terms of reduction of

travel time, vehicle operating cost (VOC) and improved environmental and drainage considerations. Reduced maintenance costs are also attributed to the improved level of service of these completed sectors. However, the auditors are in opinion that, the mentioned objectives have based mainly on benefits after completion of projects while leaving out cost saving at initiation as the objective of acquiring projects at the lowest cost as expected was not met.

We recommend that the Management of SLRA should:

- i. Ensure that all submitted designs reflect the actual work that is expected to be done on site including all necessary adjustments in terms of designs and on-site geographical and physical layouts;**
- ii. Ensure that the submitted BoQs reflect the market price at the time of bidding thus reviews to BoQs should also be considered at the time of bidding; and**
- iii. Put a mechanism in place to ensure that contractors submit designs that will not result into large changes at stage-wise design reviews to avoid cost increase in the projects.**

Weaknesses in Procurement Process of Contractors

Tender Document not adequately prepared

1225. According to the Public Procurement Act, 2016 (PPA), Section 18 (13) (a), SLRA through the Procurement Committee, is expected to prepare and approve tender documents including verification and approval of proper procurement planning and preparation of procurement processes carried out by the procuring entity.

1226. According to Procurement of Works (ICB) User Guide of the Republic of Sierra Leone requires each clause of the Conditions of Contract and Instruction to bidders to be checked to ensure that information required in the Contract Data and Bidding Data is recorded and that the text is appropriate to the specific contract. Where the text of the Conditions of Contract and Instruction to bidder needs to be expanded, modified or even deleted, this can only be done through the Contract Data and Bidding data.

1227. The text of the clauses in the Conditions of Contract and Instruction to bidders indicates that some of the essential data and additional information required in the Contract Data and bidding data were not considered. Whereas additional details to supplement or modify the clauses of the Conditions of Contract and instruction to bidder are required, they should be

added in the Contract Data and bidding data. If any Clause or Sub-Clause in the Conditions of Contract and Instruction to bidder are not required, this may be removed by entry of the Conditions of Contract Clause number and Instruction to bidder clause number and the words “Not Applicable” in the Contract Data and Bidding data.

1228. Interviews held with SLRA procurement officials as well as respective project managers responsible for road works projects showed that all 18 projects were implemented through Design & Build approach thus SLRA issued Invitation for Bids/tendering through ICB to obtain contractors. Thus bidding documents were prepared by the contractors and submitted to SLRA for subsequent evaluation and award of contracts. Contractors were required to submit both technical and financial proposals for road projects they preferred to bid for.

1229. However, it was noted that tender documents were not approved by the procurement committee or SLRA management as required by PPA 2016 as the audit noted that there were no financial proposals were seen for all bidders who were awarded contracts; The only document was the conceptual/preliminary designs from contractors which were submitted for Bandajuma – Pujehun, Taima – Njala, Freetown streets Phase II West Zone lot 3 and Freetown Streets Phase II East Zone lot 1 Roads Projects; No confidential engineering estimates prepared for 12 projects executed for comparisons and evaluation of bidders;

1230. The audit noted that out of 18 projects reviewed only 5 had tender document that were prepared by SLRA, the remaining 13 had no tender document in place as indicated in Table 84.

Table 76: Projects with or without tender documents

Road Projects with tender documents	Road Projects without complete tender documents
a) Freetown Streets Phase II West Zone lot 3 b) Freetown Streets Phase II East Zone lot 1 c) Bandajuma-Pujehun d) Taima-Njala e) King Jimmy and addition work	a) Moyamba et.al b) Blama-Hanga c) Weima Bridge d) Kailahun Township e) Waterloo township f) Kono-Kabala g) Kabala Township Phase II h) Makeni-Kamakwei-Madinaoula i) Rokupr Spur/Mange-Mambolo j) Kissy Road Fourab bay road k) Wilkinson Road + additional Works (King Street et al) l) Jomo Kenyata et all m) Makeni – Kabala (Phase II)

Source: Tendered Documents

1231. The audit noted that only 5 projects had tender documents. These were as indicated in Table 83. The remaining 13 road projects had no tender documents in place. In addition, these were additional weaknesses observed. The reviewed 5 tender documents indicated that they followed National Public Procurement Authority (NPPA) tender document format standards. However, there were following weaknesses on the tender documents: there were no approvals of tender documents by the procurement committee which were noted during the audit for all 18 road projects reviewed; no procurement committee files for verification of the approvals; and tender Committee meeting minutes for all 18 road works projects were not in place;

1232. Summary of weaknesses on the reviewed tender document contents is as indicated in Table 85.

Table 77: Weaknesses Observed in Tender documents Reviewed

S/N	Item	Weaknesses observed
1	Invitation for Bids	Terms of participation require firm which are fully mobilized in the western side of Sierra Leone while clause 3.1 of the instruction to bidder say Bids is open to all bidders from eligible countries as defined in the Bidding Data which is “All countries and territories which are member states of the United Nations are eligible”
2	Bidding Data	ITB Clause 4.3, 12.1, 15.3 and 36.1 was not filled in Bidding Data as was required to be filled by procuring entity
3	Contract Data	Contract data Clause 14.1, 25.2, 25.3, 27.1, 27.3, 43.1, 44.1(1), 47.1, 49.1, 51.1, 58.2 and 60.1 the spaces that was required to be filled by the procuring entity were not filled and completed.
4	Specifications	Was not attached in the bidding document.

Source: Submitted Tender Documents

1233. According to the table, the reviewed tender documents were missing specifications and there was contradicting sentences in the invitation to bid and instructions to bidders in terms of who is required to tender for the work. Most of the information required in the Contract Data and bidding data should be entered before issue of the bidding document. However, information such as the name of the Contractor, and other details agreed with the winning bidder, can only be completed after approval of the contract award. But as per **Table 85** the items in bidding data and contract data were not filled and defined.

1234. The audit noted that, one of the causes to this situation was the capacity of SLRA in terms of procurement. The SLRA staffing level of the Procurement Unit had 4 staff that definitely could not be able to handle such number of complex road projects during the preparation of tender document.

1235. SLRA does not adequately prepare and review tender documents prior to starting of the procurement process. SLRA does not adequately take into account the standard tender document guideline issued by NPPA. Tender documents are not adequately reviewed by SLRA procurement committee and management. SLRA does not ensure that it gets clearance from NPPA prior to issuing the tender to the public for bidding.

1236. Hence, this poses a risk of tender documents to be unrealistic due to either overstatement or understatement of quantities by contractors. It also poses a risk of overstating works duration as well as provides room for future cost overruns due to variations and addenda caused by either additional works or change in designs during implementation stage.

1237. The Management responded that tender documents were prepared for all the projects under SLRA supervision including Wilkinson road and Jomo Kenyatta Road. However, there are no evidences to address all issues raised by auditors in this section.

We recommend that the Management of SLRA should ensure that tender documents are comprehensively prepared with competent personnel. It should further ensure that the documents undergo quality control process and ultimately approved by responsible authority (line of authority).

Weaknesses in appropriateness of procurement methods

1238. According to Sections 37, 38, 39, 40, and 41 of Public Procurement Act of 2006 as amended in 2016 describe methods of procurement to be used which are Open competitive, National competitive, International competitive and restricted bidding. On the sampled projects the following methods was used as described in Table 86.

Table 78: Methods of procurements used on the sampled projects

S/N	Name of the projects	Methods	Remarks
1	Mange-Mambolo road and Rokupr Spur road		Method not described
2	Makeni-Kamakwie Road	International competitive bidding	The method used was appropriate
3	Makeni – Kabala (Phase II)	Restricted bidding.	The reason for using the method was because the contractor was already mobilised on the site doing phase I. It is not appropriate because the rate was arrived by using unit rate the contractor used in phase I while the item for phase two is not the same as per letter ref. SLRA/MTCE/01/GEN dated 26 February 2015 from SLRA to NPPA.
	Kabala Township Phase II	Memorandum of understanding.	The method is not in the Act.
5	Kono-Kabala	Unknown	It was a design and build no any advertisement has been provided to auditor
6	Jomo Kenyatta et al	International competitive bidding	It was a design and It was advertised on local news paper
7	Wilkinson Road + additional Works (King Street et al)	International competitive bidding	It is appropriate

S/N	Name of the projects	Methods	Remarks
8	Waterloo Township	International competitive bidding	It was a design and build. It was advertised on local news paper
9	Kissy Road Fourab bay road	Unknown	No documents to justify procurement methods used
10	King Jimmy additional Roads	International competitive bidding	It was not good as Contractors to participate was restricted only to those mobilised to the western side from Sierra Leone different from what has been indicated in the cover of the bidding documents as International Competitive bidding.
11	Bandajuma-Pujehun	ICB	The bid was advertised using ICB method and was appropriate
12	Taiama - Njala	ICB	The bid was advertised using ICB method and was seen to be appropriate
13	Moyamba et al	ICB	The bid was advertised using ICB method and was seen to be appropriate
14	Kailahun Township	ICB	No advertisement seen to verify the method
15	Blama hanga	ICB	No advertisement to verify the method used
16	Weima Bridge	Restrictive bidding	No advertisement (Contractors were given contracts to sign without bidding process)
17	Freetown street Phase II, East zone, Lot 1	ICB	No advertisement seen to verify the method used
18	Freetown street Phase II, West zone, Lot 3	ICB	No advertisement seen to verify the method used

Source: Auditors analysis from bidding documents ant Advertisement

1239. Based on the Table, 2 projects method used is not in the NPPA act, one project in it its bidding documents cover it is shown as international competitive bidding while inside it is restricted bidding. For-example in case of Weima bridge the two contractors were simply assigned contracts after the first contractor namely Twins Contractors Limited. The two assigned contractors were Moliba Investment Limited and Awesome Consortium Limited. Also in 7 projects, the method used was not known as no advertisement was supplied to auditors as indicated in Table 3.15. SLRA does not adequately consider tendering method that would be used for respective road projects. SLRA does keep proper records showing approval of the procurement used for a particular road project.

1240. The Management responded that the use of procurement methods will be looked into so as to improve on the aspect of contract management. Furthermore, the management of SLRA

will continue to improve on interaction with NPPA and other stakeholders to overcome the challenges.

We recommend that the Management of SLRA should:

- a. ensure that the method of procurement selected for procurement of contractors is feasible and allows competition for the purpose of reducing cost of the project;**
- b. It should also ensure that any procurement method used, obtains relevant approvals from the relevant authorities such as procurement committee, management and NPPA.**

Inadequate advertisement of tender

1241. The review of advertisements indicated that only 3 projects out of 18 of all audited projects were issued through newspapers as required by the Public Procurement Act, 2006 as amended in 2016. These are as detailed in Table 87.

Table 79: Projects Advertisement Details

S/N	Name of Road Project	Advertised		Date of advertisement
		Yes	No	
1	Bandajuma-Pujehun	✓	-	12 March 2012
2	Taiama – Njala	✓	-	12 March 2012
3	Moyamba et al	✓	✓	26 July 2012
4	Kailahun Township	-	-	No advert seen
5	Blama hanga	-	✓	No advert seen
6	Weima Bridge	-	✓	No advert seen
7	Freetown street Phase II, East zone, Lot 1	-	✓	No advert seen
8	Freetown street Phase II, West zone, Lot 3	-	✓	No advert seen
9	Mange-Mambolo road and Rokupr Spur road	-	✓	No advert seen
10	Makeni–Kamakwie Road	-	✓	No advert seen
11	Makeni – Kabala (Phase II)	-	✓	No advert seen
12	Kabala Township Phase II	-	✓	No advert seen
13	Kono-Kabala	-	✓	No advert seen
14	Jomo Kenyatta et. al.	✓	-	Date not recorded
15	Wilkinson Road + additional Works (King Street et al)	-	✓	No advert seen
16	Waterloo Township	✓	-	Date not recorded
17	Kissy Road Fourab bay road	✓	-	No advert seen

S/N	Name of Road Project	Advertised		Date of advertisement
		Yes	No	
18	King Jimmy additional Roads	-	✓	No advert seen
	Total	6	12	

Source: Audit Review of Advertisements

1242. From the Table, it can be noted a number of projects were not advertised through local newspapers as required. A total of 14 road projects equivalent to 88 percent all roads audited as indicated above were not advertised as there was no evidence to verify their adverts. This is because of the weak procurement controls within SLRA whereas even the adverts reviewed had no approvals from the Procurement Committee. The consequences of not reviewing and approving tender advertisements restricted participation of contractors and reduced competition. Also, it contributed to obtaining contractors who could be not competent to carry out the road works and therefore leading to delays, variations and additional costs of projects.

1243. SLRA does not adequately advertise in newspapers for road projects. Hence, this poses a risk of limited competition from competent bidders due to non-advertisement of bids, risk of awarding contracts to incompetent bidders or consultants to manage road works, collusion among contractors. It also indicates that SLRAs controls in procurement process are hampered.

1244. The Management responded that most of the projects were advertised, however, the management accepted that, the matter will be looked into for further improvement

We recommend that the Management of SLRA should ensure that all advertisements for bids are efficiently prepared, reviewed and approved by relevant authority. It should also ensure that the details of the advertisement are comprehensive and complete to avoid re-advertisements that may increase cost to the Authority.

Untimely Issuance of Tender Documents

1245. The reviewed documents were not timely issued. For instance, review of the APP of 2013 indicated that the planned date of issuing tender documents was 23rd April 2012. However, actual date of issuance of tender document was 21st December 2011 as indicated in Table 88.

Table 80: Timelines for Issuance of Tender Documents and advertisement for tender

S/N	Name of Road Project	Planned Date (as per APPs)	Issuance of tender document	Delay in Months
1	Bandajuma-Pujehun	1st August 2011	12th March 2012	6
2	Taiama – Njala	1st August 2011	12th March 2012	6
3	Moyamba et al	31st October 2011	26th July 2012	7
4	Kailahun Township	Not in APP	No advertisement	-
5	Blama hanga	Not in APP	No advertisement	-
6	Weima Bridge	Not in APP	No advertisement	-
7	Freetown street Phase II, East zone, Lot 1	Not in APP	No advertisement	-
8	Freetown street Phase II, West zone, Lot 3	Not in APP	No advertisement	-
9	Mange-Mambolo road and Rokupr Spur road	Not in APP	No advertisement	-
10	Makeni–Kamakwie Road	Not in APP	No advertisement	-
11	Makeni – Kabala (Phase II)	Not in APP	No advertisement	-
12	Kabala Township Phase II	Not in APP	No advertisement	-
13	Kono-Kabala	Not in APP	No advertisement	-
14	Jomo Kenyatta et al	Not in APP	Date Not verified	-
15	Wilkinson Road + additional Works (King Street et al)	Not in APP	No advertisement	-
16	Waterloo Township	Not in APP	Date Not verified	-
17	Kissy Road Fourab bay road	Not in APP	No advertisement	-
18	King Jimmy additional Roads	Not in APP	No advertisement	-

Source: Annual Procurement Plans and Advertisement/invitation to tender

1246. In Table 87, it can be noted that SLRA was not reviewing its plans and timelines for road projects that it intended to implement in a particular year. This was caused by weaknesses in preparations of procurement plans and budget for road works thus leading to having unrealistic plans. In addition, as indicated in Table 3.17 SLRA in all reviewed road projects delayed up to 7 Months to issue the tender documents.

1247. **Extension of bid submission dates:** it was also noted that bids submission was in most cases extended due to request from bidders explaining that time given to submit bids was not adequate to enable bidders to be able to complete the bids. Section 40(2)(c) of the Procurement Act, 2006 as amended in 2016 requires that bids for international bidding should be advertised at least 6 weeks before submission. However, it was noted that for the

reviewed it was noted that two projects namely Bandajuma-Pujehun and Taiama Njala were advertised on 7th March 2012 and were supposed to be delivered to SLRA on 31 March 2012. This was equivalent to 3-week time which was less than the period provided for by the law. For Moyamba et.al road project which was advertised on 26th July 2010, bidders were required to submit their bids within 3 weeks.

1248.As a result, for all the three reviewed adverts, the audit noted that they were extended more than one time due to requests from bidders due to limited timeframe given of 3 weeks comparing to the nature of the road network that they were supposed to bid for. Based on the nature of the projects which are design and build, projects were to be implemented solely by contractors. Ample time as per the law must have been provided to bid advertisement period to allow contractors to have sufficient time to prepare both technical specifications (including designs) and bills of quantities.

1249.SLRA does not adequately issue tender documents on time. It does not also provide for adequate time for which as a minimum of 6 weeks to bidders for the purpose of obtaining realistic dates for submission of bids. This led to frequent extension of time to submit bids from bidders and thus leading to cost of re-advertising the bids.

1250.The Management responded that there is sometimes the need to clarify funding commitment from the Ministries of Government for the purpose of initiating procurement processes. Additionally, sometimes, bid deadlines are extended to enhance participation of bidders and improve competitiveness. However, there are no submitted evidence.

We recommend that the Management of SLRA should:

- i. Ensure that prior to issuing any advertisement for tender, it provides ample time to review the content of the advertisement and assess whether it capture all the details of the bid as per tender document;**
- ii. Provide for ample time as required by law to allow bidders to submit comprehensive bid documents for road projects they bid for; and**
- iii. Ensure that, funding commitment from the Ministries of Government for the purpose of initiating procurement processes are timely in place to avoid delay.**

Tender Opening, Evaluation and Award of Contracts

1251.Regulation 64 (6) of Public Procurement Regulations of 2006 requires that during bid opening bidder name, bid security status, bid forms duly signed, price of the bid (Currency,

Amount and Discount and Procuring entity staff and Bidder representative attended opening to be recorded. The audit carried-out an assessment of the tender opening, evaluation and award of contract and noted the following issues:

Weaknesses in Tender Opening Records

1252. The audit reviewed the tender opening minutes and noted that out of 8 road projects undertaken only 1 (Rehabilitation of Freetown Streets Phase II lot III West dated 15th October 2015) had records of bid opening minutes and signatures of the participants. The rest of the projects had no records of bid opening records. Records of bidders not documented: the audit reviewed the tender opening minutes and noted that out of 18 road projects undertaken only 3 (Rehabilitation of Freetown Streets Phase II lot III West dated 15th October 2015 and Moyamba et.al dated 24 August 2010 and Makeni – Kamkwie) had records of bid opening minutes, names and signatures of the participants. The rest of the projects had no records of bid opening meetings.
1253. Lack of documentation of bid-opening records may lead to awarding of contractors who were not evaluated due to lack of evidence of their bidding. This also may lead to delays and cost overruns to the projects in case the bid is awarded to incompetent contractors.
1254. Non-submission of Bid Security, Bid form and tender opening Records: the audit noted that some of the contractors did not submit bid security as required by law. Only 4 bid securities out of 18 were submitted. These were M/s First Tricon for Rehabilitation of Bandajuma-Pujehun road project, M/s First Tricon Ltd for Rehabilitation of Taima-Njala University road project, M/s First Tricon for Moyamba road project road project M/s First Tricon for Blama - Hanga road project and M/s CRSG for Makeni-Kamakwei Road Projects.
1255. Evaluated Bids without Bid Security: evaluation committee evaluated without consideration of the bid security requirement which was the requirements of Regulation 64 (6) of the Public Procurement Regulations of 2006. Details of allowed bids with no bid securities are as indicated in Table 89.

Table 81: Analysis of Bid Opening, Bid security and Bid form

S/N	Name of the Road	Bidder name	Bid Security	Bid currency	Bid form dully filled	Tender opening Minutes
1	Bandajuma-Pujehun	✓	✓	✓	X	X
2	Taiama - Njala	✓	✓	✓	X	X
3	Moyamba et al	✓	✓	✓	X	X
4	Kailahun Township	x	x	x	X	X
5	Blama hanga	x	✓	x	X	X
6	Weima Bridge	x	x	x	X	X
7	Freetown street Phase II, East zone, Lot 1	x	x	✓	X	X
8	Freetown street Phase II, West zone, Lot 3	x	x	x	X	✓
9	Mange-Mambolo road and Rokupr Spur road	x	x	x	X	X
10	Makeni–Kamakwie Road	✓	✓	✓	X	✓
11	Makeni – Kabala (Phase II)	x	x	x	X	X
12	Kabala Township Phase II	x	x	x	X	X
13	Kono-Kabala	✓	x	✓	X	✓
14	Jomo Kenyatta et al	x	x	x	X	X
15	Wilkinson Road + additional Works (King Street et al)	✓	x	x	✓	✓
16	Waterloo Township	x	x	x	X	✓
17	Kissy Road Fourab bay road	x	x	x	X	X
18	King Jimmy additional Roads	x	x	x	X	X
Total		6	5	6	1	5

Source: Bid Document and Evaluation Report

1256. From the Table, there were weaknesses during bid opening. Only 6 out of 18 road projects had bidder names recorded during the bid opening. 5 had submitted bid security, 6 bids indicated bid currency/amounts/discounts whilst only 5 bids had bid opening meeting minutes and attendance registers. Lack of the above requirement of bids to be submitted renders the whole bid non-responsive. However, it was noted that the above contractors with above missing details as per Table 3.18 were successfully awarded contracts contrary

to the requirement of the procurement law. SLRA does not adequately ensure that all bids submitted to SLRA for contract award considerations are supported by bid security. SLRA does not have working mechanism to ensure that bids submitted and scrutinized on their validity based on the requirement of the PPA 2006 as amended in 2016.

1257. The Management of SLRA has not provided evidences on processes and samples of tender opening records to all projects as per the findings to adequately address the response.

We recommend that the Management of SLRA should:

- i. Ensure that all submitted bids are supported by bid security, bid forms, and other documents as required by law; and**
- ii. Ensure that submitted bid securities are valid before contractors are evaluated and considered for contract award.**

Appointment of Evaluation Committee

1258. According to Section 18 (12), SLRA was required to appoint evaluation committees for the purpose of evaluating the submitted bids. On the other hand, Regulation 65 (3) of Public Procurement Regulations of 2006 requires the Evaluation Committee to include skills, knowledge and experience relevant to the procurement requirement, which may include Technical skills relevant to the procurement requirement, End user representation, procurement and contracting skills, financial management or analysis skills and legal expertise.

1259. The review of evaluation minutes and appointment letter of evaluation team indicated that there were weaknesses in appointment of evaluation committee members for the purpose of reviewing the submitted bids from contractors. Out of 18 projects, only 1 project had appointment letters i.e. Rehabilitation of Freetown Township Streets Phase II lot III West). All other remaining road projects had no records showing the appointment of the evaluation committees. SLRA does not adequately appoint the evaluation committee members for the purpose of assessing and evaluating submitted bids.

1260. The Management responded that the Evaluation Committee are appointed with representation of technical department responsible for managing the project (experienced and technically capable), and others of the same skills from finance department, NPPA, Ministry of Finance, and Ministry of Works. However, there were no evidences presented to for verification to all audited projects.

We recommend that the Management of SLRA should ensure that prior to evaluation of any submitted bids, members of the evaluation committee are appointed based on technical skills and competencies on road project management.

Inconsistence of Criteria for evaluation of Bids

1261. Section 32 (2) (b) of the PPA 2016, requires SLRA to prepare and maintain a summary report of the procurement processes, including the bid evaluation criteria that will be used consistently to all bidders. However, the audit team was able to review two evaluation reports for the Rehabilitation of Freetown Streets Phase II lot 3 road projects and the Rehabilitation of Weima Bridge and feeder roads.

1262. The following were noted during the review: the evaluation reports were not signed and approved by the procurement committee; evaluation criteria were not consistent throughout the evaluation stage i.e. from technical to financial assessment of bids; justification for capacity of the contractors were not explained in the evaluation reports; Arithmetic checks were partially done as they did not show the formula for arithmetic errors; there were no justification for awarding the bid to the winning bidder as the evaluation report did not show if the winning bidder was able to perform the contract; Winning bidder was the one with the highest bid price as compared to unsuccessful ones without justified evaluation criteria.

1263. M/s Secon & Dawnus was awarded a contract of US\$ 40.6 billion which was US\$ 7.01 billion above the remaining two bidders for the road project, technical evaluation was not uniform to all bidder e.g. CRSG contractor was compared to quantity of concrete submitted against the required which was not done to all contractors. As the Bentonville contractor they said consented to give discount of 1.5 which in bid opening nothing was stated; and the lowest evaluated for Wilkinson Road was disqualified only because has never worked in the country while the contractor to bid was shortlisted by believing that they will be having variation due to unforeseen item; evaluation committees for the two road projects were not given timeframe by the SLRA for conducting of the evaluation activity.

1264. SLRA does not adequately ensure that submitted bids are adequately evaluated in accordance to criteria set in bid documents. Hence, this poses a risk of possible changes in contracts during or before implementation meaning that: there could be a large increase in the cost of works; unwarranted contract extension; Complaints about the quality of goods

and services received; risk of evaluation committee colluding with contractors for the purpose of being favoured. Weaknesses in evaluation also may pose a big risk of termination or non-performance of contract due to capacity and resources.

1265. The Management has submitted 6 additional evaluation reports, however, the inconsistency in criteria were prevalent (still existing) in the submitted reports.

We recommend that the Management of SLRA should:

- i. Ensure that evaluation reports are conducted and reports are comprehensively prepared and submitted to relevant authority for review and approval; and**
- ii. Ensure that appointed members of evaluation committee are technically capable and with adequate knowledge of the subject/road projects they are supposed to evaluate.**

Weaknesses on Award of Contract

Notification of Award

1266. Section 56 (2) and (3) requires SLRA prior to the expiry of the period of bid validity to notify the successful bidder of the proposed award, which shall specify the time within which the contract must be signed. It also requires SLRA to give notice of award to other bidders at the same time the successful bidder is notified, specifying the name and address of the proposed bidder and the price of the contract. The audit team was availed with 14 out of 18 selected contracts for road projects under audit. 4 out of 18 had no contracts in place. These were Blama-Hanga, Kailahun Township, Moyamba et.al and Jomo Kenyatta et.al.

1267. Despite the fact that some of contracts had letters for notification of award to the winning bidder, the following specific issues were noted;

- i. Only 3 out of 18 letters of notification of awards were seen and verified and these were for Rehabilitation of Taima-Njala Road; Bandajuma-Pujehun and Weima Bridge road projects;
- ii. SLRA did not notify other bidders who lost the bids as required by the PPA Act, 2016;
- iii. In three letters seen, only two confirmed the award i.e. M/s First Tricon SL limited for Bandajuma-Pujehun and Taima – Njala University road projects.

The audit could not verify the remaining 6 contractors as there were no records in place;

- iv. Despite the non-confirmation, SLRA proceeded to award the contract to all 16 contractors; and
- v. The review of the availed contract documents showed that there was no performance bond that were attached in the contract as required by the tender data sheet (Contract data) Para 2;

1268. The details of the projects with and without notification letters and the names of contractors are as indicated in below.

Table 82: List of road Projects and contractors with and without notification and confirmation of award

S/N	Name of the Project	Name of Contractor	Date of notification	Date of Confirmation
1	Bandajuma-Pujehun	M/s First Tricon Ltd	Missing	Missing
2	Taiaama – Njala	M/s First Tricon Ltd	Missing	Missing
3	Moyamba et al	M/s First Tricon Ltd	Missing	Missing
4	Kailahun Township	M/s ISU	Missing	Missing
5	Blama hanga	M/s First Tricon Ltd	Missing	Missing
6	Weima Bridge	M/s Awsome Consortium Ltd & Moliba Construction Ltd	1 st July 2015	14 th July 2015
7	Freetown street Phase II, East zone, Lot 1	M/s CRSG	Missing	Missing
8	Freetown street Phase II, West zone, Lot 3	M/s Secon & Dawnus	Missing	Missing
9	Mange-Mambolo road and Rokupr Spur road	China Railway Seventh Group (CRSG)	17 th October, 2012	Missing
10	Makeni–Kamakwie Road	Compagnie Saheliene D'Enterprises	Missing	Missing
11	Makeni – Kabala (Phase II)	Compagnie Sahelienne D'Enterprises Ltd (SCE) Senegal.	Missing	Missing
12	Kabala Township Phase II	Pavi Fort Al Associate of 15 Kissy Road Freetown	23 rd February, 2016	Missing
13	Kono-Kabala	Guicopres Ltd	Missing	Missing
14	Jomo Kenyatta et al	China Railway Seventh Group (CRSG)	Missing	Missing

S/N	Name of the Project	Name of Contractor	Date of notification	Date of Confirmation
15	Wilkinson Road + additional Works (King Street et al)	China Railway Seventh Group, 41 Lumley Beach Road, Aberdeen, Freetown	Missing	Missing
16	Waterloo Township	Betonvilla (SL) Limited.	5 th August, 2015	Missing
17	Kissy Road Fourab bay road	China Railway Seventh Group (CRSG)	Missing	Missing
18	King Jimmy + additional Roads	M/s Beton Villa Sierra Leone Ltd.	Missing	Missing

Source: Review of contracts

1269. As indicated, it was only 1 of 18 contractors in all 18 road projects who confirmed the award. This means that the remaining contractors were awarded contracts without confirming. SLRA failed to adequately ensure that contract award is communicated to other contractors who were not awarded contracts. Also, it does not ensure that all notified contractors confirm the award as a sign of commitment to the offer. Hence, this poses risks of; lack of commitment to road works on part of the contractors and consultants; unusual withdrawal of bids; Unwarranted contract extension due to delays in the award, contract signing, contract approval and/or issuance of the Notice to Proceed; jumping procurement proceeding from other contractors which when put to light may cost SLRA like compensation and cancellation of procurement proceedings.

1270. The Management has submitted to auditors two acceptances of letters of award from Beton-Vila SL Ltd for Waterloo Township project and Rehabilitation of Freetown City Streets Phase II lot 3 West zone M/s Secon/Dawnus. Notification of awards for only 9 out of 18 projects while for remaining projects the notifications are missing. However, one of the submitted notifications of award for Widening of Wilkinson road (5.2km) into dual carriageway project is not signed.

1271. Also, the management has submitted performance bonds for Rehabilitation of City and Provincial Township Roads Phase II West Zone III (Secon Ltd), (Pavi Fort Al Associates), Waterloo Township (Beton-villa Ltd.)-Performance Guarantee with no signature of Staco Insurance Company SL Ltd., performance bond for Blama-Hangha Road, however, there are no evidences on the availability of performance bond for the remaining projects. Also, there are no evidences showing that SLRA verified the performance bonds and performance guarantee from banks and insurance companies respectively.

1272. The audit recognizes the receipt of few confirmation letters from contractors submitted by SLRA. However, insists that the overall management of contract awards were inadequately dealt with. In addition, we noted additional performance and security bonds submitted by SLRA but the audit insists that all projects and in particular submission of key information during bidding is submitted by all bidding contractors for fair competition.

We recommend that the Management of SLRA should:

- i. Ensure that all contractors who win the contracts are notified of their winning with the signed notification letter and also make sure that all other contractors are copied. It should also ensure that all notified contract award winners confirm of the award; and**
- ii. Ensure that all contractors who win the contracts submit the performance bonds before starting the projects, and the management of SLRA should consult the bank from which the contractor has secured the performance bond to verify the bond. More so, SLRA should liaise with the Insurance companies/guarantors to verify the guarantees given to contractor.**

Contractors Awarded Contract without Being Evaluated

1273. The audit noted that, two contractors at Weima Bridge projects which cover 40km in total were awarded contracts without advertising the tender and without being evaluated. These were M/s Awesome Consortium Limited and M/s Moliba Investments Limited both for Weima bridge and feeder roads projects. The contracts were signed on Friday, 7th July 2017.

1274. There were no any documented procedures in place showing how these two contractors were awarded the two contractors with 20km each and The contract document, especially in the contract data sheet, indicates that the commencement of work would be 20th April 2017. However, the contract was surprisingly signed on 7th July 2017, three months after commencement of work meaning that the two contractors had started work before signing the contract. However, the interviews held with project managers/Directors responsible for managing the projects indicated that the initial contract between M/s Twins Investments Limited and SLRA was suspended and new contracts were prepared and given but were split to two aforementioned contractors.

1275. The audit could not get evidence as to whether tender was advertised, received, opened, evaluated and whether the recommended bidder was approved by procurement committee

and awarded the contract. SLRA does not adequately evaluate bids which are submitted to them. SLRA does not have a working mechanism for ensuring that all submitted bids are evaluated and that contracts are awarded to the lowest evaluated bidder.

1276. The Management has entirely accepted the audit observation and to the audit observation. Furthermore, there was no any evidence showing the advertisement of the bid and evaluation report of this project regarding awarding Weima bridge project to M/s Awesome Consortium Limited and M/s Moliba Investments Limited.

We recommend that the Management of SLRA should ensure that all submitted bids go through the same evaluation procedures and that they adequately evaluated for the purpose of obtaining the lowest evaluated bidder.

Weaknesses in Contract Documents

1277. Interest rate Items: Procurement of Works (ICB) User Guide of the Republic of Sierra Leone requires procuring entity to insert the interest rates to apply to the Contract. These are for the Leone component. The interest rate should be the current commercial interest rate applicable in Sierra Leone and for foreign currency component the interest rate should be based on the published LIBOR (London International Bank Overnight Rate) rate. Results of review of contract documents for road projects with contract shortfalls are as described below.

Table 83: Interest rate applied in the contract documents

S/N	Project name	Interest rate clause in contract data/SCC
1	Freetown street Phase II, East zone, Lot 1	CC clause 43.1 <ul style="list-style-type: none"> • Local portion Leones: The prime rate applied by bank agreed between the contractor and SLRA. • Foreign portion (US\$): Interest to be applied in accordance with government's publications relevant to public contracts for works, supplies and services issued by a Bank agreed between contractor and SLRA. Details not reflected in contract data
2	Weima Bridge	CC clause 43.1 <ul style="list-style-type: none"> • Local portion Leones: The prime rate applied by bank agreed between the contractor and SLRA. • Not reflected in the contract data

S/N	Project name	Interest rate clause in contract data/SCC
		<ul style="list-style-type: none"> Contract date varies to project start date whereas contract was signed on 1st July 2017 project start date was 1st April 2017 as per contract data equivalent to three months prior to contract.
3	Mange-Mambolo road and Rokupr Spur road	<p>CC clause43.1</p> <ul style="list-style-type: none"> Local portion Leones: The prime rate applied by bank agreed between the contractor and SLRA. <p>Foreign portion (US\$): Interest to be applied in accordance with government's publications relevant to public contracts for works, supplies and services issued by a Bank agreed between contractor and SLRA.</p>
4	Makeni–Kamakwie Road	<p>CC clause 43.1</p> <ul style="list-style-type: none"> Local portion Leones: The prime rate applied by bank agreed between the contractor and SLRA. <p>Foreign portion (US\$): Interest to be applied in accordance with government's publications relevant to public contracts for works, supplies and services issued by a Bank agreed between contractor and SLRA.</p>
5	Makeni – Kabala (Phase II)	<p>CC clause43.1</p> <p>Interest rate on the foreign currency shall be 7.5%.</p>
6	Kabala Township Phase II	<p>CC clause43.1Applicable interest rate shall be Prevailing interest rates as provided by the contractors authorized bankers</p>
7	Kono-Kabala	<p>SCC clause43.1</p> <ul style="list-style-type: none"> Local portion Leones: The prime rate applied by Rokel Commercial bank (Sierra Leone) ltd. Plus 200 bps (two hundred basis point). <p>Foreign portion (US\$): Interest to be applied in accordance with Article 1333 of the code relevant to public contracts for works, services and supplies issued by the Ministries de Travaux Publics – Rep de guinea plus 200 bps (two hundred basis point).</p>
8	Jomo Kenyatta et al	No contract

S/N	Project name	Interest rate clause in contract data/SCC
9	Wilkinson Road + additional Works (King Street et al)	<p>SCC clause 43.1</p> <ul style="list-style-type: none"> Local portion Leones: The prime rate applied by Rokel Commercial bank (Sierra Leone) Ltd. Plus 200 bps (2 hundred basis point). <p>Foreign portion (US\$): Interest to be applied in accordance with Article 1333 of the code relevant to public contracts for works, supplies and services Ministry of Infrastructure and Transport – China plus 200 bps (two hundred basis point. (The 43.1 clause as per condition of contract is about Time for completion the required clause is 60.1 but appendix is not there,)</p>
10	Waterloo Township	<p>SCC 60.10</p> <p>The applicable interest rate shall be:</p> <p>Local currency- Prevailing interest rates as provided by the contractors authorized bankers</p> <p>Foreign Currency: N/A</p>
11	Kissy Road Fourab bay road	<p>SCC clause 43.1</p> <p>Not stated but in CC it require to be stated</p>
12	King Jimmy additional Roads	<p>CC clause 43.1</p> <p>Not reflected in the contract data while in CC the clause state</p> <p>That ‘‘Payments shall be adjusted for deductions for advance payments and retention. The Employer shall pay the Contractor the amounts certified by the Project Manager within 45 days of the <i>date of each certificate</i>. <i>If the Employer makes a late payment, the Contractor shall be entitled to claim interest on the late payment at the rate stated in the Contract Data</i>’.</p>

Source: Audit Review of Contract Documents

1278. Interest rate for local portion: Two projects i.e. Weima Bridge road project, the issues of interest rate were not reflected in special condition of contracts/contract data so it is not known how interest would be calculated as in condition of contract the project manager said that interest would be calculated as stated in Contract data/Special conditions of contract and the second projects namely, Freetown Streets Phase II East Zone lot 1, it was noted that they provided interest rate to be applied without providing the source/basis of that interest rate as it is required.

1279.**Interest rate for foreign portion:** the remaining project interest rate was not reflected in contract data/special condition of contract as required in the general conditions of contract, One project namely, Freetown Streets Phase II East Zone lot 1 the interest rate was provided but it is not known if it is foreign category or local and the 4 out of 18 projects namely, Bandajuma-Pujehun, Taiama-Njala, Freetown Streets Phase II West Zone lot 3 and Weima Bridge, source of interest rate has been stated but is not the one required as per guide line.

1280.**Price adjustment:** Procurement of Works (ICB) User Guide of the Republic of Sierra Leone require procuring entity to use price adjustment (usually only for contracts lasting for 18 months or more) are not to permitted be part of the insert in the Contract Data “Clause 47.1: The Contract is not subject to price adjustment in accordance with Clause 47 of the Conditions of Contract.” If price adjustments are permitted, this will be based on prices for labour, cement, aggregates, structural steel, reinforcing steel, bitumen, fuel, etc. submitted at the time of the bid and verified and accepted by the Employer. The Contract Price shall be adjusted to reflect the variations between the base unit prices and the actual prices for labour and materials actually used for the performance of the contract and verified by the Project Manager. Insert the required information on the currencies of the contract, the percentages of adjustable and non-adjustable elements of the contract price and the Indices to be used to assess price increases.

1281.However, review of 18 selected road projects indicated that most of the contracts were lump-sum and fixed, however, the audit noted some of the issues in some of the contracts reviewed with regard to price adjustments. The details of these issues are presented in Table 91.

Table 84: Projects with price adjustments

S/N	Project name	Price adjustment as per contract data
1	Mange-Mambolo road and Rokupr Spur road	CC Clause 47.1 Contract is subject to price adjustment were by price adjustments shall be based on the provided basic prices.
2	Makeni–Kamakwie Road	CC Clause 47.1 Contract is subject to price adjustment were by the contractor shall compute the rates and agreed by PM on the following item <ul style="list-style-type: none"> • Labour • Cement • Reinforcement • Bitumen

		<ul style="list-style-type: none"> • Diesel and Petrol Fuel <p>The contract price shall be adjusted to reflect the variations between established base rates and actual prices for labours and actual prices.</p>
3	Makeni – Kabala (Phase II)	<p>CC Clause 47.1</p> <p>The contract is subject to price adjustment in accordance with clause 47 of the condition of contract. But it has not been reflected in the contract data.</p>
4	Kono-Kabala(The first contractor we have not seen its contract the one we seen is after re-assignment)	<p>SCC. 47.1</p> <p>The contract is subject to price adjustment in accordance with 47.1 of the condition of contract and the price adjustment shall base on the provided basic prices and will be done after one year of implementations.</p>
5	Waterloo Township	<p>Part II B – Specific provisions cl 70.10</p> <p>The contract is subject to price adjustment in accordance with cl 70.1 of the condition of contract and the price adjustment shall base on the provided basic prices and will be done after one year of implementations.</p>
6	Kissy Road Fourab bay road	<p>SCC 47.1</p> <p>In cc it has been stated but not in contract data.</p>
7	King Jimmy additional Roads	<p>CC Clause 47</p> <p>Not reflected but the clause in general condition of contract states “Prices shall be adjusted for fluctuations in the cost of inputs only if provided for and in the manner detailed in the Contract Data. If so provided, the amounts certified in each payment certificate shall be adjusted in accordance with the price adjustment provisions given in the Contract Data”.</p>

Source: Contract Documents

1282.As indicated in Table 91 above, a total of 7 out of 18 road projects had price adjustment element in respective contracts. However, it was further noted that price adjustment may only be approved if the project contract period is more than 18 months. Most of the above contracts were not more than 18 months. However, there was no justification as to price adjustments made in their contracts. This is contrary to the Procurement of Works (ICB) User Guide of the Republic of Sierra Leone.

1283.Poor scrutiny of contract details: The audit also noted that in Weima Bridge road project, the date when the contracts for two contractors namely Moliba Investment Limited and Awsome Consortium Limited were signed was 1st July 2017. However, the details in the

contract data indicated that the works had started since 20th April 2017. This is about 3 months before the contract was signed.

1284.SLRA does not adequately prepare and review the contract documents to ensure that the interest of the SLRA and the public is protected. SLRA also does not effectively securitize the contracts in order to address all anomalies that may affect the execution of road works.

1285.The Management of SLRA has acknowledge that, it will look into ways of further improvements on the matter of price adjustment based on the provided responses. However, auditors are in opinion that, in on-going project and projects that will be implemented in future, Regulation 133(2) of section C of the Public Procurement Regulation of 2006, should be read in line with section 31(2) of the Public Procurement Act of 2016 which requires to consider conditions for which price adjustment can be used for projects with duration of more than twelve months.

We recommend that the Management of SLRA should:

- i. Ensure that contracts for road works entered with contractors are efficiently and effectively prepared, reviewed and approved by relevant authorities; and**
- ii. Consider involving the office of the Attorney General for further scrutiny and inputs before signing of the contract agreement with the contractors.**

Execution of Road Projects Contracts

Weaknesses in Project Site Organization by Contractors

1286.The audit found the following weaknesses in project site organization by contractors. No site organization Plan in place for all 18 projects reviewed and which have been visited; Contractors' Environmental Management Plans were not in place in all 18 projects that were visited, only 1 project had an EIA report namely Taima-Njala road project. However, the EIA was not reviewed or approved by EPA and SLRA management as required by EPA Act. There were weaknesses in availability of instruction books on site, for instance in all 18 visited road projects there were no site instruction books. No design drawings at site: the audit noted that SLRA, Contractors and Consultants were not in possession of on-site drawings/designs whilst works were not completed and were in progress in 7 out of 18 road projects sites visited, for other three road projects namely Weima Bridge, Bandajuma-Pujehun, Taima-Njala, and Kailahun Township contractors were not on site; No

project/correspondence file both at SLRA and at the contractors' offices and sites. There were no approvals of the consultants before commencement of road works;

1287. There were no attendance registers or visitors' log books at site for 7 out of 18 during the site visit for verification. The audit reviewed one of the registers for Freetown Phase III west and found-out that it was only signed between March 2018 to May 2018 only, while the project started in 2012;

1288. For 18 road projects which were audited, it was noted that it was only 2 road projects where the contractor was on site namely, Freetown Streets Phase II West Zone lot 3, Blama-Hanga, however it was noted that works were being undertaken without workers wearing protective gears as indicated below.



Photo taken on 6th Dec. 2018 at Atlantic Road (Freetown Streets Phase II West Zone lot 3 Road Project)



Photo taken on 6th Dec. 2018 at Babadorie-Regent Road-Rumley (Freetown Streets
Phase II West Zone lot 3 Road Project

1289. The audit noted that, contractors were paid for safety gears for staff in their BoQs. But the site visits to some of the projects which contractors were on-site noted that contractor's workers did not have safety gears whilst they were executing the work s on site. Table 93 indicated the extent to which contractors complied with health and safety rule.

Table 85: Healthy and safety plans prepared

S/N	Road project name	Protective clothing & equipment	First aid stations and personnel	Training & supervision	Remarks
1	Bandajuma-Pujehun	x	x	x	Workers not found on site
2	Taiama - Njala	x	x	x	Workers not found on site
3	Moyamba et. al	x	x	x	Workers not found on site
4	Kailahun Township	x	x	x	Not verified as SLRA and Contractors did not turn up at site
5	Blama hanga	x	x	x	Contractors on site with no protective gears
6	Weima Bridge	x	x	x	Contractors not found on site
7	Freetown street Phase II, East zone, Lot 1	x	x	x	Contractor not found on site
8	Freetown street Phase II, West zone, Lot 3	x	x	x	Contractor was on site but workers had no safety gears
9	Mange-Mambolo road and Rokupr Spur road	x	x	x	Project at completion stage
10	Makeni-Kamakwie Road	x	x	x	Project at completion stage

S/N	Road project name	Protective clothing & equipment	First aid stations and personnel	Training & supervision	Remarks
11	Makeni – Kabala (Phase II)	X	x	x	Project at completion stage
12	Kabala Township Phase II	X	x	x	Project at completion stage
13	Kono-Kabala	X	x	x	Project at completion stage
14	Jomo Kenyatta et al	X	x	x	Project at completion stage
15	Wilkinson Road + additional Works (King Street et al)	X	x	x	Project at completion stage
16	Waterloo Township	X	x	x	Project at completion stage
17	Kissy Road Fourab bay road	X	x	x	Project at completion stage
18	King Jimmy additional Roads	X	x	x	Project at completion stage

Note: x= 1. Healthy and safety Plan Not provided for review and PPE's not provided for workers on site

Source: Site Visits and Verifications

1290.As indicated in all roads audited, there were no protective equipment, first aid stations and training and supervision plans. This would assure the workers of their safety on site. The reason for this was because SLRA did not make close follow-up through consultants to ensure that the contract is executed in accordance with terms and conditions as specified in the project specification and according to payment terms per BoQs. SLRA does not ensure that contractors comply with contractual obligations and that safety measures are taken care of at site to ensure workers are protected from injuries that may result from road works at site.

1291.SLRA Management acknowledged the weakness observed by auditors with regards to of financial constraints that faced projects.

We recommend that the Management of SLRA should:

- i. Ensure that contractors comply with safety requirements as part of their contractual obligations; and**
- ii. SLRA should also ensure that it makes regular follow-ups of contractors at site in order to guarantee safety of the workers at site.**

Inadequacies in the Preparation of Programme of Works

1292.The review of 14 availed contracts for road works for Weima Bridge, Freetown Streets Phase II Lot III, Freetown Streets Phase II Lot 1, Moyamba et.al, Bandajuma-Pujehun and Taima-Njala indicated that there was no programme of work in their respective contracts. However, in all 18 visited sites, the contractors could not provide to the auditors at site the programme of work that has been dully approved by SLRA.SLRA were not in possession of the programme of work that is being executed the same applied to the Consultants.

1293.Other specific weaknesses include the fact that there was no quality management plan in place; and project management team was appointed by SLRA management (according to interviews) for all projects (however only 1 letter of appointment was seen for Freetown Phase II Lot I East).

Weak Road Works Quality Control Systems

1294.The audit noted several weaknesses during the review of project's documents and based on the site visits conducted so far. The Sections below provides for specific weaknesses noted during site visits and road verifications:

Lack of Quality Management Plan

1295.The audit noted that there was no quality control plan both at SLRA and Contractors level. According to interviews, quality management plans were supposed to be prepared by consultants and get approval from SLRA, however the audit noted that SLRA did not make necessary follow-up to ensure quality management plans were in place for all 18 road projects audited.

1296.The consequence of not having quality management plan may lead to ad-hoc supervisions and inspections which might not be able to address key construction anomalies during

execution of the project on site. There might also be poor workmanship, materials used and capacity of contractors' staff to undertake the project. This will lead to increase in project cost due to variations and subsequent maintenance of the projects. SLRA does not have adequate quality control systems that would ensure that contractors comply with quality and standards of road works that they undertake.

1297. The Management acknowledged the audit observation and promised ways to improve on the requirement of quality control and planning.

We recommend that the Management of SLRA should ensure that quality control systems are in place and are adhered to by contractors and consultants in order to ensure quality of works executed by contractors.

Inadequate Material Tests

1298. Section 7.1.8 of the contract documents reviewed requires that only materials conforming to the specifications and approved by the Engineer should be used in the work. Moreover, Section 7.1.9 of the contract documents reviewed requires that materials to be tested by samples for sub-base, base courses and surface courses. In addition, Section 7.3.5 of the contract documents reviewed requires that contractor request in writing and approval be granted in writing by engineer for each section of each layer of earthworks, subgrade and pavement construction before further proceeding. Tests conducted are as indicated in Table 94.

Table 86: Tests conducted as Contractual compliance

S/N	Road project name	Contractual compliance				
		Off-site tests	During execution (On-site)			
			Sub-base	Base course	Surface course	Approval
1	Bandajuma-Pujehun	x	✓	✓	✓	X
2	Taiama – Njala	x	✓	✓	✓	X
3	Moyamba et al	x	✓	✓	✓	X
4	Kailahun Township	x	x	x	x	X
5	Blama hanga	x	x	x	x	X
6	Weima Bridge	x	x	x	x	X
7	Freetown street Phase II, East zone, Lot 1	x	x	x	x	X

8	Freetown street Phase II, West zone, Lot 3	x	x	x	x	X
9	Mange-Mambolo road and Rokupr Spur road	✓	x	x	x	X
10	Makeni–Kamakwie Road	✓	✓	x	✓	✓
11	Makeni – Kabala (Phase II)	x	✓	✓	✓	✓
12	Kabala Township Phase II	x	✓	✓	✓	✓
13	Kono-Kabala	x	✓	✓	✓	✓
14	Jomo Kenyatta et al	x	x	x	x	X
15	Wilkinson Road + additional Works (King Street et al)	x	x	x	x	X
16	Waterloo Township	x	x	x	x	X
17	Kissy Road Fourab bay road	x	x	x	x	X
18	King Jimmy additional Roads	x	x	x	x	X

Note: x = Not provided for review,

✓ = was conducted

Source: Auditor's analysis from Documents review and Interview

1299. As indicated above, only 6 of 18 road projects that were audited had at least complied with on-site contractual obligations. On the other hand, it was noted that material tests for 14 projects carried-out were lacking evidence which indicated that SLRA approved the material test results. SLRA does not adequately ensure that materials are tested before and after supply at site in order to be certain of the quality of materials used by contractors during the execution of the road works.

1300. The Management has shown that there are tests that are conducted, however, not all projects had test results that were availed to auditors for review.

We recommend that the Management of SLRA should ensure that all materials being used by contractors for road works are adequately tested and that they meet the required standards and quality as per specifications.

Execution of Contracts

Increased Cost of Projects Due to Addenda and Variations

1301. Review of documents for the selected 18 projects revealed that, the execution of road projects was associated with many addenda and variations that resulted into change of project contract value, and completion time. It was also noted that, SLRA entered into addenda of adding roads without clearly stated reason for that addendum and without assurance of fund availability for the addenda entered to.
1302. For example, SLRA entered into addenda for construction of 10 additional roads while the original contract was unfinished with shortage of fund to finance the project. This was evidenced during site visit conducted on 6th December 2018 and 7th December, 2018 at Waterloo area and Freetown Streets Phase II West Zone lot 3 along Atlantic Street. In these projects, the auditors found that, the contractors for Waterloo project have constructed lined drains on only one side of the road and nothing was going on regarding construction activities. The same with Freetown Streets Phase II West Zone lot 3 where the audit found out that the contractor had just started work in September 2018 and was at the stage of surface dressing and construction of a bridge.
1303. According to the original contract, the contractor namely Secon & Dawnus was expected to construct a total of 35 street roads in western zone of Freetown, however at the very early stage of implementation the contractor was also added with two additional roads namely Minah Road and Sugarland road which altogether cost about 45 billion Leones.

Table 87: Detailed addenda that were reviewed in road projects

S/N	NAME OF PROJECT	Original Contract Price (USD)	Total Number of addenda	Total value of additional Cost due to addenda (USD)	Revised Contract Price (USD)	%age cost increase
1	Mange - Mambolo Road	13,704,854	1	23,689,987	38,144,278	172.9
2	Makeni-Kamakwei	100,265,413	2	19,109,969	119,375,383	19.1
3	Waterloo Township	16,908,428	1	25,874,298	42,782,727	153.0

4	Makeni – Kabala Phase II	18,515,115	-	-	18,515,115	-
5	Wilkinson Road	20,056,089	1	6,160,762	30,647,805	30.7
6	Kono-Kabala Township	19,660,588	2	683,023	20,343,611	3.5
7	Kabala Township Phase II	15,294,224	3	5,804,689	21,098,913	38.0
8	Jomo Kenyatta et al	22,653,572	5	40,746,932	63,400,505	179.9
9	Kissy road, Fourabay Road, Magazine Cut, Macauley Street, Haja Sonie Drive, UN Drive., et. al.	4,003,346		3,547,547	7,550,893	88.6
10	King Jimmy Embankment and drainage works	1,075,540		9,628,560	10,704,100	895.2
11	Bandajuma-Pujehun	21,715,746	-	-	21,715,746	0
12	Taiama – Njala	8,816,125		13,146,517	21,962,605	149
13	Moyamba et al	No contract	No contract	No details		
14	Kailahun Township	3,885,134.91	3 ¹³	2,179,409.29	6,064,544.20	56
15	Blama Hanga	No contract	-	No contract	-	

¹³ According to final project report dated May 2016

16	Weima Bridge	2,776,312,339 (Le')	-	2,776,312,339 (Le)	0	0
17	Freetown street Phase II, East zone, Lot 1	39,953,057.44	1	Not verified	No variation order to date	0
18	Freetown street Phase II, West zone, Lot 3	48,670,107.85	-	48,670,107.85	No variation order to date	0

Source: Analysis of Aailed Addenda and Variation Orders

1304. Table 95 indicates that there were several addenda which were issued for various reasons.

However, these addenda had a very significant cost increase to some of the projects being implemented by SLRA. Addenda raised the original contract price to up to 895 percent for King Jimmy Embankment and drainage works of the original price. The least addendum was 3.5 percent increase and was for Kono-Kabala Township road project.

1305. In addition, it is also shown for aailed details on addenda, 9 out of 18 projects had variations that are more than 25% of the original contract price. But, contrary to the requirements of Section 114 (5) of the Procurement Regulations of 2006, these variations were ought to be considered as new procurement as requirement since are regarded to as new contracts. According to Section 114 (5) of the Procurement Regulations of 2006 stipulates that, "where a contract notification would cause the contract value to be increased to more than 25% of the original contract value, the additional requirement shall be treated as a new procurement requirement..."

1306. The consequences of addenda that increase price include: (a) Failure to effectively financing projects (b) Delay in project completion and (c) High risk of cost overrun as evidenced in Table 95. SLRA does not adequately review and approve addenda and variations which are submitted by contractors for additional works.

1307. The audit team acknowledges the receipt of letters confirming availability of fund for nine projects out of 18. However, not all projects had confirmation of fund to finance the increased cost caused by addenda.

We recommend that the Management of SLRA should

- i. **ensure that it conducts site verifications and measure the works being undertaken by contractors on site;**

- ii. **Devise a mechanism that will ensure that payments made to contractors are only those of the actual work done and not for works not done;**
- iii. **Carry-out follow-ups of issued instructions to contractors to verify whether issued recommendations were implemented by contractors;**
- iv. **Conduct tests at every stage of construction for materials used by contractors so as to verify whatever material test reports which are submitted; and**
- v. **Ensure that all addenda are reviewed and approved before any additional work is proposed by contractors. It should also ensure that the addenda or variations are within the required cost that is 25 percent as per the Procurement Act, 2016.**

Unapproved Variation Orders and Addenda

1308. The audit noted that despite several addenda that were issued by contractors as indicated in Table 95. There was no evidence whether such variations/addenda were approved by SLRA as there was no evidence for such approval. These variations have led to a number of addenda to original contracts which were also likely not to have been approved by SLRA. For example, there were addendum in Rehabilitation of Moyamba Township Streets whereby the original contract was adjusted by increasing the construction of a bridge and sidewalks which were originally not in the contract;

- a. Taima-Njala project was increased from an original contract from 5.5km to 23km;
- b. Freetown Streets Phase II lot III West, 2 additional roads were added to the original contract which were Minah Road and Sugar Land Road with an estimate of Le'46 billion; and
- c. Kailahun project was varied from the original contract sum by adding 2 road streets namely Mowo and Banya Street as well as removal and relocation of utilities.

1309. There were variations/addenda in the drawings as compared to original designs such as Freetown Streets Phase II Lot III West, there was change in the design and materials of the bridge along the Atlantic Road; SLRA does not effectively review and approve addenda

submitted by contractors in order to verify the actual road work or addition work that is proposed by contractors.

1310. The auditors acknowledge the evidences on the fund commitments for Moyamba Township Streets, and Freetown Streets Phase II lot III West, however, Taima Njala and Kailahun projects have no evidences on fund commitments.

We recommend that the Management of SLRA should:

- iii. Ensure that all addenda attributed by additional works, change in designs or contract modifications are scrutinized and reviewed before they are approved;**
- iv. Ensure there is assurance of fund for execution of the works under addenda.**

Untimely Completion of Road Works Projects

1311. The audit found-out that, timely completion of each phase and of the overall project was not an explicit high priority throughout the project as the projects were not completed within the required time as a result there were delays in the completion of road projects and consequently contributed to cost overrun and affect quality of the roads due to weathering and use. Table 96 indicates the original start date and completion dates as per the contract document.

Table 88: Delay in Completion of Road Projects

S/N	Name of Road Project	Original Contract Period (in Months)	Planned Completion Date	Completion Date	Delays in Months
1	Mange - Mambolo Road	18	30 th August, 2014	July, 2018	49
2	Makeni-Kamakwei	48.7	18 th October, 2016	November, 2019	37.3
3	Waterloo Township	18	February, 2017	June, 2018	11.4
4	Makeni – Kabala Phase II	12	September, 2016	June, 2019	40
5	Wilkinson Road	12	No details	No details	-
6	Kono-Kabala Township	12.2	8 th April, 2012	December, 2017	69

7	Kabala Township Phase II	18	September 2017	December, 2017	3.3
8	Jomo Kenyata et al			January, 2018	
9	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al	6	11/10/2014	April, 2016	18
10	King Jimmy Embankment and drainage works	5	20 th June, 2014	December, 2017	42
11	Bandajuma-Pujehun	6	31 st January 2018	Not known	-
12	Taiama – Njala	24	1 st June 2013	30 th June 2019	72
13	Moyamba et al	12	28 th February 2012	30 th June 2018	72
14	Kailahun Township	12	30 th October 2014	31 st March 2017	36
15	Blama Hanga	24	30 th June 2018	No contract	-
16	Weima Bridge	6	31 st January 2018	Not known	-
17	Freetown street Phase II, East zone, Lot 1	24	11 th April 2018	Not known	-
18	Freetown street Phase II, West zone, Lot 3		11 th April 2018	Not known	

Source: Project implementation files (2018)

1312. From the table it is shown that, delays in completing road projects ranged from 3.3 to 72 months. The consequences of delays in completing road projects include: Increase in project cost due to additional cost incurred as a result of delays; delays in handing the road structure and facilities to users and in turn failure to timely achieve the project initiation purpose; and increased cost of construction materials that may occur as a result price change over the time e.g. cement, steel reinforcement bars, bitumen, fuel (diesel, petrol etc.)

1313. SLRA does not adequately ensure that contractors performed their obligations as per agreed terms and conditions of the contracts including adherence to timeframe and approved programme of work.

1314. The Management has accepted the findings that Prompt payment to Contractors, relocation of Utilities and payment of compensation are the major factors for delay in completion of

projects. However, there is no action plan in place to work on the problem in on-going and future projects.

We recommend that the Management of SLRA should:

- i. Ensure that road works are implemented as per agreed timeframe stipulated in the contract document and programme of works;**
- ii. Ensure that all contractors go through an evaluation prior to granting them the contracts as it was the case with the Weima Bridge Road project; and**
- iii. Ensure availability of fund for timely financing of the projects.**

Late Payment to Contractors

Late Advance payment

1315. In all 18 projects audited, it was noted that payments were paid late once they were raised leading to increase in payment amount due to interest rates. However, due to lack of payments details, the audit verified only 3 payments details for 3 road projects namely, Bandajuma-Pujehun, Taima-Njala and Moyamba et.al. However, details for 1 project namely Moyamba et.al was not complete. The remaining 15 projects had no full advance payment details. See details in Table 97.

Table 89: Late payment of Advance to Contractors

S/N	Road project name	Date advance payment was done	Date when paid	Level of Delays in Months
1	Bandajuma-Pujehun	9 th August 2013	21 st December 2014	16
2	Taiama – Njala	9 th August 2013	21 st December 2014	16
3	Moyamba et al	No details	31 st August 2015	20
4	Kailahun Township	No details	No details	Not verified
5	Blama hanga	No details	No details	Not verified
6	Weima Bridge	No details	No details	Not verified
7	Freetown street Phase II, East zone, Lot 1	No details	No details	Not verified

S/N	Road project name	Date advance payment was done	Date when paid	Level of Delays in Months
8	Freetown street Phase II, West zone, Lot 3	No details	No details	Not verified
9	Mange - Mambolo Road	No details	No details	Not verified
10	Makeni-Kamakwei	No details	No details	After 54 months from when request submitted, payment was only at 97%.
11	Waterloo Township	No details	No details	Not verified
12	Makeni – Kabala Phase II	No details	January, 2017	about 22.6 months from when project started
13	Wilkinson Road	No details	No details	Not verified
14	Kono-Kabala Township	No details	January, 2014	about 2 months from when project started
15	Kabala Township Phase II	No details	No details	Not verified
16	Jomo Kenyatta et al	No details	No details	Not verified
17	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al	No details	No details	Not verified
18	King Jimmy Embankment and drainage works	No details	No details	Not verified

***Source:** Advance Payment Details and Project's Progress Reports*

1316. Table 97 indicates that payments to contractors were delayed to an average time of 2 to 54 months since when they were raised by contractors. Reasons provided by project managers and SLRA management were that the requests for advance payments requests were submitted to the Ministry of Finance thus delays were due to the payment process. The ministry then pays the contractors directly. SLRA has no control on payment schedule despite being the supervising and monitoring authority of all road works.

1317. Delay in payments of advance payments was attributed by a bureaucratic payment process whereas the IPC is raised by the contractor, reviewed by the consultant and after forwarded to SLRA for approval. Then, the IPC is sent to Ministry of Works for further processing

and approval. After that the IPC is taken to the Ministry of Finance for verification and processing of funds.

1318. Upon approval the cheque is sent to Bank of Sierra Leone for payments to the contractor's accounts. This process takes much time to enable on-time payment of advances. In addition, it was noted that due to implementation of multiple road projects in the country, the government usually fails to commit and secure funds to fund all on-going projects thus posing a risk of projects to be delayed and accruing interest on late payment. SLRA does not adequately ensure that advance payment is processed on time and paid to contractors to enable road works to proceed as per terms and conditions of contracts.

1319. The Management has suggested that financiers can best address the matter, however, there is no action plan in place to work on the problem in on-going and future projects.

We recommend that the Management of SLRA should:

- iv. Ensure that advance payments are timely processes and paid to contractors; and**
- v. In collaboration with the Ministry of finance, establish a mechanism that will ensure payments done are processed and information shared between the Ministry of finance and SLRA.**

Late Payments of Interim Payment Certificates to Contractors

1320. Clause 43.1 of General Conditions of Contract (GCC) states that, The Employer shall pay the Contractor the amounts certified by the Project Manager within 45 days of the date of each certificate. The audit noted that, Sierra Leone Roads Authority (SLRA) was delaying in processing and payment of Interim Payment Certificates (IPC) after contractors had submitted their requests. In all projects reviewed, it was noted that IPCs took an average of 6 months to 2 years until when they were paid by the government leading to suspension of projects, stoppage of works or abandonment of site thus causing significant delays in project's completion.

1321. This is in accordance to the details provided in the reviewed project's progress reports. However, there were no details as when payments for issued IPCs were made. Table 98 indicates list of IPCs, date when they were submitted and payment date.

Table 90: Late payment of IPCs Issued and Payment Date to Contractors

S/N	Road project name	Description	Date Raised	Date paid	Level of Delay in days
1	Bandajuma-Pujehun	1 st IPC	14 May 2014	No details	Not verified
		2 nd IPC	2 April 2015	No details	Not verified
		3 rd IPC	25 July 2016	No details	Not verified
		4 th IPC	23 May 2017	Outstanding	Not verified
2	Taiama – Njala	1 st IPC	14 May 2014	No details	Not verified
		2 nd IPC	14 May 2014	No details	Not verified
		3 rd IPC	12 January 2015	No details	Not verified
		4 th IPC	3 June 2015	No details	Not verified
		5 th IPC	15 November 2015	No details	Not verified
		6 th IPC	10 February 2016	No details	Not verified
		7 th IPC	23 May 2017	Outstanding	Not verified
3	Moyamba et al	1 st IPC	12 December 2011	9 March 2012	60
		2 nd IPC	10 May 2012	12 October 2012	127
		3 rd IPC	29 October 2012	17 March 2013	111
		4 th IPC	8 June 2013	6 September 2013	62
		5 th IPC	5 June 2013	26 August 2013	54
		6 th IPC	13 November 2013	20 February 2014	71
4	Kailahun Township	1 st IPC	No details	No details	Not verified
		2 nd IPC	No details	No details	Not verified
		3 rd IPC	No details	No details	Not verified
		4 th IPC	No details	No details	Not verified
		5 th IPC	No details	No details	Not verified
		6 th IPC	No details	No details	Not verified
		7 th IPC	No details	No details	Not verified
		8 th IPC			
5	Blama hanga	No details	No details	No details	Not verified
6	Weima Bridge	No details	No details	No details	Not verified
7	Freetown street Phase II, East zone, Lot 1	No details	No details	No details	Not verified
8	Freetown street Phase II, West zone, Lot 3	No details	No details	No details	Not verified

S/N	Road project name	Description	Date Raised	Date paid	Level of Delay in days
9	Mange - Mambolo Road	1 st IPC	1 st February, 2014	17 th Dec. 2014	274
		2 nd IPC	24 th August, 2014	4 th Sept. 2014	457
		3 rd IPC	12 th Oct. 2014	12 th Oct. 2017	736
		4 th IPC	12 th Oct. 2014	1 st Dec. 2017	736
		5 th IPC	7 th January, 2016	1 st Dec. 2017	649
		6 th IPC	7 th January, 2016	1 st Dec. 2017	649
		7 th IPC	7 th January, 2016	1 st Dec. 2017	649
		8 th IPC	17 th march, 2016	1 st Dec. 2017	579
		9 th IPC	17 th march, 2016	1 st Dec. 2017	579
		10 th IPC	11 th May, 2016	1 st Dec. 2017	524
		11 th IPC	11 th May, 2016	1 st Dec. 2017	524
		12 th IPC	15 th July, 2016	1 st Dec. 2017	459
		13 th IPC	15 th July, 2016	1 st Dec. 2017	459
		14 th IPC	15 th July, 2016	1 st Dec. 2017	459
		15 th IPC	15 th July, 2016	1 st Dec. 2017	459
		16 th IPC	28 th July, 2016	1 st Dec. 2017	446
		17 th IPC	28 th July, 2016	1 st Dec. 2017	446
		18 th IPC	12 th oct. 2016	1 st Dec. 2017	370
		19 th IPC	12 th oct. 2016	1 st Dec. 2017	370
		20 th IPC	22 nd August, 2017	1 st Dec. 2017	56
		21 st IPC	16 th January, 2018	outstanding	outstanding
		22 nd IPC			
		23 rd IPC	11 th April, 2018	outstanding	outstanding
10	Makeni-Kamakwei	1 st IPC	No details	No details	Not verified
		2 nd IPC	No details	No details	Not verified
		3 rd IPC	No details	No details	Not verified
		4 th IPC	No details	No details	Not verified
		5 th IPC	No details	No details	Not verified
		6 th IPC	No details	No details	Not verified

S/N	Road project name	Description	Date Raised	Date paid	Level of Delay in days
		7 th IPC	No details	No details	Not verified
		8 th IPC	No details	No details	Not verified
11	Waterloo Township	No details	No details	No details	Not verified
12	Makeni – Kabala Phase II	No details	No details	No details	Not verified
13	Wilkinson Road	No details	No details	No details	Not verified
14	Kono-Kabala Township	No details	No details	No details	Not verified
15	Kabala Township Phase II	1 st IPC	No details	January, 2017	Not verified
		2 nd IPC	No details	March, 2017	Not verified
		3 rd IPC	No details	April, 2017	Not verified
		4 th IPC	No details	N/A	Not verified
		5 th IPC	No details	N/A	Not verified
		6 th IPC	No details	N/A	Not verified
		7 th IPC	No details	N/A	Not verified
		8 th IPC	No details	N/A	Not verified
16	Jomo Kenyata et al	No details	No details	No details	Not verified
17	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al	No details	No details	No details	Not verified
18	King Jimmy Embankment and drainage works	No details	No details	No details	Not verified

Source: IPCs and Payment Status

1322. Table above indicates that payments to contractors were delayed for an average time of 1.8 to 25 months since when it was raised by contractors. In addition, it was found, that submission of invoice number 21 dated 16th January, 2018 (Contractor's Claim on Late Payment) from the Consultant to Employer (SLRA). This certificate constituted Interest Claim by the contractor for delays in honouring and effecting prompt payments on IPC No. 1 to IPC No. 20 for the period covering February 2014 to December 2016. In this certificate, the foreign portion (80%) was USD 2,436,702.72 and the local portion (20%) was USD 609,175.68. This amount (US\$ 3,045,878.40) was requested for approval from the Ministry of Works, Housing and Infrastructure by SLRA on 11th April, 2018. (Letter with reference number SLRA/DF/EXT.21).

1323. It was found that, in 11th April 2018, there was a request for approval of payment of final certificate number 23 amounting to US\$ 1,851,922.02 with foreign portion (80%) of US\$ 1,481,537.62 and local portion (20%) of USD 370,384.40 (letter with reference number SLRA/DF/EXT.23). However, there was no evidence showing that, the mentioned claims were approved or paid. SLRA does not adequately ensure that payments for Interim Payment Certificates (IPCs) are processed on time and paid to contractors to enable road works to proceed as per terms and conditions of contracts.

1324. The Management has acknowledged the observation and added that the matter can best be addressed by the Ministry of Finance, and has recommended that, commissioning of projects be limited for now until the pending payments are cleared.

We recommend that the Management of SLRA should:

- i. Ensure that payments for IPCs are timely processed and paid to contractors; and**
- ii. In collaboration with the Ministry of finance establish a mechanism that will ensure that details of payments done to contractors and consultants are shared between the Ministry of finance and SLRA.**

Status of Payment of IPCs to Contractors

1325. Clause 43.1 of General Conditions of Contract (GCC) states that, The Employer shall pay the Contractor the amounts certified by the Project Manager within 45 days of the date of each certificate. This will enable contractors to proceed with work without stoppage or demobilizing. The audit also reviewed the availed payment records for various road projects to assess the payment status of the raised IPCs. It was noted that payment rate to

contractors was lower according to details availed by the Ministry of Finance on payment status and Table 99 provides for details of payment status of IPCs from contractors.

Table 91: Status of Payments made to Contractors at September 2018

S/N	Name of the Road Project	Revised Contract Amount	Amount Paid to-date	Outstanding (US\$)	Outstanding (%)
1	Mange - Mambolo Road	37,031,620.37	37,031,620.37	-	0
2	Makeni-Kamakwei	119,375,383.47	37,415,093.71	81,960,290	69
3	Waterloo Township	42,782,727.10	12,807,364.38	29,975,363	70
4	Makeni – Kabala Phase II	18,515,115.85	6,008,100.00	12,507,016	68
5	Wilkinson Road	30,647,805.08	30,647,805.08	-	0
6	Kono-Kabala Township	20,343,611.85	19,499,833.51	843,778	4
7	Kabala Township Phase II	21,098,913.83	18,196,576.15	2,902,338	14
8	Jomo Kenyatta et al	63,400,505.22	22,173,776.37	41,226,729	65
9	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al	7,550,893.58	789,798.87	6,761,095	90
10	King Jimmy Embankment and drainage works	10,704,100.00	6,164,770.00	4,539,330	42
11	Bandajuma-Pujehun	21,715,746.40	-		0
12	Taiaama - Njala	21,962,605.54	5,875,506.55	16,087,099	73
13	Moyamba et al	35,931,654.71	18,123,468.63	17,808,186	50
14	Kailahun Township	6,872,877.45	6,872,877.45	-	0
15	Blama hanga	8,545,237.92	2,146,363.56	6,398,874	75
16	Weima Bridge	732,710.92	219,813.28	512,898	70
17	Freetown street Phase II, East zone, Lot 1	39,953,057.44	190,163.24	39,762,894	100
18	Freetown street Phase II, West zone, Lot 3	48,670,170.85	16,469,469.45	32,200,701	66
	Total	555,834,737.58	49,897,662.16	293,486,591	12

Source: Review of IPCs and Project's Progress reports

1326. Table 100 indicates that the government through SLRA does not honour the IPC issued to SLRA to enable them proceed with road works. The table indicates the amount as per reviewed addenda and payment thereon.

Table 92: Number of Addenda and Respective Amount and Payment Status

S/N	Name of the Road Project	Number of IPCs Issued	Amount Paid	Outstanding as per IPCs
1	Mange - Mambolo Road	20	3,045,878.40	Not verified
2	Makeni-Kamakwei	4	11,548,866.30	Not verified
3	Waterloo Township	1		Not verified
4	Makeni – Kabala Phase II	2	5,257,399.72	Not verified
5	Wilkinson Road	No details	No details	Not verified
6	Kono-Kabala Township	No details	No details	Not verified
7	Kabala Township Phase II	No details	No details	Not verified
8	Jomo Kenyatta et al	No details	No details	Not verified
9	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al	No details	No details	Not verified
10	King Jimmy Embankment and drainage works	No details	No details	Not verified
11	Bandajuma-Pujehun	4	2,710,830.98	917,029.99
12	Taiama – Njala		3,230,668.89	617,820
13	Moyamba et al	6	5,898,968.89	Not verified
14	Kailahun Township	9	3,670,351.82	3,599,706.54
15	Blama hanga	No details	No details	Not verified
16	Weima Bridge	No details	No details	Not verified
17	Freetown street Phase II, East zone, Lot 1	1	802,390	802,390
18	Freetown street Phase II, West zone, Lot 3	No details	No details	Not verified

Source: List of Addenda, Variation Orders and Project Progress Reports

1327. It can be seen from Table 99 that there were outstanding payments to IPCs which were still outstanding. For reviewed 18 projects it was noted at least 4 had outstanding IPCs. However, it should be noted that SLRA was not able to provide to the audit team all the list of all IPCs submitted by contractors and paid to contractors. For those provided the details are as indicated in the Table. SLRA does not have in place the records of all raised IPCs

and payment status of all contractors. It does not also keep adequate payment details and updated status of payments for proper follow-up of payments done in order to avoid delays and payments done to contractors.

1328. The Management submitted the evidences on commitment of fund before commencement of the projects, however, the commitment does not cover all 18 audited.

We recommend that the Management of SLRA should:

- i. ensure that all payments details for all contractors are kept and updated timely for the purpose of ensuring that contractors are paid and are on site once payments are effected; and**
- ii. in collaboration with the Ministry of Finance ensure that copies and all payments details are recorded and shared between the two entities for the purpose of follow-up of contractors.**

Project Monitoring and Reporting

Execution of Projects without Assured Fund

1329. The review of individual project monthly and quarterly progress reports indicated that, there were no appropriate approvals and controls in place for each phase for effective execution of the project. However, the audit team noted there were additional works without assurance of fund that led to stoppage of site activities such as at Waterloo project with additional of eight roads and Freetown Streets Phase II West Zone lot 3 had an addition of 2 road projects whilst the first 35 street roads had not been completed. In these projects, through site visits conducted it was found that, the main works contract activities have not been completed due to lack of fund and at the same time, there were added roads under addenda suffering stoppage of construction site activities.

1330. The other road projects that had additional works without having fund assurance are depicted in Table 101.

Table 93: Road projects with additional works without funding assurance

S/N	Name of Road Project	Name of the additional work	Total value of additional work (US\$)	Remarks on fund availability
1	Mange - Mambolo Road	Additional earthworks; Replacement of 600 mm diameter reinforced concrete culvert pipes to 900mm diameter pipes; Introduction of 600mm pipes to create access at intersections; Introduction of two (2) No. box culverts to tida basin at Mambolo; Proposed paving of the Rokupr wharf and the Mambolo wharf; Additional lining of side drains; Relocation of utility in Rokupr and; Payment of outstanding compensation of Property Affected People.	23,689,987.72	Requested budget for 2012 not yet provided, however, it is available in 2014 budget as US\$ 13,847,438.21(Initial cost) and US\$ 16,347,438.21(Revised cost), cost for works only. Overall cost is US\$ 19,207,438.21
2	Makeni-Kamakwei	provisions for contingency amounting to US\$ 12,846,997 for overtime to consultant's staff, US\$ 4,852,565.59 for re-alignment of the road from km 0+000 to km 70+000, proposed modification of the Panlap junction , and change of the contract duration from 19th October 2012 to 18 December 2019	19,109,969.69	Requested budget for 2012 not yet provided, however, available in available in budget for 2014 as US\$ 101,480,000.00(Initial cost) and US\$ 110,000,000 (Revised cost), cost for works only. Overall cost is US\$ 118,712,950.07
3	Waterloo Township	Addition of 8 township roads with a total of 20.1 km length.	25,874,298.79	Initial budget was US\$ 14,339,158.14
4	Wilkinson Road	Additional works- Bottom Mango to Congo cross round about via King street	10,591,715.35	Requested budget for 2012 not yet provided, however, it was available in 2015 budget. US\$ 12,113,637.24(initial cost).

				Revised total cost is US\$ 28,952,894.52
5	Kono-Kabala Township	Addendum 1 to service contract (Jan– July 2013 – Signed 15/09/2012); Addendum No.2 to service contract (Nov 2013 – Dec 2014 – Signed 15/01/14); Construction of Cross Ducts for SALWACO; and Construction of 150m road leading to Presidential lodge.	683,023.26	Requested budget for 2011 & 2013 not yet provided. This project was contracted to four contractors at various periods.
6	Kabala Township Phase II	additional of eight (8 no.) roads with a total length of 3.314m; and modification of section 1400 of Bill of Quantities by adding Sub Section 14.10 which covers the Employer's monthly financial obligation to the Consultant	5,804,689.72	Budget for this project is not mentioned in 2016 budget.
7	Jomo Kenyata et al	addendum number 1 for extension of 1km from Choitram Memorial Hospital- Limkonkwin University signed on 29/8/2014 amounting to US\$ 4,494,301.87; addendum number 2 for extension of 0.9 km of King Harman Road signed on 10/08/2015 amounting to Le 26,464,906,699.96; addendum number 3 for detailed review of original contract signed on 28th Jan. 2016 amounting to Le 26,095,801,720.35;	40,746,932.94	Requested budget for 2012 not yet provided.

		addendum number 4 signed on 23/09/2016 amounting to Le 34,035,620,361.02 for original scope review (scope change on utilities and bridge items); and addendum number 5 signed on 24th March 2017 amounting to Le 29,204,614,332.94 due to original scope review(change of rate-as a result of change of rate for Bill Items that have 25% increment)		
8	Kissy road, Fourabay Road, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al		3,547,547.02	Not mentioned in 2014 budget
9	King Jimmy Embankment and drainage works		9,628,560.00	The approved budget was USD 7,035,000.00
10	Taiaama-Njala	Additions in preliminary items; site clearance/earthworks; concrete works; pavement and surfacing; road furniture; additional work – Njala water pipe; Additional work for Njala water pipe; improvement of Njala-Mano Road; Request for modification of Contracts and extension of time	13,142,853	Not included in an original budget

11	Moyamba, et.al	Replacing existing asbestos water pipes with PVC pipes; Additional works for increased volume of concrete and reinforcement for bridges not in original designs; Additional rates for weathered/fused rocks not originally in BoQ	12,031,282.14	Not included in original contract;
12	Kailahun	Addition of Moiwo Street to original contract; Rehabilitation of main Kailahun Roundabout not originally in contract;	6,064,544.20	Not included in original contract;

Source: Project implementation files (2018)

1331. From Table 101, it is shown that in 12 out of 18 projects, there was no assurance of fund that could suit the additional works for the budget allocated in the respective years. Also, for the remaining 2 projects the amount of fund from the approved budget was too small to cover cost for additional works. The consequences of executing projects without fund assurance include: Delay in completing projects, failure to finance the projects and cost overrun as a result of claims of interest by contractor due to delayed payment.

1332. SLRA does not adequately seek for assurance of funds to finance the roads projects before implementing them.

We recommend that the Management of SLRA should:

- i. Liaise with the Ministry of Finance and seek for assurance of funds to finance the road projects prior to executing them; and**
- ii. that payments mechanisms are harmonized to ensure that contractors are paid timely to enable smooth execution of the contracts and avoidance of interest on late payments.**

Some sections of the roads did not meet the required quality standards

1333. As part of the audit, 8 out of 18 road projects were sampled and subjected to non-destructive tests using Schmidt Hammer to independently verify the quality of works constructed and

whether the tested components met the specifications. The audit field tests conducted are as shown in Table 102:

Table 94: Field tests conducted during the construction stage

Name of road	CHAINAGE (km)	Structure Culvert	Required Level of Quality (N/mm ²)	Test results (Measured strength) (N/mm ²)	Deviation (N/mm ²)	Auditors' Comment
Makeni-Kamakwei-Madinaoula	1+900	Head wall	30	45	15	Passed
		Wall	30	47	17	Passed
		Deck	30	33	3	Passed
	6+500	Deck	30	58	28	Passed
		Wall	30	39	9	Passed
	11+700	Wing wall	30	34	4	Passed
		Head wall	30	38	8	Passed
	14+900	Wing wall	30	34	4	Passed
		Head wall	30	38	8	Passed
	17+400	Wing wall	30	39	9	Passed
		Wall	30	39	9	Passed
		Deck	30	38	8	Passed
	33+000	Wing wall	30	39	9	Passed
		Wall	30	42	12	Passed
		Deck	30	34	4	Passed
	37+200	Wing wall	30	35	5	Passed
		Wall	30	42	12	Passed
		Deck	30	38	8	Passed
	42+300	Wing wall	30	45	5	Passed
		Head wall	30	40	10	Passed
		Deck	30	33	3	Passed
	55+100	Wing wall	30	38	8	Passed
		Deck	30	44	14	Passed
		Wall	30	34	4	Passed
Kabala Township Phase II	Agriculture road	RHS retaining wall	25	38	13	Passed
	Bilmaia street	LHS drain	25	35	10	Passed
	Fulla street	Drain	25	29	4	Passed

Name of road	CHAINAG E (km)	Structure Culvert	Required Level of Quality (N/mm2)	Test results (Measured strength) (N/mm2)	Deviation (N/mm2)	Auditors' Comment
	Mamusa lane	Drain	25	34	9	Passed
	Forest street	Drain	25	25	0	Passed
	Abdulai street	Drain	25	28	3	Passed
	Shaik bukari street	Drain	25	29	4	Passed
	Koda kayaka street	Drain	25	29	4	Passed
		Double box culvert				
		Head wall	30	26	-4	Failed
		Wing wall	30	22	-8	Failed
Rokupr Spur	3+000	Pipe culvert				
		Wing wall	30	42	12	Passed
Mange-Mambolo	0+700	Box culvert				
		Wall	30	52	22	Passed
		Head wall	30	32	2	Passed
Freetown Streets Phase II West Zone Lot 3	Atlantic-Juba Bridge	Abutment 1	30	29	-1	Failed
		Abutment 2	30	45	15	Passed
	0+500	Minah Road –Side Drain	25	22	-3	Failed
	1+450	Barbadorie Rd-Box Culvert	25	22	-3	Failed
	1+900	Side Drain	25	24	-1	Failed
	0+140	Sugar Land Drive –Side Drain	25	26	1	Passed
	0+260	Abutment 1	30	26	-4	Failed

Name of road	CHAINAGE (km)	Structure Culvert	Required Level of Quality (N/mm2)	Test results (Measured strength) (N/mm2)	Deviation (N/mm2)	Auditors' Comment
Moyamba et.al		abutment 2	30	31	1	Passed
		Headwall- RHS	30	34	4	Passed
		Headwall- LHS	30	31	1	Passed
	0+050 (Sembehun Bridge)	Abutment 1	30	36	6	Passed
		Abutment 2	30	35	5	Passed
		Headwall LHS	30	42	12	Passed
		Headwall RHS	30	39	9	Passed
Freetown Streets Phase II East Zone Lot 1	CH 2+650	Side drain (RHS)	25	42	17	Passed
	CH 2+650	Side drain (LHS)	25	44	19	Passed
	CH 1+320	Retaining wall	30	48	18	Passed
	Kola Tree to Orugu : CH 0+075	Drain (LHS)	25	38	13	Passed
	CH 0+075	Drain (RHS)	25	50	25	Passed
	CH 0+195	Drain (LHS)	25	40	15	Passed
	Mamoreh to Furniture Junction: CH 0+685	Drain (LHS)	25	44	19	Passed
	CH 0+735	Box culvert (deck)	30	51	21	Passed
	CH 1+800	Box culvert (deck)	30	45	15	Passed
	CH 1+800	Box culvert (head wall)	30	45	15	Passed
Taima - Njala	Culvert: CH 1+725	Head wall (LHS)	30	32	2	Passed

Name of road	CHAINAGE (km)	Structure Culvert	Required Level of Quality (N/mm ²)	Test results (Measured strength) (N/mm ²)	Deviation (N/mm ²)	Auditors' Comment
	CH 2+875	Head wall (LHS)	30	38	8	Passed
	CH 6+250	Head wall (LHS)	30	36	6	Passed
	CH 9+051	Head wall (LHS)	30	32	2	Passed
	CH 9+050	Side drain	25	32	7	Passed

Source: Test results as per site inspection conducted in November-December, 2018.

1334. From the Table above, it is shown that 3 out of 18 sampled projects for Schmidt hammer tests failed in some of the road section (Chainage) the projects that were subjected to Schmidt Hammer Tests, failed in some of the road sections (Chainage) in which the tested head wall, wing wall of double box culvert, abutments, and side drains (11%) failed as the tested strength was less than the minimum specified required strength. Failed sections were recorded from Kabala Township Phase II at Koda kayaka box culverts, Freetown Streets Phase II West Zone Lot 3 at Atlantic – Juba Bridge, Barbadorie Rd-Box Culvert (at Chainage 1+450 and 1+900) and Moyamba et.al at the Moyamba bridge (Kamara Road).

1335. The consequences of fail of the compressive strength in double box culvert include: (a) High risk of collapsing of the structure that may cause damage to people and/vehicles (b) It brings about cost for repair that could be avoided by strengthen the structure and (c) Reduces accountability of supervision role that was played by the appointed supervising consultant. SLRA does not adequately carry out tests in order to ascertain the quality of work executed by contractors. SLRA also does not keep records of all test results carried out for particular road projects.

We recommend that the Management of SLRA should:

- i. SLRA should carry out non-destructive tests adequately and keep records of all test results for particular road project being implemented;**
- ii. SLRA should also carry out review of all tests carried out by contractors and ascertain whether they comply with approved specifications and standards.**

Detailed Results from Destructive Test

1336. The audit team studied relevant test standards. The numbers of tests were determined using Technical Specifications of SLRA and the project Particular Technical Specification that specifies that, Cores shall be cut and tested at the rate of 1 per 1,000m or at such other rate determined by the Engineer¹⁴. For the sake of our coring plan, we took ten cores for each of the four selected road projects for test.

Thickness of Asphalt Concrete Layer

1337. According to Overseas Road Note 31 (TRL) Chart 7, for the design of Kabala Township Phase II road project, the minimum thickness of asphalt core is 50mm. The checked individual thicknesses are as indicated in Table 103.

¹⁴ *Technical Specification 7.12.2.7- Testing of Bituminous Concrete*

Table 95: Analysis of asphalt concrete test results (core samples) for Kabala Township-Phase II

Road Name	Chainage (km)	Required thickness (mm)	Measured thickness (mm)	Difference (mm)
Agriculture road	0+400 Centerline	50	62.5	12.5
	0+600 Centerline	50	41.0	-9
	0+800 RHS	50	66.0	16
Bilmaia road	0+450 Centerline	50	57.3	7.3
Fullah road	0+158 LHS	50	56.5	6.5
Mamusu road	0+125 Centerline	50	62.3	12.3
Forest road	0+330 Centerline	50	48.3	-1.7
Abdulai road	0+427 Centerline	50	57.8	7.8
Shaika Bockarie road	0+212.5 Centerline	50	63.5	13.5
Kodakayaka	0+401.8 Centerline	50	41.3	-8.7
Bankolia road	0+345 LHS	50	61.8	11.8

Source: Field data (December, 2018)

1338. From Table 103, it is shown that 3 out of 11 points have the thickness that have deviated from the minimum specified while the remaining 8 points have the thickness greater than the minimum specified value; therefore, for the 8 points, the pavement structure will sustain the incoming load on it based on the specified traffic load class.

1339. However, failure of the contractor to control thickness for the 8 points results into loss of asphalt concrete of contractor's side and no loss to SLRA as the thicker the asphalt concrete layer, the stronger is the road pavement structure. For the 3 points that have thickness less than the specified implies that there is loss to the client (SLRA) as the centrelines points will not strongly sustain the income load as intended by the thickness specification.

Weaknesses noted on Binder Content (%)

1340. According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report, it is specified that, the binder content of bituminous mixes should be within a range of 4-7%. Table 104 shows the details of the results.

Table 96: Analysis of asphalt concrete binder content (core samples) for Kabala Township II

S/N	Road name	Chainage (km)	Optimum binder content from mix design(%) -A	Binder content measured (%) -B	Deviation of measured binder content from optimum binder mix (%) -C (B-A)	Binder content general specifications (%)	Remarks on specifications
1	Agriculture road	0+400 LHS	5.1	5.5	0.4	4-7	Ok
2	Agriculture road	0+600 Centerline	5.1	6.1	1.0	4-7	Ok
3	Agriculture road	0+800 RHS	5.1	5.8	0.7	4-7	Ok
4	Bilmaia road	0+450 Centerline	5.1	5.1	0.0	4-7	Ok
5	Fullah road	0+158 LHS	5.1	5.6	0.5	4-7	Ok
6	Mamusu road	0+125 Centerline	5.1	5.6	0.5	4-7	Ok
7	Forest road	0+330 Centerline	5.1	5.6	0.5	4-7	Ok
8	Abdulai road	0+427 Centerline	5.1	5.5	0.4	4-7	Ok
9	Shaika Bockarie Road	0+212.5 Centerline	5.1	5.6	0.5	4-7	Ok
10	Kodakayaka	0+401.8 Centerline	5.1	5.8	0.7	4-7	Ok
11	Bankolia road	0+345 LHS	5.1	5.4	0.3	4-7	Ok

Source: Laboratory measurements

1341.From Table 104, it is shown that, cored samples from all roads had binder contents that were within the stated requirement, hence the amount of binder content was okay hence met the specification requirements.

Air Voids (%)

1342.According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report, it is specified that, the air voids of bituminous mixes should be within a range of 4-7%. Table 105 shows the details of the results.

Table 97: Analysis of asphalt concrete air voids (core samples) for Kabala Township II

S/N	Road name	Chainage (km)	Air voids (%)	Air voids requirements (%)	Remarks on specifications
1	Agriculture road	0+400 LHS	1.8	4-7	Fall outside the lower limit of range
2	Agriculture road	0+600 Centerline	3.9	4-7	Fall slightly outside the lower limit of range.
3	Agriculture road	0+800 RHS	1.5	4-7	Fall outside the lower limit of range
4	Bilmaia road	0+450 Centerline	2.8	4-7	Fall outside the lower limit of range
5	Fullah road	0+158 LHS	3.5	4-7	Fall outside the lower limit of range
6	Mamusu road	0+125 Centerline	2.5	4-7	Fall outside the lower limit of range
7	Forest road	0+330 Centerline	2.0	4-7	Fall outside the lower limit of range
8	Abdulai road	0+427 Centerline	2.5	4-7	Fall outside the lower limit of range
9	Shaika Bockarie road	0+212.5 Centerline	1.9	4-7	Fall outside the lower limit of range
10	Kodakayaka	0+401.8 Centerline	5.1	4-7	Air voids are ok. Meets the requirements
11	Bankolia road	0+345 LHS	2.4	4-7	Fall outside the lower limit of range.

Source: Laboratory measurements

1343. From the table, it is shown that, 9 out of 11 cored roads had air voids falling outside the required specification. The lower the air voids content reduces the durability of an asphalt pavement since air voids is a function of the air-void content.

1344. The management of SLRA responded that, the use of SATCC Technical Specification for air voids provides the requirements of 3-6%. However, the assessment of the air voids results are based on the approved asphalt mix design in which the requirement of air voids are 4-7% and as stated in the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report.

We recommend that, SLRA management should use the specific project approved requirements for adequate assessment of the compliance of test results in the project as a measure of achieving targeted quality control of the materials.

Voids Filled with Asphalt (VFA) in Percentage

1345. According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report, it is specified that, the voids filled with asphalt of bituminous mixes should be within a range of 70-80%. Table 106 shows the details of the results.

Table 98: Analysis of Voids Filled with Asphalt (VFA) for Kabala Township Phase II

S/ N	Road name	Chainage (km)	Void Filled with Bitumen (VFA) %	Void Filled with Bitumen requirements (%)	Remarks on specifications
1	Agriculture road	0+400 LHS	87.0	70-80	Fall outside the upper limit of range
2	Agriculture road	0+600 Centerline	75.9	70-80	Meets requirements
3	Agriculture road	0+800 RHS	89.1	70-80	Fall outside the upper limit of range
4	Bilmaia road	0+450 Centerline	80.4	70-80	Meets requirements
5	Fullah road	0+158 LHS	77.3	70-80	Meets requirements

S/ N	Road name	Chainage (km)	Void Filled with Bitumen (VFA) %	Void Filled with Bitumen requirements (%)	Remarks on specifications
6	Mamusu road	0+125 Centerline	82.8	70-80	Fall outside the upper limit of range
7	Forest road	0+330 Centerline	85.8	70-80	Fall outside the upper limit of range
8	Abdulai road	0+427 Centerline	82.6	70-80	Fall outside the upper limit of range
9	Shaika Bockarie road	0+212.5 Centerline	86.4	70-80	Fall outside the upper limit of range
10	Kodakayaka	0+401.8 Centerline	70.0	70-80	Meets requirements
11	Bankolia road	0+345 LHS	83.1	70-80	Fall outside the upper limit of range

Source: Laboratory measurements

1346. From the Table, it is shown that, 7 out of 11 cored samples from all roads for Kabala Township Road Project did not meet the required specifications. This implies that, the asphalt mix for the roads is likely to be unstable.

Voids in Mineral Aggregates (VMA) in Percentage

1347. According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report, it is specified that, the voids in mineral aggregates of bituminous mixes should be minimum 15%. Table 107 shows the details of the results.

Table 99: Analysis of Voids in Mineral Aggregates (VMA) for Kabala Township Phase II

S/N	Road name	Chainage (km)	Voids in Mineral Aggregates-VMA (%)	Voids in Mineral Aggregates-VMA requirements (%)	Remarks on specifications
1	Agriculture road	0+400 LHS	13.8	15	Not complied with requirements
2	Agriculture road	0+600 Centerline	16.2	15	Meets requirements
3	Agriculture road	0+800 RHS	13.8	15	Not complied with requirements
4	Bilmaia road	0+450 Centerline	14.3	15	Not complied with requirements
5	Fullah road	0+158 LHS	15.4	15	Meets requirements
6	Mamusu road	0+125 Centerline	14.5	15	Not complied with requirements
7	Forest road	0+330 Centerline	14.1	15	Not complied with requirements
8	Abdulai road	0+427 Centerline	14.4	15	Not complied with requirements
9	Shaika Bockarie road	0+212.5 Centerline	14.0	5	Not complied with requirements
10	Kodakayaka	0+401.8 Centerline	17.0	15	Meets requirements
11	Bankolia road	0+345 LHS	14.2	15	Not complied with requirements

Source: Laboratory measurements

1348. From the table, it is shown that, 8 out of 11 cored samples for all roads for Kabala Township Phase II did not meet the specification requirements on voids in mineral aggregates. This implies that, when VMA is too low, there is no enough room in the mixture to add sufficient

asphalt binder to adequately coat the individual aggregate particles hence has effect on the stability of the pavement structure.

1349.SLRA management responded that the use of SATCC Technical Specification for air voids provides the requirements of minimum Voids in Mineral Aggregates (VMA) of 13%, however, the assessment of the VMA results are based on the approved asphalt mix design in which the requirement of VMA are minimum 15% and as stated in the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report.

We recommend that, SLRA management should use the specific project approved requirements for adequate assessment of the compliance of test results in the project as a measure of achieving targeted quality control of the materials.

Grading of Aggregates (Kabala Township)

1350.The analysis of laboratory test results on aggregate grading was conducted as indicated in the Table 108

Table 100:Laboratory aggregate grading test results

Coring plan	Chainage (km)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
Agriculture road	0+400 LHS	62.5	The percentage of aggregates passing sieve 12.5 mm(95.7) is out of the aggregate envelope hence does not meet specification	There was a slight deviation in production of aggregates that brings about to be more attentive in controlling the aggregates production
Agriculture road	0+600 Centerline	41.0	The percentage of aggregates passing 4 sieves (12.5,9.5,4.75, and 2) are out of the aggregate envelope. Also, Percentage passing sieve 0.475 (19.6%) is very close to upper limit hence it becomes not suitable for it use.	There was high deviation in control production of aggregates that posed a high risk of having much amount fall out of the aggregates envelope
Agriculture road	0+800 RHS	66.0	The percentage of aggregates passing sieve 12.5 mm(95.1%) is out of	There was a slight deviation in production of aggregates that brings

Coring plan	Chainage (km)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
			the aggregate envelope hence does not meet specification	about to be more attentive in controlling the aggregates production
Bilmaia road	0+450 Centerline	57.3	The percentage passing sieve 12.5mm (90.4%) is marginal-close to upper limit	More efforts are needed to control production of the aggregates to make them have an envelope that to a large extent is not marginal (avoiding lying at near the boundaries of upper and lower limits.
Fullah road	0+158 LHS	56.5	Percentage passing sieve 12.5 mm (93.3%) is out of aggregates envelope	There was a deviation in controlling production of aggregates to make them be fall within the envelope.
Mamusu road	0+125 Centerline	62.3	Percentage passing sieve 12.5 mm (94.1%) is out of aggregates envelope	There was a deviation in controlling production of aggregates to make them be fall within the envelope
Forest road	0+330 Centerline	48.3	Percentage passing sieve 2 mm (39%) is out of envelope and 0.475 mm (19.1) is very close to marginal of aggregates envelope	There was a deviation in controlling production of aggregates, more control is needed to make aggregates percentage passing to fall within the envelope.
Abdulai road	0+427 Centerline	57.8	Percentage passing sieve 12.5 mm (98.3%) and 9.5 mm (81.6%) are out of envelope	There was a deviation in controlling production of aggregates to make them be fall within the envelope as well as controlling amount of fines.
Shaika Bockarie road	0+212.5 Centerline	63.5	Percentage passing sieve 12.5 mm (97.0%) and 9.5 mm (85.4%) are out of envelope while percentage passing sieve 2mm (36.5%) is close to envelope margin	There was a deviation in controlling production of aggregates to make them be fall within the envelope as well as controlling amount of fines.

Coring plan	Chainage (km)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
Kodakayaka	0+401.8 Centerline	41.3	Percentage passing sieve 2mm (37.1%) and 0.475mm (19.6%) are close to the marginal for upper limit.	More efforts are needed to control production of aggregates and control of fines.
Bankolia road	0+345 LHS	61.8	Percentage of aggregate passing sieve 0.075mm is very close to lower limit.	More efforts are needed to control fines in the production of aggregates. Also, production should be done to avoid getting percentage falling close to upper and lower limit.

Source: Laboratory test results

1351. From Table 108, it shows that, most of the roads as per cored samples have not adequately complied with the required specification by either being close to margins of the lower and upper limits or being outside of the aggregate envelopes. Also, the auditors acknowledge the response provide by SLRA regarding this part as per pages 24-28 of the responses in which the commented parts pass under tolerances, However, the quality of materials should be well monitored during execution of project to attain adequate compliance of specifications by considering all requirements rather than depending entirely on passing under tolerances.

Makeni-Kamakwei - Madinaoula road project

Thickness of Asphalt Concrete Layer

1352. According to Overseas Road Note 31 (TRL) Chart 7, for the design of Makeni-Kamakwei-Madinaoula road project, the minimum thickness of asphalt core is 50mm. The checked individual thicknesses are as indicated in the table below

Table 101: Makeni-Kamakwei-Madinaoula road project

Road Name	Chainage (km)	Required thickness (mm)	Measured thickness (mm)	Difference (mm)
0+987	Centerline	50	60.0	10
2+000	2.5m RHS	50	63.8	13.8
3+000	2.5m LHS	50	53.5	3.5
4+000	Centerline	50	68.0	18
5+301.5	4m RHS	50	46.8	-3.2
7+000	2.5m LHS	50	50.8	0.8
16+000	Centerline	50	53.3	3.3
22+000	2m RHS	50	55.3	5.3
28+000	2.5m LHS	50	50.4	0.4
32+000	Centerline			

Source: Field data (December, 2018)

1353. From the, it is shown that, 1 out of 9 cores have the thickness that has not complied with the specification requirements, while the remaining 8 cores have the thickness complying with the requirements. This implies that, for 1 core with less thickness poses a risk of pavement failure hence it will have short life. For 1 point that has thickness less than the specified implies that there is loss to the client (SLRA) as the RHS point will not strongly sustain the income load as intended by the thickness specification.

Binder Content (%)

1354. According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report, it is specified that, the binder content of bituminous mixes should within a range of 4-7%. Table 110 shows the details of the results.

Table 102: Analysis of asphalt concrete binder content (core samples) for (Makeni-Kamakwei-Madinaoula)

S/N	Chainage (km)	Offset from centerline (m)	Optimum binder content as per mix design (%) -A	Binder content measured (%) -B	Deviation of measured binder content from optimum binder mix (%) -C	Binder content General specification requirements (%) -C/(B-A)	Remarks on specifications
1	0+987	Centerline	4.75	4.2	-0.55	4-7	Binder content is okay based on general specification, however it has high deviation
2	2+000	2.5m RHS	4.75	4.1	-0.65	4-7	Binder content is okay based on general specification, however it has high deviation
3	3+000	2.5m LHS	4.75	5.2	0.45	4-7	Binder content is okay, meets requirements
4	4+000	Centerline	4.75	3.8	-0.95	4-7	Not complied with specification requirements
5	5+301.5	4m RHS	4.75	4.5	-0.25	4-7	Binder content is okay based on general specification with slight deviation
6	7+000	2.5m LHS	4.75	4.0	-0.75	4-7	Binder content is within general specification, however, it is at boundary, also it has high deviation.
7	16+000	Centerline	4.75	4.7	-0.05	4-7	Binder content is okay, meets requirements
8	22+000	2m RHS	4.75	5.2	0.45	4-7	Binder content is okay, meets requirements
9	28+000	2.5m LHS	4.75	3.6	-1.15	4-7	Not complied with specification requirements
10	32+000	Centerline	4.75	4.0	-0.75	4-7	Binder content is okay as per general specification, however it is at the boundary (marginal), also has high deviation.
11	Taiama Njala						

S/N	Chainage (km)	Offset from centerline (m)	Optimum binder content as per mix design (%) -A	Binder content measured (%) -B	Deviation of measured binder content from optimum binder mix (%) -C	Binder content General specification requirements (%) -C/(B-A)	Remarks on specifications
12	Moyamba et.al						

Source: Laboratory test results (December, 2018)

1355. The table above shows that, 4 out of 10 cored samples had the amount of binder that is within the acceptable limits while, the remaining 6 cored samples from all roads had binder contents that were not within the suitable stated requirement. This implies that, the amount of binder applied was less hence it can have lower fatigue resistance and problems with ravelling (self-removal/detaching of aggregates from the mix as they become loose) and stripping.

Air Voids (%)

1356. According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report, it is specified that, the air voids of bituminous mixes should be within a range of 4-7%. Table 111 shows the details of the results.

Table 103: Analysis of asphalt concrete air voids (core samples) for Makeni-Kamakwei-Madinaoula

S/N	Chainage (km)	Offset from centerline (m)	Air voids (%)	Air voids requirements (%)	Remarks on specifications
1	0+987	Centerline	5.3	4-7	Meets specification requirements
2	2+000	2.5m RHS	6.1	4-7	Meets specification requirements
3	3+000	2.5m LHS	5.2	4-7	Meets specification requirements
4	4+000	Centerline	7.0	4-7	Meets specification requirements
5	5+301.5	4m RHS	6.3	4-7	Meets specification requirements
6	7+000	2.5m LHS	8.9	4-7	Not complied with specification requirements as it is beyond upper limit.
7	16+000	Centerline	8.0	4-7	Not complied with specification requirements as it is beyond upper limit.
8	22+000	2m RHS	7.2	4-7	Not complied with specification requirements as it is beyond upper limit.
9	28+000	2.5m LHS	8.4	4-7	Not complied with specification requirements as it is beyond upper limit.

Source: Laboratory measurements

1357. From the Table, 4 out of 9 cored roads had air voids falling outside the required specification, 5 out of 9 had results meeting required specification. The higher the air voids content reduces the durability of an asphalt pavement (can cause a significant reduction in pavement life) since air voids is a function of the air-void content.

Voids Filled with Asphalt (VFA) in Percentage

1358. According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report, it is specified that, the voids filled with asphalt of bituminous mixes should be within a range of 70-80%. Table 112 shows the details of the results.

Table 104: Analysis of Voids Filled with Asphalt (VFA) for Makeni-Kamakwei-Madinaoula

S/N	Chainage (km)	Offset from centerline (m)	Voids Filled with Bitumen (VFA) %	Voids Filled with Bitumen requirements (%)	Remarks on specifications
1	0+987	Centerline	63.9	70-80	Not complied with specification requirements
2	2+000	2.5m RHS	59.9	70-80	Not complied with specification requirements
3	3+000	2.5m LHS	66.2	70-80	Not complied with specification requirements
4	4+000	Centerline	55.7	70-80	Not complied with specification requirements
5	5+301.5	4m RHS	60.1	70-80	Not complied with specification requirements
6	7+000	2.5m LHS	49.7	70-80	Not complied with specification requirements
7	16+000	Centerline	54.3	70-80	Not complied with specification requirements
8	22+000	2m RHS	58.1	70-80	Not complied with specification requirements
9	28+000	2.5m LHS	50.3	70-80	Not complied with specification requirements

Source: Laboratory measurements

1359. From above, all cored samples from all roads did not meet the required specifications. This implies that, the asphalt mix for the roads is likely to be unstable.

Voids in Mineral Aggregates (VMA) in Percentage

1360. According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report, it is specified that, the voids in mineral aggregates of bituminous mixes should be minimum 15%. Table 113 shows the details of the results.

Table 105: Analysis of Voids in Mineral Aggregates (VMA) for Makeni-Kamakwei-Madinaoula

S/N	Chainage (km)	Offset from centerline (m)	Voids in Mineral Aggregates-VMA (%)	Voids in Mineral Aggregates-VMA requirements (%)	Remarks on specifications
1	0+987	Centerline	14.7	15	Not complied with specification requirements
2	2+000	2.5m RHS	15.2	15	Meets specification requirements
3	3+000	2.5m LHS	15.4	15	Meets specification requirements
4	4+000	Centerline	15.8	15	Meets specification requirements
5	5+301.5	4m RHS	15.8	15	Meets specification requirements
6	7+000	2.5m LHS	17.7	15	Meets specification requirements
7	16+000	Centerline	17.5	15	Meets specification requirements
8	22+000	2m RHS	17.2	15	Meets specification requirements
9	28+000	2.5m LHS	16.9	15	Meets specification requirements

Source: Laboratory measurements

1361. From above 8 out of 9 samples for roads met the specification requirements while the remaining 1 sample did not meet the specification requirements on voids in mineral aggregates. This implies that, for 1 sample that has not met the requirements, when VMA is too low, there is not enough room in the mixture to add sufficient asphalt binder to adequately coat the individual aggregate particles hence has effect on the stability of the pavement structure.

Grading of Aggregates (Makeni-Kamakwei-Madinaoula road project)

1362.The analysis of laboratory test results on aggregate grading was conducted as indicated in the Table 114

Table 106:Laboratory aggregate grading test results for Makeni-Kamakwei-Madinaoula

Chainage (km)	Offset from centerline(m)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
0+987	Centerline	60.0	The percentage of aggregates passing sieves 12.5mm (91.7%) and 9.5mm (76.8%) are marginal to the upper limit of envelope, percentage of aggregates passing sieves 4.75mm (60.3%) & 2mm (40.3%) are out of aggregate envelope.	There was deviation in controlling the production of aggregates.
2+000	2.5m RHS	63.8	The percentage of aggregates passing sieves 4.75mm (59.1%) and 2mm (38.2%) are out of the aggregate envelope.	There was high deviation in control production of aggregates that posed a high risk of having much amount fall out of the aggregates envelope
3+000	2.5m LHS	53.5	The percentage of aggregates passing all sieves are within the aggregate envelope hence they meet specification	There was a good control of production of aggregates material.
4+000	Centerline	68.0	The percentage of aggregates passing sieves 9.5mm (78.5%) is marginal-close to upper limit, while the percentage passing sieves 4.75mm (58.3%) and 2mm (37.2%) are out of aggregates envelope.	More efforts are needed to control production of the aggregates to make them have an envelope that to a large extent is not marginal (avoiding lying at near the boundaries of upper and lower limits.
5+301.5	4m RHS	46.8	Percentage passing sieves 12.5 mm (97.0%), 9.5mm (82.2%), 4.75mm (63.6%) and 2mm (43.1%) are out of	There was a deviation in controlling production of aggregates as a large number of sieves fall out of the

Chainage (km)	Offset from centerline(m)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
			aggregates envelope, while percentage of aggregates passing sieve 0.475mm (18.7%) is marginal to the upper limit of aggregate envelope.	aggregates envelope. Also, there was a slight deviation in controlling fines as they are closer to the upper limit of aggregate envelope.
7+000	2.5m LHS	50.8	Percentage passing all sieves are within the aggregate envelope	There was a good control of production of aggregates as percentage of aggregates passing all sieves is within the aggregate envelope.
16+000	Centerline	53.3	Percentage passing sieves 12.5mm (94.2%), 9.5mm (81.2%), 4.75mm (57.9%) are out of the aggregate envelope while percentage passing 2mm (36.3%) is very close to marginal of aggregates envelope	There was a deviation in controlling production of aggregates, more control is needed to make aggregates percentage passing to fall within the envelope.
22+000	2m RHS	55.3	Percentage passing sieves 12.5 mm (95.3%), 9.5 mm (86.0%), 4.75mm (67.2%) and 2mm (45.4%) are out of the aggregate envelope, while percentage passing sieve 0.475mm (19.3%) is very close to marginal of aggregates envelope	There was a high deviation in controlling production of aggregates so as to make them be fall within the aggregate envelope as well as controlling amount of fines.
28+000	2.5m LHS	50.4	Percentage of aggregates passing all sieves are within the aggregate envelope	There was a good control of production of aggregates as percentage of aggregates passing all sieves is within the aggregate envelope.
32+000	Centerline		Percentage of aggregates passing all sieves are within the aggregate envelope	There was a good control of production of aggregates as percentage of aggregates

Chainage (km)	Offset from centerline(m)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
				passing all sieves is within the aggregate envelope.

Source: Laboratory test results (December, 2018)

Rokupr Spur- Bamoi Road /Mange-Mambolo Road Project

Thickness of Double Bituminous Surface Treatment

1363.The audit team based on the samples of cores taken from field analysed the thickness parameter as shown in Table 115.

Table 107: Test Locations on Double Bituminous Surface Treatment- layer thickness

S/N	Road Name	Chainage (km)	Position	Offset from Centreline (m)	Required thickness (mm) A	Measured thickness (mm) B	Difference (mm) C=B-A
1	Rokupr Spur- Bamoi Road	1+000	Centreline	0	15	21.7	6.7
		3+500	Right Hand Side	2.5	15	27	12
		6+000	Left Hand Side	2.5	15	29	14
		Average			15	25.9	
2	Mange- Mambolo Road Project	3+500	Left Hand Side	2.5	15	27.3	12.3
		7+000	Centreline	0	15	23	8
		10+500	Right Hand Side	2.5	15	21.3	6.3

S/N	Road Name	Chainage (km)	Position	Offset from Centreline (m)	Required thickness (mm) A	Measured thickness (mm) B	Difference (mm) C=B-A
		14+000	Left Hand Side	2.5	15	23	8
		17+500	Centreline	0	15	25.3	10.3
		21+000	Right Hand Side	2.5	15	22	7
		24+500	Left Hand Side	2.5	15	20.3	5.3
		Average			15	23.17	

Source: Field data (December, 2018)

1364. From the Table, it is indicated that, all cored samples have thicknesses which are greater than the specified thickness of 15mm, hence these values can sustain the incoming load as per standard.

Water Absorption and Specific Gravity of Aggregates used in Double Bituminous Surface Treatment

1365. The audit team carefully studied relevant test standards and determined the numbers of tests using Technical Specification of Sierra Leone Roads Authority and the Overseas Road Note 31-A guide to the structural design of bitumen-surfaced roads in tropical and sub-tropical countries¹⁵. In compliance with the above requirements, the audit team scored a total of 10 samples from the double bituminous surface treatment of Bamoi- Rokupr Spur, and Mange – Mambolo road projects and determined water absorption and specific gravity. The results of the tests are as indicated below.

¹⁵Table 8.1 of Overseas Road Note 31, page 35(Coarse aggregates for bituminous mixes).

Table 108: Test results on water absorption and specific gravity

S/N	Test conducted	Required value	Measured value	Remarks
1	Water absorption	< 2%	0.1	Meets requirements
2	Bulk Specific gravity (g/cm ³) (Saturated Surface-Dry Basis)	N/A	2.9051	
3	Bulk Specific gravity (g/cm ³) (Dry Basis)	N/A	2.903	

Source: Laboratory test results

1366.From above, it is shown that, the value of water absorption meets the specified requirements.

Site verification data for selected road projects

1367.The audit team conducted site verification to the selected roads for the purpose of verifying physical features available such as culverts (pipe and boxes), dimensions of roads (width of carriage way, headwalls, and wing walls). The table below shows details of the information collected

Table 109: Site verification data

Project name	Road name	Chainage (km)	Standard as per design(m)-full width A	Measured width(m)-full width B	Difference (m)-C C=B-A
Kabala Township Phase II	Agriculture Road	0+400 Centerline	8	7.27	-0.73
	Agriculture Road	0+600 Centerline	8	7.18	-0.82
	Agriculture Road	0+800 RHS	8	7.16	-0.84
	Bilmaia Street	0+450 Centerline	8	7.42	-0.58
	Fulla Street	0+158 LHS	8	7.2	-0.8
	Mamusa Lane	0+125 Centerline	8	7.36	-0.64
	Forest Street	0+330 Centerline	8	7.19	-0.81
	Abdulai Street	0+427 Centerline	8	7.33	-0.67
	Shaik Bukari Street	0+212.5 Centerline	8	Not measured	N/A
	Koda Kayaka Street	0+401.8 Centerline	8	Not measured	N/A
	Bankolia Street	0+345	8	Not measured	N/A

Project name	Road name	Chainage (km)	Standard as per design(m)-full width A	Measured width(m)-full width B	Difference (m)-C C=B-A
		LHS			
Makeni-Kamakwei-Madinaoula	Makeni-Kamakwei-Madinaoula	0+987 Centerline	10.3	10.45	0.15
		2+000 RHS	10.3	10.53	0.23
		3+000 LHS	10.3	10.25	-0.05
		4+000 Centerline	10.3	10.47	0.17
		5+301.5 RHS	10.3	10.56	0.26
		7+000 LHS	10.3	10.47	0.17
		16+000 Centerline	10.3	10.47	0.17
		22+000 RHS	10.3	10.60	0.3
		28+000 LHS	10.3	10.50	0.2
		32+000 Centerline	10.3	10.54	0.24
Rokupr Spur	Rokupr Spur	1+000 Centerline	8.0	8.5	0.5
		3+500 RHS	8.0	8.4	0.4
		6+000 LHS	8.0	8.27	0.27
Mange-Mambolo	Mange-Mambolo	3+500 LHS	8.0	Not measured	N/A
		7+000 centerline	8.0	Not measured	N/A
		10+500 RHS	8.0	Not measured	N/A

Project name	Road name	Chainage (km)	Standard as per design(m)-full width A	Measured width(m)-full width B	Difference (m)-C C=B-A
		14+000 LHS	¹⁶ 8.0	8.6	0.6
		17+500 Centerline	8.0	8.5	0.5
		21+000 RHS	8.0	8.18	0.18
		24+500 LHS	8.0	8.38	0.38
Waterloo Township	Waterloo Township		8.0	6.0-7.00	-2 to -1
Kono-Kabala Township	Koikadu	1+040 LHS	8.0	6.2	-1.8
		1+040 RHS	8.0	8.2	0.2
		2+480 one lane	8.0	7.5	-0.5
		2+820 one lane	8.0	8.4	0.4
		3+220	8.0	10.2	2.2
		5+180	8.0	10.1	2.1
	Canatry road	0+490-0+878	8.0	7.4-8.10	-0.6 to 0.10
	Hospital road	0+380-0+620	8.0	6.7-7.2	-1.3 to -0.8
	Bona Street	0+067-0+989	8.0	6.9-7.2	-1.1 to -0.8
	Yadu street	0+700-1+340	8.0	6.9-7.2	1.1 to -0.8
	Turner street	0+019-0+440	8.0	6.9-8.0	-1.1 to 0.0

Source: Field verification details

¹⁶ This width was latter on changed to 8.6m as per final report of Rokupr Spur/Mange- Mambolo road project.

Thickness of Asphalt Concrete Layer

1368. According to Overseas Road Note 31 (TRL) Chart 7, for the design of Taiama Njala University road project, the minimum thickness of asphalt core is 50mm. The checked individual thicknesses are as indicated below.

Table 110; Taiama Njala University road project

Road Name	Offset (m)	Required thickness (mm) A	Measured thickness (mm) B	Difference (mm) C=B-A
0 + 500		50	52.3	2.3
1 + 500		50	63.3	13.3
2 + 500		50	48.3	-1.7
3 + 500		50	40.0	-10
4 + 500		50	46.8	-3.2
5 + 500		50	40.3	-0.7
6 + 500		50	55.5	5.5
7 + 500		50	46.3	-3.4
8 + 500		50	54.3	4.3

Source: Field data (December, 2018)

1369. From the table, it is shown that, 5 out of 10 cored samples have thicknesses which are less than the specified thickness of 50mm, hence these values will not sustain the incoming load as per standard.

Binder Content (%)

1370. According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report, it is specified that, the binder

content of bituminous mixes should within a range of 4-7%. The Table below shows the details of the results.

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Table 111; Analysis of asphalt concrete binder content (core samples) for Taiama Njala University

S/N	Chainage (km)	Offset (m)	Optimum binder content from mix design(%)-A	Binder content measured (%)-B	Deviation of measured binder content from optimum binder mix (%)-C (B-A)	Binder content general specifications (%)	Remarks on specifications
1	0 + 500		5.2	4.1	-1.1	4-7	Binder content meets general specification with high deviation below the optimum binder content
2	1 + 500		5.2	5.2	0.0	4-7	Binder content meets general specification with zero deviation from optimum binder content. It is Okay.
3	2 + 500		5.2	5.3	0.1	4-7	Binder content meets general specification. It is Okay.

4	3 + 500		5.2	4.4	-0.8	4-7	Binder content meets general specification with high deviation below optimum binder content
5	4 + 500		5.2	4.8	-0.4	4-7	Binder content meets general specification .
6	5 + 500		5.2	4.7	-0.5	4-7	Binder content meets general specification with high deviation from optimum binder content.
7	6 + 500		5.2	5.3	0.1	4-7	Binder content meets general specification. It is Okay.
8	7 + 500		5.2	4.9	-0.3	4-7	Binder content meets general specification with a deviation of 0.3% below the optimum binder content.
9	8 + 500		5.2	4.4	-0.8	4-7	Binder content meets general specification with high deviation of 0.8% below the optimum binder content.

Source: Laboratory test results (December, 2018)

1371. From above, it is shown that, cored samples from all roads had binder contents that were within the stated requirement, however, the cores varied in the extent of deviation from the optimum binder content whereby 6 out of cored samples had high deviation below the optimum binder content.

Bulk Density of Asphalt Concrete Layer

1372. Tests for bulk density conducted on the cored asphalt concrete samples gave the individual results as shown in Table 120.

Table 112: Analysis of Bulk Density of Asphalt Concrete Layer

S/N	Chainage (km)	Offset from centerline (m)	Bulk Density (g/ml) A	Marshall Density on Mix Design (g/cm) B	Field Compaction (%) $C=(A/B)*100$	Field Compaction requirement (%)	Remarks on specifications
1	0 + 500		2.299	No details		¹⁷ 93	
2	1 + 500		2.280	No details		93	
3	2 + 500		2.247	No details		93	
4	3 + 500		2.255	No details		93	
5	4 + 500		2.228	No details		93	
6	5 + 500		2.236	No details		93	
7	6 + 500		2.353	No details		93	
8	7 + 500		2.319	No details		93	
9	8 + 500		2.279	No details		93	

Source: Laboratory test results on cored samples (December, 2018)

Note: (Analysis for this part is after supply of information on Marshall Mix design bulk density), this was because information was not provided during the audit.

¹⁷ Overseas Road Note 31 (A guide to the structural design of bitumen-surfaced roads in tropical and sub-tropical countries)

Voids in Mineral Aggregates (VMA) in %

1373. According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, and the project pavement design review report, it is specified that, the voids in mineral aggregates of bituminous mixes should be minimum 15%. Table 121 shows the details of the results.

Table 113: Analysis of Voids in Mineral Aggregates (VMA) for Taiama Njala Road

S/N	Chainage (km)	Offset from centerline (m)	Voids in Mineral Aggregates-VMA (%)	Voids in Mineral Aggregates-VMA requirements (%)	Remarks on specifications
1	0 + 500		17.6	15	Meets specification requirements
2	1 + 500		19.2	15	Meets specification requirements
3	2 + 500		20.5	15	Meets specification requirements
4	3 + 500		19.4	15	Meets specification requirements
5	4 + 500		20.7	15	Meets specification requirements
6	5 + 500		20.4	15	Meets specification requirements
7	6 + 500		16.7	15	Meets specification requirements
8	7 + 500		17.6	15	Meets specification requirements
9	8 + 500		18.6	15	Meets specification requirements

Source: Laboratory measurements

1374. From the Table, all cored samples for roads met the specification requirements on voids in mineral aggregates. This implies that, there is satisfactory stability of the pavement structure on the cored samples from the road.

Air Voids (%)

1375. According to the Technical Specification for this road, it is specified that, the air voids of bituminous mixes should be within a range of 3-5%. Table below shows the details of the results.

Table 114: Analysis of asphalt concrete air voids (core samples) for Taiama-Njala Road

S/N	Chainage (km)	Offset from centerline (m)	Air voids as per marshall mix design (%)	Air voids measured (%)	Air voids requirement (%)	Remarks on specifications
1	0 + 500		¹⁸ 3.2	7.4	3-5	A measured air void does not comply with specification requirements.
2	1 + 500		3.2	8.2	3-5	Measured air voids do not comply with specification requirements.
3	2 + 500		3.2	9.5	3-5	Measured air voids do not comply with specification requirements.
4	3 + 500		3.2	9.2	3-5	Measured air voids do not comply with specification requirements.
5	4 + 500		3.2	10.3	3-5	Measured air voids do not comply with specification requirements.
6	5 + 500		3.2	9.9	3-5	Measured air voids do not comply with specification requirements.
7	6 + 500		3.2	5.2	3-5	Measured air voids have slight deviation from upper limit of air voids.
8	7 + 500		3.2	6.6	3-5	Measured air voids do not comply with the specification requirements.

¹⁸ The value of air voids as per Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design is 4-7%.

S/N	Chainage (km)	Offset from centerline (m)	Air voids as per marshall mix design (%)	Air voids measured (%)	Air voids requirement (%)	Remarks on specifications
9	8 + 500		3.2	8.2	3-5	Measured air voids do not comply with specification requirements.

Source: Laboratory measurements

1376.From the Table, 8 out of 9 cored roads had air voids falling outside the required specification, while 1 out of 9 had result which has slightly deviated from the required specification. This implies that, the air voids parameters for the cored samples have to a large extent not complied with the specification requirements as elaborated in the above. For the 8 cores with air voids falling outside the range (higher values) imply that, the durability of an asphalt pavement is reduced (can cause a significant reduction in road *pavement* life) since air voids is a function of the air-void content.

1377.Also, the audit team noted that, the design for air voids has been changed in comparison to the one specified in Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, however, such adjustment of the specification for air voids was not fruitful at all. Table below shows analysis of results if the specification of 4-7 as per the Technical Specification of SLRA were followed and applied.

Table 115: Analysis of asphalt concrete air voids (core samples) for Taiama Njala Road

S/N	Chainage (km)	Offset from centerline (m)	Air voids as per marshall mix design (%)	Air voids measured (%)	Air voids requireme nts (%)	Remarks on specifications
1	0 + 500		3.2	7.4	4-7	Measured air voids do not comply with specification requirements. Also, the air voids from the mix design is does not meet the specification requirements.
2	1 + 500		3.2	8.2	4-7	Measured air voids do not comply with specification requirements. Also, the air voids from the mix design is does not meet the specification requirements.
3	2 + 500		3.2	9.5	4-7	Measured air voids do not comply with specification requirements. Also, the air voids from the mix design is does not meet the specification requirements.
4	3 + 500		3.2	9.2	4-7	Measured air voids do not comply with specification requirements. Also, the air voids from the mix design is does not meet the specification requirements.
5	4 + 500		3.2	10.3	4-7	Measured air voids do not comply with specification requirements. Also, the air voids from the mix design is does not meet the specification requirements.
6	5 + 500		3.2	9.9	4-7	Measured air voids do not comply with specification requirements. Also, the air voids from the mix design is does not meet the specification requirements.
7	6 + 500		3.2	5.2	4-7	Measured air voids meet the specification requirements. However, the air voids from the mix design does not meet the specification requirements.
8	7 + 500		3.2	6.6	4-7	Measured air voids meet the specification requirements. However, the air voids from the mix design does not meet the specification requirements.
9	8 + 500		3.2	8.2	4-7	Measured air voids do not comply with specification requirements. Also, the air voids from the mix design does not meet the specification requirements.

Source: Laboratory results.

1378. From the Table still the 7 out of 9 cored samples are not falling within the required specification, only two cored sample are within the required specification. This implies that, the efforts to control the air voids was still not successful.

Voids Filled with Asphalt (VFA) in %

1379. According to the Technical Specification for design of this road, it is specified that, the voids filled with asphalt of bituminous mixes should within a range of 75-82%. Table 124 shows the details of the results.

Table 116: Analysis of Voids Filled with Asphalt (VFA) for Taiama Njala Road

S/N	Chainage (km)	Offset from centerline (m)	Voids Filled with Bitumen (VFA) as per mix design %	Voids Filled with Bitumen (VFA) as measured %	Void Filled with Bitumen requirements (%)	Remarks on specifications
1	0 + 500		78	58.0	75-82	Not complied with specified requirements
2	1 + 500		78	57.3	75-82	Not complied with specified requirements
3	2 + 500		78	53.7	75-82	Not complied with specified requirements
4	3 + 500		78	52.6	75-82	Not complied with specified requirements
5	4 + 500		78	50.2	75-82	Not complied with specified requirements
6	5 + 500		78	51.5	75-82	Not complied with specified requirements

S/N	Chainage (km)	Offset from centerline (m)	Voids Filled with Bitumen (VFA) as per mix design %	Voids Filled with Bitumen (VFA) as measured %	Voids Filled with Bitumen requirements (%)	Remarks on specifications
7	6 + 500		78	68.9	75-82	Not complied with specified requirements
8	7 + 500		78	62.5	75-82	Not complied with specified requirements
9	8 + 500		78	55.9	75-82	Not complied with specified requirements

Source: Laboratory measurements

1380. From above, all cored samples from all roads did not meet the required specifications. This implies that, the asphalt mix for the roads is likely to be unstable.

Grading of Aggregates (Taiama - Njala University road)

1381. The analysis of laboratory test results on aggregate grading was conducted as indicated in the table below

Table 117: Laboratory aggregate grading test results for Taiama Njala University road

Chainage (km)	Offset from centerline (m)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
0 + 500		52.3	The percentage of aggregates passing sieves 12.5mm (95.3%) and 9.5mm (81.7%) are out of aggregate envelope, while sieve 4.75mm (52.4%) is within the aggregate envelope, while sieves 2mm (36.6%), 0.475mm (19.3%) are marginal –close to upper limit of	There was no effective monitoring in controlling the production of aggregates that resulted into non-uniformity in meeting specification requirement for both coarse and fine aggregates.

Chainage (km)	Offset from centerline(m)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
			aggregate envelope and sieves 0.18mm(10.5%) and 0.075mm (4.2%) are within the aggregate envelope.	
1 + 500		63.3	The percentage of aggregates passing sieves 12.5mm(95.3%), sieve 9.5mm(81.7%) are out of aggregate envelope while percentages passing sieves 2mm(36.6%) and sieve 0.475mm(19.3%) very close to marginal of aggregates envelope upper limits	There was no effective monitoring the production of aggregates that could ensure that materials passing sieves are within the aggregate envelope.
2 + 500		48.3	The percentage of aggregates passing sieves 12.5mm (95.3%), 9.5mm (87.2%), 4.75mm (71.0%), 2mm (50.3%) and 0.475mm (25.4%) are out of aggregates envelope while two sieves namely 0.18mm (13.8%) and 0.075mm (4.8%).	There was no effective monitoring the production of aggregates (coarse aggregates) that could ensure that materials passing sieves are within the aggregate envelope. However, two sieves have percentages of fines that is within the aggregate envelope.
3 + 500		40.0	Percentage of aggregates passing all sieves except sieve 0.075mm (5%) have not met the required specification as it is out of aggregate envelope.	There was no effective control/monitoring the production of aggregates.
4 + 500		46.8	Percentages of aggregates passing sieves 12.5mm (91.3%) and 9.5mm (76.7%) are marginal-close to upper limit of aggregate envelope, 4.75mm (59.1%), 2mm (48.6%) & 0.475mm (24.2%) out of upper limit of aggregates envelope, while 0.18mm (12.7%) and	There was no effective control in the production of aggregates as the degree of compliance to specification is not uniform as most of aggregates are out of envelope.

Chainage (km)	Offset from centerline(m)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
			0.075mm (3.8%) are within the aggregates envelope.	
5 + 500		40.3	Percentages of aggregates passing in sieves are out of aggregates envelope except sieves 0,18mm (12.5%) and 0.075mm (5.5%) which are within the aggregates envelope.	There was no effective control of aggregates production that could ensure that material meet specification requirement.
6 + 500		55.5	Percentages of aggregates passing in sieves are out of aggregates envelope except sieves 0,18mm(12.8%) and 0.075mm(3.6%) which are within the aggregates envelope.	There was no control in the production of coarse aggregates as percentages passing sieves are out of aggregates upper limit of envelope. Also, there was no effective control in the production of fines that could ensure all fines particles meet specification requirements since sieves meeting requirements are only 0,18mm(12.8%) and 0.075mm(3.6%) which are within the aggregates envelope.
7 + 500		46.3	Percentages of aggregates passing in sieves are out of aggregates envelope except sieves 0,18mm(14.9%) which is marginal to the upper limit of the envelope and 0.075mm(3.8%) which is within the aggregates envelope.	There was no effective control of aggregates production that could ensure that material meet specification requirement.
8 + 500		54.3	Percentages of aggregates passing in sieves are out of aggregates envelope except sieves 0.18mm(13.4%) and 0.075mm(3.8%) which are within the aggregates envelope.	There was no control in the production of coarse aggregates as percentages passing sieves are out of aggregates upper limit of envelope. Also, there was no

Chainage (km)	Offset from centerline(m)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
				effective control in the production of fines that could ensure all fines particles meet specification requirements since sieves meeting requirements are only 0.18mm (13.4%) and 0.075mm (3.6%).

Source: Laboratory test results

Moyamba, Pujehun, Matru Jong & Bonthe Township Roads

Thickness of Asphalt Concrete Layer

1382. According to Overseas Road Note 31 (TRL) Chart 7, for the design of Moyamba, Pujehun, Matru Jong & Bonthe Township Roads project, the minimum thickness of asphalt concrete layer is 50mm. The checked individual thicknesses are as indicated in the table below

Table 118: Laboratory test results for Moyamba, Pujehun, Matru Jong & Bonthe Township Roads

Road Name	Offset (m)	Required thickness (mm) A	Measured thickness (mm) B	Difference (mm) C=B-A
0 + 297.5 - Kamara Street		50	38.8	-11.2
0 + 325 - Makeni Road		50	42.3	-7.7
0 + 400 - Reservation Road		50	28.8	-21.2
0 + 480 - Reservation Road		50	39.0	-11
0 + 500 - Yoyeima Road		50	53.5	3.5
0 + 540 - Siaka Stevens St.		50	57.0	7
0 + 850 - Sembehun		50	39.8	-10.2

Road Name	Offset (m)	Required thickness (mm) A	Measured thickness (mm) B	Difference (mm) C=B-A
1 + 350 - Yoyeima Road		50	35.5	-14.5

Source: Field data (December, 2018)

1383. From above, it is shown that, 6 out of 8 cored samples have thicknesses which are less than the specified thickness of 50mm, while the remaining 2 projects have thickness values above 50mm, hence for 6 cores which have thicknesses less than 50mm imply that, the pavement will not sustain the incoming load as per specified standard that will in turn reduce the life span of the pavement structure.

Binder Content (%)

1384. According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, it is specified that, the binder content of bituminous mixes should be within a range of 4-7%. Below are the details of the results.

Table 119: Analysis of asphalt concrete binder content (core samples) for Moyamba, Pujehun, Mattru Jong & Bonthe Township Roads

S/N	Chainage (km)	Offset (m)	Optimum binder content from mix design(%)-A	Binder content measured (%) -B	Deviation of measured binder content from optimum binder mix (%) -C (B-A)	Binder content specification requirements (%)	Remarks on specifications
1	0 + 297.5 Kamara Street		5.2	3.1	-2.1	4-7	Binder content does not meets specification requirement
2	0 + 325 Makeni Road		5.2	6.0	0.8	4-7	Binder content meets specification requirements with high deviation above optimum binder content
3	0 + 400 Reservation Road		5.2	5.1	-0.1	4-7	Binder content meets specification requirements
4	0 + 480 Reservation Road		5.2	4.8	-0.4	4-7	Binder content meets specification requirement
5	0 + 500 Yoyeima Road		5.2	3.6	-1.6	4-7	Binder content does not meets specification requirement
6	0 + 540 Siaka Stevens St.		5.2	4.4	-0.8	4-7	Binder content does meets specification with high deviation below optimum binder content

S/N	Chainage (km)	Offset (m)	Optimum binder content from mix design(%)-A	Binder content measured (%)-B	Deviation of measured binder content from optimum binder mix (%)-C (B-A)	Binder content specification requirements (%)	Remarks on specifications
7	0 + 850 Sembehun		5.2	6.6	1.4	4-7	Binder content meets specification requirement with high deviation above optimum binder content
8	1 + 350 Yoyeima Road		5.2	4.2	-1.0	4-7	Binder content meets specification with high deviation below optimum binder content.

Source: Laboratory test results (December, 2018)

1385. From the table above it is shown that, 2 cored samples from roads had binder contents that did not completely comply with the stated specification requirement, 2 cores had binder content that meets specification requirement with high deviation above the optimum binder content, 3 cores meet specification with high deviation below optimum binder content, while 1 core had meets specification with slight deviation below optimum binder content.

Bulk Density of Asphalt Concrete Layer

1386. Tests for bulk density conducted on the cored asphalt concrete samples gave the individual results as shown in Table 128. It is shown that, all 8 cored samples meet the required field compaction

Table 120: Analysis of Bulk Density of Asphalt Concrete Layer

S/N	Chainage (km)	Offset from centerline (m)	Bulk Density (g/ml) A	Marshall Density on Mix Design (g/cm) B	Field Compaction (%) $C=(A/B) * 100$	Field Compaction requirement (%)	Remarks on specifications
1	0 + 297.5 Kamara Street		2.261	2.297	98.4	¹⁹ 93	Compaction is okay, meets requirement
2	0 + 325 Makeni Road		2.176	2.297	94.7	93	Compaction is okay, meets requirement
3	0 + 400 Reservation Road		2.146	2.297	93.4	93	Compaction is okay, meets requirement
4	0 + 480 Reservation Road		2.181	2.297	94.9	93	Compaction is okay, meets requirement

¹⁹ Overseas Road Note 31 (A guide to the structural design of bitumen-surfaced roads in tropical and sub-tropical countries)

S/N	Chainage (km)	Offset from centerline (m)	Bulk Density (g/ml) A	Marshall Density on Mix Design (g/cm) B	Field Compaction (%) $C=(A/B) \times 100$	Field Compaction requirement t (%)	Remarks on specifications
5	0 + 500 Yoyeima Road		2.213	2.297	96.3	93	Compaction is okay, meets requirement
6	0 + 540 Siaka Stevens St.		2.414	2.297	105.1	93	Compaction is okay, meets requirement
7	0 + 850 Sembehun		2.321	2.297	101.0	93	Compaction is okay, meets requirement
8	1 + 350 Yoyeima Road		2.238	2.297	97.4	93	Compaction is okay, meets requirement

Source: Laboratory test results on cored samples

Voids in Mineral Aggregates (VMA) in %

1387. According to the Technical Specification for road works of SLRA Clause 7.12.2.1-Mix Design, it is specified that, the voids in mineral aggregates of bituminous mixes should be minimum 15%. Table 129 shows the details of the results.

Table 121: Analysis of Voids in Mineral Aggregates (VMA) for Moyamba, Pujehun, Matru Jong & Bonthe Township Roads

S/N	Chainage (km)	Offset from centerline (m)	Voids in Mineral Aggregates-VMA (%)	Voids in Mineral Aggregates-VMA Specification requirements (%)	Remarks on specifications
1	0 + 297.5 Kamara Street		18.1	15	Meets specification requirements
2	0 + 325 Makeni Road		23.6	15	Meets specification requirements
3	0 + 400 Reservation Road		23.9	15	Meets specification requirements
4	0 + 480 Reservation Road		22.4	15	Meets specification requirements
5	0 + 500 Yoyeima Road		20.3	15	Meets specification requirements
6	0 + 540 Siaka Stevens St.		13.7	15	Not complied with specification requirements
7	0 + 850 Sembehun		19.0	15	Meets specification requirements
8	1 + 350 Yoyeima Road		19.9	15	Meets specification requirements

Source: Laboratory measurements

1388.As indicated above, 7 out of 8 cored samples for roads met the specification requirements on voids in mineral aggregates, while 1 core did not comply with the specification

requirements. This implies that, for the 7 cored samples, there is satisfactory stability of the pavement structure on the cored samples from the road while for 1 cored sample that has not meet the requirements there is no stability of the pavement structure.

Air Voids (%)

1389. According to the Technical Specification for this road, it is specified that, the air voids of bituminous mixes should be within a range of 3-5%. Table 130 shows the details of the results.

Table 122: Analysis of asphalt concrete air voids (core samples) for Moyamba, Pujehun, Matru Jong & Bonthe Township Roads

S/N	Chainage (km)	Offset from centerline (m)	Air voids as per marshall mix design (%)	Air voids measured (%)	Air voids requirements (%)	Remarks on specifications
1	0 + 297.5 Kamara Street		3.2	8.9	3-5	Measured air voids do not comply with specification requirements.
2	0 + 325 Makeni Road		3.2	12.4	3-5	Measured air voids do not comply with specification requirements.
3	0 + 400 Reservation Road		3.2	13.5	3-5	Measured air voids do not comply with specification requirements.
4	0 + 480 Reservation Road		3.2	12.2	3-5	Measured air voids do not comply with specification requirements.
5	0 + 500 Yoyeima Road		3.2	10.9	3-5	Measured air voids do not comply with specification requirements.

S/N	Chainage (km)	Offset from centerline (m)	Air voids as per marshall mix design (%)	Air voids measured (%)	Air voids requirements (%)	Remarks on specifications
6	0 + 540 Siaka Stevens St.		3.2	2.7	3-5	Measured air voids do not comply with specification requirements.
7	0 + 850 Sembehun		3.2	6.5	3-5	Measured air voids do not comply with specification requirements.
8	1 + 350 Yoyeima Road		3.2	9.9	3-5	Measured air voids do not comply with specification requirements.

Source: Laboratory measurements

1390. From above, it is shown that, all cored sample from roads had air voids falling outside the required specification. This implies that, the air voids parameters for the cored samples have to a large extent not complied with the specification requirements implying that, the durability of an asphalt pavement is reduced (can cause a significant reduction in pavement life) since air voids is a function of the air-void content.

Voids Filled with Asphalt (VFA) in %

1391. According to the Technical Specification for design of this road, it is specified that, the voids filled with asphalt of bituminous mixes should within a range of 75-85%. Table 131 shows the details of the results.

Table 123: Analysis of Voids Filled with Asphalt (VFA) for Moyamba, Pujehun, Mattru Jong & Bonthe Township Roads

S/N	Chainage (km)	Offset from centerline (m)	Voids Filled with Bitumen (VFA) as per mix design %	Voids Filled with Bitumen (VFA) as measured %	Void Filled with Bitumen requirements (%)	Remarks on specifications
1	0 + 297.5 Kamara Street	Nil	82	50.8	75-85	Not complied with specified requirements
2	0 + 325 Makeni Road	Nil	82	47.5	75-85	Not complied with specified requirements
3	0 + 400 Reservatio n Road	Nil	82	43.5	75-85	Not complied with specified requirements
4	0 + 480 Reservatio n Road	Nil	82	45.5	75-85	Not complied with specified requirements
5	0 + 500 Yoyeima Road	Nil	82	46.3	75-85	Not complied with specified requirements
6	0 + 540 Siaka Stevens St.	Nil	82	80.3	75-85	Meets specified requirements with low deviation of the mix design value
7	0 + 850 Sembehun	Nil	82	65.8	75-85	Not complied with specified requirements

S/N	Chainage (km)	Offset from centerline (m)	Voids Filled with Bitumen (VFA) as per mix design %	Voids Filled with Bitumen (VFA) as measured %	Void Filled with Bitumen requirements (%)	Remarks on specifications
8	1 + 350 Yoyeima Road	Nil	82	50.3	75-85	Not complied with specified requirements

Source: Laboratory measurements

1392. From above, it is shown that, 7 out of 8 cored samples from all roads did not meet the required specifications, 1 cored sample meets specified requirement. This implies that, for 7 cored samples, asphalt mix for the roads is likely to be unstable.

Grading of Aggregates (Moyamba, Pujehun, Matru Jong & Bonthe Township Roads)

1393. The analysis of laboratory test results on aggregate grading was conducted as indicated in the Table below

Table 124: Laboratory aggregate grading test results for Moyamba, Pujehun, Matru Jong & Bonthe Township Roads

Chainage (km)	Offset from centerline(m)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
0 + 297.5 Kamara Street		38.8	The percentage of aggregates passing sieves 19mm (85.6%) is out of aggregate envelope, while percentage of aggregates passing sieves 12.5mm (77.9%), 9.5mm (67.3%), 4.75mm (47.6%), 2mm (34.7%), 0.475mm (18.1%), 0.18mm (9.8%) and 0.075mm (3.7%).	There was satisfactory monitoring in production of aggregates, however, sieve amount of aggregates passed in sieve 19mm (85.6%), implying that there were aggregates of higher sizes that could not pass the sieve.

Chainage (km)	Offset from centerline(m)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
0 + 325 Makeni Road		42.3	The percentage of aggregates passing sieves all sieves are out of aggregate envelope except percentage passing sieve 0.18mm (10.7%) which is within the aggregates envelope.	There was no monitoring of the production of aggregates.
0 + 400 Reservation Road		28.8	Percentage of aggregates passing sieves 19mm (100%), 0.18mm (10.4%) and 0.075mm (3.1%) are within the aggregates envelope while percentages passing other sieves are out of aggregates envelope.	There was no monitoring of the production of aggregates as all coarse aggregates and partly of fines aggregates are do not comply the specification requirements.
0 + 480 Reservation Road		39.0	Percentage of aggregates passing sieves 19mm (100%), 0.18mm (13.4%) and 0.075mm (4.7%) are within the aggregates envelope while percentages passing other sieves are out of aggregates envelope.	There was no monitoring of the production of aggregates as all coarse aggregates and partly of fines aggregates are do not comply the specification requirements.
0 + 500 Yoyeima Road		53.5	Percentages of aggregates passing sieves 2mm (25.8%), 0.475mm (15.3%), 0.18mm (9.1%), and 0.075mm (3.3%) are within aggregates envelopes while percentages passing other sieves are out of the aggregates envelope.	There was no monitoring of production of coarse aggregates to ensure that the material meet required specification, there is good monitoring in the production of fines aggregates as all fines have

Chainage (km)	Offset from centerline(m)	Thickness (mm)	Noted anomalies on results	Remarks on specifications
				complied with requirements.
0 + 540 Siaka Stevens St.		57.0	Percentages of aggregates passing sieves 19mm(100%), 4.75mm(73.9%), 2mm(45.9%), 0.18mm(12.3%) and 0.075mm(4.4%) are within the aggregates envelope while aggregates passing other sieves do not comply with requirement	There was no monitoring of production of aggregates, this has resulted into non-uniformity in compliance with the specification requirement.
0 + 850 Sembehun		39.8	Percentages of aggregates passing sieves 19mm(100%), 0.18mm(13.9%) and 0.075mm(5.8%) are within the aggregates envelope while aggregates passing other sieves do not comply with requirement	There was no monitoring of production of aggregates, this has resulted into non-compliance with the specification requirement.
1 + 350 Yoyeima Road		35.5	Percentages of aggregates passing sieves 12.5mm (91.1%) is marginal-close to upper limit value, 0.18mm (13.2%) and 0.075mm (5.7%) are within the aggregates envelope while percentages of aggregates passing other sieves do not comply with requirement.	There was no monitoring of the production of aggregates. This has resulted into failure of getting uniformity in the production of coarse and fines that meet the specification requirements.

Source: Laboratory test results

1394. Based on the material quality tests conducted, the materials used for construction of roads have not fully complied to the required specification. Also, for materials that required checking and testing of more than one parameter, not all parameters comply with the specification requirements.

We recommend that Management of SLRA should:

- i. make effective monitoring on the quality of material used for project throughout the project execution stages to ensure that materials used meet the required specification; and
- ii. ensure that, for materials that require checking and testing of more than one parameter, the parameters tested meet the required specifications.

Inadequate Reporting of Executed Road Works

1395. The consultants for all road projects were required to prepare monthly progress reports and submit them to the employer (SLRA) for deliberations. This is according to the contract documents. However, the auditors reviewed the inception report, monthly progress reports and quarterly progress reports from 7 out of 18 reviewed projects whose documents were availed and reviewed by the auditors. This means that auditors could not be furnished with requested documents from 11 road projects.

1396. Other projects had no progress reports in place. However, it was noted that despite that the two are separate projects and contracts the consultant has been reporting them as one in one progress report without justifiable reasons as indicated below;

Table 125; Status of Progress Reports reviewed

Roads with Progress Reports	Projects without Progress Reports
<ol style="list-style-type: none"> 1. Bandajuma-Pujehun; 2. Taiama – Njala; 3. Freetown street Phase II, East zone, Lot 1; 4. Makeni – Kabala Phase II; 5. Wilkinson Road; 6. Kono-Kabala Township; and 7. Kabala Township Phase II 	<ol style="list-style-type: none"> 1. Moyamba et al; 2. Kailahun Township; 3. Blama hanga; 4. Weima Bridge; 5. Freetown street Phase II, West zone, Lot 3; 6. Mange - Mambolo Road; 7. Makeni-Kamakwei; 8. Waterloo Township; 9. Jomo Kenyata et al; 10. Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al; and 11. King Jimmy Embankment and drainage works

Source: Progress Reports Reviewed

1397. As indicated in Table 132, only 7 projects had progress reports submitted by consultants. Other remaining 11 road projects had progress reports missing. Details for number of reports submitted is as indicated in Table 134.

Table 126: Number of Progress Reports Submitted to SLRA by Consultants

S/N	Road project name	Status of Progress reports	Total Number of reports
1	Bandajuma-Pujehun	Yes	72
2	Taiama – Njala	Yes	72
3	Moyamba et al	No	No details
4	Kailahun Township	No	No details
5	Blama hanga	No	No details
6	Weima Bridge	No	No details
7	Freetown street Phase II, East zone, Lot 1	Yes	1
8	Freetown street Phase II, West zone, Lot 3	No	No details
9	Mange - Mambolo Road	Yes	No details
10	Makeni-Kamakwei	Yes	No details
11	Waterloo Township	Yes	1
12	Makeni – Kabala Phase II	Yes	9
13	Wilkinson Road	No	Not known
14	Kono-Kabala Township	Yes	43
15	Kabala Township Phase II	Yes	26
16	Jomo Kenyatta et al	No	Not known
17	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al	No	Not known
18	King Jimmy Embankment and drainage works	No	Not known

Source: *Review of Progress Reports 2015/16-2017/18*

1398. From the tables above it is shown that all 18 road projects audited did not adequately report on the projects which are being implemented. On the other hand, Consultants did not fully comply with the reporting requirements as agreed in the Terms of Reference and service contract for respective road projects.

1399. The consequences for not complying with reporting requirements include: (a) failure of the employer (SLRA) to timely know the progress work (b) delays in planning for effective execution of the project by employer in terms of human and financial resources and (c) lack of accountability on the side of the consultant based on the contract commitments put in

place during signing of service agreement that might bring about loss to the employer for the agreed deliverables.

1400.SLRA does not adequately ensure that Consultants report on the progress of respective road projects. SLRA does not have mechanisms which require Consultants to adequately prepare progress reports of respective road projects as per agreed terms and conditions of the consultancy contract.

We recommend that Management of SLRA should:

- i. ensure that progress of road works is adequately reported as per terms and conditions of the consultancy agreement;**
- ii. ensure that it makes follow-up of the reported progress and verify the details of the progress reports regularly; and**
- iii. SLRA should also consider reviewing consultants' agreement and enforce the terms of contracts of consultancy services including taking necessary actions for Consultants who do not prepare and report on the progress of the road works.**

Weaknesses on Road Work Measurements

1401.There were inadequacies in measurements of work done prior to approving the contractors IPCs. Table 135 provides for the analysis of status of projects measurements.

Table 127: Work Measurement Status

S/N	Road project name	Site instructions	Minutes of site meetings	measurements Records and inspection records
1	Bandajuma-Pujehun	✓	✓	x
2	Taiana – Njala	✓	✓	x
3	Moyamba et al	X	x	x
4	Kailahun Township	X	x	x
5	Blama hanga	x	x	x
6	Weima Bridge	x	x	x
7	Freetown street Phase II, East zone, Lot 1	x	x	x
8	Freetown street Phase II, West zone, Lot 3	x	✓	x
9	Mange - Mambolo Road	x	✓	x
10	Makeni-Kamakwei	✓	x	x
11	Waterloo Township	x	x	x

S/N	Road project name	Site instructions	Minutes of site meetings	measurements Records and inspection records
12	Makeni – Kabala Phase II	✓	x	x
13	Wilkinson Road	x	x	x
14	Kono-Kabala Township	✓	✓	✓
15	Kabala Township Phase II	✓	✓	x
16	Jomo Kenyata et al	x	x	x
17	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al	x	x	x
18	King Jimmy Embankment and drainage works	x	x	x
	Total	6	6	Nil

Source: Road Verification

1402. The table above indicates that it was only 6 out of 18 road projects had instruction site, 6 out of 18 projects had minutes of site meeting while none of 18 projects had while 1 project had a measurements records and inspection records. Consequences of not having records for road works led to deficiencies to most of the road projects and increase cost of the projects due to non-adherence to instructions and measurements. Also this may lead to payment of non-executed works due to lack of records of road works completed.

1403. SLRA does not adequately keep site meeting records as well as instructions given to contractors. It also does not keep records for measurement of works done by contractors.

We recommend that Management of SLRA should ensure that measurements of work done are adequately taken and recorded and all site meetings and instructions records are recorded and stored.

Contractual Weaknesses

Frequent Extensions of Time to Complete Projects

1404. In 18 projects visited, all projects were found to have the time of completion of contract extended from time to time and some of the projects had extension of time extended even prior to execution. Table below provides for original contract duration and extensions thereof.

Table 128: Extension of Time

S/N	Road Project Name	Original Completion Date	Latest Extension of time requested	No of Days Requested	Reasons for Extension of Time
1	Bandajuma-Pujehun	01-Jun-13	30-Jun-15	90	Change in scope and additional works/EPA's Closure of Quarry sites
2	Taiama - Njala	01-Jun-13	30-Jun-15	45	Change in scope and additional works
3	Moyamba et al	No contract	No contract	No details	On-going
4	Kailahun Township	No contract	No contract	No request seen	Outbreak of Ebola in the South region
5	Blama hanga	No contract	No contract	No request seen	On-going
6	Weima Bridge	I July 2017	Not known	No request seen	On-going
7	Freetown street Phase II, East zone, Lot 1	No contract	No contract	No request seen	On-going
8	Freetown street Phase II, West zone, Lot 3	01-Jun-13	30-Jun-17	No request seen	Delay in payments of IPCs
9	Mange - Mambolo Road	30 th August, 2014	No details	24 months	Addendum 1
10	Makeni-Kamakwei	18 th October, 2016	No details	No details	Addendum 2(Project Contract Details) dated on June, 2017: re-alignment of the road from km 0+000 to km 70+000; (2) The proposed modification of the Panlap junction; (3) Delay in disbursement of fund for execution of project.
11	Waterloo Township	February, 2017	No details	22 months	Additional works, Addenda and delay in

S/N	Road Project Name	Original Completion Date	Latest Extension of time requested	No of Days Requested	Reasons for Extension of Time
					disbursement of fund for execution of project.
12	Makeni – Kabala Phase II	September,2016	No details	No details	Not verified
13	Wilkinson Road	No details	No details	No details	Not verified
14	Kono-Kabala Township	8 th April, 2012	No details	No details	Not verified
15	Kabala Township Phase II	September 2017	No details	No details	Addition of 6 roads with a total length of 3.314km
16	Jomo Kenyata et al	No details	No details	No details	Not verified
17	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al	No details	No details	No details	Not verified
18	King Jimmy Embankment and drainage works	No details	No details	No details	Not verified

Source: Contract files reviewed

1405.As indicated above all reviewed projects which had extension of time requests reviewed had requested for extension of time several times. Most of the road projects requested time to at least 45 days. However, it was noted that all 18 projects audited were not complete. In addition, the following were noted: SLRA did not respond to Extension of time requested by contractors. e.g. Rehabilitation of Kailahun Township Roads, Rehabilitation of Moyamba Township Roads and Others; No records for extension of time in place for 5 out of 8 of the road projects that were reviewed and SLRA had a trend of not responding to the

letters which are directed to them by Consultants or Contractors such as letters requesting Change of Scope, Change in Designs, and Extension of time or payment of contractors' IPCs.

Delays in the Commencement of Projects

1406. The audit also noted that commencement of all 18 projects audited were delayed for several reasons as indicated in Table 137:

Table 129: Delays in Commencement of Road Projects

S/N	Road Project Name	Proposed Start Date per Contract	Actual Start Date
1	Bandajuma-Pujehun	01-Jun-13	21 October 2013
2	Taama – Njala	01-Jun-13	21 October 2013
3	Moyamba et al	No contract	No details
4	Kailahun Township	No contract	No details
5	Blama hanga	No contract	No details
6	Weima Bridge	No contract	No details
7	Freetown street Phase II, East zone, Lot 1	No contract	No details
8	Freetown street Phase II, West zone, Lot 3	No contract	No details
9	Mange - Mambolo Road	2 nd January, 2013	2 nd January, 2013
10	Makeni-Kamakwei	No details	19th October, 2012
11	Waterloo Township	No details	27th January, 2016
12	Makeni – Kabala Phase II	No details	10th March, 2015
13	Wilkinson Road	No details	June, 2012
14	Kono-Kabala Township	8th April, 2011	8th April, 2011
15	Kabala Township Phase II	No details	March, 2016
16	Jomo Kenyata et al	No details	March, 2012
17	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al	January, 2014	April, 2014
18	King Jimmy Embankment and drainage works	31 st January, 2014	No details

Source: Review of Project Details

1407. From Table, it can be seen that all projects were delayed to start. However, the audit did not verify any approvals from SLRA.

1408.The main reasons for delays to commence the implementation of the projects included:
Absence of approved programme of works, Lack of on time funding, Delay in payments of advance; Weak supervision from project managers and directors from SLRA and consultants and Appointment of consultants done after contract has been signed with contractors

1409.SLRA does not adequately ensure that projects commence as per approved programme of work.

We recommend that Management of SLRA should ensure that all contractors who are awarded contracts for road works commence the work in accordance to contracts period and approved programme of works.

Variations in Quality and Standard of Works

1410.Clause 33 of the conditions of contract stipulates that “the project manager shall check the contractors work and notify the contractor of any defects”. Subject to Clause 34, the Project Manager has the power to instruct the contractor to carryout tests to check whether any work has defects. Clause 55.1 of the conditions of contract states that the contractor shall request the project manager too issue certificate of completion of Works and the project manager will do so upon both the Project Manager and the Employer deciding that the work is completed. Clause 56 also stipulates the Employer shall take over the site and the works within 7 days of the issue of a Certificate of Completion.

1411.In addition, Clause 57 states the Contractor shall supply the project Manager with a detailed account of the total amount that the contractor considers payable under the contract before the end of the defects liability period. The project Manager shall issue a defects liability certificate and certify any final payment that is due to the contractor within 56 days of receiving the contractor’s account if it is correct and complete. If it is not, the Project Manager shall issue within 56 days a schedule that states the scope of the corrections or additions that are necessary.

Table 130: Extent the selected road projects met the technical specifications and their status of completion during audit

S/ N	Road project name	Drawings	Technical specs.		status			
			Material tests	Tests(batched) on site	On-going	suspended	completed	
							substantial	final
1	Bandajuma-Pujehun	NP	P	P	V	-	N/A	N/A
2	Taiaama - Njala	NP	P	P	V	-	N/A	N/A
3	Moyamba et al	NP	NP	NP	V	-	N/A	N/A
4	Kailahun Township	NP	NP	NP	V	V	N/A	N/A
5	Blama hanga	NP	NP	NP	V	-	N/A	N/A
6	Weima Bridge	NP	NP	NP	V	-	N/A	N/A
7	Freetown street Phase II, East zone, Lot 1	YES	NP	NP	V	V	N/A	N/A
8	Freetown street Phase II, West zone, Lot 3	YES	NP	NP	V	-	N/A	N/A
9	Mange - Mambolo Road	NP	NP	NP	NP	NP	NP	NP
10	Makeni-Kamakwei	NP	YES	NP	V			
11	Waterloo Township	NP	YES	NP	V			
12	Makeni – Kabala Phase II	NP	NP	NP	V			
13	Wilkinson Road	NP	NP	NP			V	
14	Kono-Kabala Township	NP	YES	YES			V	
15	Kabala Township Phase II	YES	YES	YES			V	
16	Jomo Kenyata et al	NP	NP	NP	V			
17	Kissy road, Fourab bay, Magazine Cut, Macauley St., Haja Sonie Dr., UN Dr. et al	NP	NP	NP				V

S/ N	Road project name	Drawings	Technical specs.		status			
			Material tests	Tests(batched) on site	On-going	suspended	completed	
							substantial	final
18	King Jimmy Embankment and drainage works	NP	NP	NP	V			

Note: V=at this stage, N/A=Not Apply, NP=Not provided for review

Source: *Contracts and Tender Documents Review*

1412.As indicated above, it can be seen that a number of projects had no design drawings, material tests and the status of the projects. SLRA does not effectively monitor the quality of work done by contractors. It does not put records and set realistic timelines for road projects completion. SLRA does not measure works done by contractors and provide instructions whenever weaknesses are noted.

We recommend that Management of SLRA should:

- i. ensure that it conducts site verifications and measure the works being undertaken by contractors on site;**
- ii. devise a mechanism that will ensure that payments made to contractors are only those of the actual work done and not for works not done;**
- iii. carry-out follow-ups of issued instructions to contractors to verify whether issued recommendations were implemented by contractors; and**
- iv. conduct tests at every stage of construction for materials used by contractors so as to verify whatever material test reports which are submitted.**

Governance for Road Projects

Change of names of a Contractor

1413.The audit noted that SLRA was not keen in making follow-up of contractors' affairs. It was found out that M/s Tee-Mark Limited which was the contracting firm changed its original (Contracting name) from M/s Tee-Mark Ltd to M/s First Tricon. Despite the fact that the contractor submitted change of name certificate from Sierra Leone Business Registration Commission, SLRA did not take trouble to conduct due diligence on the change of name. Also SLRA did not respond to M/s First Tricon change of name notification or approve such change. The notification had no reasons for change provided in the notification letter.

1414.This was due to the fact that SLRA usually did not respond or approve matters raised to it either by Contractors or Consultants. Thus the on-going contract is still reading as between SLRA and M/s Tee-Mark Limited whilst all the transactions and communications are addressed to M/s First Tricon Limited. The consequence for this is that in case of dispute arise out of the implementation of the contract, SLRA may lose the case as the current contract does not recognize the existence of change of name of the contractor thus leading to loss in terms of contract amounts and payments made to M/s First Tricon.

1415.SLRA does not adequately conduct due diligence to contractor's details. It does not also conduct background check to the affairs of the contractor's companies.

We recommend that Management of SLRA should:

- i. SLRA should adequately conduct background check and due diligence to all contractors that have entered into road works contracts prior to signing the contract; and**
- ii. review contracts detail regularly to reflect the existing welfare of the companies. Any approvals should be adequately done based on the reasons raised by contractors or consultants and confirmation sought from legal Department/experts.**

Withdrawing of Contractors after Award of contract

1416.Review of the contract agreement for Freetown Streets Phase II West Zone lot 3 and correspondences between SLRA and the contractor found out that the contractor for the above road project at the time of bidding was a joint venture between M/s Seacon and M/s Dawnus together. However, after award of contract, M/s Dawnus wrote to SLRA informing the Authority its decision to pull out of the project. It was further noted that SLRA did not approve the pull-out by M/s Dawnus as there was no evidence to that.

1417.During site verification, the audit found out that only M/s Secon was on-site in 3 street roads whilst nothing had started in the remaining 34 street roads. There was no evidence indicating the existence of M/s Dawnus on site. However, it was noted that SLRA did nothing to make sure whether the remaining contractor i.e. M/s Secon was able to proceed with executing the remaining 34 roads within the contract. SLRA did not assess the technical and financial capacity of M/s Secon whether it was able to proceed ad execute

the project. The audit noted that, the joint venture could have been preferred during bidding in order to defeat the procurement process during bidding.

1418. The audit concluded that SLRA does not have a working mechanism that ensures contractors adhere to terms and conditions of the contract. It does not also do due diligence and background check to contractors and ensure that contracts are reviewed and updated in case of any change in contractors' status.

1419. SLRA management responded that after the withdrawal of M/s Dawnus from the Joint Venture in the case of Secon/Dawnus, the contract was awarded to the JV arrangement. However, Secon was the lead partner. As a consequence of delay in the payment of the Advance, the partner Dawnus withdrew from the arrangement leaving the lead. Nonetheless, the Lead partner made some arrangements with Mattiere, a specialized company in bridge fabrication for the delivery of the most challenging aspects of the works (Atlantic Bridge) for which similar activities are ongoing and proceeding satisfactorily on two EU funded projects (Bandajuma MRU bridge and Moyamba to Moyamba Junction).

1420. We insist that this arrangement was not handled and verified by SLRA as it was a legal undertaking. If left unchecked, the effect is that other joint ventures might be used to defeat procurement process and thus affect the road project works in terms of cost and quality.

We recommend that Management of SLRA should:

- i. SLRA should review all contracts and take into account the current registration status and update the same;**
- ii. evaluate the technical and financial capacity of M/s Secon who is currently on site after pulling off of M/s Dawnus;**
- iii. It should also consider terminating the contract and re-advertise the road project as there are implications that the contractors colluded during bidding in order to defeat the bidding process and maliciously be considered for contract award.**

ENERGY SECTOR

INTRODUCTION

1421. The Ministry of Energy has oversight responsibilities over all Institutions within the Energy Sector. In 2011, the National Electricity Act was enacted to facilitate the splitting of institutions into commercialized ones through an Unbundling process.

1422. The Government of Sierra Leone through the Ministry of Energy conducted the unbundling exercise of the Energy Sector which saw the former National Power of Authority (NPA) unbundled into Electricity Distribution and Supply Authority (EDSA) and Electricity Generation and Transmission Company (EGTC). The sector is governed by the National Electricity Act, 2011

MINISTRY OF ENERGY

Implementation of Medium -Term Plan not supported with any annual activity Report

1423. We noted that there were no annual activity reports on the implementation of the strategic plan for the period 2016 – 2018. This was essentially to provide key guidance for the achievements of the Ministry's objectives including the sustainability of power in Sierra Leone. This violates section 13 of the Public Financial Management Act (PFMA) of 2016 which requires that the vote controller of a budgetary agency shall be responsible for prudent, effective, efficient and transparent use of the resources of the budgetary agency in line with its strategy and policy guidelines to achieve its desirable objectives. This was possible because of the absence of a comprehensive hand over notes by the previous management team. As a result, we could not establish how resources of the Ministry have been utilized in the achievements of the Ministry's objectives.

We further recommend that the permanent secretary should ensure that a comprehensive annual activity report is prepare to provide a status on the implementation of the ministry's strategic plan.

Absence of a Comprehensive Handing Over Notes

1424. We noted during our review of handing over notes by key personnel of the Ministry that handing over notes were not comprehensive enough to provide information on financial

and administrative issues, assets and liabilities as well as projects undertaken by the Ministry.

1425. This contravenes Section 145 – 152 of the Financial Management Regulations, 2007 which require comprehensive hand over by vote controllers to in-coming officers for smooth transitions and business continuity. The lapse was as a result of poor transitional arrangements and institutional failures of the Ministry to ensure that transitions were managed properly. In the absence of a comprehensive handing over notes, we could not establish the state of affairs of the Ministry.

Management responded that handing over notes were not comprehensive enough to provide a current state of the Ministry as at the date of takeover by the new management team.

To provide a reference point for the new management team, we recommend that the incoming management team prepare a taking over notes to provide detailed stock of the state of the ministry as at the date of assumption of duties for the purposes of transparency and accountability.

We recommend that the permanent secretary ensures that taking over notes are prepared by the new management team to provide a reference point for accountability.

Records on Disbursement of Funds of the Former National Power Authority not available –Le 28,692,391,000.00

1426. Contrary to sections 63 and 64 of the Public Financial Act, 2016 and Regulations 73 and 74 of the Financial Management Regulations, 2007 which requires that funds disbursed must be authenticated to show that that amounts are due and payable, We noted during our review of the National Power Authority /Bo Kenema Power Station Asset and Liability Splitting report that the verified sum of Le28,692,391,000.00 was available during the unbundling exercise which was disbursed accordingly to settle the obligations of the former National Power Authority (NPA). Relevant expenditure/disbursement records are however not available to authenticate the disbursements made.

1427. This was as a result of the Ministry of Energy's failure to maintain and keep proper records in respect of the unbundling exercise. We are unable to authenticate whether the amount of Le28,692,391,000.00 was disbursed in the interest of the state and all other stakeholders.

1428. Management responded that letters have been written to EDSA, EGTC and all other parties concerned during the unbundling.

We recommend that the management team of the Ministry of Energy during the unbundling exercise should account for the disbursement of Le28,692,391,000.00, being funds of the former National Power Authority without any delay; failing the appropriate authorities should recover same.

Payment of Liabilities without Relevant Documents – US \$ 1,045,650.50

1429. In contravention of Regulations 73 and 74 of the Financial Management Regulations, 2007 and sections 63 and 64 of the Public Financial Management Act, 2016 which require payments for works, goods and services to be adequately supported, verified and certified for authenticity, we noted during our review of the Unbundling Report that a total amount of Le 147,459,317,000.00 in respect of long term liabilities were without supporting records and hence could not be verified by the consultant, PKF Accountant. We however noted that approvals have been given by the Ministry and payment effected on the following alleged obligations:

Table 131; US Dollars Obligations

Creditor	Details	Amount \$	Remarks
China National Electric Engineering Company	Maintenance works completed in 2013	28,200.00	Provide all supporting records
D&S	Repair works on Generator 1 and 2 at Lungi Power Station (Replacements of crankshaft included in works)	646,750.50	Discount received: \$ 646,750.50 Provide all supporting records
MS Corporation	Rehabilitation of Wilberforce Substation and 33kv Transmission line	370,700.00	Provide all supporting records

Total		1,045,650.50	
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Table 132; Local Currency (Le) Obligations

Creditor	Details	Amount Le	Remarks
Staff	Pension Gratuities	32,181,910,487.30	Provide all supporting records According to the report Le 11,437,033,659.35 (\$1,322,200 , exch. Rate @ 8650) cannot be authenticated due to the absence of supporting records
Total		32,181,910,487.30	

1430. This was as a result of the Ministry of Energy's failure to maintain and keep proper records in respect of the unbundling exercise. We were unable to authenticate whether the amount of US \$1,045,650.50 disbursed was in the interest of the state and all other stakeholders.

1431. Management stated that letters have been sent to EDSA requesting for their response on the issue.

We recommend that the authorizing officers should be held accountable for the payments made or the appropriate authorities should recover same.

Unsubstantiated payments – Le 112,541,000.00

1432. Section 73 of the Financial Management Regulation 2007 states among others that, all disbursements of public moneys shall be properly supported by payment voucher. All payment Vouchers shall be typewritten or made out in ink or ball point pen and shall contain or have attached thereto full particulars of the service for which payment is made including dates, numbers, distances and rates, so that they can be checked without reference to other documents.

1433. We noted that payment totalling Le 112,541,000.00 were without the relevant supporting documents. Details are provided in **appendix 42** attached to this report.

Weak expenditure control accounted for the lapse.

1434. In the absence of these essential documents, we could not confirm the authenticity of payments totalling Le 112,541,000.00.

1435. Management agreed to provide all relevant expenditure documents but the records provided were not enough to substantiate the payments made.

We recommend that the authorising and paying officers should provide relevant supporting documents in respect of the payments for our review or the appropriate authorities should recover same.

Unavailability of Comprehensive Fire Investigation Report

1436. We noted that in 2015 there was a fire outbreak at the Electricity House leading to the destruction of valuable financial records and properties running into millions of Leones. However, the fire investigation report provided failed to disclose the properties and valuable records that were destroyed during the incidents.

1437. As a result, the team was unable to ascertain the extent of the damage and the reliability of management representations on the fire incident regarding the destruction of 2015 financial records.

1438. The Permanent Secretary indicated that a report from the National Fire Force is available for our perusal although it is not detailed enough. However, management would request for the Police report for our review.

We recommend that, management provide all reports (internal / external) covering the fire incidents for our review.

Unpresented Records

1439. Management failed to make available Cash books, Payment Vouchers, Bank statements and records on Bank Reconciliation Statements and financial statements for the year 2015 and the Ministry of Energy imprest Account. This anomaly contravenes section 90 (1) of The Public Financial Management Act, 2016 which requires that records must be made available for audit review. As a result, we were not able to review and authenticate transactions on the accounts and related records.

1440. According to the Permanent Secretary, the Ministry of Energy imprest Account was opened in April 2018 at the Bank of Sierra Leone by the Accountant General, as funds from the Ministry of Energy and Power account at Sierra Leone Commercial Bank were transferred

to the Bank of Sierra Leone. However, the payment vouchers, Bank statements and Reconciliation Statements for the period under review are available for our inspection. The records for the financial year 2015 were engulfed in the fire incidence at the Electricity House.

1441. We could not rely on the bank statement provided by the Finance Office on the old account closed by the Accountant General because there were variations in bank account numbers quoted in the Accountant General letter for closing the old account and the bank statement of that account.

1442. The fire report also did not indicate specifically records and properties destroyed during the fire incident and hence we could not establish management's claim of destruction of 2015 financial records.

We recommend that management should provide reliable evidence on the power and imprest account for our review or the appropriate authority should pursue same.

We further recommend that the management team that was in place at that material time should be held accountable for properties and valuable records that were destroyed during the fire incident in 2015.

Funds withdrawn not accounted for– Le 251,725,000.00

1443. Records including payment voucher on payments of Le 251,725,000.00 vide Cheque no. 3002370 drawn from Bumbuna Falls Hydro Electric Project was not presented for our review. This contravenes Regulation 74 of the Financial Management Regulations, 2007 and sections 63 and 64 of the Public Financial Management Act, 2016 which require payments for works, goods and services to be adequately supported, verified and certified for authenticity. Weak internal checks and poor supervision accounted for this anomaly. We could not ascertain whether the funds were utilized in the interest of the Ministry of Energy.

1444. The Finance Officer responded that the funds were given to Bumbuna Watershed Management Authority for Project Field Activities by the United Nations Development Program (UNDP) and that the original copies of all the Returns were submitted to the UNDP. However, copies will be presented for audit inspection.

We recommend that the officer who authorised this payment should refund the said amount except where the officer can provide detailed records on the payment.

Failure to Guarantee Value for Money in Salini O&M Contract – Le100,334,709,791.74

1445. Section 13 (2) (g) of the Public Financial Management Act, 2016 requires a Vote Controller to safeguard and manage assets and public moneys under the responsibilities of the Budgetary agency.

1446. To the contrary, the Ministry of Energy signed a contract with Salini to operate and maintain the Bumbuna Hydro Dam with a monthly fixed charge of € 220,000.00 including periods when Bumbuna scales down its operations in the dry season.

1447. Further, we noted that even though clause C of the Bumbuna O&M Contract (Addendum No. 3) which was signed in February 2017 requires that rotation and twinning arrangements shall be implemented for trained and competent local engineers to be deployed as counterparts to each of the key expatriate staff in strict accordance with the actual operation and maintenance needs of the facility which will be handed over on 1st January, 2019, the training plans has not materialised and there are plans to extend the contract for another two years with an estimated cost of € 5,280,000.

1448. In our opinion, value for money has been undermined over the total payments of Le100,334,709,791.74 as service charges during the last contract period ending 31 December, 2018 as a result of weak contract negotiations and failure to ensure monitoring of the training plans with Salini. **See appendix 43.**

1449. The Permanent Secretary stated that management and other stakeholders have reviewed the contract extension no. 4 and concerns raised have been communicated to Salini who has responded to us and is currently being reviewed for finalization.

We recommend that the Ministry of Energy reviews the operation and maintenance relationship with Salini with the object of getting value for money out of the deal.

Failing, the appropriate authorities should take pragmatic measures to address the concerns raised.

ELECTRICITY DISTRIBUTION AND SUPPLY AUTHORITY (EDSA)

Frequent Changes of Members of the Board of Directors

1450. Contrary to Section 27 of the National Electricity Act, 2011 which requires that EDSA shall have a Board who shall serve a term of office of three years with a renewable option of not more than one term, we noted that EDSA has been governed by three different Boards between 2015 and May 2018 as a result of rampant dissolution of the Board within this period. The situation has undermined the development of a long term strategic plan and board policies on risk management and operations, resulting in losses and qualification of the financial statements from 2015 to 2017 by the KPMG.

1451. The Deputy Director General indicated that frequent changes of members of the Board of Directors is outside the control of EDSA as the Board of Directors are appointed by the President on the recommendations of the Ministry of Energy subject to the approval of Parliament.

We recommend that the Ministry of Energy take pragmatic steps to ensure stability of the Board by identifying and appointing experienced board members, with clearly defined terms of reference for effective corporate governance.

Board Remuneration Not Approved – Le 500,629,876.00

1452. Part VI of the 2015 edition of the guiding principles of good corporate governance of the Organisation of Economic Corporation and Development (OECD) requires that Board and Executive remunerations must be clearly defined and disclosed for transparency and accountability.

1453. We noted during our review of the governance of Authority that management paid a total amount of LE500, 629, 876.00 as sitting allowances, monthly board stipends and allowances for electricity purchases and fuel. We however could not have access to any official document from the Ministry of Energy or State House on the remuneration package of the Board. Details are attached as **appendix 44**.

1454. We could not establish whether payments made were legitimate and due in the absence of authentic documents on board remuneration from the Ministry of Energy. The situation is open to abuse through excess remuneration expenses affecting cash flow and loss of funds to EDSA.

1455. The Deputy Director General in his response stated that the initial appointment letters issued to new the Directors stated that the Director General of EDSA will communicate the terms of conditions of their appointment and therefore the Ministry of Energy thought that the Directors' remuneration will be determined by the Director General in subsequent appointments.

We recommend that the National Electricity Act, should be amended to include provisions on guidance for board members' remunerations. Meanwhile, for probity, transparency and accountability, we recommend that the Director General seek approval from the Ministry of Energy on matters of board members' remuneration.

Unjustified and Unsubstantiated Payments for NPA Liabilities – LE1,489,116,531.50

Contrary to Section 64 of the Public Financial Management Act of 2016, EDSA paid a total amount of Le1,489,116,531.50 into the former National Power Authority's bank account at the Sierra Leone Commercial Bank as commitments on behalf of EGTC without any basis but upon a request by the Ministry of Energy. The situation is open to abuse through misapplication or suppression of funds for unauthorised purposes. Details are provided below:

Table 133; Sierra Leone Commercial Bank commitments on behalf of EGTC without any basis

Date	PV No.	Cheque No.	Payee	Details	Amount (Le)
10th April, 2017	601	GTB DOC-151	NPA (SLCB)	Financial commitments of the former NPA	744,558,266.00
12th April, 2017	642	GTB DOC-163	NPA (SLCB) T-N.P.A A/C-SLCB	Final payment of the former NPA	421,093,415.00

2nd March, 2017	77	GTB DOC-044	Sierra Leone Commercial Bank A/C	Financial commitment of the former NPA.	323,464,850.50
Total					1,489,116,531.50

1456. The Deputy Director General indicated that the draft report of the asset and liability splitting is available for review. A review of the draft report of the asset and liability splitting disclosed that liabilities could not be justified in the absence of supporting documents.

We initially recommended that management of EDSA should obtain authentic evidence on the asset and liability splitting report to justify these payments; failing which, the Ministry of Energy should refund the amount of Le1,489,116,531.50. Furthermore, we requested for bank statements for 1st January, 2015 to date on the NPA account with the Sierra Leone Commercial Bank for our review. Since management of EDSA has failed to adhere to the above initial recommendations, we are now recommending that the appropriate authority take steps to recover the full amount of Le1,489,116,531.50.

Failure to Address Financial Statements Misstatements

1457. Section 83 of the Public Financial Management Act, 2016 requires that financial statements should be prepared in accordance with acceptable accounting standards as specified by the Accountant General in consultation with the Institute of Chartered Accountants, Sierra Leone. We however noted that the fundamental issues and circumstances which resulted in EDSA's financial statements for the financial years 2015 to 2017 being qualified by the International Accounting Firm, KPMG on grounds of material misstatements in the area of fixed assets, revenues and deferred income have not been resolved by the Board and Management. Failure to address the recommendations in the KPMG reports will lead to the recurrence of undesirable features in the accounts and operations of EDSA.

1458.The Deputy Director General in response stated that progress have been made in resolving issues relating to the qualification of their financial statement and that management is confident that these improvements will continue in 2018 and beyond.

To promote accountability and transparency in the accounts, we recommend to the Board to address the concerns raised by KPMG in the annual reports and provide us with a road map on the implementation of all the recommendations of KPMG not later than 30th June, 2019 otherwise, management’s ability to manage the organisation should be reviewed.

Control over Collections Accounts by the Ministries of Energy and Finance

1459.81. Contrary to Sections 25 and 28 of the National Electricity Act, 2011 which recognises EDSA as a body corporate having perpetual succession, we noted that as part of the restructuring of the energy sector to attract investors, the Ministry of Finance is a key signatory and controls all the collections account of EDSA and that EDSA has to submit monthly budgets for approval before funds are released for operational expenses. Also, the Ministry of Energy gives directives on transactions on the accounts. The situation has undermined the financial and administrative autonomy of EDSA and this has grossly affected the prudent cash flow management.

We recommend that the Ministry of Finance grant EDSA financial and administrative autonomy over all bank accounts.

1460.In their response, management indicated that they have since communicated the observation to the Ministry of Finance.

We further recommend that the National Electricity Act, 2011 should be amended to reflect any changes in the financial and administrative arrangements of EDSA.

Avoidable Judgement Debt – Le455,000,000.00

1461.Section 13 (2) (g) of the Public Financial Management Act, 2016 requires a Vote Controller to safeguard and manage assets and public moneys under the responsibilities of the budgetary agency. Our review of the Finance and Audit Committee minute (reference number MOM-EDSA-FAC-170717-000) disclosed that as a result of poor legal

representation in court by the former legal advisor of EDSA over a legal suit by seven staff, EDSA had a total amount of Le 455,000,000.00 directly debited to its Guarantee Trust Bank account upon a court order as judgement debt payment. As a result of failure to be represented in court by a legal team, EDSA has not only lost the case but also funds amounting to Le 455,000,000.00.

1462.The Deputy Director General indicated that payments were upon a court order to the bank to beneficiaries who were staff of the defunct National Power Authority. And that EDSA was poorly represented. However, steps have been taken to avoid such lapses in future.

We recommend that the former legal advisor should explain with valid reasons why he failed to defend EDSA in court and also not be surcharged with Le 455,000,000.00.

Financial records not presented

1463.The Finance Department failed to provide information on cashbooks, bank statements and payment vouchers for the year 2015. Additionally, financial records for the period between January and May, 2018 were also not made available. This contravenes Section 90(1) of the Public Financial Management Act, 2016 which requires that for the purposes of carrying out audits under Section 119 of the Constitution, auditees must make available any record, evidence or information required for auditing purposes.

1464.As a result, we were unable to vouch any financial records for the year 2015 and the period between January and May 2018. The situation further undermines the reliability of the information system of EDSA in the absence of back-ups to safeguard information asset in the event of disasters. The Deputy Director General indicated that the fire incidence destroyed financial records for 2015and 2016. However, records for January to May 2018 are available for our review.

We recommend that the head of Finance should make available all financial records for our review. Meanwhile, a copy of the comprehensive fire report on the fire incident at the Electricity House should be made available for our review.

Direct Transfers without Proof of Receipt of Funds from Beneficiaries –

Le 265,792,072,192.56

1465. Section 74 of the Financial Management Regulations, 2007 and Sections 63 and 64 of the Public Financial Management Act, 2016 require payments for works, goods and services to be adequately supported, verified and certified for authenticity. The Finance Department initiated direct transfers and paid a total amount of Le265,792,072,192.56 from 2016 to 2017 to individuals, institutions (suppliers and service providers as well as EGTC without obtaining receipts to show evidence of funds transferred to beneficiaries. Details are attached as **appendix 45**.

1466. As a result of this anomaly, we could not establish the authenticity of the direct transfers made. The situation is open to abuse through diversion of funds for unauthorised purposes resulting in loss of funds by EDSA.

1467. The Deputy Director General disclosed that suppliers acknowledged receipt of bank transfers by signing for a copy of the bank transfer in the EDSA finance delivery book.

For payments to Suppliers and service providers, we recommend that EDSA should obtain legitimate and authentic receipt as proof of payment, failing which, the appropriate authority should pursue and recover same from the approving officers.

Unjustified Payments to Third Parties – Le29,902,459,635.00

1468. Contrary to Regulations 74 of the Financial Management Regulations, 2007 and Sections 63 and 64 of the Public Financial Management Act, 2016, we noted that EDSA paid a total amount of Le 29,902,459,635.00 from August to September 2018 based on directives from the Ministry of Finance and Accountant General without any contractual obligation or justification. Summary of the details are provided below:

Table 134; Payments without contractual obligations

Institution	Period of Payment	Total Payments (Le)
NRA	August – November 2018	6,175,303,498.00
NP	August – October 2018	5,195,000,000.00
Salini	August 2018	18,093,535,142.00

D&S Associate	September 2018	438,620,995.00
Total		29,902,459,635.00

Inappropriate directives and bad management practices accounted for this anomaly.

1469. We could therefore not establish the authenticity of the payments made to these institutions.

This situation is not only exposed to abuse but also could result in diversion of funds for unauthorised purposes.

1470. Management noted the observation and stated that they have communicated same to the Ministry of Finance.

We recommend that in the absence of any contract documents to justify the payments made, the authorising and paying officers should recover the amount of Le29,902,459,635.00 without any delay.

Unsubstantiated Payments to the Revolving Accounts– Le12,500,000,000.00

1471. Contrary to Regulations 74 of the Financial Management Regulations, 2007 and Sections 63 and 64 of the Public Financial Management Act of 2016, we noted that EDSA made a total direct transfer payments amounting to Le12,500,000,000.00 on behalf of EGTC to the revolving account (fuel) without any justification. Summary of details are provided below:

Table 135; payments amounting to Le12,500,000,000.00 on behalf of EGTC to the revolving account (fuel) without any justification

Details	PAYMENT DATE	AMOUNT PAID (LE)
Payment to the Revolving Account iro fuel	Monday, 12th February, 2018	4,000,000,000.00
Payment to the Revolving Account iro fuel	Friday, 23rd February, 2018	2,000,000,000.00
Payment to the Revolving Account iro fuel	Thursday, 1st March, 2018	2,500,000,000.00
Payment to the Revolving Account iro fuel	Thursday, 15th March, 2018	2,000,000,000.00

Payment to the Revolving Account iro fuel	Friday, 6th April, 2018	2,000,000,000.00
Total		12,500,000,000.00

1472. Directives from the Accountant-General and bad management practices may have accounted for this anomaly. We could not establish the authenticity of the payments made. The situation is open to abuse through diversion of funds for unauthorised purposes resulting in loss of funds by EDSA.

1473. The Deputy Director General indicated that as part of the ECOWAS Emergency Grant to Sierra Leone, EGTC was required to pay back the grant into a revolving account at the Bank of Sierra Leone.

We recommend that EGTC should be allowed to make payments for its own obligations.

Unauthorised Bank Overdraft and Related Charges - Le 18,008,888,496.47

1474. Management used overdrafts amounting to Le17,724,865,555.33 at a cost of Le284,022,941.14 in paying for bank guarantees and related charges in favour of British Engineering Services (Europe) Limited without any justification and authorisation as required by Section 131 of the Financial Management Regulations, 2007. At the transaction dates, total funds amounting to Le39,041,508,498.46 were available in other bank accounts for spending. Summary of the details are provided below with further details attached as **appendix 46.**

Table 136; SLCB Account Number: 003001118454110227

Date	Overdraft	LC Charges	Swift Comm. Charges	Other Charges	GST taxes	Total
23rd April, 2015	6,153,147,600.00	92,297,250.00	175,000.00	27,358,900.04	3,766,791.10	6,276,745,541.14

Total	6,153,147,600.00	92,297,250.00	175,000.00	27,358,900.04	3,766,791.10	6,276,745,541.14
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Table 137;GTBANK Account Number

Date	Overdraft	LC Charges	Swift Comm Charges	Bank Charges	GST taxes	Total
23rd May, 2016	5,454,024,622.00	139,500,000.00	-	-	20,925,000.00	5,614,449,622.00
24th May, 2016	6,117,693,333.33					6,117,693,333.33
Totals	11,571,717,955.33	139,500,000.00			20,925,000.00	11,732,142,955.33

1475.EDSA has lost funds amounting to Le284,022,941.14 as a result of overdraft charges and GST taxes on the related transfer payments.

1476.The Deputy Director General indicated that since 2017, EDSA has never used any overdraft facility whether authorised or not.

We recommend that the appropriate authority should recover the amount of Le 284,022,941.14 from the authorising officer (Director General).

Further, the amount of Le17,885,761,555.33 transferred to B.E.S. Europe for the procurement of pre-paid metres and store records relating to the purchases should be made available for review.

Illegal Abstraction of Electricity – Le2,890,031,954.00

1477.Section 61 of the National Electricity Act, 2011 requires that any person who dishonestly abstracts, consumes or use electricity or alters the functionality of any metre commits an offence and is liable on conviction to fine not less than Le50,000,000.00 or imprisonment not exceeding five years or both.

1478.However, our review of minutes of the Finance and Audit Committee meetings disclosed that the Technical Department has been able to uncover cases of illegal abstraction of

electricity and zero bills amounting to Le2,890,031,954.00. No effort has however been made by management towards the recovery of these losses and resulting fines. EDSA has lost a total amount of Le2,890,031,954.00 without any efforts to recover these amounts. Details are provided below:

Table 138;lost a total amount of Le2,890,031,954.

Period Report	Details	Value of Energy Recovery/ Abstractions	Minutes of Meetings
January to July 2017	13,000 zero bills now	387,920,239.00	mom-edsa-fac-210817-000 of August 2017
August	32 cases illegal abstractions	86,000,000.00	mom-edsa-fac-220917-000 of September 2017
September	37 illegal abstractions	275,489,634.00	mom-edsa-fac-281117
September	68 cases	611,599,398.00	mom-edsa-fac-281117
September	47 cases of large customers(filling stations, supermarkets , hotels and banks)	1,105,653,232.00	mom-edsa-fac-281117
December	27 cases of illegal abstractions	423,369,451.00	mom-edsa-fac-271217
Totals		2,890,031,954.00	

1479.Initially, the Deputy Director General indicated that illegal abstraction cases are being investigated and factored into the affected customers' prepaid metres' account for recovery. As at 31st December 2018, amount recovered is Le250,000,000.00. Management later responded that the illegal abstraction and the recovery strategy are available for review. This information is yet to be made available.

We recommend that the Director General should provide evidence of recoveries made from the affected customers for our review.

Meanwhile, the Director General should furnish us with a full scale report on illegal abstractions from January 2015 to date for our review.

Absence of Long Term Strategy for Power Supply during Dry Seasons

1480. Section 11 (2) of the National Electricity Act, 2011 requires EGTC to consider investments in generation facilities and new national transmission grids for the purposes of long term power sustainability at economic prices. To the contrary, we noted during our review that Aggreko were contracted to supply power during the dry season to cater for shortfalls in power supply from the hydro dams at an agreed fixed capacity charge of US\$1,690,000.00, payments for fuel and a US\$0.008 /kWh charge for power produced.
1481. However, inadequate investments and the absence of a long term national strategy to address the electricity needs of Sierra Leone resulted in short term power deals with costly clauses which could have been avoided through proper planning.
1482. Management responded that they have noted the observation and have communicated same to the Ministry of Energy.

We recommend that EDSA, Ministry of Energy and all stakeholders should devise a long term national power strategy rather than relying on emergency power deals that come at expensive costs.

Contract Documents Not Presented – Le 36,625,548,354.00

1483. EDSA could not make available procurement and contract records relating to contract payments totalling Le 36,625,548,354.00. This is in violating of Section 90 (1) of the Public Financial Management Act, 2016. Summary of the details are provided below:

Table 139; Unavailability of Documents

IPP	Total Payments Le
Aggreko International Project Limited	4,629,100,000.00
Addax Bio energy	27,330,196,948.00
US Diversify Waste	4,666,251,406.00
Totals	36,625,548,354.00

1484. The Procurement Officer claims that the procurement processes and contracts were handled by the Ministry of Energy. We therefore could not establish the authenticity of the payments of Le36,625,548,354.00. The situation could lead to abuse through payments for no supplies or work done. Management presented photocopies of the contract documents for review.

We initially recommended that the Director General should contact the Government of Sierra Leone for contract documents on Addax and make available all records relating the 1st Aggreko contract and US Diversify for our review. However, since they have failed to implement our initial recommendation, we now recommend that action should be taken by the appropriate authority.

Unsubstantiated Payments for Power Supply from EGTC – Le737,422,180,589.05

1485. Contrary to Section 11 (1) of the National Electricity Act of 2011, which requires E.G.T.C to generate, transmit and sell power to the Authority subject to a power purchase agreement approved by the Commission, we noted during our review of payments made to EGTC that Power purchases from EGTC amounting to Le737,422,180,589.05 were not justified or substantiated with any contract agreement specifying the terms and conditions on power sales to EDSA. The situation compelled EDSA to pay for power at unagreed prices including paying for power at EGTC's cost of production plus 10% margin from 2015 to march 2017.

Table 140; Summary details are provided below:

Year	Total Kilowatt Hours	Total Invoice	Total Payments	Balance
2015	241,597,432.19	118,929,575,872.00	86,204,305,499.00	32,725,270,373.00
2016	295,101,836.00	163,010,620,707.00	128,301,438,551.00	67,434,452,530.00
2017	166,427,759.00	271,881,206,924.00	158,309,616,652.00	181,006,042,802.00
2018	214,245,718.70	183,600,777,086.05	117,348,604,536.02	247,258,215,352.00
Totals	917,372,745.89	737,422,180,589.05	490,163,965,238.02	247,258,215,351.03

1486.Management responded that, the MOU with EGTC is available for review.

We recommend that EDSA make available the MOU document for our review and also address any concerns raised without any further delay.

Payments for Fuel for Thermal Plants Not Justified – Le18,809,131,800.00

1487.Regulations 74 and 182 of the Financial Management Regulations, 2007 require that quantities delivered in respect of liquid fuel should be accurately recorded on the GRN to aid in authentic and accurate payments. We noted that an amount of Le18,809,131,800.00 was paid to National Petroleum, Sierra Leone Ltd. for fuel supplies to Aggreko and US Diversify without adequate and independent report on deliveries made. Management also failed to provide a reconciliation statement on fuel purchases and power supplies by both Aggreko and US Diversify. Failure to audit fuel transactions to the IPPs accounted for this anomaly. The situation could become a conduit for misappropriation of funds resulting in loss of funds by EDSA and the state as a whole. Details are attached as **appendix 47**.

1488.Management initially stated that proper monitoring systems have now been put in place for the management of fuel supplied. However, management responded further by stating that the PV's and delivery notes are available for review.

In the absence of any independent reconciliation report and evidence on the delivery and utilisation of fuel for power supply, we recommend that the appropriate authority recover Le18,809,131,800.00.

Capacity Charges during Idle Time (Black Hall Road Station) – US\$ 516,942.86

1489.Section 20 of the Public Financial Management Act, 2016 requires any person, institution or organisation responsible for or engaged in the management of public funds to be guided by the principles of responsible financial management in order to ensure prudent, efficient, effective and transparent use of public funds. We noted during our review of the 2017 Aggreko power deal that between 1st July to 31st October, 2017, EDSA was charged a total amount of US\$ 516,942.86 by Aggreko for capacity charges for the plant at Black Hall Road Station, even though there was no production of power within this period due to the use of hydro for power production. Details are provided below:

Table 141; Capacity Charges during Idle Time

Number	Period	Amount (US\$)
1	1st to 31st July, 2017	144,371.43
2	1st to 31st August, 2017	144,371.43
3	1st 31st September, 2017	139,714.29
4	1st to 31st October, 2017	88,485.71
	Idle Time Cost	516,942.86

1490. Weak contract negotiations due to short-term nature of the deal accounted for the loss of US\$ 516,942.86.

1491. Management noted the observations and stated that the Government of Sierra Leone through the Ministry of Energy is working on sustainable and long-term power supply strategy.

We recommend that EDSA liaise with the Ministry of Energy, EGTC and all other stakeholders to devise a longer-term power production strategy rather than relying on short-term emergency power deals that comes with significant costs.

Funds for Plant Capacity Charges Not Accounted for– US\$ 541,257.62

1492. Section 20 of the Public Financial Management Act, 2016 requires any person, institution or organisation responsible for or engage in the management of public funds to be guided by the principles of responsible financial management in order to ensure prudent, efficient, effective and transparent use of public fund. We noted that an amount of US\$541,257.62 being outstanding capacity charges on the 2017 Aggreko power purchase agreement has not been paid by the Ministry of Finance who were custodians of a World Bank grant amounting to US\$1,952,600.00 earmarked for the capacity charge component of the contract cost. The Debt has however been transferred to EDSA to pay as a result of the Ministry's failure to pay fully the capacity charges.

1493. Funds amounting to US\$541,257.62 out of the World Bank grant of US\$1,952,600.00 could be misapplied for unauthorised purposes at the expense of EDSA who are severely burdened with debt from IPPS and EGTC.

1494. Management noted the observations and stated that EDSA and the Ministry of Finance are working together to pay this outstanding amount.

We recommend that management should recover the funds from the Ministry of Finance without any delay or the appropriate authority should recover the funds from the custodians of the funds if the funds have been misapplied for unauthorised purposes.

Maintenance and Repairs of Network Assets Not Substantiated – Le6,910,050,452.64

1495. Contrary to Regulations 74 of the Financial Management Regulations, 2007 and Sections 63 and 64 of the Public Financial Management Act of 2016, EDSA spent a total amount of Le2,032,920,302.40 and Le4,877,130,150.24 in buying network assets and maintenance and repairs respectively under emergency without substantiating them with certificates of work done and maintenance reports. These purchases are not routed through store due to the emergency nature of the request. The asset register is often not updated with new acquisitions of network assets. We are also unable to establish the legitimacy of disposals in accordance with Part XII of the Procurement Regulations of 2006. Details are attached as **appendix 48**.

1496. We noted that obsolete network infrastructure, disregard for procurement and expenditure rules and the absence of a technical audit review into the activities of the Technical and Operations units of EDSA accounted for this. The situation is open to abuse through misapplication and diversion of funds for unauthorised purposes resulting in loss of funds by EDSA.

1497. Management noted the observations and would want to state that the electricity activity forms (job cards) are available for inspection.

1498. In the absence of work certificates and physical availability of parts replaced, job cards do not provide sufficient evidence that parts were purchased and used for the intended purposes.

We recommend that the Operations and Maintenance units justify these expenditures with relevant supporting records including verification or certification reports of work done, and also make available lists of all unserviceable assets and parts replacements for our inspection, or the appropriate authority should recover same.

**Magburaka Electrification Project expenditure not Justified and Substantiated–
Le 3,893,799,071.30**

1499.Regulations 74 of the Financial Management Regulations, 2007 and Sections 13 (2) (e), 63 and 64 of the Public Financial Management Act, 2016 require proper evaluation and monitoring of projects and payments for works, goods and services. These must be verified and certified for authenticity. Magburaka electrification project was approved for single-sourcing and had three unspecified lots to the project. We however noted that EDSA dealt with a number of suppliers and service providers without any comprehensive project estimates to justify a total amount of Le3,893,799,071.30 spent as follows:

Description	Amounts Le
Logistics and Materials	3,417,024,961.30
Monitoring and Inspection	376,209,420.00
Casuals Salary	100,564,690.00
Total	3,893,799,071.30

1500. There are no project reports or certificates of work done to justify the amount spent. There is also no evidence of completion and hand over of the project. Poor project planning and disregard for expenditure rules accounted for this. Details are provided in **appendix 49** attached. The situation is open to abuse through misapplication and diversion of funds and resources for unauthorised purposes resulting in loss of funds by EDSA.

1501.Management has noted the observations and would want to state that documents are available for review. Management only made available copies of payment vouchers queried earlier on the concerns raised without supporting them with enough evidence on the amount spent.

We recommend that the authorising and paying officers should justify the amount spent on the project with relevant project estimates, key deliverables, monitoring and inspection reports as well as payment certificates for our review or the appropriate authority recover the sum of Le3,893,799,071.30.

Rehabilitation of Electricity House not Substantiated – Le 228,476,058.45

1502.Contrary to Regulations 74 of the Financial Management Regulations, 2007 and Sections 13 (2) (e), 63 and 64 of the Public Financial Management Act of 2016, there is no evidence indicating work done including procurement records, project progress report, certificates for work done and bill of quantities to justify a total amount of Le 228,476,058.45 spent as part of rehabilitation of the Electricity House. The situation is open to abuse through misapplication and diversion of funds and resources for unauthorised purposes resulting in loss of funds by EDSA. Details are provided in an **appendix 50**.

1503.Management noted the observations and stated that documents for supplier's/service providers are available for review: Builder 2, Family Aluminium & Mubangs. Management provided payment vouchers queried but could not provide any evidence of work done or the delivery and utilisation of project materials.

We recommend that the authorising and paying officers should justify the amount spent on the project with relevant project estimates, key deliverables, monitoring and inspection reports as well as payment certificates for our review or the appropriate authority should recover same.

Unexecuted Contract Payments– US\$ 348,301.58

1504.Regulations 74 of the Financial Management Regulations, 2007 and Sections 13 (2) (e), 63 and 64 of the Public Financial Management Act, 2016 require proper evaluation and

monitoring of projects and payments for works, goods and services. These should be verified and certified for authenticity. The contract awarded to 3BMD for Engineering and Technical Support Services and Civil Works in the deployment of 10MW Plant at Kingtom Station was without the involvement of the tender committee of EDSA. Total payments amounted to US\$ 348,301.58 cannot be justified for work done.

1505. There is also no evidence indicating work done including project progress report, certificates for work done, bill of quantities and any handover notes. A visit to the project site also confirmed that the plan to prepare the site for the power project was changed. Details are provided in an **appendix 51**.

1506. Poor project planning, weak internal checks and disregard for expenditure rules accounted for this. Funds amounting US\$ 348,301.58 have been misapplied for unauthorised purposes.

1507. Management noted the observation but could not provide any explanation to the issues raised.

We recommend that the appropriate authority should pursue the authorising and paying officers and 3BMD for recovery of the amount of US\$348,301.58.

Unsubstantiated Payments for Disaster Recovery Sites – US\$192,740.40

1508. Section 74 of the Financial Management Regulations, 2007 and Sections 63 and 64 of the Public Financial Management Act, 2016 require payments for works, goods and services to be verified and certified for authenticity and accountability.

1509. The rehabilitation of the Disaster Recovery Site was awarded to Messrs M&S Holdings at a contract sum of US\$214,156.00 with EDSA paying a total amount of US\$192,740.40 and Le51,935,000.00 for site installations and paving works was without any evidence of delivery of equipment that the contractor was required to provide. There is also no evidence from the contractor that they were in receipt of the above payments. Details are provided for in **appendix 52**.

1510. Weak Internal Checks and poor contract management accounted for this. This anomaly has resulted in total funds amounting to US\$ 192,740.40 being misapplied for unauthorised purposes. Management noted the observations but could not provide any explanation to the query.

We recommend that the appropriate authority should recover the amount of US\$192,740.40 from the authorising and paying officers and Messrs M&S Holdings without any delay.

Cash Collected Not Remitted to EDSA - Le80,817,560,181.74

1511. Section 40 (2) of the Financial Management Regulation, 2007 states that; the vote controller responsible for departmental revenue shall ensure that all persons liable to pay revenue are informed by bills, demand note or other appropriate notices of debts which are due and that adequate measures are taken to obtain payment. And Section 41 requires the vote controller to report on any arrears of revenue not collected.

1512. Contrary to the above law, we noted that between January 2015 and May 2018, four aggregators only paid Le391,168,942,529.36 from electricity pre-paid voucher sales of Le435,235,871,304.96 as recognised by Conlog system without remitting the difference of Le80,817,560,181.74 as a result of disputed sales transaction. Management however failed to take any action to address the differences in sales transactions with the aggregators. Details are provided below:

Table 142; Payment by Aggregators

Date / Year	Name	invoice value	bank receivables value	variance
Jan to May 2018	Vendtech	60,250,146,082.61	57,677,791,403.00	2,572,354,679.61
Jan to May 2018	IPAY	20,577,128,093.77	2,277,885,254.89	18,299,242,838.88
Sub-Total (1)		80,827,274,176.36	59,955,676,657.89	20,871,597,518.49

Date / year	Name	Invoice value	Total Banked	Variance
2017	IPAY	26,017,860,296.05	6,738,005,349.99	19,279,854,946.06
2017	Vendtech	131,147,487,600.53	111,294,337,176.00	19,853,150,424.53
2016	All aggregators	145,937,076,642.00	143,499,435,052.42	2,437,641,589.60
Sub Total (2)		303,102,424,538.58	261,531,777,578.41	41,570,646,960.19

Date / year	Name	Invoice value	Total Banked	Variance
2015	Vendtech	12,303,134,927.00	20,879,830,752.80	8,576,695,825.80
2015	Splash	15,011,000,000.00	17,469,383,003.26	2,458,383,003.26
2015	Airtel	17,388,753,509.00	20,232,997,757.00	2,844,244,248.00
2015	I-Pay	6,603,284,154.00	11,099,276,780.00	4,495,992,626.00
Sub- Total (3)		51,306,172,590.00	69,681,488,293.06	18,375,315,703.06
Grand Total		435,235,871,304.96	391,168,942,529.36	80,817,560,181.74

1513. We noted that the absence of an efficient credit management policy and challenges with the Conlog system application accounted for this anomaly. As a result, EDSA has been denied use of the funds for equally pressing commitments. Management noted the observation and stated that the system report is available for review. However, no system report has been made available for review, nor any evidence addressing the issues has been provided.

We recommend that management should investigate and recover the amount of Le80,817,560,181.74 from the aggregators without any delay or the appropriate authority should recover same from the authorising officers of the sales transactions.

Metres not Accounted for – 2,193metres

1514. Section 40 (1) of the Financial Management Regulation, 2007 states that the vote controller shall ensure that adequate safeguards exist for the assessment, collections and accounting for revenues and other public moneys relating to their departments. We noted that the Commercial Department failed to fully account for revenue in respect of 5,812 metres installed in 2016. Out of this number of metres, only 3,619 of which were accounted for at a value of Le2,695,280,940.00. Weak internal checks and ineffective supervision could have accounted for this anomaly. Revenues accruing from the installation of the 2,193 metres valued on the basis of three-phase metre price of Le 1,355,000.00; totalling Le2,971,515,000.00 are yet to be accounted for.

1515. According to management, the 2,193 metres represented backlog of metres not installed for customers in 2015 due to shortage of metres. Also, management has no system (CRM, ERM) to keep track of metre transactions from application, installation and commissioning. However, management as part of its short term strategy is planning to acquire a system that will ensure monitoring of metre transactions.

We recommend that the Finance Department, Commercial Department and the Stores Manager be held accountable for the 2,193 metres valued currently at Le2,971,515,000.00 or the appropriate authority should recover same.

Lack of Integrated Business Information Systems

1516. Section 2-2 of the National ICT Policy of Sierra Leone states that “the Economic objectives of the Sierra Leone ICT Policy is to improve efficiency in the public sector through effective use of ICT infrastructure, applications and services”. We noted that daily prepaid electricity sales transactions are tracked, reports generated and printed for invoice processing. However, aggregators sales revenue invoices are manually prepared in Ms Excel and subsequently forwarded to the various aggregators for confirmation and payment into EDSA’s Guarantee Trust Bank Account.

1517. We further noted that the Finance Department used Great Plain application which is not interfaced with the Conlog system. Similarly, the post-paid information system (Utility 2000) being implemented by EDSA is also not linked with Great Plain application.

1518. We also noted that information on prepaid electricity sales provided by Conlog system, Great Plain application and manual invoicing system varied with discrepancies in respect

of prepaid electricity sales revenue over the past three years. The absence of IT governance structure, an IT strategy and IT monitoring system to support key business operations and processes in an integrated manner accounted for this anomaly. The situation as found has severely affected integrity, confidentiality, accuracy and completeness of information.

1519. Management stated that the draft IT structure and strategic plans have been developed and that there are plans to integrate the two system to minimise human interventions.

We recommend that management should review its current IT infrastructure and address any challenges or deficiencies identified for reliability and efficiency.

Ineffective Internal Audit Unit

1520. Contrary to Sections 162 -166 of the Financial Management Act, 2007 and Section 75 of the Public Financial Management Act, 2016 which requires that an Internal Audit Unit should be adequately resourced and supported to monitor the effectiveness of internal controls among other duties, we observed the following as part of a review of the Internal Audit Department:

- i. Inadequate staff;
- ii. Lack of Staff training policy;
- iii. Unapproved internal audit charter;
- iv. Restricted access to information; and
- v. Recommendations not fully implemented.

1521. We attribute the cause to lack of commitment on the part of the Board to strengthen the Internal Audit Department. This situation has resulted in the company having inadequate internal controls over bank reconciliation, fixed asset, security breaches in the accounting Software (Great Plain), the billing system and revenue and expenditure management.

1522. Management agreed to review the Internal Audit Department and resource it to perform its functions effectively and efficiently.

We recommend that management should provide adequate support to strengthen the institutional capacity of the Internal Audit Department in order to aid the realisation of strategic objectives of EDSA.

Contracts Payments without Inspection Report – Le161,000,000

1523. Although Regulation 142 of the 2006 (first) edition of the Regulations on Public Procurement states that: “(1) The procuring entity shall ensure that all goods, works and services are subject to inspection and verification by a formal Inspection and Receipt Committee, prior to their acceptance, (2) The inspection and verification shall ensure that: (a) the correct quantity of goods has been received; (b) the goods, works or services meet the technical standards defined in the contract; (c) the goods, works or services have been delivered or completed on time, or that any delay has been noted; (d) all required deliverables have been submitted; and (e) all required manuals or documentation have been received. (3) The Inspection and Receipt Committee responsible for inspecting the goods, works or services shall issue interim or completion certificates or goods received notes, as appropriate and in accordance with the contract.

1524. We noted that management paid MAS Company Ltd., SL an amount of Le161,000,000 with PV No.5308 of 4/7/2017 for the supply of cables without delivery and inspection reports.

1525. This anomaly could be due to poor supervision and weak internal checks over payments. The situation is open to abuse through the delivery of substandard materials, works or services and could result in loss of funds to the Authority.

1526. Management agreed to provide all relevant supporting records in respect of the transaction

We urge management to make available all relevant supporting documents to authenticate the amount of Le161,000,000 paid.

Invoices /Bills on Electricity Sale to Addax/ Bio Energy Not Provided

Criteria

1527. Contrary to Section 40 of the Financial Management Act, 2007 which requires vote controllers to ensure that adequate safeguards exist and are applied for the assessment,

collection of and accounting for the revenues and other public moneys relating to their department or offices.

1528. We noted during our site and project visits to Addax Bio Energy, now Sun Bird that the company does not only sell power to EDSA but also buys power from EDSA. Invoice/bill statements were however not made available for our review. This was because the Commercial Department failed to disclose Addax Bio Energy/Sun Bird as a client to EDSA and financial records made available excluded transactions on electricity sale to the company. We were unable to authenticate whether total indebtedness of EDSA to Addax Bio Energy/Sun Bird amounting to US\$3,533,299.00 is accurate and reliable.
1529. The Financial Controller indicated at the exit conference that they offset any sale of electricity to the Addax/Sun Bird against amount owed the company. This claim was however not supported with any verifiable evidence.

We recommend that the Internal Auditor, the Commercial Manager and the Financial Controller make available all records supporting the sale of electricity to Addax Bio-Energy/Sun Bird for our review and without any delay. Failing, the appropriate authority should pursue for the recovery of all unpaid electricity bills at the prevailing interest rate.

ELECTRICITY GENERATION AND TRANSMISSION COMPANY

Payment without Supporting Documents – Le 850,078,145.55

1530. Section 73 of the Financial Management Regulations (FMR), 2007 and Sections 63 and 64 of the Public Financial Management Act, 2016 require that all disbursements of public monies should be authenticated with relevant supporting documents to show that amounts are due and payable. EGTC made payments totalling Le 850,078,145.55 to Salini and other suppliers without providing the necessary supporting expenditure documents to justify the payments. Poor expenditure management system and weak internal checks accounted for this anomaly. As a result, we could not authenticate the basis for these payments. This could also become a conduit for misappropriation of funds.
1531. When the initial observation was made in our draft report, the total amount expended without supporting documents amounted to Le12,921,824,746.05. However, following their response, Management provided some of the supporting documents, but failed to

provide those relating to transactions amounting to Le 850,078,145.55. Details are provided in **Appendix 53**.

We recommend that the appropriate authority should recover the sum of Le 850,078,145.55 from the officers who authorised these payments.

Procurement Plan not submitted for Audit

1532. Section 27 (1) of the Public Procurement Regulations, 2006 requires that procuring entities shall prepare a procurement plan for each fiscal year to guide their procurement activities. An annual procurement plan in accordance with Section 28 (a-f) of the Public Procurement Regulations of 2006 was not prepared by the company for the period between 2015 and 2018. Disregard for procurement rules accounted for this anomaly. This may lead to unplanned or unauthorised procurement activities.

1533. Management responded that the Procurement Unit was understaffed and lacked capacity after the unbundling exercise. However, a Procurement Manager who was employed to restructure the Unit and ensure compliance has resigned recently after submitting the 2019 procurement plan to NPPA.

We recommend that management should explain to the NPPA why it failed to prepare procurement plan for the period under review, failing of which the appropriate authority should take relevant measures to address all issues raised with the procurement activities of EGTC and also endeavour to ensure that annual procurement plans are prepared to guide all future procurement activities.

RFQ Method used Instead of NCB Method for Procurement Totalling Le 839,189,500.00

1534. The threshold in the first schedules of the Public Procurement Act, 2016 requires that Request for Quotation (RFQ) shall be used when the estimated value of the procurement is below Le 60.00 million and National Competitive Bidding (NCB) shall be used when the estimated value of the procurement is below Le 600.00 million in the case of contracts for the procurement of goods.

1535. We however observed that Request for Quotation (RFQ) method was used instead of National Competitive Bidding (NCB) method for procurement totalling Le839,189,500.00. The procurement process may not have been competitive and transparent and this may lead to the misuse of public funds. Details are given in **Appendix 54**.

1536. According to the Director General, the procurement was made under emergency circumstances. However, there are plans to recruit a new Procurement Manager to ensure compliance at all material times.

We recommend that the appropriate authority holds the authorising officers accountable for violations of procurement laws and apply sanctions where necessary except where they can prove beyond reasonable doubt why they could not comply. Meanwhile, management should provide us with a roadmap for restructuring the Procurement Department to ensure compliance with the Procurement Act for our review.

Contract Awarded without Justification –Le 455,000,000.00

1537. Section 72 (1) of the Public Procurement Regulations 2006 states that the evaluation shall comprise a financial evaluation and comparison to determine the evaluated price of each bid and determine the lowest evaluated bid, which is substantially responsive to the requirements of the bidding document. A review of the payment vouchers and its supporting documents for the procurement of 350 KVA generator for the Presidential Lodge at Hill Station in 2016, revealed that A. A. Enterprises with the least price of Le435, 000,000.00 and delivery period of two weeks was not awarded the contract instead, the contract was awarded to Integrated Power and Control Solution Ltd. with a contract price of Le455, 000,000.00 and immediate delivery. This resulted in a loss of Le20,000,000 to the company because of two weeks delivery.

1538. Failure by the Procurement Committee to provide reasonable explanation to the choice of supplier accounted for this anomaly. As a result, the company had lost an amount of Le20, 000,000 which could have been used for other pressing commitments. We could not establish the basis for the award of contract to Integrated Power and Control Solution at a relatively higher price.

1539. The Director General stated that the procurement was undertaken under emergency to solve power supply problems at the Presidential Lodge and Integrated Power and Control Solutions offered to deliver the equipment immediately. We are of the opinion that after a

review of the assessment report and minutes of the procurement committee, management could have applied for a “No Objection” from the NPPA.

We recommend that management should explain to the appropriate authority why they failed to apply for no objection in this transaction; failing which, the amount of Le20,000,000 should be recovered from the authorising officer of the transaction.

Fuel Procured without Adequate Supporting Documents– Le11,763,357,345.

1540.Regulations 73, 74 and 182 of the Financial Management Regulations, 2007 require that funds must be authenticated to show that amounts are due and payable. In this regard, quantities delivered in respect of liquid fuel should be accurately recorded on the GRN to aid in authentic and accurate payments. Management could not substantiate payments for fuel to the National Petroleum with supporting records such as invoices, delivery notes, receipts etc. Further, supplier reconciliation statements were also not available to authenticate payments. Poor supervision and weak internal checks over payments for fuel accounted for this anomaly. Fuel expenditure amounting to Le11,763,357,345 cannot be accounted for.

This could become a conduit for the misappropriation of funds or payments for no supplies. Details are provided in **appendices 55 and 56.**

1541. We initially observed in our draft report, that Management failed to submit supporting documents which totalled Le48,300,743,345.00. However, following the response from Management, payments which totalled Le11,763,357,345 still remained unsupported. Also from records produced, it was noted that Le5,370,750,000 could not be reconciled, as fuel quantities paid for and that delivered varied.

We recommend that the authority concern should recover the amount of Le11,763,357,345.

Electricity Sales Revenue Unaccounted for– Le3,729,826,952.00

1542.Section 40 of the Financial Management Act, 2007 requires vote controllers to ensure that adequate safeguards exist and are applied for the assessment, collection of and accounting for the revenues and other public moneys relating to their department or offices.

1543. A review of 2016 receivable schedule and invoices in respect of sale of electricity to EDSA, revealed that, there was an actual sale of Le163,287,926,952.00 but on the face of the financial statement, only Le159,558,100,000.00 was disclosed resulting in an outstanding amount of Le3,729,826,952.00. Details are provided below:

Table 143; Mismatched Electricity Sales

Actual sales	Deposits from the various banks	Electricity sold	Outstanding receivable balance
Amount in Le	128,301,435,551.00	163,287,926,952.00	34,986,488,401.00
Amount disclosed in Financial Statement		159,558,100,000.00	
Sales revenue unaccounted for		3,729,826,952.00	

1544. Our review also disclosed that only Le34,986,488,401.00 was precisely recognised as an account receivable and included in the 2016 Financial Statement. We attributed this omission to management's inability to comply with the Financial Management Act, 2007 and the revenue recognition standards. This situation could lead to abuse through misappropriation of funds resulting in loss of electricity sales revenue to EGTC.

1545. Management responded that the amount of Le3,729,286,952.00 represented GST charge on electricity sales to EDSA from November to December 2016. The amount is debited as part of EDSA's receivables and credited to the GST account as part of overall tax liability to NRA.

We recommend that the head of Finance should provide their accounting policy framework for our review. And also explain reasons for any departure from the revenue recognition standards.

Meanwhile, the head of Finance should make available all NRA records on the payment of Le3,729,286,952.00 GST for our review.

Implementation of Major Accounting Modules-US\$44,001.00

1546. Section 2-2 of National ICT Policy of Sierra Leone states that “the Economic objectives of Sierra Leone ICT Policy is to improve efficiency in the public sector through effective use of ICT infrastructure, applications and services. We reviewed a contract between EGTC and OC Associates (SL) Ltd. and noted that EGTC implemented the Integrated Financial Management Information System (IFMIS) Software at the cost of US\$44,001.00. We further noted the software requirements and specifications, including various accounting modules highlighted in the technical proposal document dated 25th July, 2015 referenced EGTC001/RFP16/07/15.

1547. Our review of the application software purchased from OC Associates (SL) Ltd. at a cost of US\$44,001.00 showed that vital accounting modules such as inventory, fixed assets and budgeting were neither used nor functioning. Further, the invoicing system as part of general ledger management module is not functioning and as such, transactions are first journalised in Ms Excel. We attributed this omission to management’s inability to enforce all the specifications/software requirements enshrined in the contract.

1548. Value for money has been undermined through the purchase of a sub-standard application software affecting the speed and efficiency in financial information processing and reporting.

1549. The Director General indicated that they are aware that the software is not fully utilised. However, assistance has been offered by MCCU on training which would soon commence. It is a global practice that software acquisitions are followed by training on how to use them by the developer and management could not provide any evidence on training for users of the software.

Since management has not been able to get the developer to fix modules not functioning or offer training for the use of the software, we recommend that the appropriate authority recover the amount of US\$44,001.00 from the authorising and paying officers without any delay.

Over-reliance on Software Developers

1550. Confidentiality, integrity and availability of information are crucial elements of a good software application. We reviewed the EGTC 2018-2022 Business Plan and IT Strategic Plan 2016 and noted job descriptions for ICT Head and other IT personnel in line with IT

management. Our review also identified the main functions and responsibilities of the ICT personnel. However, we noted that management has outsourced the System Administrator's role as defined in the IT Strategic Plan to the developers of HR & Payroll and Great Plain applications for financial reporting, creating additional cost burden for the company.

1551. We attributed this omission to management's inability to enforce the contents in the Service Level Agreement (SLA) with the software developers as well as the neglect of job descriptions and functions assigned to IT personnel. We were unable to assess and confirm roles and access rights assigned to users of Great Plain and HR & Payroll applications, and as such, we could not carry out a walkthrough test with these applications to establish audit logs on users' activities. The current situation also underutilises the knowledge and skills of IT personnel in managing these applications to enhance capacity building of IT staff.

1552. Management claims that the lack of capacity by its IT Department warranted the use of the developer to administer these applications and that Millennium Challenge Corporation Unit is working towards capacity building for the IT staff.

We recommend that management review's its recruitment policy to ensure that only qualified applicants are employed in EGTC to deliver on its strategy. Further, management should provide a road map on restructuring its IT Department and also, resolving all concerns raised to use its internal staff to manage the software rather than outsourcing it at an additional cost burden.

Unapproved IT Security Policy Document

1553. IT security policy is a key requirement in the confidentiality, integrity and availability requirements of any information system. We noted that the EGTC's ICT Policy document has not been approved to warrant effective implementation. We further noted that access to the server room was not controlled by a strong authentication method such as an electronic combination lock, a badge reader, a fingerprint reader or other biometric devices.

1554. Additionally, the server room had not been fully secured and no log book maintained to have activities undertaken tracked for incident management. We again, noted that the server room windows were without shatterproof or protected by metal gates to prevent thieves from breaking through. The CCTV monitoring device in the server was also malfunctioning.

1555. We attributed this omission to management's inability to appreciate the complexity of IT and contents of EGTC's ICT governance framework especially the delayed in approving ICT policy. This situation could lead to deliberate breach or damage of IT security by staff or users.

1556. Management indicated that EGTC is working with MCCU to develop an ICT policy to encompass all ICT issues.

To guarantee effective management and control of ICT infrastructure, we recommend that management provide a roadmap for the development and implementation of ICT policy to help deliver the overall policy strategy of EGTC.

Unjustified Judgement Debt Charge on EGTC's Account – Le490,000,000.00

1557. Section 13 (2) (g) of the Public Financial Management Act, 2016 requires a Vote Controller to safeguard and manage assets and public moneys under the responsibilities of the budgetary agency. We noted that the High Court of Sierra Leone passed a total judgement debt of Le490,000,000.00 and issued a debit order advice to Guarantee Trust Bank and Rokel Commercial Bank to debit EGTC's account number: 201312772110 and 02-011077712 -01 to the tune of Le352,000,000 and Le138,000,000 respectively for which EGTC had no knowledge of the case nor given a chance for legal representation. The situation arose because of the poor nature of the unbundling exercise without documentary proof of asset and liabilities by the Ministry of Energy.

1558. As a result of failure to be represented in court by a legal team, EGTC has suffered losses. Management stated that the judgement debt was as a result of a case against the former NPA, and it was executed against EDSA and EGTC. However, EGTC was not aware of the pending case against the former NPA. EGTC wrote to the Rokel Commercial Bank contesting the debiting of its account without prior knowledge. EGTC has nonetheless evaluated a possibility of fighting the case in court but has concluded to decline due to the finances it will involve.

We recommend that members of the Unbundling Committee who authorised the disbursements of NPA funds without proof should be held accountable for the losses.

Key Deliverables in Bumbuna HPP Contract Not Executed – Le100,334,709,791.74

1559. Clause C of the Bumbuna O&M Contract (Addendum No. 3) which was signed in February 2017 requires that rotation and twinning arrangements shall be implemented for trained and competent local engineers to be deployed as counterparts to each of the key expatriate staff in strict accordance with the actual operation and maintenance needs of the facility which will be handed over on 1st January, 2019. We noted during our review of the Salini Operating and Maintenance Contract (Addendum No. 3) and a physical inspection of the project site that the Bumbuna Hydro dam has not been handed over to selected local engineers as at 10th January, 2019. **Appendix 43** provides details of payments over the period reviewed.

1560. Failure by the Ministry of Energy and EGTC to monitor the details of the signed agreement for a smooth transition on 1st January, 2019 accounted for this anomaly. Value for money has been undermined in the absence of a total hand over of the project to local engineers. The situation has led to an extension of the O&M contract for a further two years which will result in an estimated cost of over € 5,000,000.00 over the period of the contract.

1561. Management responded that Salini has conducted training for its national and EGTC staff attached to Bumbuna as provided by the contract with the objectives of taking over but to date, that training has not capacitated them enough to take over the Bumbuna hydro dam. Assessment reports are available. But did not support their claims with any verifiable evidence.

To save cost and fully build and utilise capacity of local engineers, we recommend to management to address the concerns raised without any further delay, otherwise management's ability to manage the Bumbuna project should be reviewed by the Ministry of Energy.

Procurement of a 550kVA generator to Lunsar Town not Properly Managed - Le632, 000,000

1562. Section 30 of the PPA 2016 states that “The procuring entity shall be responsible for the administration of contracts into which it enters, as well as the monitoring of the performance of such contracts”. Section 135 (3) of the Public Procurement Regulations, 2006 stipulates that “the total amount of advance payment shall not exceed thirty percent of the total contract price”.

1563. We noted the following:

- i. A letter was sent to the National Public Procurement Authority (NPPA) for “No objection” for restrictive bidding which purport that it was a resolution from the Board of Directors (BOD) that recommends for the restrictive bidding procurement method. However, the minutes of the BOD deliberation, justifying the resolution made was not seen.
 - ii. The letter of No objection was sent on the 5th December 2016 and the ground for restrictive bidding was "emergency". Response from NPPA with regard the request for “No objection" was made by NPPA on the 1st of February 2017 and the NPPA advised that this must be sent to the Procurement Committee for deliberation and this was not adhered to.
 - iii. Due to the time difference of initiating the procurement (5th December, 2016) to the time of awarding the contract (February 2017), the grounds for “emergency” has been negated, therefore restrictive bidding should not have been used.
 - iv. Request for Quotation method was used instead of International Competitive Bidding as the contract amount was **Le632,000,000**.
 - v. The specific date the contract was signed was not stated making it difficult to ascertain whether the procured item was delivered in accordance with agreed timeline.
 - vi. Full (100%) payment was made in violation of Section 135 (3) and the contract which stipulates for 90% to be paid upon supply and delivery of the generator and 10% after the supplier’s satisfactory assistance and technical support during installation, test-run and commission of the generator.
 - vii. Installation, test-run and commissioning report was not provided for inspection.
 - viii. The warranty certificate was also not provided as stipulated in the contract.
1564. Ineffective supervision, non-monitoring of procurement activities and processes and lack of coordination with other units in the company. The situation is open to abuse through purchases at uncompetitive prices resulting in loss of funds. Management indicated that all records relating to the procurement are available for review.

We entreat management to comply with the Procurement Act at all material times. Meanwhile, the installation, test-run and commissioning report should be provided for inspection.

Absence of Procurement Plan –Le6,358,965,873

1565. Section 29(1) of the Public Procurement Act, 2016 states that “All procuring entities shall undertake procurement planning with a view to achieving maximum value for public expenditure and other object of this Act”. Section 30 of the PPA, 2016 states that “The procuring entity shall be responsible for the administration of contracts into which it enters, as well as the monitoring of the performance of such contracts”. We noted that annual procurement plans were not prepared by the company for the period under review. Procurement amounting to Le6, 358,965,873 could not be analysed to establish variances with the plan.

1566. Ineffective supervision, non-monitoring of procurement activities and processes and lack of coordination with other units in the company accounted for this. As a result, we could not review the procurement performance of the company. The situation could result in uncompetitive procurement or could become a conduit for procurement malpractices

1567.

1568. Management responded that the procurement department was under staffed and lacks capacity as well, hence the anomaly. However, processes are underway to recruit a new Procurement Manager to address all challenges in the Department.

We recommend that management provide a roadmap to the appropriate authority for the restructuring of its Procurement Department, failing, the appropriate authority should review management’s ability to effectively manage its procurement activities.

Sole Sourcing of Spare Parts and Consumables - Le310,815,300

1569. Section 37(2) of the Public Procurement Act, 2016 states that “procurement shall not be divided artificially with the intention of avoiding the monetary thresholds established under to this Act or regulations made under it”. Procurement of vehicle spares and consumables worth Le73,419,750 were procured into various portions and awarded to Hayat Auto Spares. **See Appendix 57 attached.**

1570. Ineffective supervision, non-monitoring of procurement activities and disregard of procurement laws accounted for this. Value for money through competitive procurement may have been undermined, resulting in loss of funds to EGTC. Management denied any split procurement activities and that each procurement for spare parts was unique.

We recommend that management provide a roadmap to the appropriate authority for the restructuring of its Procurement Department, failing, the appropriate authority should review management’s ability to effectively management its procurement activities.

Absence of Procurement Records to Justify Expenditure – Le1,626,359,751

1571. Section 37(1) of the Public Procurement Act, 2016 states that “public procurement shall be undertaken by means of advertised open bid process, to which equal access shall be provided to all eligible and qualified bidders without discrimination subject to the exceptions provided in Sections 38,39,40 and 41”. Documentary evidence in the form of newspaper advert, bid register, bid opening minutes, bid documents for bidders, bid evaluation report, advance payment guarantees, three requests for quotations delivery notes etc. to justify that an open, transparent and competitive procurement process was carried out for the procurement of goods, repairs and maintenance worth Le1,626,359,751 were not submitted for audit. **See Appendix 58.**

1572. Poor supervision and weak internal checks over procurement activities accounted for this. The situation exposes public funds to abuse through purchases at higher prices or the delivery of substandard items at the expense of EGTC. Management responded that records are available for review

We recommend that management provide a roadmap to the appropriate authority for the restructuring of its Procurement Department, failing, the appropriate authority should review management’s ability to effectively management its procurement activities.

APPENDICES

Due to the volume of this report and the appendices, it was decided that the Appendices will be printed as a separate volume.