

Transmittal Letter



December 20, 2012

Honourable Chernor Bah
Deputy Speaker of Parliament
Sierra Leone House of Parliament
Tower Hill
Freetown

Dear Sir,

In accordance with Section 119 (4) of the 1991 Constitution of Sierra Leone, I have the pleasure and honour to submit my report on the Accounts of Sierra Leone for the financial year ended 31st December, 2011.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Lara Taylor-Pearce'.

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

Auditor General of Sierra Leone

Table of Contents

List of Acronyms	3
1. Foreword	4
2. Executive Summary	5
3. Introduction	10
4. Auditor General's Opinion on the Public Accounts	13
5. The National Revenue Authority	48
6. Performance Audits	81
7. Ministries, Departments and Agencies	93
8. Public Enterprises, Commissions and Donor Funded Projects	192
9. City, Municipal and District Councils	271
10. Tertiary Level Institutions and Schools	277

Appendices

LIST OF ACRONYMS

MDA	Ministries, Departments and Agencies
NRA	National Revenue Authority
SLRTA	Sierra Leone Road Transport Authority
AG	Accountant General
MoFED	Ministry of Finance and Economic Development
ASSL	Audit Service Sierra Leone
PV	Payment Voucher
NCB	National Competitive Bidding
RFQ	Request for Quotation
AGD	Accountant General's Department
VC	Vote Controller
FS	Financial Secretary
CRF	Consolidated Revenue Fund
MTEF	Mid Term Expenditure Framework
MMMRK	Mineral of Mines and Mineral Resources Kenema
PS	Permanent Secretary
GST	Goods and Services Tax
BOQ	Bill of Quantities
NAO	National Authorising Office
ECOWAS	Economic Community of West African States
UNICEF	UN International Children Emergency Fund
HM	Hospital Manager
ACC	Anti- Corruption Commission
MS	Medical Superintendent
FMR	Financial Management Regulation
DMO	District Medical Officer
CMS	Central Medical Stores
FO	Financial Officer
PCMH	Princess Christian Memorial Hospital
PHU	Peripheral Health Unit
MMO	Mines Monitoring Officer
GGDO	Government Gold and Diamond Office
NPPA	National Public Procurement Authority
NASSIT	National Social Security and Insurance Trust
SVP	Secretary to the Vice President
VP	Vice President
IG	Inspector General
ASA	Audit Service Act
NRS	National Registration Secretariat
HRMO	Human Resource Management Office
CIO	Chief Immigration Officer
RIO	Regional Immigration Officer
MCK	Magistrate Court Kenema
PAYE	Pay as You Earn
MDK	Ministry of Defence Kenema
DHMT	District Health Medical Team

Foreword



In this report I present the results of our work for the past year. It has seen us conduct the financial audit of the Public Accounts, compliance audits of Ministries, Departments and Agencies as well as schools and vocational institutions. I also report on the audits of Public Enterprises and Commissions. This year my report includes summary chapters on performance audits we have conducted as well as audits of local councils. The reason for adding these is to provide a comprehensive and more complete picture of the work of my office. Audits are conducted in compliance with professional auditing and ethical standards generally recognized around the world.

Last year I commented that we had a long way to go in improving the quality of public financial management in Sierra Leone. Transparency International's 2012 Corruption Perception Index (CPI) scores Sierra Leone at 123rd from 1820 which is a solid improvement over 2010 when the country was placed 134th. While any improvement is better than none the findings from our audits suggest that advancing public financial management continues to require urgent attention by the government and public officials.

Within the Ministry of Finance and Economic Development, more specifically the Accountant General's Department, there is a need to address the nature of the modified cash basis of accounting employed by the government as well as both the quality and accuracy of accounting. The very definition of what constitutes the government accounting entity needs to be considered, as at present all government bank accounts are not included in the Financial Statements of the Government of Sierra Leone.

Improving the quality of governance in the public sector cannot be emphasised enough. Across all our audit entities, whether in ministries, public enterprises or schools, a pattern continues suggesting a need to mend the most basic elements of internal control as well as systems and procedures for record-keeping, protection of assets and segregation of duties. Poor management practices abound and there is still a lack of awareness that as public servants we all are accountable to Parliament and the citizens for managing public funds with due regard and probity. We encountered many instances of breaches in procurement procedures, management of stores, poor control over banking and cash management and proper enforcement of tax regulations. The tax revenue area is of particular concern to me and this is reflected in the inclusion of a separate Chapter in my report devoted exclusively to the audit of the NRA. The findings on governance in that agency should be a major concern for parliamentarians and the citizens of Sierra Leone and will continue to garner my attention in 2013. I commend this report to you.

In the course of the past year my staff and I have received considerable cooperation and assistance from the organisations and entities we audited. I would like to take this opportunity to express my thanks and appreciation.



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

Executive Summary

The Role of ASSL

The role of ASSL is to independently review the economy, efficiency and effectiveness of government as the custodian of public funds and to ensure that these moneys are used in the manner intended by Parliament as well as being clearly and accurately reported.

We are the guardian of Sierra Leone's economic security and as such we act in a professional, ethical and transparent to assure the productive stewardship of the investments of taxpayers and other stakeholders, and to safeguard the citizen's interest in the public sector.

General Comment on the Findings of this Report

The most significant outcome from my audit work for 2011 has been my professional judgment that a Disclaimer of Opinion on the Financial Statements of the Government of Sierra Leone was appropriate in the circumstances.

The pervasive reasons running through the financial statements as a whole that gave rise to this are laid out in my Auditor's Report in Chapter 4 but are briefly summarised as follows:

- I was not able to obtain sufficient appropriate audit evidence that the External Public Debt disclosed in the Public Accounts is free from material misstatement.
- I was not able to obtain sufficient appropriate audit evidence that Domestic Revenue disclosed in the Public Accounts was free from material misstatement
- I was unable to ascertain that Government bank balances disclosed in the Public Accounts were free from material misstatement.

Issuing a Disclaimer of Opinion is not a matter I considered lightly. It is based on the facts revealed in the Public Accounts audit and the many other audits undertaken by my office throughout the audit year 2011. In doing so I am intent and hope that the government and all public officials will address the profound need to get implement the very basics of internal control and to address the public financial management issues that my predecessor and I have been reporting for many years and on which progress has been snail-paced at best.

There are three related themes running through this Annual Report that go to the heart of my Disclaimer of Opinion on the Public Accounts.

- There is a wide disregard for reconciling cash book records to bank statements on a regular basis, preferably monthly. Given the pervasiveness of this basic internal control weakness and the ease in getting it done it has to be a victory of unwillingness over skill. There is very little skill involved in preparing bank reconciliation. With procedures and forms it can be taught in less than a day to any clerk with basic numeracy and does not need the training of a professional accountant. There has, however, to be a willingness on the part of managers at all levels to impose the discipline to get the job done and to rigorously follow-up the errors and omissions revealed by the process. Public officials must learn to follow the money wherever that may lead. The return on a very small training investment to do bank reconciliations for a large number of selected public officials across the country would be enormous and should be undertaken without further delay.
- Governance at the National Revenue Agency is weak and systems of internal control there are still weaker. The findings of two audits conducted by my office, details of which are provided in Chapter 5, speak volubly to this view. Also, the alleged non-responsiveness of the NRA to the legitimate and oft-repeated queries of the Accountant General's Department to matters regarding bank balances seriously impedes his work. Indeed the internal financial control and administrative weakness of the NRA places compliance with the government's tax law and policy

at risk of being disregarded if not ignored by the citizen and corporate taxpayers of Sierra Leone. Urgent and immediate action from the highest levels to bring good governance, management discipline and rigour to the activities of this key agency is essential.

- Failure to comply with procurement law and regulations is endemic and is a bigger problem to tackle successfully. The elimination of collusion between suppliers and between public officials and suppliers is an issue in many jurisdictions and is inherently difficult to detect. In Sierra Leone it requires rigorous enforcement of NPPA requirements by managers who should be held to account and where necessary close cooperation with the Anti-Corruption Commission. If ASSL is the watchdog over the public purse then the ACC is the bloodhound. Closer cooperation between NPPA, ASSL the ACC needs to be addressed. Our respective roles are different but complementary.

Having to issue a Disclaimer of Opinion is all the more unfortunate because it may seem to minimize the good work being done by many public officials and others across this country to address public financial management. This is not my intention. Their efforts also have been recognised by Transparency International and in the media at home and overseas Sierra Leone's embracing of democracy has been universally saluted. I compliment them and encourage them to keep up their efforts and not to be discouraged. In a very real sense we are in this together and we will prevail.

In the following sections of this executive summary high level if summarized views of what was revealed by our audits are presented. I commence with common issues that are found across all MDAs, PEs, Councils and Schools.

Common Issues

Seven matters that are common to virtually all MDAs, PEs, Councils and Schools are as follows:

- Payments without any or inadequate supporting documents.
- Withholding tax not deducted.
- Monthly bank reconciliations not prepared.
- Fixed Asset registers not maintained or up to date.
- No or ineffective Internal Audit units.

These are developed in greater details in the Chapters that follow.

The National Revenue Agency

We found some progress, albeit slow, in the institutional development of the NRA but much to be concerned about as well. This is true even in the face of the NRA collecting L \pounds 1,429 billion in 2011 which exceeded the target agreed between it, MoFED and the IMF by 8.1%.

Sierra Leone's tax to GDP ratio – a rough economic measure of tax effort – is improving but at 11.3% in 2011 is well below the ECOWAS rate of 16.1% and a low income country rate of 18%. The number of taxpayer audits of SMTOs remain relatively low at 9 and 37 in 2010 and 2011 respectively from an SMTO population of over 3,300 taxpayers.

Within the NRA there are fundamental problems in need of being addressed at the most basic levels of administration and internal control. These affect the capacity of the NRA to protect itself from inaccurate accounting, fraud and corruption as well as unnecessary broadening of the tax gap through revenue leakage.

The NRA has made progress on the ICT front with the introduction of ASYCUDA but much more remains to be done to reduce the opportunities for face-to-face interaction between officials and taxpayers which tends to create opportunities for fraud and corruption.

Overall the NRA is making some progress on its basic mandate but the pace of improvement is slow and the failure to address fundamental weaknesses in internal control leads us to conclude that the Board of Directors is failing in its role of providing control and supervision as required under Section 5(1) of the National Revenue Act.

Performance Audits

We reported five comprehensive audits as Special Reports to Parliament during 2011. The overall results are described in Chapter 6 and the complete reports are available on the ASSL website. What follows here, under the title describing the subject, is a succinct note on the results of each.

Seed Rice Distribution

There had been serious irregularities in the procurement process for seed rice. Several of the fundamental procurement regulations had been violated and the procurement records had not been submitted to the National Public Procurement Authority (NPPA). We also found that there were no established criteria for the distribution of seed rice or tractors to different districts.

Anti-malaria interventions

The targets set for reducing the burden of malaria have not been achieved. Indeed during the period under review no significant drop in the prevalence of malaria was recorded. The supply of drugs and other supplies to health facilities was frequently irregular and inadequate and treatment often started late and without prior laboratory testing. The distribution of bed nets was often late and national guidelines were interpreted differently in different parts of the country leading to some people getting several nets and others getting none.

Revenue from Fisheries

Local councils have not implemented adequate monitoring and controls over fish revenue collection and fisheries observers on board the licensed fishing vessels often found themselves in a weak position in relation to the captain of the vessel when trying to enforce the correct fishing practices. In addition, the monitoring of fishing activities by MFMR has not ensured good fishing standards and the patrolling of Sierra Leone's fishery waters is not effective.

Monitoring of Vehicles by SLRTA

SLRTA did not carry out its duties in line with Road Traffic Act and its contribution to road safety has been limited. Road accidents and road deaths continue to rise. There are no data available on the causes of accidents and therefore it is not possible to determine the proportion of accidents that can be attributed to defective vehicles, rather than to other factors such as reckless driving or poor roads conditions. All vehicles should have their licences renewed annually and commercial vehicles every six months. Yet it was found that many vehicles were not licensed even once a year. With 160,000 registered vehicles in the country the issuing of 50,000 licenses per year is clearly inadequate.

The Supply of Potable Water by SALWACO

Despite Sierra Leone's abundant water resources, access to raw water has been problematic. During the dry season, existing raw water reservoirs dry out and all the stations depend on water pumped from rivers or streams. At the time of our audit only one pump that seemed to function well with the result that water treatment process frequently came to a standstill and in some cases treatment had been stopped for several months.

With the exception of Makeni the stations did not have equipped laboratories and water testing kits and therefore were unable to routinely test the water to verify whether it was suitable for human consumption.

SALWACO has not been efficient and effective in scheduling adequate maintenance and attending to issues of repairs of damaged pipes.

SALWACO has not been able to recover operational costs from the revenue generated. From 2007 to 2010 water rates and charges covered less than 10% of total expenditure. The rates set by the Board were not implemented. Rates set by the stations were generally higher than those set by the Board, but still not high enough to secure cost coverage. In spite of what is stipulated in the Act there was only one utility meter for measuring water use, in all of SALWACO's operational areas.

Ministries, Departments and Agencies

We estimate there have been cash losses to the public purse of Le 110,914,263,391. As in previous years this has occurred for a number of reasons, some inter-related that overall strongly suggest that public financial management has much room for improvement in all MDAs.

For example:

- Monthly bank reconciliations are not carried out in most MDAs. This is fundamental failure of internal control over cash and banking procedures. This control should also be undertaken by persons with no access to the physical cash or bank statements, i.e. there should be segregation of duties between those handling cash and accounting for it.
- There are significant weaknesses in the management of revenue in most if not all of the revenue generating entities. For instance, transferring funds to NRA is subject to unnecessary delay.
- We noted many cases where withholding taxes are not deducted from suppliers or contractors.
- A perennial problem, payments without adequate supporting documents persists in almost all the MDAs.
- Several significant lapses were observed in procurement procedures resulting in incomplete transactions and hence unsatisfactory service delivery.
- Moneys intended to be managed by imprest accounts are not properly closed out or accounted for with the result control over imprest accounts is weak and allocating expenditure accurately to ledger accounts is seriously impaired.
- Fixed asset, stores and fuel records are not adequately recorded in applicable registers and other records.

In addition, all too frequently requested documents were not made available to our auditors for review although this has improved over previous years. The extent to which our recommendations for improvement in controls remain unimplemented is not acceptable and many entities have failed to make adequate, if any, responses to our findings. The findings do not inspire confidence that resources are being managed optimally with due regard for economy, efficiency or effectiveness or fully in accordance with the intent of Parliament.

Public Enterprises, Commissions and Donor Funded Projects

In general and across virtually all Public Enterprises and Commissions the significant matters identified in the audit examinations fall into the following areas:

- Poor bank, cash and imprest account management practices;
- Missing supporting documentation for transactions;
- Inadequate use of or a failure to use Asset Registers; and
- Failures to deduct withholding tax from supplier remittances.

There are also instances of poorly managed or largely non-existent document filing systems; inadequate personnel records; payroll calculation errors and less than well-functioning internal audit departments.

These observations suggest a need for greatly improved financial management with a clear focus on basic principles of internal control, e.g. regular bank reconciliations, appropriation segregation of duties and sound procedures for authorizing, recording and reporting transactions.

Local Councils

The audits of the operations of the local councils indicated that the financial management of the Councils needed to be improved with a clear focus on basic principles of internal control and proper records management. Significant matters identified in the audit examinations across all Local Councils fall into the following categories:

- Breach of Procurement Act/Regulations;
- No guidelines for the payment of Councillor sitting fees and allowances;
- Expenditure not supported by relevant documentary evidence;
- Inadequate control over the collection, recording and reporting of Financial Transactions;
- Failures to deduct withholding tax from supplier remittances; and
- Internal Audit Unit not effective.

These observations are expanded upon in more detail below and in even greater detail in the individual Councils' Reports submitted to Parliament.

The 2011 financial statements for eighteen Councils were submitted for audit before, or shortly after, the legislative deadline of 31st March 2012. However, to date, the 2011 financial statements for Freetown City Council have not submitted for audit as required by law.

Tertiary Level Institutions and Schools

Based on our review of schools and vocational institutions we continue to believe that administrative and financial management of the school system is out of control. Responsibility and accountability rests squarely on the Ministry of Education and it is from there that corrective action needs to be initiated as a matter of the gravest urgency.

Losses from schools and other educational institutions attract not only cash losses in respect of fees collected but there are also significant arrears in school fee payments. Basic procedures that are not being observed as follows:

- Monies collected are not banked before disbursement;
- There are extensive disbursements without adequate supporting documents;
- Procurement rules not followed;
- In some instances school fees are being collected without the issuance of receipts.

In this year's report we notice a deliberate flouting of "revenue banked before usage" spreading across virtually all schools.

Introduction

A truism that bears repeating is that law and order and good government sit at the very core of a well-functioning State. It is sustained through good governance that is:

“... among other things participatory, transparent and accountable. It is also effective and equitable. And it promotes the rule of law.”¹

The role of the public service in this paradigm is to promote probity, integrity, economy and efficiency in the effective delivery of government policy as approved by Parliament. Strong financial management is a key component of good public administration. Our role as the external auditor of government activities is to be an independent professional voice assessing how well the government, supported by the public service, delivers services generally and public financial management in particular. We are concerned about government expenditure and equally with orderly and equitable collection of government revenue from all sources. Part of our role is through our audit reports to build the confidence of all stakeholders in our State institutions when warranted and to criticize them when necessary. Only a well-functioning Sierra Leone can deliver the essential support and services that the citizens elected our Parliament and government to provide. Without criticizing government policy – which it is not within our remit - we examine and report on how well government is doing in terms of legal compliance and regularity as well as its performance in regard to economy, efficiency and effectiveness of its operations.

The role of ASSL then is to review government performance as the custodian of public funds and to ensure that these are used in the manner intended by Parliament as well as being clearly and accurately reported. We are getting better at performing our role and are reaping the benefit of focused recruitment of talented staff, quality control initiatives, audit training as well as donor funded capacity building. In our work we comply with INTOSAI professional and ethical standards and, recognising our need to keep developing, we avail of their training to strengthen our professional staff.

In the past year ASSL has continued to deliver internal training seminars and workshops. Selected members of our staff have attended training overseas as well. Currently in the environs of Freetown ASSL operates from a number of locations including the Youi and Lotto buildings. Construction continues on a new headquarters at Tower Hill which will permit consolidation of all Freetown staff into one. Occupancy is expected in 2013.

Our greatest need continues to be building our professional resources. We have been active and enjoyed some considerable success in recruiting young graduates from local universities. Upon hiring the graduates are encouraged to pursue certification as full members of the professional accounting bodies. We have also been able to attract experienced professionally qualified staff from the domestic market into mid and senior level positions. As ever, more financial resources are needed and we would plead that our cause is just as we pursue the improvement of public financial management as is our mandate under the Constitution, the Audit Service Act and other related financial legislation.

Mandate

Section 119 of the *Constitution of Sierra Leone* mandates the Auditor General to audit the Public Accounts of Sierra Leone and all public offices, including the Courts, the accounts of the Central and Local Government Administration, of the university and public institutions of like nature, statutory

¹ *Good Governance and Sustainable Human Development*, UNDP

corporation, company or other body and organisation established by an Act of Parliament or statutory instrument or otherwise set up partly or wholly out of public funds shall be audited and reported by or on behalf of the Auditor General.

In addition, the *Audit Service Act, 1998* sets down *inter alia* the organization of the Audit Service, also under section 66(4) of the *Public Budgeting and Accounting Act 1992* the Auditor General has the right to surcharge any person in certain circumstances.

ASSL's Vision

The Audi Service is guardian of Sierra Leone's economic security.

Mission Statement of ASSL

To continue to be a respected, agile, merit-based and ethically transparent institution dedicated to assuring the productive stewardship of the investments of taxpayers and other stakeholders, and safeguarding of the citizen's interest in the public sector.

Reading this Report

In addition to this Introduction there are four sections to this report. Each deals separately with discrete components of the activities of government. The four sections are as follows:

- My Audit Opinion on the financial statements of the government of Sierra Leone for the year-ended December 31, 20119, officially known as the Public Accounts, and related comments on the audit examination findings.
- Matters arising from two audits of the National Revenue Authority.
- A summary chapter describing five performance audit reports previously submitted to Parliament as special reports under section 66(4) of the Government Budgetary and Accountability Act, 2005.
- Findings arising from compliance audits conducted in those entities charged with delivering specific programs of the government. In short, Ministries, Departments and Agencies with explicit responsibilities for aspects of our system of governance, such as, finance, education, health, security and defence.
- Matters arising from audits of those organisations set-up as separate legal entities to conduct parts of the business of government. These are the many parastatal enterprises and commissions which though separate from government are nonetheless part of it.
- Finally there is a Section on our findings during the audits of schools and vocational institutions.

Auditors General in many jurisdictions around the world are making strides in the adoption of plain language reporting. That is to say, they are moving away from the jargon of the auditor and public official that is often impenetrable for lay persons. I have continued to use the plain language approach begun in my 2010 report. This is in the interest of clarity and communicating unambiguously the facts as I find them about the condition of public financial management in Sierra Leone and what needs to be done about it.

I recommend this report in its entirety to all citizens of Sierra Leone and in particular to our elected representatives in Parliament. I recognise however that not everyone has either the time or inclination to read all the detail it contains. For readers not wishing to dive into the particulars I include at the beginning of each chapter a summary called Main Points. In these I set out three basic matters:

- *What we examined* – we describe what the audit looked at and in some cases what we did not look at.
- *Why it's important* – we make the case for the relevance and significance of an area or issue.
- *What we found* – the most significant findings of the audit.

The intention of Main Points is to succinctly convey quickly and accurately the major messages arising from our work. They set out the key matters that came to our attention as we performed our duties under the Constitution and the Audit Service Act which, in our judgment, need to be addressed by the government and the public service and brought to the attention of citizens and parliamentarians.

I would like to take this opportunity to express my thanks to the Parliamentarians, Ministers of the Government, public officials and to my own staff for the cooperation and assistance received in conducting the work of the Audit Service Sierra Leone.

Auditor General's Opinion on the Public Accounts

Table of Contents

Main Points.....	14
4.1. Auditor General's Opinion on the Public Accounts	15
4.2. Financial Statements of the Government of Sierra Leone.....	18
4.3. Some Comments on the Public Accounts	38
4.4. Cash and Bank	39
4.5. Government Record Keeping (Other Charges)	39
4.6. Submission of Draft Public Accounts for Audit.....	40
4.7. Basis of Preparation of the Public Accounts	40
4.8. Project Implementation Units included in the Public Accounts.....	41
4.9. Miscellaneous Debtors and Investments.....	41
4.10. External Public Debt.....	42
4.11. Domestic Supplier Arrears	42
4.12. Review of the operations and management of the Transit Accounts.....	42
4.13. Review of Revenue Disclosure made in the Public Accounts	43
4.14. Customs and Excise Department	43
4.15. Domestic Tax Department.....	44
4.16. Non Tax Revenue Department.....	45
4.17. <u>Outstanding Issues from previous Audit</u>	45

Main Points

What we examined

The audit examination of the Public Accounts is a risk-based audit. We select on a test basis a sample of transactions from the Integrated Financial Information Management System (IFMIS) and examine the underlying supporting documentation. We also verify the accuracy of the compilation process used to create the financial statements and review the system of internal control in place including segregation of duties, authorization, recording keeping and selected controls over the computer system.

Why it is important

The Public Accounts comprise a Statement of the Financial Assets and Liabilities of the Consolidated Fund, a Statement of Financial Performance, a Cash Flow Statement and other Notes of Explanations and Elaboration to the Public Accounts. These financial statements are an expression of the Government's accountability to Parliament and civil society on how well it has exercised its responsibilities as custodian of the public purse. They are a report on the extent to which the Government has complied with the intent of Parliament as no revenue or expenditure may be collected or spent except as authorised by a parliamentary vote.

What we found

We found extensive issues surrounding control over External Public Debt, Domestic Revenue and Government Bank balances as well as encountering significant limitations of scope due to non-presentation of requested supporting documentation. A summary of these matters is set out below.

External Public Debt. I was not able to obtain sufficient appropriate audit evidence that the External Public Debt disclosed in the Public Accounts was free from material misstatement because of insufficient information presented for audit scrutiny. In addition, exchange gain and loss in respect of External Public Debt recorded in the financial statement was incorrect and Le 707 billion included as external public debt, owed to commercial creditors as at 31st December, 2011 was recorded in the Public Accounts; however, I was not provided with sufficient and appropriate audit evidence to conclude as to whether this balance was free from material misstatement.

Domestic Revenue. I was unable able to obtain sufficient appropriate audit evidence that Domestic Revenue disclosed in the Public Accounts was free from material misstatement, because bank reconciliations, comparing balances held at transit bank accounts with those in the cash books maintained, were not performed by the National Revenue Authority. In addition, Treasury Transit Accounts used by the National Revenue Authority to collect money on behalf of Government. Money from these Accounts should have been transferred to the Consolidated Fund at close of business on 31st December, 2011. However, this was not done. The scope of my work in auditing Revenue was limited in a number of areas because despite repeated requests, securitised receipt book documentation was not provided during the audit; 256 declarations out of 311 declarations requested (i.e. 82%) were not provided to the audit team during the period of the audit. I selected 80 small and medium tax payers and 56 large tax payers' assessment and collection files for testing but only slightly over one third were submitted.

Government Bank Balances. I was unable to ascertain that Government Bank Balances disclosed in the Public Accounts were free from material misstatement, due to the inadequate response to 3rd party confirmation requests and the inclusion of amounts in the Public Accounts that did not appear on a confirmation that was received.

As a result of the forgoing I have issued a disclaimer of opinion on the Financial Statements of the Government of Sierra Leone.

4.1. Auditor General's Opinion on the Public Accounts

I am required by Section 119(2) of the Constitution to audit the accompanying Public Accounts of the Government of Sierra Leone for the year ended 31st December, 2011. The Public Accounts comprise of a Statement of Financial Assets and Liabilities of the Consolidated Fund, a Statement of Financial Performance, a Cash Flow Statement and other notes of Explanation and Elaboration to the Public Accounts.

Responsibility of the Ministry of Finance and Economic Development for the Public Accounts

The overall responsibility for maintenance, preparation and submission of the Public Accounts lies with the Minister of Finance and Economic Development. Section 3(2)(h) of the Government Budgeting and Accountability Act (GBAA), 2005 states that “*(it shall be the responsibility of the Minister to) maintain subject to subsection 3 of section 119 of the constitution and any other enactment, the annual accounts of Sierra Leone and submit them to them to the Auditor General for audit and cause to be published for general public interest*”.

The responsibility of the Accountant General for the Public Accounts is in section 12(1)(a) of the GBAA, 2005 which states that “*(The Accountant General shall be responsible for) the compilation of the public accounts*”.

Other responsibilities include:

- designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor General

The Public Accounts of the Government of Sierra Leone are subject to audit by the Auditor General in accordance with section 119(2) of the Constitution of the Republic of Sierra Leone, 1991. My responsibility is to express an opinion on these financial statements based on my audit.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made;
- overall presentation of the financial statements; and
- adequacy of design and the effective implementation of internal controls.

I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis of Disclaimer of Opinion

External Public Debt

I was not able to obtain sufficient appropriate audit evidence that the External Public Debt disclosed in the Public Accounts is free from material misstatement. This is due to the following reasons:

- Our audit procedure to ascertain the accuracy of External Public Debt relating to multilateral and bilateral creditors of approximately Le 2.8 trillion recorded in the Public Accounts was restricted to creditor confirmation because of insufficient information presented for audit scrutiny. Only five creditors responded to the circularisation which accounted for 28% of the total. I was unable to confirm or verify by alternative means the unconfirmed balances which totalled Le 1.9 trillion representing 68% of bilateral and multilateral debt included in the Statement of Financial Assets and Liabilities as at 31st December, 2011. As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded external public debt and the elements making up the statement of financial performance and statement of cash flows.
- Exchange gain and loss in respect of External Public Debt recorded in the financial statement was incorrect as I noted inconsistencies in the manner in which the amount disclosed in the Public Accounts was arrived at. I was unable to estimate a potential amount of the misstatement because of the insufficient information presented for audit inspection.
- Le 707 billion included as external public debt, owed to commercial creditors as at 31st December, 2011 was recorded in the Public Accounts; however, I was not provided with sufficient and appropriate audit evidence to conclude whether this balance was free from material misstatement.

Domestic Revenue

I was not able to obtain sufficient appropriate audit evidence that Domestic Revenue disclosed in the Public Accounts was free from material misstatement, as a result of the following:

- Bank reconciliations, comparing balances held at transit bank accounts with those in the cash books maintained, were not performed by the National Revenue Authority. Consequently, I was unable to confirm the existence of this key control which would provide assurance that all revenue received had been banked and transferred to the Consolidated Fund;
- Treasury Transit Accounts are used by the National Revenue Authority to collect money on behalf of Government. Money from these Accounts should have been transferred to the Consolidated Fund at close of business on 31st December, 2011. However, this was not done. Consequently, Government Domestic Revenue for the Year ended 31st December, 2011 as presented in the Public Accounts, did not include all monies collected and was, therefore understated. I was unable to ascertain the total amounts not transferred and cannot, therefore, estimate the total potential misstatement although closing balances from some of the Transit Bank statements presented for audit inspection showed an amount of Le 17 billion in these statements; and
- The scope of my work in auditing Revenue was limited in a number of areas including:
 - Despite repeated requests, securitised receipt book documentation was not provided during the audit of Domestic Tax Department and Customs and Excise Department.
 - 256 declarations (with associated supporting documents) out of 311 declarations requested (i.e. 82%) were not provided to the audit team during the period of the audit.
 - I selected 80 small and medium tax payers and 56 large tax payers' assessment and collection files for test on a sample basis. However, only 26 collection and 22 assessment files were

submitted for small and medium tax payers and 45 assessment and collection files were submitted for large tax payers.

- A cash book detailing Goods and Service Tax collected at GLADVIC House was not maintained. The only record maintained was a list of collections entered into the VAT Integrated Processing system, a trial version which did not show receipt numbers, thus making it impossible for us to trace receipts issued to the cash book.

Government Bank Balances

I was unable to ascertain that Government Bank Balances disclosed in the Public Accounts were free from material misstatement, due to the following reasons:

- Out of a total of Le 65 billion presented as Cash and Bank Balances with 12 commercial banks in the Public Accounts, seven commercial banks did not confirm balances held with them. I was unable to confirm or verify by alternative means the unconfirmed balances which totalled Le 31 billion accounting for approximately 49% of the total balance;
- In respect of responses received from the commercial banks, I noted that account balances totalling Le 32 billion disclosed in the public accounts were not on the confirmations received from the banks.

Disclaimer of Opinion

Because of the significance and possible cumulative effect of the matters described in the basis for disclaimer of opinion paragraphs, I have been unable to express an opinion on the Public Accounts for the year ended 31st December, 2011.

Emphasis of Matters

Miscellaneous Debtors

Note 7 to the Public Accounts disclosed a total balance of Le 8 billion for Miscellaneous Debtors as at 31st December, 2011. No repayments on these debts were made to Government during 2011. In the case of the Loan of Le 5 billion owed by Bumbuna Hydro Electric project, the agreement was not available for audit inspection.

Non-Salary, Non-Interest Recurrent Expenditure and Domestic Development Expenditure

I was not provided with supporting documents to substantiate expenses amounting to Le 17 billion. This represented approximately 2% of the expenditure spent on non-salary, non-interest recurrent expenditure and domestic development expenditure. Also some Payment vouchers with expenditure amounting to Le 48 billion were not supported by appropriate documentary evidence. This represented 5% of the expenditure spent on non-salary, non-interest recurrent expenditure and domestic development expenditure.



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

AUDITOR GENERAL

26th November, 2012

4.2. Financial Statements of the Government of Sierra Leone

STATEMENT OF THE FINANCIAL ASSETS AND LIABILITIES OF THE CONSOLIDATED FUND

as at 31st December 2011

In millions of Leones	Notes	2011	2010
CONSOLIDATED FUND ASSETS			
CASH AND BANK BALANCES			
Cash and Bank Balances with the Central Bank	(3)	-	81,585
Cash and Bank Balances with Commercial Banks	(4)	65,577	127,985
Cash in hand with PIUs		47	22
		65,624	209,592
LOANS AND ADVANCES			
Staff Loans and Advances	(5)	1,132	1,398
Debtors - Privatisation	(6)	4,114	3,106
Miscellaneous Debtors	(7)	8,130	211,591
		13,376	216,095
INVESTMENTS			
Multilateral Agencies	(8)	56,635	54,654
Public Enterprises	(9)	136,241	127,234
		192,876	181,888
Total Consolidated Fund Assets		271,876	607,576
CONSOLIDATED FUND LIABILITIES			
SHORT TERM			
Cash and Bank Balances with the Central Bank	(3)	167,942	
Domestic Suppliers Arrears	(10)	77,270	80,276
Other Creditors and Accrued Charges	(11)	1,118	3,752
Domestic Public Debt	(12)	748,689	782,898
Special Marketable Securities	(13)	125,217	210,000
Deferred Interest	(14)	-	53,592
		1,120,236	1,130,518
LONG TERM			
Non-Marketable, Non-Interest Bearing Securities held by the Bank of Sierra Leone	(15)	81,803	81,803
Creditors	(16)	2,983	4,768
5 Year Bond	(17)	357,516	280,000
External Public Debt	(18)	3,748,677	2,588,008
		4,190,979	2,954,579
Total Consolidated Fund Liabilities		5,311,215	4,085,097
NET CONSOLIDATED FUND LIABILITIES		5,039,334	3,477,520

STATEMENT OF THE FINANCIAL ASSETS AND LIABILITIES OF THE CONSOLIDATED FUND

As at 31st December 2011

In millions of Leones	Notes	2011	2010
Attributable to:			
GENERAL REVENUE BALANCE			
Balance at beginning of year		3,477,521	2,400,912
<u>Prior Year Adjustments</u>	(19)	<u>968,221</u>	<u>41,785</u>
Restated Balance		4,445,742	2,442,697
Special Funds	(20)	112,902	203,774
Foreign Exchange Loss written off		(44,312)	287,113
Increase in Government Share of Equity- Public Enterprises		(9,006)	-27,860
Loss on capitalisation of NNIB		-	15,570
<u>Net (Surplus)/Deficit for the period</u>		<u>534,008</u>	<u>556,227</u>
Balance at end of year		5,039,334	3,477,521

Kebbe A. Kouroma
Accountant General
31st March 2012

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31st December 2011
In millions of Leones

	Notes	Original Budget	2011 Actual	Variance	Projects & Subvented	Total	2010 Actual
OPERATING REVENUE							
Domestic Revenue Collection	(21)						
Income Tax		269,568	477,181	(207,613)	-	477,181	303,026
Customs and Excise		387,326	283,376	103,950	-	283,376	321,715
Goods & Services Tax		299,045	351,451	(52,406)	-	351,451	246,362
Mineral Resources		64,667	210,771	(146,104)	-	210,771	24,190
Fisheries		11,994	11,851	143	-	11,851	12,298
Other Departments		59,170	92,804	(33,634)	45,704	138,508	49,139
Sale of Goods and Services					54,948	54,948	-
Road User Charges		64,800	-	64,800	-	-	53,077
Total Domestic Revenue		1,156,570	1,427,435	(270,865)	100,652	1,528,087	1,009,806
Other Revenue (Direct Grant Budgetary Support)	(22)						
HIPC Debt Relief Assistance		19,985	25,402	(5,417)	-	25,402	19,145
Other Grants Received		178,932	239,533	(60,601)	194,149	433,682	314,023
Peace Building Fund		44,388	431	43,957	-	431	-
MDRI Fund Transfer		-	113,000	(113,000)	-	113,000	204,072
Petroleum Strategic Fund Transfer		-	-	-	-	-	580
Projects & Subvented Agencies (GoSL Transfer)		-	-	-	323,397	-	214,343
Total Other Revenue		243,305	378,366	(135,061)	517,546	572,515	752,163
Total Operating Revenue		1,399,875	1,805,801	(405,926)	618,198	2,100,602	1,761,969
PAYMENTS							
Wages, Salaries and Employee Benefits	(23)	566,472	676,745	(110,273)	192,754	676,745	531,661
o/w Grants to Projects and Subvented Agencies			251,223	-	-	-	
Non-Salary, Non-Interest Recurrent Expenditure	(24)	617,086	559,247	57,839	834,572	559,247	631,853
o/w Grants to Educational Institutions		42,358	55,074	(12,716)	-	-	54,082
Transfers to the Road Fund		64,800	-	64,800	-	-	53,077
Transfers to Local Councils		86,956	76,056	10,900	-	-	78,438
Grants to Projects and Subvented Agencies		-	64,296	-	-	-	

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31st December 2011

In millions of Leones

	Notes	Original Budget	2011 Actual	Variance	Projects & Subvented	Total	2010 Actual
Domestic Development Expenditures	(25)	614,472	316,383	298,089	92,307	316,383	341,533
PIUs and Subvented Agencies	(26)	-	-	-	-	796,236	616,562
Total Payments		1,798,030	1,552,375	245,655	1,119,633	2,348,611	2,121,609
Surplus/(Deficit) from Operating Activities		(398,155)	253,426	(651,581)	(501,436)	(248,009)	(359,640)
Finance Costs	(27)	(151,559)	(250,218)	(98,659)	(884)	(251,102)	(159,919)
Domestic Interest		(135,206)	(226,138)	(90,932)	(884)	(227,022)	(141,309)
Foreign Interest		(16,353)	(24,080)	(7,727)	-	(24,080)	(18,403)
PIUs and Subvented		-	-	-	-	-	(207)
Arrears Payments		(23,647)	(34,898)	(11,251)	-	(34,898)	(36,670)
Wages Arrears		(1,547)	(533)	1,014	-	(533)	(5,744)
Parastatal Arrears		(1,007)	(10,883)	(9,876)	-	(10,883)	(28,516)
Domestic Arrears		(21,093)	(23,482)	(2,389)	-	(23,482)	(2,410)
Total Non-Operating Revenue/(Expenses)		(175,206)	(285,115)	(109,909)	(884)	(285,999)	(196,589)
Net Surplus/(Deficit) for the period		(573,361)	(31,689)	(541,672)	(502,320)	(534,008)	(556,227)

CASH FLOW STATEMENT

during the financial year ended 31st December 2011

In millions of Leones	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(Deficit) from ordinary activities	(534,008)	(556,227)
Non-cash movements		
Decrease/(increase) in Miscellaneous Debtors		-
Increase/(decrease) in Domestic Suppliers Arrears	(3,608)	(30,032)
Increase/(decrease) in Other Creditors and Accrued Charges	(2,634)	2,633
Disbursement to Subvented Agencies & Project	-	
Net cash flows from operating activities	(540,250)	(583,626)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Increase in staff loans and advances	266	(232)
Privatization Receipts	(875)	611
Net cash flows from investing activities	(609)	379
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from external borrowings		
Repayment of external borrowings	447,756	384,599
Net increase in domestic borrowing	(34,209)	199,579
Net Decrease in NNIB securities	(84,782)	-
Net Increase in 3 year Bond	77,516	-
Prior year adjustment	(67,418)	(29,813)
PIUs and Subvented proceeds from borrowing	2,983	4,218
MDRI Relief Income and Strategic Petroleum Fund	(112,902)	(203,774)
Net cash flows from financing activities	228,945	354,809
Net increase/(decrease) in cash and cash equivalents	(311,913)	(228,438)
Cash and cash equivalents at beginning of the year	209,592	438,032
Cash and cash equivalents at end of the year	(102,318)	209,592

Cash and cash equivalents

as at 31st December 2010

In millions of Leones	2011	2010
Cash and Balances with the Central Bank	(167,942)	81,585
Cash and Balances with Commercial Banks	65,576	127,985
Cash in hand with PIUs	47	22
	(102,318)	209,592

**NOTES OF EXPLANATIONS AND ELABORATION
TO THE PUBLIC ACCOUNTS**

NOTES OF EXPLANATIONS AND ELABORATION TO THE PUBLIC ACCOUNTS

The numbered notes that follow relate directly to the content of the financial statements above and are numbered accordingly.

1. General Information

The Financial Statements reflects the financial performance of the Government of Sierra Leone for the financial year ended 31st December 2011 on the basis of moneys received by, held in or paid out of the Consolidated Fund including amounts allocated to Projects during the year under review. The Government through the Accountant General's Department (known as the Treasury) operates a centralised treasury function that accounts for moneys collected by the National Revenue Authority and administers cash expenditures incurred by all ministries, departments and agencies (MDAs) during the financial year. The amounts appropriated to the MDAs are not controlled by the MDAs but are deployed on their behalf by the Treasury on presentation of appropriate documentation and authorisation. Thus, the amounts reported as allocations/appropriations in the Statement of Financial Performance (revenue and expenditure) are those the Treasury has expended for the benefit of the MDAs.

In effect, the Annual Public Accounts of the Government of Sierra Leone include the results of financial operations of all its Ministries, Departments and Agencies that were processed through the National Treasury and Other Public Funds relating to Donor Funds, especially Donor financed Development Projects, Income and Expenditure submitted in respect of their operations during the financial year 2011 has been included in the Financial Statements.

2. Summary of Significant Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Public Accounts.

(a) Basis of preparation

The Financial Statements of the Central Government has been prepared using accrual basis of accounting as far as practicable with International Public Sector Accounting standard (IPSAS).

Fixed Asset and Inventory are written off in the year of purchase.

In cases where IPSAS was not applied, the appropriate International Financial Reporting standards (IFRS) were applied.

The cash flow statement is prepared using the indirect method.

Revenues are reported when deposited at the central Bank. Balances in transit accounts relating to revenues collected by autonomous agencies are not included in the financial statements accounts as revenues until they are credited into the consolidated revenue Fund.

(b) Depreciation

No depreciation has been provided for as fixed assets are written off in the year of acquisition.

(c) Loans and Advances

Loans and Advances to government employees are recorded on a historic cost basis without any provision for diminution in value.

(d) Investments in Public Enterprises

Investments in Public Enterprises have been included in the accounts at the Government's Share of their nominal values as the Costs and Open Market Values of those Shares are not available.

(e) Classification of Accounts

The Public Accounts are classified in the same form as the National Budget and in accordance with the approved Chart of Accounts

(f) Foreign Currency Translation

The functional and reporting currency is Leones. Transactions in currencies other than Leones are translated into Leones at the prevailing rate of the transaction.

Assets and Liabilities denominated in foreign currencies are translated using the closing rates of exchange at the end of the year. Any resulting foreign exchange gains or losses are taken up in the General Revenue Account.

3. Balances with the Central Bank

The amount of Le161,475 million debit (Le81,585 million –2010) represents the net total of bank balances, including Departmental Accounts' balances, held for and on behalf of the Government at the Bank of Sierra Leone. This amount is inclusive of the sum of Le512 million relating to unutilised balance on MDRI relief account.

SUMMARY ANALYSIS OF BANK BALANCES WITH THE CENTRAL BANK

as at 31st December 2011

In Leones

<u>Account No.</u>	<u>TREASURY BANK ACCOUNTS</u>	<u>2011</u>	<u>2010</u>
1100501	TREASURY MAIN ACCOUNT	(26,886,031,880)	(51,990,672,185)
1000512	AGD EXPENDITURE ACCOUNTS - GENERAL	(161,974,131,336)	(41,740,462,809)
1100515	AGD SALARIES & WAGES ACCOUNT 1998	(16,638,359,160)	(3,936,717)
1100516	AGD PENSIONS ACCOUNT 1998	(4,253,651,889)	(4,130,758,374)
1100564	E.C.TREASURY ACCOUNT		11,377,392,831
1100582	REVENUE CUSTOMS ACCOUNT		11,647,388
1100811	TREASURY WAYS & MEANS ADV A/C	26,886,029,999	
1100841	GST ACCOUNT		58,144,335
1100843	MARINES FINES		2,133,499,500
1100844	MIN OF SOCIAL WELFARE		(46,196,592)
1100846	AFFORESTATION ACCOUNT		(1,007,348,254)
1100847	JST SEMEGA-JANNEH COMMISSION		330,000
1100849	BUMBUNA HYDROPOWER		2,634,393,978
1100850	NATIONAL IDENTITY CARD		510,365,232
1100854	JAPANESE NON PROJECT		26,732,208,174
	DEPARTMENTAL ACCOUNTS	14,412,605,209	23,534,317,976
1100721	MDRI RELIEF	511,647,119	113,511,647,119
		(167,941,891,938)	81,584,571,602

4. Cash and Bank Balances with the Commercial Banks

The amount of million Le65,576million (Le127,985. million – 2010) represents the total of bank balances held at various Commercial Banks for Subvented Agencies and Projects Implementation Units (PIUs) that have submitted Financial report for the year 2011.

In Leones			
No.	BANK	2011	2010
		Le	Le
1	S/L COMMERCIAL BANK - TREASURY ACC.	-	-
2	SIERRA LEONE COMMERCIAL BANK	31,117,095,854	64,533,677,410.47
3	ROKEL COMMERCIAL BANK	22,179,585.209	47,641,102,359.70
4	STANDARD CHARTERED BANK	3,912,130,732	6,907,145,029.93
5	UNION TRUST BANK	3,399,346,500	820,249,387.41
6	FIRST INTERNATIONAL BANK	4,099,352,809	5,498,361,861.34
7	GUARANTEE TRUST BANK	609,302	66,741,989.00
8	ECO BANK	628,359,175	(250,756,511.26)
9	UNITED BANK OF AFRICA	95,222,407	41,109,000.00
10	PHB	100,931,109	-
11	ACCESS BANK	43,439,982	2,727,066,450.61
12	YONI RURAL BANK MILE 91	103,200	318,565.28
TOTAL		65,576,176,282.85	127,985,015,542.48

5. Staff Loans and Advances

The amount of 1,132 million (Le1,398 million – 2010) represents the outstanding balance of loans and advances given to employees of Government as well as Members of Parliament.

6. Debtors - Privatisation

The amount of Le4,114 million (Le3,106 million – 2010) represents the outstanding balance owed to Government for Public Enterprises that were privatised and leased this year and previous years. The amounts owed as at end 2011 are as follows:

DEBTORS-PRIVATISATION

as at 31st December 2011

In millions of Leones

	2011		2010
	Value in	Value	Value
	Millions of US \$	(Le m)	(Le m)
Agricultural Produce Marketing Company	0.16	721.7	692.0
National Commission for Privatization	0.20-	875.5	
GAVA (SL) Ltd.	0.58	2,517.2	2,413.9
Total Value	0.94	4,114.4	3,105.9

In millions of Leones

	2011		2010
	Value in	Value	Value
	Millions of US \$	(Le m)	(Le m)
Balance as at 1st January	3,105.9		3,488.2
Privatisation receipts with National Commission for Privatisation	875.5		-
Privatisation receipts from Previous years			(611.1)
Exchange Rate Differential on Revaluation	133.0		228.8
Balance as at 1st January	4,114.4		3,105.9

7. Miscellaneous Debtors

as at 31st December 2011

In millions of Leones	2011	2010
Loan to Sierra Rutile	-	203,461
Bumbuna Hydro Electric Project	5,213	5,213
Loan to Salpost	753	753
Loan to Guma Valley Water Company	2,164.5	2,164.5
	8,130.5	211,591.5

LOAN TO SIERRA RUTILE

In millions of Leones

	2011		2010
	Value in	Value in	Value
	Millions of Euro	Millions of Euro	
Balance as at 1st January		33.81	186,441.8
Interest @ 8%pa		2.68	14,929.8
Exchange Rate Differential			
on Revaluation		-	2,089.0
Balance as at 31st December		36.49	203,460.6

8. Investments – Multilateral Agencies

The Government holds equity shares with participating interest in a number of multilateral institutions giving it access to loan and grant facilities utilised predominantly for its development projects. The Equity Shares as at 31st December 2011 are as outlined below:

In millions of Leones

	2011 Value in Millions of SDR	Value	2010 Value
International Bank for Reconst. and Development (IBRD)	1.83	12,258	11,830
<u>African Development Bank (AFDB)</u>	<u>6.62</u>	<u>44,377</u>	<u>42,824</u>
	8.45	56,635	54,654

9. Investments – Public Enterprises

The carrying value of Le136,241 million (Le127,234 million - 2010) represents the Government's participating equity interests in a number of Public Enterprises presented at the Government's share of the nominal share values in those enterprises.

As at 31st December 2011

In millions of Leones

No.	NAME	LEGAL STATUS	GOVERNMENT PARTICIPATION (In %)	GOVERNMENT SHARE OF EQUITY	
				2011	2010
A.	Utilities				
A1	National Power Authority (NPA)	Authority	100%	2.00	2
A2	S/L Telecommunications Co. Ltd. (SIERRATEL)	Limited Company	100%	25,813.00	25,813
A3	Sierra Leone Postal Services Ltd. (SALPOST) 20	Limited Company	100%	20.00	
A4	Guma Valley Water Company (GVWC)	Limited Company	95%	1,162	1,162
B.	Financial Institutions				
B1	Bank of Sierra Leone	Central Bank	100%	-	-
B2	Sierra Leone Commercial Bank (SLCB)	Limited Company	100%	57,518	46,900
B3	Rokel Commercial Bank (RCB)	Limited Company	51%	30,926	32,537
B4	National Development Bank (NDB)	Limited Company	99%	1,588	1,588
B5	National Insurance Company (NIC)	Limited Company	100%	463	463
C.	Transport and Shipping				
C1	Sierra Leone Road Transport Corporation (SLRTC)	Corporation	100%	184.00	184.00
C2	Sierra Leone Airport Authority (SLAA)	Authority	100%	1,004.00	1,004.00
C3	Sierra National Airlines (SNA)	Limited Company	100%	1.00	1.00
C4	Mining and General Services Co (SL) Ltd. (MAGS)	Limited Company	51%	439.00	439.00
C5	Sierra Leone Ports Authority (SLPA)	Authority	100%	3.00	3.00
C6	Sierra Leone National Shipping Company Co. (SLNSC)	Limited Company	100%	0.14	0.14
D.	Agriculture				
D1	Sierra Leone Produce Marketing Board (SLPMB) (Note 1)	Corporation	100%	n/a	n/a
E.	Information Services				
E1	Sierra Leone Daily Mail	Company	100%	0.01	0.01
F.	Manufacturing				
F1	Seaboard West Africa	Limited Company	0.01%	n/a	n/a
F2	Sierra Leone National Workshop	Company	40%	2.00	2.00

In millions of Leones

No.	NAME	LEGAL STATUS	GOVERNMENT PARTICIPATION (In %)	2011	2010
				GOVERNMENT SHARE OF EQUITY	
G.	Housing				
G1	Sierra Leone Housing Corporation (SALHOC)	Corporation	100%	15,437.00	15,437.00
H.	Leisure				
H1	Sierra Leone State Lottery Co Ltd (Lotto) (Note 1)	Limited Company	100%	-	-
I.	Roads				
I1	Sierra Leone Roads Authority	Authority	100%	1,679.00	1,679.00
				136,241.15	127,234.15

10. Domestic Suppliers Arrears

DOMESTIC SUPPLIERS ARREARS

As at 31st December 2011

In millions of Leones

	2011	2010
Domestic Suppliers' Balances brought forward	80,276	99,230
Prior Year Additional Claims	4,636	6,005.6
Additional payment for cheques payable	34,472	(4,775.66)
Payments made during the year	(40,892)	(25,256.8)
Exchange rate difference	(1,222.5)	5,072.4
	77,270	80,276

11. Other Creditors and Accrued Charges

In millions of Leones

	2011	2010
NPA Escrow		2,633
NASSIT	1,118	1,118
	1,118	3,751

The amount owed to NASSIT is in respect of the validation of the past services of Government Employees.

12. Domestic Public Debts (See Appendices I and J)

The carrying value for Domestic Public Debts comprises:

In millions of Leones

	2011	%	2010	%
Treasury Bills	612,880	81.9	496,653	63.4%
Treasury Bearer Bonds	108,923	14.5	107,666	13.8%
Ways And Means Advances	26,886	3.5	178,579	22.8%
	748,689	100.0%	782,898	100.0%

The Treasury Bills are marketable securities of the Government on a 90-days period, 182-days period and 365 days period basis whilst the Treasury Bearer Bonds are Marketable Securities on a one-year basis.

13. Special Marketable Securities held by the Bank of Sierra Leone

During the year the Government redeemed NNIB securities worth Le84,783 million bringing the balance as at 31st December 2011 to Le 125,217million.

14. Deferred Interest

As at 31st December 2011

In millions of Leones

	2011	2010
Opening balance	-	38,662
interest 8%	-	14,930
	-	53,592

The Deferred Interest is the accrued interest on the Loan to Sierra Rutile Ltd

15. Non-Marketable, Non-Interest Bearing Securities held by the Bank of Sierra Leone

for the year ended 31st December 2011

In millions of Leones

	2011	2010
Securities in issue at the beginning of year	81,803	243,733.0
Conversion to Marketable Securities	-	(77,500)
Conversion to 5 Year Bond	-	(100,000)
Losses for Years 2006 & 2008	-	15,570
Securities in issue at the end of year	81,803	81,803.0

16. Creditors

As at 31st December 2011

In millions of Leones

	2011	2010
PIUs and Subvented Agencies	2,983	4,768

This represents domestic and external loans raised by Projects and Subvented Agencies

17. 5 Year Bond

During the year 2011 Le 77,516million way and means advances was converted into 3 year bond taking the 5 year bond to Le 357,516million.

18. External Public Debts (See Appendices G and H)**EXTERNAL PUBLIC DEBTS**

as at 31st December 2011

In millions of Leones

	2011	%	2010	%
Multilateral Creditors	2,233,117	75.0	2,041,271	78.9%
Bilateral Creditors	517,477	15.3	253,412	9.8%
Commercial Creditors	998,083	9.7	293,325	11.3%
	3,748,677		2,588,008	100.0%

In millions of Leones

	2011	2010
Opening Balance	2,588,009	1,909,857
Prior Year Adjustment	748,878	5,978
	3,336,887	1,915,835
Loan Disbursements	501,671	445,492
Loan Repayments	(53,913)	(60,893)
	3,784,645	2,300,434
<u>Actual Translated Balance</u>	<u>3,748,677</u>	<u>2,588,008</u>
<u>Loss on Exchange (External Debt)</u>	<u>35,968</u>	<u>(287,574)</u>
Exchange Rate Differential (Privatization Debt)	133	229
Exchange Rate Differential (Loan to Sierra Rutile)	2,835	2,089
Exchange Rate Differential (Domestic Suppliers Arrears)	1,223	(5,072)
Exchange Rate Differential (Bumbuna Hydro)		
Exchange Rate Differential (Multilateral Investments)	1,982	3,768
Exchange Rate Differentials (Projects)	2,172	550
Total Loss on Exchange	44,312	(287,110)

The total amount of Le 3,748,677 (Le2,588,008 million – 2010) presented for External Public Debts includes outstanding debts owed to the International Monetary Fund (IMF) which are reflected in the books of the Bank of Sierra Leone, as they act as both depository and fiscal agent for loans contracted with the IMF. The outstanding debts due to the IMF totalled Le439,855million (Le445.616million – 2010).

19. PRIOR YEAR ADJUSTMENTS

In millions of Leones

Details	2011	2010	Remarks
Domestic Arrears - Additional Claims	4,636	6,006	Adjustments for Additional Claims
Creditors	(4,768)	-	Adjustment to 2010 balance
External Public Debts-	748,878	5,978	revision of 2009 Balance
Departmental and Treasury Accounts	2,029	-	Adjustments to transactions relating to previous years
Departmental Accounts at the Central Bank	11,747		
Salary Advance	-	(12.29)	Adjustments for previous years
PIUs and Subvented Agencies	205,699	29,813	Adjustment to opening bank balance for 2010
	968,221	41,785	

20. Movement in Special Funds
as at December 2011

in millions of Leones			
	MDRI Fund	Strategic Petroleum	Total
Balance as at 1st January	113,512	1,551	115,063
Transfer to CRF	(113,000)	-0	113,000
Interest received	114		114
Bank Charges	-	(16)	(16)
Balance as at 31st December	512	1,649	2,161.4
Movement in Special Funds			112,901.5

21. Domestic Revenue Collection (See Appendix A)

The total amount of Le 1,427,435 (Le1, 009,806million – 2010) represents revenues from various sources collected for and on behalf of Government during the period and paid into the Consolidated Fund. They do not include revenue held in Transit Accounts amounting to Le5,130 million which was not transferred to the CRF prior to the close of business on 31 December 2011. Also revenue arrears amounted to Le 18,296 million.

22. Other Revenue (See Appendix B)

The total amount of million Le633,875million (Le752,163 million – 2010) received as grants comprises Le 25,402million (Le19,145 million – 2010) as HIPC Debt Relief Assistance, Le 300,893million (Le314,023 million – 2010) as other direct budgetary support , Le113,000million as draw down on the MDRI Fund and Le194,149million captured as external grants to Projects and Subvented Agencies.

23. Wages, Salaries and Employee Benefits (See Appendix C)

In millions of Leones		
	2011	2010
Wages and Salaries	677,277	537,404
o/w Charged Emoluments		
Education	234,444	167,547
Health	76,376	63,370
Public Order and Safety	54,666	36,000
Defence	54,575	48,167
Recreation, Culture and Safety	858	-
Economic Services	28,848	-
General Public Service	59,495	-
Foreign Missions	-	36,663
Local Councils	4,002	3,815
Others	-	112,492
Social Security Contributions		34,673
Pensions, Gratuities and Other Retirement Benefits	81,197	34,677

The amount of Le81,197 (Le34,677 million in 2010) for Pensions, Gratuities and Other Retirement Benefits represents mainly payments made in the form of Gratuities and Pensions to Employees that have retired before 2002 in the case for pensions and those that retired in 2010 and beyond only gratuities are paid, also a total of Le48,608million was paid out as government contributions to social security for public workers.

24. Non-salary, non-interest recurrent expenditure (See Appendix D)

In millions of Leones

	2011	2010
Non-Salary, Non-Interest Recurrent Expenditure	618,181	631,853.00
o/w Education	8,850	64,806.40
Health	30,482	27,655.68
Defence	43,257	49,874.37
Police	34,184	30,647.37
Agriculture	20,028	22,207.37

25. Domestic Development Expenditures (See Appendix F)

The total amount of Le 316,383 (Le341,533 million) for Domestic Development Expenditure represents the Government contribution to various Development Projects.

26. Project and Subvented Agencies

The total amount of Le 287,906million for PIUs and Subvented Agencies represent amounts excluding Government of Sierra Leone grants and counterpart funding to projects during the year as follows:

Expenditure (PIUs / Subvented)

In millions of Leones

	2011
Wages and Salaries	192,735
Goods and Services	292,792
Capital Development	92.307
Grant Paid	38,204
Gosl Transfer	(328,132)
	287,906

27. Finance Costs

The total amount of Domestic Interest comprises:

In millions of Leones

	2011	2010
Interest on Ways and Means	24,442.37	20,930.46
Interest on Treasury Bills	116,267.00	63,712.88
Interest on Treasury Bearer Bonds	46,272.20	35,288.95
Interest on NNIB Securities	39,156.43	21,376.39
	226,138.0	141,308.7

28. Commitments

Capital expenditure contracted for at the balance sheet date that is yet to be executed has not been recognised in the financial statements. It is expected that these expenditures will be funded from available financial resources in subsequent year.

Government has entered into contract with suppliers for which it is not for until the supplier has performed according to the contract.

29. Contingent Liabilities

The Government has entered into cross debt settlement arrangement with utility companies, where the amount owed by Government departments is offset against the utility's tax liabilities. The result of this exercise will be incorporated in subsequent financial statements. It is not expected that these accounts are immaterially misstated by this omission.

30. Bank and similar guarantees

At 31st December 2011, the Government's contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of operations from which it is anticipated that no material liabilities will arise.

4.3. Some Comments on the Public Accounts

I have issued my Auditor's Report on the Public Accounts of the Government of Sierra Leone in accordance with Section 119(2) of the Constitution of the Republic of Sierra Leone 1991 and Sections 62 to 66 of the Government Budget and Accountability Act 2005. A copy of my Audit Report precedes the Financial Statements of the Government of Sierra Leone and the Notes thereto which are reproduced in full above.

The financial statements are an expression of the Government's accountability to Parliament and civil society on how well it has exercised its responsibilities as custodian of the public purse. It is a basic tenet of our system of government that no revenue or expenditure may be collected or spent except as authorised by a parliamentary vote. Therefore the Public Accounts are a report on the extent to which the Government has complied with the intent of Parliament.

The short-form Auditor's Report – in this instance a disclaimer of opinion - is an expression of professional judgement and its form is dictated by international good practice. I may issue an unqualified, qualified, disclaimer or an adverse opinion. An unqualified opinion arises where the financial statements provide a true and fair view of financial position and performance and a disclaimer arises where the auditor is unable to form an opinion one way or the other. An adverse opinion arises where issues in the financial statements are so pervasive that they do not present a true and fair view. Either a disclaimer or an adverse opinion is a very serious matter.

This year I have expressed a disclaimer of opinion on the Public Accounts. In summary the issues giving rise to the disclaimer are:

- Material uncertainty over domestic revenue due to:
 - significant receipt books not available/accounted for;
 - unidentified cash balances held in transit accounts not transferred to the CRF at year end; and
 - a significant discrepancy between NRA reported revenue and that disclosed in the Public Accounts.
- Material uncertainty over donor revenue as no breakdown was made available for audit.
- Material uncertainty over other charges expenditure due to lack of supporting documentation made available.
- Material uncertainty on the amount of Project Implementation Units not included in the accounts.
- Material uncertainty regarding the disclosure and valuation of miscellaneous debtors and investments.
- Material uncertainty regarding the accounting for and consequently the amount of Public Debt.
- Material error in non-disclosure of domestic revenue arrears as required by GBAA 2005.

All of the matters raised above are developed and commented upon more completely below including my view that Note 2(a) to the Financial Statements, referring to the basis of preparation of the accounts, may well be misleading to readers. This was not mentioned in my disclaimer of opinion but might well have been.

Unfortunately in recent years disclaimers or qualified opinions on the Public Accounts have been the norm in Sierra Leone. Neither the disclaimer nor the matters giving rise to it should be taken lightly and it is unfortunate that despite my concerns expressed in last year's Annual Report, the matters raised then were largely not acted upon more effectively or completely. While public financial management is improving slowly, I would say too slowly, in matters of internal control around banking and cash management, of both the expenditure and revenue, there remain very serious weaknesses. The accounts

are prepared on a cash basis – which I comment upon further below – so it follows that financial reporting is unreliable if controls over banking and cash management are poor. The audit findings are extensive and make poor reading. They are more extensive than in previous years because the audit coverage is greater – it has risen from 63% of expenditure in 2006 to 81% in 2011. In addition, the technical capacity of my auditors has improved and this combined with the increased coverage means there will be more findings, keeping in mind that it appears there is plenty to find.

The following paragraphs set out in greater detail our findings while conducting the audit and the matters giving rise to the disclaimer of opinion.

4.4. Cash and Bank

There has been an improvement in terms of the number of audit confirmations of balances received from commercial banks. Out of a total of Le 63,442 million presented as cash and bank balances with commercial banks for the 2011 Public Accounts approximately Le 32,426 (about 51%) of the total was confirmed directly. This is a marked improvement compared to last year when less than 0.1% of the total was confirmed directly by the banks.

However, we noted discrepancies between the confirmed balances and the disclosures in the Public Accounts. For instance although we received confirmations from Access Bank, Sierra Leone Commercial Bank, Guaranty Trust Bank and Union Trust Bank we noted that the amounts were not those disclosed in the Public Accounts. The total unconfirmed bank balances totalled Le 32,387 million. Conversely, we noted that some bank balances confirmed by the commercial banks were not included in the Public Accounts.

Some of the departmental bank balances listed in the schedules presented for audit purposes were not included in the list of balances disclosed in the Public Accounts, whilst others were included but the amounts differed from those on the list presented by Bank of Sierra Leone. We were unable to obtain an explanation for the non-inclusion and the differences noted.

We noted that opening departmental cash and bank balances were written off as prior year adjustments. The officer in charge of recording these balances explained that this treatment was because of the inconsistencies of Departments in submitting their financial returns to the Accountant General's Department.

4.5. Government Record Keeping (Other Charges)

Out of a total of 2,306 payment vouchers for other charges requested 36 were not made available for audit inspection (representing 1.6% of the total PVs requested). This indicates a slight improvement in the percentage returns last year when about 2% of the payment vouchers were not made available for audit inspection. However, in 2009 only 38% was not submitted for audit purpose. This trend is presented in the table below.

Table 4.1 - Payment Voucher Return Rate			
Year	No of PVs Requested	No. of PVs Requested Not Submitted	% of Returns Not Presented
2011	2,306	36	1.6%
2010	386	7	2.0%
2009	1,755	672	38.0%

We noted that for 108 payment vouchers (PVs) totalling Le 46 billion which were produced for audit inspection that the supporting documentation was insufficient to support the substance of the transaction to which the PVs related. Supporting documents such as invoices delivery notes, certificates of

completion or other relevant documents should be reviewed by the Accountant General's Department prior to payments being made in accordance with section 81(1) of the Financial Management Regulation which states that:

“The Accountant General or authorized officer shall before making any payment against a voucher, check that (a) the voucher is properly supported by the prescribed documents; (b) the documents are attached to the vouchers and are correct and complete in every particular”.

The documents should then be filed appropriately to maintain an adequate audit trail. However, during the course of our review of Other Charges, we noted that for payments made by bank transfers, the supporting documents were not attached to the Batch header/payment vouchers.

In addition, we sampled Payment Vouchers for special imprest accounts. Out of these payment vouchers, special imprests amounting to Le 2,211,565,850 were not properly retired by the responsible offices. This represented 67% of the total Payment Vouchers examined.

4.6. Submission of Draft Public Accounts for Audit

I received the draft Public Accounts on the 12th of April, 2012, twelve days past the statutory deadline. Section 57(3) of the Government Budgeting and Accountability Act, 2005 states that:

“The Speaker of Parliament shall, after consultation with the Minister, ensure that the Auditor-General's copy of the statement of accounts is transmitted to him within the period of three months specified in subsection (1)”.

4.7. Basis of Preparation of the Public Accounts

It is reported in Public Accounts that International Public Sector Accounting Standards (IPSAS) Accrual Standard were used in preparing the Public Accounts with some exceptions. However our audit tests revealed that these standards were not complied with and so the Accountant General agreed that this statement would be changed and it would be reverted to the previous description that the accounts were prepared on a “modified cash basis”. However, even this modified cash basis does not conform to any recognised standard for cash basis reporting such as, for example, International Public Sector Accounting Standard (IPSAS) Financial Reporting Under the Cash Basis of Accounting (Revised 2006).

A basic tenet of all financial reporting, whether in the private or public sectors, is to have a clear view on the boundaries of the accounting entity. That is, to define it clearly. The principle driving public sector accounting is that it should be on a whole of government basis. Defining ‘whole of government’ can be challenging and becomes complex when considering, for example, how to include State-owned enterprises but it is self-evident that all MDAs should be included. When the basis of accounting is on a cash basis it is axiomatic that all bank accounts and other cash balances should be included. Yet for the Public Accounts in Sierra Leone this was not the case.

Note 2(a) to the Public Accounts purports to describe the cash basis on which the accounts of the Government of Sierra Leone are prepared and clearly implies a degree of consistency with the only internationally recognised standard for public sector cash basis reporting, IPSAS Financial Reporting Under the Cash Basis of Accounting. In as much as some bank accounts and balances in transit accounts used by the NRA are not part of the Public Accounts there is a significant deviation from the IPSAS standard and the whole of government principle that renders Note 2(a) untenable. Similarly the reference to IPSAS Accrual Standards – there are over 30 of them – in Note 2(a) is untenable and incorrect. Indeed it is far from clear whether the Accountant General's Department is fully aware of all bank accounts of the government held in Sierra Leone commercial banks or overseas. My office has not been provided

with a comprehensive listing of these bank accounts. Even among those that are known, the balances recorded in the bank statements are not always accurately reflected in the Public Accounts nor, for the most part, is there any reconciliation of the differences. This latter point is raised again below.

We have noted repeatedly throughout this report a failure to observe the most basic control over cash and bank balances, which is that there should be monthly reconciliation of bank statements to accounting records. The implementation of IFMIS, the centralised computer-based accounting system, was a major achievement of public sector reform in Sierra Leone. However, reports emanating from it are only as accurate and reliable as the information contained in its databases. It therefore begs the question if the cash and bank balances are not under control how reliable is financial reporting under any basis let alone a cash basis.

A solid grasp of and a clear definition of the basis of preparation of the Public Accounts sits at the very core of improving the accuracy and completeness of government accounting and financial reporting and needs to be clarified for the Government of Sierra Leone. Without this, capacity building interventions for achieving better financial reporting is destined to fail. We expect to see MoFED and the Accountant General's Department urgently addressing this matter and it will be an area on which my auditors will focus their attention in the years ahead.

4.8. Project Implementation Units included in the Public Accounts

From our review of the Public Accounts we noted that Project Implementation Units (PIUs) and subvented balances were included in the financial statements, however, from interviews conducted with key personnel in the Accountant General's Department it was revealed that not all Project Implementation Units(PIU) and subvented agencies balances were included in the financial statements as some did not report to the Accountant General's Department on a consistent basis.

Project Implementation Units and subvented agencies did not report on a consistent basis thus leading to incomplete figures being presented for consolidation. We were unable to ascertain the accuracy of some of the adjustments made to the accounts in relation to PIUs and subvented agencies.

For example we noted that PIUs and subvented Agencies closing balances for 2010 of Le 206 billion and PIUs and subvented agencies creditors for 2010 of Le 4.7 billion were written off as prior year adjustments in 2011 accounts.

4.9. Miscellaneous Debtors and Investments

A review of the Miscellaneous Debtors and debtors privatisation revealed the following:

- The Loan agreement relating to the debt owed by Bumbuna Hydro Electric project for the amount of Le5,213 million was not presented for audit review. The age of this debt and its terms could therefore not be determined. This loan agreement was not provided to us during our previous audits.
- A review of the loan agreement relating to SALPOST revealed that interest at a rate of 20% per annum, as stipulated in the agreement, was not computed or recorded in the financial statements.
- A review of the debtors schedule, financial statement and loan agreement showed that there were no recoveries made during the year from Bumbuna Hydro Electric Project, SALPOST, Guma Valley Water Company and GAVA Ltd.
- A review of the Rokel Commercial Bank Financial Statement revealed that the sum of Le1.3 billion was paid as dividend to minority shareholders. The Government of Sierra Leone share of

dividend amounting to Le1.3 billion could not be traced in the Public Accounts and hence not paid to the Government of Sierra Leone.

4.10. External Public Debt

External public debts have risen significantly over the years and my auditors carried out extensive work on this area to ascertain that the amounts disclosed are correctly stated.

Audit findings in this area were:

- Out of a total of Le2.6 trillion disclosed as disbursed Outstanding Debts in the Public Accounts owed to multilateral and bilateral creditors, only Le767 billion (28%) of this total was confirmed by the external creditors. Although providing external confirmation is not within the direct control of Government, the unavailability of this evidence constituted a significant limitation on the scope of my audit of the Public Accounts. Consequently, I was unable to ascertain whether External Public Debts, disclosed in the 2011 Public Accounts was free from material misstatement.
- We carried out alternative procedures to confirm the balances disclosed in the Public Accounts for 9 project (loans), we determined the closing balances and compared those to the balances disclosed in the Public Accounts, we noted a difference of \$4,550,249 between the schedules created and the amounts disclosed in the financial statement. This difference represents a net understatement of the balance shown on the financial statements.
- The Public Debt Unit did not perform regular reconciliations between the debts in the books of the Government and the amounts shown on the creditors' statements.
- Note 18 (External Public Debts) to the Public Accounts revealed that an exchange loss of Le35 billion was computed by comparing the external public debt schedule submitted by the Bank of Sierra Leone and the schedule prepared by the Accountant General. In my view this is not an appropriate method of determining exchange differences. I was unable to ascertain the correct amount due to insufficient information available during the course of the audit.

Prior to the audit of the 2012 Public Accounts, the Accountant General should carry out the following actions:

- request all external creditors send in their year-end creditors' statements; and
- ensure that comprehensive reconciliations are performed, comparing and explaining any differences between the debt figures in the Government books and the amounts in the creditors' statements.

4.11. Domestic Supplier Arrears

A review of the Domestic Suppliers Arrears revealed a serious lapse in systems of internal control. There is no control in place to avoid duplicating payments of domestic supplier's arrears. I observed that obligations relating to Domestic arrears debts amounting to Le406 million, even though settled in 2011 continued to be disclosed in the Public Accounts as outstanding debts.

4.12. Review of the operations and management of the Transit Accounts

The audit procedures to confirm the completeness of revenue collected and banked involved the tracing of receipts issued during the year to the bank statements.

My staff was unable to obtain some of the 2011 transit bank statements for all tax streams from the NRA Director of Finance and the relevant Principal Finance Officers especially those related to Customs and

Excise department and transit bank accounts denominated in foreign currencies. The Director of Finance indicated that these missing bank statements had not been received from the banks. Consequently, I was unable to obtain sufficient appropriate audit evidence that all revenue received from each tax stream had been banked and transferred to the Consolidated Fund.

Due to the absence of the majority of the transit bank account bank statements, the Principal Finance Officers within the NRA for Customs & Excise, Domestic Taxes, and Non-Tax Revenue departments did not perform a reconciliation of their cash books to the transit bank account statements. Consequently, due to this failure in a basic internal control procedure I was unable to obtain reasonable assurance that all revenue received had been banked and transferred to the Consolidated Fund.

I confirmed that a year-end reconciliation was performed between the NRA cash book totals for each tax handle (stream) and the Accountant General's IFMIS system balances (which are based on BSL consolidated fund balances). However, there were differences on the year-end reconciliation which could not be agreed to the transit account bank statement balances at 31st December 2011.

In the case of tax revenue paid in cheques denominated in foreign currencies, such tax receipts may not be shown on the transit bank account statement for up to a month. It could then take up to a further month for such payments to be transferred to the Consolidated Fund.

Furthermore, I attempted to compute the total balances in transit banks not recorded as revenue in the Public Accounts. From the exercise, I ascertained that a total amount of Le 17,167 million was in the Transit Bank statements submitted for audit review at the year end. This amount, i.e. Le 17,167 million is, however, not comprehensive as not all Bank statements were presented for audit inspection, especially bank statements denominated in foreign currencies.

4.13. Review of Revenue Disclosure made in the Public Accounts

The actual revenue balances for a number of tax and non-tax areas contained within Appendix "A" to the Public Accounts were not disclosed in sufficient detail to facilitate comparison with 2011 budgeted line item allocations. For example, there was only one aggregated revenue balance of Le283 billion reported for the whole of Customs & Excise duties. This made it difficult to compare balances both to previous years and to budgeted amounts. Trend analysis cannot easily be done in these circumstances by auditors or anyone else reading the financial statements.

The balances on the transit bank accounts as at 31st of December 2011 should form part of the Public Accounts as stipulated in section 57(5a) of the Government Budgeting and Accountability Act, 2005. Our audit procedure revealed that cash in transit totalling Le5,130 million had not been included in the Public Accounts but is disclosed as a note to the Accounts.

Review of the Operations of the Sub-divisions of NRA

A review of the operations of the sub divisions of the NRA revealed various lapses in the control systems within the sub divisions.

4.14. Customs and Excise Department

The following lapses were found in the Customs and Excise Department:

- During our review, we selected 311 Customs and Excise revenue transactions for test on a sample basis from approximately 27,000 recorded in the ASYCUDA system, and requested the associated declarations and other supporting documents. However, only 55 (or 18%) of these could be provided to the audit team during the three-week period of the audit. I was unable to

obtain sufficient audit evidence on which to draw our audit conclusions on the accuracy of assessments and the completeness of Customs and Excise revenue collected.

- Due to the absence of the majority of transit bank account statements, there was no reconciliation between ASYCUDA and these bank statements.
- The Principal Finance Officer at Customs Department performed a comparison between the collections recorded on the ASYCUDA system and the returns of collections received from the banks but only in the second half of the year. We found that the comparisons performed highlighted significant differences (other than timing differences) between the amounts indicated on ASYCUDA and those on the daily returns provided by the banks. However, we found no evidence of correspondence from the National Revenue Authority with the relevant banks to investigate and resolve these differences.
- A sample of Customs Duty transactions collected by outstations was compared to the Cashbook maintained by the Principal Finance Officer (Customs & Excise) at Customs House. We observed that 15 collections totalling Le 276 million had not been recorded in the Cash book.
- We noted that 50% of the penalties imposed by the Customs & Excise Department were not recorded in the ASYCUDA system and not paid to the Consolidated Fund. These monies are paid to a separate bank account (Anti-smuggling bank account) that is controlled by National Revenue Authority.
- We also noted that inspection fees collected at the Ports were similarly paid into a separate bank account controlled by the National Revenue Authority rather than to the Consolidated Fund. We were unable to find any delegated authority or other appropriate mandate (agreed with the Treasury) for this proportion of penalties and inspection fees collected to be treated this way. There seems to be no justification for omitting this revenue from the Consolidated Fund and paying it into separate bank accounts controlled by the National Revenue Authority.

4.15. Domestic Tax Department

The following lapses were found in the Domestic Tax Department:

- During the course of our audit we selected 80 small and medium tax payers and 56 large tax payers' assessment and collection files for test on a sample basis. However, only 26 collection and 22 assessment files were submitted for small and medium tax payers and 45 assessment and collection files were submitted for large tax payers. Although we found errors in only one of the files submitted to us, they did not provide sufficient basis for us to draw our audit conclusions.
- It was observed that the National Revenue Authority did not maintain a comprehensive database of all registered businesses as a consequent the total number of tax payers in Sierra Leone is not known by the Commissioner General of NRA. Especially tax payers in the small and medium category.
- Audit scrutiny of the files submitted for inspection revealed that 27 Large Tax Payers with a total Tax Assessable amount of Le29,319,628,745 did not submit their financial statements and there is no evidence to indicate that penalties were levied on defaulters for not submitting their financial statements) on time. It was also observed that all of the sampled 80 Small and Medium Tax Payers did not submit their Returns (financial statements).
- A Cashbook was not maintained for the Goods and Services Taxes collected at GLADVIC House. The only record maintained was a list of collections entered into the VAT Integrated Processing system, which was being used on a trial basis, thus, not all the facilities were available to NRA. For example the receipts numbers cannot be entered into the VAT Integrated Processing system thereby making it impossible for us to trace receipts issued to the entries made in the VAT Integrated Processing system.

- It was observed that even though a dishonoured cheques register was maintained, follow-up letters for dishonoured cheques totalling Le 402,489,348 were not produced for inspection.
- It was observed that there was no evidence of review on the field audit files.

4.16. Non Tax Revenue Department

The following lapses were found in the Domestic Tax Department:

- Our audit revealed that the Commissioner of Non-tax revenue sent monthly statements to a number of Non-Tax Revenue departments indicating revenue collected on their behalf. However, we noted that there was no process by which these statements were compared to the amounts assessed by the Departments and any variances investigated.
- I noted that in a number of revenue generating Ministries and Departments there were variances noted between the revenue assessed and the revenue collected i.e. paid into the bank accounts.
- I observed that no reconciliation was performed between the cash books maintained by the collectors at various MDAs and the revenue banking summary maintained by the finance officer.
- I also noted some control lapses in the management of receipt books at the NTR department as follows:
 - 106 receipt books for five MDA's recorded in the securitized document register at head office were not recorded in the Non Tax Revenue (NTR) Receipt Return Register.
 - 56 receipt books listed in the Receipts Register at Non Tax Revenue were not recorded in the securitized documents from Head Office.
 - 60 used Receipt Books that were presented for audit purpose were not recorded in the Receipt Return Register.
 - 96 used Receipt Books that were returned to NTR and recorded in the Receipt Return Register were not presented for audit purpose.

4.17. Outstanding Issues from previous Audit

We note that some issues which had been reported over the years were still unresolved, even though Management had given their commitment stated in their Management's Response, to effect changes and improvements recommended. A summary of these issues is detailed below.

Table 4.2 – Outstanding Issues from Previous Audit				
No.	Outstanding Issue from Previous Audits	Management's Response in Prior Year	Current Status	Management's Response in Current Year
1	Inadequate control over collection, banking, recording, and reporting of Financial transaction	We will continue to communicate your finding to NRA as it affects their operations	The issues raised continue to recur with no consideration to the recommendations made in the Audit Report.	We will continue to communicate your finding to NRA as it affects their operations

Table 4.2 – Outstanding Issues from Previous Audit				
No.	Outstanding Issue from Previous Audits	Management's Response in Prior Year	Current Status	Management's Response in Current Year
2	Inaccurate recognition of cash and bank balances.	Improvements will be made to the system to correct the anomalies noted.	The issue of differences between the cash stated in the Cash Book and that on the Bank Reconciliation Statements has been resolved, However, we noted that some PIUs and subvented Agencies did not report in the fourth quarter.	Steps have been taken to ensure that all PIUs and Subvented Agencies will report on a consistent and complete basis.
3	Donor disbursements and other Public Funds not captured.	We note your findings and wish to inform you that we have made significant progress in bringing donor disbursements as a separate line in the Annual Accounts.	This is yet to be done	It is hoped that this issue will be fully resolved when a multicurrency application is available or when donors decide to use country systems for the processing of all donor payments as well as the full deployment of the IFMIS across Government. We will submit the reports provided by the PIUs for your review on request.
4	Inadequate Supporting Documents on PVs	Will continue to make efforts to remedy this situation	Great improvement has been made in the area of adequacy of supporting document, however we continue to observe some exceptions.	Will continue to make efforts to remedy this situation
5	Inadequate control over the general processing of PVs	Will continue to make efforts to remedy this situation	Progress observed. More room for improvement.	Will continue to improve on the controls relating to this activity.
6	Management Information System	Improvement will be made.	The Disaster Recovery Plan is still untested. Modules are still underutilized.	Plans are in place for a disaster recovery centre. Negotiations are in

Table 4.2 – Outstanding Issues from Previous Audit				
No.	Outstanding Issue from Previous Audits	Management's Response in Prior Year	Current Status	Management's Response in Current Year
				place to ensure that paid unused modules are used.
7	Debt owed by SALPOST and Sierra Rutile to GoSL.	New repayment plan will be agreed on to ensure recovery.	The debt owed by Sierra Rutile has been derecognised in the public Accounts. Debt owed by SALPOST has still not been recovered.	The Head Public Debt Unit has been informed and a payment plan will be negotiated with the management of SALPOST.
8	Non-Disclosure of Revenue Arrears	Will work with NRA for resolution	Revenue Arrears were disclosed in the accounts but the amount recorded was inaccurate.	The accounts have been adjusted to reflect the correct amount.
9	Poor management of Transit Accounts	We have had consultations with NRA on this matter and have been assured of improvement in this area	Little or no improvement in this area.	Improvement will be noticed in the forth coming year.
10	Un-presented Documents for Audit Inspection	Your concerns have been forwarded to the management of NRA.	Continued progress noted at AGD. This is still a major issue at NRA.	Your concerns have been forwarded to the management of NRA.
11	Bank confirmations for bank accounts held in commercial banks not responded to.	We note your concern in respect of the non-response from the Commercial Bank relating to bank confirmation; we will forward a reminder to the banks concerned reminding them of their commitment to the Government as a client.	Some progress observed more room for improvement.	More punitive action will be taken to enforce the banks to respond and on time.

The National Revenue Authority: Assessment, Collection, Recording, Banking and Reporting of National Revenue

Table of Contents

Main Points	50
5.1 About this Chapter	52
5.2 Overview of the National Revenue Agency	52
5.3 Our Overall Assessment of NRA Internal Controls and Administration	55
5.4 Audit Objectives	57
5.5 Audit Scope and Methodology	58
5.6 Non-recovery of Debts from Dishonoured Cheques	58
5.7 Late Filing of Annual Tax Returns	59
5.8 Non-submission of Annual Tax Returns	60
5.9 Total Revenue Collected Exceeds Amount Banked	61
5.10 Collection of Tax Instalments	62
5.11 Incomplete Taxpayer Database	62
5.12 Incorrect and Incomplete Taxpayer Records	63
5.13 Inadequate Pay-As-You-Earn (PAYE) Returns	64
5.14 Revenue from Sale of Passports and Passport Forms	64
5.15 Petroleum Products – Complex and Shoddy Taxing System	65
5.16 Delays in MoFED Funding of NRA	66
5.17 The Tax Gap – Sources of Revenue Leakage	67
5.18 Ineffective and Outdated Manual Income Tax System	69
5.19 Non-production of Financial Statements and Annual Report	70
5.20 File Management System	70
5.21 Suspense Account	71

5.22	Unsupported Journal Vouchers	71
5.23	Commissioner General's Salary not Pro-rated	72
5.24	Supporting Documents for Procurement of Official Receipt Books	72
5.25	Documentary Evidence to Support Expenditure	73
5.26	Management of Property, Plant and Equipment.....	73
5.27	Non-availability of Contract Documents.....	74
5.28	Accounts Preparation Using Microsoft Excel.....	74
5.29	Ineffectiveness of Preventative Service and Special Duties (PSSD) Unit	75
5.30	NRA Liability for Corporation Tax.....	75
5.31	Staff PAYE and NASSIT Contributions.....	76
5.32	Dishonoured Cheques.....	77
5.33	Delay between Collection and Banking of Revenue	77
5.34	Retention of Temporary Staff.....	78
5.35	Petty Cash – Expenses Support and Retirement.....	78
5.36	Financial Statement and Expense Schedule Differences	79
5.37	Bank Reconciliations	80

Main Points

What we examined

We did two audits. One was of NRA operations examining its role as the semi-autonomous revenue agency for the assessment, administration and collection of tax revenue in Sierra Leone. The second audit was the annual examination of its financial statements which may be viewed as an examination of how it spent the 3% commission it earns from revenues collected.

Why it is important

Since 2003, when it commenced operations, the NRA has been collecting personal and corporate taxes, customs and excise duties and much of the nation's non-tax revenue. Since 2009 it has also been collecting GST, a broad-based tax with wide impact. As an institution it has also benefited from substantial donor funding as part of its modernisation project. Citizens, their representatives in Parliament and donors have a need and a right to have independent assurance that the systems and practices employed by NRA to assess all taxpayers are sound, free of corruption and fraud and that the revenue collected is protected, fully and accurately accounted for with probity.

Sierra Leone is at a point when significant mining and other resources are coming on stream with the resultant bounty of royalties and other revenue that should accrue to the Treasury. This improved level of economic activity will result in an increased tax base, produce more revenue relative to GDP and require rigorous control and enforcement of tax law and regulations. An attendant reduction in the need for donor assistance and an increased ability to stand on its own two feet is an aspiration of many citizens for their country as is the expectation of improved government services in health, education and security. The confidence of the populace in the integrity and equity of the taxation system is fundamental to getting a high degree of fully compliant self-assessment among those liable for tax or the collection of it.

Our work in reviewing and reporting on the systems and practices of the NRA as well as its compliance with the laws and regulations to which it is subject and which it is required to enforce is at the heart of providing the independent assurance all stakeholders expect. That is why it's important.

What we found

We found some progress, albeit slow, in the institutional development of the NRA but much to be concerned about as well. This is true even in the face of the NRA collecting Le1,429 billion in 2011 which exceeded the target agreed between it, MoFED and the IMF by 8.1%.

Sierra Leone's tax to GDP ratio – a rough economic measure of tax effort – is improving but at 11.3% in 2011 is well below the ECOWAS rate of 16.1% and a low income country rate of 18%.

The number of taxpayer audits of SMTOs remain relatively low at 9 and 37 in 2010 and 2011 respectively from an SMTO population of over 3,300 taxpayers.

Within the NRA there are fundamental problems in need of being addressed at the most basic levels of administration and internal control. These affect the capacity of the NRA to protect itself from inaccurate accounting, fraud and corruption as well as unnecessary broadening of the tax gap through revenue leakage. For example:

- Financial records and financial statements are maintained on Excel spreadsheets rather than on a fully functional accounting system like IFMIS/FreeBalance used by MoFED for the GoSL as a whole.
- Control accounts are routinely not analysed.
- Reports of the Internal Control and Audit Department are not acted upon.
- Bank accounts are not reconciled and transit accounts appear to be under the control of neither the NRA nor the Accountant General's Department.

The NRA has made progress on the ICT front with the introduction of ASYCUDA but much more remains to be done to reduce the opportunities for face-to-face interaction between officials and taxpayers which tends to create opportunities for fraud and corruption.

Overall the NRA is making some progress on its basic mandate but the pace of improvement is slow and the failure to address fundamental weaknesses in internal control leads us to conclude that the Board of Directors is failing in its role of providing control and supervision as required under Section 5(1) of the National Revenue Act.

5.1 About this Chapter

There are two principal audit sources for the material presented in this chapter. We carried out two audits, each with a slightly different focus, in 2011 and 2012, respectively. These are presented as Part I and Part II. Some additional background material has been drawn from other sources.

Part I is largely but not exclusively based on a management letter resulting from a broad-based audit covering the period January to July 2011 on how the NRA manages and controls its core business of assessing, collecting, recording, banking and reporting the revenue it collects.

Part II is mostly reproduced from a management letter from the annual audit of NRA budgetary expenditure of the NRA related to the fiscal years 2009 and 2010. This work was carried out between June 2011 and May 2012.

The scope, methodology and detailed audit findings and recommendations for each audit are provided in Part I and Part II. While there are significant differences between the two parts there are strong links as well. This is inevitable since the audits were conducted within the same agency and cover the management of moneys in both cases. Part I has a broader scope than Part II as it addresses the controls over the core business operations of the Agency. In both audits we are concerned with the NRA relationship with the Consolidated Fund and with its custodian the Accountant General in the Ministry of Finance and Economic Development.

5.2 Overview of the National Revenue Agency

Legal Mandate. The National Revenue Authority (NRA) is a semi-autonomous revenue agency (SARA) established by an Act of Parliament on September 13th, 2002; it commenced operation in January 2003. This Act mandated the Authority to collect and account for both direct and indirect taxes in Sierra Leone and to strengthen the enforcement of provisions in various taxes.

Governance. As a SARA or arm's length agency it is led by the Commissioner General and reports to Parliament through the Minister of Finance to whom the Commissioner General submits an Annual Report. The Commissioner General is accountable to a Board of Directors the Chair of which is appointed by the President. The Board is responsible for the "control and supervision"² of the Authority. It has seven members drawn from senior ranks of the public and private sector. It is made up of the Chairman, the Commissioner-General, the Governor of the Bank of Sierra Leone, the Financial Secretary, a legal practitioner, an economist and a tax expert. Consistent with normal governance practice the Board's role is to protect NRA rights and interests, provide high-level management and create long-term strategies for effective tax administration in Sierra Leone. It looks at overall technical and high-level operational matters and has four functional committees (Audit; Finance, Administration and Human Resources; Project Monitoring and Implementation). There are also several senior management committees to support and reinforce the role of the Directors in meeting its governance responsibilities.

² NRA Act, Section 5(1)

Organisational Development. The formation of NRA ushered in a period of a major reform in tax administration in Sierra Leone. The Non-Tax Revenue (NTR) department was formed in 2004 aimed at more effective collection of royalties, fees, licenses, court fines and other charges. Other major organisational changes made in recent years have been the merging of Income Tax and Customs departments into and the Domestic Tax Department (DTD) in 2011 as well as the establishment of various support departments. The DTD administers personal and corporate taxation as well as Goods and Services Tax (GST). The support departments, established as a way of reinforcing and supporting operations, were the Finance, Administration and Human Resource Management (FAHRM), Monitoring, Research and Planning (MRD), Modernization Programme, Internal Control and Audit (ICA), Public Affairs and Tax Education (PATE), the Corporate Secretariat and Information and Communication Technology (ICT).

From 2008 to the present, NRA has benefited from the DFID funded Modernisation Support Project which has *inter alia* assisted with the implementation of ASYCUDA in 2011, a computerised customs and excise operations system widely used around the world, overseen the implementation of several reform measures as well as the greater integration of domestic tax operations.

Resources. Through the NRA Act, Section 34(1) (a) the Authority is funded by 3% of the revenue collected, commonly referred to as “the commission” which is remitted by MoFED through equal quarterly allotments as per Section 24(2).

Table 5.1¹³ shows the functional organisation and resourcing of NRA from the commencement of the fiscal year in comparison to the end.

Table 5.1 – Resources by Department	
Department	FTEs⁴
Commissioner General's Office	4
AHRM	132
Corporate Services	6
Customs and Excise	192
Domestic Tax Department	170
Finance and Budget	13
Information and Communications Technology	13
Internal Control and Audit	11
Monitoring Research and Planning (including Modernisation Office)	9
Non-Tax Revenue	23
TOTAL	573

The majority of the employees (67%) are in operations departments with 23% deployed into administration and human resource management. The remainder are spread between internal audit, ICT and monitoring, research and planning as well as corporate services and executive support.

Tax Revenue Collection. During the period 2009 through 2011 total NRA collections have risen from Le700, 000 million to Le1,429 million. Table 2 shows the breakdown of tax revenue over the three years.

³ Source: Draft 2011 NRA Annual Report

⁴ Full-time Equivalent

Table 5.2 - Tax Revenue 2009 – 2011 (Le millions)⁵						
Category	2009		2010		2011	
	Le	%	Le	%	Le	%
Domestic taxes	213,043	30.4	549,388	57.5	860,599	60.2
Customs and Excise	419,191	59.9	322,818	33.8	283,334	19.8
Non-tax Revenue	68,094	9.7	83,456	8.7	284,848	20.0
Total	700,328	100.0	995,662	100.0	1,428,781	100.0

The year-over-year change has been 29.7% and 43.5% from 2009 to 2010 and from 2010 to 2011 respectively. Domestic taxes have displaced Customs and Excise levies as the larger revenue source. Domestic taxes have moved from 30.4% of total revenue in 2009 to 60.2% in 2011 with Customs and Excise levies moving to 19.8% of the total putting it nominally behind Non-Tax Revenue for the first time.

The increase in collections is no doubt in part attributable to economic growth. The ratio of revenue to gross domestic product (GDP) is used by some experts as a crude indicator of tax effort or performance. The tax-to-GDP ratio is an economic measurement that compares the amount of taxes collected by a government to the amount of income that country receives for its products. GDP is the sum of all products and goods sold, personal and government investment, and net exports. By comparing this amount to the amount collected in tax revenue, economists can get a rough idea of how much the economy of a specific government is fueled by its tax collection. It is important to note that comparing the tax-to-GDP ratio of different countries can be somewhat misleading because circumstances within each country are unique and contribute to the overall economic climate. However, with that caveat we nonetheless can form a view on NRA's relative performance.

Table 5.3 shows tax revenue collections as a percentage of estimated GDP.

Table 5.3 Tax to GDP Ratio⁶						
Description	2006	2007	2008	2009	2010	2011
Nominal GDP (Le billions)	5,515.4	6348.5	7,307.4	8,190.1	10,078.0	12,600.9
GDP Growth %	17.3	15.1	15.1	12.1	23.1	25.0
Real GDP Growth %	4.3	8.0	5.4	3.2	5.3	6.0
Revenues (Le billions)	463.9	501.9	615.6	700.3	995.7	1,428.8
Tax Revenue to GDP %	8.4	7.9	8.4	8.6	9.9	11.3

It is evident that the ratio for Sierra Leone is rising with increased economic activity, added tax revenue. With sound tax administration it should continue to rise as the mining and resource sector comes on line. However the historic rates⁷ for developing countries have been higher, as follows: 1970s (16.2%), 1980s (17.3%), 1990s (17.0%) and 2000s (17.0%). The performance of Sierra Leone may be affected by the extent to which the 'informal' or 'shadow' sector is not captured in the tax net or by less than stellar tax enforcement in the large to medium size taxpayer band and by the

⁵ Draft NRA Annual Report

⁶ Various World Bank and IMF sources

⁷ Bahl and Bird (2008) *Tax Policy in Emerging Countries: Looking Back and Forward*, University of Toronto, Canada

quality of tax administration generally, all of which contributes to the tax gap⁸. Many developing countries, and Sierra Leone is no exception, have large numbers of small scale enterprises that avoid the attention of the tax authorities. Some academic studies have estimated that in some parts of Africa the informal sector may be as high as 40% of GDP⁹. Generally, however, in Sub-Saharan Africa things are getting better; studies suggest the tax-to-GDP ratio increased from less than 15% in 1980 to more than 18% in 2005. This increase in the twenty-five year period is almost entirely due to natural resource taxes (income from production sharing, royalties or corporate income tax on oil and mining companies)¹⁰. In short, while Sierra Leone is improving it still has a long way to go as suggested by the ECOWAS rate of 16.1% and a low income country rate of 18%.

5.3 Our Overall Assessment of NRA Internal Controls and Administration

General. Taxation is fundamental to sustainable development, as it supports the basic functions of an effective state and sets the context for economic growth. It can be a catalyst for the development of responsive and accountable government, and for the expansion of state capacity¹¹. Viewed from the perspective of the relationship between taxation and state building the NRA becomes a critical building block considerably beyond its being just another component, albeit an important one, of public financial management. What the NRA achieves is a matter of national importance and concern for citizens and parliamentarians and improvements in tax administration can have a positive spillover effect in improving public sector administrative performance across MDAs.

The NRA has had some notable achievements in recent years but there is still a great distance to travel before the Authority can claim a level of administrative and internal control consistent with which Sierra Leoneans may reasonably expect of those charged with collecting their taxes. This is true even in the face of the NRA collecting Le1,429 billion in 2011 which exceeded the target agreed between it, MoFED and the IMF by 8.1%.

Goods and Services Tax. The implementation of GST in Sierra Leone also had the desired effect of simplifying the tax code by replacing a number of previous taxes now repealed. GST revenue was first reported in 2010 and has seen it rise from Le246 billion then to Le375 billion in 2011 or 26% of total revenue. Proponents of the GST suggest that such taxes increase overall legal compliance because potential taxpayers are attracted to using input credits to reduce their GST liability and because the tax provides short-term working capital funding. It is too early to determine with any certainty whether this has or will be realised in Sierra Leone. At the very least it must await the GST registrant's database cleansing exercise currently underway.

⁸ The tax gap refers to the difference between total amounts of taxes owed to the government versus the amount they actually receive. Generally, a tax gap is caused by taxpayers overstating deductions and understating their income so they can pay fewer taxes; but late paying taxpayers also cause the tax gap as do lax enforcement and poor administration of tax laws.

⁹ *Fact sheet: Tax and Development*, IP/09/1895)

¹⁰ *ibid*

¹¹ *Taxation and State Building: Towards a Governance Focused Tax Reform Agenda*, Wilson Prichard, IDS Working Paper, May 2010

Large and Medium Size Taxpayers. The creation of the LTO and LMTO within the Domestic Tax Department focused on potentially larger revenue sources and risk – both highly desirable and consistent with organisational reform efforts in other countries pursuing a modernised tax regime.

Information Technology. The literature on SARA organisational design almost without exception strongly encourages the employment of information technology¹² to improve performance and reduce opportunities for corrupt practices. ICT contributes to the latter by reducing face-to-face interaction between officials and taxpayers¹³. The NRA implementation of ASYCUDA has resulted in reduced customs clearance times. Its implementation and roll-out to date is an important milestone. However, it is only the beginning of a journey to implement ICT solutions across the agency. In short, much more remains to be done to bring CT capacity and resources to the NRA. What been accomplished has taken too long and the remainder – some aspects of which are addressed below – need to be attended to with a strong sense of urgency.

Tax to GDP Ratio. The increased revenue collection in 2011 is laudable in absolute terms but when the collection effort is measured against GDP at 11.3% it still does not meet the 16.1% achieved by ECOWAS. As a measure of tax effort a revenue to GDP ratio of 18% would be a reasonable if challenging target for the immediate future and should be achievable with the coming on-stream of the mining sector.

Audits of Taxpayers. The number of taxpayer audits of SMTOs remains relatively low at 9 and 37 in 2010 and 2011 respectively from a population of over 3,300 SMTO taxpayers. For LTOs the number of audits was higher – 39 from 301 LTOs in 2010 and 28 from 150 in 2011¹⁴.

Major Internal Control Problems. Within the NRA there are at the most basic levels of administration and internal control, fundamental problems are in need of being addressed. These affect the capacity of the NRA to protect itself from inaccurate accounting, fraud and corruption as well as unnecessary broadening of the tax gap through revenue leakage.

The financial statements, general ledger and accounting records of the agency are maintained on MS Excel spreadsheets. For an organization of nearly 600 people responsible for the collection and management of nearly Le1.4 trillion in revenue to maintain its books on spreadsheets is not prudent. Spreadsheets are an enormously useful tool but because of the difficulties of securing the data from erroneous, malicious or deliberate malfeasance they should not be used for basic books of account.

Control accounts are routinely not analysed or when analysed the audit trail is untraceable and supporting documentation is unfiled, lost or otherwise not available for audit inspection. Control accounts are a key connection to detailed records – to the books of original entry. A control account is a summary-level account in the general ledger that contains aggregated totals for transactions that are individually stored in subsidiary-level ledger accounts. The balance in a control account should match the total for a subsidiary ledger. If the balance does not match, it is possible that a journal

¹² Ibid, page 11,

¹³ Bahl and Bird (2008) *Tax Policy in Emerging Countries: Looking Back and Forward*, University of Toronto, Canada

¹⁴ Draft 2011 Annual Report, Table 9

entry was made to the control account that was not also made in the subsidiary ledger. Managing control accounts is basic good practice.

Internal Audit. During the period under review the NRA Internal Control and Audit department submitted eleven reports to management. There is no evidence that management has responded to these reports. Internal auditing, provided it is independent and reports to the Board of Directors, is a pillar of governance and a key element of internal control. A failure by the Board and management to treat its reports seriously is a perilous practice and demoralising for the internal audit staff.

Bank Reconciliations. Bank accounts are not reconciled and known differences are not even followed up. For example, during the review period and as outlined in more detail below, certain deposits from LTO and SMT0 taxpayers in the aggregate amount of Le 92 million failed to show in the Bank of Sierra Leone NRA accounts but these were not investigated.

Transit Accounts. Procedures for the clearance of NRA transit accounts seem to fall under the remit of neither the NRA nor the Accountant General's Department at MoFED. One consequence of this is that the balances are not included in the financial statements of the Government of Sierra Leone (the Public Accounts) or treated as part of the consolidated fund. Others have pointed out ambiguities and areas where there is room for different interpretation of key pieces of financial and other legislation in Sierra Leone¹⁵. These ambiguities are gradually being addressed by legal experts.

The legal ambiguities are no excuse for failing to look after the pecuniary interests of the citizens of Sierra Leone. In the absence of clarity in the current law and the self-evident need for strong internal control should prompt corrective action should be possible in a spirit of collaboration between the MDAs concerned. The NRA Board of Directors numbers among its members the senior leaders of MoFED, the Bank of Sierra Leone and the NRA. Remedying the basic control issues set out briefly above and in more detail below should readily fall within their capacity as very senior government executives.

Conclusion. The NRA is making some progress on its basic mandate but the pace of improvement is slow and the failure to address fundamental weaknesses in internal control leads us to conclude that the Board of Directors is failing in its role of providing control and supervision as required under Section 5(1) of the National Revenue Act.

Part I – A Review of Internal Control, Operating Procedures, Accounting and Record Keeping

5.4 Audit Objectives

The main objective of the Audit was to assist Government in identifying areas for the improvement of revenue generation, especially those that have not been properly harnessed, and to ascertain other grey areas in the system to which corrective recommendations would be made in order to increase the level of own-source revenue.

Secondary objectives in support of the overall objective were:

¹⁵ *Review of The Government Budgeting and Accountability Act (GBAA) & The Financial Management Regulations (FMR) Issues and Options (September 2010)*, IPFMR Project

- to determine the level of compliance with the statutory provisions regarding the assessment procedures, computations/calculations, collection and payment into the consolidated fund;
- to improve systems and procedures and the effectiveness of tax notifications;
- to look at the application of existing procedures in collecting revenue accruing to government as prescribed by law; and
- to examine the appropriateness of the levels of tax revenues, including taxes on income and profits, goods and services, and taxes on international trade fees, charges and fines.

5.5 Audit Scope and Methodology

The audit covered the period January to July 2011. The audit focused on review and assessment of the control system(s) in place over Government revenue collected by NRA, identifying and reporting areas for improvement as necessary.

The audit was carried out through the examination of relevant financial records and documents, and included interviews and discussions with key personnel in order to arrive at a reasonable conclusion.

A sample of selected transactions was examined to ascertain whether or not revenue was accurately assessed, collected and banked including banking in the Consolidated Fund at the Bank of Sierra Leone.

The Auditors also checked for compliance with regulations, and whether or not the rules and regulations in place at the NRA were adequate for the assessment, recording, collection, banking and reporting revenue.

5.6 Non-recovery of Debts from Dishonoured Cheques

Table 5.4 - Dishonoured Cheques			
Date	Name of Taxpayer	Cheque Reference	Amount
27/1/11	Intrapex	SB 01029714	1,500,000
31/1/11	Seidya Group	SLCB 1056431	6,300,000
31/1/11	Seidya Group	SLBC 1056432	5,000,000
08/03/11	Abdulai D.G. Koroma	ECB 044958	1,410,000
04/03/11	Target Electronic	SLB 746701	3,750,000
10/02/11	Babudorie Clergy	ECB 085378	541,309
01/03/11	C.I Action Church	RCB 01275572	100,249
07/03/11	Weasug Air Transport	SLB 1156868	157,670,690
16/03/11	Bilhad Trading & Construction	UTB 00112230	300,000
14/03/11	Holy Rosary Sisters	RCB 01243832	318,713
18/03/11	Metro Stationery	PHB 00044986	5,105,000
21/03/11	Students partnership Horbluide	SLCB 1268514	17,690,059
05/04/11	Mat Kay Int.	SLCB 1405554	1,000,000
23/03/11	S.L. Road Transport	ECO 082490	390,000
TOTAL			201,076,019

Section 8.6 of the Operational and Service Standards Manual of the NRA states, *inter alia*, that issuing a bouncing cheque is a criminal offence and would ordinarily be handled under litigation procedures in the absence of an alternative mechanism under the taxation provisions. It further requires that the Cash Office refer all cases of bounced cheques to the Head of Section, Tax Processing Service (TPS) within 24 hours of receipt and that the Head of Section should make and submit a report to the Commissioner for further management with the Legal Department. In addition, a copy of this report is to be sent to the Enforcement and Debt Management Unit (EDMU) to proceed with the recovery of the tax due.

In July 2011 the NRA ceased to accept payment direct from taxpayers in most MDAs. Before that a number of cheques received by the Authority were dishonoured and returned unpaid. For the period under review the total value, as analysed in Table 4, amounts to Le201,076,190. It was further observed that, there was no evidence to suggest that the Authority took action to recover these amounts in full from the taxpayers concerned.

The failure of the Authority to keep track of all the dishonoured cheques may have led to an under-collection of revenue. There is also the risk of misappropriation and possible collusion with defaulting taxpayers by staff of the Authority.

Recommendations

We recommend that:

- all dishonoured cheques be submitted to the Head of Section (TPS) for onward recovery by the Enforcement and Debt Management Unit (EDMU);
- taxpayers whose cheques are dishonoured be required to make a repayment and all future payments be by Bankers Draft only;
- a penalty be levied for dishonoured cheques returned by the bank due to insufficient funds to serve as a deterrent to other taxpayers;
- all taxpayers should settle their tax bills by Banker's Draft only;
- there should also be a monthly bank reconciliation to quickly identify and resolve the issue of dishonoured cheques; and
- a detail explanation is provided to this office with evidence confirming how the dishonoured cheques listed above were settled.

Officials' Response *The dishonoured cheques totalled Le 201,076,019 were not recovered at the time of the audit but, action had initiated for such outstanding liabilities to be recouped; and modalities have also been put in place to remedy such situation; and the recommendations so noted will be adhered to*

5.7 Late Filing of Annual Tax Returns

Section 97 (1) of the Income Tax Act 2000 states:

Subject to section 98, a taxpayer or nominated officer of a partnership or trust shall file a return of income for each year of assessment not later than ninety days after the end of that year".

Section 150 (1) of the Consolidated Income Tax Act of 2000 states:

“A taxpayer, who, without reasonable excuse, fails to file a return of income within the time required, shall be liable to a penalty of:

- (a) Le2,000,000, plus*
- (b) ten percent of the tax payable.*

52 Large Tax Offices (LTO) submitted annual tax returns later than 90 days after the end of their financial year-end, as prescribe by law. There was no evidence to suggest that penalty fines amounting to Le1,904,599,189 were levied and collected by the Authority for those late submissions.

The Authority’s failure to collect this revenue deprives the country of much needed funds for development.

Recommendations

- NRA should explain why the sum of Le1,904,599,189 in fines was not imposed and collected from the defaulting taxpayers.
- We recommend that the TPS should send a notice to taxpayers, within three weeks of the end of their financial year, reminding them to file their returns on time.

Officials’ Response *Action has been taken to improve on the system.*

5.8 Non-submission of Annual Tax Returns

Section 103 (1) of the Income Tax Act 2000 states:

Subject to subsection (2), the Commissioner may within six years after the date described in subsection (1) of subsection 97 (or if later, the date the return of income was filed) amend an assessment previously made or deemed to have been made.

(2) Where—

- a) a taxpayer with the intent of evading tax has failed to file a return; or*
- b) fraud has been or may have been committed by or on behalf of the taxpayer in relation to income tax for a year of assessment,*

the Commissioner may make or amend an assessment for that year at any time.

In addition, Section 104 (1) of The Income Tax Act 2000 states

Where he is dissatisfied with a taxpayer’s estimate of chargeable business income of the taxpayer fails to make an estimate under subsection (1) of section 113, the Commissioner may make a provisional assessment of the taxpayer’s chargeable business income, which will serve as such estimate under subsection (1) of section 113 as the Commissioner decides.

We observed that 62 Small and Medium Tax Offices (SMTTO) failed to submit their annual tax returns for a number of years thus indicating their clear intention to avoid paying the correct amount of tax, as they were comfortable with the Commissioner’s annual “Best of Judgement” assessment. We also observed that no penalty was imposed under the late submission section noted above. The total amount of fines that should have been levied and collected amounted to Le995,155,169. In the

case of some “Best of Judgement” assessments, it was observed that it was not done promptly and the bases for the assessed amount were not recorded on taxpayer files.

There is a high risk that taxpayers are being provisionally under-assessed which leads to loss of revenue to the Country.

Recommendations

NRA should introduce a number of initiatives including but not limited to:

- establish an effective tax administration system;
- computerise the tax administration systems;
- close down businesses that do not submit their returns over a number of years;
- ensure that the “Best of Judgement” estimate are prompt and very close to possible reality; and
- educate taxpayers regarding their obligations under the Income Tax Act and the NRA’s administrative practice and procedures.

Officials’ Response: Tax returns were submitted but not at stipulated timeline. However, that notwithstanding, operational mechanisms have been put in place to deter such reoccurrence.

5.9 Total Revenue Collected Exceeds Amount Banked

It was observed that cheques received from taxpayers (see Table 5) amounting to Le25,672,054, allegedly paid into the Consolidated Fund at the Bank of Sierra Leone but not reflected on the bank statements.

Table 5.5 – Cheques Allegedly Paid into the Consolidated Fund at the Bank of Sierra Leone but Not Shown on Bank Statements				
Deposit Date	Tax District	Method of Lodgement	Pay-in-Slip Reference	Amount
08/03/2011	TD2	Cheque	A20749	2,254,060
08/02/2011	TD1	Cheque	A20514	4,500,000
17/02/2011	TD1	Cheque	A20526	654,000
04/03/2011	TD1	Cheque	A20546	9,580,370
28/02/2011	SMTU	Cheque	A22997	8,683,624
TOTAL				Le25,672,054

There is a clear weakness in the management of cash and banking at the Authority, and this may have led to incorrect revenue figures reported to the Accountant General, and in effect the Public Accounts.

Recommendations

- There should be revenue collection reconciliation between the Finance Unit in the NRA and the Accountant General’s Department, which will help identify these anomalies.
- Within thirty days of the receiving the management letter the Authority should account for these revenues and provide evidence to this office for verification.

- There should be effective supervision over the Finance Officer by the Principal Finance Officer and regular reconciliations carried out and reviewed by a senior officer.

Officials' Response: *It was actually verified that the cheques in question were paid to the CRF using accountant general's Pay-in-slips. But to the audit findings, these did not reflect in the statement. Investigations will however be made to know why the late remittance to the CF.*

5.10 Collection of Tax Instalments

Section 113(5) of the Income Tax Act 2000 states:

(5) Subject to any provisional assessment under section 104—

- a) the amount of the first instalment due is twenty five per cent of the tax payable on estimated chargeable business income;*
- b) the amount of the second instalment due is fifty per cent of the tax payable on estimated chargeable business income, less the amount of the first instalment due;*
- c) the amount of the third instalment due is seventy five per cent of the tax payable on estimated chargeable business income less the amount of the first and second instalments due; and*
- d) the amount of the fourth instalment due is one hundred per cent of the tax payable on estimated chargeable business income, less the amount of the first, second and third instalments due*

The Authority is not monitoring tax instalment payments effectively. For instance, there was no evidence that the first instalment payment by Leone Oil Limited of Le411,328,000 for the year ended 31st December 2010, due on 31st March 2011, was paid. Also Leone Oil Limited underpaid its second instalment by Le11,328,000 for the same year and did not provide evidence to explain the underpayment.

The lack of a proper monitoring mechanism for instalment payments, may lead to the loss of much needed revenue.

Recommendation

- The Head of Domestic Tax Department (DTD) should recover these amounts from Leone Oil and provide evidence to this office within thirty days. Where necessary it should also pursue other taxpayers similarly non-compliant with the Act.

Officials' Response: *Regarding the audit findings, mechanisms will be put in place to remedy the situation as noted.*

5.11 Incomplete Taxpayer Database

For any tax authority to have an effective tax administration system, the initial basic step is for such an authority to know who the taxpayers are.

NRA did not maintain a comprehensive database of all registered businesses. Information relating to registered businesses obtained from the Administrator and Registrar General (ARG) were compared to those provided by the NRA, and a number of businesses were missing from the NRA records. The use of Taxpayer Identification Numbers (TINs) is making progress but at too slow a pace.

The lack of a complete and accurate list of taxpayers indicates that the NRA does not know who its taxpayers are let alone collect taxes from them.

Recommendation

We recommend that the NRA establishes a system with the ARG, by which the NRA is immediately informed of the incorporation of business entities and to maintain this information on a computerised system.

Officials' Response: *The observation noted to be fully adhered to.*

5.12 Incorrect and Incomplete Taxpayer Records

Section 173 of the Income Tax Act of 2000 states:

The Commissioner shall prepare or cause to be prepared a register (hereinafter referred to as the "taxpayer-file number register") of all persons assessable or liable to be assessed to tax and such register shall contain such particulars and information as the Commissioner may deem necessary".

Section 2.31 of the Operational and Service Standards Manual requires the maintenance of a Taxpayers Register, which should be a standard printed book (or Electronic Register), with the following particulars in columnar/matrix format:

- i. Serial number*
- ii. Taxpayer Identification Number (TIN) or such file number*
- iii. Full name of taxpayer (individual, company or partnership)*
- iv. Full names of all directors/ shareholders (for companies) or partners (for partnerships)*
- v. Type of enterprise (sole trade or partnership; not necessary for companies)*
- vi. Name of (principle) business (mainly for sole proprietorships)*
- vii. Nature of business (trade & commerce, manufacturing, import/export, mining)*
- viii. Postal address (where applicable)*
- ix. Physical location (location of headquarters or principle operational base)*
- x. Contact telephone(s)/ e-mail address (as applicable)*
- xi. Bankers*
- xii. Date of commencement of business (copies of registration/ incorporation documents)*
- xiii. Date of registration for I/ tax (date file is opened/ registration card issued)*
- xiv. Name of officer (who has registered the taxpayer)*

The Taxpayers Register is not maintained as prescribed above in that it does not show all the information prescribed. Also, the delivery forms were not prepared and signed as described in Appendix B of the Operational and Service Standards Manual.

There is the risk that the Authority may not be able to trace defaulting taxpayers.

Recommendation

We recommend that taxpayers' assessment files be maintained as prescribed in the Operational and Service Standards Manual.

Officials' Response: *The recommendations so noted will be followed and implemented*

5.13 Inadequate Pay-As-You-Earn (PAYE) Returns

Section 116 of the Income Tax Act 2000 states:

An employer shall withhold tax from employment income as instructed by the Commissioner—

(a) in the case of an employee who is resident or temporarily resident in Sierra Leone, at the rates prescribed in Part I of the First Schedule ...

We observed that PAYE returns by some taxpayers did not provide adequate information for the Authority to confirm the correctness of their computation. For example, the PAYE returns submitted by Action Aid Sierra Leone for the months of April, May, June, and July 2011 did not have all the necessary information that would have enabled the Authority to check their correctness.

There is a risk of loss of much needed revenue.

Recommendation

NRA should verify PAYE returns to ascertain the accuracy of the computation and therefore the tax withheld by employers.

Officials' Response: *Observations to be looked into and remedial action taken.*

5.14 Revenue from Sale of Passports and Passport Forms

Section 42 of the Financial Management Regulation 2007 states:

Departmental revenue collectors who receive duties, taxes, fees, rents or other public moneys, whether of a revenue nature or otherwise, shall pay such moneys daily or at the earliest opportunity either into a bank authorised by the Accountant general, for the credit of the Consolidated Fund.

In addition, Section 50(4) of the Financial Management Regulation 2007 states:

All revenue of Government shall be documented on receipts on specially pre-printed and serially numbered forms printed by the Government Printer.

For the period under review the total moneys that should have been collected for the sale of passports and passport forms was more than the amount banked by Le123,550,000 and Le23,164,600, respectively. It was also observed that the Immigration Department is one of the few MDAs where commercial banks are not allowed to collect money on behalf of the NRA.

There is a possibility that public funds in the amount of Le146,714,600 may have been misappropriated. Also, the apparent refusal by the Immigrations Department to allow commercial banks on to their premises to collect monies on behalf of the NRA is risky and may lead to collusion and misappropriation as it did in other MDAs in the past.

Recommendation

- The Immigration Department and the NRA should arrange for a commercial bank to collect all revenues generated by the department, and not the NRA staff as is now the case.
- Within thirty days of the receipt of our management letter the Chief Immigration Officer should ensure that the total sum of Le146,714,600 is full accounted for, with evidence of this sent to this office for verification.

Officials' Response: *As highlighted the difference is the difference in revenue ought to have been collected from the total number of passports/passport forms issued/produced by the Immigration Department and the revenue actually collected by the NTR staff as Immigration.*

However, we wish to point out that the Chief Immigration Officer actually prints the passports and has custody and control over them. He sends customers whom he has approved to our NTR staff to make payments for the passports. The NTR staff therefore accounts for only the sale of application for passport forms/passport that go through them from the Chief Immigration Officer.

There is therefore the possibility that:-

- *Passports might have been issued without reference to the NTR staff at Immigration.*
- *Forgery might have taken place and*
- *Receipts might have been re-cycled by unscrupulous persons.*

With regards to the fact that banks are not collecting revenue at the Immigration department, we wish to point out that we are still pursuing the matter and we expect that it will soon be resolved.

ASSL Comment

We are recommending that a mechanism be put in place whereby the IMMIGRATION DEPARTMENT and the NRA do a monthly reconciliation of the total number of passports printed and made available for sale; the revenue ought to be collected there from and the actual revenue collected. This way reasons for any differences could be identified.

5.15 Petroleum Products – Complex and Shoddy Taxing System

General. The Petroleum Unit (PU), which falls under the control of the Trade and Industry ministry, is responsible for downstream petroleum activities—refining to marketing, although there is currently no refining. It is the regulatory body for the oil marketing companies (OMCs) who import and wholesale to distributors petrol, diesel, kerosene and heavy fuel (used for generating electricity). In consort with the OMC, the PU develops the pricing framework, which may be adjusted at two week intervals using foreign exchange rates and global petroleum pricing indices. The retail price is adjusted when these factors affect the price by +/- 5% or more. A price subsidy mechanism prevents the retail price rising above Le4,500 litre retail. The subsidy operates through the removal of a portion of the excise tax.

The OMCs import the petroleum products, which go first to a bonded warehouse. At the point when the OMC sells to distributors, the PU calculates the excise due and the required contribution to the road fund. The excise collections go into the Consolidated Fund and the road fund payment into the road fund account. No GST is levied on the four petroleum products regulated by the PU.

Duty Assessment. The Authority assesses and collects import duties on petroleum products in a different manner than for other imported products. For petroleum products there is a complex web of third party and agency involvements which makes it difficult to ascertain the ownership and hence the obligation for the payment of import duties. This issue is particularly relevant to Safecon and the National Petroleum Company (NP) who appear not to import fuel directly but buy from intermediaries and third parties such as Petrol Leone and Ark Oil who are agents of principals based overseas.

System weaknesses. Currently when petroleum products are imported, no assessment is made of the duties payable on the quantity imported. Instead the fuel is collected from the tanker ships and

delivered to a bonded warehouse from where it is distributed to retailers and some tax-exempt organisations like the United Nations.

At the warehouse, the NRA should have a representative responsible for recording all collections by retailers and other entities. The NRA representative is absent much of the time. In addition, he has no protective clothing to allow him to be fully involved in the process of measuring the quantity of fuel being taken away and he is also untrained.

There are fundamental weaknesses over the control of taxable and non-taxable petroleum products. The NRA has no system in place to confirm that collections on behalf of exempt organisations are delivered as intended. Import duties are only levied on the quantities declared by retailers on a form titled C27. Even when duties are levied by the Authority, in some instances they are not actually collected.

The practice of “bunkering” (refuelling a ship) prevails whereby a quantity of fuel is collected from the bonded warehouse to be delivered back to the tanker ship that originally brought in the consignment of fuel. This is also an exempt supply and the NRA has no mechanism or process in place to verify these deliveries.

Clearly, with such loose ways of levying and collecting taxes there is a high risk of collusion, corruption, mismanagement and incompetence with the result that significant customs revenue could be lost to the government.

Recommendation

It is recommended that the NRA and MoFED review the current system of taxing the importation of petroleum products and control over import duty revenue.

Officials’ Response: *The points raised are well taken by the Authority. This will require the Ministry of Finance and Economic Development and the Authority to resolve the issues raised by the audit team. Issues relating to the capacity of Customs officers to be fully involved in the assessment and monitoring of petroleum products at the petroleum companies, Customs and Excise department will address the concerns raised.*

5.16 Delays in MoFED Funding of NRA

Section 20 (a) and (b) of the National Revenue Act of 2002 states:

The funds of the Authority shall consist of –

- a. three per cent of the actual revenue collected annually;*
- b. a percentage to be specified from time to time by the Ministry with the approval of Parliament, of the revenue actually collected each year in excess of the estimated revenue in the estimates of Sierra Leone for that year; ...*

The main source of revenue for the Authority is the three per cent commission that is paid by MoFED based on actual revenue collected by NRA. It was also observed that the Authority was struggling financially as MoFED was not making prompt quarterly payments. Table 7 shows the position for the financial year 2011 as at the 16th December 2011:

Table 5.7 - NRA Funding as at 16th December 2011	
Actual Domestic Revenue Collected by NRA	1,283,852,000,000
3% Commission on the above	38,515,560
Budgetary Allocation received from MoFED	28,801,715,574
Due to NRA from MoFED	11,713,844,426

The lack of funds resulting from late or non-payment of commission by MoFED is crippling the Authority. It is a contributing factor to the Authority's apparent inability to train and equip staff, introduce computerised systems and improve revenue collection.

Officials' Response: *The NRA Act 2002 is now overdue for review. Maybe during the review the payment of the 3% collection commission up front to the NRA account will be addressed.*

Recommendation

It is recommended that MoFED, through the Accountant General's Department, reconciles these amounts with the Authority and the outstanding commission arrived at be remitted to the NRA without delay.

5.17 The Tax Gap – Sources of Revenue Leakage

In any transaction between taxpayers who are associates, the Commissioner may distribute, apportion or allocate assessable income, deductions or credits between the taxpayers as is necessary to reflect the chargeable income the taxpayers would have realised in an arm's length transaction.

The Commissioner may adjust the income arising in respect of any transfer or licence of intangible property between associates so that it is commensurate with the income attributable to the intangible property.

In making any adjustment under subsections (1) and (2), the Commissioner may characterise the source of income and the nature of any payment or loss as revenue, capital or otherwise. Transfer pricing refers to the setting, analysis, documentation, and adjustment of charges made between related parties for goods, services, or use of property (including intangible property) ...

We have noted that some deficiencies in the current tax legislation cause revenue gaps with the result that revenue is lost to the GoSL Treasury. There are at least three missing elements in the tax regime that are found in most developed and developing jurisdictions. These relate to:

- Rules for transfer pricing;
- Capital gains Tax; and
- Property taxes.

The addition of these areas, with effective administration and enforcement, would go a way towards closing areas where revenue leakage occurs at present and, in the case of property taxes, add another revenue stream.

Transfer Pricing and Thin Capitalisation. Transfer pricing refers to the setting, analysis, documentation, and adjustment of charges made between related parties for goods, services or property (including intangible property) in a manner that reduces taxes otherwise payable in the

jurisdiction. Such reductions can occur by changing the essential character a financial transaction from, for example, a dividend into deductible interest.

A company is said to be thinly capitalised when its capital is made up of a much greater proportion of debt than equity, i.e. its gearing, or leverage, is very high. It was observed that there is a new trend in Sierra Leone for companies to be owned by off-shore based companies and to be funded through debt rather than equity capital. The current tax laws are inadequate to deal with the tax avoidance challenges of transfer pricing and thin capitalisation which results from such an arrangement.

For instance a subsidiary telecoms company in Sierra Leone owed their off-shore parent company three times the value of their capital investment. The reason why a parent company would prefer such an arrangement is to allow it to take money out of the subsidiary company and the country, through so-called interest charges on their loans, and in the process, avoid corporation tax which is charged at 30% and is higher than the 10% withholding tax which they paid to the Authority on interest transfers.

In the case of transfer pricing, the off-shore parent company charges its subsidiary in Sierra Leone a management fee for services apparently rendered. These so-called services, assuming they exist at all, are most times over-priced relative to an arm's length transaction in the open market. It results in the avoidance of corporation tax as such fees to the extent that they are excessive reduce the corporate tax otherwise payable

The lack of adequate tax laws to regulate such transactions between related companies, could lead to a loss of potential corporation tax revenue¹⁶.

Capital Gains Tax. Other than the tax treatment accorded gains and losses on business and investment assets there is no capital gains tax in Sierra Leone on either corporations or individuals. This omission is a violation of both the horizontal and vertical equity principles of taxation which require all should pay on a similar basis and those who are better-off should pay more. The omission of a capital gains tax favour the well-off.

Its omission also means converting otherwise taxable income into capital gains is a source of major tax leakage. The yield from taxable capital gains in other jurisdictions is significant and could be as high as 0.5% of GDP.

Property Tax. Currently there is no effective property tax regime in Sierra Leone although some areas such as Freetown have a legal framework for doing so. In other countries these are usually levied on the assessed market value of the property regardless of whether is personal use residential or commercial property. More typically they are used for local or municipal purposes but there is no reason why a starting point in Sierra Leone could not be a listing of property owners liable for the renter's tax. Thus the property register could be centrally developed and managed by the NRA.

¹⁶ Recent data being compiled by the *Tax Justice Network and Christian Aid* suggests that in many low-income countries revenue losses from transfer mispricing may be as high as 5–10 per cent of total tax revenue (Prichard 2009; Cobham 2005).

Recommendation

- It is recommended that anti-avoidance rules, such as those recommended by the Organisation for Economic Co-operation and Development¹⁷ (OECD), be adopted to regulate transaction between related and associated companies.

Officials' Response: *Recommendation as noted in your findings will be implemented.*

- The NRA should clarify the treatment of capital gains.
- Consideration could be given to developing a database for future imposition of property taxes.

5.18 Ineffective and Outdated Manual Income Tax System

Information Technology (IT) is a tool that is being introduced in almost every aspect of human life, and rightly so, because of the benefits and value it adds to processes and systems. Tax authorities are no exception to the benefits of IT and their work is more effectively done by automating their systems/processes.

The Authority has introduced an automated system, ASYCUDA, for customs and excise but is yet to automate the Income Tax Department generally.

The lack of an automated system means there is much human judgement involved in the income tax administration and enforcement process which is prone to errors. It does place the Income Tax department at high risk fraud, staff collusion and corruption.

Recommendation

It is recommended that a user-friendly computerised system be introduced in the Income Tax Department as soon as possible.

Officials' Response: *The automation of the income tax system is on course and with the merger of the two departments (Income Tax and GST) an integrated revenue management system has been put in place.*

¹⁷ From the *OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration*, July 2010

Part II – An Audit Review of Budgetary Expenditure for Fiscal Years 2009 and 2010

Scope and Methodology

The audit covered the period 1st January, 2008 to 31st December, 2010.

Detailed Findings and Recommendations

5.19 Non-production of Financial Statements and Annual Report

The Authority did not comply with section 31(2) and section 33 (1 and 2) of the National Revenue Authority Act, 2002 which are reproduced hereunder: No reasonable explanation was given by management for the noncompliance.

Section 31 (2) states “The accounts of the Authority kept under section (1) shall not later than forty-five days after the end of each financial year, be audited by the Auditor-General or an auditor appointed by him”.

Section 33 (1) states “The Authority shall within three months after the end of the financial year submit to the Minister a report of the performance of its functions during the year and on its policy and programmes”.

Section 33(2) states “The annual report shall include the accounts and the financial statement prepared under section 31 and the report of the audit thereon”.

The Authority, while producing its financial statements and its Annual Report for the years under review failed to meet the statutory deadline by a considerable margin in each case. In addition, so far it has failed to produce its 2011 financial statements.

In addition to being a breach of statutory obligations, not producing financial statements in a timely manner may result in errors, omission and possibly fraud going undetected.

Recommendation

We recommend that in future, action be taken to ensure that the Act is fully adhered to.

Officials’ Response

The finance act may have been violated by the Authority but however, the audit for 2005/6/7 by KPMG carried out in 2010 was yet to be finalized for the Authority’s consumption and as such we could not do further schedules or invitation for the audit of 2008/9/10. There might have adjustments in the preceding years to be reflected in the current year audits.

The audit for 2005/6/7 was outsourced by the Auditor General to KPMG and was conducted in 2010 whilst that for 2008/9/10 was done in 2011 by Auditor General. We should be expecting a yearly audit to be carried out by the Audit Service Sierra Leone or its reprehensive (sic).

5.20 File Management System

Documents relating to the Authority’s activities were not properly filed, i.e. filing was not done according to activities or the order in which the activities occurred.

It may be difficult to trace documents for reference purpose.

Recommendation

In future, management should ensure that documents and records are filed in chronological order.

Officials' Response: *Your observation has been noted with seriousness and we assure you of a well-organized filing system during your subsequent audits.*

ASSL Comment

We shall follow these up in subsequent audits.

5.21 Suspense Account

We noted that the earlier version of the 2010 financial statement submitted for audit purposes included a suspense figure of Le544 million. However, a later version of the financial statements produced during the audit showed a nil balance. An interview with management revealed that the suspense account has been reconciled and cleared. However, the journal entry, supporting documents and explanatory notes supporting this entry were not provided to the auditors.

The existence of a suspense account and the absence of a properly supported journal entry to clear this amount may undermine the credibility and impair the truthfulness of the financial statements.

Recommendation

Journal vouchers with adequate explanations should be made available for audit examination.

Officials' Response: *The earlier version of the 2010 financial statements submitted with a suspense figure of Le544 Million was a draft statement that was yet to be updated after postings had been finalised on the operating account to have a debit balance of Le612,301,101.*

If you compare the two statements submitted you will notice that the earlier and later versions of the financial statements have operating account balances of Le67,938,350 and Le612,301,105 respectively. The difference between the two is the Le544 million shown as suspense in the earlier version.

ASSL Comment: We were presented with a journal voucher and the two versions of financial statements during the verification exercise. We however requested for the cash book, bank statement and bank reconciliation statement of this account so that we can substantiate the authenticity of the transaction and the accuracy of the bank balance. These items were not presented for audit review thus the authenticity of the transaction was not substantiated.

5.22 Unsupported Journal Vouchers

There were a substantial number of journal entries in the general ledger without relevant supporting documents to substantiate the reason for raising them.

Journal entries between accounts, if not authorised and supported by adequate documentation, can be used to distort the financial statements and therefore misinform users

Recommendation

All journal entries should be supported by relevant supporting documents, initialled by the person raising the journal and checked and approved by a senior official. And they should all be referenced and filed.

Officials' Response: *If these audit findings had an appendix to specifically state journal vouchers without supporting documents it could have been easier to locate. However, journal vouchers were borne out of imprest retirements analysed into expense classifications with supporting documents. These documents were and are still in the department for verification. What the department noticed was that time was not in favour of the audit team to exhaustively examine all the documents related to the journal vouchers.*

We assure you of the availability of these documents if you are to conduct a follow up audit.

ASSL Comment: We requested a sample of journal vouchers during the verification exercise but these were not made available for audit inspection.

5.23 Commissioner General's Salary not Pro-rated

We observed that the appointment letter of the then Commissioner General was dated 24th April, 2008. However, we noted that full salary was paid for the month of April, resulting in an excess payment of Le18,350,980. This implies inadequate control in the management of payroll preparation.

Recommendation

The necessary investigation should be initiated to regularise this issue and in the event that the amount was wrongfully paid, steps should be instituted for the recovery of the amount.

Officials' Response: *This observation is confusing since the evidence you have does not reflect the letter on file written by the Secretary to the President, J. Sampha Koroma to Mr. Allieu Sesay dated 28th January 2008 with under the caption Terms and Conditions of Service states*

Further to my letter of even forward the key elements of your terms and conditions of service as follows:-

- (i) Your appointment is with effect from 24th January 2008 i.e. the date your nomination was approved by Parliament.*
- (ii) Composite fixed net salary of the Leone equivalent of US\$6,000.00 monthly, meaning basic plus all regular staff-related allowances (i.e. housing, medical etc).*

ASSL Comment: We have rechecked the observation from our audit file and can confirm that the appointment letter of the Commissioner General was issued in January and not April as stated in our observation. Nonetheless, the Commissioner General's salary for January 2008 was paid in full even although his appointment was on the 24th of January.

5.24 Supporting Documents for Procurement of Official Receipt Books

In 2008, a 30% advance payment of Le138 million was made to CD Investments in respect of the supply of securitised documents receipt books to the Authority. Documentary evidence such as procurement committee's minutes, advertisement, contract document, etc., to justify the award of the contract was not made available to the audit team for inspection.

The award of contracts without justification and documentation is in contravention of the National Public Procurement Authority (NPPA) Act, 2004 and the Authority's own internal procurement procedures.

Recommendations

Management must make available all documents relating to the award of this contract to CD Investment.

In future, the procurement Act and guidelines must be strictly adhered to in the award of all contracts.

Officials' Response: *The production of these documents should have been done by the Procurement Unit. However, preliminary procurement process was initiated in which various bidders were invited to submit their individual quotations. The ultimate decision to choose the preferred supplier was determined by the Procurement committee. It is likely that the auditors could not be provided the documents requested at the moment the request was made.*

ASSL Comment: This is yet to be forwarded for our inspection.

5.25 Documentary Evidence to Support Expenditure

We were not provided with supporting documents such as invoices, fuel chits and relevant journal documentation, for expenses amounting to Le1.29 billion in 2009 and Le1.24 billion in 2010.

In the absence of adequate supporting documents, we were unable to ascertain the completeness and accuracy of these expense items.

Recommendation

In future, management should ensure that all supporting documents such as vouchers, receipts, and authorised fuel chits are attached to the payment vouchers and retained for audit or reference purpose.

Officials' Response: *Supporting documents in respect of invoices, fuel chits etc may not have been found at the time of the audit but after a thorough search the supporting documents in question were found and are now filed in one of the cabinets for reference.*

The figures in question reflected on the bank statement for the period under review. This shows that original documents were generated by the Administrative department and the forwarded to the Finance Department to release funds in settlement of the liability due.

ASSL Comment: These documents were not made available during the verification exercise.

5.26 Management of Property, Plant and Equipment

Additions to property, plant and equipment amounting to Le298 million could not be traced to relevant third party supporting documentation, we were therefore unable to ascertain the completeness and accuracy of the transaction for additions to plant, property and equipment during the year 2010.

In addition, we observed that the Authority's Fixed Assets Register was not properly updated resulting in differences between the fixed assets register and the general ledger. Also, accumulated depreciation for vehicles was greater than the total cost of vehicles for all three years under review resulting in negative net book values.

In the absence of adequate third party documents to support capital expenditures during the year, property plant and equipment could be misstated. Also, the difference between the Fixed Assets Register and the general ledger questions the accuracy and completeness of these records; and the value of plant and equipment may be misstated.

Recommendation

- Management should ensure that property, plant and equipment of the Authority is adequately monitored and that journals raised to record such transactions are adequately supported by third party documents.
- The Fixed Assets Register should be reconciled with the general ledger and any irreconcilable difference adjusted accordingly; and all relevant supporting documents should be made available for audit inspection.

Officials' Response: *These transactions relate to section 12 of the MOU between the National Revenue Authority and Intertek International in respect of carrying out of activities – pre-shipment inspection and destination inspection. The terms state that the funds generated should only be used for training and the procurement of office equipment for Customs department only and the request should be*

initiated by Customs and by Intertek on specific or defined arrangements. For the amounts to be disbursed there should be joint approval by NRA and Intertek and these amounts can be traced on the bank statements of the escrow accounts opened with the Sierra Leone Commercial Bank. The movement of documents between NRA and ACC may have caused there misplacement.

In the case of depreciation value exceeding the historical of the cost, no action was taken to revalue or dispose the asset after they had fully exhausted their useful life. However, action will be taken to remedy the situation in conformity with the provisions of international accounting standards (LAS).

Total fixed asset amount Le495,345,200 to verify documents.

ASSL Comment: These documents were not made available during the verification exercise.

5.27 Non-availability of Contract Documents

During our review, we observed that a number of payments amounting to Le1.2 billion were made to contractors for the construction and/or rehabilitation of various buildings. Management did not provide us with the contract documents to verify the authenticity of payments made to contractors.

In the absence of contract documents, it could be difficult to ascertain whether the conditions attached to the payment terms were adhered to.

Recommendation

We recommend that management should produce all contract documents relating to the above contracts awarded for audit inspection.

Officials' Response: *To make any advance payment to contractors, documents in support of the expenditure to carry out such activities were forwarded/ submitted to the Finance Department, which were generated by the procurement unit. It was possible that these documents were misplaced and or misfiled at the time of the audit period.*

ASSL Comment: This is yet to be forwarded for our inspection.

5.28 Accounts Preparation Using Microsoft Excel

The accounting and financial records of the Authority were mostly maintained using Microsoft Excel.

There is a security risk in the use of MS Excel, as there is no audit trail available for inspections. Maintaining core permanent accounting and financial records on spread sheets is inappropriate because the records can be readily modified in error (or deliberately). The basic issues with MS Excel and all spread sheet software is the failure to adequately separate the cell data from the program code (formulae, functions, etc.).

Recommendation

- An organisation like the NRA, with a large volume of transactions should have a financial management system/package such as FMIS that is reliable and can provide audit trail for all transactions. We therefore recommend that the Authority should acquire an accounting package that would meet the various accounting needs of the Authority.
- The package must provide a wide variety of pre-set reports and graphs/ designed to give the organisation an easy access to information.

- For overall compatibility with GoSL financial record-keeping NRA should give active consideration to acquiring FreeBalance or even becoming a client of the FMIS in MoFED.

Officials' Response: *DFID has approved the purchase and installation of an accounting and payroll software for both the Accounts and the Human Resource department by April 2012. The use of the Microsoft Excel will be minimal.*

ASSL Comment: We shall follow these up in subsequent audits.

5.29 Ineffectiveness of Preventative Service and Special Duties (PSSD) Unit

The PSSD unit was seriously under-resourced. Vehicles, motor bikes and communication sets were not available at the unit to effectively carry out its function.

This may dilute the effectiveness and increase smuggling activities in the country. This may lead to the loss of revenue to Government.

Recommendation

It is recommended that the PSSD Unit should be adequately resourced in terms of providing the necessary manpower, vehicles, motorbikes and communications sets, required to effectively discharge its duties.

Officials' Response: *This challenge will be looked into when financial resources are adequately available.*

ASSL Comment: We shall follow these up in subsequent audits.

5.30 NRA Liability for Corporation Tax

The financial statements for the years 2008, 2009 and 2010 consistently included corporation tax liability of Le 1,001,029,419 which could not be adequately explained by management. However from our inquiries with management we noted that management was of the opinion that the Authority should not pay income tax on surpluses, although the NRA Act of 2002 did not expressly exempt the Authority from doing so. Subsequently, the Authority did not provide for Income Tax in the years under review and the outstanding obligations have not been settled.

There is some uncertainty in interpreting the eligibility of NRA to Pay Income Tax.

Recommendation

Management should engage the relevant authorities and experts about the tax status of NRA and revisit the NRA Act (2002), to clarify the issue..

Officials' Response: *This matter shall be looked into by Senior Management of the Authority to further seek the advice of the Board of Directors of the Authority.*

ASSL Comment: We shall follow these up in subsequent audits.

5.31 Staff PAYE and NASSIT Contributions

Employer's NASSIT contributions for November and December, 2007 were accounted for in the general ledger in 2008; subsequently contributions for 2008 November and December were accounted for in 2009 and this trend continued into 2010.

Further audit procedures indicated that in 2008, PAYE was understated by a total of Le 897,974,461, while NASSIT contributions were also understated by a total of Le130,905,886 see Table 8.

Table 5.8 – Understatement of Deductions	
PAYE Deductions	
Description	Le
Liability for 2007	951,869,868
Total PAYE due for 2008	1,662,928,156
Less: Payments made	(954,369,664)
Liability as per auditors	1,660,428,360
Understatement	897,974,461
NASSIT Contributions	
Liability for 2007	-
Total NASSIT due in 2008	1,057,934,292
Less: Payments made	(866,271,739)
Liability as per auditors	191,662,552
Understatement	130,905,886

The salary control accounts showed balances in the amount of Le587,506,186, Le1,179,944,018 and Le1,419,562,266 in 2008, 2009 and 2010, respectively. No form of reconciliation or explanations was done to verify the accuracy and completeness of these amounts.

We were also not provided with supporting documents for payments of NASSIT contributions in the amount of Le1,065,481,247 and payment of PAYE Le1,380,455,954 for 2009. Such supporting documents included the payroll vouchers and receipts.

Supporting documents for expenditures amounting to Le6,023,413,417 relating to various staff costs in 2010 were not provided for audit inspection, examples include payroll vouchers and receipts.

We also noted the inclusion of staff prepaid rent in the statement of financial position, without any breakdown or explanation.

PAYE was not paid over to the relevant unit on a timely basis, thus leading to large amounts outstanding in the financial statement.

In the absence of a proper accounting, staff costs in the financial statements will be misstated.

Recommendation

- We recommend that management should ensure that proper accounting is done in respect of staff costs.
- We also recommend that proper reconciliation be done in relation to the staff salary control account and necessary journal entries affected.
- Efforts should be made in paying over amounts withheld from employees' salaries in compliance with the Income Tax Act and NASSIT regulations.
- All relevant supporting documents must be made available for audit inspection.

Officials' Response: *The late accounting of NASSIT contribution was due to the non-availability of sufficient funds to meet with all staff costs in a given month. We prioritized the payment based on immediate needs by the staff and the funds available. This also goes for other costs; we delayed their payments until funds for disbursement to the Authority were approved by the Ministry of Finance. The*

department of finance in the Authority has seen to it that backlogs of NASSIT contributions were cleared in 2011 and as March 2012 the Authority has no outstanding liabilities.

The understatement of Payee and NASSIT figures by Le897,974,461 and Le130,905,886 respectively was as a result of the non-inclusion of Payee and NASSIT payment of Temporary Staff employed in 2008. In 2011 the Authority paid an outstanding PAYE of about Le1,000,000,000 to the Commissioner of Domestic Tax department. The same goes for NASSIT contribution. In fact, a verification exercise has just been concluded by NASSIT representative on the Status Payment of NASSIT contributions by the Authority and the exercise ended with a statement of full compliance.

ASSL Comment: We note the responses proffered by management in relation to PAYE and NASSIT backlog payments and we verified that an amount of Le1 billion was paid to the Commissioner of Domestic Tax department. However, no response was made regarding the other audit observations on salary control accounts, the unavailability of payroll supporting documents and the prepaid rent.

5.32 Dishonoured Cheques

In reviewing bank statements we noted that cheques totalling Le279 million, previously returned by the Bank of Sierra Leone, were not repaid into the consolidated fund either by cash deposit or by bank draft.

There is a possibility that dishonoured cheques will not be recovered and paid into the Consolidated Fund.

Recommendation

Moneys relating to these dishonoured cheques must be recovered from the taxpayers and evidence of this made available to the Auditor General.

Management should ensure that all cheques referred to drawer are followed up to the issuing taxpayers and a mechanism instituted to recover such monies.

Officials' Response: *To deter reoccurrence such similar situations, operational mechanisms have been put in place to at least remedy the situation; a tracking system has been introduced to ensure that dishonoured cheques are accounted for distinctly from the normal collections.*

5.33 Delay between Collection and Banking of Revenue

There appear to be substantial delays between the receipt and banking of revenues from GST, Customs Outstations as well as revenue from duty free service charges. In some cases, these time delays ran into weeks.

We also noted that collections from the Gendema customs outstation were paid into an Ecobank account in Freetown on a monthly basis despite the fact that commercial banks existed in Kenema.

This may lead to abuse by revenue collectors

Recommendation

We recommend that management should institute mechanisms to ensure that all revenues collected be banked intact within a reasonable period. It is also recommended that modalities be put in place to limit the physical handling of cash by NRA officials and consideration be made for banking to be done at BSL in Kenema.

Officials' Response: *The case of the delays between the receipt and banking of revenues such as GST, Customs Outstations was as a result of the non-formalized arrangements between the Authority and the commercial banks located in some outstations. It was only for*

Kambai and Lungi outstations that memoranda of understanding were drawn between the Authority and UTB and FIB for the collection of revenue on behalf of the Authority.

It was in 2011 that commercial banks all over Sierra Leone were formally hired to collect revenue on behalf of the Authority. However, this concern is being addressed by the Authority by way of monitoring the collection and lodgements on a daily basis.

The late lodgement of duty waiver receipts to the Sierra Leone Commercial Bank has been addressed.

ASSL Comment: We shall follow these up in subsequent audits.

5.34 Retention of Temporary Staff

Procedures carried out during our audit indicated that, though the contracts of temporary staffs had expired, some temporary contract staff were retained and fully paid in violation of ‘Article 11’ of the Terms and Conditions of Service of the Authority, and the contract letters issued to them.

The retention of temporal/contract staff without adhering to due recruitment processes is a violation of the Authority’s recruitment terms and conditions.

Recommendation

It is recommended that in future, contract staff should be either formally employed or their contracts terminated at the end of the relevant period.

Officials’ Response: *Some of the staff retained after their contract had expired were those management could not let go at the moment; so an interview was swiftly conducted for their permanent retention. Again, provision was made in the budget for additional recruitment but because the budget was not approved by the board in time, it was decided to tentative make use of the temporal staff until such time the situation was addressed.*

ASSL Comment: In relation to the permanent retention of temporary staff, we note the comments made and we have verified that interviews were conducted. However, we note that some temporary staff contracts were extended after the initial contract period and there were no evidence of the renewal of these contracts.

5.35 Petty Cash – Expenses Support and Retirement

We observed that the petty cash limits were not adhered to when payments were made. Supporting documentations for the amounts totalling Le595 million in 2009 and Le495 million in 2010, respectively, were not provided by management for audit review.

The failure to adhere to controls over petty cash will result in the misappropriation of the Authority’s funds.

Recommendation

Management should ensure that controls relating to petty cash are adhered to and supporting documents produced for audit inspection.

Officials’ Response: *It was not question of petty cash imprest exceeding float limit. The problem was the non-posting of journal vouchers in respect of imprest expenditures retired. This therefore overstated the imprest float above the normal and understated recurrent expenditure as the case may be. However, this situation has been rectified.*

For retirement to be authorized and ultimately replenished, the correctness and accuracy of the statements need first to be vouched and verified, which summarized expenditure details are attached to the bank payment instruction (BPR). These detailed documents were available; their non-availability at the time of the audit can be attributed to the fact that because of their bulkiness, they were kept in wrapped envelopes, which should have been matched with the BPRs file during the audit.

ASSL Comment: Supporting documents in relation to petty cash were made available to the audit team during the verification exercise.

Table 5.9 - 2008 Administrative Expenses			
Details	Amount per Financial Statements	Amount per Schedules	Difference
Printing and Stationery	715,121,986	862,080,536	(146,958,550)
Travel/Transport	412,880,805	423,880,805	(11,101,250)
Vehicle/running	1,142,569,175	1,226,667,175	(84,098,000)
Postage/Communication	221,434,858	232,344,558	(10,909,700)
Utilities	35,691,009	47,694,336	(12,003,327)
Repairs	1,140,130,755	1,258,621,775	(118,491,020)
Research Expenses	-	-	-
Tax Education	276,739,250	344,399,250	(67,660,000)
Rent/Lease Rents	699,491,485	861,703,707	(162,212,220)
Insurance	175,419,494	177,419,494	(1,999,999)
Cleaning Materials	47,324,300	49,548,300	(2,224,000)
Hospitality	251,405,410	261,827,910	(10,422,500)
Professional fees	403,798,958	407,798,958	(4,000,000)
General office charges	386,808,441	396,947,772	(10,139,331)
Audit Fees	-	-	-
Monitoring	5,521,750	5,521,750	-
Incentive/Anti-Smuggling	64,022,022	98,698,469	(34,676,447)
Books/Periodicals	415,000	415,000	-
Intl Organisation	95,147,370	95,147,370	-
Corporate responsibilities	12,390,000	12,390,000	-
Training and Capacity Building	455,593,101	457,160,913	(1,567,812)
TOTAL	6,541,803,921	7,220,268,078	(678,464,157)

5.36 Financial Statement and Expense Schedule Differences

During our review, the schedule provided for the under-listed operating expenses differed from the amounts stated in the 2008 financial statements

In the absence of proper accounting expenses may be misstated.

Recommendation

Management should ensure that proper book keeping is done and provide a satisfactory explanation about the differences in the figures.

Officials' Response: *The expenditure schedules alternatively known as general ledger details were used to prepare the accounts; these data is also reflected in the notes to accounts from which again the financials are prepared. So to say that there was a disparity between the general ledger details and the financial statements and or notes to accounts is very baffling to comprehend, given the fact the trial agreed.*

Note that the trial balance generates two supplementary reports; that is, notes to accounts and financials and their individual aggregate should be at par.

ASSL Comment: During the audit it was clear that some of the figures in the general ledger did not agree with the figures in the financial statements. The soft copy of the financial statements and trial balances for 2008 provided to the audit team was not linked to the general ledger; hence it is possible that the figure might not agree.

5.37 Bank Reconciliations

We noted that bank reconciliation were not prepared consistently in 2008. In cases where reconciliations were prepared we were unable to verify their accuracy and completeness as the list of un-presented cheques and other reconciling items were not provided for audit testing. Bank reconciliation statements were not prepared for the years 2009 and 2010.

In the absence of proper bank reconciliation statements, should errors and defalcations occur, it would be difficult to detect for remedial action to be taken.

Recommendation

Bank reconciliation statements should be prepared on a monthly basis. Such reconciliations should be reviewed by a supervisor and if any error occurs, it should be promptly followed up.

Officials' Response

The observation is noted and management has taken action to ensure that bank reconciliation reports are timely prepared on a monthly basis.

ASSL Comment

We shall follow these up in subsequent audits.

Performance Audits

Table of Contents

Main Points 82

6.1. Introduction..... 84

6.2. The Nature and Practice of Performance Auditing..... 84

6.3. ASSL and Performance Audit 85

6.4. Summary of 2011 Performance Audit Reports..... 86

Main Points

What we examined

We conducted five performance audits and submitted them to Parliament. The audits were concerned with the distribution of seed rice, anti-malaria interventions, the generation and collection of revenue in the fisheries sector, the examination and monitoring of vehicles and the supply of potable water.

ASSL has been doing performance audits since 2008. However, creating this chapter for inclusion in the Annual Report is a new departure. The chapter summarises the performance audits we conducted this past year which have already been sent to Parliament as special reports under Section 66(4) of the Government Budgeting and Accountability Act 2005.

Performance auditing strives to answer the question “Are we doing the right thing, in the right way?” Done mostly by Supreme Audit Institutions (SAIs) like ASSL, performance auditing is an independent, objective and reliable examination of whether government undertakings of any kind are performing in accordance with the principles of economy, efficiency and effectiveness (the 3Es) and whether there is room for improvement. Because it is independent a view of performance other than the one drafted by the entity itself is presented. If governments perform an activity it, in whole or in part, can be the subject of a performance audit

Why it is important

Technically speaking doing the right thing in the right way means asking if something has been done with due regard for economy (at the lowest cost), efficiency (in the best way) and effectively (achieving intended results). In short, performance audit are said to deal with the 3Es (economy, efficiency, and effectiveness). These are important matters for citizens and donor organisations alike that have a right to know that their contributions to the nation’s revenues have not been squandered. It goes beyond the purely legal question of whether revenues collected or expenditure made was authorised by Parliament. It goes deeper and examines, against the criteria of economy, efficiency and effectiveness how revenues were spent and whether value-for-money was achieved.

What did we find?

Seed Rice Distribution

There had been serious irregularities in the procurement process for seed rice. Several of the fundamental procurement regulations had been violated and the procurement records had not been submitted to the National Public Procurement Authority (NPPA). We also found that there were no established criteria for the distribution of seed rice or tractors to different districts.

Anti-malaria interventions

The targets set for reducing the burden of malaria have not been achieved. Indeed during the period under review no significant drop in the prevalence of malaria was recorded. The supply of drugs and other supplies to health facilities was frequently irregular and inadequate and treatment often started late and without prior laboratory testing. The distribution of bed nets was often late and national guidelines were interpreted differently in different parts of the country leading to some people getting several nets and others getting none.

Revenue from Fisheries

Local councils have not implemented adequate monitoring and controls over fish revenue collection and fisheries observers on board the licensed fishing vessels often found themselves in a weak position in relation to the captain of the vessel when trying to enforce the correct fishing practices. In addition, the monitoring of fishing activities by MFMR has not ensured good fishing standards and the patrolling of Sierra Leone's fishery waters is not effective.

Monitoring of Vehicles by SLRTA

SLRTA did not carry out its duties in line with Road Traffic Act and its contribution to road safety has been limited. Road accidents and road deaths continue to rise. There are no data available on the causes of accidents and therefore it is not possible to determine the proportion of accidents that can be attributed to defective vehicles, rather than to other factors such as reckless driving or poor roads conditions. All vehicles should have their licences renewed annually and commercial vehicles every six months. Yet it was found that many vehicles were not licensed even once a year. With 160,000 registered vehicles in the country the issuing of 50,000 licenses per year is clearly inadequate.

The Supply of Potable Water by SALWACO

Despite Sierra Leone's abundant water resources, access to raw water has been problematic. During the dry season, existing raw water reservoirs dry out and all the stations depend on water pumped from rivers or streams. At the time of our audit only one pump that seemed to function well with the result that water treatment process frequently came to a standstill and in some cases treatment had been stopped for several months.

With the exception of Makeni the stations did not have equipped laboratories and water testing kits and therefore were unable to routinely test the water to verify whether it was suitable for human consumption.

SALWACO has not been efficient and effective in scheduling adequate maintenance and attending to issues of repairs of damaged pipes.

SALWACO has not been able to recover operational costs from the revenue generated. From 2007 to 2010 water rates and charges covered less than 10% of total expenditure. The rates set by the Board were not implemented. Rates set by the stations were generally higher than those set by the Board, but still not high enough to secure cost coverage. In spite of what is stipulated in the Act there was only one utility meter for measuring water use, in all of SALWACO's operational areas.

6.1. Introduction

Performance audit has been practiced in Sierra Leone only since 2008 when it was introduced to Audit Service Sierra Leone as a component of an audit capacity development project. Creating a performance audit capability does not happen overnight. It requires careful staff selection and training. Practitioners are required to have very strong analytical skills and be capable of quickly assimilating a broad range of data and information across a variety of functional areas and business activities or functions. The fundamental skill-set is a strong knowledge of basic and classical audit techniques. Consequently, performance auditors are generally drawn from the ranks of financial and regularity auditors, both of which are traditional audit areas that have long been the focus of ASSL. ASSL has also had an intake of staff with a back-ground in the social sciences.

Although relatively new to countries at a similar stage of development as Sierra Leone, performance audit has been practiced in various and evolving forms in mature economies for over thirty years. Its practice is virtually unique to the public sector and mostly to Supreme Audit Institutions (SAIs). As a consequence the professional audit standards that apply to it have largely been developed under the aegis of INTOSAI, the International Association of Supreme Audit Institutions, in which ASSL is an active member through AFROSAI-E. The reports of many SAIs are now largely comprised of the outcomes from performance audits and there is a trend in some jurisdictions to capture all SAI audit activity under a more generic name such as comprehensive auditing which, in effect, represents the collective practice of financial, regularity and performance audit that frequently uses multi-disciplinary teams of auditors.

This Chapter is a new departure for ASSL in that it summarises performance audits conducted this past year which have already been tabled in Parliament as special reports under Section 66(4) of the Government Budgeting and Accountability Act 2005.

The Nature and Practice of Performance Auditing

Performance auditing carried out by Supreme Audit Institutions (SAIs) is an independent, objective and reliable examination of whether government undertakings, programmes, systems, activities or organisations are performing in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations. Subject matter is not limited to specific programmes, entities or funds but can include topics like service delivery or the effects of regulation, thereby placing special focus on citizens.

Broadly speaking, the principles of economy, efficiency and effectiveness – often referred to as the 3Es -can be approached as follows:

- The principle of *economy* is about keeping the costs low. The resources used should be available in due time, in appropriate quantity and quality and at the best price.
- The principle of *efficiency* is about getting the most from available resources. It is concerned with the relationship between resources employed, conditions given and results achieved; in terms of quantity, quality and timing of outputs or outcomes.
- The principle of *effectiveness* is about meeting the objectives set. It is concerned with attaining the specific aims or objectives set and/or achieving the intended results. Where appropriate, the impact of the regulatory or institutional framework on the performance of the entity should also be taken into account.

Expressed another way, the 3Es address whether the outcome was as expected (*effectiveness*), on time (*efficiency*) and at the best price or cost (*economy*). A performance audit views the matter being addressed through these three lenses.

While promoting good governance is the main aim of performance auditing it also contributes to accountability and transparency. Performance auditing promotes *accountability* by assisting those charged with governance and with oversight responsibilities in improving performance, rather than merely identifying weaknesses or past errors. It does this by examining whether decisions by the legislature, or the executive authorities are efficiently and effectively implemented, and whether the taxpayers or citizens have received value for money. It does not question the intentions and decisions of the legislature – criticising government policy is not within the remit of the Auditor General - but instead examines whether possible shortcomings in the laws and regulations have affected the achievement of those intentions. Performance auditing seeks to add value for citizens and on areas with potential for improvement.

Performance auditing promotes *transparency* by affording taxpayers, financiers, ordinary citizens and the media an insight into the management and outcomes of different government activities. It thereby contributes in a direct way by providing useful information to citizens while also serving as a basis for learning and improvements. SAIs should in performance auditing decide within their mandate on *what*, *when* and *how* to audit and should not be restrained from publishing findings.

Performance audits provide new information or knowledge by:

- new analytical insights (broader or deeper analysis than what is customarily done within the MDA itself, or new perspectives)
- making information accessible to various stakeholders
- improving the quality of findings or conclusions by having done additional research
- providing recommendations based on an analysis of audit findings.

At the outset of the audit the standards against which the performance of the audited entity will be measured need to be established. These standards or assessment criteria, determine whether or not the operations or the programme meet or exceed expectations. They will also help the auditor to create a common understanding with the auditee.

The users of performance audit reports expect reliable evidence-based reports that provide clear information on objectives, findings and conclusions.

Audit methods are chosen which best allow the gathering of data in an efficient and effective manner. Basic audit techniques such as verifying, evaluating, investigating, observing, etc., apply to performance auditing as much as to financial auditing. The aim of auditors is to adopt best practices, but practical reasons such as availability and type of data may restrict the choice of methods

ASSL and Performance Audit

As mentioned above performance auditing was first introduced in ASSL in late 2008 as a component of a DFID funded Capacity Building Programme. Initially two people were assigned to performance auditing on a part-time basis and a team-leader designated. The Performance Audit Division, led by a senior auditor was formally established in 2009 and since then the division has grown progressively from five at the end of 2009 to its current strength of 13 full-time staff. An additional two members are on extended study having won international scholarships. Eight of the staff have successfully completed AFROSAI-E's regional three-module Performance Audit Training course and two more will complete the same course in April 2013.

The approach to performance auditing chosen by AFROSAI-E has also been adopted by ASSL. This approach may be described as a problem-oriented approach to accountability where the prevalence or indication of a potential challenges constitutes the starting point for the audit. The purpose of the audit is to promote increased efficiency and effectiveness, through improved utilization of available resources.

When performance audit was first introduced in ASSL the AFROSAI-E Template Performance Audit Manual was used as a basis for defining methods and processes. In 2009 this template manual was customised into a Performance Audit Manual for Sierra Leone, to fit with administrative practices and specific conditions prevalent within ASSL. Procedures for quality assurance and requirements on documentation were developed. On-the job and other training has since the start been based on the manual and on AFROSAI-E's training courses. The Auditor General submitted ASSL's first performance audit report, "Inspection and Supervision of Secondary Schools", to Parliament in December 2009. It was considered by the Public Accounts Committee (PAC) at public hearings. Five more performance audit reports have been completed and tabled in Parliament in 2012. The debate on these reports is expected to take place in 2013 after the opening of the new Parliament that will be elected in November.

In the reports – each is summarised below – we assessed the performance of the selected MDA responsible for the audited activity and indicated how performance may be improved. The recommendations made aim to remove the causes of problems and weaknesses identified thereby adding value not only to the MDA but to society as a whole. Some issues highlighted in all our reports show:

- a need for clearer policies and strategies to achieve objectives;
- the importance of recording, reporting and compiling data on what is being done; and
- a general need for better understanding of existing rules, regulations and guidelines.

In selecting areas for performance audit we have considered matters of significance for social and economic development and where, at the same time, there is a risk that performance may not meet the goals of economy, efficiency and effectiveness. After our audits in Education, Health, Food Security, Fisheries, Examination of vehicles and Potable Water, we have now moved on to Pension Payments, Prisons, Land Allocation and Road Maintenance. Our aim is to complete the latter four audits in 2013.

Summary of 2011 Performance Audit Reports

6.1.1. Report on the Distribution of Agricultural Inputs

The purpose of this performance audit was to assess the economy, efficiency and effectiveness of the Distribution of Agricultural Inputs by the Ministry of Agriculture, Forestry and Food Security (MAFFS). The focus was on seed rice and tractors, which were the key components of the agricultural inputs procured by the Government in 2009 as part of its strategy to increase productivity in food cultivation and promote exports, with the aim of improving food availability and increasing agricultural export earnings.

It was clear before the audit that the goal of food security had not yet been fully achieved and there had been delays in the distribution of seed rice and tractors. The audit dealt with two main issues: the adequacy of procedures for the procurement of the seed rice and tractors; and compliance with established criteria in allocations to districts. We found that there had been serious irregularities in the procurement process for seed rice. Several of the fundamental procurement regulations had been violated and the procurement records had not been submitted to the National Public Procurement Authority (NPPA). Thus the distribution of seeds came too late in the agricultural year for optimal benefits to the beneficiaries, the price paid was much

higher than previous years and there were serious doubts as regards the quality of the seeds. As a result money was lost to the government through excessive costs and the farmers lost revenue through lower yields.

Table 6.1 - Cash Payments to Farmers Instead of Seed Rice- Pujehun District 2009			
Details	Bushels	Unit Cost (Le)	Total Cost (Le)
Available for Distribution	1,300	85,000	110,500,000
Total distributed	598	85,000	50,830,000
Not distributed	702	85,000	59,670,000
Cash instead of rice	702	85,000	17,550,000
Difference not Accounted for			Le 42,120,000

We also found that there were no established criteria for the distribution of seed rice or tractors to different districts. For seed rice there was no mention of what specific variety of seeds should go to what district. Thus there were no indications that the different ecologies in different districts were taken into account and there was no reference to any needs assessments being carried out.

Once the procurement of seed rice had been completed the distribution to the farmers was swift, but there were some doubts regarding the circumstances of the distribution. In at least two districts part of the seed rice was turned into cash, i.e. money was given instead of rice, at not even a third of the price that had been paid by the government.

In many cases the seed loan agreements that should ensure that the beneficiaries pay back one and a half bushel after harvest for each bushel received were not accurate enough to be legally binding.

Tractors were found to be both underutilised and poorly maintained. Only about 60% were in good enough condition to be used. As regards the new tractors, procured in 2009 and distributed in 2010, the allocation to different districts appeared to be based more on requests from individual farmers than on any needs assessment.

In order to improve performance we recommended that MAFFS should

- Take the necessary actions to ensure that the rules and regulations of public procurement are adhered to in future. As a first step all procurement records relevant to the procurement of seed rice in 2009 should be submitted to NPPA for evaluation. In addition to this MAFFS itself should follow up the irregularities highlighted in the report and take the necessary steps to ensure that they will not be repeated in future.
- Develop a plan on how to deal with the more than 40,000 bushels of seed rice from the distribution in 2008 that were not recovered. The respective roles of MAFFS, councils and community leaders should be defined. Clear time limits for completion of the recovery process should be set.
- Review the whole set up for maintenance of tractors. Alternative solutions, including privatisation, should be considered. An inventory should be made of MAFFS' tractors and a decision taken on whether they should be scrapped or repaired.
- Develop a long term strategy for food security (distribution of seeds and other inputs, mechanisation, seed multiplication centres, agricultural research, etc.) where different measures are well coordinated and implemented in a consistent way throughout the country. Future distributions of inputs to farmers should be based on verifiable needs assessments, transparent criteria for allocation and timely distribution to beneficiaries.

6.1.2. Anti-malaria Interventions

The motive for this performance audit was the high death rate associated with malaria, especially for children under five years of age and pregnant women. The audit centred on the National Malaria Control Programme (NMCP) within the Ministry of Health and Sanitation (MoHS). The programme aims at reducing the burden of malaria mortality and morbidity by 25% and 50% respectively before 2015 through key anti-malaria interventions. The audit focused on the administration of the prescribed cure for malaria, artemisinin-based Combination Therapy (ACT); on the availability and swift distribution of Insecticide Treated Bed Nets (ITN); and, on the implementation of Intermittent Preventive Treatment (IPT) for pregnant women.

The audit tried to find answers to the following three questions:

- Is ACT administered in an efficient way?
- Is there a functioning system to ensure the availability and swift distribution of ITN?
- Is IPT implemented in line with laid down objectives and strategies?

The general conclusion from the findings was that anti-malaria interventions (ACT, ITN and IPT) had not been altogether efficient and effective, leading to a failure in reaching the targets set for reducing the burden of malaria morbidity and mortality in the country. During the period under review no significant drop in the prevalence of malaria was recorded.

The supply of ACT to health facilities was frequently irregular and inadequate. Treatment often started late and many people were treated for malaria without prior laboratory testing. Many patients also discontinued the treatment before it was completed.

Effective treatment of severe malaria was hampered by a lack of microscopes, a poorly functioning referral system and inconsistent guidelines.

The distribution of bed nets was often late and national guidelines were interpreted differently in different parts of the country leading to some people getting several nets and others getting none. There was a lack of awareness of the need for preventive methods amongst the population.

In order to improve performance we recommend that NMCP/MoHS should address the following issues:

- Improve monitoring and follow-up of ACT treatment to ensure the completion of treatment and confirm that it has been effective.
- Establish transparent allocation criteria for health facilities and provide supplies of drugs and bed nets accordingly to be able to fully implement the treatment guidelines.
- Implement the World Health Organisation's (WHO) recommendation to test all patients with microscope or Rapid Diagnostic Test (RDT) before treating with ACT. Community based providers who provide ACT should be trained in the use of RDT.
- Provide microscopes to hospitals and community health centres based on assessments of the need for microscopes. Reagents and other materials required for the use of microscopes should be provided.
- Clarify the guidelines regarding treatment of severe malaria cases. Also, train and equip health workers at different levels to perform their roles. The issue of transport has to be addressed and methods for communication established.
- Implement the policy of free malaria treatment for categories of patients in full and not just for the treatment for pregnant women, children under five years of age and lactating mothers as is the case at present.

- Conduct an extensive nation-wide malaria awareness programme to ensure that patients report to health facilities at the onset of illness for prompt diagnosis and treatment, complete prescribed treatments and use ITNs regularly and correctly.

6.1.3. The Generation and Collection of Revenue in the Fisheries Sector

The audit focused on the generation and collection of fishing revenue by the Ministry of Fisheries and Marine Resources (MFMR) and the Local Councils.

MFMR generates revenue from the industrial fisheries sector through collection of licence fees, royalties, transshipment fees, registration fees for fishing vessels, fines, fish processing establishment fees, fish discharge/landing fees and charges on exported fish. Revenue generation in the artisanal fishing sector has been devolved to the Local Councils operating in the coastal districts.

The Fisheries sector of Sierra Leone contributes about 10 per cent to the Gross Domestic Product. However, over the years, this revenue sector has been unable to fully optimise its potential which has raised concerns amongst Sierra Leoneans. These conditions motivated us to conduct a performance audit of the activities in this sector.

During the audit, we found that the local councils have not established and implemented adequate monitoring and controls over fish revenue collection; that fisheries observers on board the licensed fishing vessels often found themselves in a weak position in relation to the captain of the ship when trying to enforce the correct fishing practices; that monitoring of fishing activities by MFMR has not ensured good fishing standards; and that patrolling of Sierra Leone's fishery waters has not been effective.

Table 6.2 – Status of Naval Patrol Vessels 2011		
Classification	Qty.	Status
PB 105 (60 nautical miles vessel)	1	Not operational
Cutters	3	1 operational, 2 in need of major repairs
In-shore patrol craft	10	5 operational, 5 in need of major repair

The issue of licensing of semi-industrial vessels remained unresolved with the councils collecting revenue even though that responsibility was never formally devolved to them. The failure to address this problem can be directly linked to delays in issuing the new Fisheries Regulations and in amending the Fisheries Act of 1994.

In order to improve on this situation we recommended that the following issues be addressed:

- MFMR should approve and issue the new Fisheries Regulations as soon as possible and complete the drafting of a bill for the amendment of the 1994 Fisheries Act.
- The Local Councils should ensure that licensing fees are collected annually in accordance with pre-defined and sustainable tariffs. To facilitate this, databases with details of canoes, fees, revenue collected, etc. should be developed and monitored by Monitoring and Evaluation (M&E) officers.
- To promote the independence of the fisheries observers, MFMR should ensure that their salaries are paid by the ministry and not by the fishing companies. MFMR should also consider how back up support to the fisheries observers could be improved when captains do not want to obey the observers.
- MFMR should, together with the Maritime Wing of the Armed Forces, develop a comprehensive plan for effective surveillance of Sierra Leone's fishery waters. The plan should take account of the

need for naval patrols and cooperation with external players and the use of the Vessel Monitoring System (VMS), the Automatic Information System (AIS), etc.

6.1.4. The Examination and Monitoring of Vehicles by SLRTA

The persistent increase in the number of traffic accidents has raised public concerns as reflected in the media. Only during the last three years the Sierra Leone Police (SLP) recorded an increase in traffic accidents by more than 40% and the number of people killed as a result increased by almost 30%.

Recognising this situation the performance audit assessed the system of examination and monitoring of Vehicles by the Sierra Leone Road Transport Authority (SLRTA). The audit focused on the extent to which vehicles were licensed by the SLRTA; whether they were examined in accordance with the vehicle examination checklist, and; whether adequate monitoring of vehicles was carried out by SLRTA.

In order to have a national coverage and arrive at a reasonable assessment of how well SLRTA delivered its services, sample studies were carried out in Freetown, Kenema, Bo, Makeni and Lungi.

We visited SLRTA's Examination centres to obtain relevant data and information on the operations of SLRTA in relation to Examination and Monitoring of Vehicles.

We found that SLRTA did not carry out its duties in line with Road Traffic Act and its contribution to road safety has therefore been limited. Road accidents and road deaths continue to rise. From statistical analysis on road accidents obtained from SLP's, we were unable to ascertain whether it was private, government or commercial vehicles that were most frequently involved in accidents. There were also no data available on the causes of accidents, hence it was not possible to determine the proportion of accidents that can be attributed to defective vehicles, or to other factors such as reckless driving or poor roads condition. What is certain, however, is that defective vehicles increase the risk that accidents will occur and the risk of injury when there is an accident. They may also cause high traffic congestion when they break down along the roads.

All vehicles should have their licences renewed every year and commercial vehicles every six months. Yet it was found that many vehicles were not licensed even once a year. With 160,000 registered vehicles in the country the issuing of 50000 licenses per year is clearly inadequate.

Vehicles Licensed: 2008 to 2011				
Category	2008	2009	2010	2011
Private motorcycles	6,205	6,193	4,769	3,691
Commercial motorcycles	3,269	2,210	5,994	10,269
Private cars	11,370	11,411	12,187	11,563
Taxis	5,158	4,902	4,358	3,759
Jeeps	8,848	10,374	12,340	12,127
Mini Buses	5,922	7,262	6,287	5,397
Lorries/Trucks	1,993	2019	2160	2510
Buses/Trailers/Tractors	561	635	712	1127
TOTAL	43,326	45,006	48,807	50,443

This failure to enforce the law is as a result of the limited capacity of SLRTA's examination centres and the inefficient monitoring of vehicles on the roads.

Failure by SLRTA to provide specialised vehicle examination equipment at the various vehicle examination centres, also contributed to the inability of the centres to conduct examination in accordance with check list.

We recommended that SLRTA take the following steps to improve performance:

- improve its reporting on accidents to include their causes, types of vehicles involved and whether those vehicles carried a valid licence. Relevant data should be compiled and transmitted to SLRTA for analysis.
- ensure that all commercial vehicles are examined every six months in accordance with RTA and that other vehicles are brought in for renewal of licences every year.
- ensure that all necessary equipment for testing in line with the vehicle examination checklist, are provided at the examination centres.
- ensure that information fed into the management information system is easily accessible and disseminated in a timely and complete manner.
- equip traffic wardens with hand held devices making it possible to access the information on registration of vehicles, date of licensing, make or type of vehicle and fines issued to enable them to do effective road monitoring.
- assessment of staffing needs for vehicle examination as well as for road monitoring. Ranks and grades as well as skills profiles and allocation to different centres should be described and the training needs of existing staff considered.

6.1.5. The Supply of Potable Water by SALWACO

There has been increasing concerns from government, donors and the general public with regards to the water supply situation in the country. Being aware of this the performance audit focused on the supply of potable water by the Sierra Leone Water Company (SALWACO). The objective was to assess the extent to which SALWACO contributed to improved water supply services in their specified areas of operation.

The SALWACO Act of 2001 confers on SALWACO the responsibility of developing and operating satisfactory water services at reasonable cost and on a self-supporting basis in six specified areas.

The audit focused on three key issues: sourcing, treatment and distribution of water. It covered four of SALWACO's operational areas, namely Lungi and the cities of Kenema, Bo and Makeni. In each area, SALWACO's stations and reservoirs were visited and contacts made with Local Councils and communities to obtain data and information on the operations of SALWACO. Despite Sierra Leone's abundant water resources, access to raw water has been problematic. During the dry season, existing raw water reservoirs dry out and all the stations depend on water pumped from rivers or streams. We observed only one pump that seemed to function well at the time of our audit. As a consequence the treatment process has frequently come to a standstill. In some cases, notably in Bo, treatment had been stopped for several months and no water was distributed to customers.

With the exception of Makeni station, the other three stations did not have equipped laboratories and water testing kits. Therefore, Bo and Kenema stations were unable to test the water to verify whether the treatment process had been successful and the water suitable for human consumption. Test carried out on behalf of the auditors by SALWACO's lab technician, indicated that the treated water met WHO standards in Lungi and Makeni.

SALWACO has not been efficient and effective in scheduling adequate maintenance and attending to issues of repairs of damaged pipes. This has impacted negatively on the supply of water through excess water wastage.

SALWACO has not been able to recover their operational costs from the revenue that they generated. From 2007 to 2010 water rates and charges covered less than 10% of total expenditure. The rates set by the Board have not been implemented. Rates set by the stations are generally higher than those set by the Board, but still

not high enough to secure cost coverage. In spite of what is stipulated in the Act there was only one utility meter for measuring water use, in all of SALWACO's operational areas.

The failure to implement the act and provide clear guidelines to the stations is a reflection of the weaknesses in SALWACO's management structures.

To improve SALWACO's performance the following issues should be addressed:

- A Board in line with the criteria laid down in the Act should be appointed and key management positions filled. It is essential for SALWACO's future role and development that the company is in a position to reap the maximum benefits from the capacity building support that is an integral part of the three-towns-project, aiming at providing improved access to adequate, safe and reliable water supply and public sanitation services for Bo, Kenema and Makeni
- In order to ensure a sufficient intake of raw water and to allow the treatment process to go on without unnecessary stoppages, SALWACO should make sure that existing equipment is in good working condition, and examine the prospects for increasing the capacity of raw water reservoirs at the respective stations.
- SALWACO should regularly test the water they supply. Testing should be done before and after treatment and when the water is delivered to the customers. Immediate action should be taken whenever the results indicate that the water is not potable.
- SALWACO should conduct regular maintenance of the treatment works, the distribution networks and the reservoirs so as to prevent breakdowns and damage caused by poor maintenance.
- SALWACO should review their rates with a view to providing water services at a self-supporting basis in the long run, in order to achieve this, the water utility meter system should be implemented in accordance with the SALWACO Act to ensure that commercial and other clients pay a fair amount for their consumption.

Ministries, Departments and Agencies

Table of Contents

Main Points	97
7.1. Common Issues.....	99
7.2. Accountant General's Department (2011).....	105
7.3. Ministry Of Finance And Economic Development (2010).....	108
7.4. Ministry Of Defence (Hq) 2011.....	111
7.5. Ministry Of Mines And Mineral Resources East (2010).....	113
7.6. Ministry Of Mines And Mineral Resources East (2011).....	114
7.7. Ministry Of Health And Sanitation (2010) (Hq).....	115
7.8. Connaught Hospital (2010)	117
7.9. Kissy Mental Hospital	117
7.10. Macauley Street Government Hospital	118
7.11. Government Hospital Kenema (2010)	118
7.12. District Medical Office, Pujehun District (2010)	120
7.13. Bo Government Hospital (2009- 2010).....	121
7.14. Princess Christian Maternity Hospital (2010)	122
7.15. Ministry Of Health And Sanitation (2011).....	124

7.16.	Connaught Hospital (2011).....	126
7.17.	District Medical Office (2011)	128
7.18.	Kingharman Road Hospital (2011)	128
7.19.	Ola During Children’s Hospital (2011)	130
7.20.	Pujehun Government Hospital (2007- 2010)	132
7.21.	Government Hospital Kenema (2011).....	134
7.22.	Princess Christian Maternity Hospital (2011)	137
7.23.	Ministry Of Agriculture Forestry And Food Security (Hq)	138
7.24.	Ministry Of Agriculture, Forestry And Food Security, Pujehun (2007- 2010) 141	
7.25.	Ministry Of Works, Housing And Infrastructure	141
7.26.	Ministry Of Works, Housing And Infrastructure East (2010- 2011)	143
7.27.	Housing Division Kenema.....	145
7.28.	Office Of The Dmo And Phus, Kenema (2011)	145
7.29.	Ministry Of Lands And Country Planning (2010 - 2011)	146
7.30.	Ministry Of Mines And Mineral Resources (2010-2011)	147
7.31.	Ministry Of Energy And Water Resources	149
7.32.	Ministry Of Fisheries And Marine Resources.....	150
7.33.	Ministry Of Trade And Industry (2010).....	152

7.34.	Provincial Secretary's Office East (2011)	152
7.35.	Provincial Secretary Office South (2010 -2011)	153
7.36.	Office Of The President (2007 – 2010).....	153
7.37.	Office Of The Vice President.....	158
7.38.	Sierra Leone Police (2011).....	159
7.39.	Sierra Leone Police Bo (2011)	160
7.40.	Parliament (2010).....	161
7.41.	Public Service Commission (2011).....	161
7.42.	National Registration Secretariat	162
7.43.	Immigration Department	163
7.44.	Regional Immigration Office Bo (2011).....	164
7.45.	Human Resource Management Office	164
7.46.	Appeal Court (2010).....	165
7.47.	High Court (2010)	166
7.48.	Supreme Court (2010).....	167
7.49.	Magistrate Court Kenema (2010)	168
7.50.	Magistrate Court Kenema (2011)	169
7.51.	Magistrate Court Bo (2011).....	170

7.52.	Cabinet Secretariat (2011).....	171
7.53.	Government Printing Department (2011)	171
7.54.	National Stadium Management (2009-2010)	172
7.55.	District Medical Office	173
7.56.	Kingharaman Road Hospital	174
7.57.	District Medical Office, Bo Distract (2009- 2010).....	176
7.58.	Ministry Of Defence, Kenema	177
7.59.	Dmo And Phu (2010)	178
7.60.	District Medical Office (2011)	179
7.61.	Ministry Of Mineral Resources (2010 –2011).....	181
7.62.	The Ministry Of Finance And Economic Development (2011).....	183
7.63.	Ministry Of Agriculture, Forestry And Food Security, Pujehun (2007-2010) 186	
7.64.	Government Hospital – Bo 2011	186
7.65.	Ministry Of Foreign Affairs And International Cooperation – Embassy Of The Republic Of Sierra Leone, Beijing.....	187

Main Points

What we examined

Our audits of Ministries, Departments and Agencies (MDAs) are risk-based compliance audits. We focus on high risk areas. By risk we mean the likelihood of an undesirable event occurring and the potential impact should it happen, e.g. corrupt practices. For a selected function or area within an MDA we examine, on a test basis, a sample of transactions in a given time period and form a judgement as to whether applicable laws, policies and regulations have been complied with and whether the systems and practices are adequate to exercise a reasonable level of internal control over operating activities.

The areas and functions we select for examination are those where, based on past experience or the very nature of the activity, the risk of non-compliance is high. We looked at financial record keeping, physical custody of moneys and other assets including stores as well as banking procedures, including the independent verification of bank balances. Our audit objective is to determine compliance with relevant laws, regulations and policies as well as to establish whether assets are protected and the financial records fairly reflected the financial position and the result of operations.

Why it is important

Governments should only collect revenue and make expenditure as formally authorised by an Act of Parliament. The passage of the Budget into law is the expression of Parliament's intent. It is and must remain supreme. Any expenditure made for a purpose other than that intended by Parliament is contrary to law. In short, all public moneys must be fully accounted for and in a manner compliant with the laws, policies, regulations and good accounting practice.

When revenue is not recorded or banked, when moneys go missing or when procurement rules are broken or expenditures are not supported, in addition to being a breach of law, these matters erode the confidence of civil society and donors in the integrity of government and the reputation of Sierra Leone is damaged. That is why it matters.

What we found

We estimate there have been cash losses to the public purse of Le 110,914,263,391 As in previous years this has occurred for a number of reasons, some inter-related that overall suggest strongly that public financial management has much room for improvement in all MDAs.

For example:

- Monthly bank reconciliations are not carried out in most MDAs. This is a fundamental failure of internal control over cash and banking procedures. This control should also be undertaken by persons with no access to the physical cash or bank statements, i.e. there should be segregation of duties between those handling cash and accounting for it.
- There are significant weaknesses in the management of revenue in most if not all of the revenue generating entities. For instance, transferring funds to NRA is subject to unnecessary delay.
- We noted many cases where withholding taxes are not deducted from suppliers or contractors.
- A perennial problem, payments without adequate supporting documents persists in almost all the MDAs.

- Several significant lapses were observed in procurement procedures resulting in incomplete transactions and hence unsatisfactory service delivery.
- Moneys intended to be managed by imprest accounts are not properly closed out or accounted for with the result that control over imprest accounts is weak and allocating expenditure accurately to ledger accounts is seriously impaired.
- Fixed assets, stores and fuel records are not adequately recorded in applicable registers and other records.

In addition, all too frequently requested documents were not made available to our auditors for review although this has improved over previous years. The extent to which our recommendations for improvement in controls remain unimplemented is not acceptable and many entities have failed to make adequate, if any, responses to our findings. The findings, expanded upon in greater detail below, do not inspire confidence that resources are being managed optimally with due regard for economy, efficiency or effectiveness or fully in accordance with the intent of Parliament.

MDAs – Summary of Detailed Findings and Recommendations

7.1. Common Issues

A number of audit issues to be reported apply to several institutions. These common issues are outlined in the paragraphs below. Table (1) shows to which institutions each of these issues relate and, where appropriate, values are also included. It should be noted that only the most common issues are addressed here. Other audit issues are reported under the report sections relating to specific public enterprises.

7.1.1. Payments without supporting documents

Section 73(1) of the FMR 2007 states that all disbursements of public money should be supported by an appropriate payment voucher and other relevant documents. Supporting documents for payments made by MDAs, totalling Le10,944,808,206 were not presented for audit inspection during 2012. As these documents were not made available, there is a risk that these payments were for goods or services that were not actually delivered to the respective institutions. In addition, it was impossible to conclude as to whether these payments had followed the proper procedures as set down in law.

It was recommended that all supporting documents in relation to these transactions should be submitted to ASSL for inspection and, in future, **ALL** supporting documents must be attached to PVs and retained for audit purposes.

7.1.2. Payments without adequate supporting documents

Other disbursements, totalling Le11,005,995,153 were undertaken for which some supporting documents were submitted. However, the nature of these supporting documents was insufficient to fully substantiate the payment concerned. For example, payments should be supported by receipts, invoices, delivery notes and other relevant documentation as well as the payment voucher. It was therefore recommended that the institutions concerned should submit the relevant supporting documents to ASSL. In future **ALL** supporting documents should be retained and made available for audit inspection.

7.1.3. Withholding tax not deducted and paid to the NRA

During the audits of MDAs conducted during 2012 it was identified that withholding taxes totalling Le 41,697,615 were not deducted and paid to NRA as specified by section 117(4) of the Income Tax Act 2000. All Heads of MDAs should ensure that withholding tax is deducted properly and paid to NRA. The amounts identified during the audits should be recovered and paid to NRA. Evidence of payment should be forwarded to the ASSL for verification, and the Commissioner of Income Tax should take the necessary action.

The Government of Sierra Leone relies on tax revenue to finance key public services. Failure to properly and fully deduct, collect and remit withholding tax reduces available government revenue and, ultimately, reduces the level and quality of public services received by citizens.

7.1.4. Monthly bank reconciliations not prepared

A number of MDAs audited did not perform monthly bank reconciliations during the period subject to audit.

Inadequate control over cash is a common issue across the Sierra Leonean public sector. It is critical that institutions properly reconcile the statements received regularly from commercial banks and cashbook records maintained within the institution. This ensures that accounting entries recorded in the cashbook represent all transactions carried out and that amounts recorded are correct. Failure to reconcile the bank accounts in such a way raises question marks not only of the cash balance recorded in the cashbook but also over revenue and expenditure items reported.

It is critical that ALL MDAs perform bank reconciliations shortly after the end of each month. All differences should be fully investigated and the appropriate corrections made to the cashbook. Reconciliations should be performed by a finance officer and signed as reviewed by a senior finance officer.

7.1.5. Fixed assets registers not maintained

A number of MDAs audited did not maintain fixed assets registers. This contravenes section 231(1) of the FMR 2007. Failure to maintain a fixed asset register makes it virtually impossible to maintain adequate control over assets held.

Fixed asset registers should be introduced immediately and Vote Controllers must ensure that the location and state of all assets are checked on a regular basis, evidence of which must be documented.

7.1.6. Fixed Assets Registers not updated

Some MDAs maintain fixed asset registers that are not fully up to date. Verification of assets carried out during some audits identified that some assets acquired were not properly included in the registers. This means that assets may have been misappropriated. Vote Controllers must ensure that all fixed asset registers are updated on a regular basis and include all assets purchased and disposed of.

7.1.7. No Internal Audit Unit

A number of MDAs do not have any internal audit function. Internal audit function helps to ensure that financial and operational controls are operating as intended within the organisation. It gives stakeholders assurance that management are implementing appropriate control mechanisms and that these mechanisms are being complied with.

It was recommended that the Vote Controllers should ensure that internal audit units are established with immediate effect and that these units begin operations as soon as is practicable.

Table No. 7.1 – Common Issues							
MDA	Payment without SD	Payment without adequate SD	Withholding taxes	No Bank Reconciliation done	FAR not maintained	FAR not updated	No IA Unit
Accountant General's Department	-	-	-	-		✓	-
Ministry of Finance and Economic Development (2010)	2,565,120,934	-	-	✓	✓	-	-
Ministry of Defence (HQ)	-	495,353,450	-	-	✓	-	-
Ministry of Mines and Mineral Resources East 2010	-	-	-	✓	✓	-	-

Table No. 7.1 – Common Issues

MDA	Payment without SD	Payment without adequate SD	Withholding taxes	No Bank Reconciliation done	FAR not maintained	FAR not updated	No IA Unit
Ministry Mines and Mineral Resources East 2011	-	-	-	-	✓	-	-
Ministry of Health and Sanitation (HQ) (2010)	-	7,121,284,651	12,403,000	-	-	-	-
Ministry of Health and Sanitation (HQ) (2011)	-	-	1,877,500	-	-	-	-
Connaught Hospital (2010)	-	25,808,000		✓	-	-	-
Lumley Government Hospital	-	6,457,650	-	✓	-	-	-
Bo Government Hospital (2009- 2010)	12,570,000	-	-	-	-	-	-
Government Hospital Kenema (2010)	16, 076,650	-	-	-	-	-	-
District Medical Office, Pujehun District (2010)	390,781,700	-	-	✓	-	-	-
Bo Government Hospital (2009- 2010)	-	-	-	✓	-	-	-
Princess Christian Maternity Hospital (2010)	-	-	-	✓	-	-	-
Connaught Hospital(2011)	-	20,137,500	2,511,350	✓	-	-	-

Table No. 7.1 – Common Issues

MDA	Payment without SD	Payment without adequate SD	Withholding taxes	No Bank Reconciliation done	FAR not maintained	FAR not updated	No IA Unit
District Medical Office (2011)	38,789,500		4,718,000	✓	-	-	-
Kingharman Road Hospital (2011)	-	515,358,959	-	✓	-	-	-
Ola During Children's Hospital (2011)	22,044,000		1,045,800	-	-	-	-
Pujehun Government Hospital (2007- 2010)	-	71,740,000	-	✓	-	-	-
Government Hospital Kenema (2011)	5,808,000	-	-	✓	-	-	-
Princess Christian Maternity Hospital (2011)	32,576,950	-	-	✓	-	-	-
Ministry of Agriculture Forestry and Food Security (HQ)	3,552,828,538	-	-	-	-	-	-
Ministry of Works, Housing and Infrastructure	-	155,460,160	2,536,150	-	-	-	-
Office of the DMO and PHUs, Kenema (2011)	-	-	1,266,100,	-	-	-	-
Ministry of Lands and Country Planning (2010 - 2011)	39,160,860	64,221,665	6,566,450	✓	-	✓	-
Ministry of Mines and Mineral Resources HQ (2010-2011)	-	167,553,915	-	✓	✓		-

Table No. 7.1 – Common Issues

MDA	Payment without SD	Payment without adequate SD	Withholding taxes	No Bank Reconciliation done	FAR not maintained	FAR not updated	No IA Unit
Ministry of Energy and Water Resources	171,310,000	-	-	-	-	✓	-
Ministry of Fisheries and Marine Resources	-	-	-	-	-	-	-
Provincial Secretary's Office East (2011)	-	-	690,875	-	-	-	-
Provincial Secretary Office South (2010 - 2011)	-	215,780,000	1,435,300	-	-	-	-
Office of the President (2007 – 2010)	78,300,000	846,540,900	-	-	-	-	-
Office of the Vice president	142,515,812	-	-	-	-	-	-
Sierra Leone Police (2011)	-	10,540,000	-	-	-	-	-
Parliament (2010)	-	221,528,434	-	-	-	-	-
Public Service Commission (2011)	-	1,589,000	-	-	-	-	-
Immigration Department	-	4,572,200	-	-	-	-	-
Human Resource Management Office	-	2,717,500	-	-	-	-	-

Table No. 7.1 – Common Issues

MDA	Payment without SD	Payment without adequate SD	Withholding taxes	No Bank Reconciliation done	FAR not maintained	FAR not updated	No IA Unit
Appeal Court (2010)	-	-	-	-	-	-	✓
High Court (2010)	-	27,132,800	-	-	-	-	✓
Supreme Court (2010)	-	16,140,000	-	-	-	-	✓
Cabinet Secretariat (2011)	-	71,565,057	2,305,900	-	-	-	-
Government Printing Department (2011)	-	90,448,000	-	-	✓	-	-
National Stadium Management (2009-2010)	-	25,954,600	-	-	-	-	-
District Medical Office, Bo District (2009-2010)	-	90,792,707	-	-	-	-	-
District Medical Office Bo (2011)	-	25,305,000	3,848,940	-	-	-	-
Ministry of Mineral Resources Bo (2010 – 2011)	-	4,112,000	-	-	-	-	-
Ministry of Finance and Economic Development (2011)	-	752,488,005	-	-	-	-	-

Table No. 7.1 – Common Issues							
MDA	Payment without SD	Payment without adequate SD	Withholding taxes	No Bank Reconciliation done	FAR not maintained	FAR not updated	No IA Unit
Government Hospital – Bo 2011	-	10,013,000	492,250	✓	-	-	-
Ministry of Works Kenema	-	-	-	-	✓	-	-
Sierra Leone Police Bo (2011)	-	-	-	-	✓	-	-
Immigration, Bo	-	-	-	-	✓	-	-
Magistrate Court Kenema (2010)	-	-	-	-	✓	-	-
Magistrate Court Kenema (2011)	-	-	-	-	✓	-	-
District Medical Office (2011)	-	-	-	-	-	✓	-
District Medical Office (2010)	-	10,000,000		-	-	-	-
TOTAL (Le)	10,944,808,206	11,005,995,153	41,697,615	N/A	N/A	N/A	N/A

7.2. Accountant General's Department (2011)

From a sample of 30 Payment Vouchers (PV) examined, four PVs totalling Le78,207,800 were without adequate supporting documents. Those transactions related to air tickets. It was also observed that the payments made to DOKKAL Enterprises, did not comply with the terms under the General Conditions of the MOU. There was no evidence that work done to the tune of Le44,130,512 was certified by SLRTA. It

was recommended that expenditures incurred should be backed by adequate supporting documents by way of payment vouchers, invoices and receipts. In addition management should ensure that all repairs and maintenance must be certified by experts as that would indicate that the Department was receiving value for money.

Official's Response: *The Accountant General (AG) in his response stated that invoices were normally prepared after payment was made except for debit invoices and payment for air tickets which were often effected long after the issue of tickets which made the issue of paid invoice non-effectual. He added that competitive proforma invoices were difficult to get from airlines or Agents therefore, a price range was issued by the Ministry of Finance and Economic Development (MoFED) for various destinations as a guide for the procurement of air tickets. This he said, was communicated in the Audit Exit Management meeting. However, he noted the audit recommendations and stated that much attention would as of then be shown to ensure that the necessary documentations to every transaction were available and securely tied. Greater pressure would be brought to bear on the Management of SLRTA for a quicker demand response regarding vehicle inspections before and after repairs, he concluded.*

7.2.1. Receipt and use of imprest

A review of imprests revealed that excess receipts amounting to Le 728,200 were provided in respect of imprests retired. Imprests totalling Le 3,268,994 were not fully accounted for. It was observed that 29 receipts relating to two (2) PVs amounting to Le 14,770,000 were dated after the retirement date and 38 payments made from the imprest account with amounts totalling Le74,090,664 were without adequate supporting documents. In addition, there was no application attached for special imprest amounting to Le 29,586,000. Application for special imprest relating to PV no. 2602 with the description of telephone and other communication facilities was not authorized. Approval listings were not attached to nine PVs totalling Le 32,979,015 and the wrong approval listing was attached to PV no. 16243. It was therefore recommended that approval and authorization of transactions must be emphasized and all relevant documents attached to PVs before funds were disbursed.

Official's Response: *The AG stated that in respect of a retired standing imprest, some of the receipts were wrongly filed and so were not properly located at the time of the audit and for the receipts dated after retirement dates, they were done in error and not the fact that they were obtained after retirement. He added that with respect to payments without adequate supporting documents, management had put modalities in place and corrective actions had already been taken to avoid such mistakes in future.*

7.2.2. Procurement

From the review of the procurement plan, it was indicated that computers and computer accessories would be procured through the NCB method, since the value was Le 80,180,000. However even though funds were available it was observed that the procurement of computer and computer accessories were split and the NCB shopping method was employed. The total of the split procurement amounted to Le 87,587,750. In addition, during the audit exercise, auditors were informed that the Request for Quotations method was employed in the procurement of various services stated in the procurement plan. However, the only evidence that was provided to substantiate that claim was the requests that were sent out. Furthermore quotations from the various business houses were not provided for audit review thus making it very difficult to ascertain whether the suppliers met the minimum criteria set in the request for quotations and hence whether the supplier with the lowest quoted price was selected. Also from our review of the procurement of goods, it was noted that payment vouchers were not backed by adequate supporting documents i.e. three proforma invoices were not attached. It was recommended that, in future, the provisions in the NPPA Act must be fully complied with. Also all relevant documentation, quotations and proforma invoices must be made available for audit inspection.

Official's Response: *The AG replied that although it was stated in the Department's procurement plan that Computers and Accessories were to be procured through National Competitive Bidding (NCB), the Procurement Committee decided in its first meeting in the FY 2011 that the method of RFQ should be used because of the slow and intermittent disbursement of funds and allocations by MoFED. He said as regard the absence of adequate supporting documents like three (3) competitive proforma invoices all of the payment vouchers were complete with the necessary supporting documents attached. He stated however that management had instituted the measures of pre-numbering payment vouchers before they were processed to ascertain missing documents in future.*

Responses were given to two out of the three issues raised. Hence no evidence was provided to substantiate that responses were received from suppliers for the RFQs sent. Therefore ASSL was unable to determine how the contracts were awarded to the contractors.

7.2.3. Review of stores

The following were observed:

- Various items purchased, totalling Le 115,700,102 were not taken on ledger charge;
- Folio numbers in the allocated stores ledger in 2011 were not cross referenced to folio numbers in the 2012 allocated stores ledger;
- Records in the Allocated Stores Ledger for 2011 were not in alphabetical order;
- Errors in the 2011 Allocated Stores Ledger were not rectified in the 2012 Allocated Stores Ledger;
- Distribution lists were not reviewed and approved by the relevant official before the items were distributed;
- 13 wall clocks were distributed without the recipients' signatures on the distribution list; and
- Various items to the tune of Le 8,339,290 were not signed for by the recipients.

It was therefore recommended that the Stores Controller should ensure that stores procedures, as prescribed in the Financial Management Regulations, were duly followed, to ensure that the anomalies do not recur. Also, the Stores Controller was advised to address all the anomalies highlighted in the report relating to stores and provide a reasonable response indicating as to how and when those issues would be addressed.

Official's Response: *The AG stated that some of the items procured were not entered in the stores ledger as most of them related to miscellaneous items which were distributed without delay after verification and those that were not miscellaneous were also immediately put in use on supply as soon as possible.*

He however noted that the Storekeeper was ready to make entries for these items in the stores ledger because the documentations for those items were intact once the stores ledger was made available to the Storekeeper by the Auditors. He added that the Auditors would be informed and the ledgers forwarded for inspection when the entries were completed by the Storekeeper. All other recommendations pertaining to that, he said, were noted.

ASSL promised to follow them up in subsequent audits.

7.2.4. Review of fuel management

The following were observed:

- Log books were not maintained for any of the official vehicles in the Department;
- Fuel worth Le 33,795,000 was issued to 6 personnel who did not qualify for fuel allocation and were without written authority which was in contravention of the fuel policy;
- Fuel chits totalling Le 78,334,500 were issued to 20 personnel with invalid vehicle life cards. An audit scrutiny of these life cards revealed that the life cards appeared to have been falsified as they had the

same details such as vehicle make and type, Engine number, vehicle body color, customs duty and G/R number and Chassis number, but the names of owners and vehicle registration numbers were different;

- 117 fuel chits issued to personnel had the same authorizing and receivers' signatures; and
- The fuel policy maintained by the AGD was not approved by the AG.

It was recommended that Log books must be maintained for every official vehicle in the Department. Additionally, the Department must ensure that staff should only be issued with fuel if they met the criteria set in the fuel policy. Furthermore management must investigate the issue of the falsified life cards and take disciplinary action against staff found wanting and the Fuel Policy must be approved by the AG.

***Official's Response:** The AG stated in his reply that Log books were not provided by SLRTA which was their responsibility as overseers of Government vehicles. He said the entitlement to fuel as per AGD fuel policy was grade 6 and above but those set of personnel had access to vehicles which they used on stock verifications exercises on a daily bases which management had accepted as a consideration for the issuance of fuel. The fuel policy would however be reviewed to accommodate that need, he added. He further said that measures had been taken to rectify the anomaly that existed in fuel documentation as regards vehicle details and life cards. In concluding he stated that the fuel policy had already been approved by the Accountant General.*

ASSL promised to follow them up in subsequent audits.

7.3. Ministry of Finance and Economic Development (2010)

7.3.1. Non-Governmental Organisations (NGO) collections not brought into accounts

Table 7.2 – INGO Collections Not Recorded	
Year 2009	
Details	Amount (\$)
86 INGOs Renewal Registration @ \$1,000	86,000
19 INGOs new Registration @ \$2,000	38,000
TOTAL	\$124,000

The Cash book for NGOs new and renewal registration, collections, bank Statements and pay slips were not submitted for audit. As per NGOs Unit Lists submitted to the audit team, new and renewal registration collections 2009 to 2010 were as indicated in the tables.

Table 7.3 – NNGO Collections Not Recorded	
Year 2010	
Details	Amount (Le)
96 NNGOs new Registration @ Le 2,000,000	192,000,000
171 NNGOs Renewal Registration @ Le 1,000,000	171,000,000
TOTAL	Le 363,000,000

It was impossible to determine whether the sums of \$124,000 collected as fees for new and renewal registration for International NGOs and Le 363,000,000 collected for National NGOs' renewal and new registration as per NGO Unit on the lists of MoFED were actually collected, recorded in the NRA Register, NRA receipts and paid into the CRF.

It was observed that Le 767,224,890 of collections for International and National NGOs' renewal and new registration fees was not accounted for in neither the 2009 nor the 2010 Domestic Revenue Collections.

It was recommended that the NGO Unit at MoFED should provide the relevant cash book, bank statements, receipts and deposit slips to the Audit team for inspection and the VC, detailed explanation of the discrepancies observed. In addition, MoFED should conduct an investigation into the discrepancies and

ensure that all undisclosed fees were paid into the consolidated fund. It is also recommended that daily reconciliations of records kept by both NRA and the NGO Unit at MoFED should be done and all discrepancies investigated by the head of the NGO unit on a monthly basis; and there should be proper supervision and review by senior officers of MoFED, on all issues related to NGOs' registration and renewal.

Official's Response: *The Financial Secretary (FS) stated that the response had been forwarded to the internal audit division.*

The response given was inappropriate.

7.3.2. Inadequate projects' documentation

ASSL was not provided with a comprehensive list of projects implemented under MoFED for 2010. It was recommended that a comprehensive list of all projects implemented under MoFED, during the period, be made available for audit. In addition, where the projects had closed, the closure procedures must be followed and documentation filed.

Official's Response: *In his reply the FS said that details of the requested projects had been provided; however, the following were inadvertently omitted from the list.*

- *Project Planning and Implementation*
- *Income Tax Board of Appellate Commissioners*
- *Ministry of Finance - Imprest Account*

He added that details of those accounts were available and would be forwarded to ASSL. Other project accounts, he mentioned had been forwarded to the Auditor General who had appointed external auditors.

Details of accounts were not forwarded to the ASSL as mentioned above.

7.3.3. Payroll

A review of MoFED's Staff List revealed that it was not regularly updated in accordance with good accounting procedures. In addition, evidence of contract agreements between an average of 29 contract staff (Contract Technical Assistants) and MoFED were not seen. Furthermore, between May and December 2010, a total of Le 1,534,539,992 was paid to those contract staff from the CRF. It was recommended that the institution should have an updated staff list and employees personal files for all employees, by the Staff Superintendent, by including all new staff and removing the departures on the staff list as soon as possible. Also contract agreements between the Ministry and contract technical staff should be prepared as soon as possible.

Official's Response: *The FS mentioned that the process was in progress and that the staff superintendent would be notified about the recommendations. Also, the Man Power plan which captured data for the civil servants and other Technical Assistants contained relevant information on some of those issues raised.*

7.3.4. Controls over balances held by Commercial banks

It was noted that Projects' Bank Statements and bank reconciliations were not submitted to ASSL for inspection for the period under review. Also, even though the banks were written to twice for confirmation, no responses were received. They included the accounts of the Peace Building Fund, Public Expenditure Tracking Survey, Strengthening of the MTEF Tech. Committee, etc. It was recommended that monthly bank reconciliations should be done regularly and checked by senior officers.

Official's Response: *The FS stated that all the above accounts were being reconciled and forwarded to the Accountant General as per the previous year's audit recommendations. He mentioned however that the Peace Building Fund account had become dormant account with no inflow and outflow of funds. The operations of the Italian Food Aid Account, with a balance of*

Le 830,000,000 had been transferred to the Ministry of Agriculture account for the implementation of Agricultural Projects as advised by the Development Secretary, he added.

He said further that the MoFED had requested the closure of the following accounts by the Accountant General as they had become were currently dormant:

- *Strengthening of the MTEF Tech. Committee*
- *IDB Technical Assistance for Capacity Building*

Reconciliations were not presented to ASSL during the audit exercise and even though the FS's response indicated that reconciliations were performed and forwarded to the Accountant General's Department (AGD), best practice dictates that copies must be retained by the various projects.

7.3.5. Special Imprests not fully retired

It was noted that special imprests amounting to Le 419,448,856 were not fully retired, as receipts attached did not add up to the amounts of Imprests received. It was recommended that all Special Imprest disbursements should be fully retired at the end of the purpose or activity. The FS is also expected to explain the anomalies in reconciling the imprest amount to the receipts provided.

Official's Response: *The FS stated that Special imprest could be requested by various divisions of MoFED through the Financial Secretary for special activities e.g. workshops or seminars. He mentioned however that the concerns raised would be considered and officers requesting Special Imprest had been advised to surrender all receipts of expenditure after issuance of cheques for activities and services rendered in respect of special events.*

The special imprests are yet to be retired.

7.3.6. Stores ledger not presented for audit

Allocation Stores Ledger and Distribution list were not produced to ASSL for inspection to confirm that items amounting to Le 2,354,134,517 purchased between January and December, 2010 (12.01% of the Ministry's Expenditure) was taken on Ledger charge. It was also observed that MoFED did not have a store for the safekeeping of used and unused items to prevent misuse or theft of Government furniture, equipment and other items. It was therefore recommended that the Allocated Stores Ledger must be submitted to the Audit Team for inspection and physical verification exercise. It was also recommended that MoFED should maintain a store for the safekeeping of used and unused equipment and other items to avoid theft.

Official's Response: *The FS maintained that the register needed to be maintained and updated. He however stated that used items were being kept at the stores facility provided by the Accountant General's Dept.*

7.3.7. Unauthorised issue of fuel

The following were observed:

- Fuel chits totalling Le 1,822,500 were not approved by the Vote Controller or the Deputy Financial Secretary Admin;
- Chits totalling Le54, 818,583 were not signed by the recipients;
- The vehicles' life cards of employees were not submitted for audit inspection to confirm that the employees were the legitimate owners of the vehicles;
- Fuel chits nos. 122763 – 122800 and 136472-136500 totalling Le 10,193,000 entered in the Fuel register were not seen;

- There was no evidence of reconciliation for 13,216 Gallons of Fuel between MoFED and the Fuel Station; and
- Excess gallongage of fuel totalling 2,267 gallons amounting to Le 39,672,500 (2267 X Le 17,500) was disbursed in 2010.

ASSL recommended a formulation of a fuel policy which should state the disbursement procedure, the personnel entitled to receive it and the quantity of fuel to be given to the entitled officials.

In addition, regular reconciliations must be done between the MoFED and the fuel station and copies of the reconciliations retained for audit purposes.

Official's Response: *The FS in his response stated that:*

- *All fuel chits were approved and signed by the Deputy FS (Admin);*
- *The Civil Service Code, Regulations and Rules stipulated that all officers in grade 9 and above, who had official vehicles or who used their private vehicles on official duties shall be entitled to two (2) gallons of fuel per working day;*
- *There was a guiding policy upon which fuel was issued to recipients. However, there were instances of emergency which may contravene the policy; and*
- *There were instances when the Ministry's utility vehicles were being used to carry out other official duties.*

ASSL Comment: This matter is still the same.

7.3.8. Payment Vouchers not submitted for audit inspection

Out of four hundred and seventeen (417) PVs requested for, only three hundred and fifty three (353) were submitted. The remaining 64 PVs with expenditures totalling Le 1,844,119,475 were not submitted to ASSL for inspection. It was recommended that the remaining PVs should be submitted for audit inspection. Also a systematic filing system should be put in place to ensure that all prime accounting documents were obtainable when needed.

Official's Response: *The FS stated that the remaining payment vouchers would be submitted to the audit team. She also mentioned that a systematic filing system was being introduced to cater for those short comings in the filing system.*

ASSL Comment: The PVs were not submitted to the audit team.

7.4. Ministry of Defence (HQ) 2011

7.4.1. Procurement procedure not followed

Shopping Procedures for the procurement of building materials, furniture, toiletries and air conditioners at the Joint Medical Unit amounting to Le30, 826, 000 were not followed as three (3) pro-forma invoices were not obtained from different suppliers.

National Competitive Bidding Procedures were not followed in respect of the construction of Defence School of Nursing building structures totalling Le 229, 905,000.

It was recommended that the Commanding Officer should provide justification for not following the necessary shopping procedures; otherwise, the amount should be refunded into the CRF. The Commanding Officer should also produce documentary evidence for the non-compliance with procurement procedures for the Construction of DSN Structures carried out by the School.

7.4.2. Revenue from the sale of bid documents not brought to account

Out of an amount totaling Le 25,500,000 received from the sale of bidding documents for the period 2010 and 2011, receipts totaling Le 6,800,000 were presented as documentary evidence to support its utilization leaving a balance of Le18,700,000 without documentary evidence such as receipts and invoices. It was recommended that the Director General should ensure that the Procurement Officer must produce the relevant documentary evidence for the utilization of the Le18,700,000 for verification within thirty days of the receipt of the report; otherwise, the amount must be refunded into the CRF and receipt forwarded to ASSL for audit verification.

7.4.3. Payroll documents were not submitted for audit inspection

Payroll documents such as personal files, payroll vouchers, etc., for both the civil and military staff were not submitted for audit. There was no evidence that civil and military staff had been appraised to enhance promotion at the Ministry. It was recommended that the Director General and the Chief of Defence Staff should ensure that those documents were produced; otherwise, Section 18(1) of the Audit Service Act, 1998 would be invoked.

7.4.4. No documentary evidence to indicate revenue collected was banked

An examination of the Cash Book revealed that internally generated revenue from laboratory, theater, X-ray and physiotherapy totalling Le65,552,000 was collected for which a bank statement was not submitted for audit. It was recommended that the Commanding Officer should provide an explanation with adequate evidence to ASSL as to why the revenue was not banked.

7.4.5. Bank statement not presented for audit inspection

An examination of the paying in slip revealed that revenue of Le 108,750,000 was collected. It was alleged to have been paid into the bank but a bank statement was not submitted for audit. It was recommended that the Principal Accountant should submit the Bank Statement to certify the payment of Le 108,750,000 into the bank; otherwise, the amount must be paid back into the CRF and the receipt of payment forwarded to ASSL for audit inspection within thirty (30) days of the receipt of the report.

7.4.6. Cash book not submitted for audit inspection

A revenue and Expenditure cash book was not submitted for audit inspection. It was recommended that the Principal Accountant should provide the above document for audit inspection; otherwise, the Audit Service Act would be invoked.

7.4.7. Lack of control in the distribution of fuel

There was no fuel policy as to which staff should be entitled to receive fuel by the Ministry of Defence. It was recommended that, the Director General should as soon as possible have a policy for the supply of fuel to personnel in the Ministry. He was requested to ensure that fuel be issued only to personnel with vehicles.

7.4.8. General findings

The following were observed:

- Some Military staff were paid on the table, but no documentary evidence was presented to the audit team in respect of the staff who were paid on the table.
- A schedule of requirement was not sent to the Joint Logistics Unit (Store) in respect of items delivered to the store by the Procurement Officer.

7.4.9. Defence Joint Medical Unit

- Reagents were not made available since August, 2011. As a result, no Laboratory test was carried out since that time;
- The x-ray machine has not been functioning for over 15 years and as a result x-ray was carried out with a small movable x-ray machine assigned to be used in the theater. Also x-ray films were not available to carry out the necessary x-ray in the x-ray department;
- Admission space was insufficient and as a result military personnel were treated as outpatients instead of in-patients;
- Major repairs and maintenance and cleaning of the hospital were undertaken from the monthly imprest of Le 50 million allocated to the hospital. Procurement of specialist drugs, bed wraps and cloths, consultancy fee, furniture, etc., were also paid out from the imprest;
- It was difficult in to ascertain a dependent and wife of a military. Documentary evidence in respect of a list of military and their dependents was not submitted for audit inspection;
- There was no universal stand-by generator to substitute in a power cut by the National Power Authority;
- There were no fire extinguishers in the Defence Central Medical Store and Pharmacy to prevent a fire disaster; and
- Copies of Receipt vouchers by the Pharmacist were not retained by the in-charge of the various wards. Therefore it was difficult to justify whether the quantity indicated in the store issue and receipt voucher was actually received and dispensed to the patients.

7.4.10. Defence School of Nursing

The Military Nursing School environment was not conducive to learning owing to the fact that relatives of the military officers resided very close to the classrooms and their daily activities distracted the attention of the students. The class rooms were dilapidated.

7.5. Ministry of Mines and Mineral Resources East (2010)

7.5.1. Inadequate control over collection and banking of public funds

The total sum of Le52,600,000 was generated in respect of Monitoring Fees, but this was neither paid into a treasury transit account, nor the CRF held at the Bank of Sierra Leone. In addition there was no evidence in the form of Bank Statements and other documents to indicate that the sum of Le109,100,000 in respect of mining revenue generated by the NRA's Office at the MoMMRK, was paid into the treasury's main account held at the Bank of Sierra Leone.

It was recommended that the Mining Engineer Kenema should ensure that controls over collection, recording, banking and reporting of financial transactions were adequate. The evidence of payments of both the Monitoring Fee and revenue generated by the NRA into the treasury's main account must be forwarded to ASSL for verification within thirty (30) days of the receipt of the report; otherwise, the amounts of Le52,600,000 and Le109,100,000 should be refunded by both the Ministry and NRA respectively.

Official's Response: *The Mines Engineer stated in his reply that the audit period 1st January, 2010 to 31st December 2010 was not under his control because when he was transferred from Bo to Kenema, he took up duty on the 9th August, 2010. However, when he took over the office he advised the accountant to follow standard procedures for collection, recording, banking and reporting of all financial transactions. Soon afterwards he fell ill and was frequently in and out of his station for the rest of 2010 and a greater part of 2011 for medical treatment and this could most probably be the main reason for the lapses referred to in the query, he added.*

He maintained that for the audit period under consideration, no adequate reconciliation of financial records with NRA was done. Based on the recommendations made by ASSL and their Ministry's Internal Auditors, he noted that the accountant since then prepared PVs to be approved by him (The Regional Mining Engineer) for all financial disbursements, which move had helped to reconcile monthly financial transactions with NRA.

ASSL Comment: There was no evidence to indicate that ASSL's recommendations were implemented.

7.5.2. Inadequate control over the management of Vehicles and Plants

A Log Book/Operating Record of the Ministry's Vehicle (s) and Generators was not maintained for the period under review. It was therefore recommended that the MEK must ensure that a Log book/operating record should be maintained by the Ministry with records relating to (i) the history, performance, servicing, overheads and repairs of the Ministry's vehicle (s) and plant (ii) details of the journeys or works performed and the signature of the officer authorizing them (iii) details of fuel, oil, spares or otherwise used (iv) dates and nature of servicing and repairs and (v) tools, spare wheels and other equipment carried on or associated with the vehicle and plant.

Official's Response: *The Mines Engineer stated that the Ministry's vehicles were unserviceable for the greater part of 2010 due to major repairs, hence no Log Book/Operating Record was maintained for the vehicles which were still unserviceable and in need of major repairs.*

ASSL Comment: ASSL's recommendations were not implemented.

7.6. Ministry of Mines and Mineral Resources East (2011)

7.6.1. Inadequate control over the banking of government revenue

Le155,780,000 and Le160,910,000 were collected as revenue by the MMRK and the NRA Office at the Ministry, respectively, for the period under review. However, there was no evidence in the form of Bank Statements to indicate that those amounts were either paid into a treasury transit account authorized by the Accountant General or the treasury's main account held at the Bank of Sierra Leone.

It was recommended that:

- The MEK must ensure that the controls over the banking of Government revenue were adequate;
- All the mines and mineral fees collected on behalf of Government must be promptly paid by mines and mineral license holders and for new applicants, into a treasury transit account authorized by the Accountant General or the treasury's main account held at the Bank of Sierra Leone;
- The MEK should regularly reconcile its records and all discrepancies must be investigated and corrected accordingly;
- Reconciliation statements including the monthly bank statements and cash books must be properly safeguarded for reference and audit purposes; and
- The MEK must forward the Bank Statements in respect of the mines and mineral revenue generated in the Financial Year 2011, to ASSL for verification within thirty (30) days of the receipt of the report; otherwise, the issue may be treated as a financial misconduct, in accordance with Section 165(1) of the Financial Management Regulations, 2007

7.6.2. Expenditure without authentic documentary evidence

Based on the outcome of a third party confirmation exercise with some suppliers it appears that a significant amount of documentary evidence presented in support the Ministry's expenditures was not authentic. It was also revealed that documentary evidence submitted by the MEK was not from the purported suppliers. The estimated value of such expenditures was Le36,237,343 (approximately 81.6% of the total expenditures). It

was therefore recommended that the Mining Engineer must ensure that the utilization of funds should be in the interest of the Ministry; and the sum of Le36,237,343 involved must be refunded and paid into the CRF within thirty (30) days of the receipt of the report and evidence of payment forwarded to the ASSL for verification. Otherwise, the issue may be treated as a financial misconduct, in accordance with section 165 (1) of the Financial Management Regulations, 2007.

7.7. Ministry of Health and Sanitation (2010) (HQ)

7.7.1. Procurement procedures not followed

Goods and Services Tax (GST) amounting to Le 82,715,486 was included in suppliers' Pro-forma invoices in respect of contracts for the installation of window curtains, even though there was no evidence of the suppliers' registration for GST. In spite of repeated requests by the audit team, the Bill of Quantities (BoQ) was not produced by the Architectural Services Manager. Of utmost concern was the fact that the amount of Le 1,132,017,953 was paid to Nimo Construction for completion works at Central Medical Stores (CMS) for which the BoQ was not made available.

It was therefore recommended that the Accountant should request the GST registration certificates from the various suppliers concerned and forward them to ASSL for audit verification within thirty (30) days of the receipt of the report; otherwise, the Le 82,715,486 claimed by the various suppliers should be deducted by the Ministry from the final payments to be made to them. In addition, a request was made for the BoQs of Nimo Construction to be submitted for audit inspection.

Official's Response: *The PS explained that the suppliers in question had been contacted and were yet to forward copies of their GST certificates. On the issue of the Nimo Construction contract, he explained that those contracts were originally awarded by the National Authorising Office (NAO) in respect of an EU Funded project adding that the liability was transferred to that Ministry when the project ended and the EU refused to pay the outstanding payments. He mentioned that according to the Architectural Services Manager and the Procurement Manager, no BoQs were submitted to the Ministry.*

ASSL Comment: The auditors stated that the Suppliers' GST Registration Certificates were not submitted for review, and neither the BoQ nor the document showing the outstanding payment of Le1,132,017,953 to Nimo Construction Ltd was submitted for audit inspection.

7.7.2. Disbursements without authentic documents

Receipts totalling Le20,715,000 and Le215,550,000 were without the names and addresses of suppliers in respect of the EPI and Malaria Control Programme, respectively and the reports in respect of the various activities undertaken were not produced for review. In addition, inconsistencies were observed in the signatures of the Local Organising Committee members in respect of honorarium for the 11th Ordinary Meeting of ECOWAS Health Ministers amounting to Le32,760,000. There was also a huge question mark over gifts bought for ECOWAS Health Ministers totalling Le85,000,000 by the West African Health Organisation but the type of souvenir/gift bought was not indicated on the receipt and letter of request. The correspondence sent to the PS for approval to purchase the gift was not approved and differences were observed between the analysis on the letter of request and the total gift purchased.

It was therefore recommended that the PS and the relevant Programme Managers should ensure that the above were provided for audit inspection within thirty (30) days of the receipt of the report; otherwise, the whole amount must be refunded and evidence of payment into the CRF forwarded to ASSL for audit verification.

Official's Response: *The PS explained that supporting documents and reports on activities above had been updated and were ready for audit inspection.*

ASSL Comment: The auditors observed that supporting documents totalling Le5,256,781,801 and \$401,331.94 were not provided by EPI for audit verification and out of the Le144,213,000, supporting documents in respect of payments totalling Le25,500,000 made by the National School of Midwifery were not provided for audit inspection.

Central Medical Stores

7.7.3. Reconciliation of store records

It was observed that periodic stock taking was not carried out for the entire period under review and stock cards were not regularly updated. It was recommended that a regular and systematic reconciliation of store records should be done at least twice a year by the storekeeper. In addition, periodic stock taking must be done in accordance with stores regulation.

Official's Response: *The PS replied that the Ministry had commenced periodic stocktaking to the extent that quarterly stock levels had since been a prerequisite and a benchmark of performance for all Storekeepers including the Chief Storekeeper.*

The auditors noted that no stock take report was produced for audit inspection.

7.7.4. Lack of control over the distribution of free health care drugs

There were issue vouchers in respect of Free Health Care drugs that were without authorization and signature(s) of the dispatch officer and recipients. Additionally, despite a written request by the PS to the UNICEF Representative in Sierra Leone and several verbal reminders, packing list and invoices in respect of Free Health Care drugs were not submitted to the audit team for review.

It was recommended that the PS should institute an investigation into the alleged distribution and receipt of the various items and the report of the investigation forwarded to ASSL for audit verification within thirty days of the receipt of the report. The PS was also asked to request copies of the relevant documents from the UNICEF Representative for audit inspection.

Official's Response: *The Chief Storekeeper stated in his reply that the PS had instructed the Internal Auditor to investigate that matter, the report of which would be forwarded to ASSL immediately the investigation was concluded. He also said that the PS had requested UNICEF to send copies of all relevant documents regarding the procurements and distribution of Free Health Care drugs adding that the response from UNICEF would be forwarded without delay to the ASSL.*

ASSL Comment: The auditors stated that the issue still remained the same as the audit recommendations had not been implemented.

7.7.5. General condition of the stores

There were no fire extinguishers to protect the various stores from fire. In addition, store items in Store four (4) were not packed orderly. Furthermore, leakages were observed in store four (4) and damaged items were still stocked in store four (4).

It was therefore recommended that the PS should expedite the regularization of the above anomalies.

Official's Response: *The PS said that management was working hard to ensure that the above anomalies and other deficiencies in the operations of the stores were rectified and that the Director of Support Services who supervised the stores had been mandated to deal with those issues, most of which had been addressed.*

ASSL Comment: Upon verification the auditors confirmed that the issue remained the same.

7.8. Connaught Hospital (2010)

7.8.1. Revenue collected and not banked intact

The auditors observed that the amount of Le244,493,600 was the revenue collected but not banked. In addition, supporting documents for the utilisation of the Le244,493,600 were not produced for audit inspection. It was therefore recommended that all monies received should be banked intact. Also the Accountant was requested to submit the necessary supporting documents for the utilisation of the Le244, 493,600 within thirty (30) days of receipt of the report; otherwise, the whole sum should be refunded and evidence of payment into the CRF forwarded to ASSL for audit verification.

Official's Response: *The Hospital Manager (HM) stated that it was true that the total sum Le297,273,40 was collected over the period covered by the auditors but that it was unfortunate the amount of Le244,493,600 referred to as not banked intact was used by the Management of the Hospital to pay incentives to some of its casual employees and other charges. He said the supporting documents for those expenditures were with the Anti-Corruption Commission (ACC) at the time of the audit and therefore were not available for inspection. He however mentioned that the documents had since then been retrieved from the ACC and were available for audit inspection.*

ASSL Comment: The auditors stated that the supporting documents for the utilisation of the Le244, 493,600 were yet to be produced for audit inspection.

7.8.2. Documents not produced for audit inspection

In spite of several requests by the audit team, vital Accountable Documents were not produced for inspection for the period under review. Therefore it was recommended that all the documents requested must be produced for audit inspection; otherwise, section 18(1) of the Audit Service Act, 1998 would be invoked. Also the audit team advised that a systematic filing system should be put in place to ensure that all prime accounting documents would be obtained when needed.

Official's Response: *The HM replied that the documents requested by the auditors had been retrieved and were available for inspection.*

ASSL Comment: The auditors stated that the documents had still not been produced for audit inspection.

7.9. Kissy Mental Hospital

7.9.1. Fuel utilised without operating records and documents

Fuel amounting to Le130,000,000 was utilised by the hospital for which fuel operating records such as fuel register, chit stubs and log book to confirm the utilisation of the fuel were not produced for audit inspection. It was therefore recommended that the Medical Superintendent should ensure that the fuel operating records were produced for audit inspection within thirty (30) days of the receipt of the report; otherwise, the amount of Le130,000,000 must be refunded and evidence of payment forwarded to ASSL for audit inspection.

Official's Response: *In his reply the Medical Superintendent explained that at the time of the audit they presented operating records to show how the fuel was disbursed and that all officers signed for the fuel that they received. He said that it was true that the fuel register book was not maintained and a log book was not available at the time of inspection but on the advice of the audit team, a fuel register and a log book had been put into operation and were ready for inspection.*

ASSL Comment: The auditors explained that the documents were unsatisfactory.

7.9.2. Store items not taken on ledger charge

Items purchased to the tune of Le43,108,000 were neither taken on ledger charge nor was there any evidence of distribution of the items in question. It was recommended that the storekeeper should at all times ensure

that items bought were taken on ledger charge and evidence of distribution maintained for reference purposes. A request was made for the distribution list in relation to the said transactions for audit verification.

Official's Response: *The Medical Superintendent in his response stated that it was true that during the time of the audit, items purchased to the tune of Le43,108,000 were neither taken on ledger charge nor was there any evidence of distribution of the items in question. He however mentioned that all of the items had since been taken on ledger charge as advised by the audit team and that a distribution list of those items had been put in place and was ready for inspection.*

ASSL Comment: The auditors upon verification stated that the matter was still outstanding.

7.10. Macauley Street Government Hospital

7.10.1. Fuel utilised without relevant operating records

Fuel amounting to Le49,750,000 was supplied to the hospital by the Freetown City Council for which fuel operating records such as fuel register, fuel chits and list of beneficiaries to confirm the utilisation of the fuel were not produced for audit inspection. It was recommended that the Medical Superintendent should ensure that the fuel operating records were produced for audit inspection within thirty (30) days of the receipt of the report; otherwise, the amount of Le49,750,000 must be refunded and evidence of payment into the CRF forwarded to ASSL for audit verification.

Official's Response: *The MS replied that with regard to the above, all operating records in connection with fuel were available for audit verification.*

ASSL Comment: The auditors stated that the documents were unsatisfactory.

7.11. Government Hospital Kenema (2010)

7.11.1. Inadequate control over collection and banking of revenue

A comparison of the Hospital's Ledger Books to the Receipt Books and Bank Statements presented for audit revealed that the total sum of Le16, 695,000 in respect of revenue generated by the Hospital units, was collected without the issue of receipts. In addition, the total sum of Le58, 857,000 in respect of revenue generated by the various Hospital units, was not banked and there was also no evidence to justify how the money was utilized.

It was recommended that the Medical Superintendent should ensure the following:

- Proper receipts must be issued as soon as public funds/revenues were received by the Hospital. They should be accurately recorded in the revenue register and other relevant books of accounts and properly safeguarded for reference, audit purposes and other investigations;
- All funds/revenue generated by the various units, should be promptly paid into the Hospital's bank account and no use of such funds should be made by any Hospital Staff in any manner between the time of its receipt and payment into the bank;
- Proper supervision and review should be employed to ensure that monthly reconciliations were carried out. Transactions recorded in the books of accounts had to be accurate and complete and supported by the relevant documentary evidence; and

- The documentary evidence in respect of the utilization of the amount highlighted should be forwarded to ASSL for verification within thirty (30) days of the receipt of the report; otherwise, the total sum of Le58,857,000 must be refunded forthwith.

7.11.2. Inadequate control over the distribution and usage of fuel

It was observed that the Government Hospital Kenema was not following any policy in the distribution and usage of fuel. In addition, there were no control mechanisms in the form of fuel chits and fuel register to monitor and reconcile the distribution and usage of fuel. As a result of those weaknesses, the Hospital could not properly account for the fuel allocation of Le95,177,000 that was made available to them through the Kenema City Council during the period under review. It was therefore recommended that the Medical Superintendent should ensure that a policy was followed to guide and control the distribution and usage of fuel. In addition, the use of a fuel register and fuel chits must be introduced to help monitor and reconcile the distribution and usage of fuel. Furthermore, the Medical Superintendent should forward a detailed breakdown together with the relevant documentary evidence on how the sum of Le95,177,000 was utilized on fuel within thirty (30) days of the receipt of the report; otherwise, the matter would be treated as a financial misconduct, in accordance with Section 165 (2) of the FMR, 2007.

7.11.3. Poor Management and Supply of Drugs

The following were observed:

- A quantity of 2,522 assorted drugs, were received by the Hospital store, but they were not taken on ledger charge;
- There was no evidence in the form of delivery notes to justify the delivery/receipt of drugs 2,664 items;
- 1,282 of assorted drugs, were issued out of stores without the support of Store Issue Vouchers and Requisitions;
- A large number of Free Health Care drugs received by the Maternity and Pediatric wards were not brought to account evidenced by the fact that there were no records and evidence of usage of drugs/distribution to patients was not made available; and
- The state and condition of the hospital store was degrading and not environmentally friendly as the store was untidy, poorly ventilated and lacked shelves for the proper storage of drugs. In addition, the store was not spacious and the drugs in it were scattered and not neatly packed.

It was recommended that the MS should ensure the following:

- All items of receipts should be brought on charge in the stores ledger on a timely basis and they must be accompanied by delivery notes and supported by the relevant receipts, in accordance with Section 188 (1) of the FMR, 2007;
- Store Vouchers should be raised for all items of issues, and they must be approved/authorized by a responsible officer before issue;
- The records and evidence of usage/distribution in respect of the Free Health Care drugs received by the Maternity and Pediatric wards must be forwarded to ASSL for verification within thirty (30) days of the receipt of the report; otherwise, the current market prices of the drugs at that time should be charged against the emolument of the staff responsible for the management of the drugs; and
- The store should be properly rehabilitated and all the environmental defects rectified forthwith.

7.11.4. Master Inventory not properly maintained

The Master Inventory of Furniture and Equipment maintained by the Hospital did not constitute vital information such as the cost of assets, date of acquisition, codes/identification marks, additions, disposals and other relevant details; and most of the Furniture and Equipment owned and controlled by the Hospital were not marked with a durable identification code or mark to illustrate ownership and control. It was therefore recommended that the MS should ensure a comprehensive master inventory of Furniture and Equipment including all the details stated in the above regulation must be developed as soon as possible; and durable identification marks affixed to all the Furniture and Equipment owned and controlled by the Hospital.

7.12. District Medical Office, Pujehun District (2010)

7.12.1. Withdrawals from the District Health Management Account No.18-107021603-01

An examination of Files, Bank Statements and other accountable records revealed that the sum of Le994,770,000 was withdrawn from the District Health Management bank account maintained at the Rokel

Table 7.4 – Withdrawals Without Authority and Supporting Documents	
Year	Amount (Le)
2010	360,807,000
2009	198,123,000
2008	369,740,000
2007	66,100,000
TOTAL	Le 994,770,000

Commercial Bank, Pujehun, without the corresponding authorities. In addition, there were no supporting documents such as; proposals/requisitions, Payment Vouchers, retirement details (invoices, receipts, bills, and claim sheets), Reports in respect of each activity etc. to justify the withdrawals.

It was therefore recommended that the DMO must ensure that the relevant authorities and supporting documents in respect of the amounts stated above are forwarded to the ASSL for verification within 30 days of the receipt of the Report; failing which the whole amount should be recovered from the officers concerned for the periods in question and receipt details forwarded for ASSL's

verification.

Official's Response: The DMO stated that all withdrawals from the hospital accounts were approved by the appropriate authorities and that the relevant signatures were the Chairman PDC, CA, MS and FO as the case may be. He also mentioned that all relevant supporting documents were retained in the Finance Department.

ASSL Comment: The relevant authority and supporting documents such as proposals/requisitions, Payment Vouchers, retirement details (invoices, receipts, bills, claim sheets) and Reports in respect of activities carried out by the ministry, for the sum of Le994,770,000 withdrawn from the District Health Management Bank Account were still not available for inspection.

7.12.2. Free health delivery services

The software channel package used for the receipt and issue of drugs was prone to risk as there was no password to prevent unauthorized users and no provision for back up (on site or off site).

Differences were therefore observed between the quantities of drugs supplied as observed from the Central Medical Stores (CMS) Printout and those that were recorded in the Hospital Channel. It was recommended that the DMO should expedite the introduction of a back-up system for the receipt and issue of all drugs using the Channel System. Differences between the CMS's Printout and the Hospital Channel must be

investigated and the report forwarded to the ASSL within 30 days of the receipt of the report; failing which the total quantity of drugs should be accounted for by those concerned.

ASSL Comment: ASSL's recommendations were yet to be implemented by the DMO.

7.12.3. Fixed Assets/Inventory Register not properly maintained

A review of the Fixed Assets Register revealed that vital pieces of information such as cost of assets, date of purchase, serial numbers, etc., were absent. In addition, there was no policy to safeguard the movement and handling of fixed assets such as motor bikes, computers, vehicles, etc.,

It was therefore recommended that the Finance Officer should ensure that fixed assets owned by the DMO were recorded in the Assets Register and such records were to include the name of the asset, cost, date of purchase, code or identification number, individual location and total quantity held, and whether they were inherited, donated or purchased by the DMO. It was also recommended that a system should be developed for the movement and handling of fixed assets such as motor bikes, computers, vehicles, etc.,

Official's Response: *The DMO stated that training was needed to ensure that a proper Fixed Assets Register, as recommended by the auditors, was maintained by the FO. He noted that all unserviceable vehicles had been disposed of by the appropriate authorities.*

ASSL Comment: The Fixed Assets Register was yet to be properly maintained as details such as cost, location, serial numbers, etc. were yet to be recorded in the Register.

7.13. Bo Government Hospital (2009- 2010)

7.13.1. Unpresented documents

Ten Receipts books used by the X-Ray, In-Patients and Out-patient Units, with amounts totalling Le7,195,000 recorded in the Cash Book, were not submitted for inspection. It was recommended that the FO should ensure that a systematic filing system existed, for the safe custody of all Accountable documents, by putting control ledgers in place, to monitor the inward and outward movement of documents. The 10 receipts books must be made available for inspection within 30 days of the receipt of the report to avoid attracting Section 18 (1) of the ASA, 1998.

7.13.2. Inadequate control over the general processing of payment vouchers

Payments, totalling Le19,900,000, were made without payees acknowledging receipt of payments. Disbursements, to the tune of Le12,158,500 were not approved/authorised by the Medical Superintendent. It was recommended that acknowledgements for payments, totalling Le20,215,000 and approval or authorisation for the payment of Le13,243,500 must be submitted to the audit office for inspection within 30 days of the receipt of the report; otherwise, the said amounts should be refunded by officers concerned and paid into the CRF.

7.13.2. Inadequate control over collection and recording of financial transactions

An examination of Receipt Books, Cashbooks and Revenue Registers revealed that out of the total Le 90,835,120 only the sum of Le80,050,000 was banked leaving a balance of Le 10,334,820 not banked. It was recommended that the Medical Superintendent should ensure that the difference of Le10,334,820 must be expeditiously recovered from those concerned within 30 days of the receipt of the report and paid into the Hospital Account.

Fuel usage not properly recorded and supervised

Fuel Chits in respect of 390 gallons of fuel were not approved by the Medical Superintendent. It was therefore recommended that the FO should ensure that Fuel Chits were always approved by the Medical Superintendent for accountability and control.

7.13.3. Fixed Assets/Inventory Register not detailed

A review of the Fixed Assets Register revealed that vital information such as the value of assets, date of purchase, serial numbers, etc., were absent. It was recommended that the FO should ensure that the Assets Register contained details such as the name of the asset, cost, date of purchase, code or identification number, individual location, total quantity held and whether they were inherited, donated or purchased by the Hospital.

7.13.4. Free health delivery services

Differences were observed between the quantities of drugs supplied as observed from the Central Medical Stores (CMS) Printout and those that were recorded in the Hospital Channel. It was recommended that the MS should ensure that a back-up system was introduced as quickly as possible for the receipt and issue of all drugs using the Channel System. In addition, differences between the CMS's Printout and the Hospital Channel must be investigated and the report forwarded to the ASSL within 30 days of the receipt of the report; failing which the total quantity of drugs should be accounted by those concerned.

7.13.5. Arrears of cost recovery drugs

Revenue, in the sum of Le2,388,000 from the sale of cost recovery drugs was still outstanding. It was recommended that the outstanding amount must be paid by those concerned within 30 days of the receipt of the report and payment details submitted to the ASSL for verification.

7.13.6. General Observations

The following was observed:

- There were leaking roofs in some parts of the corridors;
- The patients' toilets were not properly kept and not sufficient, as back yards were used to urinate within the hospital;
- The Male Surgical Ward (Ward 3) was not conducive for patients and nurses;
- Incentive was not given to volunteer nurses even though they were fully engaged in the day to day activities of the hospital; and
- There was an abandoned and broken cesspit which may be a possible death trap for staff, patients and visitors.

It was therefore strongly recommended that the above issues should be urgently addressed by the Hospital Management and Progress Reports forwarded to the ASSL for verification.

7.14. Princess Christian Maternity Hospital (2010)

7.14.1. Disbursements without supporting documents and retirement details

The following were observed:

- The amount of Le37,224,000 was withdrawn from Account No. 02-0110461938-01 held at Rokel Commercial Bank for which there was no evidence to support the utilisation of funds;

- Imprest for the months of May and December, 2010 totalling Le15,000,000 was expended without retirement details;
- Payments totalling Le57,301,000 were made by the Nurse, Anaesthetic unit, for which no documents were submitted to support the utilisation of funds; and
- Allowances totalling Le9,500,000 paid by the Reproductive Health Division, collected and signed for by other personnel/officers were without Letters of authority.

It was recommended that the MS and the relevant Programme Managers should ensure that supporting documents for the above mentioned amounts were provided for audit scrutiny within thirty (30) days of the receipt of the report; otherwise, the whole amount must be refunded and evidence of payment into the CRF forwarded to the ASSL for audit verification.

Official's Response: *The MS stated that amounts totalling Le 37,224, 000 from account No. 02-0110461938-01 withdrawn on divers cheques and dates must have been expended on minor purchases. He said that unfortunately, the then Finance Officer died before the audit exercise and the present Finance Officer who was his assistant was handling other issues in a different office. Therefore he could not trace the documents relating to the amount in question. He said however that efforts were still being made to search for them.*

He gave the same explanation for the Le15,000,000 imprest that had no documentary evidence of retirement, by the deceased Finance Officer, adding that they were in search of those documents.

For payments totalling Le57,301,000, he said it was made by the Nurse Anaesthetist and had a supporting document for utilization which would be inspected at ASSL's convenience. He further mentioned that the allowances totalling Le 9,500,000 paid by the Reproductive Health Division that was without a Letter of authority, was an oversight due to the fact that the beneficiaries were on emergency schedules.

The following were the comments of the auditors:

- No evidence was submitted to support the utilisation of Le37, 224,000 and Le15, 000,000.
- The issue relating to imprest remains the same.
- The issue of the allowances totalling Le 9,500,000 paid by the Reproductive Health Division that were without a Letter of authority, was not an oversight due to the fact that even though the beneficiaries were on emergency schedules, they must have completed the procedure when they finished their emergency schedules.

7.14.2. Inadequate control over the collection and recording of financial transactions

The following were observed:

- Amounts totalling Le3,891,000 in respect of cost recovery drugs issued to staff of the Cost Recovery Unit of the hospital were still outstanding as at 31st December, 2010;
- Bank Statements in respect of the Hospital's Drugs Account were not produced for audit inspection; and

The following were recommended:

- The Pharmacist should recover the amounts still outstanding from the various sales representatives and forward evidence of recovery to ASSL for audit verification within thirty (30) days of the receipt of the report; and
- The Bank Statements in respect of the Drugs Account should be produced for audit inspection.

Official's Response: *The MS mentioned that the present Pharmacist who had recently been transferred to PCMH was unable to recover the amount of Le 3,891,000 as total amount owed by the three Pharmacy Technicians in respect of the Cost Recovery Drugs, as the latter had been transferred to other Hospitals. He also said that regarding the unavailability of statements of account in respect of the said Cost*

Recovery Drugs at the Sierra Leone Commercial Bank, Cline Town Branch, all the New Officers were not signatories to that account and all efforts by Management for a change of signatory had been refused by the Management of the Bank on the grounds that new forms should be filled, approved by the Permanent Secretary and the Accountant General before they could take necessary action. He noted that even though they took the pains of explaining to them that they were not establishing a new account and forwarded to them an extract of the minutes of the Management Committee Meeting that gave them the mandate to replace the signatories of the outgoing Officers, all proved futile. He mentioned however, that the new Medical Superintendent was working on modalities to meet the General Manager at the Bank Headquarters.

Efforts were made to collect only Le 1,053,000 with a balance of Le 2,838,000 of the total amount still outstanding. However, a Paying-in slip and Bank Statement to confirm payment to the bank was not presented for verification.

The Bank Statements in respect of the Drugs Account were not produced for audit verification due to the fact that the officer responsible failed to carry out simple procedures of the bank. Furthermore, no evidence of modalities made by the new MS to meet the General Manager at the Bank Headquarters was presented to the audit team. As a result, it was impossible to ascertain the accuracy of the bank balances held in Commercial Banks for the period under review. It was only then that the FO was reconciling the account with the Cash books.

7.14.3. Fuel utilised without relevant operating records and documents

Fuel amounting to Le83,750,000 was supplied to the hospital for which fuel operating records such as fuel register and chit stubs to confirm the usage of the fuel were not produced for audit inspection. It was recommended that the Hospital Manager should ensure that the fuel operating records were produced for audit inspection within thirty (30) days of the receipt of the report; otherwise, the amount of Le83,750,000 should be refunded and evidence of payment into the CRF forwarded to the ASSL for verification.

Official's Response: *The MS explained that the chit stubs to confirm the usage of fuel were made available for inspection and it must have been an oversight to say that they were not available. He also mentioned that a Ledger had been provided for recording fuel allocation and disbursement.*

Out of the amount of Le83,750,000, fuel chits were only provided for Le 29,050,000 with a balance of Le 54,700,000 for which Fuel Operating Records were not submitted for verification.

7.15. Ministry of Health and Sanitation (2011)

7.15.1. Procurement procedures not followed

The following were observed:

- Premier Logistics was awarded the contract for the supply of Dressing/Dispensing Syringes, Atranmatic Sutures with Needles, for the sum of \$645,939. The Ministry required bidders to submit among other documents, Pharmacy Board License/Registration. However, Premier Logistics did not submit the said document, as required by the "Invitation for Bids" while Peoples Enterprise which also submitted a bid for the same lot was licensed with Pharmacy Board and submitted the Pharmacy Board License/Registration with its bid. The Ministry acting contrary to its required specification awarded the contract to Premier Logistics. It was recommended that the PS should provide justification for the query raised.

Official's Response: *The PS stated in his reply that the documents were now available for inspection.*

ASSL Comment: The issue is still outstanding.

- Out of the total amount of Le14,510,000 and \$600 that were collected from the sale of bidding documents, supporting documents were only provided for an amount of Le6,138,000 leaving a difference of Le8,372,000 and \$600 not accounted for. It was recommended that the PS should within thirty days produce all supporting documents relating to the sale of bids.

7.15.2. Bank Accounts operated by the ministry

There were 55 different bank accounts operated by the Ministry. Cash books, bank statements and bank reconciliation statements for 23 of those accounts were not made available for inspection in spite of several requests by the audit team. It was therefore recommended that the PA should ensure that separate Cash Books were maintained for the Ministry's Bank accounts and they must be regularly up-dated and reviewed by a senior officer. The PA should also ensure that the Cash Books, bank statements and bank reconciliation statements were submitted for audit inspection within thirty (30) days of the receipt of the report.

Official's Response: *The PA mentioned that some of the documents were then available for inspection.*

ASSL Comment: The issue still stands

Maternal Child Health/Expanded Programme on Immunisation.

7.15.3. Withdrawals without supporting documents for utilisation

It was observed that the total amount of Le10,999,443,750 was withdrawn from Account number 01 210 – 06589 – 01 held at the Union Trust Bank, for which the audit team was unable to link the supporting documents provided to the cheque withdrawals. It was recommended that the FO should ensure that all transactions, from inception to completion, were supported by the relevant documentation which should be numbered and cross referenced so that in cases of missing documents, such documents could be easily traced. It was therefore recommended that the Programme Manager should ensure that the supporting documents to back up the individual withdrawals were submitted for audit inspection within thirty (30) days of the receipt of the report; otherwise, he must refund the whole amount into the Project's bank account and evidence of payment to bank forwarded to ASSL for verification.

Official's Response: *The PS stated that they were in constant touch with the funding agency (WHO) for the provision of relevant documents in support of those expenditures which would be forwarded in due course.*

ASSL Comment: This issue is still outstanding.

Central Medical Stores

7.15.4. Receipts and issuing of free health care drugs

Drugs amounting to \$9,951,988 were purchased in 2011 in respect of the Free Health Care Programme instituted by the Government. However, documentary evidence such as Parking List, Invoices, Receipt and Issue Vouchers, Store Ledgers, Stock Record Card and Approved Distribution List to indicate that the Free Health Care Drugs were received and issued were not provided by the Store Keeper. It was recommended that the PS should institute an investigation into the alleged receipt distribution and of the various items and the report of the investigation forwarded to the ASSL for audit verification within thirty (30) days of the receipt of the report.

Official's Response: *The PS mentioned in his reply that the investigation report had been done and the report was available for inspection.*

The report was seen by the auditors. However supporting documents were yet to be physically verified.

7.16. Connaught Hospital (2011)

7.16.1. Revenue not brought to account

A review of the dental cash book submitted for audit inspection revealed that only registration fees were recorded. Moreover, based on the number of registered patients, it was noted that dental extraction fees totalling Le52,760,000 should have been collected and paid into the Hospital's account by the dentist. However, the amounts collected were neither recorded in the cash book nor banked. It was recommended that the FO should ensure that all monies collected were banked intact daily or the next banking day. The dentist should ensure that the amount of Le52,760,000 must be refunded to the Hospital's account within thirty days of the receipt of the report and evidence of payments forwarded to the Audit Office for verification.

7.16.2. Inadequate control over the collection and recording of financial transactions

The amount indicated in the Revenue Cash Book for some of the units in the Hospital was greater than the total from the Receipt Books submitted by Le 54,793,300. Furthermore, the sum of Le4,800,000 should have been paid by the Individual running the hospital canteen for the period under review. However, only Le4,300,000 was paid, leaving a balance of Le500,000 which was still outstanding. Moreover, there was no formal signed agreement between the Hospital and the Individual running the canteen.

It was recommended that the FO should ensure that the Accountable Documents Register was properly maintained so as to reflect the actual quantity of accountable documents received and issued. He was also requested to submit the receipt books to account for the amount of Le54,793,300 within thirty days of the receipt of the report. The difference of Le500,000 still not paid over by the individual running the canteen should be retrieved and evidence of payment to bank forwarded to ASSL for verification within 30 days of the receipt of the report.

7.16.3. Government's share of hospital proceeds

Out of the total amount of Le1,131,364,800 collected the amount of Le 56,568,240 representing 5% of total hospital proceeds should have been paid to NRA in respect of government's share of hospital proceeds; however, there was no evidence of such payment into the CRF.

The Medical Superintendent was advised to ensure that the amount of Le56, 568,240 should be paid into the CRF within thirty days of the receipt of the report and evidence of payment forwarded to ASSL for verification.

7.16.4. Revenue not banked intact

We observed that the total amount of Le110,718,500 was collected by the X-Ray and Cost Recovery units and Mortuary Ambulance on various dates but not banked intact. Moreover, supporting documents to substantiate the utilisation of the funds were not provided for audit inspection. It was recommended that the FO should ensure that all monies received must be banked intact and that supporting documents for the utilization of the Le110,718,500 should be produced for audit scrutiny; otherwise, the whole sum must be recovered from the authorities concerned and evidence of receipt forwarded to ASSL for audit verification.

7.16.5. Receipt and issue of store items

Essential drugs amounting to Le 59,931,692 and Laboratory Reagents amounting to Le10,000,000 supplied to the hospital were neither taken on ledger charge nor were documents produced to substantiate their utilisation. It was recommended that the Store Keeper should produce the supporting documents in respect of essential drugs and laboratory reagents supplied to the hospital within thirty days of the receipt of the report; otherwise, the amount of Le 69,931,692 must be paid back into the CF and evidence of payment forwarded to ASSL for audit verification.

7.16.6. General conditions of the store

A general inspection of the stores operation and facilities revealed that proper supervision and control were lacking, as there were no fire extinguishers to protect the stores in the event of a fire accident and the walls of the store just below the cost recovery unit where consumables and non- consumables including drugs were kept were very damp due to a faulty wash-hand basin upstairs. It was recommended that the MS should straight away regularize those anomalies.

7.16.7. Unpresented documents

Accountable Documents were not produced to the auditors for inspection in spite of several requests to have access to them. It was recommended that the Hospital Manager should ensure that all the documents requested were produced for audit inspection; otherwise, section 18(1) of the Audit Service Act, 1998 would be invoked.

7.16.8. Environmental concerns

The following were observed:

An Incinerator where medical waste was destroyed, built in 2003 was out of use. As a result medical waste was disposed of approximately 10 meters from the Annex kitchen. The workers at the Dark Room were exposed to serious danger, as a result of the non-provision of protective gears (such as Leather apron). Moreover, the members of staff working at the Dark Room were not on the Hospital's Payroll and were only working on voluntary basis.

The following were recommended:

- The Hospital Management should ensure that a proper waste management system must be put in place.
- The Hospital Care Manager should ensure the provision of protective clothing to all workers at the Dark Room, to prevent them from contacting harmful diseases.
- The Hospital Care Manager should ensure adequate motivation for the workers as the work they were doing was a risky one and efforts should be made to absorb them into the main service of the hospital.

7.16.9. General observations

There were leakages observed on the floor of the Cost Recovery Unit which if not attended to would result in serious damage to the room.

The tap, air conditioner and wash hand basin at the Cost Recovery Unit were all faulty. It was recommended that the MS should regularize the situation without delay.

The MS did not respond to the observations and had therefore violated Section 64 (3) of the Government Budgeting and Accountability Act 2005 which states that: “Every query or observation under Section (2) received by Accountant General or any other person shall’ within thirty days after its receipt by that person, be returned by him with the necessary reply to the Auditor General”.

7.17. District Medical Office (2011)

7.17.1. Revenue not accounted for

An examination of store records revealed that 5,000 yellow cards were printed and distributed to the Yellow Card Department. Out of the amount of Le25,000,000 expected to have been generated, only Le 13,265,000 was collected and paid to the Finance Unit and receipts issued, leaving a balance of Le 11,735,000 not accounted for. It was recommended that the District Medical Officer (DMO) should ensure that the amount of Le11,735,000 unaccounted for was paid by the responsible individual(s) into the institution’s bank account within thirty (30) days of the receipt of the report.

7.17.2. Inadequate control over the collection of revenue

Amounts totalling Le 17,679,320 were not paid by various Peripheral Health Units (PHUs) in respect of drugs supplied to them to be sold on a cost recovery basis. It was recommended that the DMO should recover the amounts from the various PHUs and forward evidence of recovery to ASSL for verification within 30 days of the receipt of the report.

7.18. Kingharman Road Hospital (2011)

7.18.1. Revenue not banked intact

The total amount of Le193,865,000 collected by the Hospital on diverse dates was not banked intact. It was recommended that the FO should ensure that all monies collected were banked intact daily or the next banking day. The FO was instructed to produce all supporting documents for the utilization of the amount of Le193,865,000 for audit scrutiny; otherwise, the whole sum must be recovered from the authorities concerned and evidence of receipt forwarded to ASSL for audit verification.

***Official’s Response:** The MS stated that the hospital’s expenditure was on a daily basis and that most of the expenditures were urgent and so required urgent attention. He said because of that management thought it fit that some amount of money should be kept as petty cash for urgent hospital expenditure. He said furthermore that money paid for medicines, consumables, professional services, etc. was often paid direct as soon as it was collected and that was the reason why all the money collected had been deposited in the bank. He said however that the FO was putting together all documents supporting the utilization of Le193,865,000 for inspection. He mentioned that management had already taken the recommendation of the Audit Team and had commenced the daily depositing of all moneys collected since September 2012.*

ASSL Comment: The supporting documents were not produced for verification.

7.18.2. Receipt books not presented for audit inspection

Revenue Cash Books for Laboratory and Registration units were greater than the totals from the Receipt Books submitted by Le20,473,112 and Le54,247,000 respectively. One Hundred and Ten Receipt Books were not presented for audit inspection. It was therefore recommended that the FO should ensure that a proper mechanism was put in place wherein the receipt books were properly controlled and securely kept and were produced for verification within 30 days of the receipt of the report.

Official's Response: *The MS stated that books were not presented because the FO couldn't find them in spite of rigorous search. He explained that used Receipt books were usually kept by the revenue collectors and because of space constraint, the books might have been inadvertently placed elsewhere. He said however that the FO had taken full responsibility of keeping all used receipt books.*

ASSL Comment: The receipt books were not produced for verification.

7.18.3. Loan not repaid

The amount of Le20,000,000 was given as a loan to the Hospital's Pharmacist on the 22nd of September, 2011 for the purchase of Cost Recovery Drugs. However, there was no evidence to confirm that the amount in question has been refunded. The Medical Superintendent was therefore requested to ensure that the amount of Le20,000,000 was retrieved from the Pharmacist within thirty days of the receipt of the report and evidence of payment forwarded to ASSL for verification.

Official's Response: *The MS said that the Pharmacist in charge was putting together his report which would be sent to ASSL as soon as he finished it.*

ASSL Comment: No evidence of recovery was produced for verification.

7.18.4. Absence of a standard payment voucher system

A proper Financial Management System was not in place. The payment voucher system in use was not detailed enough to allow for a complete segregation of duties by those charged with the responsibility of authorizing, approving, processing and recording transactions. It was recommended that the Medical Superintendent must ensure that a Payment voucher system in the prescribed form should be put in place, wherein transactions were initiated, verified and authorised.

Official's Response: *The MS stated that the Payment Voucher system in use at the time was recommended by the ACC.*

ASSL Comment: The audit recommendation has not been addressed.

7.18.5. Diet short supplied

A comparison of the Contract Schedule of Requirements and the Ledger maintained for the receipt of diet revealed that diet for the period under review amounting to Le 28,600,000 was short supplied. It was recommended that the Medical Superintendent should ensure that the amount of Le 28,600,000 was recovered from the supplier and evidence of recovery forwarded to ASSL for audit verification.

Official's Response *The MS mentioned that the Caterer was bereaved at the time and said that she would give a response as soon as she was back at work.*

ASSL Comment: No evidence of recovery was produced for verification.

7.18.6. Drugs not accounted for

Drugs supplied to the Hospital totalling \$1,020 by the Central Medical Stores were not taken on Ledger Charge. It was recommended that the Pharmacist should ensure that all drugs and medical supplies were taken on Ledger Charge as soon as they were received. The Medical Superintendent should also ensure that the amount of \$1,020 was recovered from the Pharmacist and payment made to the CRF within thirty days of receipt of the report and evidence of payment forwarded to ASSL for verification.

7.18.7. General observations

The following were observed:

- The sanitary condition of the hospital was poor;
- The toilet facility available was unsightly;
- The pediatric wards were congested;
- There were instances in which three patients of diverse diseases were clustered on a single bed; and
- The space was too small to accommodate the number of patients visiting the Hospital. As a result, patients were admitted on beds placed on the corridor.

It was recommended that:

- The Medical Superintendent should ensure that a general cleaning of the hospital was carried out regularly.
- Regular checks should be done by the Hospital Secretary to ensure the cleanliness of the Hospital.
- The officers responsible at the Ministry of Health and Sanitation should ensure that the other Health centers were equipped to handle referred cases to avoid the clustering of patients.

Official's Response: *The Medical Superintendent explained that the Hospital was generally small for the number of patients and due to the tremendous influx of patients, the waste expected from those patients would be plenty. He added that it was extremely difficult to control many people in the proper placement of waste in the waste bins and the use of the toilet. He said furthermore that the Hospital had only one Government employed porter and that management employed seven workers to help in the hospital cleaning. He mentioned that the Pediatric Ward had four beds which were definitely insufficient for the large number of children who visited the Hospital and in order to serve many patients, the hospital accepted short-stay admission and referred critical cases to the Children's Hospital or elsewhere. He concluded that several children without contagious diseases occupied one big bed so that many children could benefit from the Free Health Care.*

ASSL Comment: The issue still remains the same.

7.19. Ola During Children's Hospital (2011)

7.19.1. Diet not fully supplied

A comparison of the Contract Schedule of Requirements and the Ledger maintained for the receipt of diet revealed that diet for the period amounting to Le 34,044,000 was short supplied. It was recommended that the Medical Superintendent should ensure that the amount of Le 34,044,000 must be recovered from the supplier and evidence of recovery forwarded to ASSL for verification.

Official's Response: *The MS replied that management acknowledged the fact that diet amounting to Le 34,044,000 was short supplied notwithstanding the fact that the Hospital owed diet to make up for the queried short fall. Supporting documents, he said, were available for inspection.*

ASSL Comment: The audit recommendation was not adhered to as the amount of Le 34,044,000 was not recovered from the supplier. Furthermore, supporting documents to justify that supplies were made to settle the short supply were not presented for verification.

7.19.2. Poor condition of the store

It was observed that the general condition of the store was not conducive for the keeping of drugs, as leakages were observed in the store. Also drugs and other store items were placed on the floor instead of shelves. The office itself had no air conditioner and security was lacking as people moved in and out of the

office without any authorisation. It was recommended the Medical Superintendent should expedite the regularisation of those anomalies by ensuring that strategies were put in place to have a proper and adequate storage facility for drugs.

7.19.3. Revenue not brought to account

The payment of the sum of Le2,893,000 in respect of cost recovery drugs issued to a member of staff of the Cost Recovery Unit of the hospital was still outstanding as at 31st December, 2011. It was recommended that the Pharmacist should recover the amount still outstanding from the sales representative and forward evidence of recovery to the Office of the Auditor General for verification within thirty days of the receipt of the report.

Official's Response: *The MS stated that the amount of Le2,893,000 had still not been reconciled by the member of staff attached to the cost recovery unit. He added that the pharmacist In-charge had decided to refer the case to the Director of Drugs and Medical Supplies at the Central Medical Stores for resolution. Correspondences, he said, were available as evidence.*

ASSL Comment: The amount of Le2,893,000 was not recovered from the Sales representative. However, evidence was submitted to justify that the pharmacist In-charge had referred the matter to the Director of Drugs and Medical Supplies at the Central Medical Stores for resolution

7.19.4. No strict internal medical waste control system

The hospital lacked an Incinerator where medical waste should be disposed of; as a result, medical wastes were disposed of in every corner of the hospital. Furthermore, it was noted that there was no Medical Waste Management Policy in place in the Hospital- a system which should guide staff on issues like waste storage and disposal. In order to mitigate the risk associated with medical waste, the Hospital Management was advised to make frantic effort to develop an internal Medical Waste Management Policy. Such a policy should include how wastes were stored, transported and disposed of.

7.19.5. Free health care system

Due to the presence of the Free Health Care Programme, it was observed that the wards were congested. It was disturbing to note that there were instances where three patients of diverse diseases were clustered on a single bed.

In addition, the oxygen available in the Hospital was inadequate. As a result, priority had to be given to those children who were extremely vulnerable and on a first come first served basis.

Furthermore, the shortage of Doctors at the Hospital posed a serious threat as only patients who were helpless and needed emergency treatment were attended to.

It was recommended that the officers responsible at the Ministry of Health and Sanitation should ensure that the other Health Centres were equipped to handle referred cases to avoid the clustering of patients.

Official's Response: *The MS representations will continue to be made to the appropriate authorities at the Ministry to speedily resolve that matter.*

ASSL Comment: The issue still remains the same.

7.20. Pujehun Government Hospital (2007- 2010)

7.20.1. Inadequate control over the use of funds allocated by the Pujehun District Council

Imprests, totalling Le7,000,000 were not retired. It was recommended that all supporting documents in relation to the imprest utilised must be submitted to ASSL for inspection within 30 (thirty) days of receipt of the report; otherwise the amount involved should be paid back into the Hospital's Account by the FO and MS.

Official's Response: *In his response the DMO stated that copies of imprest retirement were retained and could be verified.*

ASSL Comment: The retirement details in respect of imprests, totalling Le7,000,000 were still not available for verification.

7.20.2. Inadequate control over collection and recording of financial transactions

The examination of Receipt Books, Cashbooks and Revenue Registers revealed that out of the total Le144,395,049 only the sum of Le38,956,000 was banked leaving a balance of Le75,439,049 not banked. That amount was alleged to have been put into use without authority. In an interview with personnel of the Hospital, it was revealed that revenue collected was to be allocated (on percentage basis) for various purposes including a certain percentage being paid into the Consolidated Fund. The breakdown as to what was used and for what purpose was not made available for inspection.

It was therefore recommended that the MS should ensure that the difference of Le75,439,049 must be recovered without delay from those concerned within 30 days of receipt of the report and paid into the Hospital Account.

Official's Response: *The DMO stated that under normal circumstances, all revenue collected should be banked intact before withdrawals. He mentioned however, that there were instances where not all monies collected were banked. For instance:*

- *Payment of incentives to Volunteer Nurses*
- *Emergency cases resulting in payment for repairs to vehicles, generator*
- *When imprest was not forth coming from council*
- *Payment of top – up allowances to staff*
- *Expenditure records and documents in respect of any such expenditure were retained, he added.*

ASSL Comment: It was however observed that adequate documents were not available to support issues highlighted in the response.

7.20.3. Fixed assets/inventory register not detailed

A review of the Fixed Assets Register revealed that:

- Vital information such as the value of assets, date of purchase, serial numbers, etc. was absent.
- Fixed Assets were not marked/coded.
- Three unserviceable vehicles (ABQ 957, ADY 637 and ACQ 425) were still held by the hospital and no effort was being made to service or dispose them.

It was recommended that the FO should ensure that assets owned by the Hospital were recorded in the Assets Register with other details such as the name of the asset, cost, date of purchase, code or identification number, individual location and total quantity held, and whether they were inherited, donated or purchased by the Hospital. The Medical Superintendent should also ensure that necessary steps were taken to either service or dispose of the unserviceable vehicles.

Official's Response: The DMO stated that training was needed to ensure that a proper Fixed Assets Register as recommended by the auditors, was maintained by the FO and promised that all unserviceable vehicles would be disposed of by the appropriate authorities.

ASSL Comment: The Fixed Assets Register was yet to be properly maintained as details such as cost, location, serial numbers, etc. were yet to be recorded in the Register. In addition, it was noted that Unserviceable Vehicles had been disposed of by the appropriate authorities.

7.20.4. Free health delivery services

The software channel package used for the receipt and issue of drugs was prone to risk as there was no provision for back up (on site or off site). It was recommended that the Medical Superintendent should expedite the introduction of a back-up system for the receipt and issue of all drugs using the Channel System

7.20.5. Unauthorised withdrawals from hospital bank accounts and without supporting documents

An examination of the Hospital's Bank Statements revealed that some amounts were withdrawn from Accounts maintained by the hospital without the approval of corresponding authorities. In addition, there were no supporting documents such as; invoices, receipts, bills, claim sheets, etc. to justify those withdrawals. See summaries of those withdrawals in Table 4:

Table 7.5 – Unauthorised Withdrawals	
Account	Le
Account 1	21,000,000
Account 2	90,229,000
Account 3	9,612,100
TOTAL	Le 120,841,100
Actual account numbers withheld for security reasons	

It was recommended that the MS must ensure that the relevant authorities and supporting documents in respect of the amounts stated were forwarded to ASSL for verification; failing which the whole amount should be recovered from the officers concerned for the period in question and receipt details forwarded to ASSL for verification.

Official's Response: The DMO stated that all withdrawals from the hospital accounts were approved by the appropriate authorities and that the relevant signatures were the Chairman PDC, CA, MS and FO as the case may be. He also added that all relevant supporting documents were retained in the Finance Department.

ASSL Comment: Authority for withdrawals and supporting documents such as invoices, receipts, bills and claim sheets to justify the withdrawals of Le120,841,100 from the hospital accounts, were not submitted for verification.

7.20.6. Supply of diets to hospital

The following were observed:

- The sum of Le15,000,000 was paid to a supplier for the supply of special diets for quarters one (1) and two (2) in 2010. There was no evidence such as a Delivery Note and Distribution List to indicate that the supply was made and used by the targeted beneficiaries.
- Requisitions from the Hospital Cook were not available to ascertain whether supplies amounting to Le 129,829,900 received by the Hospital Matron were issued to the Cook for the consumption of patients.
- It was also observed from examination of selected Payment Vouchers that there was no indication as to the number of patients for whom diets, totalling Le131,504,700 were supplied to the hospital.

It was therefore recommended that the Matron should ensure that:

- Store items were recorded in the relevant Stores Ledger;

- Delivery Note and Distribution List in respect of Special Diets, totalling Le15,000,000 must be submitted for inspection; otherwise, the amount involved should be recovered and paid back into the Consolidated Revenue Fund;
- Requisitions (giving number of patients) must always be received from the hospital Cook before store items were issued.

Official's Response: *The DMO stated that on the issue of Delivery Note for Q1&2 (2010), he was unable to explain as he was not in post then and for issues concerning requisition, he said it was purely based on the approved Hospital menu. He emphasised here that most of their cooks were illiterate. Therefore issues on menu were only signed for by those cooks on a daily basis. He further explained that procurements of diets were wholly and solely the responsibility of Headquarters and Council and that during the year statistics were given on the needs of the hospital and that Stores ledgers were maintained for all received and issued diets. He added that during his tenure, all receipts and issues were recorded in ledgers and issues were always signed for by recipients.*

ASSL Comment: Delivery Note and Distribution List in respect of Special Diets, totalling Le15,000,000 were not submitted for verification.

7.20.7. General observations

Records management was a major problem in the ministry. Copies of most accounting records in respect of allocations received from the Pujehun District Council were not retained by the ministry.

7.21. Government Hospital Kenema (2011)

7.21.1. Inadequate control over the collection and banking of revenue

A comparison of the Hospital's Admission Chart to the Receipt Books and Bank Statements presented for audit, revealed the following:

- A difference of Le5,105,000 was noted between the revenue generated as per the Hospital's Admission Chart and the revenue generated as per the Receipt Books issued in collection;
- The total sum of Le35,475,000 in respect of revenue generated by the various Hospital units, was not banked and there was also no evidence to justify how that money was utilized.

It was therefore recommended that the MS should ensure the following:

- Proper receipts should be issued at the same time that public funds/revenues were received by the Hospital and they must be accurately recorded in the revenue register and properly safeguarded for reference and audit purposes;
- All funds/revenue generated by the various units, should be promptly paid into the Hospital's bank account and no use of such funds must be made by any Hospital Staff in any manner between the time of its receipt and payment into the bank; and
- An account must be given to ASSL on the issues highlighted within thirty (30) days of the receipt of the report. Otherwise, the amount of Le35,475,000 involved of must be refunded as a matter of urgency.

Official's Response: *The MS stated that at the time of the audit, one of the revenue receipt books was misplaced. He said however, that it had been traced for the auditors' verification. He also mentioned that all other recommendations were noted and would be implemented in future adding that the documentary evidence in respect of the amount utilized was ready for verification.*

ASSL Comment: ASSL's recommendations were not implemented.

7.21.2. Inadequate control over the distribution and usage of fuel

It was observed that the management of the GHK was not following any policy/procedure for the distribution and usage of fuel and other lubricants. In addition, there were no control mechanisms in the form of fuel chits and fuel register to monitor and reconcile the distribution and usage of fuel. As a result of those weaknesses, the Hospital could not properly account for fuel allocation of Le52,218,000 that was made to them through the Kenema City Council during the period under review. It was therefore recommended that the Medical Superintendent should ensure that a policy was followed to guide and control the distribution and usage of fuel. In addition, the use of a fuel register and fuel chits must be introduced to help monitor and reconcile the distribution and usage of fuel. Furthermore, the MS should forward a detailed breakdown together with the relevant documentary evidence on how the amount of Le52,218,000 was utilized on fuel, within 30 days of the receipt of the report; otherwise, the full amount must be refunded forthwith.

7.21.3. Poor management of stores

The following were observed:

- 16,254 assorted drugs and 87,806 consumables and other usable items, were received by the Hospital Store, but they were not taken on ledger charge;
- 23 equipment and consumable items were recorded in the Hospital's Ledger as receipts. However, there was no evidence in the form of Delivery Notes to justify that the quantity and specification of the items were accurate and complete;
- A comparison of the quantity of Africana Soap received as per the Delivery Note and the quantity recorded in the Allocated Store Ledger revealed that a difference of 24 packets of Africana Soap was not brought to account; and
- There was no evidence in the form of Delivery Notes and Allocated Store Ledger to justify the quantity and specification of Cost Recovery Drugs received and issued/sold for the period under review. As a result,
- ASSL could not verify the accuracy and completeness of the Cost Recovery Drugs received and issued/sold for the period under review.

It was recommended that the Medical Superintendent should ensure that all items of receipts should be brought on charge in the Stores Ledger on a timely basis and they must be accompanied by delivery notes and supported by the relevant receipts, in accordance with Section 188 (1) of the Financial Management Regulations, 2007.

The following must be forwarded to ASSL within thirty (30) days of the receipt of the report:

- The Delivery Notes in respect of the 23 equipment and consumable items recorded in the Hospital's Ledger as receipts;
- The Delivery Notes and Allocated Store Ledger in respect of the Cost Recovery Drugs received for the period under review; and
- An explanation as to why the 24 packets of Africana soap were not brought to account.

Official's Response: *The MS stated that the heavy work load of the store keeper must have prevented him from posting into the ledger, however, he had taken on charge the 16,254 assorted drugs and 87,806 consumable items. He mentioned that it was also unfortunate that delivery notes were not presented at the time of the audit but evidence of delivery note had been made available for verification. The situation*

had been corrected and evidence of delivery notes to justify the quantity and specification of drugs had all been made available for verification, he further mentioned.

ASSL's recommendations were implemented and store ledgers and stock cards were maintained. However evidence of delivery notes for items delivered to the hospital were not seen.

Official's Response: *The MS mentioned in his reply that:*

- Basic equipment and consumables had been put in place and were ready for verification;
- The Annex Ward was in need of extension and plans were in place to correct all deficiencies;
- Reagents for the laboratory had been requested from the central medical stores and small purchases had been made; and
- The cooling system in the mortuary had been budgeted for and the Medical Electronics team had been contracted to do the repairs.

ASSL Comment: ASSL's recommendations were not implemented

7.21.4. Fixed Assets not verified

A review of the Inventory Register revealed that items of Furniture and Equipment were owned and controlled by the Hospital. However, the items were not made available for verification/inspection during the course of the audit. It was therefore recommended that the MS should ensure that all the Hospital's Furniture and Equipment were properly controlled and secured and were only transferred to other locations when authorised. The Medical Superintendent should also make the items of Furniture and Equipment available for physical verification/ inspection, within thirty (30) days of the receipt of the report; otherwise, those items must be paid for forthwith at the then market prices.

7.21.5. General observations

- The general management and condition of the GHK was far from being satisfactory as was evidenced by the following observations:
- Basic equipment and consumables like temperature measuring machine/thermostat, bandages, cotton wool, toiletries, IV fluids, mosquito nets and bed sheets that should facilitate the smooth and efficient delivery of medical service to patients were not available in the Hospital's Annex Ward;
- Wheel chairs in the Annex Ward were not enough to cope with the number of hospitalized patients;
- Sitting facilities for nurses on duty were lacking and the ones available were in a deplorable condition;
- It was noted that the majority of the laboratory kits had expired; the use of expired laboratory kits may put the lives of patients at risk;
- There was no Cold Chain in the Hospital's Mortuary for the preservation of corpses; and
- Personnel working in the Mortuary unit lacked the protective clothing and equipment to execute their daily activities.

Official's Response: *The MS mentioned in his reply that:*

- Basic equipment and consumables had been put in place and were ready for verification;
- The Annex Ward was in need of extension and plans were in place to correct all deficiencies;
- Reagents for the laboratory had been requested from the central medical stores and small purchases had been made; and
- The cooling system in the mortuary had been budgeted for and the Medical Electronics team had been contracted to do the repairs.

ASSL Comment: ASSL's recommendations were not implemented

7.22. Princess Christian Maternity Hospital (2011)

7.22.1. Revenue not brought to account

It was observed that revenue collected to the tune of Le31,192,000 was not banked. In addition, out of the total amount of Le31,192,000 generated as revenue, supporting documents to substantiate the utilisation of funds were only provided for the amount of Le13,516,300, leaving a difference of Le17,675,700 not accounted for. It was recommended that the FO should ensure that all monies collected were banked intact daily or the next banking day. The FO should also ensure that the amount of Le17,675,700 was refunded to the Hospital's account within thirty (30) days of the receipt of the report and evidence of payment forwarded to ASSL for verification.

7.22.2. Lack of control over the distribution of fuel

Fuel amounting to Le21,744,000 was issued to vehicles that were not part of the Fuel Entitlement List of the Hospital. Interviews held with the Hospital Secretary revealed that the vehicles were owned by officials of the Hospital; however, documentary evidence, such as Vehicle Life Card was not submitted to substantiate the assertion made by the Hospital Secretary. In addition, fuel amounting to Le40,000,000 utilised by the generator had no operating records such as Fuel Register and Generator Log Book for submission to the auditors. It was therefore recommended that the Hospital Secretary must ensure that fuel operating records such as Fuel Register and Log Book were maintained at all times and that the Hospital Secretary should see to it that the vehicles and necessary documents were made available for audit inspection within thirty days of the receipt of the report; otherwise, the Le 61,744,000 must be refunded into the CRF and evidence of refund forwarded to ASSL for verification.

7.22.3. Replacement of spare parts

A review of payment records submitted for audit revealed that spare parts amounting to Le19,636,500 were purchased for which the list of vehicles that used the spare parts was not submitted for audit inspection. It was recommended that the Medical Superintendent should ensure that the Vehicles and old parts that were replaced must be provided for audit inspection within thirty days of the receipt of the report; otherwise, the amount of Le19,636,500 should be refunded to the Hospital's Account and evidence of payment forwarded to ASSL for verification. Future replacement of spares should only be done after the receipt of the previously issued spare part and posting to the appropriate store record were concluded.

7.1.1. Receipts and issue of store items without the relevant store records

Items purchased to the tune of Le60,547,500 were neither taken on ledger charge nor were documents produced to substantiate their utilisation. It was recommended that the Medical Superintendent should ensure that the relevant store records were provided for audit inspection within thirty days of the receipt of the report; otherwise, the amount of Le60,547,500 must be refunded into the CRF and evidence of payment forwarded to the ASSL for verification.

7.22.4. Inventory Register not updated

Items bought amounting to Le45,400,000 for the period under review were not posted into the Inventory Register. As a result, the audit team was unable to verify the physical existence of those items. It was therefore recommended that the FO should ensure that the Inventory Register was regularly updated when new assets were bought with details like cost, acquisition date, description and serial number.

7.22.5. General condition of the hospital

Even though the amount of Le277,547,250 was paid for the cleaning of the hospital, it was observed that the sanitary condition of the hospital was very poor. The available toilet facility was unsightly. In addition, there were leakages in the Matron's office which resulted in documents/records kept in one of the cabinets to be damaged, and the corridor towards DMS11 was also experiencing heavy leakages. Furthermore, there were no fire extinguishers to protect the various stores from fire and even the hospital as a whole. It was recommended that as from then, the Medical Superintendent should ensure that a general cleaning of the hospital was done and that payment was only made after a satisfactory performance report had been completed and signed off by the Hospital's Manager.

7.23. Ministry of Agriculture Forestry and Food Security (HQ)

7.23.1. Procurement procedures not followed

Amounts totalling Le21,200,000 received from the sale of bidding documents were not brought to account. In addition, there was the lack of segregation of duties in the sale of bidding documents as the procurement unit was responsible for both the printing and sale of bidding documents. Even though for normal procurement construction contracts contingencies were only paid for after the occurrence of certain events (such as unforeseen events) and the certification by the Consulting Engineer, it was surprising to note that 15 contracts relating to the construction and rehabilitation of mechanical workshops and offices at various locations had contingencies amounting to Le 221,413,008 included in the overall contract sums. This figure was used to calculate the initial 30% down payments to contractors. The contract for the supply of agricultural inputs (cashew seedlings and tree crops) was awarded to Kamcashew Enterprises for a contract sum of Le931,350,000 without any formal tendering process; even though, the NPPA in its correspondence dated 5th February, 2010 had recommended that the Ministry should use the “national shopping method” for the procurement of agricultural inputs.

It was therefore recommended that the amount of Le21,200,000 from the sale of bidding documents should be refunded by the procurement officer and evidence of payment into the Consolidated Revenue Fund forwarded to ASSL for verification. Additionally, the Permanent Secretary should ensure that the contingency amount of Le221,413,008 must only be paid to the contractors after a written request and certification by the Consulting Engineer. Furthermore, the Procurement Officer should submit the letter of approval from National Public Procurement Authority for the use of sole sourcing in procuring the agricultural inputs.

Official's Response

The Permanent Secretary (PS) in his response stated that proceeds from the sale of bidding documents were stolen from the procurement unit during the period of the sale of the documents to the public. The matter, he said, was reported to the police and the outcome of the investigation had not been communicated to the Ministry. He mentioned that a letter requesting an update on the investigation which had been sent to the Criminal Investigation Department (CID) was not responded to. He also noted that contingencies were indeed not deducted from the initial advance payments to various contractors, adding that the ministry would ensure that the contingencies were only paid to contractors after a certification of completion from the Ministry of Works, Housing and Infrastructure was issued.

Commenting on the issue of National shopping, the PS mentioned that it was used for the procurement of cashew seedlings as was evident in the highlighted portions of the enclosed evaluation report relating to the activity.

ASSL Comment: The auditors upon verification observed that an amount of Le21,000,000 had not been refunded since the matter was still under investigation. They noted that the issue of contingencies was still outstanding and that the documents submitted relating to the procurement of cashew seedlings were not sufficient to confirm that National Shopping Method was used in the process.

7.23.2. Receipts and distribution of seed rice

Seed rice amounting to Le13,072,000 issued by the Horticulture store to various farmers on a cost recovery basis had still not been recovered. In addition, seed rice amounting to Le337,464,000 purchased by the Seed Multiplication Project was without any evidence of distribution and recovery.

It was therefore recommended that the PS should ensure that rice seedlings were procured on time to enable the Ministry achieve its overall objective of providing food for the populace. The PS should also recover the amounts totalling Le13,072,000 from the various farmers and forward evidence of recovery to ASSL within thirty days of the receipt of the report. Furthermore, the Programme Manager, Seed Multiplication project should ensure that the distribution list for the supply of seed rice amounting to Le337,464,000 must be provided for audit inspection; otherwise, the whole amount should be refunded and evidence of recovery forwarded to ASSL for verification.

Official's Response: *The PS noted that the delay in the recovery was as a result of poor yield experienced by the farmers who collected the seeds from the store, however, the ministry had asked for the names of the farmers to see how their situation could be improved to enable them pay back the loan of seeds they took. He also stated that the seed rice purchased by Seed Multiplication Project was used to service two seed rice contracts (i) Gtɛ Seed Rice Contract and (ii) FAO/EUFF Seed Rice Contract.*

ASSL Comment: The auditors observed that Le 13,072,000 was yet to be recovered from the farmers and the Distribution list submitted was not sufficient to be verified.

7.23.3. Loan not recovered

An amount of Le24,000,000 given as loan to the former Procurement Officer of the Ministry had still not been recovered.

It was recommended that the PS should recover the Le24,000,000 from the former Procurement Officer within thirty days of the receipt of the report and evidence of payment into the CRF forwarded to ASSL for verification.

Official's Response: *The PS in his response stated that all the requested documents including those relating to Headquarters, Diversified Food Production Project and Seed Multiplication Project were available for inspection since then.*

ASSL Comment: The issue relating to the loan was still outstanding.

7.23.4. Review of the Tractor Hire Purchase Scheme

Supporting documents for the amount of Le2,932,721,000, withdrawn from the Tractor Hire Purchase account and held at the First International Bank were not submitted to substantiate their utilisation. In addition, individual debtors' account and files were not maintained by the Ministry as well as a statement of income and expenditure which was not prepared. It was therefore recommended that the PS had to ensure that the supporting documents were produced for inspection; otherwise, the whole amount should be refunded and evidence of payment forwarded to ASSL for verification. In addition, all individual debtors' accounts and files were to be maintained for each debtor. Furthermore the PS should ensure that an Income and Expenditure accounts for the scheme was prepared.

Official's Response: In his reply the PS stated that the necessary supporting documents were at last available for audit verification. He also mentioned that the Hire Purchase Scheme was directly managed by First International Bank in collaboration with the Ministry as per a Memorandum of Understanding wherein beneficiaries' made payments directly. There was an income and expenditure plan based on the cost of the machines, the PS further stated.

ASSL Comment: Release Letters instructing the bank to issue out money and the Memorandum of Understanding were verified by the auditors but supporting documents for the utilization of the said money were still not submitted. The individual debtors' accounts and files in addition to the requested Income and Expenditure account were also not produced.

7.23.5. Inspection of stores and reconciliation of stores records

The following were observed:

- No regular inspection of the Mechanical Stores had been done either by the Vote Controller or his representative.
- Periodic stock taking had not been done for the entire period under review.
- Stores Ledgers maintained by the Storekeeper at the headquarters had not been updated regularly. For instance transactions undertaken in 2009 were posted in 2010.
- There were no fire extinguishers to protect the various warehouses in case of a fire break out;
- Leakages had been observed in the roof of some of the ware houses.
- Even though several recommendations had been made over the past years for a complete overhaul of the drainage system in the Ministry's Mechanical stores, it was observed that the drainage system was in complete shambles. The situation was particularly serious during the rainy season; it was extremely difficult for people to use the main entrance; hence hindering the proper functioning of the store.

The following were therefore recommended:

- With immediate effect, the PS should carry out unannounced inspections of the stores and the dates recorded for verification.
- With immediate effect, periodic stock taking should be carried out by the Chief Storekeeper.
- Postings were to be done by the Chief Storekeeper immediately transactions were carried out.
- The PS should ensure that repairs were done on the warehouse roof.

Official's Response: In his response the PS stated that:

- Regular inspections of the Mechanical Stores were effected by the PS and the Ministers and were ongoing.
- Periodic stock was carried out and the process to improve it was ongoing.
- Regular update of store ledger was maintained and ongoing.
- Request for the supply of store forms was being made to the Accountant General i.e. Store Issue Voucher's(SIV), etc.
- The fire extinguishers got finished and the procurement process of replacing them was ongoing and almost complete.
- The process of replacing the worn out roof was ongoing. The delay was as a result of insufficient funding but the bid process was on and almost complete.
- Action had been taken to rectify the situation as SLRA was being informed to take appropriate action as it was of great concern to the Ministry.

The auditors upon verification observed that the issues were still outstanding.

7.24. Ministry of Agriculture, Forestry and Food Security, Pujehun (2007- 2010)

7.24.1. Poor stores management and supervision

There was no evidence of supervision of the store by a senior officer. In addition, regular stock-taking exercises were not carried out by the Ministry. Furthermore, an examination of the Requisitions, Allocated Stores Ledger and the Store Issue Vouchers revealed that a number of items were issued from store by the storekeeper to various beneficiaries without requisition. It was therefore recommended that forthwith the DDA should ensure that the Store Keeper was frequently supervised by the Accountant and a Supervision Report prepared and retained by the Council. Also, a stock-taking exercise must be carried out on a regular basis and the storekeeper should account for the store items issued without requisition.

7.24.2. Log book or operating records not maintained

A Fuel Register, Fuel Chits and Distribution Lists were not maintained to account for fuel and lubricants, totalling Le105,249,800 which was paid for by the Pujehun District Council. It was recommended that a Log Book should be maintained forthwith in respect of Vehicles, Motor Bikes and Generators and that documents relating to the usage of fuel as stated above must be presented for inspection within 30 days of the receipt of the report; otherwise, the full amount should be recovered from those concerned and paid into the Consolidated Fund.

7.24.3. Unpresented documents

In spite of ASSL's request, vital accountable documents such as Fuel Register, Allocated Stores Ledger, PVs, Salary Vouchers were not submitted by the Ministry for inspection. It was recommended that the FO should ensure that a systematic filing system existed for the safe custody of all accountable documents by putting control ledgers in place to monitor the inward and outward movements of documents. In addition, all requested documents must be made available for inspection.

7.25. Ministry of Works, Housing and Infrastructure

7.25.1. Bank statement not presented for inspection

An examination of the NRA Cash Book revealed that revenue of Le866,179,500 collected for the period under review was alleged to have been paid into the bank for which a bank statement was not submitted for audit inspection by the NRA Collector to certify that the amount was actually paid into the bank. It was therefore recommended that the NRA Collector should submit the Bank Statement to certify the payment of Le866,179,500 into the bank; otherwise, the amount must be paid back into the CRF and a receipt of payment forwarded to the ASSL for audit inspection within thirty (30) days of the receipt of the report.

Official's Response

The PS responded that the amount in question was collected and deposited into the bank account by the NRA Representative attached to the Ministry. He stated that the bank statement was available for audit verification.

Upon verification, there was still an outstanding amount of Le 169,688,500 relating to unpresented bank statement.

7.25.2. Procurement procedures not followed

Amounts totalling Le1,500,000 received from the sale of bidding documents were utilised without documentary evidence such as receipts and invoices to support its utilisation. In addition, a contract to the

tune of Le530,000,000 was awarded to Rickell International for the supply of hard furniture/soft furnishing using the Sole Sourcing method without prior approval from the NPPA. Furthermore, withdrawals totalling Le177,857,000 were made from the Emergency Works account No. 1100709 held at the Bank of Sierra Leone under the guise of “Emergency works” for which procurement procedures were not followed and payments totalling Le930,802,000 were made for the rehabilitation of District Offices without Requests for Quotations (RFQs).

It was recommended that:

- The Procurement Officer should provide the relevant documentation for the utilization of the Le1,500,000 from the sale of Bidding Documents for verification within thirty days of the receipt of the report; otherwise, the amount should be refunded into the CRF.
- The VC should submit the Authority from the NPPA to the ASSL for verification within thirty days of the receipt of the report; otherwise, the amount should be refunded into the CRF.
- The VC should produce documentary evidence for the non-compliance with procurement procedures for the various ‘Emergency Works’ carried out by the Ministry;
- He also should ensure that only cases of extreme urgency should be treated as ‘emergency’ and those cases must neither be foreseeable nor as a result of dilatory conduct on the part of the Ministry as stipulated in the Procurement Regulations; and
- The missing RFQs should be produced for audit inspection within thirty days of the receipt of the report; otherwise, the whole amount must be refunded and evidence of payment forwarded for verification.

Official’s Response: The PS stated in his response that the amount of Le 1,500,000 realised from the sale of bidding documents had been utilized as required by Section 57(4) of the Public Procurement Regulations 2006 with documents available for audit inspection. He added that the Le Le530,000,000 contract awarded to Rickell International was approved by the Ministry’s Procurement Committee as required by Section 12(1) of the Public Procurement Regulations 2006 with approval granted by NPPA to receive bids using a standard RFQ. The excess of Le 140,000,000, he stated, had been discussed and justified by the Ministry and NPPA. He further mentioned that the transactions highlighted in the report were not emergencies, rather, funds for those activities went through that account. He finally stated that Procurement procedures had been observed, and files for that procurement were made available to the audit team for inspection. On the issue of RFQs, he said they had been prepared and were available for audit inspection.

ASSL Comment: The auditors explained that in respect of the Emergency Work’s Account, most of the works were carried out based on the BoQ prepared by Quantity Surveyors but most of the BoQ did not have any retirement documents and also an amount to the tune of Le116,211,000 was expended.

7.25.3. Payment of salaries to staff who had exceeded the statutory retirement age

An examination of the salary vouchers revealed that the Ministry continued to pay salaries to six members of staff who had exceeded the statutory retirement age. The amount involved was Le10,512,366. The PS was requested to ensure that that anomaly was regularized by notifying the HRMO about the staff who had exceeded the statutory retirement age; and without delay, the PS should ensure that the Le10,512,366 was recovered from the officers and paid into the CRF. In addition, evidence of payment must be forwarded to ASSL for verification within thirty (30) days of the receipt of the report.

Official’s Response: The PS stated that the Ministry always notified the HRMO about staff who had approached retirement age. He said it was evident in their man power budget for the 2012 fiscal year adding that, the notification would continue as recommended. He also mentioned that some of the affected staff had received their retirement letters and for the others, the HRMO would be informed accordingly for prompt action. He further went on to say that the Ministry would inform the HRMO for the over aged salaries paid to the affected staff to be deducted from their gratuity and paid into the CRF.

ASSL Comment: The auditors, upon verification, observed that evidence notifying the HRMO was not seen.

7.25.4. Inventory register not properly maintained

Upon physical inspection, it was observed that some items of Inventory were missing. It was therefore recommended that the Storekeeper should provide adequate documentary justification for the missing items within thirty days of the receipt of the report.

Official's Response: *The PS stated that the items in question were not missing, only that they were not physically verified by the audit team at their locations during the audit exercise due to internal transfer and that transfer forms had been completed and approved before transfer.*

The auditors stated that the missing assets were still not physically verified at their location during the audit exercise.

7.25.5. Inadequate control over the recording and supervision of revenue collection

Controls were weak over the collection of revenue due to the poor monitoring and supervision at the Carpentry and Mechanical workshops as assessment forms and Job cards were not issued for jobs undertaken at the workshops. In addition, regular reconciliations of revenue collection were not carried out between the Ministry and the NRA Collector stationed at the Ministry. Furthermore, a policy document was not designed and developed on the operations of Fuel Stations and Quarries. It was also noticed that security measures at the Carpentry and Mechanical workshops were poor, as there were no controls to prevent unauthorized personnel from entering the workshop.

It was recommended that the Principal Accountant should ensure that regular reconciliations were carried out between the Ministry and NRA. In addition, the PS should design and develop a policy document to monitor the operations on Quarries and Fuel Stations. Furthermore the Chief Mechanical Engineer and the Chief Architect should ensure that assessment forms and Job cards were prepared for every job undertaken at the workshops and finally, the Chief Mechanical Engineer and the Chief Architect were requested to put a mechanism in place at the workshop to prevent unauthorized access.

Official's Response: *The PS stated that the recommendation was noted and that Reconciliation between the NRA Representative and the Principal Accountant would start effective May, 2012. He also said that the quarry policy document was in its draft stage awaiting review before finalization. He mentioned that fuel storage registration had been dormant over the years. He however said that an officer had since been assigned to ensure its effective operations. He stated that the policy on petroleum storage registration would be designed and developed as recommended. He concluded that modalities had been put in place to ensure proper security in both the carpentry and mechanical workshops.*

ASSL Comment: The auditors upon verification mentioned that no evidence of the draft quarry policy was submitted. For fuel storage registration they observed that modalities were still to be put in place. They also noted that security in both the Carpentry and Mechanical Workshop was not effective.

7.26. Ministry of Works, Housing and Infrastructure East (2010- 2011)

7.26.1. Inadequate control over the security of furniture and equipment

It was observed that the Ministry of Works Kenema (MWK) did not maintain an Inventory Register of Furniture and Equipment for the period under review and the Furniture and Equipment at the MWK were not marked with durable identification codes to illustrate ownership and control. It was recommended that the Works Study Officer Kenema should ensure that an Inventory Register was maintained for all assets owned and controlled by the department and must contain the name of the asset, cost, date of purchase, code/identification number, individual location, and total quantity held and whether the assets were transferred from Head Office, donated or purchased by the District Office.

Also, durable identification codes/marks must be affixed to all the Furniture and Equipment owned and controlled by the division.

Official's Response: *In his response, the Works Study Officer agreed that no inventory register of furniture and equipment was maintained because the present management inherited the assets in a state of dilapidation. The only viable asset maintained in the MWK was the safe, but the rest of the furniture were the pieces left behind by the rebels after vandalizing the compound and looting away every important item. Since then their request to the authorities to dispose of those out-dated assets had been treated with neglect, he added. He said they presumed it was unnecessary to mark very old depreciated assets with durable identification codes on. However, if ASSL insisted that they do it, then they had no alternative, he concluded.*

ASSL Comment: ASSL's recommendations were still not implemented as observed during the verification exercise.

7.26.2. Non issuance of imprests

It was observed that the Ministry of Works, Housing and Infrastructure at Headquarters did not issue imprest to the MWK for the period under review. It was recommended that the Ministry of Works, Housing and Infrastructure Headquarters should ensure that imprests were given to the MWK on a regular basis to facilitate the day to day operational activities.

Official's Response: *The Works Study Officer explained that the Regional sectors of the Ministry of Works had been starved of operational funds (imprest) since 1993, about 20 years ago. This action, he said had forced local branch managers to provide stationery and other office necessities out of their pockets. He suggested that ASSL directed the recommendation to the Accountant General through the Finance Controller (Permanent Secretary) for necessary improvement. The maintained that the mandate for any action would come from the two authorities.*

ASSL Comment: ASSL's recommendation was still not implemented.

7.26.3. General observations

There was no evidence to indicate that works related projects were undertaken by the technical staff members of the MWK for the period under review. It was also observed that the MWK had a lot of obsolete and unserviceable metals within the office compound.

It was recommended that the PS of the Ministry of Works, Housing and Infrastructure must ensure that works related tasks should be performed by the technical staff of the Works division in Kenema; and advised that the Ministry of Works, Housing and Infrastructure should make arrangements for all unused scrap metals to be disposed off.

Official's Response: *The Works Study Officer in his response noted the recommendations. He said many requests had come from the line ministries requesting them to do estimates for programmes or projects on existing government properties. He added that it was in their schedule to do the work when the budget was approved but most times the projects were diverted to private contractors for selfish gains. He mentioned that very few line ministries engaged their services even though their technical staff members were allocated to various Ministries on standby. He said their responsibilities were to ensure that prompt technical services were rendered when such was required and as soon as the agreement between the Sierra Leone Government and the Sierra Leone Roads Authority was rectified in parliament in 1994, the Ministry of Works Kenema lost the grip of ownership of the works yard. At that moment only 1/5 of the compound was occupied by the MWK and the rest were distributed among the Sierra Leone Road Authority, Mechanical Services Unit, and SALCOST, he stated. In concluding, he said that comparing their percentage of power to the three giant parastatals, any attempt by them to do the clearing would have no impact. He therefore suggested that ASSL should forward the recommendation to the PS, Ministry of Works, so that unused scrap metals would be finally disposed off.*

There was no evidence to indicate the extent of implementation of the recommendations.

7.27. Housing Division Kenema

7.27.1. Inadequate control over the collection and banking of revenue

The NRA's Office at the Housing Division Kenema did not make receipts available in respect of revenue generated from the issuance of Building Permits of Le4,575,000 and Le1,001,000 for the Financial Years ended 2010 and 2011 respectively.

There was also no evidence in the form of Bank Statements and other documents to indicate that the revenue generated by the NRA's Office at the HDK was paid into the treasury's main account held at the Bank of Sierra Leone. It was recommended that the Senior Housing Officer Kenema (SHOK) and the NRA Officer must forward the receipts and Bank Statements in respect of the issues highlighted within the regulatory timeframe of thirty (30) days.

Official's Response: *The SHOK stated that the NRA Officer was not stationed in the division but came in periodically. He however mentioned that the necessary documents in respect of receipts issued for revenue paid by clients were available in the files for verification.*

ASSL Comment: Although NRA receipts in respect of revenue collected from the issuance of building permits were presented and verified, it was noted that Bank Statements and pay-in-slips were not made available for verification.

7.27.2. Non issuance of imprests

It was observed that the Ministry of Works, Housing and Infrastructure did not issue imprest to the HDK for the period under review. It was recommended that the Ministry of Works, Housing and Infrastructure should ensure that imprests were given to the HDK on a regular basis to facilitate the day to day operational activities.

Official's Response: *In his reply, the SHOK stated that it was an excellent financial regulation but no imprest was given to the Housing Division Kenema. He however appreciated the auditors' recommendations.*

There was no evidence to indicate that ASSL's recommendations were implemented.

7.28. Office of the DMO and PHUs, Kenema (2011)

7.28.1. Non retirement of imprest

During the period under review, imprest payments totalling Le63,569,400, were made through the Kenema District Council and the Kenema City Council to the PHUs. However, there was no evidence in the form of retirement details/supporting documents to justify the utilization of such funds. It was recommended that the DMO should forward the retirement details in respect of the above amount to ASSL for verification within thirty (30) days of the receipt of the report; otherwise, the full amount must be refunded; and in future, the DMO must ensure that imprest payments made to PHUs were retired and properly accounted for.

Official's Response: *The DMO stated that imprests were actually paid into the account of individual peripheral Health Units in the district. He however said that monthly returns together with their supporting documents had just lately been made available for verification.*

ASSL Comment: ASSL's recommendations were partially implemented. During the verification process, supporting documents totalling Le19,640,000 were submitted and verified leaving a balance of Le 43,929,400 without support of documentary evidence.

7.28.2. Poor management of stores

A total of 120,330 cost recovery drugs and medical items were recorded in the Allocated Store Ledger (ASL) as receipts from the Central Government. However, there was no evidence in the form of Delivery Notes to

justify that the quantity and specification of the drugs were accurate and complete. 56,369 Cost Recovery Drugs and other medical items were issued out of stores without the support of Store Issue Vouchers. It was also noted that the revenue generated from the sale of the drugs was not brought to account and a total of 572 medical items, in respect of the year end balances recorded in the ASL, were not brought to account. It was therefore, recommended that the DMO should ensure that all items of receipts should be accompanied by delivery notes and supported by the relevant receipts in accordance with Sections 188 (1) of the Financial Management Regulations, 2007. SIVs should be raised for all items of issues and must be approved by a responsible officer before items were issued out of stores. An account together with the documentary evidence must also be given on the revenue generated from the sale of the 56,369 Cost Recovery Drugs and other medical items which should reach ASL within thirty (30) days of the receipt of the report; otherwise, the market price of the drugs and other medical items must be refunded in full. 572 medical items in the ASL not brought to account must be made available for verification within thirty (30) days of the receipt of the report; otherwise, the current market price of the items must be refunded without delay and in future, regular reconciliations should be done between the physical store items and the records in the ASL, and all discrepancies properly investigated and reported on. Prompt action must be taken to recover all such losses.

Official's Response: *The District Medical Officer stated that the delivery note that accompanied the drugs was placed in the main store at RTI Ware house and had lately been retrieved for verification. He also mentioned that the total of 56,369 cost recovery drugs and other medical items issued without the support of store issue vouchers were those that were issued on emergency cases. He said however that efforts had been made to take them on store issue voucher for verification. The balance of 572 medical items recorded in the ASL had lately been made available for verification, he concluded.*

ASSL Comment: ASSL recommendations were not implemented.

7.29. Ministry of Lands and Country Planning (2010 - 2011)

7.29.1. Procurement procedures not followed

Procurements amounting to Le762,707,000 were made in 2010 for which a procurement plan was not submitted for audit inspection. It was recommended that the PS should submit to ASSL documentary justifiable reasons for failing to submit the plan as required, within thirty days of the receipt of the report.

7.29.2. Imprest not fully retired

Imprest payments totalling Le8,000,000 for 2010 and Le2,520,000 for 2011 respectively, were not fully retired. It was recommended that the Accountant should ensure that all retirement details were attached to the payment voucher and that the necessary retirement details for the utilisation of the amount of Le10,520,000 were submitted for audit inspection, within 30 days of the receipt of the report; otherwise, a refund must be made into the CRF and details of payment forwarded to ASSL for verification.

7.29.3. Inadequate control over the collection recording and reporting of revenue collected

Lease Rent Records were not regularly updated, as the amount shown in the cash book of the NRA in respect of Lease Rent was higher by Le 106,647,000 than that of the Lease Rent Records of the Ministry. In addition, an examination of receipts issued by the NRA revealed that the sum of Le 450,071,645 was collected in 2010 and Le 1,473,141,738 in 2011, in respect of lease rent. However, Bank Statements were not submitted to confirm the deposit of the said amounts into the required bank account. Furthermore, information contained in some receipt books was not legible. It was recommended that the PS should cause a reconciliation of the two set of records to be carried out forthwith and the Commissioner-General must produce the complete required Bank Statements for the entire period under review. The Commissioner-General was advised to

institute an investigation to probe the issue of illegible recordings in receipt books and forward the result of the investigation to the Office of the Auditor General for verification within thirty (30) days of the receipt of the report.

7.29.4. Documents relating to revenue not submitted for audit inspection

The following documents were not made available to the Audit Team for inspection:

- NRA Cash Book for the period January-December 2010;
- Bank Statements for Transit Account Number 001-116419-03-00-04 for the period 2010-2011;
- Revenue Return Vouchers for the period January-December 2010;
- Revenue Return Vouchers for the period January, March, April, May, July and August 2011; and
- Approved Lease Rent (State Land) Register for the period under review.

It was recommended that the PS and the Commissioner-General of the NRA should ensure that the documents were produced for audit inspection within thirty (30) days of the receipt of the report; otherwise, Section 18(1) of the Audit Service Act, 1998 would be invoked.

7.29.5. Arrears of lease rent

Arrears of Lease Rent stood at Le1,997,590,000. It was therefore recommended that the PS should ensure that stringent measures were put in place to enable defaulters to settle their outstanding arrears of lease rent.

7.29.6. Unlabelled Assets

Some assets of the Ministry were not marked with identification codes. It was therefore recommended that the PS should ensure that the assets of the Ministry were given identification codes.

7.29.7. Item issued from store but not made available for verification

A laptop valued at Le 4,500,000 issued from the Ministry's store to the Accountant was not made available to the audit team for verification. It was recommended that the Accountant should produce the Laptop for verification within thirty (30) days of the receipt of the report; otherwise a refund of Le4,500,000 into the CRF must be made and evidence of payment to the bank forwarded to ASSL for verification.

7.29.8. Lack of segregation of duties

We noted that there was the lack of segregation of duties in the Accounts Department, as the Accountant was responsible for the processing of payment vouchers and also acting as Storekeeper. In addition, items valued at Le14,940,000 were distributed in 2011 without the prior approval of the PS. It was recommended that the PS should ensure that there was adequate segregation of duties.

7.30. Ministry of Mines and Mineral Resources (2010-2011)

7.30.1. Revenue collected but not banked

Receipts totalling Le18,300,000 and \$19,690 in respect of monitoring and rehabilitation fees issued by the Ministry's accounts office were not deposited into bank. A review of revenue records such as receipts, cashbook, paying slips and bank statements revealed that for the period 2010, the amount of Le 20,305,218,809.55 was collected and recorded in the NRA Cash Book, but only Le19,776,020,012.16 was banked, leaving a difference of Le 424,655,197.16 which was not accounted for. It was recommended that the

Accountant should ensure that all revenues collected were banked intact and that the amounts of Le18,300,000 and \$19,690 must be refunded into the CRF within thirty (30) days of the receipt of the report and evidence of payment forwarded to ASSL for verification. It was also recommended that the PS should ensure that monies collected were banked.

7.30.2. Inefficiency of the Cadastre System

An examination of the NRA cash book revealed that payments totalling Le13,403,064,880.84 in respect of licences could not be traced in the cadastre system. In addition, no IT security policy was maintained in the Cadastre in relation to the level of access to the system. It was recommended that the PS should ensure that all payments of licences must be inputted into the cadastre system. The PS was advised to also ensure that a policy was established for the Cadastre system in relation to changes of information within the system.

7.30.3. Inadequate control over the collecting and recording of revenue

A review of the Cadastre system revealed that licences issued totalling \$392,250 were not paid to the NRA. In addition, Licences, receipts and application forms were not printed by government. It was recommended that the PS should see to it that revenue collected was recorded in the Cash Book. The PS should also ensure that the amount of licences issued without NRA receipts were paid to the NRA and evidence of receipt sent to ASSL within thirty (30) days of the receipt of the report.

7.30.4. Accountable register and duplicate copies of licences not submitted

Copies of licences issued totalling Le 20,305,218,810 in 2010 were not submitted for audit inspection. An Accountable Register was also not maintained. It was recommended that the PS should ensure that the documents should be produced for audit inspection within 30 days of the receipt of the report; otherwise Section 18(1) of the Audit Service Act, 1998 would be invoked.

7.30.5. Items not entered in the cash book

Withdrawals totalling Le 4,172,780,740 and \$142,734.16 from the nine accounts were neither recorded in the cash book nor were supporting documents provided to substantiate the utilisation of funds. Amounts totalling Le 9,655,732,489 and \$225,608 transferred to the Ministry were not recorded in the Cash Book. It was recommended that the PS should ensure that all withdrawals were recorded in the relevant cash book and their supporting documents attached for audit review. The Ministry should also ensure that all receipts and licences were done by government printing.

7.30.6. Salary vouchers and duplicate copy of receipt not submitted

Payments totalling Le 210,881,664 for the month of January - September 2010 and Le 70,293,888 for the month of May - July 2011 respectively were made for which salary vouchers in respect of payments to Graduate Engineer were not provided to substantiate the utilisation of funds. NASSIT deduction totalling Le 38,465,779 and Le 59,958,066 in 2010 and 2011 respectively were made from MMO's salary but no evidence of payment was made to NASSIT. It was therefore recommended that the PS should ensure that salary vouchers should be produced within thirty (30) days of the receipt of the report and evidence forwarded to ASSL. The PS should also ensure that all receipts should be produced for audit verification within 30 days of the receipt of the report.

7.30.7. Salary paid to ghost staff

Salaries totalling Le 29,096,550 were paid to MMO's even though they were not reporting for duty since October, 2010. It was therefore recommended that the PS should ensure that salaries were only paid to staff who were reporting for duty.

7.30.8. Loan not paid to GGDO

Loan given to the Mines Monitoring fund of the Ministry by GGDO was not repaid completely. The sum of Le 334,789,673 remained outstanding. It was therefore recommended that the PS should ensure that the loan was settled and evidence sent to ASSL.

7.31. Ministry of Energy and Water Resources

7.31.1. Lack of control over the distribution of fuel

There was inadequate control over the distribution of fuel in the Ministry, as fuel amounting to Le29,997,500 was issued to a vehicle named 'contingency truck' whose evidence the audit team could not verify.

It was recommended that the Chief Engineer should ensure that the 'contingency truck' was made available for audit inspection within thirty days of the receipt of the report; otherwise, the Le 29,997,500 must be refunded into the CRF and evidence forwarded to ASSL for verification.

7.31.2. Procurement procedures not followed

Contracts amounting to \$66,421,300.99 and Le 851,313,000 were awarded by the Ministry for which the activities were not on the procurement plan. Procurement documents such as copies of newspaper adverts, minutes of procurement committee meetings, Technical Evaluation Reports, Award Letters and Contract Agreements in respect of contracts awarded for the period under review amounting to Le 15,707,205,957 and \$68,296,548 were not produced for audit inspection. It was recommended that the PS should ensure that procurement procedures were done according to regulations of the NPPA and that he must provide documentary evidence for undertaking procurement activities which were not in the procurement plan, for verification, within thirty days of the receipt of the report. Furthermore the Procurement Officer should produce the relevant procurement records in respect of the contracts awarded for the period under review for audit inspection within thirty (30) days of the receipt of the report; otherwise, the Le15,707,205,957 and \$68,296,548 were to be refunded and evidence forwarded to ASSL for verification.

7.31.3. Receipts and issue of store items without the relevant store records

There was no documentary evidence in the form of store receipts and issue vouchers, ledgers and distribution lists to indicate that store items purchased to the tune of Le151,755,000 were received and distributed to the various divisions. It was recommended that in future, the PS should ensure that items purchased were properly recorded in the relevant store documents such as receipts and issued vouchers, store ledgers and distribution list, and should be retained for audit or reference purpose. Also the PS was to produce documentary evidence in support of the receipt and distribution of the store items to the various units to ASSL for verification within thirty (30) days of receipt of the report, otherwise the Le 151,755,000 must be refunded.

Official's Response: *The PS in his reply stated that the necessary action had been taken since then on the recommendations made; thus, relevant store documents, receipts, issue vouchers and distribution lists were retained for audit and for reference purposes. He added that items*

receipted and issued were posted into the store ledger; documents were showing the quantity details, receipts, and issued items as transaction occurred. He further mentioned that the store ledger and documents were also available for audit verification.

ASSL Comment: The auditors noted, after going through the documents submitted from the Radiation Protection Board for verification, that there were items that were still not posted in the stores ledger amounting to Le 2,785,000.

7.31.4. Attendance Register not properly maintained

It was observed that staff of the various divisions in the Ministry were not signing the Attendance Registers to indicate their punctuality at work. It was therefore recommended that the PS, Chief Engineer of Water Division and Head of the Radiation Protection Board should ensure that staff sign the register on a daily basis.

7.32. Ministry of Fisheries and Marine Resources

7.32.1. Revenue not brought to account

In spite of a written request made by the auditors to the NRA, the Bank Statement for the month of December, 2010 was not made available to ascertain that fines collected by the Ministry amounting to Le457,747,650 were deposited into Bank Account No. 1100843. In addition, the Ministry did not prepare Bank Reconciliation Statements for the period under review. Furthermore, revenue collected between 1st January to 30th July, 2010 by the NRA Collector amounting Le5,641,941,518 in respect of licenses, royalties, trans-shipment fees, etc, was not deposited into Bank Account No. 1100583 and finally an examination of the Ministry's Cash Book revealed that Le688,800,019.44 should have been collected by the NRA. However, it was observed that the NRA Collector only issued receipts to the Fishing Company for Le475,617,707 resulting in a difference of Le213,182,312 not brought to account.

It was recommended that the amount of Le457,747,650 collected as fines should be paid into the account without delay. In addition, the PS had to ensure that the sum of Le6,788,489,187.44 was recovered and paid back into the account, and the Paying-in Slip sent to ASSL for verification within thirty (30) days of the receipt of the report, otherwise the sum of Le6,788,489,187.44 should be refunded. The PS should also ensure that fines collected were paid into the bank account without delay.

7.32.2. Receipt books not submitted for audit

Six receipt books in respect of licenses, royalties, transshipment, local discharge, export and import were not submitted for audit inspection for the period under review. A review of the Ministry's Cashbook revealed that the sum of Le8,404,154,585 was collected on those receipt books. However, there was no evidence that the amount was deposited into the bank. It was recommended that the PS must ensure that the six receipt books and the amount collected on them were presented to ASSL for verification within thirty days of the receipt of the report; otherwise, the sum of Le8,404,154,585 should be refunded. Also the Commissioner-General of NRA should ensure that receipts were issued as soon as revenue was collected.

7.32.3. Procurement procedures not followed

Procurement documents such as copies of newspaper adverts, minutes of procurement committee meetings, Technical Evaluation Reports, Award Letters and Contract Agreements in respect of contracts awarded for the period under review amounting to Le2,819,496,080 were not produced for audit inspection.

It was recommended that the Procurement Officer should produce the relevant procurement records in respect of the contracts awarded for the period under review for audit inspection within thirty (30) days of

the receipt of the report; otherwise, the amount of Le2,819,496,080 must be refunded and evidence forwarded to ASSL for verification.

7.32.4. Inadequate control over the collecting and recording of revenue

A Review of bank paying-in slips revealed that fines paid for the period under review amounting to Le501,956,450 were not recorded in the Ministry's Revenue Cash Book. In addition, the total revenue collected for the period under review, according to the NRA cashbook, was Le12,580,310,046.41 and the total revenue reflected by the Ministry's cashbook was Le20,439,400,038 leaving a difference of Le7,859,089,990 not posted in the NRA cashbook. It was also noticed that fines of \$80,000 and Le3,000,000 were levied on vessel F/V PUYU 6016 owned by Okey Agencies Limited in respect of the violation of the Fisheries Management and Development Act of 1994. However, there was no evidence that the amount was paid by the company.

It was recommended that the PS should ensure that the Accountant recorded all the fines collected during the period under review and that bank paying in slips were forwarded to ASSL for verification within thirty days of the receipt of the report; otherwise, the amount of Le501,956,450 must be refunded. Additionally, the Director of Fisheries should enforce the payment of the fines by the company within thirty days from the date of the receipt of the report and forward the evidence to ASSL for verification. Furthermore the PS should ensure the recording in the Revenue Cash Book of all revenue collected on behalf of Government and that the Ministry and the NRA reconcile yearly the revenue collected, to avoid any variance between the NRA and the Ministry.

7.32.5. Under – assessment of licences and royalties

The calculations for the payment of licenses and royalties by the Ministry were inconsistent leading to a variance of \$338,555 between the amount paid by the companies and what they should have paid.

It was recommended that the Ministry should recover the sum of \$338,555 from the Fishing Companies and forward the receipt to ASSL within thirty days of the receipt of the report. Also, the Accountant was to ensure that all calculations were done consistently in respect of licenses and royalties.

7.32.6. Kissy Dockyard branch of the ministry not in operation

An interview held between the Head Division and staff in the Ministry's office at Kissy Dockyard revealed that there was no official work for the past two years as the office was in a dormant state and the office building was in a dilapidated condition. It was recommended that the PS and the Director of Fisheries were to ensure that the staff at Kissy Dockyard were given active work schedules; otherwise, the Human Resource Management Office should be requested to transfer them to other MDAs where they could be productively utilized.

7.32.7. Stores records not properly maintained

There was no documentary evidence such as store receipt and issue vouchers, ledgers and distribution lists to indicate that store items purchased to the tune of Le48,225,000 were received and distributed to the various divisions. It was also observed that items bought amounting to Le124,958,400 for the period under review were not posted into the Inventory Register. As a result, the audit team was unable to verify the physical existence of the items.

It was recommended that firstly, the PS should forward documentary evidence in support of the receipt and distribution of the store items to ASSL for verification within thirty (30) days from the date of the receipt of the report; otherwise the sum of Le48,225,000 must be refunded. Secondly, the Store Keeper should ensure that the inventory register was up-dated when new assets were bought and/or disposed of. Thirdly, inventory items should be produced for physical verification within thirty (30) days of the receipt of the report and lastly, in future, the PS should ensure that items purchased were properly recorded in the relevant store documents such as receipts and issued vouchers, store ledgers and distribution lists, and should be retained for audit or reference purpose.

7.33. Ministry of Trade and Industry (2010)

7.33.1. Payments of salaries and allowances

It was observed that salary payments amounting to Le3,770,200 were made to the former Senior Industrial Development Officer for the period July to December, 2010, even though his retirement had taken effect from the 8th of June, 2010. In addition, a Statistical Clerk of the Ministry abandoned his place of work or duty station since January, 2010, but continued to receive salary to date, to the tune of Le3,029,036. It was recommended that by copy of the report, the Accountant General should delete those names from the salary voucher of the Ministry and that the Permanent Secretary must ensure that the said amounts were deducted from the above officials' monthly pension and paid into the CRF. Evidence of payment must be forwarded to the ASSL for verification

Official's Response: *The PS replied that action had already been taken and a letter sent to the Director General, NASSIT, for the said amount to be deducted from their benefits and pension.*

ASSL Comment: The salaries collected have not yet been refunded into the CRF. Therefore, the matter is still outstanding.

7.34. Provincial Secretary's Office East (2011)

7.34.1. Non retirement of imprest

On the 13th of January, 2011 and 9th of June, 2011, imprest payments totalling Le100,000,000 were made to the Provincial Secretary's Office Kenema (PSOK) to meet the cost of the President's visits to Kenema. However, it was noted that there was no evidence in the form of retirement details/supporting documents to justify the utilization of such funds. It was recommended that the Provincial Secretary Kenema should forward the retirement details in respect of the above amount to ASSL for verification within 30 days of the receipt of the report; otherwise, the total sum of Le100,000,000 must be refunded forthwith. Also in future, the Provincial Secretary Kenema must ensure that imprest payments received were retired and properly accounted for.

Official's Response: *The Provincial Secretary stated that the amount in question was lodged in the account for onwards transmission to the Resident Minister, purposely for expenditure relating to the presidential visits. He said that the money was collected in a hurry and was handed over immediately to the Resident Minister.*

ASSL Comment: ASSL's recommendations were not implemented.

7.35. Provincial Secretary Office South (2010 -2011)

7.35.1. Payments not approved

An examination of a sample of accounting records in respect of payments revealed that a payment for 4 days night allowance, on PV No11260 of 16/5/2011, totalling Le1,400,000, was not approved by the Provincial Secretary (PS) or a designated person. It was recommended that the PS must ensure that appropriate approval should be sought and records fully completed before any payment was made.

7.35.2. Fuel not brought to account

A Fuel Register was not maintained. In addition an examination of selected transactions revealed that fuel and lubricants, totalling Le176,180,000, was not accounted for by the Provincial Secretary's Office. It was recommended that the Provincial Secretary should ensure that documents relating to the receipt and usage of the said fuel must be presented for inspection within thirty (30) days of receipt of the report; otherwise, the amount involved should be recovered from those concerned and paid into the Consolidated Fund.

7.35.3. Arrears of rent

It was observed from the scrutiny of documents presented for inspection that residents of various Government Quarters owed Government in rent the sum of Le3,143,000. It was recommended that the Provincial Secretary should ensure that all legal residents of Government Quarters should as a matter of urgency pay their rents to the consolidated fund and the receipt forwarded to ASSL for verification.

7.35.4. Rents not deducted at source by the Accountant General

It was observed from documents presented for inspection that payments of rent for Government Quarters were not deducted at source and paid over to the Accountant General's account. It was recommended that the Provincial Secretary should ensure that a list of all those occupying Government Quarters must be forwarded to the Accountant General for necessary action and evidence of that forwarded to ASSL for verification.

7.36. Office of the President (2007 – 2010)

7.36.1. Excessive use of fuel without documentation

It was observed that some members of staff, and in some cases vehicles, collected far more fuel than they were entitled to, according to the fuel allocation lists provided for audit inspection. See summary below:

Table 7.6- Excess Use of Fuel Without Supporting Documentation					
Year	Quantity Entitlement	Actually Supplied	Difference	Unit cost Le	Value of Difference Le
2010	400	829	(429)	16,500	7,078,500
2009	1,920	3,688	(1,768)	14,800	26,166,400
TOTAL	2,320	4,517	2,197		33,244,900

It was recommended that the Vote Controller should provide an explanation for the excess expenditure within thirty days of the receipt of the report, otherwise, the Auditor General would disallow and surcharge the amount.

Official's Response: The Secretary to the President told ASSL that there were categories of vehicles in the Office of the President that required more than 45 litres of fuel per week and there were those that worked round the clock to meet with the many challenges associated with the Presidency on a daily basis (including weekends) to provide much needed ancillary services within and around the Presidency.

It was important to note that the office provided support to His Excellency the President who held the highest office in the land and as Head of State, the Supreme Executive Authority of the Republic and Commander-in-Chief of the Armed Forces, his multifarious official duties and functions required logistic support on a timely basis, he added. He furthermore stated that the Fuel distribution was therefore done on the basis of need and in response to existing situations. He mentioned that it was also mandatory with most of those utility 4WD vehicles that the quantity of fuel should not go below a certain level in order to avoid damage to the fuel pump and other relevant parts of the engine. Therefore, as a matter of expediency they were constrained to observe such technical guidelines and having regard to those peculiar circumstances, it was their considered view that the office should be granted special dispensation to allow some degree of flexibility in fuel usage, he concluded.

ASSL Comment: The above issues still stand.

7.36.2. Per Diem allowances of \$602,076.05 not properly evidenced.

It was observed that the State Chief of Protocol (SCOP), was responsible for collecting and distributing per diem allowances for the President's Entourage during both local and overseas trips. It was further observed that there was no documentary evidence to confirm that what he collected was correctly distributed according to the approved budget. In other words, the auditors were unable to confirm that every member of the entourage did receive their per diem from the SCOP.

Table 7.7- Per diem Allowances Without Documentary Evidence			
International Travel – Overseas Per diem Allowances			
Year	Other Overseas \$	UN General Assembly \$	Total \$
2010	194,494	0	194,494
2009	133,343	0	133,343
2008	133,471	0	133,471
2007	28,074	0	28,074
2008	0	47,143	47,143
2009	0	28,870	28,870
2010	0	36,680	36,680
TOTAL	\$489,382	\$112,693	\$602,076

Table 7.8 - Per diem Allowances Without Documentary Evidence	
Local Travel Details	
Year	Per diem (Le)
2010	557,460,000
2009	104,807,000
2008	109,315,000
2007	16,840,000
Total	Le 788,422,000

It was therefore recommended that in future, members of the President's entourage should sign for their per diem when collecting it and those details added to the related payment voucher. Also the Secretary to the President should ensure that within thirty days of the receipt of the report the Chief of Protocol must provide documentary evidence accounting for the above; otherwise, the Auditor General would disallow and surcharge the full amount on the Chief of Protocol.

Official's Response: *On the overseas per diem, the Secretary to the president stated that as far back as 2007, they had ensured the collection of receipts of allowances paid to officials. He said in conformity with the recommendations of the Audit Report of 2007, they continued to observe the procedure with all officials having to sign and acknowledge receipt for allowances received. He mentioned that for the years 2008 and 2009 therefore,*

records of receipts for allowances received were in existence in the Accountant's Office but unfortunately, it would appear that all of those records were misplaced during the Record Management Improvement Programme's massive effort to decongest all the records sections at State House and introduce best practice records-keeping. He added that the efficacy of the exercise had not been eroded by the loss of those documents because alternative evidence may be obtained by enquiring with the personnel that were in the Presidential entourage, and their responses corroborated to help ASSL form an audit opinion. He said that all the officers who served as SCOP during the period under review were within the jurisdiction and would assist in the process. Nevertheless, from 2010 to present, there were records of receipts for allowances collected, which were available for inspection, he mentioned. He concluded by stating that they would ensure that details of receipts were added to the related payment

On the issue of the local per-diem he explained that it was rightly stated in the Audit Report that the SCOP was responsible for collecting and distributing per diem allowances to members of the President's entourage when local travel was undertaken. He added that those officials consisting mainly of security personnel, press functionaries, stewards, drivers and senior officials normally signed for and received their allowances. As in the case of the records for overseas travelling, similar problems had been encountered in tracing documentary evidence of receipt of such allowances, he concluded.

Documents relating to per diem allowances for local travelling in 2010 amounting to Le478,025,000 have been verified. The balance of Le79,435,000 was still outstanding as documents were not submitted in support of the amount.

For the financial year 2007,2008 and 2009, there were no documents submitted for per diem allowances or related expenses for both local and overseas travelling.

On the issue of per diem allowance relating to overseas travelling in 2010, documents amounting to \$34,901 were submitted and verified, in which case the remaining documents amounting to \$57,769 were still not submitted.

7.36.3. Imprest Expenditure on overseas and local travel not retired by the State Chief of Protocol

It was observed that several payments amounting to \$ 320,330 were made to the SCOP for the period under review, as Imprest during overseas travel, for which there were no retirement details.

Whenever the President was traveling to the regions, the SCOP would collect Imprest for the purchase of fuel, feeding and contingences. However, there were no documentary evidence (e.g. invoices and receipts), in support of retirement of Le 793,428,750.

It was therefore recommended that in future, the Accountant General should reject requests for Imprest from any Public Officer with an outstanding unretired Imprest. In addition, the Secretary to the President

should ensure that the SCOP made available retirement details for the above amounts within thirty (30) days of the receipt of the report; otherwise, the whole amount would be disallowed and surcharged.

Official's Response: *Replying to issues relating to unretired overseas imprest, the Secretary to the President said that the Imprest for the President had been used for the following:*

- *Tips for hotel and general services*
- *Purchase of air/train tickets not budgeted for*
- *Hotel bills not covered by per diem*
- *Donations/ any incidentals*
- *Fuel for private aircraft when necessary*

He added that the Office, especially the unit headed by the SCOP was aware of Rule 83, subsection 3-5 and Rule 89 (1) of the Financial Management Regulations and officers who had held the position during the period under review were available for further clarification. He said that retirement of imprest for the period 2010 to present was available for inspection. He assured that in future, all documentary evidence pertaining to the use and retirement of expenditure would be followed to the letter.

For unretired local imprest, he stated that contingencies existed for the operational expenses of the Presidency. That he meant, was exclusively for the use of HE the President, and those funds were disbursed by the SCOP to cover the following and other expenditures:

- *Donations (Chiefs, Student Group, various Association, etc.)*
- *Tips to security personnel in the regions, cooks, stewards, cleaners.*
- *Advance to Res. Min/ SDO as financial support for the purchase of additional drinks.*
- *Purchase of additional fuel/ oil/ vehicle parts as the case may be.*

He said the collection of receipts for most of those expenditures had not been consistent due to the nature of disbursements of those monies, and the extempore nature of those activities. As such, it had been impossible to provide receipts for all expenditures in terms of contingencies for local travel, he mentioned. He added that in the case of expenditure on fuel, the SCOP with the assistance of the Senior Driver had also been responsible for collecting monies and providing fuel for all vehicles in the Presidential entourage. Due to the distances covered, it was impracticable to receive fuel supply for all the vehicles in Freetown prior to their departure and therefore allocation for local travel had been in the form of cash disbursement to facilitate the purchase of additional fuel outside Freetown, he maintained.

He said since 2007, a record of receipts was maintained. However, those receipts for fuel which had been collected could not be traced due to the movement of personnel after the change of Government, he noted.

Concluding, he stated that receipts from 2010 to present were available for inspection and verification; notwithstanding the above, modalities would be put in place to ensure that adequate documentation was maintained and retained for all such expenses.

The documents for 2010 Imprest that related to overseas travelling were not submitted for inspection, even though it was mentioned in the Management Response that those documents would be made available for verification. In effect the issues are still outstanding. For imprests that related to expenditure, some documents for the year 2010 local travelling amounting to Le259,517,500 were submitted and verified. The balance of Le113,635,500 is still outstanding.

7.36.4. Special imprest/departmental warrant not retired

Retirement details on expenditures relating to special Imprests and amounting to Le 550,305,043 were not submitted for audit inspection. It was recommended that the Secretary to the President should make available retirement details for the above amounts within thirty (30) days of the receipt of the report; otherwise, the

whole amount would be disallowed and surcharged. In future, the Accountant General should reject requests for Special Imprest from any Public Officer with an outstanding unretired Imprest.

Official's Response: *The Secretary to the President said that the office had retired almost all of the payments and effort was being made to retrieve copies of those documents from the Accountant General's Department. He concluded that they would be made available to ASSL for inspection and verification.*

ASSL Comment: The above issues still stand as the said documents were not produced for inspection.

7.36.5. Documents not submitted for audit exercise

It was also observed that bank statements, cheque stubs and bank reconciliation statements were not submitted for audit inspection for the following bank accounts:

Table 7.9 – Unpresented Documents	
Bank	Account
Sierra Leone Commercial Bank (2008)	Account A
Sierra Leone Commercial Bank (2008)	Account B

ASSL recommended that the Secretary to the President should make available the above documents within thirty days of receipt of the report, failing which Section 18 of the Audit Act would be invoked.

Official's Response: *The Secretary to the President stating that efforts were being made to trace those documents, and that they would be made available to the ASSL for inspection and verification as soon as they were located.*

ASSL Comment: The above issues still stand as none of those documents were produced.

7.36.6. Procurement procedures not followed in the procurement of services

A payment of Le131,370,000 was made to Farouk M. Gebara & Company Limited, for the carpeting of State House, for which procurement procedures were not followed. There was no evidence for instance, to show that the contract awarded to Farouk was advertised, that bids were received, opened, evaluated and the contract awarded to the winning bidder. On the contrary, it would appear that Farouk M. Gebara & Company Limited was hand-picked and awarded the contract. It was recommended that, in future, procurement procedures should be followed, and that a detailed explanation should be provided for that breach by the Office of the President.

Official's Response: *The Secretary to the President stated that there was a desperate need for the refurbishment of State House which included the re-carpeting of the entire area that was visible to the public. The carpet had become threadbare in certain areas, and its deplorable state did not befit the Office of the Head of State, he added. He said that several distinguished personalities and delegations were expected to visit His Excellency the President around that time and they could not expose the Presidency to shame and ridicule. He said further that fortunately, several rolls of carpets were donated to His Excellency the President who gave the green light for them to be laid immediately to remedy the situation. He also mentioned that the area to be carpeted was extensive and only one supplier Farouk M Gebara was willing to undertake the work despite contacts made with other suppliers within Freetown. He also mentioned that he was the only supplier who was willing to supply all other materials (including quality underlay which he had in stock) required to complement the laying of the carpet. He was therefore requested to perform the service with the understanding that payment would be effected later, he maintained.*

ASSL Comment: The above issue still stands.

7.37. Office of the Vice president

7.37.1. Per Diem allowances not accounted for

The sum of \$19,812 was collected as per diem for various overseas trips by the secretary to the VP, on behalf of the VP's entourage. However, no evidence was provided to confirm that the beneficiaries on those trips did receive their per diem as budgeted. It was therefore recommended that in future, members of the VP's entourage should sign for their per diem when collecting them and those details added to the related payment voucher. It was also recommended that the secretary to the VP should ensure that he provided for audit verification the missing evidence within thirty days of the receipt of the report, otherwise the appropriate authorities will be informed.

Official's Response: *The secretary to the VP explained that the originals of such payments were normally returned to the office of the Accountant-General upon retirement of the amounts provided as Imprest adding that the duplicate also bearing the signatures of the individual recipients of the Daily Subsistence Allowance (DSA) were all contained in their Expenditure Files retained by the Senior Accountant which were inadvertently not presented during the Audit. He mentioned that they had since been traced and were ready for inspection and verification at ASSL's earliest convenience.*

ASSL Comment: The auditors after verification stated that documents relating to the sum of Le 329,470,000 collected for DSA, for local trips of the VP's entourage, were made available upon verification and the evidence provided confirmed the receipt of DSA by beneficiaries. It was however unfortunate that the sum of \$19,812 collected as per diem for overseas trip by the secretary to the VP, on behalf of the VP's entourage still had no evidence.

7.37.2. Imprest not retired

Imprest not retired

Whenever the VP travelled to the regions, the SVP collected Imprest/contingences. However, there was no documentary evidence in the form of invoices and receipts, or other retirement details, explaining how the contingences were expended. The sum involved was Le 60,000,000 and \$58,009. It was therefore recommended that in future, the Accountant General should reject requests for Imprest from any Public Officer with an outstanding retirement. Also the secretary to the VP should make available the retirement details for the above amounts within thirty days of the receipt of the report; otherwise, the appropriate authorities would be informed.

Official's Response: *The secretary to the VP replied that it was the normal practice for the VP to be provided with Incidental Imprest when he undertook Provincial and Overseas official visits. Such Imprest, he said, were duly signed for, by the Chief of Protocol on behalf of the VP who disbursed same on a non-accountable basis, i.e. \$7,000 and \$15,000 respectively. As the issue had been raised by Audit, he said they would henceforth ensure that a Ledger was opened for such transactions and they would advise the VP to endorse as recipient.*

Additionally, the amount of \$36,009 that formed part of the \$58,099, he said, was provided by Government for the hosting of the Lombardi Trade Fair and Investment Forum in Italy. He noted that the Forum was intended to attract international investors in line with Government's policy to rebrand Sierra Leone as an Investor friendly nation that was open to legitimate business enterprises. He mentioned that the amount in question was hand delivered by the Chief of Protocol to the Deputy Minister of Agriculture who was Head of the Advanced Team to Italy that worked closely with Sierra Leone's Ambassador in Germany with Plenipotentiary responsibility for Italy, to convene the Investment Forum. He concluded that the Investment Forum in Italy, like that convened in London, was fully authorized by Government and that the receipts for the Lombardi Trade Fair and Investment Forum had been traced and were ready for inspection.

ASSL Comment: Upon verification the auditors stated that the retirement details relating to the amount of \$36,009 provided by Government for the hosting of the Lombardi Trade Fair and Investment Forum in Italy were submitted for audit verification and were satisfactory. However, no document or evidence was provided for the retirement for the use of Le 60,000,000, \$7,000 and \$15,000.

7.38. Sierra Leone Police (2011)

7.38.1. Poor Payroll Administration

A review of the payroll revealed that 131 (one hundred and thirty-one) personnel expected to have retired were still in service and receiving salaries. The Human Resources Manager acknowledged that the Inspector General of Police and the Executive Management board were aware of the retention of the officers, but failed to produce documentary evidence to support their retention. It was recommended that the Director of Human Resources should provide documentary evidence to justify the continued employment of the officers, within thirty (30) days of the receipt of the report.

Official's Response: *The Inspector General stated that documentary evidence had since been available with the Human Resource Department for verification.*

ASSL Comment: The department did not provide any documentary evidence or reasonable explanation to substantiate why those retired personnel were still in service receiving salaries.

7.38.2. Failure to act on a breach of contract by supplier

An advance payment of Le 1,254,147,300 was made to Van Vliet Automotive Group on 12th June, 2011 (Payment Voucher 14744), for the purchase of Twenty (20) Reconditioned Iveco Trucks and twenty (20) Reconditioned Benz Jeeps under that contract. However, as at 31st December, 2011 (i.e. three months after the contracted delivery date), those items were yet to be delivered. It was recommended that the SLP should inform ASSL of what action had been taken, if any, against the Supplier of the breach.

Failure to act on a breach of contract by supplier

Official's Response: *The Inspector General stated that the contract agreement made it clear that the period of delivery would commence after the 30% advance payment had been made to the supplier. He however mentioned that there was delay in the payment of that kick off amount by the bank of Sierra Leone and at the time when the Central Bank was suffering from liquidity and hence resulted in another delay before the money could be paid into the supplier's account but there was no delay on the part of the supplier who had successfully completed the supplies.*

ASSL Comment: ASSL was unable to determine when the money was paid to the supplier by the bank. However, the vehicles have been delivered as they were physically verified.

7.38.3. Documents not produced for audit inspection

ASSL requested reports of the Internal Auditor and other relevant documents for various expenditures, amounting to Le 10,000,000. However those documents were not presented for audit inspection. It was recommended that the SLP should provide the requested documents within thirty (30) days of the receipt of the report; otherwise, Section 18 of the Audit Service Act would be invoked.

Official's Response: *The Inspector General stated that regarding the construction of Sierra Leone Police Hospital, Kingtom, the Bid Document in which the Bill of Quantities could be found was available for your inspection. He added that the performance bond had been returned to the contractor for renewal.*

On the issue relating to the rehabilitation of Sierra Leone Police Hospital, Kingtom, he mentioned that all documents were available for inspection.

Replying to the contract for the supply of twenty used Reconditioned Mercedes Benz jeeps and Twenty Iveco Trucks, the C&C noted that the signed Contract agreement was available for inspection and that the performance bond had been returned since the successful completion of the contract. He mentioned that the bill of quantity was not applicable to goods contract but to works and that was a sole source contract so newspaper adverts and bid documents were not applicable. Regarding the construction of Pamlap Station, the C&C mentioned that that

procurement did not go beyond the bid opening stage and therefore did not materialise into a contract. On the matter of towing vehicles, he stated that one towing vehicle was bought instead of two adding that he discussed the issue with Sierra Leone Port Authority Management and it was agreed that one of the towing vehicles should be bought and the balance of Le 6,000,000 used for the purchase of four tyres and engine oil. Receipts, he said were available for verification.

The bill of quantities for the construction and rehabilitation at Kingtom were not provided to the audit team for verification. Also no document was made available to confirm that the construction of Pamlap Station did not go beyond the bid opening stage.

7.39. Sierra Leone Police Bo (2011)

7.39.1. Unpresented documents

In spite of several requests, the Revenue Register in respect of reports on Missing Documents/Properties, Character Clearance Certificate etc., was not submitted for inspection.

It was therefore recommended that the Regional Commander should ensure that a systematic filing system existed for the safe custody of all Accountable documents, by putting control ledgers in place, to monitor the inward and outward movement of documents. The documents should be made available for inspection to avoid attracting Section 18 (1) of the ASA, 1998.

Revenue Register in respect of reports on Missing Documents/Properties, Character Clearance Certificate, etc., was still not submitted for inspection.

7.39.2. Reconciliation of the Expenses Analysis print-out and the SLP Imprest Account

A comparison between the SLP Imprest Account No: 004-411996-10-00-01 bank Statements and the Expense Analysis Print-out from the AGD disclosed that out of a total of Le491,993,468 recorded in the Expense Analysis Print-out, only the sum of Le323,865,000 was reflected in the Imprest Account Bank Statement, leaving an outstanding balance of Le168,128,468 not brought to account. It was recommended that the Finance Clerk should expedite action to reconcile the Expense Analysis Print-out with the Vote Service Ledger/ Bank Statement and that the reconciliation must be reviewed by a senior officer on periodic basis. Also the Regional Commander was to ensure that the outstanding balance of Le168,128,468 was brought to account as soon as possible.

Official's Response: *The Regional Commander stated in his response that a Comparison between the SLP Imprest Account No. 044-411996 -10-00-01 Bank Statements, and the Expenses analysis print out for the Accountant General's Department disclosed that out of the total of Le491, 993,468 recorded in the Expenses analysis Print out, only the sum of Le323, 865, 000 was reflected in the Imprest account leaving an outstanding balance of Le168, 128,468 not brought to account. He mentioned that for the period 2011 financial year, the total sum of Le323, 865, 00 was allocated to the Southern region through their imprest account at the Sierra Leone Commercial Bank Bo Branch A/C 044-411996-10-00-01. He also explained that on the 27/6/11, the sum of Le52,728,468 was paid by Police Headquarters directly to Sierra Leone National Petroleum Freetown for fuel to be supplied to the Southern Region for Operations but no money as analyzed in the print out was paid into their account. So SLNP was the payee and not SLP South, he added.*

7.39.3. Inventory Register not maintained

Inventory Registers were not maintained at different locations by the SLP. It was recommended that the Regional Commander should ensure that Inventory Registers an inventory list of assets were maintained at different locations.

The recommendation was yet to be implemented by the SLP.

7.40. Parliament (2010)

7.40.1. Expenditure on the Public Sector Financial Management conference not retired or accounted for

The sum of Le280,090,000 (PV AG7453), was paid to the Deputy Speaker who was also the Chairman of the Public Accounts Committee, through the Clerk of Parliament, for the hosting of a Public Sector Accountability Conference on Public Financial Management, for Ministries, Departments and Agencies (MDAs), in the cities of Freetown, Makeni and Bo.

It was further observed that the sum of Le 82,465,000 was not retired or accounted for, by the Deputy Speaker and Chairman of the Public Accounts Committee. It was therefore recommended that the Deputy Speaker and Chairman of the Public Accounts Committee should, within thirty (30) days of the receipt of the report, provide a comprehensive retirement to the ASSL for the sum of Le 82,465,000; otherwise, the appropriate authorities would be advised for further action.

7.40.2. Special imprest paid to the clerk of parliament for various events was not accounted for

The sum of Le201,826,000 was paid to the Clerk of Parliament, for various events/functions for the period under review, however, the Clerk failed to retire the necessary supporting documents for the sum of Le 167,725,000. It was recommended that the Clerk of Parliament at the time of those payments should, within thirty (30) days of the receipt of the report, provide a comprehensive retirement to ASSL for the sum of Le 167,725,000; otherwise, the appropriate authorities would be advised for further action.

7.40.3. Procurement documents not produced for audit verification

It was observed that for the third year running, the Clerk failed to provide details of the process and contract awarded to H&Y Enterprises for the running of the Canteen in the Parliament of Sierra Leone. Details including minutes of the procurement committee meetings, bid advertisements, bids evaluation report, contract award letter and contract agreements were not submitted for audit verification. It was recommended that the Clerk of Parliament should provide within thirty days of the receipt of the report, all the necessary procurement details for the award of the above contract to H&Y Enterprises.

7.40.4. Votes and Proceedings

The Clerk of Parliament failed to produce records of the Votes and Proceedings for audit verification. It was therefore recommended that the Clerk of Parliament should ensure that the documents on Votes and Proceedings were presented for audit verification, within thirty days of the receipt of the report.

7.41. Public Service Commission (2011)

7.41.1. Documents not produced for audit inspection

Vehicle Log Book and Assets Register requested were not presented for inspection. It was therefore recommended that the Public Service Commission should provide the requested documents within thirty days of the receipt of the report; otherwise, the relevant regulation would be invoked.

***Official's Response:** The Commissioner said that the Institution noted the concern raised on the above and stated that steps had been taken to amend the lapse. The documents, he said, were ready for your inspection and verification.*

ASSL Comment: Upon verification we discovered that the Assets Register had been updated and work was in progress. The team however was unable to confirm the existence of a vehicle log book as they were told by the secretary that it was in the possession of the Commission's driver who was on sick leave.

7.42. National Registration Secretariat

7.42.1. Carbon copies of used receipt books were unreadable

It was observed that carbon copies of used receipt books maintained by the NRA were unreadable. This issue has been observed, for the third year running. It was therefore recommended that the NRA should take immediate action to ensure that carbon copies of all issued receipts were legible.

Official's Response: *In a letter to the Chief Registrar of the National Registration Secretariat dated 11th May 2012, the Director of Finance and Budget at the NRA responded to this query as follows: "Management of NTR has noticed that some receipt books were not properly carbonised as a result of poor production, but staff have been advised to use carbon paper as and when necessary".*

ASSL Comment: Upon verification, the auditors observed that the same problem about unreadable carbon receipt still existed.

7.42.2. Non-submission of documents relating to revenue generated during pilot identity card registration

It was noted that the NRS conducted a number of Pilot Registrations on the premises of a number of Ministries, Departments and Agencies (MDA). The sum of Le 374,427,910 should have been collected in revenue from the exercise. However, both the NRS and the NRA, failed or refused to provide the necessary evidence to explain how the revenue was collected, recorded and reported. It was therefore recommended that the Chief Registrar at NRS (i.e. the VC) should make available, within thirty (30) days of the receipt of the report, all the documents requested for by the auditors.

Official's Response: *The Chief Registrar and Internal Auditor of the NRS made every attempt to secure from the NRA a financial report and/or documents relating to the said Pilot Exercise, but to no avail. In a letter to the Chief Registrar of the NRS dated 11th May 2012, the Director of Finance & Budget at the NRA responded to this query as follows:*

"Duplicate copies of bank paying slips were forwarded to the Principal Finance Officer NTR as and when lodgements into the bank were made. He should have made these available to the auditors, but nevertheless the BOOK copies of these paying slip are available for inspection. A separate cash book was not maintained for the pilot registration".

During the verification exercise it was noted by the auditors that the sum of Le 307,948,533 was deposited into the Sierra Leone Commercial Bank transit Account, leaving a difference of Le 66,479,377 between the monies collected and banked. Therefore, the difference of Le 66,479,377 should be accounted for.

7.42.3. Poor payroll administration

It was observed that the NRS did not regularly reconcile its staff list with the Accountant General's Payroll records. Hence the two records were constantly in disagreement. It was therefore recommended that on a monthly basis, the Chief Registrar at NRS should reconcile his staff list with the Accountant General's Payroll for the Secretariat.

Official's Response: *The Chief Register replied by stating that the problem of reconciling the NRS staff list and the Accountant General's payroll records stemmed from the fact that the NRS did not have an independent payroll of its own. What existed he said, was the payroll of the Ministry of Internal Affairs in which the names of NRS staff were included. In effect, the payrolls of the NRS and the line Ministry had been merged into one, he added. He mentioned that the combined payroll was never sent to the NRS; instead, it went to the Ministry and that they had trouble running around every month to secure a copy. He further said that on enquiries at the Accountant General's Department on why that was the case, they were made to understand that the problem originated from the Human Resource*

Management Office (HRMO). Consequently he said they had written to the Director-General of HRMO, drawing his attention to the anomaly and requesting that necessary action should be taken to redress the situation. When sorted out, they would ensure that regular monthly reconciliations of the Accountant General's payroll records and the staff list of the RS was done, he concluded.

ASSL Comment: During the verification exercise, it was noticed that the Chief of the NRS had written to the HRMO to amend the problem; however, the issue is still unresolved.

7.43. Immigration Department

7.43.1. Accountable documents not produced for audit inspection

Documents/Records/Books relating to various expenditures and operations of the department were not available for inspection in spite of several requests. It was recommended that the Chief Immigration Officer (CIO) should ensure that the requested documents were provided within thirty days of the receipt of the report.

Official's Response: CIO replied stating that ASSL might have observed during their review process that some of the documents were not available for the period under review as the demand for a good majority of the documents from applicants was irregular and that affected record keeping. He added that those were the days when the Department was trying to restructure its operations for which they had since succeeded in ensuring that every transaction was recorded as they occurred and payments made to the appropriate authority. All of those documents, he said, had been made available and were reviewed by the Internal Auditor regularly.

During the verification exercise it was noted that none of the above documents was produced for audit inspection.

7.43.2. Revenue not brought to account

There was a shortfall in revenue collected for printed passports for the period under review, both from the sale of passports and passport forms, by Le115,528,000. It was recommended that the CIO (in compliance with section 40 of the FMR), should ensure that the total sum of Le115,528,000 was fully accounted for within thirty days of the receipt of the report, with evidence sent to ASSL office for verification.

Official's Response: The CIO in his response stated that the fight to wipe out any variance in revenue arising from the conduct of any audit exercise was continuing at the Immigration Department as a result of strict control measures which had been injected. He said recent years had shown a rapid decline in revenue variance for passports and proper records now kept in line with that. However, certain factors were identified as being the main causes for the revenue variance of 2010. He mentioned that the problems of recycling National Revenue Authority receipts and the forging of signatures of personnel of the National Revenue Authority attached to the Immigration Department, photocopies of these documents had been submitted to the officers who carried out the audit. In view of the above, measures had been put in place to stop that from happening, he added. He also stated that they had observed that passport application forms bought from abroad never had their monies remitted to the Immigration Headquarters for accountability. Until that was done, they would always have a revenue variance. The CIO said that the regions was another case in point where monies collected from the sale passport application forms were never paid to Immigration Head Office for accountability. All of the above accounted for the revenue variance, he mentioned. The NRA accounted for revenue that was paid into it, he concluded.

ASSL Comment: The auditors verified some of the recycled receipts and passport forms processed from abroad but could not totally rule out the situation that gave rise to the total variance.

7.43.3. Unreadable Receipt Books

It was observed that triplicate copies of receipt books presented for audit inspection were unreadable and therefore could not be verified. It was recommended that the NRA Collectors should ensure that faulty receipt books were not used and the Commissioner General of NRA must ensure that quality receipt books were supplied to the Collectors.

Official's Response: In the area concerning bank statements for transit bank accounts, the CIO said he believed the NRA could provide a better response to the issue as they were the authority responsible for the collection and banking of income received.

The department failed to provide an explanation as to why triplicate copies of receipt books used to generate revenue were unreadable. Therefore, the above issue still stands.

7.44. Regional Immigration Office Bo (2011)

7.44.1. Revenue from sale of passports

Copies of Bank Paying-in slips and Bank Statements were not available to ascertain that revenue from the sale of passports, totalling Le52,357,500, was paid into the Consolidated Revenue Fund. It was recommended that the RIO should ensure that Pay-in-slips and Bank Statements in respect of revenue totalling Le52, 357,500 were submitted for inspection within 30 days of the receipt of the report; failing which the amount must be accounted for by those concerned and paid into the CRF.

7.44.2. Passport production list not available

It was observed that a total of 310 Passports (valued at Le31,100,000) recorded in the Passport Register was without a production list. It was recommended that the RIO should ensure that Printed Passports were accompanied by a Production List from the Production Unit of the Department for accountability and control.

7.44.3. Passport Register not updated

It was also observed that 84 Passports (valued at Le8, 400,000) recorded in the Passport Register were without full details such as the address of applicants, NRA receipt numbers, Passport book numbers, etc. It was therefore recommended that the RIO should ensure that the Passport Register was without delay updated with all relevant information of the applicants/beneficiaries and the full details of all the applicants/beneficiaries should be forwarded to ASSL for verification within 30 days of the receipt of the report.

7.44.4. Imprest Cash Book not maintained

An Imprest Cash Book was not maintained to account for Imprest, totalling Le2, 000,000 for the period under review. It was recommended that the RIO should ensure that an Imprest Cash Book was maintained to record all petty cash expenditure.

7.45. Human Resource Management Office

7.45.1. Inadequate control over the management and security of fixed assets

Some of the assets in the department were not marked with unique identification codes, and lists of assets were not maintained at some locations. It was recommended that the Accountant should ensure that the assets of the department were marked with unique identification codes, and inventory lists maintained at every location where there was an asset.

Official's Response: The Director General stated that Management had outsourced the marking of its assets in the 4th Quarter of FY 2012 and the exercise was still on course. He however said that Management would ensure the completion of the work will be completed before the next audit. He noted ASSL's concern raised and promised to maintain an Inventory List at every location in the office.

7.45.2. Poor payroll administration

It was observed that the names of 37 personnel were found on the Accountant General's payroll, for August 2011, which were not found on the staff list provided by the department for the same month. It was

recommended that the staff superintendent should provide a reasonable explanation why the names of 37 personnel on the payroll were not on the staff list or else their names must be removed with the full amount recovered.

Official's Response: *The Director General stated in his reply that Management would include the names of the 37 personnel in the staff list and vouched that they were genuine workers of the HRMO. He added that Management would strengthen the internal controls and procedures of its operation, the safeguard of assets, continue to maintain accountable documents and comply with financial and non-financial regulations.*

The auditors were able to verify 20 Personnel whose names had been included in the Staff List at HRMO, leaving 17 Personal unverified.

7.46. Appeal Court (2010)

7.46.1. Inadequate control over the management and security of fixed assets

The following were observed:

- there was no list showing the distribution to individual locations with the date of issue, type of assets issued, signature of receiving officer and quantity held for assets purchased during the year totalling Le39,560,000;
- assets purchased at the cost of Le34,760,000 during the year were not marked with identification codes; and
- Lists of assets held were not maintained at the following locations: Judges and Justices Chambers at Roxy and Guma Buildings, Accounts office, etc.

It was recommended that the Accountant should ensure that he maintained a distribution list for assets, which would show how they were distributed to individual locations. He should also ensure that the assets of the department were marked with identification codes and inventory lists maintained at different locations.

7.46.2. Inadequate control over fuel and oil

It was observed that the names of Judges under the Appeal Court entitled to receive fuel were not included in the fuel distribution list. In addition there was no log book or operating records recording the details of work performed and details of fuel, oil, spares or other consumables used by generators at Roxy and Guma Buildings. Furthermore there was no official request for fuel usage by the generator operators. It was therefore recommended that the Vote Controller should ensure that the names of Judges under the Appeal Court entitled to receive fuel must be included in the fuel entitlement list, a fuel log book maintained and the generator operator should prepare official requests for fuel.

7.46.3. Store items not taken on ledger charge

Investigations revealed that store items (stationery, provisions, printing and general) purchased at Le7,000,000 were not entered in the store ledger. It was thus recommended that the Vote Controller should ensure that a Store Keeper was appointed to take control of store items and that all store items must be entered into the store ledger before distribution.

7.46.4. Payroll

A Review of payroll documents presented for audit inspection disclosed that there were names on the Payroll which were not on the staff list. Salaries collected amounted to Le1,737,834. It was also observed that there was no staff attendance register for the Appeal Court, therefore ASSL couldn't determine whether members

of staff who received salary reported for work regularly. It was recommended that the Vote Controller should ensure that the amount of Le1,737,834 be recovered from the people concerned and paid back to account.

7.47. High Court (2010)

7.47.1. Stores items not taken on ledger charge

It was observed that store items bought by the Procurement Committee and delivered to the department, amounting to Le41,991,000 were not taken on ledger charge. It was thus recommended that the Vote Controller should expedite the appointment of a Store Keeper to take control of store items and that all store items must be entered in the store ledger before distribution.

7.47.2. Accountable document not produced for audit inspection

Documents/Records/ Books relating to various expenditures were requested for during the audit but were not submitted up to the time of writing the report. It was recommended that the Vote Controller should provide the requested documents; otherwise' the ASSL Act would be invoked.

7.47.3. Inadequate control over fuel and oil

Vehicle and generator registers used for the recording of fuel usage were requested for during the audit process but these registers were not presented for audit inspection. According to fuel chits verified, the total value of fuel used by vehicles and generators amounted to Le94,403,700 and Le37,566,000 respectively. Also there was no log book or operating records to record the details of the journey travelled by vehicles or works performed and the signature of the officer authorising them. It was recommended that the Vote Controller should ensure that a Fuel Register was maintained to indicate the consumption of fuel by the generator.

7.47.4. Inadequate control over the management and security of Fixed Assets

Some of the assets were not marked with identification codes and lists of assets held were not maintained at the following locations: Judges and Justices Chambers at Roxy and Guma Buildings, Accounts office, etc. It was recommended that the Accountant should ensure that the assets of the department were marked with identification codes and inventory lists maintained at different locations.

7.47.5. Payroll

A Review of payroll documents presented for audit inspection disclosed that seven (7) staff members expected to have retired were still receiving salaries totalling over Le7,166,796 though extension letters were not produced for them.

The following were therefore recommended:

- The Vote Controller should ensure that extension letters were produced for the seven (7) members of staff expected to have retired;
- The Accountant General should ensure that the names of the seven (7) members of staff members expected to have retired were deleted from the payroll; and
- The Vote Controller should ensure the recovery of the amount of Le7,166,796 from those concerned.

7.47.6. Responsibilities and functions undertaken by a consultant without permission from the Vote Controller

It was observed from documents produced and interviews conducted that the Consultant Master and Registrar handled Financial Matters like payment of allowances and honorarium to Justices of the Peace, Judges and Justices of the court, the Itinerary Court, repairs and maintenance of vehicles, security of cheque books, though she was not the authorised Vote Controller of the court.

The Consultant Master and Registrar made payment for local training costing Le3,023,000 on PV No. AG2687, for one staff unknown to the Master and Registrar for no receipt was produced from IPAM. She also handled all stationery supplies and distribution for the court when she found it necessary, making it difficult for timely and effective work. Copies of returns/reports of revenue from fines levied by judges in the provinces were not maintained by the Master and registrar or the Principal Accountant but only the Consultant Master and Registrar. It was recommended that the Consultant Master and Registrar should hand over duties relating to financial matters to the Vote Controller and the accounting staff of the Court.

7.47.7. General observation

Interviews conducted by the Auditors confirmed the existence of a project in the High Court funded by donor support. The Investment Climate Facility Project/Fast Track Commercial Court (which is not being audited). This project was funded in the form of budget support to Sierra Leone.

7.48. Supreme Court (2010)

7.48.1. Inadequate control over the management and security of fixed assets

Assets purchased at the cost of Le16,195,000 were not coded or labelled. A Master inventory register was not maintained at the department and lists of assets were not maintained at the Accounts Office, Judges' Chambers at Roxy and Guma Buildings. It was recommended that the Accountant should ensure that the department maintained a master inventory ledger, updated from time to time. He should also ensure that the assets of the department were marked with identification codes and inventory lists maintained at different locations.

7.48.2. Accountable document not produced for audit inspection

It was observed that one PV for overseas travelling was not produced for audit inspection; i.e. PV No. AG6129, dated 18/11/2010, with an expenditure of Le12,306,017. It was recommended that the Vote Controller should provide the requested documents; otherwise, Section 18 of the Audit Service Act would be invoked.

7.48.3. Inadequate control over fuel and oil

It was observed that there were four officers whose names were not in the fuel entitlement list but received fuel totalling Le597,500. It was recommended that the Accountant should give an adequate explanation for the 35 gallons of fuel used by the four staff during the year when their names were not in the official fuel entitlement distribution list; or recover the total fuel used by them.

7.48.4. Payroll

A staff (Mrs. Georgiana Tucker) died on the 05/12/2009 but her name still appeared on the payroll up to August, 2010 receiving salary for seven (7) months totalling Le6,337,243. It was observed that there was no Staff Attendance Register for the Supreme Court, therefore one cannot determine whether members of staff

who received salary reported for work regularly. It was recommended that the Vote Controller should give an adequate explanation why that amount was given as salary to a deceased person; or recover the amount of Le6,337,243 and pay back to account. The Vote Controller should also ensure that a staff register was maintained and regularly initialled to ensure that members of staff record their names and time of arrival at work every day.

7.49. Magistrate Court Kenema (2010)

7.49.1. Inadequate control over collection, recording and banking of fines and acquittal charges

The following were observed:

- NRA receipts presented indicated that the total sum of Le19,000,000 was generated from fines and other acquittal charges levied on those sentenced by the Court for the period under review. However, the NRA Office at the Magistrate Court did not provide any evidence in the form of Bank Statements to confirm that the amount was either paid into a Bank Account authorised by the Accountant General or into the CRF;
- A review of the books of account revealed that Warrant Numbers and NRA receipts in respect of Fines and Acquittal Charges totalling Le2,850,000 were not made available to justify the actual amount collected from such receipts;
- A review of the records from the Prisons Department Kenema indicated that the total sum of Le1,600,000 in respect of fines paid by those sentenced by the Court, was not brought to account by the NRA Office at the Magistrate Court; and
- Receipts from different NRA departments such as Domestic Sales Tax and Excise Duty, Imports and Income Tax Department, were used to collect fines amounting to Le2,400,000.

It was recommended that the Resident Magistrate Kenema in collaboration with the Commissioner General of NRA should ensure that controls over collection, recording and banking of public funds were adequate. The following control measures should be put in place:

- Revenue collectors must be properly supervised and their work reviewed on a daily basis;
- Proper and standard receipts should be used to collect funds in respect of fines and acquittal charges;
- Revenue collected in respect of fines and acquittal charges must be promptly recorded after the issuance of receipts;
- All funds received from the payment of fines and acquittal charges must be promptly paid into the CRF held at the Bank of Sierra Leone; and
- Records at the NRA Office in respect of fines and acquittal charges must be regularly reconciled with the records at both the Magistrate Court and the Prisons Department.

The NRA Officer at the Magistrate Court must also provide a detailed explanation together with the necessary documentary evidence in respect of the issues highlighted. This should reach ASSL for verification within thirty (30) days of the receipt of the report; otherwise, the issues highlighted may be considered a financial misconduct in accordance with Section 165 (2) of the Financial Management Regulations, 2007.

7.49.2. Absence of time book

There was no evidence in the form of a Time Book to confirm that the arrival, movement and departure of staff members from work were recorded and monitored. The Resident Magistrate should initiate the use of a Time Book, to record details of staff arrival, movement and departure from work for all units, which must be

accurate and complete at all times. In addition, that information must be sent to the Accountant General's Department on a monthly basis for the accurate computation of staff wages.

7.49.3. Unlabelled Assets

Furniture and equipment at the Magistrate Court were not marked with a durable identification code or mark to illustrate ownership and control.

It was therefore recommended that the Resident Magistrate Kenema should ensure that a comprehensive master inventory of Furniture and Equipment must be developed and durable identification marks affixed to all the Furniture and Equipment owned and controlled by the Court.

7.49.4. Unpresented documents

The under-mentioned documents were not made available for audit inspection:

- Magisterial Returns;
- Staff List;
- Staff Personal Files; and
- Other documents such as payment vouchers, invoices, receipts, certification, etc. for Petty Cash disbursement.

It was recommended that the Resident Magistrate should ensure that a systematic filing system should be developed for the safe custody of all Accountable documents by putting shelves and control ledgers in place to monitor the inward and outward movement of documents and the required documents forwarded to ASSL for verification within thirty (30) days of receipt of the report; otherwise Section 18 of the Audit Service Act, 1998 would be invoked.

7.50. Magistrate Court Kenema (2011)

7.50.1. Inadequate control over the collection and banking of fines and acquittal charges

NRA receipts presented indicated that the total sum of Le39,690,000 was generated from fines and other acquittal charges levied on those sentenced by the Court for the period under review. However, the NRA Office at the Magistrate Court did not provide any evidence in the form of Bank Statements to confirm that the amount was either paid into a Bank Account authorised by the Accountant General or into the CRF. A review of the books of account revealed that Warrant Numbers and NRA receipts in respect of Fines and Acquittal Charges totalling Le850,000, were not made available to justify the actual amount collected from such receipts. It was also observed that receipts from different NRA departments such as Domestic Sales Tax and Excise Duty, Imports and Income Tax Department, were used to collect fines amounting to Le 3,260,000.

It was advised that the following control measures should be put in place:

- Revenue collectors must be properly supervised and their work reviewed on a daily basis;
- Proper and standard receipts should be used to collect funds in respect of fines and acquittal charges;
- Revenue collected in respect of fines and acquittal charges must be instantly recorded after the issuance of receipts;
- All funds received from the payment of fines and acquittal charges must be promptly paid into the CRF held at the Bank of Sierra Leone; and

- Records at the Magistrate Court in respect of fines and acquittal charges must be regularly reconciled with the records at both the NRA Office and the Prisons Department and any discrepancy investigated and corrected accordingly.

It was recommended that the NRA Officer at the MCK must provide a detailed explanation together with the necessary documentary evidence in respect of the issues highlighted to reach ASSL for verification within thirty (30) days of the receipt of the report; otherwise, the issues highlighted would be considered a financial misconduct, in accordance with Section 165 (2) of the Financial Management Regulations, 2007.

7.50.2. Absence of time book

There was no evidence in the form of a time book to confirm that the arrival and departure of staff members to and from work were recorded and monitored. It was recommended that the Resident Magistrate should ensure that a Time Book, in which the details of staff arrival and departure to and from work were recorded. In addition, that information must be sent to the Accountant General's Department on a monthly basis to facilitate the accurate computation of staff wages.

7.50.3. Inventory register of furniture and equipment not maintained

Furniture and equipment at the MCK were not marked with a durable identification code or mark to illustrate ownership and control. It was recommended that the Resident Magistrate Kenema should ensure that durable identification marks must be affixed forthwith to all the furniture and equipment owned and controlled by the Court.

7.50.4. Unpresented documents

Vital accountable documents were not made available for audit inspection in spite of several requests. It was recommended that the Resident Magistrate should cause a systematic filing system to be developed for the safe custody of all accountable documents by putting shelves and control ledgers in place to monitor the inward and outward movement of documents; and the above documents must be forwarded to ASSL for verification within thirty (30) days of the receipt of the report; otherwise, Section 18(1) of the Audit Service Act, 1998 would be invoked.

7.51. Magistrate Court Bo (2011)

7.51.1. Poor management and maintenance of magisterial returns

The Magisterial Returns submitted for inspection were merely photocopies. In addition, the following were observed:

- Case number references were not serially done;
- Some of the writings on the Returns were not legible (i.e. clearly copied); and
- Old Cases were without appropriate case references.

It is recommended that a Magisterial Returns Register, appropriately ruled, in which all cases (both old and new) were recorded was maintained by the Court. Also the Register and the related Case files must be reviewed monthly by the Magistrate/Registrar and signed-off.

7.51.2. Non receipt of standing imprest

Enquires revealed that no standing imprest was received by the Bo Magistrate Court for the year under review. In addition, the Court had never operated an Imprest System before and Court officials had to incur

operational costs out of their own private pockets. It was therefore recommended that the Registrar must ensure that imprests were provided on a monthly basis for the daily administration of the court.

7.51.3. Poor state of court infrastructure

The building currently occupied by the Magistrate Court (Court number two) was in need of major repairs. There were broken windows, poor toilet facilities, poor electricity supply (Power source), falling ceilings, archaic furniture, corrosive paint, etc. The need for urgent rehabilitation and furnishing was extremely urgent.

7.52. Cabinet Secretariat (2011)

7.52.1. Procurement procedures not followed

The sum of Le5,936,225 was paid to an internet service provider, IPTEL Limited, without records showing that appropriate procurement procedures were followed. The Vote Controller should have obtained three pro-forma invoices in this instance, or fewer with adequate explanation. It was recommended that the Secretariat should provide an explanation within thirty days of the receipt of the report as to the reason for obtaining only one proforma invoice.

7.52.2. Vehicle Logbook or operating record not maintained

Log books or operating records were not maintained. It was recommended that the Secretary to Cabinet should introduce a Log Book System with immediate effect for all vehicles.

7.52.3. Missing office inventory items

Some assets in the inventory register submitted could not be physically verified. In addition, the coordinator Monitoring and Oversight Unit Office was not made accessible to the auditors during the verification of inventories. It was recommended that the Secretariat should make available the aforementioned items, including those in the Coordinator Monitoring and Oversight Unit Office for physical verification.

7.53. Government Printing Department (2011)

7.53.1. Revenue generated but not banked intact

The sum of Le641,225,643 paid to the Government Printing Department, for services rendered to various Ministries Departments and Agencies (MDAs), were not banked intact, but used instead to buy printing consumables. It was recommended that in future, the Department should bank all monies received promptly and intact.

Official's Response: *The Government Printer assured ASSL that in future the department would bank all monies received promptly and intact. Receipts for Revenue collected for the month of July and August, 2012 were produced. However, the bank statement that would confirm payment into the consolidated fund was not made available to the verification team.*

7.53.2. Outstanding Revenue

The sum of Le107,978,500 was owed by the Freetown City Council and the Ministry of Social Welfare Gender and Children's Affairs, for printing services rendered by the Government Printing Department. It was recommended that the Government Printer should ensure that the outstanding amounts were collected and banked intact, within 30 days of the receipt of the report.

Official's Response: *The Government Printer explained that for those customers still owing the department, they had sent letters of reminder to them drawing their attention to their debt obligation which must be settled soonest.*

ASSL Comment: The above issue still stands as the debtors are yet to settle their accounts. The Department did send out letters to the Institutions to remind them of their debt obligation.

7.53.3. Breach of procurement procedures

It was observed that only one pro-forma invoice was obtained instead of three, for the procurement of items under the following headings: Office and General; - Office Store and Other Supplies; and Vehicle Maintenance.

It was recommended that the Vote Controller should provide an explanation within thirty (30) days of the receipt of the report why only one pro-forma invoice was obtained.

Official's Response

The Government Printer reminded ASSL that the modus operandi for all payment transactions was that all three Pro-forma Invoices must be submitted before payment would be made which implied that those Pro-forma Invoices were submitted to justify payments. He said however that efforts had been made to retrieve those documents from the Accountant General's Department.

ASSL Comment: The audit verification revealed that three pro-forma invoices were not seen for the following payment vouchers: 3545, 3546, 3548, 3549, 3550, 3556, 3561, 3564, 3565 and 3668.

7.54. National Stadium Management (2009-2010)

7.54.1. Records and documents not presented for audit inspection

Relevant documents and records relating to various expenditures and activities of the Stadium Management were requested for during the audit. However, the Management failed to produce the reports. It was recommended that the National Stadium Management should make those documents available for audit inspection within thirty (30) days of the receipt of the report.

7.54.2. NASSIT contributions deducted but not paid to the trust fund

The Auditors observed that the 5% compulsory NASSIT contributions deductible from Employees, and the 10% payable by Employers, were said to have been deducted but not paid over to the Trust Fund. The total amount involved for the years was Le46, 043,166.60. It was recommended that without delay, the Accounts Officer should ensure that staff and the department's contributions were paid to NASSIT; or Section 27 of the NASSIT Act would be invoked.

7.54.3. Poor control over the processing of payment vouchers

It was observed that the payment vouchers used by the National Stadium Management, were not serially pre-numbered, and in some cases, they were not authorized by the General Manager. It was therefore recommended that the General Manager should ensure that the department maintained a standard payment voucher booklet, which was serially pre-numbered and bound. In the same vain, the Accounting Officer should provide an explanation as to why transactions that had not been approved by the General Manager were undertaken.

7.54.4. Inadequate control over the management and security of assets

It was observed that assets owned by the department were not marked with unique identification codes, and the Inventory Register was not correctly maintained. It was recommended that the Accounts Officer should ensure that all assets of the departments were marked with unique identification codes within thirty days of the receipt of the report. He should also ensure that an inventory register was properly classified and maintained at every location.

7.54.5. Revenue not collected from defaulting tenants

It was observed that the sum of Le 388,685,000 was owed by tenants of the National Stadium Hostel, for the period under review. It was therefore recommended that the General Manager should take necessary action to recover the amounts outstanding from these tenants, and advise the ASSL of those actions.

7.54.6. Pay As You Earn (PAYE) deduction not paid over to the NRA

It was observed that PAYE deductions from employees were not supported by receipts from NRA. The total amount was Le 19,137,336. It was recommended that, the Accounts Officer should ensure that receipts from the NRA for PAYE deductions were made available for inspection or the full amount must be paid to NRA and receipt forwarded to ASSL for inspection within thirty (30) days of the receipt of the report.

7.55. District Medical Office

7.55.1. Inadequate control over the collection of revenue

Amounts totalling Le13,001,496 were not paid by various Peripheral Health Units (PHUs) in respect of drugs supplied to them to be sold on a cost recovery basis. In addition, revenue of Le13,486,000 in respect of the sale of yellow cards and cost recovery drugs were not brought to account by the Finance Officer. An interview, conducted with the District Medical Officer (DMO), revealed that memoranda had been sent to the PS and Principal Accountant of the Ministry of Health and Sanitation, but no action had been taken. It was therefore recommended that the DMO should recover the amount of Le13,001,496 from the various PHUs and forward evidence of recovery to ASSL for audit verification within thirty (30) days of the receipt of the Audit report. Also, the PS should request the Finance Officer (FO) to refund the amount of Le13,486,000 into the CRF and forward evidence of payment to ASSL for audit verification within thirty days of the receipt of the report.

Official's Response: *The DMO's response was as follows:*

- *Letters had been sent to the various Peripheral Health Units (PHUs) in respect of the drugs supplied to them to be sold on a cost recovery basis to pay their outstanding balances. Some he said had started to cooperate.*
- *During the interview process of the audit, the DMO had revealed that memoranda had been sent to the PS and Principal Accountant of the Ministry of Health indicating that the FO in charge during that period was the one who did not deposit the amount into the appropriate account and left the unit.*
- *Management had instituted monthly reporting routine on yellow card detail income to finance including exceptions.*

The auditors stated that only Le219,800 (2% of the amount to be recovered) had been collected, leaving an outstanding balance of Le12,781,696 and the amount of Le13,486,000 had still not been recovered.

7.55.2. Lack of control over the distribution of fuel

It was difficult to understand why a fuel station at Wellington was selected, instead of one that was closer to the Waste Management Unit at Cline Town. Also fuel amounting to Le2,362,500 was issued to vehicles that were not assigned to the Waste Management Unit.

It was recommended that the Programme Manager, Waste Management Unit should ensure that a fuel station which was closer to the office must be selected so as to enhance the proper functioning of the unit in cases of emergency. In addition, the Programme Manager, Waste Management Unit should submit documentary evidence to justify the use of such fuel; otherwise, the amount of Le2,362,500 was to be refunded within

thirty (30) days of the receipt of the report and evidence of payment into the CRF forwarded to ASSL for audit verification.

Official's Response: Referring to the use of a fuel station at Wellington, the DMO said that this was due to the fact that the station at Ross Road was under rehabilitation for some time and therefore the dealer referred them to his fuel station at Wellington. He said they could not have done otherwise since the money for fuel was paid into his account. He however mentioned that on the exhaustion of the fund, they would move to the NP Fuel Station at Ross Road which was closer as suggested in the audit report.

He further mentioned that all the vehicles highlighted in the audit report belonged to officers of the Ministry of Health and Sanitation and were official vehicles of the Ministry. He said that the fuel highlighted on the list by the auditors was actually for official purposes. Those officers he said, were carrying out their normal functions but were short of fuel and he was asked to supplement their supply. However, in future, all such requests would be channeled through the appropriate directorate and documented accordingly, he concluded.

ASSL Comment: Upon verification, the auditors stated that there was no evidence to justify whether the station manager at Ross Road referred to the unit at Wellington and the vehicles in question did not belong to that unit. Therefore the issue is still outstanding.

7.56. Kingharaman Road Hospital

7.56.1. Inadequate control over the collection, recording and reporting of financial transactions

A difference of Le173,927,500 was observed between the revenue collected as per receipt books and deposits made to the bank. In addition, payments for services rendered by the hospital were made by cash. However, an examination of the bank statements revealed that most of the deposits to the bank were done by personal cheques. It was therefore, difficult to comprehend how those cash payments were converted to personal cheques. It was recommended that in the absence of the necessary documentary evidence to justify the discrepancy stated above, the sum of Le173,927,500 should be paid back into the CRF and evidence of payment forwarded to ASSL for audit verification. Additionally, the FO should provide documentary evidence to explain why cheque deposits were made instead of cash, since payments from patients for services rendered were done in cash;

Official's Response: The MS responded on the issue relating to the discrepancy between revenue collection and bank deposit stating that the collection fee from patients was kept in the bank for a period of one month only and at the end of each month, the money was usually withdrawn and shared out to the four principal parties according to the specified percentages in the protocol. He said that the hospital expenditure was on a daily basis and most of them were urgent and required immediate attention. Therefore, management thought it fit that the hospital money must not all be deposited in the Bank. At least, some money should be kept as petty cash for urgent hospital expenditure. He said, that explained why not all of the money was deposited, hence the discrepancy. He said furthermore, that money paid for medicines, consumable professional services, etc., was often distributed to all concern as soon as it was collected and that was why not all the money collected had been deposited, hence the discrepancy. The discrepancy of Le173,927,500 which was apparently not deposited in the bank had been reconciled. He said that a substantial amount of hospital money was not meant to be paid into the consolidated revenue as presumed by the Audit Team. Whatever disbursement that had been undertaken during the course of a particular month, the MS said what really mattered was the final endorsement of the monthly financial statement by all the service providers of the hospital. Suffice it to say that, from 2003 when we commenced operations at the hospital, no service provider had had cause to frown upon the management system put in place. Besides, all service providers were very pleased with the manner Management had been handling hospital money.

(ii) Payment of personal cheques into the hospital account.

All cheques deposited in the hospital were cheques bearing the name of the Hospital. It was incredibly difficult for any personal cheque to have been deposited into the Hospital's Account. In fact, Management strongly believed that it was not an acceptable banking practice to deposit cheques not bearing the name of the Hospital into the Hospital Account. Cheques payable to the hospital by an individual patient or organization for various services offered were deposited into the Hospital Account. When cheque maturity had been confirmed, the amount of

money was distributed to pay for the services provided namely medicines and consumables, consultation fee, professional fee, laboratory fees, etc. Frankly speaking, these cheques should have been paid in the name of an individual service provider who would then have paid whatever amount that was due to the Hospital. However, because the service was provided on loan, management strongly believed such payments by cheques should be directed in the Hospital's name instead of that of an individual service provider. Whatever disbursement that had been done during the course of a particular month, what really mattered at the end of the month was the final endorsement of the monthly financial statement by all the service providers.

Because failure to endorse the Financial Statement would indicate disagreement and if this disagreement was not settled a financial statement cannot be sent to our respective Government Ministries of Health.

(iii) Payment of Le173,927,500 to the Consolidated Funds.

The protocol specifically mentioned how collection fees from patients should be utilized. In accordance with Article IV, of the protocol, only 10% of the net balance was meant for the government of Sierra Leone and subsequently to be paid into the Consolidated Fund. From the monthly financial statement, all of the money for ten months totaling Le8,672,830 was fully paid into the Consolidated Fund. The protocol was handed over to the audit team and Management was convinced that they had read it and fully understood the document. However, from what the audit team was saying, it seemed to Management that the audit team didn't quite understand the protocol. Management was greatly disturbed as to why the audit team had thought that the so called discrepancy of money should have been paid into CRF.

ASSL Comment: The auditors observed that the recommendations were yet to be addressed.

7.56.2. Inadequate control over the general processing of payments

The sum of Le9,648,680 was claimed to have been paid over to the National Revenue Authority (NRA) in respect of government's share of hospital proceeds. However, receipts were only submitted for an amount totalling Le4,871,000, leaving a balance of Le4,777,580 not paid over to the NRA. It was also noted that a proper financial management system was not in place, as expenditures to the tune of Le81,741,000 were undertaken for which payment vouchers had not been prepared. It was therefore recommended that the FO should ensure that the NRA receipt for the sum of Le 4,871,000 must be provided for audit inspection; otherwise, the amount of Le 4,871,000 had to be refunded and evidence of payment into the CRF forwarded to ASSL for audit verification. In addition, the payment voucher system in the prescribed form should be put in place for transactions to be initiated, verified and then authorised.

Official's Response: The MS explained that the 10% of the net balance (revenue collection) meant for payment into the CRF was almost paid by cheques adding that management had already paid for ten months (i.e. Le8,672,830) into the Consolidated Fund (NRA). He mentioned that some of the receipts for payments were not produced at the time of audit, probably misplaced and that in the absence of those missing receipts, Management would like to show from the bank statement withdrawals made in the account were in line with the amount specified in the monthly financial statement (i.e. 10% of net balance).

He further mentioned that management sincerely hoped that the explanation and subsequent verification would address the question of alleged personal misuse of government money. He however stated that for November and December 2010, a total of Le1,750,000 was yet to be paid to the NRA adding that the money was not paid at the time because management was concerned about the insurance of non-standardised receipts by the NRA (as they were told that the NRA had run out of receipts). He said the amount of money was still kept in the hospital account and management would pay to the NRA as soon as possible.

On the issue of expenditure without PV, he stated that the total sum of Le81,741,000 spent on expenditure by the Hospital was internally generated revenue and not money allocated from the Consolidated Fund. He mentioned that the money was the cumulative amount spent over the period. Going further, he noted that in accordance with the protocol, expenditures were jointly decided by the director of the Hospital and Head of the Chinese Medical Team and when expenditures were agreed, the money was spent and the receipts were kept.

ASSL Comment: Upon verification, the auditors observed that the recommendations had still not been addressed.

7.57. District Medical Office, Bo Distract (2009- 2010)

7.57.1. Inadequate control over the general processing of payment vouchers

- Several PVs, totalling Le175,505,000, were not authorised by the DMO or someone appointed by him before payments were made.

Official's Response: *The DMO stated in his reply that usually, approvals were done on pet forms, proposals for activities undertaken, and most vouchers were approved and authorized by the relevant authorities. However, regard was given to the vouchers in question as per the schedule for amounts totalling Le175, 505,000.*

7.57.2. Inadequate control over collection, recording and reporting of financial transactions

Receipts were not issued by the Births and Deaths Unit for the sale of Births and Deaths Certificates. It was recommended that the DMO should ensure that the receipts were issued for all revenue collected.

Official's Response: *The DMO stated that receipts were issued though not of a prescribed form and records of payment were not available as the revenue cash book was not updated at the time of the Audit Inspection. He however noted that those anomalies had been corrected and ready for inspection.*

ASSL Comment: ASSL's recommendation is yet to be implemented by the DMO.

7.57.3. Fixed Asset/Inventory Register not properly maintained

The following were observed:

A review of the Fixed Assets Register revealed that vital pieces of information such as cost of assets, date of purchase, serial numbers, etc., were absent.

There was no policy to safeguard the movement and handling of fixed assets such as Motor Bikes, Computers, Vehicles, etc.

A Police Report was not available in respect of a Compressor, donated by the Bo-Pujehun Project, which was alleged to have been stolen in the DMO's Garage; and most obsolete/unserviceable fixed assets were not replaced.

It was therefore recommended that the Finance Officer should ensure that fixed assets owned by the DMO were recorded in the Assets Register and such records were to include the name of the asset, cost, date of purchase, code or identification number, individual location and total quantity held, and whether they were inherited, donated or purchased by the DMO. In addition, a system had to be developed for the movement and handling of fixed assets such as Motor Bikes, Computers, Vehicles, etc. Furthermore, the Police Report in respect of the stolen Compressor must be produced for inspection; otherwise, the Compressor should be accounted for by those concerned.

Official's Response: *The DMO stated that assets maintained by the department were recorded in the assets register and coded. He mentioned however that some assets were inherited, donated by different donors, who did not accompany them, the assets, with relevant source documents like delivery notes, cost of asset, date of purchase etc. He further stated that a mammoth effort would be made to supply those relevant documentations. Regarding the theft the DMO mentioned that a police report was not produced to the auditors but official memos reported the theft and those correspondences were available for verification.*

ASSL Comment: The Police Report was still not available for inspection.

7.58. Ministry of Defence, Kenema

7.58.1. Inadequate control over the distribution of fuel and rice

It was observed that the Ministry of Defence Kenema (MDK) was not following any policy or rule for the distribution and usage of fuel. In addition, there was no recording mechanism in the form of a Log book/ operating record or fuel register to indicate the names of officers to whom fuel was supplied and the purposes for the various supplies. As a result of these weaknesses, the Ministry could not properly account for a total of 5,146 gallons and 6,906 litres of fuel that were given to them for the Financial Years 2010 and 2011 respectively. There was also no operating record in the form of distribution list indicating recipient's signatures, to justify that a total of 100 bags of rice was distributed to officers of the Second Battalion Kenema (SBK).

It was recommended that the Commanding Officer Second Battalion Kenema (COSBK) should ensure that a policy was followed to guide and control the distribution and usage of fuel. In addition, the use of a Log book and Fuel register must be introduced to record and reconcile the distribution and usage of fuel. Furthermore, the COSBK had to ensure that a record was maintained for the distribution of rice and other consumables and safeguarded for audit and reference purposes. Moreover the COSBK should forward a detailed breakdown (indicating recipients' signatures) on how the quantities of fuel and rice given to them in 2010 and 2011 were distributed. The information should reach ASSL within thirty (30) days of receipt of the report; otherwise, the market price of the fuel and rice during the time of distribution/usage should be refunded without delay.

Official's Response: *The Regional Commander stated that he took over command without receiving such documents. He said however that the Infantry battalion would try to put systems in place so that such a thing would not repeat itself. Nevertheless, the use of a logbook and fuel register had been introduced to record and reconcile the distribution and usage of fuel, he added. He mentioned that as at date, he was trying to retrieve all supporting documents from former commanders who were in charge during the period covered by the report.*

ASSL Comment: Recommendations have been implemented for the current year. However, a detailed breakdown showing distribution of the quantities of fuel and rice given to them for the period under review was not submitted.

7.58.2. Non retirement of imprest

During the period under review, the COSBK received the sum of Le30,000,000 as imprest for day to day operational activities. However, there was no evidence in the form of retirement details/supporting documents to justify the utilization of Le21,250,000. It was recommended that the COSBK should forward the retirement details/supporting documents in respect of the Le21,250,000 to ASSL for verification within thirty (30) days of the receipt of the report; otherwise, the amount must be refunded in good time and in future, the Commanding Officer should ensure that imprest given to the SBK, was properly retired and accounted for.

Official's Response: *The Regional Commander said that he took over command without receiving any document showing such a huge amount of money. Notwithstanding, he added, he was trying to retrieve the retirement details/supporting documents from the former commanders in charge and would hand over same to justify the use of such amount.*

ASSL Comment: ASSL's recommendations were not implemented.

7.58.3. Inadequate control over the distribution of drugs

The Battalion's Allocated Store Ledger was not properly maintained. A number of drugs were issued out of stores without the support of Store Issue Vouchers and Requisitions.

It was therefore recommended that the COSBK should ensure that the Battalion's Allocated Store Ledger should be properly maintained. In addition, Provision must be made in the Ledger for receipts and issues out of stores. Furthermore, all items of issues must be supported by Requisitions and Store Issue Vouchers and they must be approved/ authorized by a responsible officer before items were issued out of stores.

Official's Response: *The Regional Commander stated that the unit did not maintain a proper store ledger as required. He mentioned that at that moment, the unit had introduced the use of store issue vouchers and requisition. Issue vouchers and requisitions would be approved/ authorized by a responsible officer before drugs were used out of store to the forward Patrol Bases, he concluded.*

ASSL Comment: The recommendations were not implemented.

7.58.4. General observations

The general condition of the Battalion Hospital was far from being pleasant. We observed that the Hospital lacked medical equipment and medicines for personnel who were sick. It was also noted that the Hospital beds were not enough for patients and some of those that were available were without mattresses. It was also observed that Military uniforms were not regularly supplied to officers of the Second Battalion Kenema. It was noted from the delivery notes presented that the last supply of uniforms was received on the 4th of February, 2008. It was recommended that the Ministry of Defence should ensure that a well equipped hospital comprising of up-to-date medical equipment, medicines and other facilities, had to be set up and a policy designed for the supply of Military uniforms to the SBK.

Official's Response: *The Regional Commander stated that it was a fundamental fact that the Regimental Aid Post (Hospital) lacked the required equipment and drugs to sustain the unit. He said that that issue had been forwarded through the chain of command for urgent action. He agreed that it was true that uniforms were worn-out across RSLAF though that challenge had been reported at several Command meetings. He mentioned however that they would continue to report until action was taken. He stressed that at that moment, they had been reliably informed that work was in progress for uniforms to be issued soonest.*

ASSL Comment: The recommendations were not implemented.

7.59. DMO and PHU (2010)

7.59.1. Inadequate control over receipt and issue of store items

The following were observed:

- Two hundred and four thousand, six hundred and forty (204, 640) items of drugs and other consumables, were received from UNICEF, but were neither recorded in the Allocated Stores Ledger, nor posted into the Stock Card;
- There was no evidence in the form of delivery notes to justify the total of eight hundred and eight four thousand, nine hundred and twenty (884,920) drugs and other consumables of different descriptions and specifications, donated by UNICEF;
- A comparison of the ASL (including the stock items that were not recorded in the ASL) to the actual stock balances/physical count, revealed that items of consumables totalling twenty six thousand, five hundred and seventy five (26,575) were not brought to account; and
- The condition of the store was degrading and not environmentally friendly as the store was poorly ventilated and there was no light system in it. In addition, the store windows, doors, lockers and roof were badly damaged and a lot of defects including leakages were identified in the store accommodation.

It was recommended that the DMO should ensure the following:

- All items of receipts, issues and balances must be recorded in the ASL/Stock Card on a timely basis with receipts accompanied by delivery notes and supported by the relevant receipts in accordance with Sections 188 (1) and 184 of the FMR, 2007;
- The twenty six thousand, five hundred and seventy five (26,575) items of consumables in the ASL not brought to account should be made available for verification within thirty (30) days of the receipt of the report; otherwise the market price of the items at that time would be charged against the emolument of the staff responsible for the management of the items;
- In future, regular reconciliations should be done between the physical store items and the records in the ASL, and all discrepancies must be properly investigated and reported on, and prompt action taken to recover any such losses; and
- The store should be properly rehabilitated and all the environmental defects highlighted above, must be rectified immediately.

7.59.2. Master Inventory not properly maintained

The Master Inventory of Furniture and Equipment maintained by the PHUs did not constitute vital information such as the cost of assets, dates of acquisition codes/identification marks, additions, disposals and other relevant details; and most of the Furniture and Equipment owned and controlled by the PHUs were not marked with a durable identification code or mark to illustrate ownership and control. It was recommended that the DMO should ensure that a comprehensive Master Inventory of Furniture and Equipment including all the details stated in the regulation must be developed as soon as possible; and durable identification marks be affixed to all the Furniture and Equipment owned and controlled by the PHUs.

7.59.3. Absence of Time books

There was no evidence in the form of a time book to confirm that the arrival and departure of staff members to and from work were recorded and monitored. It was recommended that the DMO should ensure that Time Books, in which the details of staff arrival, movement and departure to and from work were recorded, must be maintained, accurately and completely at all times. In addition, that system should be the basis on which staff wages were computed.

7.60. District Medical Office (2011)

7.60.1. Unapproved payments

The examination of a sample of accounting records in respect of payments revealed that payments, totalling Le56,065,000, were not approved by the DMO or a designated person. In addition, there was no information about who prepared the documents for which the payments were made. It was recommended that the DMO must ensure that appropriate approval was sought accordingly and records fully completed before any payment was made.

7.60.2. Differences between PVs and their supporting documentation

A difference of Le4,070,450 was noted between PVs and their supporting documentations. It was recommended the DMO should ensure that all documents pertaining to the authorization, receipt of goods or services, retirement details and payment of expenditure must be retained for audit inspection and reference.

7.60.3. Payments of daily subsistence allowances

Daily Subsistence Allowances amounting to Le2,000,000 alleged to have been paid to participants for the HIV/AIDS programme were not signed for by beneficiaries. It was also observed that Daily Subsistence Allowances in respect of the Micro-planning Programme Activity were paid twice to supervisors within the same period. A total of Le8,000,000 was paid to them. It was therefore recommended that a proper internal control mechanism must be instituted to ensure that payments made were accurate, appropriate and for the intended purpose. The DMO was expected to ensure that all payments should be acknowledged by recipients. In addition, the sum of Le2,000,000 must be paid back into the DMO's account by the officers concerned and payment details forwarded to ASSL for verification.

7.60.4. Payments without request for three quotations

Goods, works and services totalling Le83,654,800, in respect of various Unit/Department activities, were procured without 'Request for Quotations' from at least three bidders. It was recommended that the DMO should ensure that all purchases below the Le60M threshold were supported by a minimum of three (3) RFQs.

7.60.5. Lack of adequate control over revenue collection by the Births and Deaths unit

During the review of the operating procedures of revenue collection in the Birth and Death Unit, it was observed that collectors were not adequately monitored and procedures were not enforced or followed. Auditors were not provided with any meaningful revenue collection for review. In addition, official receipt books printed by the Government Printing Department were not in use. Instead receipt books were bought from vendors without the approval of the Government Printer.

It was recommended that the DMO should ensure the following:

- Controls over collection, recording and reporting of financial transactions were adequate;
- Revenue collectors were adequately monitored and a mechanism put in place to assess their performance; and
- Requisitions should be sent to the Government Printing Department for the supply of official receipts for the collection of revenue.

7.60.6. Revenue from sale of cost recovery drugs still outstanding

Section 40(1) of the FMR 2007 requires that a vote controller is personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection of, and proper accounting for, all Government Revenue and other public moneys relating to their Departments or offices. It was however observed that the amount of Le9,219,760 was owed by various PHU's in respect of cost recovery drugs supplied to them for the period under review. It was recommended that the DHMT must ensure that a policy was established in respect of Cost Recovery Drugs so that amounts owed could be recovered within an agreed timeframe. In addition, adequate steps should be taken to retrieve funds in accordance with the provisions in Section 40(2) of the FMR 2007.

7.60.7. Receipt and issue of drugs

The following were observed:

- Drugs supplies from the medical store in Freetown were taken on charge on Stock record card and recorded in the Channel listing.

- Differences were observed between the original copies of delivery notes maintained by selected PHUs to those maintained by the Bo District Store.
- Some of the drugs usage entries were erroneously recorded. No prescriptions were maintained for daily supply.
- The physical balances in respect of selected drugs were different from those on the Stock record cards

It was therefore recommended that store items should be taken on charge in a stores ledger instead of in a store record card. In addition, differences identified must be investigated and the report forwarded to ASSL within 30 days of the receipt of the report; failing which the total quantity of drugs should be accounted by those concerned. It was also recommended that all prescriptions should be maintained for record purposes.

7.60.8. On and off-site back-up

The software channel package used for the receipt and issue of drugs was prone to risk as there was no password to prevent unauthorized users and no provision for back up (on site or off site). It was recommended that the DHMT must ensure a back-up system was introduced without delay for the receipt and issue of all drugs using the Channel System.

7.60.9. Fuel not brought to account

An examination of selected transactions revealed that fuel and lubricants, totalling Le155,479,000, paid for by the Bo District and City Councils were not accounted for by the DMO. It was recommended that the DHMT should ensure that documents relating to the receipt and usage of the said fuel had to be presented for inspection within 30 days of receipt of the report; otherwise, the amount involved must be recovered from those concerned and paid into the CRF.

7.60.10. Lack of proper control and supervision of stationery purchased

A Stationery Ledger or a Stationery Distribution List was not in existence. An examination of selected transactions revealed that stationery purchased, totalling Le73,481,550, was not accounted for in either a Stationery Ledger or a Distribution List by the DMO.

The DMO should ensure that the Stationery Ledger was maintained and that records were also properly kept for accountability and control. In addition, documents relating to the receipt and usage of the said stationery should be presented for inspection within 30 days of the receipt of the report; otherwise, the amount involved should be recovered from those concerned and paid into the Consolidated Fund.

7.61. Ministry of Mineral Resources (2010 –2011)

7.61.1. Revenue not collected on official receipt

During our review of the operating procedures of revenue collection in the ministry, it was observed that collectors were not adequately monitored and procedures were not enforced or followed. Official Receipts Books printed by the Government Printing Department were not in use, instead plain A4 Papers were used as receipts without the approval of the Government Printer. The sum of Le130,350,000 collected on such receipts was not recorded in the Revenue Cash Book during the period under review.

The following were recommended:

- The Mining Engineer should ensure that controls over collection, recording and reporting of financial transactions were adequate.
- The Mining Engineer should ensure revenue collectors were adequately monitored and a mechanism put in place to assess their performance.
- Requisitions should be sent to the Government Printing Department for the supply of official receipts for the collection of revenue.
- The Mining Engineer should ensure that all cash transactions were recorded and regular reconciliations carried out to avoid any loss or discrepancy between the cash book and bank statement.

7.61.2. Licences issued without applications

Nine Artisanal Mining Licences, valued at Le2,250,000, were issued to various individuals without applications being received and filed by the ministry. It was recommended that the Mining Engineer must only issue licenses after the receipt and approval of an application from an intended Miner.

7.61.3. Revenue collected and not banked

In 2011, out of a total of Le61,750,000 collected as revenue in respect of Artisanal Mining Licences, only the sum of Le30,988,500 was banked leaving an outstanding balance of Le35,761,500 not banked by the ministry. It was recommended that the Mining Engineer should ensure that the sum of Le35,761,500 was recovered and paid into the CRF and the receipt details submitted to ASSL for verification.

7.61.4. Bank Statement not available

In 2010, total revenue of Le68,600,000 was collected. In spite of repeated requests, Bank Statements for the period was not made available to ascertain whether the amount was paid to bank or not.

It was therefore recommended that the Mining Engineer should ensure that the bank statements in respect of transactions referred to, be forwarded to ASSL within thirty (30) days of the receipt of the report; otherwise, the amount involved should be recovered and paid into the CRF.

7.61.5. Fuel not brought to account

An examination of selected transactions revealed that fuel and lubricants, totalling Le11,149,250, were not accounted for by the ministry. It was recommended that the Mining Engineer should ensure that documents relating to the receipt and usage of the said fuel must be presented for inspection within 30 days of the receipt of the report; otherwise the amount involved should be recovered from those concerned and paid into the CRF.

Verification of Payments of Diamond Area Community Development Fund (DACAF) by Chiefdom Authorities

7.61.6. Kakua Chiefdom

Bank Statement was not available for inspection. In addition, payments of Le38,544,850 were without adequate supporting documents. Furthermore, goods, works and services totalling Le32,299,425, were procured without 'Request for Quotations' from at least three bidders. It was therefore recommended that documents pertaining to the authorization, receipt of goods or services, retirement details and payment of expenditure should be retained for audit inspection and reference. In addition, the relevant supporting

documentation must be produced within 30 days of the receipt of the report. All purchases below the Le60M threshold should also be supported by a minimum of three (3) RFQs.

7.61.7. Bo District Council

The sum of Le101,573,164 was paid to the Bo District Council. It was however noted that that amount was used for administrative rather than development purposes. It was recommended that the Mining Engineer should seek an explanation from the Chief Administrator as to why the development fund was used for administrative purposes, within 30 days of receipt of the report; failing which the amount involved must be recovered from those concerned and paid back into the CRF

7.61.8. Bumpeh Chiefdom

The sum of Le30,491,527.37 was paid to the Chiefdom as Diamond Area Community Development Fund. Bank Statements, PVs and other relevant accounting documents were not submitted for verification. It was recommended that a systematic filing system must be put in place in the management of Chiefdom funds and the unrepresented documents should be made available for inspection.

7.61.9. Lugbu chiefdom

The sum of Le47, 264,150.48 was paid to the Chiefdom as Diamond Area Community Development Fund. Bank Statements, PVs and other relevant accounting documents were not submitted for verification. It was recommended that a systematic filing system must be put in place in the management of Chiefdom funds and the unrepresented documents should be made available for inspection.

7.61.10. Badjia Chiefdom

The sum of Le15, 685,016.19 was paid to the Chiefdom as Diamond Area Community Development Fund. Bank Statements, PVs and other relevant accounting documents were not submitted for verification. It was recommended that a systematic filing system must be put in place in the management of Chiefdom funds and the unrepresented documents should be made available for inspection.

7.61.11. Tikonko Chiefdom

The sum of Le60,006,632.55 was paid to the Chiefdom. It was noted however that Bank Statements for the months of April to December 2011 were not submitted for audit inspection. It was recommended that a systematic filing system must be put in place in the management of Chiefdom funds and the unrepresented documents should be made available for inspection.

7.61.12. Jaiama Bongor Chiefdom

The sum of Le44,741,615.53 was paid to the Chiefdom as Diamond Area Community Development Fund. Bank Statements, PVs and other relevant accounting documents were not submitted for verification. It was recommended that a systematic filing system must be put in place in the management of Chiefdom funds and the unrepresented documents should be made available for inspection.

7.62. The Ministry of Finance and Economic Development (2011)

7.62.1. Procurement Plan

The Procurement Plan that was submitted to the audit team was not completed until February 2011. It indicated that no Procurement Plan was in operation during the first two months of the year. It was also noted that there was no evidence that the procurement plan of the Ministry was forwarded to the National Public Procurement Authority (NPPA) for inclusion in the quarterly bulletin. Furthermore some of the

procurement methods stated in the plan were not appropriate taking into consideration the value of the contract involved. For instance, the procurement method stated in the plan, in respect of disaster recovery, budgeted to cost Le 450,000,000, was RFQ; rather, the National Competitive Bidding (NCB) method should have been used.

It was recommended that in future, procurement planning should be done in the preceding year and should be embedded in the budgetary process of the Ministry. In addition, as soon as the procurement plan was approved a copy must be transmitted to the NPPA. Furthermore, members in the procurement unit within the MoFED should be au fait with procurement issues so that they would be able undertake procurement decisions.

7.62.2. Procurement of goods and services

A review of the procurement plan revealed that, procurement of Goods and Services planned for the year with probable method of procurement revealed that the procurement methods stated in the plan were not adhered to by the procurement unit. The procurement officer stated that the unavailability of funds was the reason for the deviation from the planned procurement method. However, that was not documented in the procurement committee minutes. It was therefore recommended that, in future, all reasons for deviating from the procurement plan must be documented and approved by the procurement committee.

7.62.3. Extension of service contracts

A number of contracts for services were extended, however the auditors were unable to ascertain the basis for the extension of those contracts.

It was recommended that for contracts to be extended, the process of evaluating the previous contract must be instituted.

7.62.4. Payment Vouchers not submitted for audit inspection

During the audit, 60 vouchers totalling Le 840,170,788 were not submitted for inspection. It was therefore recommended that all payment vouchers and supporting documents must be made available for audit inspection forthwith.

7.62.5. Inadequate control over the general processing of payment vouchers and other documents

Payment Vouchers totalling Le1, 416,144,654 were raised before the Local Purchase Orders.

It was therefore recommended that all prescribed documents must be submitted before payments were completed for any transaction.

7.62.6. External public debts

The Public Debt Unit did not perform regular reconciliation exercises between the debts in the books of the Government and the debts on the creditors' statements. It was recommended that regular reconciliation exercises should be performed, comparing the debt figures in the Government books and the figures in the creditors' statements.

7.62.7. Domestic supplier arrears

A list of verified Domestic Suppliers Arrears amounting to Le 4,594,000,000 was presented to the auditors. Previous domestic arrears were audited by either the Internal Audit Unit at MoFED or ASSL. However, audit scrutiny revealed that those domestic suppliers' arrears were not verified by either ASSL or the Internal Audit Unit at MoFED. It was also observed that obligations relating to Domestic debt arrears amounting to Le

406,000,000, even though settled in 2011 continued to be recorded as outstanding liabilities. It was recommended that internal control procedures should be performed and documented by personnel at all times and regular monitoring instituted by management to ensure a consistent performance of supervisory checks and reconciliations.

7.62.8. Contingent liabilities not captured

The structure for capturing and reporting contingent liabilities was elementary and as such the auditors were not certain that all the contingent liabilities of the Government of Sierra Leone were captured by the Unit. It was recommended that a proper system of capturing and monitoring contingent liabilities should be instituted by the Public Debt Unit.

7.62.9. Inadequate control over imprest

During the period, requisitions and Petty Cash vouchers were not raised for the disbursement of imprest. In addition, a special imprest of Le1,367,967,280 had no retirement details. Furthermore, after comparing the retirement details i.e. receipt and cash expenditure analysis, it was noted that receipts were dated after the application date, for amounts totalling Le16,023,500. It was recommended that a system should be instituted to ensure that staff retires special imprests before any other imprest was given to them. In cases where special imprests were not retired on a timely basis, those monies should be recovered from vote-controllers by deductions from their salaries. A separate cashbook should also be maintained for Imprest and petty cash vouchers must be raised in petty cash disbursements.

7.62.10. Review of Fuel Management

The following were observed:

- The Ministry had no adequate fuel policy stating the amount of fuel to be purchased, disbursement procedures and the entitlement of the various personnel.
- Reconciliations between the Ministry and the fuel station (supplier) were not done for the period under review.
- The names on three of the life cards could not be traced to the approved list of personnel entitled to fuel.
- The names on five (5) of the life cards and Registration numbers could not be traced to the approved list.
- Forty seven (47) of the registered vehicles did not have life cards and fuel totalling Le 424,005,000 was issued to those vehicles during the period.

It was recommended that the FS should take prompt steps to develop a fuel policy in a bid to effectively and efficiently manage the fuel supplied to the Ministry. He should ensure that, the discrepancy between vehicle owners, life cards and vehicle registration numbers was regularized as soon as possible and evidence of that forwarded to ASSL for verification.

7.62.11. Inventory Register not updated

The Ministry's inventory register prepared in 2010 was not updated as new assets and other valued properties were not reflected in the register. Some of the assets which were discovered to be worn out were shown as new in the inventory register. It was recommended that prompt action should be taken to update the inventory register to incorporate all new assets acquired in 2011.

7.62.12. Review of Public Expenditure Tracking Survey expenditures

The total of Le145, 700,000 was allocated as Return Transport Cost, but supporting documents were only available for Le 75,970,000 leaving a difference of Le.69,730,000. Allocations totalling Le 775,600,000 were made to the seven team leaders to cover payments for DSA and Internal Transport Allowance to Enumerators, Supervisors, DBOCs and Coordinators. However, supporting documents totalling Le 20,800,000 for payments to Coordinators were not presented for audit purpose.

The total of Le 499,000,000 was allocated as final payments, but supporting documents for Le 91,600,000 were not presented to the auditors.

The amount of Le 4,756,000 was withdrawn from PETS account and expended for other departmental purposes.

After carrying out a physical observation of the last payment process, it was observed that 159 enumerators were not present to receive their final Honorarium totalling Le.79,500,000 and 2 Supervisors did not receive their Honorarium totalling Le.1,400,000. However, the auditors were informed that all enumerators and supervisors had collected their honorarium but evidence of that was not presented to them.

It was recommended that all supporting documents must be made available for audit inspection; otherwise, the amount must be refunded there and then and evidence of refund forwarded to ASSL for verification. Also, the official responsible must make evidence available that the monies had been paid to the beneficiaries; otherwise, he should make a refund into the Pets Accounts.

7.63. Ministry of Agriculture, Forestry and Food Security, Pujehun (2007-2010)

7.63.1. Poor Stores Management and Supervision

There was no evidence of supervision of the store by a senior officer and regular stock-taking exercises were not carried out by the Ministry. Furthermore, an examination of the Requisitions, Allocated Stores Ledger and the Store Issue Vouchers revealed that a number of items were issued from the store by the storekeeper to various beneficiaries without requisition. It was therefore recommended that as a matter of urgency, the DDA should ensure that the Store Keeper was frequently supervised by the Accountant and a Supervision Report prepared and retained by the Council. In addition, a stock-taking exercise should be carried out on a regularly basis. Furthermore, the storekeeper should account for the items issued without requisition.

***Official's Response:** The Deputy Director stated that a senior officer had started supervising the store and that regular stock-taking exercises were carried out by the Ministry. He also mentioned that store items were issued only after requisitions were received and approved by DAO. Some store items issued by the District Store Keeper to various beneficiaries were still without requisitions.*

7.64. Government Hospital – Bo 2011

7.64.1. Unpresented accountable documents

Vital accountable documents were not submitted for audit inspection. It was recommended that the MS should ensure that a systematic filing system existed for the safe custody of all accountable documents by putting shelves and control ledgers in place to monitor the inward and outward movements of documents. In addition, the above mentioned documents should be made available for inspection within thirty (30) days of the receipt of the report.

7.64.2. Revenue collected not banked but put into immediate use

It was observed that out of the sum of Le49,910,200 collected as fees, only Le22,850,000 was banked leaving an outstanding balance of Le27,060,200 that was put into immediate use without approval. It was therefore recommended that the MS and Finance Officer must ensure that no use should be made of public money between the time of its receipt and payment into the Bank, in accordance with the provision in the FMR 2007. In addition, the Finance Officer should give a comprehensive explanation backed by concrete evidence for the Le27,060,200 that was not banked or the full amount must be recovered and paid into the hospital account.

7.64.3. Fuel not brought to account

It was observed that 736 gallons of fuel were issued to a generator and vehicles without any fuel chit or coupon. It was recommended that the Finance Officer should ensure that Chits were prepared after the approval of the fuel request form to ensure proper accountability and control.

Fuel Chits or Coupons in respect of the 736 gallons of fuel must also be submitted for verification; failing which the fuel should be accounted for by officers concerned within thirty (30) days of the receipt of the report.

7.64.4. On and off-site back-up

The software channel package used for the receipt and issue of drugs was prone to risk as there was no password to prevent unauthorized users and no provision for back up (on site or off site). It was recommended that the MS should expedite the introduction of a back-up system for the receipt and issue of all drugs using the Channel System.

7.65. Ministry of Foreign Affairs and International Cooperation – Embassy of the Republic of Sierra Leone, Beijing

7.65.1. Unretired Imprest by former Ambassadors

Ambassadors during the period under review, took imprest as contingency to attend various functions on behalf of the embassy, but failed or refused to retire the imprest amounting to \$6,000. It was therefore recommended that the Accountant General should ensure that if those officers were still in the public sector, he should arrange a settlement with them within thirty days of the receipt of the report. The Head of Chancery (HoC) was advised to ensure that in future, imprests were retired by officers as soon as they returned from functions.

***Official's Response:** Audit findings on the above is true and correct. Audit recommendation especially one relating to the Head of Chancery will be taken into consideration. It must have been an oversight on the part of the Head of Chancery not to have retired these expenditures, but the recommendation of the auditor is taken in good faith and such will not be repeated in the future.*

7.65.2. Unretired Repatriation costs

At the end of his tour of duties in January 2008, MoFED sent \$26,445 for the Ambassador's repatriation. The sum of \$12,310 was used to hire a container to ship his personal effects and other logistics, while the balance of \$14,135 was withdrawn by him with no evidence of how the money was expended. It was recommended that the HoC should within thirty days of the receipt of this report provide evidence of how this money was spent or the full amount should be refunded with evidence sent to Audit Service Sierra Leone.

Official's Response: *Audit finding was true and correct. Audit recommendation is taken into consideration with a view to providing supporting documents. Normally, the repatriation of Ambassadors and other related officers, have two aspects namely, the purchasing of air tickets and shipping of personal effects. The mentioned sum of \$14,135 was for the purchasing of the air tickets for the Ambassador and family. The financial documentation relating to this expenditure is being looked for and when traced, it will be recorded for next auditing. In future, the Head of Chancery will make sure that such is not repeated.*

7.65.3. Salary advance of \$2,000 paid to the Head of Chancery

In contradiction with Section 44 of the FMR 2007, a loan or salary advance of \$2,000 was made to the Head of Chancery with the approval of Ambassador in December 2009. As at 31st July 2012, there was no record to suggest that that amount had been repaid or deducted from the officer's salary and there was no agreement at the time of the loan. It was recommended that the Head of Chancery should within thirty days of the receipt of the report, settle that outstanding advance with the Accountant General and thereafter advise that office. Also in future, the Head of Chancery should ensure that he had clearance from the MoFED before undertaking a similar transaction.

Official's Response: *The finding of the auditor is correct. The recommendation is correct. The Head of Chancery will make the repayment as recommended by the auditor and in future the prescribed financial rules and regulation will be adhered to.*

7.65.4. Direct employment in contradiction with the employment laws of China.

A local national was appointed Secretary by the Embassy on 20th April 2011, in direct contradiction of a memo from the Beijing Personnel Service Bureau for Diplomatic Missions. The memo stated that no foreign Embassy was allowed to directly employ anyone except through the Bureau. It was recommended that that matter should be immediately brought to the attention of the Chinese authorities through the Bureau for Diplomatic Missions, and evidence of such action should also be made available within thirty days of the receipt of this report.

Official's Response: *Audit finding under this heading is correct. As recommended, necessary action will be taken accordingly. The finding as stated is correct.*

However, this method of recruitment outside the Bureau is not very unique to the Sierra Leone Mission here is Beijing, especially taken into consideration the high labour cost and other related benefits required for the employment of Chinese nationals presently. Such will not be repeated in the future.

7.65.5. Expired reciprocal agreement on the use of the chancery, residence of the ambassador and four officers on gratis

Contrary to assertions by officers of the Embassy that the ownership of the Chancery, the residences of the Ambassador and four officers belong to the Republic of Sierra Leone, the evidence suggested otherwise. According to the last agreement signed on 8th August 1991 by the then Ambassador who was the Minister of Foreign Affairs at the time, these properties were provided by the host nation gratis with a reciprocal agreement. The agreement expired in August 1996 and a new agreement has not yet been signed. In spite of this the embassy has continued to use these properties. The Ambassador should engage the Ministry of Foreign Affairs on the possibility of renewing the agreement, within thirty days of the receipt of this report.

Official's Response: *The findings referred above are correct. The recommendation is absolutely correct. Very close to the audit exercise, the Ambassador had earlier engaged senior officers including the Hon. Minister of Foreign Affairs and International Cooperation for the renewal of this Agreement. The Mission has also gone ahead to write formally to the Ministry of Foreign Affairs and International Cooperation to revisit this subject matter. The Mission will do the necessary follow-up to bring this issue to a successful close.*

7.65.6. Embassy assets taken from the office and residence by the Ambassador without authority upon on his recall

On his recall home the Ambassador apparently took with him the Embassy's assets valued at approximately \$14,950 without authority. It was recommended that the Ministry of Foreign Affairs should take necessary steps to recover the missing items from the former Ambassador.

***Official's Comments:** Your recommendation is quite correct. This issue has been a subject matter that was reported to the Foreign Ministry, and it is under investigation with the view to recover these items.*

7.65.7. Payment of Embassy Officers' personal heating bills out of Other Charges

Some Embassy officers who were in receipt of their monthly heating allowances, used the funds sent to meet the running costs of the Chancery, to pay their personal heating bills amounting to "double dipping". The total amount involved was \$8,099. It was recommended that those officers should immediately refund the amount of \$8,099 and provide evidence to this office within thirty days of the receipt of this report.

***Official's Comments:** The audit finding is correct. The Mission will take the necessary steps to avoid this in the future,*

7.65.8. Unjustified expenditure relating to an ineligible person

Expenditure of \$2,090 was approved and incurred by the Embassy on behalf of a person who was neither an officer of the Embassy, nor a spouse or a child of any of the embassy officers. It was recommended that the Ambassador should provide evidence confirming the authenticity of that transaction, otherwise, he must refund the full amount to the Embassy and provide evidence within thirty days of the receipt of the report.

***Official's Response:** Audit finding is correct*

7.65.9. Some former Embassy officers failed or refused to settle their personal heating bills before the end of their tour of duties.

Some former officers of the Embassy accumulated personal heating bills, which they failed or refused to pay although they consistently received their monthly heating allowance during their tour of duty. The Service provider (Beijing Housing Service Co. for Diplomatic Missions), has been chasing the Embassy for the payment of these outstanding bills amounting to \$18,712. It was recommended that all the officers concerned should settle their outstanding bills within thirty days of the receipt of the report, with the involvement of the Accountant General.

***Official's Response:** The audit recommendation is correct. The findings should be forwarded to the officers concerned accordingly. However at the end of the tour of their duties the officers left authority that their unpaid bills be settled by the Mission when their outstanding allowances and medical bills owned by the Mission are refunded from other charges remittance.*

7.65.10. Payment voucher without adequate necessary supporting documents.

In September 2009 a PV No. 14, for a request by HoC, was approved by the Ambassador for the withdrawal by cheque (No. 1196412) of \$400 in cash. There was no explanation or evidence to support this withdrawal.

The sum of \$400 should be refunded by the Ambassador as it was unclear from the PV who the recipient was.

***Official's Response:** The audit findings are true and correct. The voucher was examined and observed that it was prepared during the time the Account Assistance/clerk went on his annual leave. However, the Mission will make sure that in future, any financial transaction recorded must be supported by the necessary supporting documents.*

7.65.11. Outstanding Utility bills and Staff overtime payments

Apparently the Embassy over the years accumulated some debts which remain outstanding.:

Table 7.9 – Accounts Payable	
Creditors	USD
Staff overtime	27,115
Other creditors	38,899
TOTAL	\$66,014

It was recommended that the Embassy should, as a matter of urgency, bring the issue to the attention of both the Ministries of Finance and the Minister of Foreign Affairs, for a speedy settlement.

Official's Response: *The above findings are true and correct. This matter has been brought to the attention of the authorities at Headquarter through so many correspondences and telephone calls especially to Ministry of Foreign Affairs and International Cooperation and Ministry of Finance. It was promised that the situation will be improved.*

7.65.12. Irregular, inadequate, and inconsistent financial support from the Ministry of Finance and Economic Development

The Embassy had huge financial constraints apparently emanating from the lack of constant and consistent support from the MoFED. For instance, during the audit the internet service in the Chancery was disconnected for non-payment of outstanding bills. The Ambassador had to use his personal funds to make an installment payment for the service to be reconnected. It was recommended that funding arrangements for the Embassy should be reviewed by both the Ministries of Finance and Foreign Affairs, with urgency and necessary steps taken to improve it.

7.65.13. Donation to the 50th Independence Anniversary Celebrations went missing.

Donations of CHY120,000 appropriately \$20,000 towards the 50th Independence Anniversary Celebrations in 2011 were received by the Embassy from two donors through the Visa Account at the Bank of China. However, there was no evidence to suggest what the money was used for when the Ambassador approved its withdrawal from the bank.

It was recommended that the Ambassador at the time should provide an explanation of how the donation was utilised after it was withdrawn from the bank with his permission.

Official's Response: *The above findings are true and correct. This donation was given to the Embassy during the tenure of the former ambassador. This issue has been a subject of investigation conducted by the Hon. Minister of Foreign Affairs and International Cooperation as was directed by the Office of the President.*

7.65.14. Donations towards the 40th Anniversary celebrations of Diplomatic Relations between China and Sierra Leone went missing

Donations of CHY60,0000 (appropriately \$ 10,000), were received by the Embassy, during the celebrations of the 40th anniversary of diplomatic relations between the People's Republic of China and the Republic of Sierra Leone. The amount was paid into the Visa Account at the Bank of China, and later withdrawn with the Ambassador's approval, but without records to show how it was expended. It was recommended that the Ambassador at the time should provide an explanation of how this donation was utilised after it was withdrawn from the Bank with his permission.

Official's Response: *The matter should be referred to the former Head of Chancery within the period for comments.*

7.65.15. Unauthorised withdrawal from the Visa Revenue Account

Visa fees collected by the Embassy were used to meet embassy running costs apparently due to the late or non arrival of the other charges support, but without the approval of the MoFED. The total amount was

CHY 100,111 or \$16,685 or Le75,083,827 for the period under review. It was recommended that the Mission should provide evidence they had received from MoFED permitting them to use the visa fees collected, to settle their overheads, within thirty days of the receipt of the report.

Official's Response: *Audit finding here is true and correct. Since times visa fees are used to caution the day to day administration of the Mission more especially when the other charges remittances are very irregular. However, in the future visa fees should only be used if permission is given by the Ministry of Finance, Economic and Development.*

7.65.16. Ambassador unable to present his accreditation due to the lack of funds

The Ambassador had apparently received invitations to present his credentials to countries he was responsible for diplomatic accreditation, but due to the lack of funds, he had been unable to do so. In fact during the audit, it was observed that the Ambassador and his HoC privately funded a visit to Vietnam covering flights, accommodation and daily subsistence to present HE's credentials to the President of Vietnam at his request. It was recommended that the Ambassador should take steps to engage both the ministries of Foreign Affairs and International Cooperation and MoFED on the financial position of the Mission.

Official's Response: *Audit finding true and correct. The Ambassador and Head of Chancery are in constant touch with headquarters on this matter. 3op[pppp]It is still to be attended to.*

Public Enterprises, Commissions and Donor Funded Projects

Table of Contents

Main Points	195
8.1. Non-Submitted Accounts.....	196
8.2. Common Issues.....	197
8.3. Sierra Leone Commercial Bank Ltd (2011)	201
8.4. Rokel Commercial Bank Ltd (2011).....	203
8.5. Law Reform Commission (2008 – 2009).....	204
8.6. Law Reform Commission (2010).....	205
8.7. National Council for Technical Vocational and Other Academic Awards (2010)	206
8.8. National Council for Technical Vocational and Other Academic Awards (2011)	207
8.9. Tertiary Education Commission (2011).....	208
8.10. National Commission for Privatisation (2011).....	210
8.11. Human Rights Commission Sierra Leone (2010).....	211
8.12. Serra Leone Library Board (2011).....	212
8.13. Sierra Leone National Shipping Company Limited (2005-2009)	213
8.14. Human Rights Commission (2011).....	221
8.15. Independent Media Commission (2010)	221
8.16. Statistics Sierra Leone (2009 – 2010)	224
8.17. Sierra Leone Road Transport Authority (2006 - 2008).....	225
8.18. Sierra Leone Agriculture Research Institute (2009)	232

8.19.	Sierra Leone Insurance Commission (2011)	235
8.20.	Petroleum Directorate (2010- 2011)	236
8.21.	Sierra Leone Ports Authority (2011).....	238
8.22.	National Telecommunications Commission (2010).....	241
8.23.	National Electoral Commission (2007 – 2010)	243
8.24.	National Public Procurement Authority (2011)	245
8.25.	Sierra Leone Investment and Export Promotion Agency (2010)	246
8.26.	Sierra Leone Airports Authority (2011).....	247
8.27.	Bo Kenema Power Supply (2007)	250
8.28.	Bo Kenema Power Supply (2006)	252
8.29.	Eastern Polytechnic (2011)	256
8.30.	Eastern Polytechnic (2009)	257
8.31.	Eastern Polytechnic (2010)	258
8.32.	Medical and Dental Council (2003 – 2005).....	258
8.33.	Milton Margai College of Education and Technology (2009)	259
8.34.	Milton Margai College of Education and Technology (2010 – 2011).	261
8.35.	Sierra Leone Postal Services Limited (2008).....	262
8.36.	Environmental Protection Agency (2009-2011).....	262
8.37.	Decentralised Services Delivery Project (WB/IDA Credit No. 46560).....	265
8.38.	West Africa Regional Communications Infrastructure Program (2011).....	265
8.39.	Nerica Rice Dissemination Project (2011)	267
8.40.	Moyamba District infrastructures under construction (Demba Enterprises and Construction)	267

8.41.	Port Loko District–Infrastructures under Construction (Liverpool Investment Company Limited).....	268
8.42.	Kambia District–Infrastructures under Construction (Baryern Construction and Trading Enterprises)	268
8.43.	Kambia District – Infrastructures under Construction (Salgus Ventures)....	268
8.44.	Kenema District Economic Recovery Project	269

Main Points

What we examined

These are audits of the annual financial statements of the public enterprises and commissions. The audit includes a formalised risk-based audit planning process; a review of internal control systems and procedures; physical examination of assets; substantive verification of samples of transactions to supporting documentation and such other tests as may be necessary in the circumstances. The focus is upon conducting an in-depth examination of the financial statements and to determine whether they present a true and fair view of the financial position and operations for the accounting period under review. In determining what is true and fair the criteria used are the set of accountancy principles and financial disclosure requirements used to create the financial statements. These are set down in the professional requirements and guidance of recognised accounting standard bodies and to some extent in the law. Generally, public enterprises and commission each have distinct enabling legislation with which they must comply. Our audit examination includes a review for compliance with such legislation.

Audit teams examined the underlying accounting records, ‘the books’, from which the financial statements are prepared as well as the system of internal control in place to ensure the accuracy and overall integrity of how business is conducted. The examination is done in accordance with well-codified and accepted professional auditing standards and ethical requirements recognised by the public and private sector auditing profession around the world. At the end of the examination the auditors issue a short-form report called an Opinion to shareholders in this case generally the Board of Directors set up by Government and also issue a Management Letter focusing on matters of importance in need of being addressed by management.

Why it is important

There is a public financial management principle embodied in the phrase ‘whole-of-government’ which strongly supports that for financial reporting purposes, as well as transparency and accountability, the government accounting entity should include all bodies coming within its ambit of control.

Public Enterprises and Commissions are within the GoSL’s ambit of control. They are created for varying legitimate reasons by governments everywhere. Their functions tend to be discrete activities of a commercial, semi-commercial or social policy nature or a combination of all of these. By their legal nature they are more arms-length from government than MDAs and as such are more remote from the scrutiny of Parliament. It is this remoteness, combined with the fact that to varying degrees they both earn and expend public funds, which makes scrutiny by an independent external auditor on an annual basis all the more important.

In Sierra Leone, Public Enterprises and Commissions carry out a broad range of functions. They are in the critical areas of water and power supply, road construction, tertiary level education, narcotics control, banking, ferries and shipping, telecommunications and mineral resources to name but a few. As such they represent a significant amount of economic activity in Sierra Leone and have a major impact on infrastructural development as well.

For all of these reasons the audits of Public Enterprises and Commissions are of considerable importance.

What we found

In general and across virtually all Public Enterprises and Commissions the significant matters identified in the audit examinations fall into the following areas:

- Poor bank, cash and imprest account management practices;

- Missing supporting documentation for transactions;
- Inadequate use of or a failure to use Asset Registers; and
- Failures to deduct withholding tax from supplier remittances.

There are also instances of poorly managed or largely non-existent document filing systems; inadequate personnel records; payroll calculation errors and less than well-functioning internal audit departments.

These observations are expanded upon in greater detail in the paragraphs to follow. Overall they suggest a need for greatly improved financial management with a clear focus on basic principles of internal control, e.g. appropriate segregation of duties and sound procedures for authorizing, recording and reporting transactions.

Detailed Findings and Recommendations

8.1. Non-Submitted Accounts

As at 31 March 2012, the following Public Enterprises and Commissions had not submitted their Accounts for the 2011 Financial Year.

Table 8.1 – Non-Submitted Accounts	
Sierra Leone Maritime Administration	2011
Statistics Sierra Leone	2011
National Electoral Commission	2011
Independent Media Commission	2011
Standard Bureau	2009 – 2011
Sierra Leone Road Transport Authority	2009 – 2011
National Revenue Authority	2011
National Social Security and Insurance Trust	2011
Sierra Leone Roads Authority	2008 – 2011
Njala University College	2009 – 2011
Freetown Waste Management	2009 – 2011
National Power Authority	2011
S.L HIV/AIDS Response Project	2011
Medical and Dental Service	2011

8.2. Common Issues

A number of audit issues to be reported apply to several institutions. These common issues are outlined in the paragraphs below. Table 8.2 shows to which institutions each of these issues relate and, where appropriate, values are also included. It should be noted that only the most common issues are addressed here. Other audit issues are reported under the report sections relating to specific public enterprises.

8.2.1. Payments without supporting documents

Section 73(1) of the FMR 2007 states that all disbursements of public money should be supported by an appropriate payment voucher and other relevant documents. Supporting documents for payments made by Public Enterprises, totalling Le 793,999,021, were not presented for audit inspection during 2012. As these documents were not made available, there is a risk that these payments were for goods or services that were not actually delivered to the respective institutions. In addition, it was impossible to conclude as to whether these payments had followed the proper procedures as set down in law.

It was recommended that all supporting documents in relation to these transactions should be submitted to ASSL for inspection and, in future, **ALL** supporting documents must be attached to PVs and retained for audit purposes.

8.2.2. Payments without adequate supporting documents

Other disbursements, totalling Le 1,757,953,930 were undertaken for which some supporting documents were submitted. However, the nature of these supporting documents was insufficient to fully substantiate the payment concerned. For example, payments should be supported by receipts, invoices, delivery notes and other relevant documentation as well as the payment voucher. It was therefore recommended that the institutions concerned should submit the relevant supporting documents to ASSL. In future **ALL** supporting documents should be retained and made available for audit inspection.

8.2.3. Withholding tax not deducted and paid to the NRA

During the audits of public enterprises conducted during 2012 it was identified that withholding taxes totalling Le 1,310,215,922 were not deducted and paid to NRA as specified by section 117(4) of the Income Tax Act 2000. All Heads of PEs should ensure that withholding tax is deducted properly and paid to NRA. The amounts identified during the audits must be recovered and paid to NRA. Evidence of payment should be forwarded to the ASSL for verification, and the Commissioner of Income Tax should take the necessary action.

The Government of Sierra Leone relies on tax revenue to finance key public services. Failure to properly and fully deduct, collect and remit withholding tax reduces available government revenue and, ultimately, reduces the level and quality of public services received by citizens.

8.2.4. Monthly bank reconciliations not prepared

A number of public enterprises audited did not perform monthly bank reconciliations during the period subject to audit.

Inadequate control over cash is a common issue across the Sierra Leonean public sector. It is critical that institutions properly reconcile the statements received regularly from commercial banks and cashbook records maintained within the institution. This ensures that accounting entries recorded in the cashbook represent all transactions carried out and that amounts recorded are correct. Failure to reconcile the bank accounts in such a way raises question marks not only of the cash balance recorded in the cashbook but also over revenue and expenditure items reported.

It is critical that ALL public sector institutions perform bank reconciliations shortly after the end of each month. All differences should be fully investigated and the appropriate corrections made to the cashbook. Reconciliations should be performed by a finance officer and signed as reviewed by a senior finance officer.

8.2.5. Fixed assets registers not maintained

A number of PEs audited did not maintain fixed assets registers. This contravenes section 231(1) of the FMR 2007. Failure to maintain a fixed asset register makes it virtually impossible to maintain adequate control over assets held. In addition, these registers are necessary to support fixed asset balances and depreciation expenses as presented in the financial statements.

Fixed asset registers should be introduced immediately and the Heads of PEs must ensure that the location and state of all assets are checked on a regular basis, evidence of which must be documented.

8.2.6. Fixed Assets Registers not updated

Some institutions maintain fixed asset registers that are not fully up to date. Verification of assets carried out during some audits identified that some assets acquired were not properly included in the registers. This means that assets may have been misappropriated and that the financial statements of the respective institutions have been misstated. Management must ensure that all fixed asset registers are updated on a regular basis and include all assets purchased and disposed of.

8.2.7. No Internal Audit Unit

A number of public enterprises do not have any internal audit function. Internal audit function helps to ensure that financial and operational controls are operating as intended within the organisation. It gives the respective Boards of these institutions assurance that managements are implementing appropriate control mechanisms and that these mechanisms are being complied with.

It was recommended that the Heads of PEs should ensure that internal audit units are established with immediate effect and that these units begin operations as soon as is practicable.

Table 8.2 – PE Common Issues							
Public Enterprise	Payments Without Supporting Documents	Payments Without adequate Supporting Documents	Withholding Taxes not Remitted	No Bank Reconciliations	Fixed Asset Register Not Maintained	Fixed Asset Register Not Updated	No Internal Audit Unit
Law Reform Commission (2008 – 2009)	-	-	-	-		✓	✓

Table 8.2 – PE Common Issues

Public Enterprise	Payments Without Supporting Documents	Payments Without adequate Supporting Documents	Withholding Taxes not Remitted	No Bank Reconciliations	Fixed Asset Register Not Maintained	Fixed Asset Register Not Updated	No Internal Audit Unit
Law Reform Commission (2010)	-	-	-	-	-	-	✓
NCTVA (2009-2010)	-	-	-	-	-	-	✓
Statistics Sierra Leone	-	9,643,000	-	-	✓	-	
Tertiary Education Commission	-	-	-	-	-	-	✓
Human Rights Commission Sierra Leone	3,577,500	-	2,344,750	-	-	-	✓
Sierra Leone National Shipping Company Limited (2005-2009)	790,421,521	-	-	✓	-	-	-
Human Rights Commission (2011)	-	-	-	-	-	✓	-
Independent Media Commission (2010)	-	-	-	-	-	✓	-
Sierra Leone Road Transport Authority (2006 - 2008)	-	153,789,199	151,483,411	-	-	-	-
Sierra Leone Agricultural Research Institute	-	-	-	✓	-	-	-
Petroleum Directorate (2010- 2011)	-	-	-	-	-	-	✓
Sierra Leone Ports Authority (2011)	-	245,538,288	-	-	-	-	-

Table 8.2 – PE Common Issues

Public Enterprise	Payments Without Supporting Documents	Payments Without adequate Supporting Documents	Withholding Taxes not Remitted	No Bank Reconciliations	Fixed Asset Register Not Maintained	Fixed Asset Register Not Updated	No Internal Audit Unit
National Electoral Commission (2007 – 2010)	-	-	-	✓	-	-	-
Sierra Leone Airports Authority (2011)	-	81,050,500	-	-	-	-	-
Bo Kenema Power Supply (2006)	-	453, 409,950	21,449,305	-	-	-	-
Eastern Polytechnic (2011)	-	31,100,000	36,400,242	-	-	-	-
Eastern Polytechnic (2009)	-	150, 131,920	5,812,500	-	-	-	-
Eastern Polytechnic (2010)	-	85,567,456	2,659,100	-	-	-	-
Bo Kenema Power Supply 2007	-	547,723,617	23, 802,614	-	-	-	-
Medical and Dental Council (2003 – 2005)	-	-	-	✓	-	-	-
Milton Margai College of Education & Technology 2010 - 2011	-	-	-	-	-	✓	-
Environmental Protection Agency	-	-	1,066,264,000	-	✓	-	-
TOTAL (Le)	793,999,021	1,757,953,930	1,310,215,922	N/A	N/A	N/A	N/A

8.3. Sierra Leone Commercial Bank Ltd (2011)

8.3.1. Review Previous Audit Report

Action has not been taken on some of the recommendations made in previous reports on the non-compliance with bank regulations and loans and advances classification. It was therefore recommended that timely consideration be given to matters raised by Auditors, and that the matters must be addressed promptly.

Official's response: *The Managing Director in his response stated that ensuring compliance with banking regulation was always at the fore front of their operations but that the management of liquidity was fraught with practical challenges relating to the timely availability of account statements and confirmation of available balances with the Central Bank. For the specific case mentioned, the breach was in relation to cash reserve ratio caused by a particular deposit for which we were entitled to receive value before the Bank of Sierra Leone cut-off time of 4pm but apparently, the value was given by Bank of Sierra Leone after the cut-off time. He also stated that Advances classification remained a fundamental component of their risk management practices and as a bank; they continuously conducted periodic review of their lending portfolio. With the extensive downgrading and re-classification of large exposures over the past four years, they were lately giving attention to reviewing small lending with the view of making adequate provision as appropriate. That was amply demonstrated by their recent provision of Le1.1bn in respect of a series of small delinquent accounts.*

8.3.2. Cash and Bank Balances

A review of the Siaka Stevens Street Branch (001) Treasury Register for the period under review revealed that cash held in the vault, on several occasions, was in excess of the Bank's Le 10 billion insurance cover. See table below for details:

Table 8.3 – Cash Exceeding Insured Limits	
Date	Amount (Le)
04/05/11	11,531,130,805
05/05/11	11,165,970,805
23/05/11	12,773,730,805
06/06/11	13,257,380,805
07/06/11	11,340,430,805
26/07/11	13,788,465,805
27/07/11	13,788,465,805

In addition, there was no evidence of dual control, for the following periods:

Table 8.4 – Missing 2 nd Signature		
Lack of Control	From	To
The register not signed by both signatories	07/02/11	07/04/11
The register not signed by both signatories	17/08/11	22/10/11
The register not signed by both signatories	23/11/11	30/12/11
The register not signed by both signatories	08/04/11	14/07/11
The register not signed by both signatories	23/07/11	16/08/11
The register not signed by both signatories	24/10/11	22/11/11

It was recommended that cash held in the vault must be maintained within the insurance limit always. Also, there must be a strict monitoring and adhering of controls by every Bank personnel.

Official's Response: *The Managing Director stated that they had taken action to regularise those exceptions.*

8.3.3. Inventory

It was observed that there were differences between the stock sheet and the derived analysis.

Table 8.5 – Stock Differences			
Details	Derived Balance	Stock Sheet	Difference
Imported letter head	23,570	21,650	1,920
Note wrapper	60,000	59,600	400
SLCB bank draft SSST	476	274	202
Copier paper - full scrap	63	12	51
Personal account opening form	2,900	3,550	(650)
Epson ribbon 2/7/80	14	24	(10)
Espon ribbon cartridge LQ590	45	34	11
Laser jet toner - 13A	5	9	(4)
Laser jet toner - 12A	8	11	(3)
Laser jet toner - 36A	7	8	(1)
Laser jet toner - 49A	4	8	(4)
Surf soap powder	103	150	(47)
Toilet soap	305	237	68
Insect spray	21	44	(23)
Brown fabric material	32	518	(486)
Navy blue material	46	390	(344)
Pink material	30	766	(736)
Fluorescent tube 4	177	192	(15)
Fluorescent tube 2	96	90	6
Personal general cheque	285	25	260

It was noted further that the following inventory had a negative balance as at 31st December 2011.

Table 8.6 – Negative Inventory Balances	
Details	Stock sheet balance
Blotting paper	(14)
1XL lever arch file	(13)
Lead pencil	(192)
Canon cartridge – T turner	(3)
Imported Epson – Triplicate print	(49)
Toner magazine	(1)

Official's Response: The managing Director explained that the differences were basically due to the delay in posting the charge out of the related stock requisitions to the respective departments as at year end and that they had since regularised the position.

8.3.4. Accounting Entries

There were some suspense accounts balances in the trial balance, also included in the financial statements, which were supposed to be nil off at the end-of-year review. Details are shown in the table below.

Table 8.7 – Uncleared Suspense Accounts		
General Ledger Code	General Ledger Description	Closing Balance (Le)
160404000	System suspense account	(255,027,826)
160506000	Suspense sundry payments	(1,118,432,776)
160519100	2010 Vault cash imbalance suspense	(893,930,073)
TOTAL		(2,267,390,675)

Official's Response: The Managing Director stated that management had concluded an exhaustive investigation into static balances in system account and 2010 vault cash imbalances and advised that provision for impairment be made to write off the balances in both the 2011 and 2012 financial years. Nonetheless, they continued to investigate the items which were largely the legacy of the difficult implementation they had with the flexcube software during the period 2007 – 2009, he stated. The Managing Director also mentioned that the balance in the suspense sundry payment was current, comprising of transit items which were due to timing difference. He promised they would be regularised accordingly. The MD stated that they were satisfied that there were no old outstanding items in the account.

8.4. Rokel Commercial Bank Ltd (2011)

8.4.1. Financial assets

The previous Audit Report, highlighted issues relating to the valuation of some of the bank's financial assets. In those instances, the assets included receivables which had been long outstanding, calling into question the likelihood that the items would eventually be recovered. Impairment provisions for these balances, as agreed with management have been made in the financial statements.

8.4.2. Contingent liability

Provisions for payouts have been made in the accounts in the event that judgment against the bank given in the lower courts was upheld. It was recommended that a system should be implemented to recover the items.

Official's Response: The Managing Director confirmed that adequate provisions were made to the financial statements for impaired balances. The capital adequacy ratio and contingent liability were being monitored by management and significant improvement seen.

8.4.3. Additions to Fixed Assets

We tested the transactions for additions to fixed assets during the period under review but were not provided with supporting documentations for the following items:

Table 8.8 – Missing Supporting Documentation			
Name of Asset	Location	Qty.	Amount (Le)
Air conditioner	Banking Operation	4	11,615,000
CPU		1	4,8000,000
Generator (20 KVA)	Generator room	4	59,995,000
Printer (HP LaserJet P2055D)		1	4,025,000
Scanner	Computer Centre	17	108,000,000
UPS (5000VA)		1	20,700,000
Sofas		4	20,800,000
Plasma TV 29" LG	Congo Cross	1	4,370,000
TOTAL			277,505,000

It was recommended that the supporting documents for the items listed above should be obtained and filed for reference.

Official's Response: *The Managing Director stated that supporting documents which were being used to compile the fixed assets register had been made available for verification.*

8.4.4. Loans and Overdrafts Review

As required by the Central Bank, loans and overdrafts must be classified into categories with the level of provision for impairment for each facility depending on its classification. We noted that some of the loans and overdrafts were not properly classified in the draft reports submitted as outstanding at the end of the year. It was noted that a Kenema branch customer, Capitol Trading Company, was granted an overdraft facility amounting to Le2,000,000,000 for which the collateral was an equity mortgage, lien over export proceeds and personal guarantees of directors. The collateral may be inadequate. It was therefore recommended that loans and advances classifications must be properly determined to assist the timely compilation of the financial statements in future. Also efforts should be made to obtain adequate collaterals for the facility to Capitol.

Official's Response: *Reclassification of Accounts - The Managing Director noted the comments and advised that accounts should be reclassified after the quarterly review of watch list and classified debts reports. He explained that reclassification was done when accounts had shown signs of weakness and recovery was doubtful. Details of customers in that category were handed over to their debt recovery team for appropriate measures to be taken in ensuring full recovery. He stated that they affirmed their full adherence to the provisions of the Banking Act/Regulations and other operating guidelines issued by the Central Bank from time to time.*

Capitol Trading Company - The Managing Director stated that the above named company was enjoying a temporary overdraft facility of Le2bn which was granted to assist the company purchase cocoa during the produce season for export. The facility was being secured by domiciliation of export proceeds through the company's CFC account held with them and the personal guarantee of Mr. Nour Hashim.

The Managing Director also stated that regarding tangible security, the directors had offered title deeds to the Capitol Hotel property in Kenema, valued in excess of U.S\$1.5m as security for the exposure. He stressed that they were having challenges in executing the legal mortgage over the said property due to the provincial property laws but at the same time pursuing the option of converting title deeds to leasehold to enable them execute a legal mortgage. However, the domiciliation of export proceeds has proved to be very effective over the years as the exposures were promptly liquidated as soon as funds were received, the Managing Director stated.

8.5. Law Reform Commission (2008 – 2009)

8.5.1. Financial Statements

It was observed that a complete set of Financial Statements was not prepared and submitted for auditing for the 2008 and 2009 Financial Years, which should have included the Balance Sheet, Income and Expenditure Statements and Cash Flow Statement. The preparation of a full set of Financial Statement is the best accounting practice for users of accounting information.

Official's Response: *The Commissioner stated that the recommendation would be implemented.*

8.5.2. Procurement issues

There was no evidence that the Organisation had a Procurement Policy. Procurement was done but without a Procurement Policy. It was therefore recommended that the Organisation should establish a procurement policy. This would lead to an improved initial control and value for money.

Official's Response: *The Commissioner in her reply stated that procurement was done in accordance with the National Procurement Policy and promised that an internal procurement policy would be put in place by the Commission.*

8.5.3. Accounting issues

There was the absence of a quarterly budget performance report with variances unexplained. Therefore, the performance of the different areas became difficult to assess. The absence of Budget Performance reports could lead to over or under spending. The Commissioner was advised that all efforts should be made to strengthen the existing control over expenses and the use of proper budgetary tools.

Official's Response: *The Commissioner stated that the recommendation would be implemented.*

8.5.4. Information technology

The Commission was in the process of computerizing its data base, a system which came into operation recently.

It was recommended that daily file back-ups should be secured and kept off site so that in the event of system break down, grave disaster, etc., the Commission could mitigate the risks of loss of information.

Official's Response: *The Commissioner stated that the recommendation had been implemented.*

8.5.5. General Recommendation

The General Recommendation of the insurance of property, plant and equipment should be carried out soonest so as to improve the overall performance of management and ensure an accurate Cash Flow position.

8.6. Law Reform Commission (2010)

8.6.1. Filing System

The filing of documents such as Bank Statements and Payroll Vouchers were not properly done. The lack of proper filing of documents will make it difficult for reference and verification purposes.

Official's Response: *The Commissioner stated that the recommendation had been implemented.*

8.6.2. Financial Statements

A complete set of Financial Statements (Balance Sheet, Income and Expenditure Statement and Cash Flow Statement), was not prepared and submitted for auditing for the 2010 Financial Year.

Official's Response: *The Commissioner stated that the recommendation would be implemented.*

8.6.3. Procurement Issues

There was no evidence that the organisation had a Procurement Policy. In the absence of a clear procurement policy and written procedures, purchases may not be made in the most economic or efficient manner. This may lead to waste and/or low quality items being obtained. The Organisation should therefore establish a procurement policy which would lead to improved initial control and value for money.

Official's Response: *The Commissioner mentioned that procurement was done in accordance with the National Procurement Policy. She promised an internal procurement policy would be developed by the Commission.*

8.6.4. Accounting Issues

There was the absence of a quarterly budget performance report with variances explained and as such the performance of the different areas became difficult to assess. The absence of Budget Performance reports

can lead to over or under spending. All efforts should be made to strengthen the existing control over expenses and the use of proper budgetary tools.

Official's Response: *The Commissioner stated that the recommendation would be implemented.*

8.6.5. Unlabelled Assets

Although an officer was now assigned for the maintenance of the Fixed Assets Register, some assets were not labelled. In the absence of a periodic verification of fixed assets damaged and/or missing assets may go unnoticed, increasing the possibility for misappropriation of assets and theft.

Official's Response: *The Commissioner acknowledged that few assets were not labelled and stated that action had been taken to label the remaining Fixed Assets and to keep the Register updated, she stated.*

8.7. National Council for Technical Vocational and Other Academic Awards (2010)

8.7.1. Accounting Issues

There was the absence of a quarterly budget performance report with variances explained and as such the performance of the different areas became difficult to assess. Variance reporting would enhance the monitoring and measurement of Progress towards organization objectives.

Official's Response: *The management in their response stated that they would ensure that in preparing the next Financial Statement, serious consideration would be given to the highlighting of variances between actual & budgeted figures.*

8.7.2. Information Technology

The Organisation was in the process of computerising its data base, a system which came into operation recently. It would appear that there were no safeguards in the form of password controls in use. Backup disks were not stored safely in the office or off site.

Official's Response: *Management stated that the recommendation had been taken into consideration and plans put in place to procure backups that would be kept in a secured location possibly outside the office. They also mentioned that they would ensure that all other sensitive information in other units would be kept on backups.*

8.7.3. Procurement Issues

Although the organization had a Procurement Policy, there was evidence that some items were purchased without competitive bidding which may lead to the waste of human resources and/or low quality items being obtained. It was recommended that the procurement policy should be circulated to members of staff and that would lead to improved internal control and value for money. All purchases must be guided by the policy.

Official's Response: *Management in their response stated they would ensure that in 2011, all procurements undertaken by Council would be carried out through a competitive bidding process and the procurement policy would be made available to all staff as recommended.*

8.7.4. Non Compliance with Laws and Regulations

Social Security contributions and PAYE were deducted from employees' salaries and not paid to the appropriate authorities. There were still some backlogs to be paid to the appropriate authorities. Failure to pay over the amounts withheld from employee's salaries will result in difficulties being encountered at NASSIT by employees on retirement. The Organisation risks being sanctioned for not complying with the current regulations. It was therefore recommended that efforts should be made to pay over employees

deductions soonest to NASSIT and processing of PAYE deductions to the appropriate authority straight away.

Official's Response: Management stated that the recommendation had been taken into consideration and negotiations made with the appropriate authority for a payment plan by the end of March 2011 for both PAYE and NASSIT.

8.7.5. General Recommendation

The following General recommendation should be carried out soonest so as to improve the overall performance of management and ensure a continuous cash flow surplus at all times:

- Additional Cash Controls - Carrying out surprise checks on those handling cash.
- Insurance of Property, plant and equipment to ensure all properties in the event of adverse unforeseen circumstances.

8.8. National Council for Technical Vocational and Other Academic Awards (2011)

8.8.1. Information Technology Safe Guards

The Organisation has in place a computerized accounts system for the preparation of its Management accounts. It was noted that although daily backups of transactions were being done, back up diskettes were not kept in the office. We were unable to ascertain that backup disks were stored safely in the office or off site during the period we were auditing.

Official's Response: Management stated that they had started to maintain backups of important documents at a secured location within the office and that they would ensure that all files on backups were password protected to prevent unauthorized persons accessing them.

8.8.2. Fixed Assets Verification

There was no evidence that physical verification of assets was carried out within the period under review. The absence of a periodic verification of fixed assets, damaged and/or missing assets might go unnoticed making it possible for misappropriation of assets and theft. Written policies need to be in place to address the issue.

Official's Response: Management mentioned that the recommendation had been taken into consideration and the Finance Staff had started an exercise to identify and verify all the Fixed Assets of the Organization. In future all verification exercises would be presented to the auditors in the form of a report.

8.8.3. Procurement Issues

There was evidence that some items were purchased without competitive bidding. The Procurement Policy was still not circulated to members of staff. It was recommended that Internal Control and value for money would improve if the Procurement Policy was observed and implemented soonest.

Official's Response: In their response, management indicated that they would ensure that all staff was provided with the procurement policy of the Organisation; and that in future, all items bought would be done strictly in line with the procurement policy of the Organisation.

8.8.4. Non Compliance with Laws and Regulations

There were still outstanding payments to the appropriation authority in respect of Social Security Contributions. A repayment Plan scheduled for 2011 has still not been done by the organisation thereby standing the risk of being sanctioned for not complying with the current regulations.

Official's Response: Management stated that a payment plan had been put in place and they had been complying with its terms though slow due to the unavailability and late payment of funds by MEST.

8.8.5. Accounting Environment Receivables

It was recommended that all effort should be made to ensure that the issues raised previously in the 2009-2010 Financial Statements and recommendations were implemented. An ageing analysis of Debtors must be done soonest and the Debtors account reconciled to improve management and internal controls and ensure better financial reporting.

***Official's Response:** Management indicated that the recommendation had been noted and that they would ensure that they were implemented at once.*

8.9. Tertiary Education Commission (2011)

8.9.1. The Accounting Environment

There was the absence of a quarterly budget performance report with variances explained. Therefore the performance of the different areas became difficult to assess. The absence of Budget Performance reports can lead to over or under spending. It was recommended that all efforts should be made to strengthen the existing control over expenses and the use of proper budgetary tools.

***Official's Response:** The Executive Secretary noted the above observation and stated that steps would be taken for its implementation.*

Sierra Leone Housing Corporation (2009 - 2010)

8.9.2. General Ledger

It was observed that the corporation did not maintain a general ledger which should be used for the posting of accounts balances to the trial balance.

8.9.3. Rent Register

The corporation did not have a Rent Register for rent received at both Hill Station-OAU Villas and Goderich Estate-7th Battalion.

8.9.4. Rent Agreement

The Rent Agreements between the Corporation and Tenants/Occupants at both Hill Station and Goderich Estates were not available for inspection. It was recommended that as a matter of urgency, management should prepare relevant Rent Agreements with Tenants/Occupants of the Corporation's Estates.

8.9.5. Mortgage/Divestiture – Kissy Low-Cost Housing Estate

(a) Missing Mortgage/Loan Cards

It was observed from the list of mortgagee balances outstanding that 30 Loan Cards and Balances were missing and thus not included in the total mortgage balance outstanding. It was strongly recommended as a matter of urgency that the balances on the respective missing Loan Cards (if any) must be incorporated in the list of outstanding mortgage balances at the year end.

(b) Mortgage/Loan Cards

It was observed from a sample, chosen, that the Mortgage/Loan Cards were not properly updated (for instance, balances on the cards were not shown or regularly updated). It was also observed that instead of the accounts department which should be responsible for Corporation finances and the administering of the

mortgage, a junior staff in the Estate and Planning Department of the Corporation was responsible for issuing receipts for monies paid by the mortgagees, recording payments in the relevant Loan Cards and at the same time doing bank lodgements with no supervision from a senior officer or the Accounts Department.

8.9.6. Statutory Audit

Section 31(4) of the Sierra Leone Housing Corporation Act, 1982 (No. 5 of 1982) states that ‘the accounts of the corporation are to be audited not more than six months after the end of each financial year’. The 2009 and 2010 Financial Statements were presented for audit in March 2012. This was a clear breach of Section 31(4) of the Sierra Leone Housing Corporation Act, 1982 (No. 5 of 1982)

It was recommended that the above mentioned section of the Sierra Leone Housing Corporation Act, 1982 (No. 5 of 1982) should be strictly complied with.

8.9.7. Disbursement Authorisation

The disbursement authorisation voucher used for making payments on behalf of the Corporation was neither checked by the relevant officer nor was a second approval given in almost all of the vouchers chosen from our sample.

It was recommended that all payments made on behalf of the Corporation in the disbursement authorisation should be properly checked by a responsible officer prior to its first and second approval.

8.9.8. Payables and Accruals

The under mentioned accounts and balances included in the financial statements have been long outstanding without any movement:

Table 8.9 – Doubtful Loans	
Account Name	Amount (Le)
Micro Credit Loan (Ministry of Finance)	50,000,000
Sewage Loan (Ministry of Finance)	20,000,000
Interest on Sewage Loan	16,750,000
Corporation Tax	118,328,000
Security Deposit Refundable	5,615,000
Deferred Credit	23,000
Insurance Accrued	22,498,000
Interdepartmental Loan	121,598,444

These amounts, without movement in the years, could distort the true and fair view of the payables and accruals balances at the balance sheet date.

It was strongly recommended that necessary action should be taken by the Board to rectify the situation or seek approval from the relevant authorities for writing-off those amounts in the Corporation’s Books of Accounts, in order to give a more realistic view of the Corporation’s financial position.

8.9.9. Analytical Review

The receivables/turnover ratio for 2009 was 697:1 and that of 2010 was 375:1 implying that over 697% and 375% of Corporations fund was tied up in debts in 2009 and 2010, respectively and that the internal control mechanism for debt management of the Corporation was weak or non-existent.

It was therefore recommended, as a matter of urgency that improvement needs to be made in debt collection control procedure in order to drastically reduce the debt owed to the corporation. Also, provision for bad and doubtful debts should be made and approved by the Board for monies that were unlikely to be recovered.

8.10. National Commission for Privatisation (2011)

8.10.1. Remuneration and expenses of members of the Commission

It was observed that the Commission had contacted the secretary to the president with regards the above mentioned issue but the president was yet to determine and approve those remunerations and allowances. It was recommended that remunerations and allowances paid to the Chairman and other members of the Commission should be ratified by the President or the act amended to rectify the issue.

Official's Response: Management stated that the Secretary to the President had been informed for the attention of the President and that they were still awaiting comments from the Office of the president.

8.10.2. Proceedings of the Commission

It was noted that regular monthly meetings were not held for seven months during the period under review. It was recommended that notification for not holding meetings should be sent to all Commissioners prior to the pre-set dates; otherwise the Commission must meet at least once every month as provided by Section 8 (1) of the National Commission for Privatisation Act, 2002.

Official's Response: Management responded that the recommendation had been noted. They stated further that the Commission would ensure that meetings were held regularly and when there were important matters to be discussed.

8.10.3. Composition of the Commission

Section 5 of National Commission for Privatisation Act, 2002 provides that a representative from the Sierra Leone Bar Association must be among other members of the Commission. However, there was yet to be a representative from that Association. It was recommended that the Commission should pursue the representation of the Sierra Leone Bar Association, in order to comply with Section 5 of the National Commission for Privatisation Act, 2002. Alternatively the Commission should consider amending the act in order to take care of that issue.

Official's Response: Management responded that the recommendation was noted and stated further that the Commission would ensure that the Sierra Leone Bar Association was represented in order to comply with section 5 of the NCP Act 2002.

8.10.4. Legal consultant

The Commission was committed to pay a consultant a monthly retainer fee of US\$1,500 or Leone equivalent including communications and travel expenses for all official trips specifically requested by National Commission for Privatisation and incurred by the consultant in carrying out the services. It was extremely difficult to understand why the commission was engaging a legal consultant who was not domiciled in Sierra Leone. It was therefore recommended that price proposals should be requested from legal consultants domiciled in Sierra Leone.

Official's Response: *The Legal Consultant was a Sierra Leonean National, a registered lawyer/member of the Sierra Leone Bar Association with extensive experience in Commercial Law, and a legal Partner at a Law Chambers in Sierra Leone with an office in the Gambia where she has been residing of late.*

The receipts reflected the periods that the Commission specifically requested the Consultant's presence at negotiations or other NCP matters. In addition, it was stated that she frequently travelled to Freetown on her own expenses without additional cost to the Commission and during those other trips she continued to undertake work on behalf of the Commission. She had been overseeing all legal and compliance matters of the Commission and also working remotely (via email and telephone) at her expense on a daily basis and as needed on NCP matters.

Management concluded that the Commission was getting value for money at a competitive market rate, given the volume of work in various legal areas and lengthy contract negotiations undertaken; that the Consultant's professionalism and specialist legal experience in Commercial law (contract, shipping, telecoms etc.) had ensured that all NCP deliverables were met.

8.10.5. Unlabelled Fixed Assets

A significant amount of the Commission's Tangible Fixed Assets were without identification tags to facilitate easy verification and proper monitoring of these assets. It was difficult and time-consuming to physically verify and monitor assets which were without identification tags. It was recommended that all property, plant and equipment belonging to the Commission should carry an identification tag which must be in agreement with the information indicated in the register of tangible fixed assets.

Official's Response: *Management responded that the recommendation was noted. They stated that the Commission was aware of the significance of identification tags to facilitate easy verification and proper monitoring of Tangible Fixed Assets and that it would be implemented as soon as possible.*

8.10.6. No Physical Verification of Tangible Fixed Assets

The Tangible Fixed Assets of the Commission were not physically verified on a regular basis to enable the Commission determine their existence and condition. The Commission was not in a good position to identify missing assets on a timely basis.

Official's Response: *Management in their response stated that physical verification of Tangible Fixed Assets was done on a yearly basis but that it should be done on a more regular basis to ascertain their existence and condition.*

8.10.7. Receipts from the Sale of Bid Documents

The accuracy of the amount reported in the financial statements of the Commission for the year ended 31st December, 2011 as funds from the sale of bid documents cannot be verified because the Commission's current receipt system was not pre-numbered.

Official's Response: *Management responded that the recommendation was noted. They further emphasized that they believed the accuracy of the amount reported in the Financial Statements could be verified from the bank statements as funds from the sale of bid documents were made directly into the relevant bank accounts. In addition, they stated that they were aware of the benefit of introducing a pre-numbered receipting system and that it would be implemented.*

8.11. Human Rights Commission Sierra Leone (2010)

8.11.1. Review of the management letter for the year ended (2009)

It was noted that for some of the issues raised in the previous management letters, action had not been completed, whilst for some others, action was yet to be taken. We provide here-under a list of these matters.

8.11.2. Identification Marks

It was noted that new assets acquired by the Commission in 2010 were not marked.

8.11.3. Maintenance Policy

It was observed that the Commission had not developed a maintenance policy for the repair of fixed assets, such as computer hardware, to pro-long the useful lives of such assets.

8.11.4. Petty Cash

It was noted that petty cash vouchers were still not pre-numbered in a sequential order.

Official's Response

The Commissioner replied as follows:

- *The Assets Register had been completed and the balance sheet could be updated as agreed;*
- *Identification marks would be placed on the new assets;*
- *A Maintenance policy on the vehicles and generators would be recorded for approval by the commissioners; and*
- *Petty cash vouchers were produced by the computer spreadsheet.*

8.12. Serra Leone Library Board (2011)

8.12.1. Previous Issues Raised

The issue of Internal Audit Unit was yet to be addressed.

8.12.2. Cash Management

Monies received as income at the end of the year which was not deposited into bank were not reflected in the financial statements as cash in hand, bringing about an understatement of the cash and bank balance. It was recommended that monies received towards the end of the year which were not banked should be included in the financial statements and reported as cash in hand. Such monies must be promptly deposited into the bank.

Official's Response: *The Chief Librarian stated in his reply that all monies received were paid into the Bank and posted to the main cash Book as no extra cash receipt for cash Book was maintained. He added that the balances referred to, form part of the balances shown in the main cash Book.*

There was no cash in hand balance in the financial statements as at 31st December 2011.

8.12.3. Accounting Procedures and Operational Manual

The Library Board did not have an Accounting Procedure and Operational Manual to enhance the activities of the Finance Department. It was recommended that efforts should be stepped up by the management to prepare a concise Accounting Procedure and Operational Manual for the finance and operation aspects of the Board.

Official's Response: *The Chief Librarian stated that management had noted the audit observation and that the preparation was ongoing.*

8.13. Sierra Leone National Shipping Company Limited (2005-2009)

8.13.1. Capitalisation of Tangible Fixed Assets

It was observed that the company did not have a formal fixed assets capitalisation policy as very low amounts were being capitalised as tangible fixed assets of the company. It was strongly recommended that capitalisation levels should be introduced. Very low amounts should be written off in the accounting period in which they were incurred, although a memorandum register should be maintained to monitor the movement of the assets.

Official's Response: *The Managing Director in his response stated that he had noted the recommendation with regards to the capitalisation levels and that financial management policies were being implemented.*

8.13.2. Register of Tangible Fixed Assets

The company's current register of tangible fixed assets was not properly kept to facilitate easy verification of the assets indicated in the financial statements. The assets were maintained by departments in the register but they were currently disclosed by asset type in the financial statements. It was therefore impossible to reconcile the register of tangible fixed assets and the information indicated in the company's financial statements for years ended 31st December 2005-2009.

In addition, the register of tangible fixed assets was not being checked by any senior official of the company to ensure that the information indicated in the register was true and correct at all times.

It was recommended that the company's register of tangible fixed assets be re-written to show the assets by type rather than departments. In addition, the balances indicated in the register of tangible fixed assets should be reconciled with the general ledger and the monthly trial balances. Also, the register of tangible fixed assets must be reviewed by a senior official of the company at least on a quarterly basis. Evidence of checking should be indicated in the register.

Official's Response: *The Managing Director in his response accepted the recommendation and made the following comments:*

- *An updated tangible fixed assets register has been maintained by the company showing the assets by type, department, and year and by asset code;*
- *Monthly reconciliation of balances in the assets register with that of the general ledger and the trial balances; and*
- *Monthly check was being done by the Accountant and reviewed and signed by the Chief Accountant.*

8.13.3. Verification of Tangible Fixed Assets

During the course of the audit exercise it was observed that tangible fixed assets were not physically verified in order to confirm their existence and condition. It was therefore recommended that tangible fixed assets must be verified at least once every year to prove and check their existence and condition.

Official's Response: *The Managing Director noted the recommendation and stated that modalities had lately been put in place for the constant monitoring of the existence and condition of its tangible fixed assets.*

8.13.4. Freehold Properties at Spur Road, Wilberforce, Freetown

The ownership of the above mentioned properties was being contested by an individual who was claiming to be the new owner as a result of a court decision between the company and an ex-member of staff. It was recommended that documentations to prove the ownership of the above mentioned properties should be made available for verification.

Official's Response: *The Managing Director in his response stated that Scan Drive Property was indeed a freehold of the company; and that they had provided a copy of their lawyer's correspondence relating to the freehold.*

In spite of the official response we noted further that the correspondence from Jenkins Johnson & Co. to the Registrar, Court of Appeal, Sierra Leone (dated July 2011) in respect of the Scan Drive Property did not provide evidence of ownership by the company. Our view and position still remain the same.

8.13.5. Unlabelled Assets

It was observed that a significant amount of the company's tangible fixed assets were without identification tags to facilitate easy verification and proper monitoring. It was advised that all property, plant and equipment belonging to the company should carry identification tags which must be in agreement with the information indicated in the company's register of tangible fixed assets.

Official's Response: *The Managing Director in his response stated that modalities had been put in place to ensure that all property, plant and equipment belonging to the company should carry identification tags agreeing with the information in the company's fixed asset register.*

8.13.6. Revaluation of Properties

The following were observed:

- Cline Street, Cline Town properties were revalued even though the lease of the said property expired 30th June 1998.
- Scan Drive, Wilberforce properties were revalued even though the title of the properties was being contended.

It was recommended that the revaluation be revisited with a view to clarifying the issues mentioned above.

Official's Response: *The Managing Director replied that the Scan Drive Property was indeed a freehold of the company; they had provided a copy of their lawyer's correspondence relating to the freehold.*

8.13.7. Stock Policy

The company did not have a formal policy that identified transactions that should go through the bin card system and those that should be directly charged to an expense account. Some transactions relating to packing materials, stationery, vehicles spares, etc. were directly charged to an expense account whilst others went through the bin card system.

It was therefore recommended that a formal stock procedure system should henceforth be put in place in order to determine transactions that should go through the company's bin card system.

Official's Response: *The Managing Director noted the recommendation with regards the implementation of a formal stock policy and referred to financial management policies which were being implemented.*

8.13.8. Revaluation of Foreign Bank Balances

Bank balances denominated in foreign currencies were not translated to Leones according to the foreign exchange rates ruling at the end of every month in accordance with accepted accounting principles.

Official's Response: *The Managing Director stated that modalities had been put in place for the constant monitoring and checking of cash book postings.*

8.13.9. Payment of PAYE

PAYE deductions were not paid on time to the NRA as stipulated in this Act. Monthly PAYE deductions should be settled within the time frame stipulated in the Sierra Leone Income Tax Act, 2000.

Official's Response: *The Managing Director replied that measures had been put in place to ensure that monthly PAYE deductions were made to the appropriate authority.*

8.13.10. Procurement Policy

There were inadequate procurement policies and systems in place to capture the company's liabilities as and when they were incurred. ASSL was informed that verbal orders were placed to suppliers which made it difficult for any independent officer to determine the company's liabilities at any given point in time. It was recommended that a formal procurement system should be put in place so that the company's liabilities would be captured as and when they were incurred.

Official's Response: *The Managing Director replied that sound financial management policies were being implemented.*

8.13.11. Fixed Assets

The lease agreement between the Government of Sierra Leone and the company for Property at Cline Town, Freetown was for twenty five (25) years from the first day of May 1973. The lease expired in June 1998 and the documentation to support its renewal was not available for verification.

Official's Response: *The Managing Director in his response stated that documents confirming the ownership of the property had been sent to the Auditors by the Ministry of Lands Country Planning and the Environment and the Conveyance had been forwarded to the Ministry for signatures.*

A follow up on the response from the General Manager revealed that the documentation confirming the ownership of the property by the company was yet to be provided for verification.

8.13.12. Insurance Coverage

The company's tangible fixed assets (except motor vehicles) were not covered by any insurance policy.

Official's Response: *The Managing Director stated that modalities would be put in place to regularise the situation.*

8.13.13. Computation of Depreciation Charges

Depreciation computations were not reviewed by senior and more experienced officers of the company to ensure that the computations were accurate and correct.

Official's Response: *The Managing Director stated that modalities had been put in place to ensure that depreciation charges were done accurately and correctly.*

8.13.14. Inventories

Stock counts were not carried out in order to check the accuracy of stock balances indicated in the company's financial statements for years ended 31st December 2005 to 2009. It was recommended that stock counts must be carried out at the end of the company's financial year. The exercise ought to be witnessed by senior and independent officers of the company who should verify the accuracy of the figures as indicated in the stock count sheets.

Official's Response: *The Managing Director stated that modalities would be put in place to regularise the situation.*

8.13.15. Cash and Bank Balances

Cash counts were not carried out at the end of the financial periods under review to check the accuracy of cash balances indicated in the books and financial statements of the company, especially when the company's petty cash system was not properly managed.

Official's Response: *The Managing Director stated that modalities would be put in place to regularise the situation.*

8.13.16. Petty Cash Payments

There was no formal policy governing the amount that should be paid from the company's petty cash at a given point in time. It was observed that payments including staff salaries and procurement of tangible fixed assets were made from petty cash.

Official's Response: *The Managing Director stated that a formal petty cash policy defining reimbursement and payment had been put in place and that sound financial management policies were being implemented.*

8.13.17. Payment out of Daily takings

Cash payments were made out of the company's daily takings. Such practices rendered it difficult for bank and revenue accounts to be reconciled, especially in cases where these cash payments were not properly recorded.

Official's Response: *The Managing Director stated that modalities would be put in place to regularise the situation.*

8.13.18. Debtors and Prepaid Charges

The required documentations to support receivable accounts mentioned below were not available for inspection during the course of the audit exercise. Information indicating the individual debtors was not available.

Table 8.10 – No Supporting Documentation					
Debtor	2005 (Le'000)	2006 (Le'000)	2007 (Le'000)	2008 (Le'000)	2009 (Le'000)
Clearing & Forwarding Files	224,313,066	131,887,070	329,510,990	320,359,862	327,978,239
Debtors Control Account	561,177,538	278,672,643	(490,927,232)	(1,509,933,202)	(274,469,293)
Vessel Account	126,433,755	389,145,040	769,041,581	1,766,365,179	849,280,925
Suspense Account	0	5,894,000	5,894,000	34,114,000	34,114,000
Personal Account	(1,765,248)	(1,672,748)	(1,572,748)	(1,572,748)	(1,085,248)
TOTAL	910,159,111	803,926,005	611,946,591	609,333,091	935,818,623

It was therefore recommended that the above mentioned accounts should be investigated with a view to establishing the true individual debtors.

Official's Response: *The Managing Director responded by saying that in respect of Other Debtors, investigations revealed that some of them were honoured by the company, but not recorded in the SAGE software; and that moreover they were no longer in business. Therefore his management had decided to write off the balances to the bad debts account, with the approval of the Board.*

8.13.19. Staff loan and Advances

The balances mentioned below were not in agreement with the company's financial statements for the year ended 31st December 2004

Table 8.11 – Financial Statement and General Ledger Discrepancies		
Name	2004 Closing Balance (Le)	2005 Opening Balance (Le)
Staff member 1	1,858,646	0
Staff member 2	11,312,402	2,087,495
Staff member 3	1,275,500	25,500
Staff member 4	200,000	0
TOTAL	14,646,548	2,112,995

It was recommended that the transactions should be investigated and corrective action taken.

8.13.20. PAYE Computation

It was noted that some staff allowances were not part of PAYE computation. It was also observed that PAYE deductions were made from salaries of staff members but such deductions were not paid over to the tax authorities within the specified time. As at 31st December 2009, PAYE tax payable stood at Le341,768,661. It was therefore recommended that monthly payments should be made on the dates specified in the act. The company must make all necessary arrangements with the authorities of NRA with the view of settling the above mentioned issue.

Official's Response: *The Managing Director responded by indicating that modalities had recently been put in place to ensure that PAYE tax were calculated and paid in accordance with the Sierra Leone Income Tax Act, 2000.*

8.13.21. Corporation Tax

The Auditors were unable to substantiate the corporation tax as indicated in the financial statements of the company for years ended 31st December 2005 to 2009 in the absence of the relevant working papers. Corporation tax, totalling Le 31,000,000, has been outstanding for several years. It was therefore recommended that the company should make all necessary arrangements with authorities of NRA with the view of settling the above mentioned issues. Documentation as to how the company's tax was computed for accounting periods ended 31st December 2005 and 2009 must be made available for verification.

Official's Response: *The Managing Director in his response stated that provision would be made to off-set the said amount, adding that modalities would be put in place so that SLNSC would comply with the Sierra Leone Tax Act, 2000.*

8.13.22. Creditors Accounts without documentations

The analyses of the under mentioned accounts were not made available during the course of our audit exercise:

Table 8.12 – Unsupported Creditor Accounts					
Creditor	2005 (Le'000)	2006 (Le'000)	2007 (Le'000)	2008 (Le'000)	2009 (Le'000)
Sierra Leone Freight Levy Charges	26,856,913	26,856,913	26,856,913	26,856,913	26,856,913

Table 8.12 – Unsupported Creditor Accounts					
Creditor	2005 (Le'000)	2006 (Le'000)	2007 (Le'000)	2008 (Le'000)	2009 (Le'000)
Creditors Control Account	349,616,418	400,003,576	(24,934,719)	260,396,571	430,084,448
Sierra National Airlines	6,926,075	(11,323,013)	(71,322,436)	(71,911,205)	(45,236,013)
TOTAL	383,399,406	415,537,476	-69,400,242	215,342,279	411,705,348

It was recommended that the accounts should be investigated by management and all documentation made available for verification.

Official's Response: *The Managing Director stated that the same applied to the debtors and that the balances would be written off to the profit and loss accounts.*

8.13.23. Staff end of service benefits

Although the total amount of Le1,568,637,233 provision has been made in the accounts of the Sierra Leone National Shipping Company Limited for year ended 31st December 2009, the company may not be in a position to meet its liabilities as and when they fall due because of its present liquidity position. Proper plans should therefore be put in place to address staff end of service benefits.

Official's Response: *The Managing Director replied that provision would be made to tie the end of service benefits to an appropriate investment, preferably TBB or TB to service those benefits as and when they fall due.*

8.13.24. Payment of NASSIT contributions

It was observed that the company was not meeting its NASSIT obligations within the time frame indicated in the act. As at 31st December 2009, NASSIT payable stood at Le86,218,931.

Official's Response: *The Managing Director mentioned that NRA and SLNSC had reconciled their respective books and agreed on a payment plan. Arrears had been paid and that SLNSC would comply with tax rules and regulations in future. He also stated that outstanding NASSIT contributions had been computed and payments were being made.*

8.13.25. Capital and Financial Management System

Budget Performance Reports were not closely monitored by management to ensure that expenditures were in line with the company's approved budgets at all times. It was therefore recommended that the Budget Performance Report should be prepared for the attention of management and the board on a monthly basis. The budget report should at least disclose the following:

- approved budget;
- actual results for the period in question;
- variances; and
- explanation of variances.

Official's Response: *The Managing Director replied that the SAGE software would be properly assessed to take advantage of its facilities especially in reporting and most importantly postings were going to be done on a weekly basis, so as to produce timely reports.*

8.13.26. Accounting System

The company was maintaining its accounting records manually as well as with the SAGE financial management system. The following were observed:

- effort was being wasted by posting each transaction twice;
- a good number of the staff in the finance department had no working knowledge of the SAGE financial management system;
- the SAGE financial management system was not properly customized to meet all the reporting requirements of the company; and
- daily back up of the SAGE financial management system was not done regularly.

Official's Response: *The Managing Director reported that the SAGE software would be properly assessed to take advantage of its facilities especially in reporting and most importantly postings would be done on a weekly basis, so as to produce timely reports.*

8.13.27. Issued Share Capital

It was observed that the issued and fully paid share capital of the company was Le140,000 ordinary shares valued at Le140,000. Considering the working capital requirement of the company, we were of the view that the company should consider an increase of its share capital base. It was therefore recommended that the company should be recapitalized or privatized.

Official's Response: *The Managing Director stated that the issue would be forwarded to the Company's Board for further discussion.*

8.13.28. Fundamental Uncertainty

The financial statements of the Sierra Leone National Shipping Company Limited for the year ended 31st December 2009 were prepared on the basis that the company will continue its operations for the foreseeable future, on the hope that future funding would be made available to the company by its share holders or any other available means. It was observed that the statements of financial position of the company as at 31st December 2009 showed a net current liability of Le335,264,000. Assets and liabilities were therefore included in the financial statements at values which assumed that the assets would be converted in the normal course of the company's business for at least the values indicated in the financial statements and the cash realized would be sufficient to settle the company's outstanding liabilities. It was therefore recommended that the company should be recapitalized or privatized.

Official's Response: *The Managing Director stated that the issue would be forwarded to the Company's Board for further discussion.*

8.13.29. Rental Income

There were no formal agreements between the company and tenants occupying the stores at 45 Cline Street, Cline Town and properties situated at Spur Road, Wilberforce for year 2005 to 2008. It was recommended that officers-in-charge of those properties should fully account for rental income for years ended 31st December 2005 to 2008.

Official's Response: *The Managing Director stated that the photocopies of tenancy agreements would be forwarded for verification.*

It was noted that the documents submitted by Sierra Leone National Shipping Company Limited as stated in the response above were irrelevant to the issue raised.

8.13.30. Missing Invoices/Expense Vouchers

Invoices and expense vouchers, totalling Le781,378,731, posted to the SAGE Financial Management System were not available for verification. See breakdown in the table below.

Table 8.13 – Documentation Not Presented	
Year	Amount(Le)
2005	35,668,750
2006	316,645,188
2007	393,682,143
2008	21,096,650
2009	14,286,000
TOTAL	781,378,731

Official's Response: *The Managing Director stated that a good number of supporting documents had been found and attached.*

The Sierra Leone National Shipping Company was yet to provide those documentations for verification.

7.65.17. Incentive Paid to Staff

Payments, totalling Le 12,817,798, were made to intermediate and senior staff of the company in 2005 as incentives. It was observed that the listings of members of staff who received the incentive and the approval from the directors of the company were not available for verification. It was

recommended that the transaction should be reviewed by the directors of the company and corrective action taken.

8.13.31. Transportation of 40" Feet Container

Two (2) different expense vouchers, namely RCB 24 & 25 were paid by the company for the transportation of one (1) 40 feet container for Panalpina from Queen Elizabeth Quay to Majay Town. It was noted that two separate payments were made for the same transaction. It was recommended that the above mentioned transaction should be investigated and corrective action taken.

Official's Response: *The Managing Director stated that modalities had been put in place to take corrective action.*

8.13.32. Procurement of Spare Parts for Vehicles and Generators

A significant proportion of the procurement of spare parts for the company's vehicles and generators was not done in accordance with accepted procurement principles. Transactions were only supported by expense vouchers and local purchase orders from the finance department. We were also of the view that the maintenance cost of the company's generator was extremely high and unreasonable. It was therefore recommended that all procurements should be done in accordance with accepted procurement principles and rules including the Sierra Leone Public Procurement Act, 2004 and that payment must be adequately supported by third party documents. In addition, the company's generator at head office should be replaced if and when funds were available.

Official's Response: *The Managing Director stated that modalities had now been put in place to comply with procurement principles and rules including the Sierra Leone Public Procurement Act, 2004. He also indicated that the company's generator had been replaced to cut down on maintenance costs.*

8.13.33. Missing Salary Vouchers

The following salary vouchers were not available for our verification:

- Senior Staff Salaries for December 2006; and
- Directors Salary for January, March, April, May, July, September and November 2006.

8.14. Human Rights Commission (2011)

8.14.1. Omission of Assets from the Financial Statement

Fixed Assets which were being utilized by the Commission were not reflected in the financial statements. The total cost of the assets was Le 166,155,000. It was recommended that the assets should be included in the Financial Statement and depreciation charged on them.

8.14.2. Incorrect depreciation rate used

The depreciation rate in the Accounting Manual was different from the depreciation applied in the financial statements. It was recommended that the depreciation rate in the Accounting Manual should be applied.

8.14.3. Lack of insurance and maintenance policy

There was no maintenance and Insurance Policy for Assets of the Commission. It was recommended that a Maintenance policy should be implemented, and all Assets owned by HRCSL be insured.

8.14.4. Omission of cash count amount on the Financial Statement

The cash count certificate balance of Le 340,000 was not reflected in the financial statements. It was recommended that the cash count certificate balance should be included in the cash Balance.

8.14.5. Difference between Financial Statement and cash balances

It was observed that the reconciled balance was different from the financial statements cash balance by Le 2,850,050. It was therefore recommended that the cash balance in the Financial Statement should be adjusted.

8.14.6. Omission of other signatories to petty cash account

The HRCSL's offices petty cash accounts in the provinces had only one signatory to the account. Also, no proper petty cash vouchers were issued to support their transactions. It was recommended that there should be two signatories to the Petty Cash Accounts and petty cash vouchers had to be authorised by a senior official at the regional offices.

8.14.7. Missing signature on the payroll

Some members of staff did not append their signature on receipt of their monthly salary/cheque on the monthly payment vouchers totalling Le 69,596,202. It was recommended that henceforth all members of staff must append their signatures on the payment vouchers.

8.15. Independent Media Commission (2010)

8.15.1. Difference between the Cash and Bank balances in the Financial Statements and the Cash Book

There was a difference of Le 124,443,827 between the Cash and Bank balances in the Financial Statements and the Cash Book. In addition no cash count was done for the period under review. It was recommended that Cash and Bank balances should be reconciled to ensure that accurate balances were reflected in the financial statements at the year end. In addition, Cash count should be done periodically and at the end of

each financial year to ensure that cash balances were truly reflected in the financial statement of the Independent Media Commission.

Official's Response: *The Commissioner replied that he recognised the anomaly which he said was as a result of using the Bank State figures rather the Cash Book Balance. He promised to effect the necessary Journal Entry. During the verification exercise, the Commission was yet to reconcile the difference of Le 124,443,927 between the Cash and Bank balance in the Financial Statements and the Cash Book.*

8.15.2. Foreign Exchange Rate

Cash and Bank Balances denominated in foreign currencies were not appropriately valued, and as a result the foreign balance in the financial statements was not correctly stated. It was recommended that Bank Balances denominated in foreign currencies should be translated to Leones at an applicable rate at the Balance Sheet date.

Official's Response: *The Commissioner stated that the Commission had been challenged in receiving from their bankers' monthly exchange rate to correctly calculate the foreign balance. He said however that efforts were in place to improve on the situation.*

8.15.3. Receivables

The Commission did not have any procedural approach to its receivable management. It also did not maintain an ageing debt analysis ledger procedure to raise invoices and debt collection. Some receivables were not recorded in the correct accounting period and that led to differences in the Financial Statement. It was recommended that the Finance Department of the Commission should maintain a receivable ledger and perform debt ageing analysis on a monthly basis.

8.15.4. Unbudgeted purchase of motor vehicle and motor bike

It was observed that the Motor Vehicle and Motor Bike bought were not budgeted for in 2010. The Motor Vehicle was funded with Le 29, 582,553 from the balance of the UNDP project Portfolio meant for training and other workshop programmes and Le 22,417,446.65 from the Commission's savings account for salaries. In the interim, the Commission failed to transfer the Le 22,417,446.65 back to the Savings account meant for salary. Furthermore, the Commission failed to go through the procurement rules for the purchase of the Motor Vehicle. It was recommended that the Commission should strictly adhere to the UNDP agreement and use the funds for its intended purpose. In addition, the amount from the savings account should be paid in without delay to avoid problems in salary payments and the Commission should avoid a recurrence.

Official's Response: *The Commissioner stated that the Commission noted the recommendation and strictly adhered to the UNDP agreement. The Commission be mentioned always discussed with the UNDP and even sought permission for the use of any surplus funds after the implementation of any special project(s). He noted that funds borrowed from the Project Funds had been transferred to the fund and the training of monitors for which the funds were intended had been done early in the year 2012.*

8.15.5. Unlabelled Fixed assets

Assets acquired in 2010 were not labelled. The Commission also did not re-label its assets that had been transferred from one department to another. It was recommended that the Commission should label all its assets appropriately with unique codes to properly describe assets owned by the Commission in a format that would identify the type of asset, location, quantity etc.

Official's Response: *The Commissioner said that the updating and labelling of their Fixed Assets were running con-currently.*

The Commission's Management was yet to label their Fixed Assets.

8.15.6. Overstatement of non-current assets

It was noted that the condition of some assets had deteriorated over the years and therefore did not represent the value reflected in the financial statements.

It was recommended that assets should be accounted for properly to ensure accurate balances at the year end.

Official's Response: *The Commissioner said that he noted the observation and would correct the anomaly.*

It was noted that the Commission was yet to correct that anomaly.

8.15.7. Maintenance policy

The Commission had no guide on the use of its assets by a Maintenance Policy. Its assets were therefore not maintained or repaired in a timely manner. It was recommended that a comprehensive policy should therefore be developed and approved by the Chairman and Board of Commissioners to guide the use of assets. In addition, adequate monitoring must also be done by the Chief Accountant to make certain that the policy was being implemented.

Official's Response: *The Commissioner said that the recommendation would be put forward to the Board for the establishment of such a policy once the audit was concluded.*

8.15.8. Accounting Manual

The Commission's Accounting Manual was silent on capitalisation of fixed assets. In 2010, Management used a basis to capitalise all assets, on the value above \$1,000. Also it seemed to ignore the nature of the assets. It was therefore recommended that the Accounting Manual should be clear on the treatment and accounting of assets.

Official's Response: *The Commissioner said that the recommendation would be put forward to the Board for the establishment of such a policy once the audit was concluded.*

This would be followed up in subsequent audit.

8.15.9. Difference between the Financial Statement and Income Schedule

There was a difference of Le 189,244,398 between the amount disclosed in the Financial Statements and the Income Schedule provided to the auditors. It was recommended that reconciliation should be done to ascertain the correct figure to be reflected in the Financial Statements. In addition, management should ensure that all supporting documents relating to income were maintained and properly filed away for future reference.

Official's Response: *The Commissioner stated that the recommendation was noted and the differences would be reconciled.*

The audit finding was still unresolved during the verification exercise.

8.15.10. Unauthorised access to personnel files

It was observed that files were not appropriately secured to prevent unauthorised access. It was recommended that personnel files should be secured and all information kept for all employees and regularly updated to reflect changing circumstances.

Official's Response: *The Commissioner stated that the recommendation was noted and that they would comply with it at all times.*

This would be followed up in subsequent audits.

8.15.11. Understatement of personnel cost

The Personnel Cost was understated by Le 4,908,046 of the amount posted in the Financial Statement. It was recommended that payroll calculations for 2010 should be rechecked, reasons for variances ascertained and corrective action taken to ensure that the payroll cost stated in the Financial Statements was accurately recorded.

Official's Response: *The Commissioner stated that the query was noted and would revert to ASSL once they reconciled the figures, as the cash had already been traced to NASSIT.*

This would be followed up in subsequent audits.

8.15.12. Cash flow statement

A Cash flow Statement was not prepared as part of the Financial Statements.

Official's Response: *The Commissioner stated that the document would be prepared for verification.*

A cash flow statement was yet to be included in the Financial Statements.

8.15.13. Notes to the Accounts

The notes to the accounts were not disclosed in the Financial Statements.

Official's Response: *The Commissioner stated that he noted the anomaly and notes to account would be provided for verification.*

8.15.14. Notes to the account were yet to be included in the Financial Statements.

The Commission did not comply with Section 13(2) of the Independent Media Commission Act, 2000 which states: "The books of account kept under Subsection (1) shall within three months after the end of each financial year, be audited by the Auditor-General or an auditor appointed by him".

It was recommended that the Financial Statements should be prepared in accordance with International Accounting Standards (IAS). In addition, action must be taken in future to ensure that the Act was being fully adhered to.

Official's Response: *The Commissioner said that he noted the query and would ensure that the books of accounts reached Auditor General as at the stipulated date.*

8.16. Statistics Sierra Leone (2009 – 2010)

It was noted that for some of the issues raised in the previous management letters, action had not been completed, while for some others action was yet to be taken. We provide here-under a list of these matters:

8.16.1. Record Management

It was observed that the file management system of the finance office of Statistics Sierra Leone did not have a proper filing system. In addition, it was extremely difficult and time wasting to locate documents needed to verify transactions stated in the financial statements.

8.16.2. Loan Register

No loan register was maintained by the Council and hence it cannot be easily ascertained whether it was properly administered and controlled. In addition, the Council did not operate a control account to enhance the effective maintenance of staff loan.

It was recommended that the 2009 Management letter should be reviewed and appropriate action taken before the commencement of the next audit

8.16.3. Internal Audit

The following observations were made during the course of the audit:-

- the department was grossly under staffed;
- the internal audit did not examine, review and evaluate the financial and operating information of the Council on a periodic basis;
- conduct regular risk assessment of the council;
- the work of the internal auditor appeared not to have been planned as most of her investigations or activities were triggered by management's request;
- there was no documented annual work plan in place as at the time of the audit; and
- the internal auditor reported to management instead of Council.

8.16.4. Cash and Bank balances

Cash counts were not conducted at the end of the year nor were they done regularly during the year and no cash certificates were produced for cash held at the end of the year. It was evident that cash was not banked instantly as it was reported in the financial statement that cash in hand for the period ended was Le 6,476,40.

The following were recommended to management:

- Spot checks on the cash balance held must be carried out regularly by the Finance Manager;
- Weekly cash count must be conducted and signed by a supervisor and the person keeping the cash. The signed copy must be filed and kept for review;
- The custodian of the safe must not be the same person who authorized payments;
- The keys to the safe must be kept by three individuals; and
- Any difference between the electronic balance of the cash in hand and the actual cash in hand must be investigated immediately. Reasons for the differences must be stated on the cash count sheet. Management must act promptly on any suspicion of fraud or any irregularity.

8.17. Sierra Leone Road Transport Authority (2006 - 2008)

8.17.1. File Management System

Documents relating to the Authority's activities were not properly filed i.e. they were not filed according to activities, payment voucher sequence and receipt numbers, making it difficult to trace supporting documents to activities in the Financial Statements. Also, there were no established functions for Archiving and Registry as it was evident in the fact that almost all the revenue receipts were destroyed as a result of the disorganized manner in which they were stored.

It was recommended that, in future, Payment Vouchers and supporting documents should be filed by subhead with the date or Payment Voucher number so that documents relating to particular activities could be easily identified. The Authority should also ensure that all receipt books were systematically and chronologically kept and properly referenced.

Official's Response: *The Director stated that as a result of the nature of the receipt, it was difficult to file in the normal way like other hard copy documents. He mentioned however that management noted the observation of the audit team regarding its filing system and*

appreciated the recommendations. He said management would endeavour to apply the filing system as recommended, and if possible, improve on it as a result of the nature of the receipts. Moreover, he stated that management was in the process of recruiting a dedicated filing clerk/archivist.

8.17.2. Conditions of Service & Accounting Manual

The Authority did not have an accounting manual incorporating all financial rules and regulations as an aide and guide to the finance function in the execution of its operations. It was also noted that the Authority did not have an approved staff Conditions of Service document. It was recommended that an Accounting Manual should be introduced to assist and guide the finance functionaries in the performance of their duties. It was also recommended that a Condition of Service package must be developed to guide the Authority in dealing with staff.

Official's Response: *The Director stated that at the time the audit was conducted, an accounting manual for the office was being developed. It had since been completed and was operational. He said that there had been a Condition of Service package in existence since the inception of the Authority. In the bid to formalize it, he maintained that management had endeavoured to forward a copy to the Ministry of Labour and employment for attestation.*

8.17.3. Cash and Bank

Although bank reconciliations were prepared for the various accounts maintained by the Finance Officer, the auditors observed that for Union Trust Bank and First International Bank accounts, bank statements were not attached for a number of months, making it very difficult to verify whether the reconciliations were done correctly.(See details below).

Table 8.14 – Missing Bank Statements		
Bank	Location	Missing Bank Statement
First International Bank	Lungi	March to December 2007
Union Trust Bank	Kono	January, May, November & December 2007

In addition, upon review of the bank statements, ASSL noted some stale cheques for which prompt action had not been taken to rewrite them to the accounts.

Furthermore, it was observed that the Authority maintained a dollar account at the Union Trust Bank. The translated balance in the financial statements was Le13,544,898. However, ASSL was not provided with any form of evidence to confirm the existence of this account. From the bank confirmation letters sent out to confirm balances recorded by the Authority in their financial statements, the auditors received a confirmation from First International Bank which stated that they had not done any business with the Authority for the years 2007 and 2008. It was also observed that bank reconciliation statements prepared were not reviewed by an appropriate official of the Authority. It was therefore recommended that monthly bank reconciliation statements must be prepared for all bank accounts to be reviewed by an appropriate official of the Authority and evidence of such reviews indicated on the reconciliation statement. Also, the Authority should obtain the bank statements for those accounts and make them available for audit inspection. Evidence of the existence of the Dollar account must be produced for audit inspection, all stale cheques rewritten and steps taken to clarify the existence of the accounts at First International Bank.

Official's Response: *The Director noted the recommendations of the ASSL and mentioned that all Bank reconciliation statements had been prepared by the Accountant and reviewed by the Management Accountant. He also mentioned that Bank statements were available for audit inspection for both UTB, FIB and for the Dollar account. He added that a letter had been sent to First Internal Bank to clarify the issue of the existence of the bank account.*

Bank statements for UTB and FIB were made available for audit inspection; however the bank statement in relation to the Dollar account was not produced for audit inspection.

First International Bank responded directly to the ASSL clarifying that the Authority had an account with them in 2007 and 2008. ASSL received confirmation from Rokel Commercial Bank indicating that the SLRTA maintained two accounts that were not disclosed in the financial statements.

8.17.4. Pay-As-You-Earn (PAYE)

It was observed that PAYE taxes deducted from staff salaries were understated by amounts totalling Le 48,458,217, Le51,029,622, and Le 43,368,417 in 2006, 2007 and 2008 respectively. The reason for the incorrect calculation was because an outdated tax threshold was used.

It was recommended that the Authority should calculate Pay-As-You-Earn in accordance with the provisions in the Income Tax Act, 2000. Steps also must be taken to make payment to the NRA for the understated amounts.

***Official's Response:** The Director stated that the differences were as a result of using an obsolete tax threshold scheme. He said that the issue was also brought up by the NRA tax audit team and appropriate action had been taken by the Authority in terms of compliance and payment of the understated amount to the NRA. The necessary supporting documents he said were available for audit inspection.*

ASSL was provided with some receipts indicating payments made to the NRA but the computations could not be reconciled.

8.17.5. Fixed Assets not verified and marked

Some of the Authority's assets did not have identification marks and some of the Authority's assets especially those in the regions were not in good working condition; and title deeds of properties belonging to the Authority were not submitted to the audit team for inspection.

The following were recommended:

- A verification exercise should be conducted regularly to reconcile the Fixed Asset Register with the assets in existence; and
- All assets must be clearly marked with identification marks consistent with previous assets.

***Official's Response:** The Director mentioned that they were in the process of carrying out a national verification exercise of all assets to ascertain their existence and condition as they did two years ago. Apparently a lot of fixed assets had been bought since that exercise and inadvertently they did not mark some of them as a way of identification though there were records to the effect, he mentioned. He said that once that was done all assets bought within that period that were not marked would be properly marked and hence a proper and comprehensive fixed assets register would be formulated as recommended.*

8.17.6. Revenue

It was noted that due to the lack of completeness of records that related to revenue collected during the years under review, it was difficult to ascertain whether the revenue recorded for the periods audited were complete. Such records included receipt books, stock records, etc. An analysis revealed that there were differences between the amount stated in the financial statements and the amount generated from the management information in the planning Unit. These differences were Le327,892,433, Le408,963,000 and Le380,414,880 for 2006, 2007 and 2008, respectively. It was therefore recommended that an investigation as to what led to the anomaly should be instituted by the Authority and the results of the investigation and any subsequent action to retrieve the amount highlighted in the report forwarded to ASSL for review. Documents

should be orderly filed or archived in future to ensure they were available for inspection and for management information purposes.

Official's Response: The Director stated that he noticed that the income derived by ASSL was obtained from the planning unit and the differences were as a result of the design of the forms and the reporting format of statistics submitted by the stations to the Unit. He said that there had been no harmonized statistics submitted by the stations over the years based on categorization of vehicles. For example, fees payable for categories C vehicles, which consist of vans and minibuses, varied according to the use of the vehicle whereas commercial vehicles in that category paid for routine, market entry and authorization. Vehicles belonging to MDAs and NGOs did not pay those fees. He stated that the argument was true for category D (buses), E (Lorries up to six wheels), F (Lorries about six wheels and G (Articulated vehicles). He mentioned that figures computed by the planning unit did not provide a breakdown by vehicle use and the situation was the same for traffic fines where fines were charged according to number of wheels instead of the categorization adopted by the Authority. In the case of drivers' license, applicants with foreign driving license did not go through the normal procedure, he added. He maintained that applicants only paid for application forms and license fees but the transaction was reflected in the statistics submitted to planning unit as license issued, for which the ASSL must have applied the full tariff.

He mentioned further that receipts and other documents to confirm the existence of income were available but were partially destroyed because of the inadequate condition of the storage facility they were kept. He said however that management was in the process of getting a better storage facility. He concluded that management agreed with ASSL's recommendation to set up a committee to investigate the anomaly and that the outcome would be communicated to ASSL in due course.

8.17.7. Investment

Upon review of the Guaranty Trust Bank statement, it was noted that the sum of Le1,000,000,000 was transferred from the account to acquire treasure bonds, but this amount was not recorded in the financial statement. Also documentary evidence, such as a Treasury Bond Certificate, was not provided to confirm that the investment was done in the name of the Authority. From the Bank confirmation letters circulated, it was noted that in 2008, the Authority had a Treasury bill account at Rokel Commercial Bank with amounts totalling Le200,000,000 which was not recorded in the financial statements. It was therefore recommended that the Treasury bond certificate which provided evidence of ownership should be promptly submitted and adjustments made to the accounts by recognising the transaction in the Financial Statements.

Official's Response: The Director mentioned that the amount was transferred into a special savings account with the intension of scouting the market for possible investment options. He stated that it did not materialize because the returns on the treasury bonds were a little bit lower than the interest the banks were offering on savings accounts. As a result of this, the amount was not disclosed as investment but as banked in the financial statements, he added. He maintained that subsequently the amount was disclosed in the 2007 and 2008 financial statements.

8.17.8. Differences between financial statements and supporting schedule

In performing the audit, ASSL was not provided with schedules to support the expenditure figures in the financial statements for the respective years audited. Hence schedules were not developed from the supporting documents presented. Differences were noted between the figures in the financial statements and those derived from the payment vouchers submitted.

Table 8.15 – Financial Statement and Supporting Schedule Discrepancies			
Year	Amount in the Financial Statements (Le)	Amount from the Payment Vouchers (Le)	Difference (Le)
2006	9,141,527,923	7,981,713,009	1,159,814,824
2007	8,754,521,083	9,259,220,818	(504,699,735)

Table 8.15 – Financial Statement and Supporting Schedule Discrepancies			
Year	Amount in the Financial Statements (Le)	Amount from the Payment Vouchers (Le)	Difference (Le)
2008	8,510,611,337	9,775,112,009	(1,264,500,761)

It was therefore recommended that management should investigate figures in the financial statement and amend them where necessary by way of journals.

Official's Response: *The Director stated that a difference between the figures in the financial statements and those on the payment vouchers was due to the fact that the accounting system was crashed by a thunderstorm and there was no back-up. He said they therefore had to rely on the figures in the general ledger forgetting the journal postings which were meant to correct mispostings. He however mentioned that he accepted ASSL's recommendation and the financial statements would be adjusted by way of journals as advised.*

8.17.9. Outstation Cashbook

The ASSL was unable to verify amounts collected at some of the Authority's substations (such as Kenema, Bo, Lungi, and Kono) as the various cash books were not produced to the audit team for review. It was therefore recommended that Cash Books should be maintained by each substation to record all cash collected by them and all Cash books should be produced for audit review.

Official's Response: *The Director maintained that the accounting system maintained by the Authority was centralized and that the substations did not maintain cash books because a daily analysis was generated by the computerized system at the end of each day which was considered a receipt cash book. He mentioned that all expenditures undertaken on behalf of the outstations were maintained at the head office. He added that the daily cash journals from the station were available for inspection and to maintain a manual cash book was considered as duplication. He stated that the recommendation was accepted and that proper cash books would be maintained at every outstation.*

8.17.10. Payroll

It was observed that cost of living allowance totalling Le 34,663,789 was paid to staff in 2007, but the ASSL was unable to ascertain whether it was recorded in the 2007 Financial Statements. In addition files of senior managers, including the Executive Director's file, were not submitted for audit review. Furthermore staff salaries were increased in the period under review but the basis of increment was not provided. ASSL requested the board minutes to confirm whether it was a board decision but they were not provided with the board minutes. It was recommended that management must investigate whether the amount for the cost of living allowance was recorded in the financial statement or correction must be made by way of a journal entry. Also all personal Files of senior management must be presented for audit review and staff salaries across all levels must be regularized.

Official's Response: *The Director stated that the cost of living allowance was recorded in the financial statements. He said however that it was not recorded separately in the accounts but grouped under salaries and wages as evidence was available for inspection. He mentioned that files of senior management were available for audit inspection and that the file containing board minutes from 2006 to 2009 had been submitted to the Audit team during their audit of the 2006 financial year. The file could not be traced during the subsequent audit as the team maintained that the file had been handed over to one RTA employee who they could not identify, he added. He mentioned however that attempts were being made to retrieve copies of the minutes.*

Contrary to the response of management, files for senior management were not produced for audit inspection upon verification.

8.17.11. Receivables

Supporting documents were not made available to the audit team to justify the receivable figures in the Financial Statements for the years ended 2007 and 2008. Those amounts totalled 205,795,280 in 2007 and 223,364,671 in 2008. Also, amounts in the receivable schedule did not agree with amounts in the Financial Statements. It was recommended that all supporting documents relating to the figures stated should be produced for audit inspection.

Official's Response: *The Director stated that supporting documents relating to receivables had since been available for audit inspection.*

Contrary to the response of management, supporting documents were still not produced for audit inspection upon verification.

8.17.12. Payables

It was observed that figures in the financial statement for payables in 2007 and 2008 did not agree with figures in the schedules provided by the Authority. Also not all supporting documents were presented for amounts relating to payables in the schedule for 2006, 2007 and 2008. It was recommended that the correct figures should be stated in the Financial Statements as per schedule and that the Authority should produce all relevant documents for verification.

Official's Response: *The Director stated that the difference between the financial statements and the schedule was as a result of the fact that the overdrawn balance in their Rokel Commercial bank account had not been included in the schedule.*

8.17.13. IT Strategy

The Authority had invested significantly in IT systems to ensure quality delivery of services to its customers, accurate and complete capturing of transactions for financial reporting purposes and reduced customer turnaround time amongst others. ASSL however observed that all of these corporate strategies were not documented in an IT Strategy document to indicate the future plans the IT department has developed to help the Authority as a whole achieve its corporate objectives. It was therefore recommended that management in collaboration with the IT department should develop a measurable/ideal and time bound IT strategy document, detailing how the company intended to achieve its corporate objectives with the support of the IT department. In addition, management was expected to monitor the implementation of the strategy to ensure congruence with the overall objectives of the organisation.

Official's Response: *The Director gave an assurance that the Authority would set up an IT Steering Committee which would be charged with the responsibility of developing an IT Strategy in line with best practice*

8.17.14. Information Systems

The following anomalies were observed in the controls and operating environment of the Information System unit:

Centralised Information System: It was observed during the course of the audit that the Authority's Information System was not linked to its sub offices. In essence, work at the various sub-stations was done manually. In addition, front desk operations at headquarters were not integrated with the Great Plains.

Audit Trail: There was no audit trail to ascertain the initiator of transactions and the date of transactions can be manually adjusted.

Back-up System: There was no evidence of off-site back-ups of files being maintained.

It was therefore strongly recommended that the anomalies must be regularised.

Official's Response: *The Director stated that management noted the observations. He mentioned however that in relation to linking head office with the regional branches they would require the use of a V-SAT which was very costly; but it would be considered upon the availability of funds. He added that the security of the software had been enhanced and users can no longer interfere with audit trails. Also plans were underway for offsite backups to be done on a regular basis, be maintained.*

8.17.15. Accountable Document Register not maintained

It was observed that an accountable documents register was not maintained. It was recommended that the Chief Accountant should ensure that immediate steps were taken to establish an accountable documents register.

Official's Response: *The Director mentioned that when accountable documents were requested from stores, the various departments of the accountable document maintained ledgers where all receipts and subsequent issues were recorded. He said that system was replicated in all the stations. He stated however that they would institute monitoring mechanisms to ensure compliance and proper control.*

8.17.16. Presentation of the Financial Statements

Separate schedules and notes were not included in the accounts submitted for audit and the figures in the financial statement were seen to be misleading, such that some figures cannot be traced to any schedules. It was recommended that the Director of Finance should ensure that the separate schedules and notes accompanying the accounts must be submitted and all figures in the accounts given adequate explanations and schedules.

Official's Response: *The Director stated that management had noted that schedules were not provided separately to support figures in the financial statements. He stated however that most of the breakdown could be extracted from the detailed trial balance which was attached to the financial statements. Notwithstanding, he said the additional scheduled would be provided where details on the trial balance does not suffice.*

Not all of the notes can be extracted from the trail, therefore breakdown for inventories was not provided to the audit team.

8.17.17. Procurement

ASSL reviewed the procurement process and system in the Authority and the following lapses/ inadequacies were noted:

- Procurement plans for the period under review were not presented for audit inspection;
- For the period under review a procurement Committee had not been set up by the Authority to deal with procurement matters;
- The filing/records management of procurement documents was inadequate; and
- Procurement documents relating to the period under review were not presented for audit inspection especially with regards to contractual agreements for the printing of licenses by foreign contractors.

It was therefore recommended that the Procurement Unit must ensure that complete documentation was maintained in respect of all procurement activities and for contracts and agreements entered into. The Authority should also set up a Procurement Committee to oversee and monitor the procurement activities of the Authority.

Official's Response: *The Director mentioned that management noted the observation and accepted the recommendations made. He mentioned that the Authority had initiated an annual procurement plan and a fully constituted procurement committee. In relation to the unavailability of procurement documentation, the office in which those records were kept was broken into by unknown persons and documents taken away. The matter he said was reported to the Ross Road Police Station and the investigation report would be made available for verification.*

8.17.18. Stores

Proper records were not kept to record stock movement to ensure that items in the store were safeguarded and correctly recorded. Documents such as stores ledger, stores requisition and stock cards were not produced for audit inspection. It was recommended that a proper stock control system should be instituted so that stores records such as store ledgers and bin cards could be regularly updated to record any receipt or dispatch of stock items. It was also recommended that stock take exercises must be conducted on a regular basis to ensure that the stores records were correct and updated.

Official's Response: *The Director said he had noted the recommendations of ASSL.*

8.18. Sierra Leone Agriculture Research Institute (2009)

8.18.1.Accounting Manual

It was observed that SLARI's accounting manual was not updated and most of the current processes and procedures were not incorporated into the accounting manual. It was therefore recommended that the Accounting Manual should be updated to incorporate all processes and procedures.

Official's Response: *The Commissioner noted the recommendations of ASSL. He stated that the process for the updating of the accounting manual had been initiated and was in progress. He mentioned that as soon as the updated manual was completed a copy would be forwarded to the ASSL for endorsement.*

8.18.2. Payroll

Staff cost disclosed in the Financial Statements did not agree with the schedule and the supporting documents provided for audit inspection. This difference amounted to the tune of Le 151,798,543. In addition, a motorbike attached to an official of the institute was reported stolen and a decision was made that 50% of its cost must be recovered from his salary. This decision was revisited and it was agreed that instead of 50%, 25% should be deducted from his salary. It was however discovered that the deductions were not reflected in the Payroll Register and there was no other evidence that the money was recovered. Furthermore, staff files were not effectively updated and kept as information like CVs, copies of qualification, acceptance letter; NASSIT Numbers, etc., were not present in most of the files.

The following were recommended;

- payroll calculations should be rechecked, reasons for the variances ascertained and corrective action taken to ensure that the payroll costs stated in the account were accurately recorded;
- the decision made by management should be implemented and the money should be recovered from the salary of the official; and

- all pieces of official information must be filed and maintained for all employees and regularly updated to reflect changing circumstances.

Official's Response: *The Commissioner said that the difference between the financial statements and the schedule was as a result of misclassification of casual labour as employee cost. He stated that since most of these expenses were funded using project monies, they were listed under project cost rather than payroll cost to reflect the actual budgeted expenses. He however mentioned that steps had been taken to avoid the repetition of such mistakes to recover monies from the salary of the official. Concluding, he said that staff files had been organized and a policy to update them biannually had been put in place by management.*

8.18.3. Unlabelled Assets and no Fixed Assets Policy

Some Fixed Assets were without identification codes. In addition there was no maintenance Policy on Fixed Assets. It was therefore recommended that all assets must be clearly marked with identification numbers consistent with previous assets and a maintenance policy formulated to ensure that the useful life of the assets was prolonged by complying with requirements that call for regular maintenance and appropriate care.

Official's Response: *The Commissioner said that there was a policy in place for the coding of assets purchased by the Institute. He stated that the assets without identification marks were recently purchased and that he would ensure that they were properly marked. He confirmed that all SLARI and project-owned assets had since been coded. The institute repaired its assets, especially vehicles, on a regular basis, he mentioned, concluding that management would consider having a written maintenance policy.*

8.18.4. Cash and Bank

The following were observed:

- cash books were not maintained for the general operation and for most of the projects;
- bank correspondence were not available for all bank accounts maintained, those available were not properly maintained and filed; and
- ASSL circulated bank confirmation letters to the various commercial banks where SLARI maintained bank accounts but only received response from the Sierra Leone Commercial Bank.

The following were therefore recommended:

- a standard cashbook should be maintained for the general operation of the Institute;
- sub cash books should be maintained for each respective project with a separate bank account;
- documentations and bank correspondence must be kept and properly filed for all bank accounts maintained by the Institute; and
- SLARI should ensure that its bankers respond to the bank confirmation letters sent.

Official's Response: *The Commissioner mentioned that a cash book in excel was maintained for the main operation of SLARI but got lost when the computer where it was saved crashed due to a virus attack and there were no back-ups. He stated however that they recreated the cashbook using the bank statement as that was the only reliable source of information and some of the cheque stubs were mislaid. That period he said also encountered a lot of challenges such as a high staff turnover in the accounts department of SLARI. He added that the observation on the filing of bank correspondences and proper filing systems would be implemented concluding that the institution had contracted the banks so that they would provide the confirmations as requested.*

8.18.5. Expenditure

In addition, a difference of Le 175,875,218 was noted between the schedules and financial statements. Furthermore, schedules were not made available to the audit team for the projects in the table below.

Table 8.16 – No Supporting Schedule Provided	
Project	Amount (Le)
Warda Statistics – RARC	180,349,302
Astil –Dir	54,707,267
Gall midge	32,823,500
Regional Food Developer initiative (AAU)	23,138,430
TOTAL	291,018,499

Many inter-bank transfers between different project accounts were without prior authorisation from the relevant donors as required by the contract agreement. It was therefore recommended that expenditures incurred should be backed by adequate supporting documents by way of payment vouchers, invoices and receipts. In addition, schedules of all account balances

should be provided to the audit team and funds transferred from project accounts only when prior authorization had been sought and received from donors.

Official's Response: He said the differences were as a result of misclassification. He said schedules for the mentioned projects were available but without the relevant supporting documents as the files were mislaid during the renovation of the building. He also stated that inter-bank transfers would not have been done without prior authorization from donors.

Schedules for the various projects were made available to the ASSL but the supporting documents were not provided. Management informed the ASSL that the documents had been mislaid.

8.18.6. Income

There were no internal controls in place to ensure that revenues collected from internally generated sources were correctly recorded and accounted for. The lack of internal controls included but was not restricted to the following:

- the non-existence of revenue cash book to record cash collected from Guest houses, sale of planting materials, the canteen, etc;
- the absence of receipts to confirm receipt of funds from beneficiaries for products or services sold/rendered by SLARI; and
- the fact that no checks were done to ensure that monies collected were banked promptly.

Internally generated income totalling Le 254,809,500 included in the financial statement was without supporting documents and there was no schedule to show the amounts received from different sources (i.e. the Sale of Planting Materials, Guesthouses, canteens, management consultancy).

Technical and Financial Reports for most of the projects were not presented for audit inspection.

The following were therefore recommended:

- A revenue cash book should be maintained for each internally generated revenue source;
- Receipts should be issued to customers to acknowledge receipt of cash collected and must be printed in triplicate;
- Monies collected from the different sources of internally generated revenue should be banked promptly and evidence filed for future reference; and
- Management must also ensure that all supporting documents relating to income were maintained and properly filed for future reference.

Official's Response: The Commissioner accepted the recommendations of ASSL and mentioned that they had instituted internal controls over revenue collection and that all stations collecting revenue had a cash book and receipts were issued when products were sold. In addition, he said they had instituted an internal audit department which had amongst its duties the responsibility to conduct regular checks to ensure that monies collected were promptly banked.

8.18.7. Employee benefits

Amounts totalling Le 501,239,068 were stated in the financial statements in relation to employee benefits for which no schedule or breakdown was provided. It was also noted that the funds set aside for staff benefit were used for other activities rather than the purpose for which the funds were meant. It was therefore recommended that a detailed schedule showing the benefits accruing to each staff should be prepared to support the figure in the financial statement. Also, a separate account must be maintained for employees' benefits and the funds should only be used for the purpose of financing those benefits.

Official's Response: *The Commissioner noted the recommendations of ASSL and stated that all funds transferred from the staff benefits account would be refunded and in future funds meant for staff benefit would only be utilised for its intended purpose.*

8.18.8. Stores

It was noted that the Stores Ledger did not have a column where the values of stores items should be indicated, and as such the total value of goods in store was not recorded or disclosed. It was also noted that the movement of items in and out of the stores was not recorded in the bin cards on a consistent basis. It was therefore recommended that a column should be included in the stores ledger to indicate the values of stores items. In addition, a proper stock control system must be instituted so that stores records such as ledgers and bin cards would be regularly updated to record any receipt or dispatch of stock items. Furthermore, a monthly review should be done on the reconciliation and stock taking conducted annually with a report at the end of such exercises.

Official's Response: *The Commissioner noted the recommendations of ASSL and stated that they would be instituted. He said the store ledgers did not have columns to indicate the value of goods received, but the Goods Received Note (GRN) had the values indicated in them. He mentioned however that control measures had been put in place over the recording of store items received and issued.*

8.19. Sierra Leone Insurance Commission (2011)

8.19.1. Income

It was observed when undertaking a review of the income contributed by Insurance Companies and Brokers that the Brokers did not produce their Financial Statements to the Commission, thereby making it difficult to determine the actual income those companies should contribute. It was therefore recommended that all Brokers should produce Financial Statements for the Commission's consumption.

Official's Response: *The Commissioner replied that she had tried to collect fees and end of year financial reports from the few brokers had not complied. In order to avoid the delay, the commission had initiated the imposition of fines for noncompliance with the Regulations.*

8.19.2. Fixed Assets unlabelled

It was observed that new assets which were bought by the Commission did not have identification marks. It was recommended that all assets must be clearly marked with identification marks consistent with previous assets.

Official's Response: *The Commissioner stated that new assets had been procured and that the cost to have them marked was not cost effective at the time. She however mentioned that the fixed assets had since been marked with the relevant identification marks.*

8.19.3. Fuel Logbook

It was noted that the Commission's vehicles and generators did not have fuel log books. It was therefore recommended that a fuel log book should be maintained for each vehicle together with the generator owned

by the Commission and that independent checks must be carried out frequently to monitor the movement of vehicles and the usage of fuel.

Official's Response: *The Commissioner said that necessary action had been taken as requested.*

8.20. Petroleum Directorate (2010- 2011)

8.20.1. Sale of geographical data

It was observed that the amount remitted to the Petroleum Directorate from TGS could not be confirmed as complete, since no information was available regarding the gross amount from which the amount was computed. In addition, there was no form of donation or transfer letter for assets donated to the agency. It was therefore recommended that the 2009 management letter regarding those issues should be reviewed and action taken as appropriate.

Official's Response: *The DG stated in his reply that in July 2011 the Financial Controller visited TGS Nopec headquarters with a view to reviewing the procedure for infirming Directorate Revenue from G&G data sales. He added that arrangement had since been made for monthly sales reports to be provided to the Directorate along with the required back up in electronic format. Hard copies, he said would be made available on request. He further mentioned that the Directorate had tried on numerous occasions both through the consultant that arranged for the donation of the work stations and through SONANGOL of Angola that made the donation to get a donation letter or value for the Work Stations. The main value placed on the donated stations was that they were supposed to come loaded with interpretation Software from Halliburton, he maintained.*

He noted that unfortunately after a thorough check of the Work Stations only a training module was loaded on them and in that regard the Directorate proposed that they revalue the Work Stations from US\$200,000 (Two Hundred Thousand US Dollars) to US\$9,550 (Nine Thousand Five Hundred and Fifty US Dollars), which was the Retail Value of the Work Stations, and depreciate them from the of entry into Directorate Assets. He also maintained that all 2009 items has been reviewed and action taken as appropriate and an agreement was required on the write down of the value of the Work Stations on Directorate books.

8.20.2. Human Resource

During the review ASSL noticed that the Directorate did not have an updated organizational chart. In addition, employees appointed were not given a job description to detail the scope of their duties and responsibilities. Furthermore the Directorate did not have a human resource person, who should be responsible for the handling of all human resource matters as issues relating to personnel were handled by the finance department. It was also noted that the finance department was under staffed. It was therefore recommended that an organizational chart should be prepared and circulated among members of staff and updated whenever a new position was created. It was also recommended that consideration should be given to employing a human resource person to handle all human resource issues. Each staff employed must be provided with a job description and management should ensure that they were awarded of their duties and role in the Directorate.

Official's Response: *The DG stated that the Directorate conceded that was a major shortcoming of the erstwhile PRU. He however mentioned that, on transfer of employee's from the Petroleum Resources Unit to the Petroleum Directorate, detailed job descriptions were prepared and given to each staff member. The Directorate has also planned for the hire of a Human Resource expert to assist with the administration of personnel and the development of an organizational chart, he added. He mentioned that the Directorate was working with the World Bank for the hire of a consultant who would work on a needs assessment and organizational structure and strategy for the Directorate.*

8.20.3. Fuel management – Fuel Logbook

It was noted that vehicles and generators did not have fuel log books. It was therefore recommended that a fuel log book should be maintained for each vehicle and generator owned by the Directorate. Also, independent checks must be carried out more frequently to monitor the movement of fuel stocks.

Official's Response: *The DG promised that the Directorate would provide each vehicle and generator with a fuel log book and that a process would also be in place to ensure that Independent checks were carried out to monitor the movement of fuel stocks.*

8.20.4. Information Technology

The following were observed:

- The IT department was not adequately staffed;
- During the audit, only one Information Technology Officer was in post;
- The Directorate was yet to develop and implement comprehensive information security policies and procedures to ensure that access to its network and sensitive financial information and scientific samples was granted to authorize personnel only;
- The Directorate was yet to develop formalized guidelines governing physical access to its IT resources;
- Management had not implemented adequate environmental controls such as air conditioners, smoke detectors, fire extinguisher, etc, to ensure that the critical IT infrastructure functioned within the Directorate normal premises requirements and that they function within the limits specified by the manufacturers;
- An access register was not maintained and thus was not available for our review. Activities within the server room were thus not logged and monitored; and
- Regular back up activities were ineffective as the Directorate had no alternate processing facility.

The following were recommended:

- Management should ensure that the IT department was adequately staffed and members of staff were well trained to carry out the routine IT operations of the Directorate.
- Management should develop and implement a comprehensive IT Security Policy and Procedures document in line with good practice. This should consider the following aspects:
 - Access control
 - Network security
 - Systems development and maintenance
 - Communication and operations management
 - End user computing
 - Third party outsourcing
 - Information classification
 - Physical asset accountability and control
 - Physical and environmental security
 - Business continuity management
 - Incident management

- Policies and procedures should be approved by senior management and they must also be enforced and communicated to all personnel, for them to be aware of their information security responsibilities.
- Management should develop a detailed policy on physical security for its computers and related equipment including servers;
- Management should also enforce the use of an access register with provisions to capture sufficient details and the access register should be reviewed periodically;
- The Directorate should take daily, weekly and monthly backups of all systems, applications and data files on appropriate storage media devices;
- Management should also endeavour to identify an alternative offsite processing facility away from the main processing centre, where copies of backups to both programs and data could be stored;
- Back up media should be clearly labelled for ease of identity and regular restorations of the backed up data and programs; and
- Management should develop a comprehensive data recovery plan which should incorporate procedures to be followed to timely operations in the event of a major disruption or a disaster.

Official's Response: *The DG stated that for the most part, the Audit Report with regards to the IT was accurate and most of the recommendations had already been taken on-board or were in the process of being implemented while the audit was actively ongoing. He mentioned that the main reason for those observations was the fact that work on the IT server room and network infrastructure was in progress and had been established for only less than one year. For that reason he said there was limited or no data being saved in the server room, as staff members had just started receiving official computers and were beginning to adopt the culture of saving data on a centralized server. Therefore, a full back up scheme was yet to be established on daily, monthly and annual bases which made it virtually unnecessary, at that time, to implement off-site storage of data as very little or no data was being saved in the central server, he added. He said their main concern at the time was to establish proper access control of the server room facility in a secure and accountable way. To that end, he said a log book system had been established, and a combination lock system was being procured to permit entry of authorized personnel only.*

He mentioned that improvement was already taking as the procurement of a fire extinguisher and the implementation of an Asset Database that records and tracks all SLPD assets were being done by the organization. End users he said had also been instructed on the responsibility of receiving SLPD owned assets. The Senior IT Officer would collaborate with the Administration Manager, on a detailed Job description for an IT Assistant who would be employed in the next round of recruitment in SLPD, he concluded.

8.21. Sierra Leone Ports Authority (2011)

8.21.1. Misclassification of Non-current Assets

There was a misclassification of certain items such as Motor Vehicles, Office Furniture and Office Machinery under Plant and Equipment. It was therefore recommended that assets classified under the Plant and Equipment caption should be adjusted under their correct categories.

Official's Response: *The Director stated that management noted the audit observation and would like to state that the assets were classified under their appropriate heads. However in the note to the financial statements on property, plant and equipment they were grouped as follows: Land and Building; Vessels; Plant and Equipment; Work-in-Progress; Roads and Paved Areas.*

8.21.2. Impairment of fixed assets

It was noted during the course of physical verification that the value attached to assets as stated in the fixed assets register appeared unreasonable. Some assets had a very high value attached to them as opposed to their present condition and status (example, value attached to Sheds did not worth the present status of the sheds at the Kissy Ferry Terminal). Some other assets that had been renovated did not depict the true carrying value

(example the new constructed canteen at the Kissy Ferry Terminal had a very low value attached to it). It was recommended that the Authority's management should take steps to review the values on the assets and that the assets must be written down to their recoverable amounts.

Official's Response: *The Director mentioned that the observation was noted by management and that they believed that the sheds ASSL inspected were not the correct ones. He stated that the sheds listed were located at the Queen Elizabeth II Quay, Cline Town.*

During the verification exercise ASSL inspected sheds at the Queen Elizabeth II Quay, Cline Town and found them to be in order. However, the VIP Waiting Hall was still an issue, with a low value.

8.21.3. Failure to Write-off property, plant & equipment

During the Fixed Assets verification exercise it was noticed that the old generator house and the rest house at Sierra Lighthouse Aberdeen had been destroyed during the Military Intervention sometime in 1999, but to date the assets were still capitalized on the financial statement of December, 2011. The total net book value of these assets in the financial statements is Le 13,616,000

It was recommended that the assets should be removed from the financial statements.

Official's Response: *The Director stated that management noted the observation and would make the necessary adjustment in the Financial Statements during the year ending 31st December, 2012.*

8.21.4. Budget and budgetary control

The amount spent on the acquisition of fixed assets such as Dredging, Motor Vehicles, Office Equipment and Office Furniture was found to be greater than that budgeted. See table below for details:

Table 8.17 – Budget Variances			
Details	Budget (Le Million)	Actual (Le Million)	Variance (Le Million)
Dredging	3,290	20,962	(17,672)
Motor Vehicles	300	347	(47)
Office Equipments	410	1,552	(1,142)
Office Furniture	0	7	(7)
TOTAL	4,000	22,868	(18,868)

It was also discovered that with respect to the dredging cost, 80% was funded by the World Bank which was not reflected in the SLPA budget. The 20% funded by the SLPA revealed an adverse variance of Le 895,000,000 (i.e. Budget Le 3,290,000,000 – Actual Le 4,185,000,000) out of which Le821,000,000 had been expended in 2010 and reflected under Work in Progress for 2010, latter capitalized in 2011. It was recommended that management should ensure that all projects undertaken during the year must be included in the approved capital budget.

Official's Response: *The Director mentioned that management was ensuring that all Capital Expenditure to be undertaken were included in the capital budget. He however said that where any asset was required which was not included in capital budget, management normally requested approval from the Board.*

8.21.5. Procurement

Having done detailed substantive tests and enquiries from the Authority's Management, it was observed that there were deviations from the procurement methods spelt out in the procurement plan of the Authority in

terms of National Competitive Bidding, International Competitive Bidding or Request for Quotations and no documentation was made available to justify these deviations. It was recommended that in future the Authority's management should ensure that all contracts must follow the required process, to comply with the Public Procurement Act, 2004.

Official's Response: *The Director said that management would ensure compliance with the Public Procurement Act, 2004 and make available necessary documentation in respect of the observation.*

8.21.6. No source document (salary vouchers) for salary payments

Reviewing the payroll calculations for the year under review, it was noted that there were no source documents (salary vouchers) for salaries paid amounting to Le 4,839,168,394 for the months of January, 2011 to June, 2011. Furthermore, the only documents that existed were the PVs which stated the total amount to be transferred from the organization's bank account to personnel account. There was no source document from which the calculations of salary and other statutory deductions could be verified. It was recommended that the Authority's management should take steps to provide the documents for audit inspection.

Official's Response: *The Director stated that management had ensured that monthly payroll were prepared and necessary pay sheet and Bank Returns kept for future verification. That process, he said, had been in place since July, 2011 and was on-going.*

8.21.7. Lack of updated lease agreement

Details of the Authority's leased properties showing the tenants, the rental periods and lease amount had not been updated as at the year end. It was recommended that management should ensure that the list of the Authority's leased properties was reviewed and updated with the correct rental periods and amounts.

Official's Response: *The DG stated that management was reviewing all lease agreement with a view to producing a comprehensive list of all the Authority's properties which would include date, period and amounts.*

8.21.8. Income

It was observed that there was a lease agreement between the Sierra Leone Ports Authority and Shallop for a rental fee of \$1500 which was not reflected on the Financial Statements. In addition it was noted that the lease rental amount did not reflect the fair value of the property.

It was recommended that the Authority's Management should take steps to re-negotiate the lease agreement. In addition the Authority should consider adjusting the financial statements.

Official's Response: *The DG mentioned that management noted the observation. He noted however that the tenant lease agreement had expired and was not reviewed. He had been given notice to quit the property, he maintained.*

8.21.9. Independence of the Internal Audit Department

The Authority maintained an Internal Audit Department which reported directly to the General Manager, according to the organogram. It was recommended that the company should take steps to establish an audit committee for the purpose of reviewing the findings and recommendations of the Internal Audit Department ensuring that recommendations were promptly and appropriately implemented.

Official's Response: *The DG stated that the Board had formed the Audit Committee and since then the Head of Internal Audit reported directly to the Board.*

8.21.10. Receivables

Out of a total debt of Le 11,000,000,000 circularized, ASSL was unable to receive up to Le 4,000,000,000 worth of debtors' confirmation.

The following were recommended:

- It was recommended that customer accounts should be reconciled regularly, as they highlighted discrepancies which can cause disputes;
- Statements should be issued to customers at least monthly;
- An aged receivables analysis should highlight which customers have balances that are overdue, and should form part of a regular report to senior management, along with details of action taken to pursue the debts;
- The Accounts Receivable Department should establish targets for the time it should take to resolve queries and communications with customers should be recorded;
- If credit notes have to be issued, they should be authorised by managers;
- Bad debt write-offs should be authorised by management only if there is strong evidence that the debt will not be received, such as the customer's liquidation or other evidence of financial difficulties; and
- The level of bad debts should be reported regularly to senior management.

Official's Response: *The DG mentioned that the Authority had formed a Debt Collection Task Force and the Ag General Manager supervised that committee. He stated that the institution had been informed by the under-mentioned that they had responded to debtor's circularization. Namely: - Great Scarries Navigation, OBT Shipping, Maersk (SL) Limited, Eco Water, Foresees Consultant, Freetown Terminal Limited and Sierra Leone Maritime Administration*

8.21.11. End of service benefits

It was noted that the Authority made a provision of Le45,672,136 for End of Service Benefits and Severance payments as a result of the privatization to Bolorie, for the period under review while the cash and equivalent available to the Authority to spend on its operations was Le8,958,854,000. In this view, ASSL circularized the Authority's legal solicitor to ascertain the litigations for and against the Authority as at the date of finalizing the financial statements but did not receive the confirmation reply from the legal solicitor. It was recommended that the Authority's Management should take steps to seek funding so that it could meet its obligations. Going forward, management should ensure that their legal solicitor responded to confirm the litigations for and against the Authority, as at year end.

Official's Response: *The DG stated that management was at that time seeking a loan of \$5,000,000 (Five Million Dollars) to fund the retrenchment of staff. The process, he said was about 80% complete.*

8.22. National Telecommunications Commission (2010)

8.22.1. Unlabelled Fixed Assets

Some of the assets owned by the Commission were not marked with the Commission's approved identification marks and some capital items were incorrectly classified as revenue expenditure. It was recommended that all assets must be clearly marked with identification numbers consistent with previous assets and expenditure incurred should be correctly charged under the relevant budget account head.

Official's Response: *The Commissioner stated that the observations and recommendations of ASSL were noted and that corrective measures had been taken.*

8.22.2. Variances between budgeted and actual expenditure

Significant variances were identified between the budgeted amounts and actual amounts in relation to the procurement of fixed assets. See Below:

Table 8.18 – Budget Variances				
Description	Budgeted (Le)	Actual (Le)	Variance (Le)	Variance (%)
Motor Vehicle	300,000,000	1,857,250,000	1,557,250	519
Computer Equipment	183,900,000	345,655,000	161,755,000	88
Furniture and Equipment	61,200,000	353,794,000	292,594,000	478
TOTAL	545,100,000	2,556,699,000	455,906,250	469

It was recommended that on a quarterly basis, management should perform an analytical review (mainly budgetary control - comparing budgeted figures to actual figures). In addition, all significant variances must be investigated and appropriate measures taken to prevent recurrence. In future, realistic budgets should be done to avoid such significant variances.

Official's Response: *The Commissioner stated that the reason for the adverse variance of Le1,557,250,000 on motor vehicles was due to the purchase of the following vehicles for:*

- *Attitudinal and Behavioural Change (ABC) office (1 × Toyota Hilux and 1 × Prado).*
- *Office of the Ombudsman (2 × Prado)*
- *Makeni City Council (1 × Prado)*
- *Guma Valley Water Company (2 × Water Bowzer)*
- *NACTOM Office (1 × Water Bowzer)*
- *Open Government Initiative (1 × Prado)*

He added that the reason for the adverse variance of Le161,755,000 for computer equipment was due to the purchase of the following items: Eighteen Desktop Computers for the six zonal offices; Eight printers also for zonal offices; Thirteen Laptops for Commissioners and Directors and Five Laptops for Universal Access Development Fund (UADF) office.

The reason for the adverse variance of Le292,594,000 on furniture and equipment was due to the purchase of office furniture, equipment and generators for the newly established zonal offices and the UADF office, he concluded.

8.22.3. Procurement Committee meeting minutes

A review of the minutes of meetings held by the Committee revealed that the names of the members present at those meetings were not recorded. In addition, the minutes were not detailed, hence it was very difficult to understand the matters discussed at committee meeting. It was recommended that an Attendance Register should be maintained to record the names of persons present at meetings and that the secretary must include the names of all members present in the minutes. In addition all matters considered by the procurement committee should be recorded in such a way that readers of the minutes would be able to have an insight into what transpired at such meetings.

Official's Response: *The Commissioner said that the two observations and recommendations were well noted and would be effectively implemented.*

8.22.4. Fuel Logbook not properly maintained

It was observed that the internal control mechanisms instituted for the proper usage of motor vehicles were not working, as the drivers did not update the vehicle log books and there was no evidence to indicate that

the log books were reviewed. It was recommended that Vehicle logbooks should be regularly updated by drivers and completely filled and signed by the appropriate personnel so that the monitoring and movements of vehicles would be enhanced.

Official's Response: *The commissioner stated that ASSL's observations and recommendations had been well noted and were being implemented.*

8.22.5. Usage of fuel

It was observed that there were no adequate internal controls over the purchase and usage of fuel. During the audit, ASSL was provided with schedules showing the usage of fuel; however, it was noted that the schedules were not regularly reconciled against the invoices issued by dealers. Also invoices issued by the dealers were not presented for inspection. It was recommended that management must ensure that fuel schedules and chits were regularly reconciled with the invoice issued by dealers to effectively monitor the usage of fuel.

Official's Response: *The Commissioner replied that payments for fuel were made in advance and confirmed that the observations and recommendations were noted and would be fully complied with.*

8.22.6. Income

We observed that receipt books were not pre-numbered and that numbering was done in pen. It was recommended that the Commission should introduce pre-numbered receipt books as a matter of extreme urgency.

Official's Response: *The Commissioner mentioned that the observations and recommendations had been well noted and implemented.*

8.22.7. Non-production of financial statements and annual report

We observed that the Commission did not comply with Section 17(2) and Section 19(1) of the Telecommunication Act, 2006 which are reproduced hereunder;

Section 17(2) states that "The books of account kept under subsection (1) shall within three months after the end of each financial year, be audited by the Auditor-General or an auditor appointed by him".

Section 19(1) states that "The Commission shall, as soon as possible but not later than six months after the end of each financial year, submit to the Minister a report of the activities, operations, undertakings, property and finances of the Commission for that year, including the Auditor-General's report and a list of persons granted licenses in that year".

It was recommended that in future, action should be taken to ensure that the Act was fully adhered to.

Official's Response: *The Commissioner mentioned that the observations and recommendations had been well noted and implemented.*

8.23. National Electoral Commission (2007 – 2010)

8.23.1. Previous management Letters

It was noted that for some of the issues raised in the previous management letters, action had not been completed whilst for some others, action had not been taken. See the under listed matters:

Poor filing system: Documents relating to the Commission's activities were still not properly filed i.e. they were not filed according to activities and payment voucher sequence, making it difficult to trace supporting documents of transactions in the Financial Statements

Fixed assets: Steps had been taken towards affixing identification marks on the assets owned by the Commission; however, there were still some assets that did not have identification marks.

It was therefore recommended that the 2006 management letter should be reviewed and appropriate action taken by management.

Official's Response: *On the issue of a poor filing system, she mentioned that written procedures had been developed and implemented to address the concerns of poor filing system. Filing of financial documents was being done using the "payment voucher number" method with cross referencing to the appropriate account sub-head, she stated.*

On the issue of fixed assets identification marks, the Commissioner mentioned that the Commission through the Administration & Finance and Internal Audit Departments had conducted periodic asset verification exercise over the years to ascertain the existence and status of assets. She stated that Fixed Assets not in good working condition had either been out for maintenance and or replaced. Additionally, she said, those Fixed Assets not previously tagged had been adequately tagged to forestall theft.

8.23.2. Income

Supporting documents such as PETs Forms, Letters of request for donor funds, bank credit advice, etc., relating to various streams of income totalling Le 41,326,907,000, were not produced for audit inspection. The only available pieces of information were amounts recorded in the cash book and in the bank statements. It was therefore recommended that management must ensure that all supporting documents relating to income were maintained and properly filed for future reference.

Official's Response: *The commissioner stated that the commission through the Finance Unit maintained a "subvention file" of all government subventions and "Vote Service Ledger". In addition, the Finance Unit also maintained an income file for all income received for the period under review, including income from government and UNDP.*

8.23.3. Petty Cash

It was observed that there was no evidence of cash count for the year 2007 and that the petty cash limit set in the Standing Order of the NEC was not adhered to in the period under review.

It was recommended that an annual cash count must be conducted and a cash count certificate signed by a supervisor and cashier. In addition, Petty cash limits should be adhered to or reviewed if necessary.

Official's Response: *The Commissioner stated that although a petty cash count was not done in 2007, the Commission had embarked upon a regular petty cash count by the Internal Audit Department since 2008 to date. She mentioned that Petty Cash limits had also been reviewed accordingly to accommodate the volume of petty cash transactions.*

8.23.4. Fixed Assets donated without supporting documents

It was observed that assets donated by the UNDP amounting to Le2,158,080,547 were without supporting documentation. In addition, depreciation charges in the financial statements were understated due to the non inclusion of assets donated by the UNDP in the assets register. Furthermore, the Commission insured only its vehicles leaving out other assets such as its buildings. It was therefore recommended that all documents relating to assets donated to the Commission must be maintained and filed for reference purpose. In addition steps should be taken to insure fixed assets with significant value.

Official's Response: *The Commissioner stated that the Commission had initiated the procedure of maintaining a file for all donated assets by UNDP. She said an update was regularly made to the Fixed Assets Register when assets were donated to the Commission. She mentioned that a schedule of assets in line with the Commission's capitalization policy was normally adhered to and such assets were properly insured.*

8.23.5. Maintenance Policy

It was noted that huge sums of monies were expended towards repairs and maintenance in 2007,2008,2009 and 2010 totalling Le815,456,000; Le523,460,000; Le295,911,000 and Le722,366,000, respectively. Further investigations revealed that the Commission did not have a documented maintenance policy, which if formulated, would help to ensure that fixed assets such as motor vehicles were checked on a regular basis rather than when they were faulty.

It was recommended that a maintenance policy must be formulated to ensure that the useful lives of its assets were prolonged by complying with requirements that called for regular maintenance and appropriate care.

Official's Response: *The Commissioner in her reply stated that the Commission would develop a comprehensive vehicle maintenance policy as soon as possible which would help to ensure that all vehicles were regularly checked and maintained in a road worthy manner at reasonable costs.*

8.23.6. Usage of Official Vehicles

It was observed that some officials who had vehicles assigned to them also received transport allowances on a monthly basis, thereby contravening the National Electoral Commission's Conditions of Service, Chapter 6, sections (4&5). It was therefore recommended that that anomaly should be corrected and, in future, management must ensure that staff provided with vehicles should not be given transport allowances.

Official's Response: *The Commissioner said that the Commission's policy on the usage of official vehicles was exclusively for official assignments by authorized staff of the Commission during working hours such as attending workshops, meetings and seminars and further as an aid to ferry staff movement to and from their residence.*

8.23.7. Staff Cost

The following were observed:

- The Commission did not have a loans register;
- Salary vouchers for 2007 were not reviewed and approved by a senior officer of the Commission; and
- Contract agreements for contract staff hired in 2007, 2008, 2009 and 2010 were not presented for inspection which made it difficult to assess the terms and conditions of such contracts.

It was recommended that management should ensure that salary vouchers were signed by the preparer and checked by a senior staff to confirm the accuracy of the figures. In addition, the Commission should develop a loans register and in future, all documents relating to contract agreements must be maintained and filed for future reference.

Official's Response: *In her response the Commissioner stated that staff loans had been abolished by the Commission since 2007 and hence there was no need for a loans register. She said the Commission through the Human Resources and External Relations Department maintained contract agreements for all contract staff which was filled appropriately for reference purposes.*

8.24. National Public Procurement Authority (2011)

8.24.1. Contract staff

Upon review of the Personnel Files, it was observed that there was a consultant who was employed in 2005 as a contract staff and his appointment was subject to the submission of other information including a medical report. It was however noted that the contract agreement was silent on the expiration and renewal period of

the contract and that it was only renewed once in 2010 which was about five (5) years after the initial appointment, following his request for the renewal of the contract in December, 2010. It was strongly recommended that such a contract be subjected to an annual performance review which could serve as a guide on whether a contract of that nature should be renewed or not and should be made at least yearly.

Official's Response: *The director said that management noted the observation and recommendation but wished to add that the performance assessment of the consultant resulted in the complete review and issuance of a renewal contract backed by appropriate and fair terms and conditions of service for the year 2011.*

8.24.2. Salary in lieu of notice

In reviewing Personnel Files, the auditors noted that two members of staff had left the employment without giving notice of resignation. It was also noted that no action was taken to recover the amount due from them. It was recommended that the Authority should take steps to recover the amount due from them.

Official's Response: *The Director mentioned that management noted the observation and recommendation. He added that a review of the Authority's terms and conditions of service was underway which would address the anomaly of requesting a salary in lieu of notice when salary was paid in arrears.*

8.24.3. Board sitting allowance

Members of the NPPA board of directors, to some considerable part of the period under review, did not sign the attendance register. Little reliance was put on the board minutes due to the fact that they were formally prepared and presented only after the conclusions of meetings. It was strongly recommended that all Board members present should sign the register to confirm their attendance.

Official's Response: *The director mentioned that the observation and recommendation were noted by management and that all board members who received sitting fees were recorded in the minutes of those meetings to have attended. He stated that management had instituted the keeping of an attendance register which was used as a basis for the payment of sitting fees.*

8.24.4. Fixed Assets not reflected in the Financial Statement

It was observed that the building occupied by the Authority at OAU Drive Tower Hill, was not reflected in the financial statements and no documents relating to the ownership of the building was provided for audit inspection. It was advised that the Authority should provide documents relating to the status of ownership.

Official's Response: *The Director stated that the Authority was pursuing documentation from the Office of the Secretary to President on the transfer of that property to the National Public Procurement Authority. Additionally, he mentioned seeking an estimate of the economic benefit derived from the premises from the Ministry of Works, Housing and Infrastructure for inclusion in subsequent Financial Statements.*

8.25. Sierra Leone Investment and Export Promotion Agency (2010)

8.25.1. Late submission of financial statements

The Agency failed to comply with the provisions of the SLIEPA's Act of 2007 as the accounts for the financial year, 2010 were presented to the Office of the Auditor General in December, 2011. It was also noted that the Agency failed to submit its annual report to the President for 2010 as stated in the Agency's Act of 2007. It was recommended that management should endeavour to comply with every provision contained in the Agency's Act, 2007 especially those that affected stakeholders' interests.

Official's Response: *The Chief Executive Officer in his response said that the agency would endeavour in the future to send its accounts to the Auditor-General within the deadline stipulated and that they apologised for the delays in submission as a result of non availability of*

support staff in the finance department. He added that measures had been put in place for the recruitment of Finance Officer effective 1st August 2012.

8.25.2. Income

It was observed that project funds from the International Finance Corporation (IFC) were not restricted to project activities as stated in the agreement between the Sierra Leone Investment and Export Promotion Agency and IFC. Funds were transferred from the project account to the operational account of the agency to pay monthly salaries of staff. It was therefore recommended that all Project expenditures must be charged to the relevant project account and all non-project expenditure from donors must be charged to SLIEPA's main account. It was also recommended that the Agency should adhere strictly to the IFC grants agreements.

Official's Response: *The Chief Executive Officer noted that in future income from Projects would be restricted.*

8.25.3. Payroll

It was observed from the payroll that PAYE obligations of Le366,960,115 and NASSIT contributions of Le102,128,580 were deducted from staff emoluments but the monies were not paid over to the respective authorities on a timely basis. NASSIT contributions for the period January, 2010 to November, 2010 were paid in December, 2010. It was therefore strongly recommended that all PAYE and NASSIT deductions be paid over on time according to the provisions of the acts.

Official's Response: *The Chief Executive Officer promised that all PAYE and NASSIT deductions would be paid over on time.*

8.25.4. Unlabelled Fixed Assets

Fixed assets were not marked in the Agency's code. Also, the codes of some of the assets were not included in the Fixed Assets Register of the Agency. It was therefore recommended that the Agency should take steps to mark its assets.

Official's Response: *The Chief Executive Officer maintained that most assets were clearly marked with the exception of few items that were issued from the store just before the audit exercise.*

8.25.5. Cash and Bank

Periodic petty cash-counts were not conducted; only an end of year cash-count evidence was provided. In addition, it was noted that there were outstanding cheques totalling Le 32,000,000 dating as far back as March, 2010, which were included in the bank reconciliation statements as reconciling items. It was recommended that outstanding cheques included in the bank reconciliation statements be reversed. It was also recommended that the reviewer of the bank reconciliation statements should take steps to advice on the clearance of such items on the statement.

Official's Response: *It was mentioned in the Chief Executive Officer's reply that steps would be taken to reverse cancelled cheques.*

8.26. Sierra Leone Airports Authority (2011)

8.26.1. Receivables

During the review, ASSL noted receivables of Le19, 851,333,445. The Authority's debts amounting to Le13,000,000,000 as at year end was circularized by ASSL but did not receive confirmation from third parties. Therefore ASSL could not confirm the existence and accuracy of those receivables. ASSL also observed a huge provision for bad debts to the tune of Le 9,479,530,211, as impairment.

It was therefore recommended that management should ensure that their debtors respond to confirm their indebtedness to enable the auditors ascertain the debtors balance as at year end. In addition, the Customer accounts should be reconciled regularly, as they highlight discrepancies that can cause disputes and statements should be issued to customers at least monthly. Furthermore, an aged receivables analysis should highlight which customers have balances that are overdue, and should form part of a regular report to senior management along with details of action taken to pursue these debts. When discrepancies arise, they should be investigated more quickly. The Accounts Receivable Department should also establish targets for the time it would take to resolve queries; and communications with customers should be recorded. If credit notes have to be issued, they should be authorized by managers. Bad debt write-offs should be authorized by management only if there was strong evidence that the debt would not be received, such as the customer's liquidation and the level of bad debts should be reported regularly to senior management.

Official's Response: *The General Manager in his response stated that the bulk of the receivables were debts owed by Government agencies and departments, and outstanding balances owed by dormant customers who had ceased operations. He added that efforts had been made over the years to recover Government debts through a cross-debt settlement arrangement but that it had not been successful. The delay in reaching a favourable response from relevant authorities created serious doubt on the recoverability of the debts and therefore warranted the level of provision for bad debts. He said they would renew their efforts in pursuing a cross-debt settlement arrangement and seek permission for the write-off of the dormant customers from their books. As regards organizational structure, he said they disagreed with the observation that "the Accounts Receivable Department was not geared towards servicing customers efficiently" and that "it seemed to prevent control being exercised by different staff involved at different stages of the transaction and being therefore able to check each other's work."*

He mentioned that they did recognize the need for more frequent/regular circularization and reconciliation of statements of accounts to customers, but believed that they had proper segregation of functions and appropriate checks and balances built into the systems for revenue recognition, recording, and collection.

He said that for instance, nearly all of the revenue recording the primary operations/transactions data was done by Air Traffic Controllers in the Operations Department. The bills he said were prepared by the Billing Section by the Commercial Department based upon the operations data which they crosschecked against details in the customers' files maintained by the Commercial Department. The bills he said were pre-audited by the Internal Audit Department before they were signed and distributed. He maintained that customers paid their bills directly into SLAA bank accounts and Cabiers under the supervision of the Chief Accountant raised receipts based upon submitted bank slips and bank statements. He further said that the customers' statements of account were prepared by the Revenue Department based upon copies of the bills and the receipts. Periodic Debtors analysis was done by the Credit Control Committee which reported to the Board of Directors, he concluded.

8.26.2. Fixed assets management

The following were observed:

- Rates used for computer and accessories, air conditioners, and other IT related equipment seemed unreasonable and the conditions of the assets were bad;
- Even though some computers, printers and other IT related equipment were not in a good working condition, they still had carrying values in the financial statements;
- Most of the fixed assets were not marked in the Authority's code; and
- The codes of some of the assets were not included in the Fixed Assets Register of the Authority.

It was therefore recommended that the Agency should take steps to mark its assets and the Authority's management should take steps to review its assets depreciation policy. In addition, the Authority was assigned to conduct a thorough fixed assets verification exercise, and give consideration to the revaluation of these assets.

Official's Response: *The General Manager stated that they agreed with the observation and comments relating to the depreciation rate for computers, air conditioners, printers and other electronic/IT related equipment, which at 10% per annum was inappropriate considering the*

limited effective life span of the assets. They said that they already had commenced work on reclassifying the affected assets and had reviewed the existing depreciation rate with a view to establish an appropriate rate that was in accordance with the reality. This he said, would be followed by a further thorough review of the fixed assets register to write-off all those assets that were obsolete, damaged or in a bad shape, but carried values in the financial statements.

He added that all assets that were in existence at the end of the year were fully marked and those that were observed not marked were those that were procured during the current year that were still waiting for marking. He however mentioned that he would endeavour in future to mark the assets before sending them to the user departments and that the fixed assets register would be reviewed with a view to identify those assets whose codes were not included for immediate action.

8.26.3. Breach of the terms and conditions of service

It was noted that a new vehicle purchased in 2009 was sold to the General Manager at book value after two years, instead of six years thereby contravening Article 15.9 of the Terms and Conditions of Service. It was recommended that the Authority's Management should adhere strictly to their Terms and Conditions of Service, and take steps to regularize the situation.

Official's Response: The General Manager said that he noted the Auditors' concerns and recommendations. On the matter of the sale to the former GM he stated that it was the official vehicle he was using prior to his retirement. Indeed SLAA had a policy on the disposal of official vehicles which provided first purchase option to the users, he added. The main rationale behind that was to encourage the user to operate and maintain the vehicle more properly, given that he would be the beneficiary to its residual value. On the case under review, he said the vehicle was bought second-hand and was in use for just two years after its purchase. In the interest of enabling the retired GM to uphold his personality and image as an ex-Chief Executive Officer (and the image of the organization as well), he stated that management sought the approval of the Board of Directors for the vehicle he was using to be sold to him even though it had not been in use for up to four years as the policy indicated.

8.26.4. Upgrading, modification and extension of the Freetown International Airport terminal building

It was observed during the audit of the Terminal Building contract that the Terminal Building contract deadline was exceeded and that the evidence of a bid security such as bank guarantee for the advance payment of \$500,000 was not made available for audit verification. Also no performance bond was presented for audit inspection. It was therefore recommended that the Authority's management should take steps to re-negotiate the contract agreement and invoke the penalties clause according to the contract and a performance bond must be built in the contract. In addition, the Authority's Management should in all cases request a bid security from contractors.

Official's Response: The General Manager stated that the Terminal Building contract deadline was exceeded due to funding limitations over which the Airport Authority had no control. Also the performance bond submitted by the Contractor in respect of the advance payment made by the Government towards the project was presented directly to the Accountant General's Office which released the payment.

8.26.5. Revenue

It was observed that the Authority did not have any form of agreement between itself and its customers. From the audit sample, there were no agreements for eighteen customers with values of \$168,296. It was therefore recommended that the Authority's Management should take steps to draw up a service level agreement between itself and its customers. In addition, third party evidence to confirm the amount received by all the customers should be made available for audit inspection.

Official's Response: The General Manager in his response stated that they did not have signed contracts with Total Oil (SL) Ltd, Africa Minerals, Media Tech, and Inter City, etc. He said they were called for by the Board Chairman and were still with him when the auditors requested for them. He added that unfortunately the SLAA official contacted by the auditors was not aware of that. He mentioned

that they had drafted and forwarded to their solicitors for vetting the contract agreements with the rest of the other customers. He however concluded that they would pursue the finalization of those contracts within the next few months.

8.26.6. Cash and Bank

Our audit procedure carried out revealed that no Bank Statements or Documents were provided to prove the existence of the Foreign Accounts with Standard Chartered Bank London in dollars and pound sterling. Reconciliation statements could not show whether the reconciliations were prepared by junior staff, supervised and authorized by senior staff. Also, the filing system of the reconciliation was not properly done as the reconciliation statements could not be easily traced because they did not have Bank account numbers and in some cases the Bank statements were misfiled.

It was recommended that the Authority's Management should take steps to make available the documents relating to the bank accounts for audit verification. In addition a strong reminder was given that a bank reconciliation statement should be prepared monthly and reviewed by a supervisor for all the bank accounts.

Official's Response: *The General Manager stated that SLAA long time ago operated a US Dollar account and UK Pound account at Standard Chartered Bank in London. He said those accounts got affected by the garnishee order arising from the court case Sierra Leone had with Philips Brothers over the sale of agricultural produce, and had been dormant since. He said, given that state of affairs, they had reclassified the accounts from Cash and Bank to Debtors. He mentioned that for a number of years since then SLAA had not been receiving bank statements for those accounts. Efforts had been initiated to re-establish contact with the bank with a view to reactivate the accounts, he added.*

He maintained that reconciliations for all the bank accounts were thoroughly reviewed and in many occasions relevant amendment done. He noted however that the finalized copies were inadvertently not signed due to an oversight which would be corrected accordingly.

8.26.7. Non-Independence of the Internal Audit Department

The Authority maintained an Internal Audit Department which reported directly to the Deputy General Manager, as indicated in the organogram instead of an Audit Committee. It was recommended that the company should take steps to establish an audit committee for the purpose of reviewing the findings and recommendations of the Internal Audit Department and implementing those recommendations promptly and appropriately.

Official's Response: *The General Manager said that contrary to the auditors' reported observation, the Internal Audit Department reported directly to the Board of Directors. Any organogram indicating the Internal Audit Department as reporting directly to the Deputy General Manager, or to any other unit in the corporate cadre other than the Board of Directors, was erroneous, he added. He said what obtained was that the Internal Audit reports were directed to the Board of Directors, which discussed them at the regular Board meetings.*

8.27. Bo Kenema Power Supply (2007)

8.27.1. Internal Audit Department not effective

The following observations were noted:

- There was no charter or formal document stating the scope, responsibilities, purpose and rights of the Department;
- The Department had no annual work plan for the Financial Year under review;
- Reports submitted revealed that the department's work was skewed towards the auditing of revenue and did not address the entire operations of the agency; and

- There was no Audit Committee to monitor and review the effectiveness of the Agency's internal audit function.

The following were therefore recommended:

- The Chief Executive Officer should ensure that a charter stating the scope, responsibilities, purpose and rights of the Department should be designed within the shortest possible time;
- The Internal Audit Department should prepare a work plan that addressed the entire operations of the Agency for each fiscal year and ensure that regular audit work was carried out and reported on in accordance with that work plan; and
- The CEO must ensure that an Audit Committee should set up and charged with the responsibility of approving the department's work plans, reviewing reports and monitoring the implementation of all Internal Audit recommendations.

8.27.2. Decline in revenue generation

A comparison of the Agency's performance in revenue generation for the 2006 and 2007 Financial Years revealed a 10% drop from Le4,901,078,155 to Le4,406,712,059. It was recommended that the CEO must ensure that the monitoring and supervision of electricity consumption and revenue generation should be enhanced and appropriately accounted for. In addition, an explanation together with the documentary evidence explaining the reason for the utilisation of Le131,590,674 on the generation of electricity should be forwarded to ASSL within 30 days of the receipt of the letter.

8.27.3. Inadequate documentation to support revenue reported in the financial statement

It was observed that the sum of Le3,895,701,693 was recorded in the Revenue General Ledger/Financial Statements as revenue generated in respect of electricity sales. However, the documentary evidence such as the Billing/Ready to Bill Reports used in the computation of units consumed and sales value were not made available for audit inspection. As a result of this, the amounts recognized in the Agency's Account as revenue could not be verified as accurate and complete. It was therefore recommended that the CEO should ensure that the controls over recording and reporting of financial transactions were adequate and that proper supervision and review should be employed to ensure that billing reports showing records of electricity consumption and sales were properly maintained. In addition, the CEO must forward copies of billing reports used to compute units consumed and electricity sales totalling Le3, 895,701,693 to the ASSL for verification within 30 days of the receipt of the report.

8.27.4. Procurement procedures not followed

The following were observed:

- There was no evidence to indicate that Procurement Planning was undertaken by the Agency for the period under review;
- A list of registered suppliers with the Agency was not established for the procurement of common use items; and
- There was no evidence in the form of Requests for Quotations, Business Registration Certificates of suppliers, Income Tax Clearances, Delivery Notes, etc., to confirm that the Agency operated an open, competitive and transparent procurement of goods and services amounting to Le 403,509,069.

It was recommended that the CEO should ensure the following:

- A Procurement plan should be prepared for each fiscal year, details of the estimated amount of continuing contracts and each contract to be entered into in the following year, items to be purchased, estimated timing and amount of payments, and the modality and applicable method of each contract;
- A list of registered suppliers as stated in Section 26(1) of the Public Procurement Regulations 2006 should be established for the procurement of common use items, to provide information on potential bidders, facilitate the development of shortlists and identify Sole Sources;
- The three Requests for Quotations requirement should be adhered to and the participation in procurement of qualified suppliers of goods and services must be strictly followed; and
- The documentary evidence/procurement documents to demonstrate that an open, competitive and transparent procurement was conducted in respect of the issue must be forwarded to ASSL within 30 days of receipt of the report.

8.27.5. Inadequate control over the banking and accounting of funds

A comparison of total lodgement made as per Lodgement Register and the Bank Statement presented for audit, revealed that amounts totalling Le359, 506,987 were not banked by the Revenue Collection Unit and that an Analysis prepared established that bank balances as per Bank Reconciliation Statements prepared by the BKPS, showed differences with the bank balances as per Bank Statement.

It was recommended that the CEO should ensure the following:

- All cash collected should promptly be paid into the Agency's bank account and no use of such funds ought to be made in any manner between the time of its receipt and payment into the bank;
- Every Bank Account maintained by the Agency should be reconciled with the corresponding Cash Book balance at least once every month with any differences appropriately investigated and that the reconciliations carried out must be checked, initialled as correct by a responsible Officer and filed accordingly or recorded in the Cash Book; and
- An explanation together with the documentary evidence, on the reasons why the Agency funds were not banked and brought to account, should be given to the Audit Office for verification within 30 days of the receipt of the report; otherwise, the sum of Le359, 506,987 must be refunded within the shortest possible time.

8.28. Bo Kenema Power Supply (2006)

8.28.1. Internal audit department not effective

There was no charter or formal document stating the scope, responsibilities, purpose and rights of the Department. The Department had no annual work plan for the Financial Year under review. There was also no evidence in the form of Internal Audit Reports to confirm that the Agency's systems and procedures were continuously reviewed and no Audit Committee to supervise and monitor the work of the Department.

It was recommended that the Chief Executive Officer (CEO) should ensure that a charter stating the scope, responsibilities, purpose and rights of the Department was immediately designed. In addition, the Internal Audit Department should prepare a work plan for each fiscal year and ensure that regular audit work was carried out and reported on. Furthermore, all reports issued must be supported by adequate Working Paper files (both Current and Permanent). The CEO must also ensure that an Audit Committee charged with the

responsibility of approving the department's work plans, reviewing reports and monitoring the implementation of all Internal Audit recommendations was established.

Official's Response: The CEO responded by stating that the agency had taken steps to design a charter stating the scope, responsibility, purpose and rights of the department, but the charter was not yet complete as it needed the input of other stakeholders like the NPA and the Ministry of Finance and that input had not been received. He added that the Internal Audit Department prepared a work plan for each fiscal year. That was not the case in the past. Regular audit work was also carried out and reported on. He said furthermore that the Internal Auditor was answerable directly to the Supervisory Board; the Board had established an audit committee which was charged with the responsibility of approving the implementation of all internal audit recommendations.

ASSL's recommendations were still not implemented.

8.28.2. Poor financial performance

Profitability in any company is an important indicator of how efficiently an entity is being managed. This is a factor, if not continually monitored will eventually reproduce a daunting situation in a company. This was a concern for the management of BKPS as the under-mentioned ratios indicated that nothing was done to remedy the situation. Year-on-year, Returns on Capital Employed (ROCE), Profit to Sales, and Asset Turnover ratios were very discouraging to the point of concluding that the Agency was beginning to encounter Going Concern problems. On the whole, this indicated that much was not done to manage the assets efficiently and effectively. The fact that the company recorded a loss for the Financial Year under review was an indicator that assets, more especially cash resources, were not used astutely. The asset turnover was at a constant rate of 175-9% which was very high for a Power Generating Company.

Table 8.19 – Ratio Analysis			
Ratio	Formula	2005	2006
Return on Capital Employed	Profit before interest and tax/(Share capital + Reserves + Long-term debt)	31,543/3,379,746 *100 = 0.9%	(3950)/2,910,009 *100 = (0.14)%
Profit/Sales	Profit/Sales	31,543/5,924,146 *100 = 0.53%	(3,950)/5,215,303 *100 = (0.08)%
Asset Turnover	Sales/(Share Capital + Reserves + Long-term debt)	5,924,146/3,379,746 *100 = 175%	5,215,303/2,910,009 *100 = 179%

The life-blood of any organisation is cash. Without cash, BKPS may be rendered redundant. This was what the Working Capital ratio below indicated. Year-on-year, receivables collection period was on the increase. Increasing accounts receivables collection period was usually a bad sign, suggesting the lack of proper credit control and possible service delivery problems.

During our audit, it was noted that BKPS did not have an Approved Credit Policy. No provision for Bad and Doubtful Debt was made for the period under review and there was no Age Debtors Analysis. This was a

cause for concern as it depicted that the Agency was overtrading with forty-five per cent (45%) of its cash resources being tied up in debt.

Table 8.20 – Days Sales/Receivables Ratio			
Ratio	Formula	2005	2006
Receivables collection period	(Trade receivables/Sales)*365	2,399,089/5,735,793 *365 =153 days	2,158,384/4,901,078 *365 =161 days

It was recommended that the CEO must ensure that the assets of BKPS especially its cash resources must be efficiently and effectively managed and without delay, an approved Credit Policy must be designed and measures instituted to aid the collection of debts. Additionally a provision should be made for long outstanding debts in order to reduce the Agency's Current Assets for Financial Reporting purposes and as a matter of prudence and in future, the Agency should institute the use of prepaid meters in its coverage locations to improve the generation of revenue and prevent the Agency's cash resources from being tied up in debts.

Official's Response: The CEO replied by stating that the assets of BKPS especially its cash recourse were efficiently and effectively managed and cash received from our customers both private and public during the period under review was small when using post paid (credit) meters. He said customers were billed about a month or more after consumption of electricity. Defaulters were disconnected and most of them did not pay and seek reconnection until after many months, he added. He mentioned that meters were withdrawn after replacement and reconnection after a year or more and that caused a high receivable collection period and not any inefficient and ineffective use of cash resources. He stated that the situation would improve when prepaid meters were installed. The asset turnover ratio of 179% in 2006 was very encouraging as it showed that for the employment of a small capital (equity) there was a huge sale of electricity, he further mentioned.

He also explained that the Agency had an approved credit policy in place and while their suppliers allowed them to pay by instalments which took a reasonably long period of payment, their debtors were to pay them within fourteen (14) days after the receipt of the bills. The policy, he said, was even written as a warning on the bills that "Current bills are due for payment within 14 days while arrears are liable to disconnection". He added that the Agency had received seven thousand, five hundred (7,500) prepaid meters to be installed in Bo and Kenema very soon.

He said that provision was made every year for long outstanding bills and, in fact, debts over one year or two years which were actually found to be bad and difficult to collect were written off to the bad debts account, thereby reducing debtor's figures in the balance sheet. He mentioned that bad and long overdue debts which were not written off were debts owed by Government departments and existing business houses. Finance Committee meetings were held at the end of the year to investigate and write off long overdue debts as at December ending, he concluded.

There was no evidence to indicate the extent of implementation of the auditor's recommendations.

8.28.3. Procurement procedures not followed

There was no evidence to indicate that Procurement Planning was undertaken by the Agency for the period under review. A list of registered suppliers with the Agency was not established for the procurement of common used items. A register of all bidders to whom bid documents were issued was not maintained. There was no evidence in the form of RFQs, Business Registration Certificates of suppliers, Income Tax Clearances, Delivery Notes, etc, to confirm that the Agency operated an open, competitive and transparent procurement of goods and services amounting to Le1,082,514,762.60.

It was therefore recommended that the CEO should ensure that a procurement plan must be prepared for each fiscal year and the plan had to show details of the estimated amount of continuing contracts and each

contract to be entered into in the following year, items to be purchased, estimated timing and amount of payments, and the modality and applicable method of each contract. A list of registered suppliers must also be established for the procurement of common used items. The list should provide information on potential bidders, facilitate the development of shortlists and identify Sole Sources. The three (3) RFQs requirement should be adhered to and the participation in procurement of qualified suppliers of goods and services must be strictly followed. A record of all bidders to whom documents were issued should be maintained and the documentary evidence or procurement documents to demonstrate that an open, competitive and transparent procurement was conducted in respect of the sum of Le1,082,514,762 must be forwarded to ASSL within 30 days of the receipt of the report; otherwise, it may be treated as a financial misconduct in accordance with Section 165 (2) of the Financial Management Regulations, 2007.

Official's Response: *The CEO stated that the Agency had been preparing its annual procurement plan ever since the trained procurement staff came to know about it and that it would continue to prepare the annual procurement plan showing details of the estimated amount of continuing contracts and each contract to be entered into, items to be purchased, estimated timing and amount of payments. He mentioned that BKPS had acquired an updated suppliers/contractors/consultants data base system in compliance with section 19(3j) of NPPA Act, 2004. He said further that the Agency had been requesting quotations in writing from as many bidders as practicable but from at least three bidders for many years noting that BKPS would continue to carry out ASSL's recommendation. BKPS catered for the participation of qualified suppliers in procurement of goods and services, he added. At that point in time, a minimum of three (3) quotations were obtained for any single transaction notwithstanding the procurement threshold and in some exceptional cases sole source was done with the approval of the NPPA, he concluded.*

The documentary evidence/procurement documents to demonstrate that an open, competitive and transparent procurement was conducted were not made available for verification.

8.28.4. Lack of operational policies

It was observed that the Agency had no policies in place for the distribution and usage of fuel, the maintenance of its official vehicles and plants and the procurement of spares and other consumables. As a result, the Agency incurred a staggering expenditure of Le574,745,275 on spares and other maintenance related costs for the period under review. Also there was no evidence to indicate that the Agency had a laid down Vehicle Use policy or that it was following the stipulated policy in the Financial Management Regulations, 2007. In addition, Vehicle Log Books were not in use and a Fuel Register and Fuel Chits which should have been used to monitor, control and reconcile the supply of fuel were not maintained by the Agency. It was recommended that the CEO should ensure that policies were drawn up to guide and control the distribution and usage of fuel, the usage of pooled vehicles, the maintenance of vehicles and plants and the procurement of spares and other consumables to prevent the Agency from incurring unnecessarily high levels of expenditure and enhance control over operational activities. The CEO should without delay institute the use of a Vehicle Log Book, Fuel Register and Chits.

Official's Response: *There were regulations guiding the control of fuel with regard to distribution of fuel, the usage of pooled vehicles, maintenance of vehicles and plants and also procurement of spares. In addition, request for fuel usage for vehicles was authorized by the Personnel and Training Manager. Furthermore request for fuel usage for the generation of electricity was authorized by the Technical Director or the Station Engineer. All official vehicles were in the custody of the Personnel and Training Manager who directed their allocations and movements. He however stated that ASSL's recommendations were noted and would be implemented.*

Our recommendations were not implemented.

8.28.5. Poor management of stores

It was observed that a number of receipts and issues out of stores were not recorded on the Agency's Tally Cards. A sample of receipts into stores revealed that items amounting to Le129,903,756 were not recorded on Bin/Tally Cards. In addition a number of 17,983 items in the form of stationery, gallons and tons of fuel and other lubricants were issued out of stores without the support of SIVs and requisitions. It was furthermore noted from the stores records that items amounting to Le653,446,800 were procured by the Agency and delivered to stores and investigations revealed that these items were recorded by the Store Supervisor as receipts. However, there was no evidence in the form of delivery notes to justify that these items were either delivered to stores or that this amount was actually utilised to procure the items. The CEO through the Store Supervisor should ensure that all receipts and issues out of stores must be properly recorded on Tally Cards and all issues out of stores must be supported by vouchers and requisitions in accordance with Sections 195 (1) and 197 (1) of the Financial Management Regulations, 2007. In addition, all items procured must be accompanied by delivery notes and they should be accurate and reflective of the actual amount of items (in terms of description, specification and quantity) received by the stores department. It was observed that the delivery notes in respect of the items procured and delivered to stores must be forwarded to ASSL for verification within 30 days of the receipt of the report; otherwise, the issue may be treated as a financial misconduct in accordance with Section 165 (2) of the Financial Management Regulations, 2007.

Official's Response: *The CEO stated that all receipts were recorded on Goods Received Notes (GRNs) and all issues recorded on Stock Issues Vouchers (SIVs) were also recorded on Bin or tally cards. On the issue of delivery notes, he noted the recommendations and promised to fully implement them. He also mentioned that in the past, some suppliers were not issuing delivery notes and according to the Storekeeper those suppliers who issued delivery notes through their transporters issued only one copy of the delivery notes on which he signed and returned to the transporter as evidence to the supplier that the transporter (driver) actually delivered the goods to BKPS. He stated that the document to show that the stores received the goods was the GRN. The GRNs had not only the date, name, description, specification and quantity of the goods but also the value of the goods received, he added. In concluding, he noted the recommendation of forwarding the delivery notes to ASSL.*

The Auditors noted that even though their recommendations were implemented to a large extent, the Delivery Notes in respect of items procured and delivered to stores, were not made available for verification.

8.29. Eastern Polytechnic (2011)

8.29.1. Inadequate control over collection and recording of revenue

The College did not make receipts available to justify that Tuition Fees of Le 520,475,022 collected for the Financial Year under review were accurate and complete. It was recommended that the Principal should ensure that controls over collection and recording of tuition fees and other funds were adequate. Proper receipts must be issued at the same time that tuition fees and other funds were received by the institution and copies properly safeguarded for reference, audit purposes and other investigations. In addition, all transactions of receipts and payments were to be promptly and accurately recorded in the College's Cash Book. Furthermore, the Principal must forward copies of receipts used to collect the sum of Le520,475,022 to ASSL for verification within 30 days of the receipt of the report; otherwise the issue may be treated as a financial misconduct, in accordance with Section 165 (2) of the Financial Management Regulations, 2007.

8.29.2. Inadequate control over the management and security of furniture and equipment

The following were observed:

- Furniture and equipment in the amount of Le878, 764,964 was not adequately insured;
- The Fixed Assets Register submitted for audit inspection contained the following anomalies:
 - Items of furniture and equipment were not correctly recorded (Identification marks as per the Assets Register did not match up with those inscribed on the furniture and equipment physically verified);
 - The historical cost of Furniture, Motor Vehicles and Equipment was not stated in the Asset Register;
 - The Assets Register did not contain depreciation charge, accumulated depreciation and disposal made during the period;
 - Additions made during the period to furniture, motor vehicle and equipment were not included in the Fixed Assets Register; and
 - Furniture, Motor vehicles and equipment assigned to the Administrative Department were not recorded in the Fixed Assets Register.

It was recommended that the Principal should ensure the following:

- Furniture and Equipment owned and controlled by the College must be adequately insured;
- All assets owned and controlled by the Department had to be recorded in the Inventory Register and such record should include the names of the assets, cost, date of purchase, code/identification number, depreciation charge, accumulated depreciation, net book value, individual location, and total quantity held and whether the assets were transferred from Head Office, donated or purchased by the Department;
- Identification Marks inscribed on Fixed Assets must be accurately recorded in the Assets Register; and
- A comprehensive Inventory Register of Furniture, Motor Vehicles and Equipment including all the details stated in the above regulation must be developed as soon as possible.

Official's Response-*The Principal stated that the institution wanted to insure the assets, but the unavailability of funds was a problem. He said however that they would try to insure the assets piece meal when funds were available. He also mentioned that the Fixed Asset Register had been reviewed so that the numbering would tally.*

ASSL's recommendations were not implemented.

8.30. Eastern Polytechnic (2009)

8.30.1. Internal audit department not effective

There was no charter or formal document stating the scope, responsibilities, purpose and rights of the Department. It was recommended that the Principal should expedite the development of a charter stating the scope, responsibilities, purpose and rights of the Internal Audit Department.

Official's Response: *The Principal stated that the preparation of the charter was nearing its completion stage.*

Though it was stated that the preparation of the Internal Audit Charter was nearing its completion stage, the college did not make any evidence of that available.

8.30.2. Procurement procedures not followed

On the 12th of December, 2009, the Eastern Polytechnic Council approved the award of a contract, valued at Le356,000,000, to ASSIL Trading and Construction Company for the rehabilitation of the Bunumbu

Campus. However, the contract agreement between both parties was not made available for verification. There was no evidence in the form of Request for Quotations, Local Purchase Orders, etc, to indicate that the procurement of goods and services amounting to Le116,410,500, was open, competitive and transparent. The Principal must ensure that the Public Procurement rules and regulations of Sierra Leone are strictly adhered to and the Principal must forward the contract agreement within 30 days of the receipt of the report for verification; otherwise, the issue may be treated as a financial misconduct in accordance with Section 165 (2) of the Financial Management Regulations, 2007.

Official's Response: *The CEO stated that the contract agreement was sent to the Ministry of Education for payment, copy of which was with the Procurement Officer. He mentioned that the completed agreement and evidence of request for quotation, local purchase orders, etc, would be forwarded to ASSL for verification.*

The contract agreement was not provided during the verification visit. However, the evidence to justify that procurement procedures were followed was presented during the verification exercise.

8.30.3. Inadequate control over the management and security of furniture and equipment

The Master Inventory of furniture and equipment maintained by the College did not constitute vital information such as the cost of assets, date of acquisition, identification marks, additions, disposals and other relevant details. It was recommended that the Principal should ensure that a comprehensive master inventory of Furniture and Equipment including all the details stated in the above regulation must be developed as soon as possible.

Official's Response: *The Master Inventory of furniture and equipment has been properly updated with relevant information relating to cost, date of acquisition, code, etc.*

The auditors were notified by the FO that the Master Inventory was with the ACC.

8.31. Eastern Polytechnic (2010)

8.31.1. Procurement procedures not followed

There was no evidence in the form of Requests for Quotations, Local Purchase Orders and Delivery Notes, to indicate that procurement of goods and services amounting to Le96,190,900, were open, competitive and transparent. It was recommended that the Principal should ensure that the Public Procurement rules and regulations of Sierra Leone were strictly adhered to.

Official's Response: *The Principal replied that the evidence of request for quotations and delivery notes were available for verification.*

Documentary evidence in support of the above amount was not provided during the verification exercise. The FO informed the audit team that the documents in question were with the Anti-Corruption Commission (ACC).

8.32. Medical and Dental Council (2003 – 2005)

8.32.1. Filing and Recording of documents

The filing of documents, for example, Receipts and Payment Vouchers, were not done in sequential order. In addition, the recording of transactions was not completely and consistently done in the various ledger accounts. It was recommended that all receipts and payment vouchers should be sequentially numbered, and the recording of transactions must be consistently and completely followed.

8.33. Milton Margai College of Education and Technology (2009)

Since the increase in the student population in the main campus of the college at Goderich and the commissioning of both Brookfield and Congo Cross campuses resulting in an increase in the financial and other operations of the College, there has not been any corresponding increase in the facility of the financial function to cope with the obvious increase in the volume of work. The College was operating on a manual accounting system with a compliment of five staff at Goderich, two at Brookfield and four at Congo Cross. This staffing situation coupled with its allocation was inadequate to cope with the volume of finance/accounting work at the main campus.

The office space was inadequate and filing/securing of accounting/recording was so poor that it took time to trace and provide vouchers or other accounting documents whenever they were required. The College did not have an accounting manual incorporating all financial rules and regulations as an aid and guide to the finance function in the execution of its operations.

It was noted that the College's main source of income was the Sierra Leone Government subvention which accounted for over 50% of its annual receipts. Because of this, the requirements of the Government Budgeting and Accounting Act 1992 were applicable regarding the way and manner the books of accounts should be maintained and in the preparation of its Annual Financial Statements. Section 82 of the Act requires that the accounts of the College should be ready for audit not later than three months after the end of the financial year. The submission of the Financial Statements for the year ended 31st December 2009, some 3 months later, clearly contravened the provision of the Act and made it difficult to take remedial action where necessary.

The College did not have a budget per-se or a vote service ledger.

It was recommended that the finance function or better still the finance complex should be restructured to take care of the allocation of duties and staffing in the three campuses. The finance office at Goderich campus, the main office, should be strengthened and adequately staffed. The provision of a proper working environment in terms of office accommodation, mechanized on a computerized accounting package was necessary.

It was further recommended that the budgetary process should be robust by involving all the departmental heads/vote controllers in the process to make them really responsible and accountable for their budgets and before the request for restructuring the finance complex was sent to government it should have the approval of the Finance and General Purpose Committee and the Tertiary Education Commission.

8.33.1. Internal Audit Function

It was observed that the Unit, established in 2002 with one staff responsible to undertake internal audit issues, was weak.

It was recommended that:

- A proper appraisal of the work load of the function should be carried out to ascertain its staffing requirement and then establish the positions as necessary and fill the vacancies;
- The status of the Internal Audit Office should be updated to meet the modern requirements of an Internal Audit function; and
- An audit committee should be set up to oversee not only the function of the Internal Auditor but also the function of the External Auditor.

8.33.2. Statutory Payment PAYE

It was observed that regular payments had not been made to the NRA for the period under review which had led to an accumulation of debts to the NRA by Le 351m from 2008 to 2009. It was strongly recommended that action should be taken by the College to negotiate with the authorities of the NRA on ways by which those debts could be liquidated once an agreement was reached.

8.33.3. Non- Current Assets

The Fixed Assets Schedule excluded the value of the Land and Buildings at Congo Cross and Brookfield Campuses and from what the auditors gathered, a proper valuation could not be put on those assets because of the lack of funds to consult a valuation specialist. The College's annual list of assets / inventory list did not show the responsibility officer/ office for the various assets and no form of identification had been placed on some of the College's properties

The assets of the two peripheral Campuses reflected in the financial statements consisted largely of furniture and fittings which had been acquired when the implementation of the Polytechnic Act (Act no 9 of 2001) commenced in 2003.

The auditors visited the building consisting of seven (7) lecture rooms and a toilet block which had been erected since 2003 in the area of Goderich campus known as Ocean View. Also, part of the college campus had a building for library facilities which was 30% complete. Of the classrooms seen in the building site known as Ocean View, only two were found to be furnished with a full set of chairs and tables, two of the classrooms were half furnished and two were virtually empty, one was occupied by the caretaker of the Ocean View site. Over 20 % of the corrugate on the pavement were all gone, six of the seven classrooms were without window panes and the burglar proofs on the windows were rusty due to the salty wind from the sea. It was also observed that there had been an increase in encroachment of the College's land. The alleged college land had been encroached by several individuals including NASSIT.

Below is the encroachment plan showing AREA already claimed and the AREA now left.

Table 8.21 – 3 rd Party Land Encroachment			
Year	Area (Acres)	Area Claimed (Acres)	Area Left (Acres)
1960	241.9	71.6	170.3
1974	170.3	99.8	70.5
2010	70.5	-	70.5

The following were recommended:

- Tighter controls should be implemented on the Ocean View site;
- Positive measures should be taken to identify all College Land/Building and recorded in an inventory list;
- Court action should be instituted to obtain an injunction restraining further trespassing and legal action pursued to recover possession of all lands encroached upon; and

- The non-current assets of the college should be revalued and their true value reflected in the financial statements or otherwise written off to the income and expenditure account.

8.34. Milton Margai College of Education and Technology (2010 – 2011).

8.34.1. Inadequate Supporting Documentation

Documentary evidences provided to substantiate some expenses were incomplete. It was strongly recommend that, in future, PVs prepared to support disbursements should have all relevant attachments, such as pro-forma invoices, invoices and receipts to authenticate the payment.

8.34.2. Motor vehicle running expenses

We observed that motor vehicle running expenses for the year amounted to Le289,299,000 while the value of motor vehicles in the Fixed Assets Register stood at Le 48,393,000. The report of the transport officer was not up-to-date as there were some vehicles that should have been written off but were still in the report. The trend was the same in 2010, when motor vehicle running expenses in that year amounted to Le505,559,000, while the value of motor vehicles in the books stood at Le 550,559,000.

During our physical verification, we observed that some of them were no longer roadworthy and needed to be disposed of. It was recommended that those vehicles should be disposed of in accordance with the NPPA Act.

Official's Response: *The Management in their reply reported that because of the age of vehicles and the very bad condition of the Goderich road at the time, the vehicles broke down very frequently in addition to the high cost of vehicle spare parts and the high fuel consumption due to age were other factors responsible for the high running cost. Management further mentioned that they hardly had any control over the wear and tear of those vehicles, hence the high cost of vehicle maintenance. They noted that those vehicles were mostly used vehicles donated to the college by International Missions when their assignments ended in Sierra Leone. Regarding the recommendation for the disposal of some of the vehicles, they said that the management was working on that and appropriate recommendations on the matter would be forwarded for consideration and approval of Council.*

8.34.3. Breach of Statutory Provision

It was observed that regular payments had not been made to the NRA for the period under review and that had led to the accumulation of the NRA debt to a very large sum. It was strongly recommended that action should be taken by the college authorities to negotiate with NRA on agreeable instalment payments of that debt or the possibility of liquidation be considered.

Official's Response: *The Principal stated that management noted the observations and the recommendations of the Auditor on that matter and that action would be taken to meet the appropriate authorities for an agreed payment scheme by installation payment or total write-off of the liability.*

8.34.4. Inventory of students' mattresses

The storekeeper did not have an updated record of issue receipts of mattresses. In addition, when goods were received in store, the store keeper did not sign the GRN. It was strongly recommended that appropriate mechanisms must be put in place so that at the end of the academic year the warden would collect the mattresses from the students and return them to the storekeeper for safe keeping.

Official's Response: *The Principal stated that the observations and recommendations of the Auditor had been noted by management and the matter taken up with the college storekeeper at Goderich. He explained that the storekeeper had all relevant documents for mattresses issued and received from the warden's office and a ledger for supplies and issue vouchers.*

8.35. Sierra Leone Postal Services Limited (2008)

8.35.1. Incomplete record of transactions

It was observed that some figures on the PVs were not traced in the cash book. Below is a list of sampled transactions.

Table 8.22 – PVs Untraced to Cash Book		
Date	PV No.	Amount (Le)
16/04/08	536	1,039,000
30/04/08	540	410,000
03/01/08	144	250,000
02/01/08	455	348,000
01/01/08	149	120,000
31/01/08	145	272,000
TOTAL		2,439,000

It was recommended that all monies paid to suppliers and/or third parties should be recorded on a daily basis in the payment vouchers and thereafter recorded in the cash book.

7.65.18. Supporting Documents

It was observed that some transactions were not supported by the required supporting documents. In some cases only pro-forma invoices were attached in support of transactions. In other cases, the receipts which were attached did not have the names or addresses of suppliers. It was recommended that all transactions should be supported by appropriate documentation.

7.65.19. Financial Statements/Cashbook

During the substantive audit test and analytical procedures, it was observed that figures stated in the financial statements could not be

traced to the cash book. It was recommended that all figures as stated in the financial statements should be accurately traced and matched to cash book totals.

8.35.2. Bank Accounts

It was observed that five bank accounts were operated by the Sierra Leone Postal Services Limited as stated in the financial statements. However, the auditors were unable to ascertain bank balances for any of those accounts to enable them confirm the balances as per the financial statements to those held in the various banks. It was recommended that all bank balances as stated in the financial statements should reflect the same amount as to third party confirmation. In addition, the auditors should be able to receive third party confirmation in order to ascertain whether the financial statements show a true and fair view.

8.36. Environmental Protection Agency (2009-2011)

8.36.1. Capitalisation levels and memorandum register

The Agency did not have a formal policy with regard to the amount that should be capitalised as tangible fixed assets. Capitalising very low amounts normally pose some difficulties for most organisations especially with regard to the monitoring and tagging of those assets. It was therefore recommended that a formal capitalisation level must be introduced. In addition, very low amounts should be written off in the accounting period in which they were incurred, although a memorandum register ought to be maintained to monitor those assets. The memorandum register must at least disclose the information mentioned below:

- Date of purchase
- Description of the asset
- Location

- Condition of the asset

Official's Response: *The Executive Chair Person stated that the Agency in conjunction with similar agencies and organizations both locally and in the West African sub region would prepare an accounting manual as its guide hoping that that would address issues pertaining to capitalization of its fixed assets and issues on depreciation.*

8.36.2. Physical Verification of Tangible Fixed Assets

The tangible fixed assets of the Agency were not physically verified on a regular basis to enable the Agency determine their existence and condition.

Official's Response: *The Executive Chair Person mentioned that the periodic verification exercise of the Agency's tangible fixed assets was being carried out and would also be done at the end of the financial year, 2012. She said that that policy would be covered in the proposed accounting manual for the Agency.*

8.36.3. Procurement of Toyota Land Cruiser Hard Top

The Agency procured one Toyota Land Cruiser Hard Top vehicle from Kadija Enterprise for Le 214,140,000 on the 24th November 2011. Evidence to substantiate whether the procurement was done in accordance with the provisions of Sierra Leone Public Procurement Act, 2004 was not made available for verification. It was recommended that documentations to substantiate that procurement rules were followed in the acquisition of the above mentioned vehicle should be made available for verification.

Official's Response: *The Executive Chair Person stated that that procurement was done based on procurement rules as set out in the NPPA Act 2004. She said however that the relevant documentation had been provided to that effect.*

Those documentations are yet to be provided by Environmental Protection Agency.

8.36.4. Cash Counts

Cash counts were not carried out at the end of the financial periods under review in order to check the accuracy of cash balances indicated in the books and financial statements of the Agency.

Official's Response: *The Executive Chair Person mentioned in his response that a cash count would be carried out at the end of financial year and the exercise would be witnessed by independent officers. She added that in the previous year, a cash count was not carried out because the amount was considered insignificant.*

8.36.5. Credit Transactions

The Agency did not have a formal system in place to capture liabilities as and when they were incurred. It was recommended that a formal system should be put in place that would be capable of capturing liabilities of the Agency as and when they were incurred.

Official's Response: *The Executive Chair Person stated that the Agency had installed the Quick Books package and there was improvement in its documentation which made it much easier to capture the Agency's liabilities. She mentioned that the liabilities were being settled at the earliest possible time.*

8.36.6. Invoicing

The Agency did not have a structural invoicing system for licensing, monitoring, screening and the application of fees.

Official's Response: *The Executive Chair Person explained that licensing and monitoring fees were calculated based on environment footprint (not a fixed sum) on the Environmental Impact Assessment License Regulations, 2010. She added that that regulation had put the Agency in a better position to have a structured invoicing system.*

8.36.7. NASSIT deductions

Deductions were not made for every staff for the entire year ended 31st December 2010 and for the month of January 2011. In addition, NASSIT computations were incorrectly done for year 2011.

Official's Response: *The Executive Chair Person mentioned that the NASSIT calculation was done on the basic salary and not on the gross salary adding that the B&B calculations were on the gross salary.*

Environmental Protection Agency salary structure was a composite one. There was no clear division between basic salary and allowances.

8.36.8. Allowances received by Officers at the Ministry of Lands & Country Planning

Auditors were unable to check the authenticity of allowances received by the 10 officers at the Ministry of Lands and Country Planning who were acting in various capacities during 2010 as a result of the fact that documentations relating to their appointments were not made available for verification:

Official's Response: *The Executive Chair Person stated that that was a decision of the Board and documentary evidence was found on minutes of the Board. She said most of those staff had been reverted to the Ministry of Lands and Country Planning and copies of letters of appointment for staff members retained by the Environment Protection Agency had been provided.*

The above mentioned documents are yet to be provided for verification.

8.36.9. Remuneration of members of the Board

The appointment letters of the Board of Directors were not made available for verification which should have enabled the auditors to substantiate the authenticity of payments that were made to board members during the period under review. In addition, the payment of Le 5,000,000 each was made to 12 officers but the documentations to support the payments were not available for verification. It was therefore difficult to substantiate the authenticity of the above mentioned payments without the required documentations.

Official's Response: *The Executive Chair Person said that documents pertaining to the payment of Le 5,000,000 to the above mentioned officers were available for inspection. Also, appointment letters for the Executive Chair and two directors of the board were available for inspection. She mentioned that the 2008 and 2010 Acts made provision for the other members from stipulated MDA's to be co-opted as board members.*

Those documents are yet to be provided by EPA.

8.36.10. Expenditure: Control over the usage of Fuel

The following were observed:

- Vehicle log books were not in operation;
- The Agency did not have a structural system in place to check the quantity of fuel being consumed by its vehicles; and
- Reconciliation of fuel chits to fuel supplier's statement was not done before payments were made for fuel.

Official's Response: *The Executive Chair Person explained that Log books were in use for drivers and reconciliation with the fuel supplier's would as of then be carried out on a regular basis.*

8.36.11. File Management and Storage System

The following were observed:

- The file management and storage system of the finance department of the Agency was disorganized as accounting documents were not properly stored and filed;
- Payment vouchers were not prepared for most of the financial transactions undertaken in 2010; and
- Returns for workshop and meetings were not properly done as only receipts were sometimes provided to support transactions.

Official's Response: *The Executive Chair Person said that an improved system had been put in place and documents were scanned and stored to ensure a better back up for all financial transactions.*

8.36.12. Budget Performance Reviews (Budget Tracking)

Budget performance reports were not closely monitored by management to ensure that expenditures were in line with approved budgets at all times. In addition, approved budget for workshops and meetings were often altered without any authorisation. It was recommended that budget performance reports should be prepared for the attention of management and the board on a monthly basis and must at least disclose the following:

- Approved budget
- Actual for the period in question
- Variances
- Explanation for such variances

It was strongly recommended that Budgets for workshops and meetings should only be altered by officers of the Agency with the authority to do so.

Official's Response: *The Executive Chair Person said management was developing a budget performance mechanism to ensure that activities were aligned to proposed plans and timelines and a performance tracking table (PTT) was also submitted to the office of the President on a quarterly basis.*

Projects

8.37. Decentralised Services Delivery Project (WB/IDA Credit No. 46560)

8.37.1. Withholding Tax not deducted

It was observed from a sample selected that withholding taxes amounting to \$21, 231 were not deducted from Service providers. It was recommended that withholding taxes should be deducted and paid on the date specified in the NRA Act.

Official's Response: *The Project Coordinator said that they would appreciate the guidance of the Audit Service and the World Bank in giving clear directives regarding the issue of withholding taxes.*

8.38. West Africa Regional Communications Infrastructure Program (2011)

8.38.1. Project implementation manual

It was noted that the project management did not maintain an updated Fixed Assets Register and a policy for the repairs and maintenance of Fixed Assets, such as computer hardware to prolong their useful life. It was recommended that a properly designed Fixed Assets Register should be maintained and regularly updated.

Verification exercises should also be conducted regularly to reconcile the Fixed Assets Register with the Assets in existence. Additionally, a maintenance policy must be formulated to ensure the prolongation of the useful life of the assets by complying with requirements that called for regular maintenance and appropriate care.

Officer's Response: *The Project Coordinator stated that management accepted the recommendations of the Auditors and that the Project Implementation Manual (PIU) maintained Fixed Assets Register which had been updated as requested by the auditors and was available for audit verification.*

8.38.2. Cash and Bank

Bank reconciliations were not done on a monthly basis according to the PIU and Petty Cash was poorly managed. It was recommended that Bank reconciliations should be prepared, at least, at the end of each month. A Petty cash register should also be maintained for all components under the project and the petty cash limit strictly adhered to.

Official's Response: *The Project Coordinator stated that management was of the view that maintaining petty cash register for each of the twenty-three (23) sub-components under the project was an enormous task. He added that Bank Reconciliation Statement was part of the application for Cash-Draw-Down documents submitted to the World Bank for replenishment requests. He mentioned however that management had taken action to do monthly bank reconciliation statements for the period under review as per audit recommendation. He further stated that management was constrained during the start-up period to expend below the Le100,000 threshold and that had been ratified.*

8.38.3. Internal Audit

The MOIC Internal Audit did not conduct any work on the project for the period under review. It was recommended that the MOIC Internal Audit Department should take steps to review the internal control processes in the PIU and produce quarterly reports on its work with the project for the attention of the Communication Directorate and the World Bank.

Official's Response: *The Project Coordinator stated that there was a misunderstanding as to who should trigger the process i.e. PIU or the MoIC. He mentioned that the Internal Audit Team assigned to the Ministry started working in September 2011. During that short period when they were assigned to MoIC, they had done an internal audit as requested by the Permanent Secretary, he concluded.*

8.38.4. Annual Work plan

During the course of the audit, it was noted that there was no work plan for the implementation of the project. It was recommended that the Project's Management Team should take steps to draw up a work plan, in order to implement the Project effectively and efficiently.

Official's Response: *The Project Coordinator stated that the PIU had been working with the World Bank approved Work Plan as indicated in the Project Implementation Manual (PIM) which had also been reviewed and approved by the World Bank.*

8.38.5. Enhanced Integrated Framework (2011)

The Sierra Leone Government provided Counterpart funds for various projects and documents were not provided for audit purpose. In addition Counterpart funds to the tune of Le130,000,000 were given to the project by the Government but no activities were undertaken by the project from the monies received. It was therefore recommended that all documents relating to the above disbursements for the period under review must be provided by the Project's Management Team for audit purpose.

Official's Response: *The Project's Management Team stated that both the focal point and the head of the project/Coordinator was not at work when the auditing was done. They said that the project coordinator went to Accra, Ghana to attend a seminar and there was no one to instruct the Government Accountant to provide the required documentations especially when he was new in post. They also mentioned that all the activities were carried out for which he was extending copies as evidence to ASSL.*

8.38.6. Withholding Taxes not deducted and paid to NRA

5% Withholding Taxes, totalling Le114,181,800 and \$27,336 in respect of goods and services procured, were not deducted from the contractors' gross amount and paid to the National Revenue Authority. It was recommended that the Project Coordinator should ensure that the regulation of deducting 5% Withholding Tax from contractors' payments for the procurement of goods and services and the payment of such taxes to the NRA must be strictly adhered to and steps should be taken to recover such amounts from suppliers affected, paid to the NRA and evidence of payments to the NRA forwarded to the ASSL for verification.

Official's Response: *The Project's management team stated that the MOU between the Government of Sierra Leone and the EIF project Donor Trust Fund exempts the EIF project from the payment of Taxes levied on expenditure incurred by the project during its life time. They however mentioned that the Ministry had written to the Financial Secretary for clarification on the matter. They stated that for the Government counterpart funds, the 5% NRA Withholding Tax was deducted.*

8.39. Nerica Rice Dissemination Project (2011)

8.39.1. General Observations

No sign post was erected on the site to identify the project and works being carried out. It was also observed that all of the structures were yet to be completed and from our assessment of the level of work done, we were uncertain whether the work will be completed against the specified deadline. When interviewed, the Site Supervisor asserted that the time overrun should be attributed to the late release of the funds needed to undertake the various components of the project. The various components of the project had no apron around the base to guard the foundations against erosion during the rains.

Official's Response: *Management explained that the M&E with input from the Project Coordinator had prepared and shared a sign post design template with the contractor. The Project would ensure that the sign posts were erected before the release of the retention payment guarantee. They further explained that that concern was actually at the initial start-up of the project. It came about as a result of inadequate funds allotted to works, so the PCU had to request for funds reallocation from other budget categories to make provision under the works to allow payment on the contract. The issue was resolved and funds were made available for the contractor to facilitate the completion of the works. They mentioned that the Contractors had previously been informed about it and he had put modalities in place to effect the necessary amendments, though not in the initial Bill of Quantity.*

8.40. Moyamba District infrastructures under construction (Demba Enterprises and Construction)

8.40.1. General Observations

There were no sign posts erected to identify the project. The Auditors could not gain access to the stores at Moyamba because the personnel who were in custody of the keys were in Freetown at the time of the visit. The inspection work was therefore impeded.

Official's Response: *Management pointed out that the M&E with input from the Project Coordinator had prepared and shared a sign post design template with the contractor. The Project would ensure that the sign posts were erected before the release of the retention payment guarantee. Although the interior of the building was not inspected by the audit team at the time of the visit, the PCU would like to assure the auditors that the Contractor was rated the best, who also completed his works within the scheduled time.*

8.41. Port Loko District–Infrastructures under Construction (Liverpool Investment Company Limited)

8.41.1. General Observations

Some potholes were noted on the floor of the Market shed, thus indicating that the contractor had used poor quality materials to do the job. It was further observed that the partition between the shed and the office had an opening, making the structure accessible to thieves.

The concrete tables of the market shed were not properly plastered and smoothened. The various components of the project did not have apron around the base to guard the foundations against erosion during the rains.

The floor was not paved, and there were cracks on the walls, indicating that poor quality materials were used by the contractor. As was the case with the other sites, we observed that no sign post was erected on the site to properly identify its location.

***Official's Response:** Management explained that the final payment including the retention amount had been put on hold until the contractor did a satisfactory correction of observations highlighted by the auditors. The M&E with input from the Project Coordinator had prepared and shared a sign post design template with the contractor. The Project would ensure that the sign posts are erected before the release of the retention payment guarantee.*

8.42. Kambia District–Infrastructures under Construction (Baryern Construction and Trading Enterprises)

8.42.1. General Observations

The structures that were to be erected have all not been completed. The contractor informed the auditors that the reason for the delay in the work was that funds were not made available to them on time.

There was an opening in the partition leading to the stores, making the structure accessible to thieves. There was no sign post erected to identify the project.

***Official's Response:** In their reply, the management team stated that that concern was actually at the initial start-up of the project. It came about as a result of inadequate funds allotted to works, so the PCU had to request for funds reallocation from other budget categories to make provision under the works to allow payment on the contract. The issue was resolved and funds were made available for the contractor to facilitate the completion of the works. Management explained that the contractor had already been informed about it and he had put modalities in place to effect the necessary amendment, though not in the initial Bill of Quantities. The M&E with input from the Project Coordinator had prepared and shared a sign post design template with the contractor. The Project would ensure that the sign posts were erected before the release of the retention payment guarantee.*

8.43. Kambia District – Infrastructures under Construction (Salgus Ventures)

8.43.1. General Observations

The shelves in the shed were not strong. This could be as a result of poor quality materials used to construct them. It was also observed that there were no sign posts erected to identify the project and the works under construction.

***Official's Response:** Management explained that the Contractor had previously been instructed to make necessary corrections prior to the final handing over and the M&E with input from the Project Coordinator had prepared and shared a sign post design template with the contractor. Management concluded that the Project would ensure that sign posts were erected before the release of the retention payment guarantee.*

8.43.2. Assets – Inventory

This was a serious lapse in the inventory control procedures.

Official's Response: *In their reply, management explained that the demo equipment in stock at the time of audit visit were actually purchased in 2009 and inventory numbers inscribed on them whilst in store. One each of the sets of machines was allocated to operational Districts with unique inventory number group (e.g. all numbers ending with 'A' were assigned to Moyamba 'B' to Port Loko). Management alleged that during the transportation from store to the installation sites, the store keeper and the truck driver mixed up the numbering, hence resulting in the observations highlighted by the auditors. They stated that necessary changes would be effected in the Inventory Register as soon as the movement was complete.*

They explained further that the stores visited by the audit team only housed one set each of the demo equipment that were on the verge of been shipped to the various installation sites of the Western Area and Kambia Districts. The machines in question had previously been assigned with unique numbers and recorded in the Inventory Register. The Project Storekeeper during the course of the project operations, actually maintained stock records cards on movement of dispensable items like office supplies, farm inputs, etc., whereas an Inventory Register was maintained for furniture, fixture and equipment (FF&E), which provided all necessary information at the stock record cards would have done.

8.43.3. Roads

The roads undergoing rehabilitation did not have sign posts to identify them. The drainage systems designed for these roads were poor. During an inspection of the roads leading to the Wulathenkel to Gbonkomaria it was observed that a bridge along that route was more of a death trap, poorly rehabilitated and a high risk to travellers.

Official's Response: *Management explained that the Chief Engineer of Feeder Roads had instructed the Contractor to put a sign post to identify the site. The recommended designed drainage in the contract document was a V shape and not a trapezoidal and consequently the drainage was not sufficient enough to cope with the runoff. The BoQ called for one bridge at that particular location in question. The Constructor ignored the existing culvert and made a bridge very close to it. All that was required was the Contractor to perfectly close that culvert point and divert the stream to flow through the newly constructed bridge. Management gave the assurance that it would close the culvert point.*

8.44. Kenema District Economic Recovery Project

8.44.1. Procurement procedures not followed

The following observations were noted:

The KDC released an Advance Payment of Le47, 180,000 to a contractor for the construction of three classroom blocks without any Advance Payment Guarantee from the contractor to cover the full amount of the payment. An Interim Certificate, which was to serve as part of the evidence for the contractors' fulfilment of the contract terms and conditions, and as a pre-requisite for the release of payments for work done, was not provided by the contractor. It was therefore recommended that the Project Manager in collaboration with the Chief Administrators of both the KDC and KCC must ensure that the GoSL's procurement procedures for works were strictly adhered to.

8.44.2. Inadequate control over the processing of financial transactions

Withdrawals amounting to Le97,590,987 were made by both Councils for which PVs were not raised and the relevant documentary evidence such as receipts, certifications, requisitions, delivery notes, invoices, etc. to justify payments in respect of Project activities of Le172,636,987, were not made available by both Councils. It was recommended that the Project Manager should ensure that all transactions, from inception to

completion, must be supported by PVs and the relevant documentations. In addition, the Project Manager should forward the PVs and relevant supporting documents in respect of the issues highlighted to ASSL for verification within 30 days of the receipt of the report; otherwise, the total amount of Le270,227,974 involved must as a matter of extreme urgency be refunded by the Project Manager and the Chief Administrators of both Councils.

8.44.3. Withholding tax not deducted and paid to NRA

Withholding taxes totalling Le77,977,174 in respect of the procurement of goods, works and services, were not deducted at source and paid to NRA by both the KDC and KCC. The Project Manager was strongly advised that the amount not deducted must be recovered within 30 days of receipt of the report and paid to the NRA, with evidence of payment forwarded to ASSL for verification.

City, Municipal and District Council Audits

Table of Contents

Main Points	272
9.1. Breach of Procurement Act.....	273
9.2. No guidelines for the payment of Councillor sitting fees and allowances.....	274
9.3. Expenditure not supported by relevant documentary evidence	274
9.4. Internal Audit Units not effective.....	275
9.5. Withholding taxes not deducted from payments made to suppliers.....	275
9.6. Inadequate control over the collection, recording and reporting of Financial Transactions	275

Main Points

What we did

The principal objective of these audits was to express an opinion as to whether the Financial Statements of local councils give a true and fair view of the state of affairs of the Council and that they are prepared in accordance with the acceptable accounting framework and other relevant legislation.

Risk based, the scope of the audits covered the period 1st January to 31st December 2011. They focused on the transfer of Local Government Grants and Other Grants made to the Council in respect of its operations and for devolved functions. They also covered the general processing of payment vouchers, revenue and receipt, disbursement, cash and bank, payroll, fixed assets, budgets, stores, procurement and compliance with the Local Government Act, 2004 and other applicable regulations.

Conducted in accordance with International Standards for Supreme Audit Institutions (ISSAI) standards, the audit test procedures included the examination of Councils' records, their control environments, control procedures and statutory disclosures and other requirements. The team of auditors also conducted interviews with key personnel.

Why it is important

Under its decentralisation program the Government of Sierra Leone funds many of the activities of local councils from central revenues held in the Consolidated Fund. The 2011 State Budget earmarked an aggregate of Le 168.9 billion for support to payroll, non-payroll and development activities of local councils. This is a significant amount of money.

Obtaining an audit level of assurance on the governance of local councils, accounting and reporting as well as the level of internal control exercised over expenditure of these funds is a matter of profound public interest. Many aspects of key services delivered to the public such as health and education are funded through the Councils and so the level of financial control exerted has a direct impact on the quality of service delivered. The extent to which there is evidence of legal compliance with statutory obligations, strong internal control and the employment of good business practices generally also inform our view on the quality of overall governance evident in public financial management.

What we found

The audits of the operations of the local councils indicated that the financial management of the Councils needed to be improved with a clear focus on basic principles of internal control and proper records management. Significant matters identified in the audit examinations across all Local Councils fall into the following categories:

- Breach of Procurement Act/Regulations;
- No guidelines for the payment of Councillor sitting fees and allowances;
- Expenditure not supported by relevant documentary evidence;
- Inadequate control over the collection, recording and reporting of Financial Transactions;
- Failures to deduct withholding tax from supplier remittances; and
- Internal Audit Unit not effective.

These observations are expanded upon in more detail below and in even greater detail in the individual Councils' Reports submitted to Parliament.

The 2011 financial statements for eighteen Councils were submitted for audit before, or shortly after, the legislative deadline of 31st March 2012. However, to date, the 2011 financial statements for Freetown City Council have not submitted for audit as required by law.

Summary of Detailed Findings and Recommendations

9.1. Breach of Procurement Act

9.1.1. Lack of 3 RFQs

Section 45(1) of the Public Procurement Act 2004 requires that the Councils request quotations from at least three potential suppliers before ordering goods, works or services. Before ordering goods and services valued at Le1.8 billion in 2011 this requirement was not met by the Councils. As well as breaching the legislation, this action may have resulted in the Council not achieving maximum value for money.

9.1.2. Wrong procurement Methods

- Section 38 of the Public Procurement Act 2004 requires that the each Council should undertake open competitive bidding when ordering goods, works or services. This requirement was not always met. For example, one Council spent an amount of Le 296.7 million on cleaning a Government Hospital for which tendering procedures were not carried out. As well as breaching the legislation, this action may have resulted in the Council not achieving maximum value for money.
- Section 40(1) of the Public Procurement Act 2004 stipulates that all procurements of works valued higher than Le900 million should be performed using the international competitive bidding process. However, the procurement of the rehabilitation of Water Supply Phase II project, valued at Le1.8 billion, was carried out only on a national basis. The decision not to tender this contract internationally may have resulted in the Council not maximising value for money and increases the risk that the project will not be delivered successfully.

9.1.3. Payment Schedule and Conditionality not followed

- Section 134 (4) of the Public Procurement Regulations 2006 requires the Councils to fully comply with the payment schedule and conditionality of all contracts which includes advance payments, progress payments, deduction and release of retention monies. This requirement was not met by two Councils during 2011, as payments totalling Le709.4 million were made in full to contractors at the start of the projects. As well as breaching the legislation, this action may have resulted in the Councils not achieving maximum value for money as the contractors may have easily failed to fulfill their obligations of the contracts.
- Also, payments totalling Le26.7 million were made to a contractor for the rehabilitation of a court. However, work on this contract had not started at time of payment or at the time of audit. Thus the Council proceeded to make full payment on a contract that had not even started. There is now a significant risk that this contract will not be delivered successfully and that Council funds have been wasted.

Table 9.1, Breaches of Procurement Act and Regulations, identifies Councils and provides values for examples of the types of breaches described above.

Table 9-1 Breaches of Procurement Act and Regulations

Name of Council	Lack of 3 RFQs Le	Wrong Method Le	Payment Schedule and Conditionality not followed Le	Total Le
<i>Western Rural District Council</i>	-	296,700,000	-	296,700,000
<i>Kailahun District Council</i>	-	-	269,087,450	269,087,450
<i>Kenema District Council</i>	-	-	440,300,000	440,300,000
<i>Moyamba District Council</i>	52,400,000	1,800,000,000	-	1,852,400,000
<i>Bo City Council</i>	462,400,000	-	-	462,400,000
<i>Bonthe District Council</i>	543,700,000	-	26,700,000	570,400,000
<i>Bonthe Municipal Council</i>	361,400,000	-	-	361,400,000
<i>Pujehun District Council</i>	359,600,000	-	-	359,600,000
<i>PortLoko District Council</i>	52,000,000	-	-	52,000,000
TOTAL	1,831,500,000	2,096,700,000	736,087,450	4,664,287,450

9.2. No guidelines for the payment of Councillor sitting fees and allowances

Payments totalling Le1.4 billion were made to Councillors as Sitting Fees and Allowances during 2011. Section 30(2) of the Local Government Act 2004 requires that the Ministry of Local Government and Rural Development, in consultation with the Ministry of Finance and Economic Development, issue guidelines to Councils with regard to the payment of any allowance or remuneration. To date, no such guidelines have been issued.

Although, as stated above, no guidelines on this matter have been issued by the Ministry of Local Government and Rural Development as required by law, it is self-evident that sitting fees and other allowances should only be paid to Councillors for Council meetings which they actually attend. During the year to 31st December 2011, Le272.3 million was paid as sitting fees and other allowances to Councillors who were absent from the meeting to which the payments related.

9.3. Expenditure not supported by relevant documentary evidence

In the Financial Statements for 2011 a significant amount of expenditure (excluding payroll costs) could not be supported by relevant documentary evidence such as receipts, delivery notes, etc., Based on sample testing, the estimated value of such expenditures is approximately Le11.7 billion. Standard Accounting Practice dictates that an authorised officer shall, before making any payment against a voucher, check that:

- the voucher is properly supported by the prescribed documents; and
- the documents are attached to the voucher and are correct and complete in every respect.

The absence of documentary evidence in the payment and receipt of goods, works and services may cast doubt on the authenticity of financial transactions. It was recommended that all documents pertaining to the authorisation, receipt of goods or services and payment of expenditure should be retained; this would help to ensure that expenses are correctly recorded and properly accounted for by the Councils.

Table 9.2 Expenditure Not Supported by Relevant Documentary Evidence

Name of Council	Le	% of Total Expenditure
Bo District Council	1,031,943,788	18.9%
Bo City Council	637,000,000	12.1%
Bonthe District Council	1,644,341,008	34.7%
Bonthe Municipal Council	1,153,904,321	40.3%
Kailahun District Council	1,586,213,001	18.2%
Kenema District Council	152,200,000	1.3%
Koidu New Sembehun City Council	183,000,000	8%
Kenema City Council	81,304,325	1.3%
Moyamba District Council	2,583,352,717	34.6%
Pujehun District Council	2,603,333,833	27.8%
Western Rural District Council	191,500,000	3.6%
TOTAL	11,695,892,993	

9.4. Internal Audit Units not effective

The Internal Audit Units in the Councils are a key component of the system of internal control. Section 84 (2 and 4) of the LGA 2004 require the Head of the Internal Audit Department to prepare a report on the internal audit work carried out by the Department during the three months immediately preceding the preparation of the report, and submit it to the local council. The Head of the Internal Audit Department shall make in each report such observations as appear necessary as to the conduct of the financial affairs of the local council during the period to which the report relates. This section also requires that a copy of the Internal Audit Report should be sent to the Minister of Local Government.

We noted these Units were grossly understaffed and there were no Internal Audit Manuals. Internal Audit Reports submitted to the Council were in most cases not responded to; and there was no evidence to show that the Internal Audit Reports were submitted to the Minister for the period under review.

9.5. Withholding taxes not deducted from payments made to suppliers

Withholding taxes of Le163.5 million in respect of payments made to Council suppliers were in most cases not deducted and paid over to the National Revenue Authority as required by Section 129(2) of Income Tax Act 2000. Failure to pay tax reduces the amount of revenue collected by and available to Government and threatens delivery of critical Government services.

9.6. Inadequate control over the collection, recording and reporting of Financial Transactions

In accordance with Sections 40(1) of the Financial management Regulations(FMR 2007), the vote controller is personally responsible for ensuring that adequate safeguards exist and are applied for the assessment, collection of and accounting for such revenues and other public moneys relating to their departments or offices.

During a review of the operating procedures of revenue collection, it was observed that collectors and agents were not adequately monitored and procedures were not enforced or followed. Meaningful revenue collections were not provided for review.

In the absence of adequate monitoring of collectors and agents, a large number of potential tax payers would go unnoticed which may pave way for tax evasion, fraudulent activities and other irregularities. In addition, the system may be abused by dishonest officials and as such the Council may not be able to meet its planned commitments. This may undermine the credibility of the Financial Statements.

The Chief Administrators should ensure that controls over the collection, recording and reporting of financial transactions are adequate. In addition, proper supervision and review should be employed to ensure that monthly reconciliations are carried out and that transactions recorded in the books of accounts are accurate and complete, and are supported by the relevant documentary evidence.

Chapter 10

Tertiary Level Institutions and Schools

Table of Contents

Main Points	278
10.1. Arrears of School Fees.....	279
10.2. Withholding Tax not deducted and paid to the NRA	279
10.3. Disbursements not approved.....	279
10.4. Expenditure without supporting documents	280
10.5. Inadequate control over issuing of receipts	280
10.6. Monies collected and not accounted for	280
10.7. Procurement procedures not followed.....	280
10.8. Appraisal of teachers not done.....	280
10.9. Inventory registers not maintained	280
10.10. Monthly bank reconciliation not prepared.....	280
10.11. Documents not presented for audit inspection.....	281
10.12. Poor records management	281

Main Points

What we examined

Our audits of schools and vocational institutions are risk-based compliance audits. We focused on high risk areas. By risk we mean the possibility of something undesirable happening at some time in the future and could have a negative impact should it happen.

For each institution selected, we examined a test sample of revenue and expenditure transactions. Our audit objective was focused on evaluating the adequacy of internal controls in the collection of fees and on expenditure from those sums which served as a platform for effective school operations as well as procedures. We also sought to determine whether applicable laws, policies and regulations had been complied with and whether the systems and practices were adequate to exercise a reasonable level of internal control over operating activities.

Why it is important

It is self-evident that the citizens of Sierra Leone value education for their children and themselves. Education is needed for the advancement of society and poverty reduction. It is a building block for economic development. Sierra Leoneans are greatly concerned about what they perceive to be poor performance by students in government schools. They are more than a little concerned too about the value for money reflected in the performance of the school system as a whole. Government policy and the expenditure of significant public funds to get the desired results is a reaction to the wishes of the people. If it is important for them, it is also important for ASSL.

What we found

Based on our review of schools and vocational institutions we continue to believe that administrative and financial management of the school system is out of control. Responsibility and accountability rests squarely on the Ministry of Education and it is from there that corrective action needs to be initiated as a matter of the gravest urgency.

Losses from schools and other educational institutions attract not only cash losses in respect of fees collected but there are also significant arrears in school fee payments. Basic procedures that are not being observed as follows:

- Monies collected are not banked before disbursement;
- There are extensive disbursements without adequate supporting documents;
- Procurement rules not followed;
- In some instances school fees are being collected without the issuance of receipts.

In this year's report we notice a deliberate flouting of "revenue banked before usage" spreading across all of the schools. We did not report any incident of outstanding loans which had been an issue in previous years. In future years we will continue to review the situation and we would hope to see evidence of improvement. A good start would be to see the Ministry of Education follow-up on our detailed observations as set out below.

Detailed Findings and Recommendations

A table showing in detail which schools gave rise to the matters raised in the following paragraphs is attached in Appendix B below.

Table 10.1 is a summary of Appendix A with comparative amounts for the prior year.

Table 10.1 - Estimated Cash Losses from Schools		
Description	2010 Le '000	2011 Le '000
Fee Arrears	24,740	94,210
Expended before banking	1,013,429	-
Withholding taxes not deducted	6,814	23,595
Unapproved PVs	13,024	12,358
Expenditure without supporting documents	324,204	720,986
Fees collected without receipts	8,714	29,893
Monies not accounted for	50,962	231,652
Outstanding loans	5,000	-
Procurement rules flouted	20,644	222,455
TOTAL	1,465,531	1,335,149

10.1 Arrears of School Fees

A review of the Schools Fees Register disclosed a total of Le 94,210,500 as arrears of fees for the periods under review. These arrears were not supported by documents indicating that the pupils were transferred, withdrawn or expelled from the School. This situation indicates the absence of a sound financial management system. It was therefore recommended that the Principals should ensure that for each school term, a deadline must be set for the payment of fees, followed by disciplinary action against families who fail to pay.

10.2 Withholding Tax not deducted and paid to the NRA

A careful examination of the records produced by the schools revealed that Withholding Taxes totalling Le 23,595,260 were not deducted and paid to NRA thereby contravening Sec (117) 4 of the Income Tax Act 2000. Failure to properly and fully deduct, collect and remit withholding tax reduces available government revenue and, ultimately, reduces the level and quality of public services received by citizens.

It was therefore recommended that all principals should ensure that the regulations for deduction of Withholding Tax and making payment to NRA must be strictly adhered to and such taxes should be recovered immediately, paid to NRA and the evidence of payment forwarded to the Audit Office for verification. The Commissioner of Income Tax should take all necessary action to ensure full compliance.

10.3 Disbursements not approved

Some PVs were not approved in respect of various payments made that amounted to Le 12,358,000. Unapproved disbursements create an impression of doubt over purported transactions. It was recommended that the Principals should explain why PVs were not approved before monies were disbursed; otherwise, the various sums should be refunded. It was also recommended that all subsequent payment vouchers must be properly checked and approved by the Principals before payments are made.

10.4 Expenditure without supporting documents

Disbursements made without adequate supporting documents amounted to Le 720,985,811. As these documents were not made available there is a risk that these payments were for goods or services that were not actually delivered. It was recommended that all supporting documents in relation to the schools should be submitted to the Audit office for inspection and, in future, all supporting documents must be attached to Payment Vouchers and retained for inspection purposes.

10.5 Inadequate control over issuing of receipts

School fees totalling Le 29,893,000 were collected for which receipts were not issued. It is highly probable that public moneys may have been converted into private purposes. It is recommended that the Principal ensure that receipts are issued for all fees collected and they must be accurately recorded in the School Fees Register/Cash Book. An explanation together with the documentary evidence must be given by the Principals involved for the non-issuance of receipts otherwise the monies should be refunded by the Principals.

10.6 Monies collected and not accounted for

Le 231,652,436 was not accounted for by some School Principals. Such operations may stifle the operations of the schools and increase the risk of misappropriation. It is recommended that the School Principals and Bursar should ensure that all fees collected are accounted for and fully disclosed. In addition, the Principals are requested to explain why the amounts were not disclosed, otherwise, the entire amount should be refunded and details of receipt of payment forwarded to ASSL for verification.

10.7 Procurement procedures not followed

Payments totalling Le 222,455,500 at various schools were made for goods and services without requesting quotations from at least three suppliers. This indicates that procurement regulations were not adhered to. It is therefore recommended that the Principals should ensure strict adherence to procurement regulations.

10.8 Appraisal of teachers not done

An examination of teachers' personal files at various schools disclosed that teacher appraisals were not done. There is therefore a risk that performance of teachers/staff may not be measured fairly in terms of their general conduct, sense of responsibility and devotion to duty. It is recommended that, with immediate effect, the Schools' Head Teacher/Principals should start using the appraisal forms supplied by the Ministry of Education for annual appraisal of teachers and details forwarded for to ASSL for verification.

10.9 Inventory registers not maintained

Inventory registers of supplies were not maintained at various schools. Such practice will lead to the strong possibility for valuable properties of the school to go missing unnoticed. It is therefore recommended that the School Bursars should expedite the opening of this important document and all serially coded valuable properties of the school be recorded therein.

10.10 Monthly bank reconciliation not prepared

Monthly bank reconciliations are not prepared in some of the audited schools. Failure to reconcile the bank accounts raises question about not only the cash balance recorded in the cashbook but also control over revenue and expenditure. It is therefore recommended that with immediate effect, the School Bursars prepare monthly bank reconciliations and that these should be reviewed and signed-off by the School Principals.

10.11 Documents not presented for audit inspection

In spite of repeated requests, several vital documents were not presented for audit inspection in some schools. It was impossible to ascertain whether the transactions relating to the unpresented documents actually occurred or was even in the interest of the school. It is then recommended that the Principals should ensure that a proper system exists for the safe custody of all accounting and other key documents by putting shelves and control ledgers in place to monitor the inward and outward movements of documents. In addition, the documents should be made available for inspection, to avoid sanctions under Section 18 (1) of the Audit Service Act, 1998.

10.12 Poor records management

As a result of poor records management, staff members did not have personnel files and some existing files lacked vital information such as medical reports, offer and acceptance of employment letters, etc. It is difficult to determine whether the correct procedures of staff recruitment are followed or to follow and the history of staff development. It is therefore recommended that the Principals should create individual files for all staff and each file should contain staff details and documents.

Appendices

APPENDIX A					
LOSSES OF CASH AND STORES RECORDED FROM 1ST JANUARY 2011—31ST DECEMBER 2011					
MINISTRY/DEPARTMENT	DESCRIPTION	CASH LOSSES	RECOVERIES	PENDING	SURCHARGE
		LE	LE	LE	LE
2 0 1 1					
Accountant General’s Department (2011)	PVs without adequate SD	78,207,800	Nil	Nil	Nil
	No evidence of contract work done	44,130,512	Nil	Nil	Nil
	Imprests not fully retired	3,268,994.00	Nil	Nil	Nil
	Payments without adequate SD	74,090,664	Nil	Nil	Nil
	Monies not signed for by the recipients	8,339,290	Nil	Nil	Nil
	Fuel issued to wrong personnel	33,795,000	Nil	Nil	Nil
	Fuel chits issued to illegal vehicles	78,334,500	Nil	Nil	Nil
Ministry of Finance and Economic Development (2010)	NGO collections not brought into accounts	902,400,000	Nil	Nil	Nil
	Monies not accounted for	1,534,449,780	Nil	Nil	
	Special imprests not fully retired	419,448,856	Nil	Nil	Nil
	Excess gallonage of fuel	39,672,500	Nil	Nil	Nil
	PVs not submitted for inspection	1,844,119,475	Nil	Nil	Nil
Ministry of Defence (HQ) 2011	Sale of bid documents not brought to account	18,700,000	Nil	Nil	Nil
	Revenue collected not banked	65,552,000	Nil	Nil	Nil
	No Bank Statement for revenue collection	108,750,000	Nil	Nil	Nil
Ministry of Mines and Mineral Resources East(2010)	Revenue not accounted for	161,700,100	Nil	Nil	Nil
Ministry of Mines and Mineral Resources East (2011)	No evidence of revenue banked	316,690,000	Nil	Nil	Nil
	Expenditure without authentic documentary evidence	36,237,343	Nil	Nil	Nil
Ministry of Health and Sanitation (2010) (HQ)	Disbursements without SD	7,028,071,651	Nil	Nil	Nil
Connaught Hospital (2010)	Utilisation of funds without SD	244, 493,600	Nil	Nil	Nil
Kissy Mental Hospital	Fuel utilised without operating records and	130,000,000	Nil	Nil	Nil
	Items not taken on ledger charge and no evidence of distribution	43,108,000	Nil	Nil	Nil
Bal C/D		12,969,066,465	Nil	Nil	Nil

	APPENDIX A Cont'd				
LOSSES OF CASH AND STORES RECORDED FROM 1ST JANUARY 2011-31ST DECEMBER 2011					
MINISTRY/DEPARTMENT	DESCRIPTION	CASH LOSSES	RECOVERIES	PENDING	SURCHARGE
		LE	LE	LE	LE
		2 0 1 1			
	Bal C/F	12,969,066,465			
Macauley Street Government Hospital	Fuel utilised without relevant operating records	49,750,000	Nil	Nil	Nil
Government Hospital Kenema (2010)	Revenue collected without the issue of receipts	16, 695,000	Nil	Nil	Nil
	Monies not banked and no evidence of utilisation	58, 857,000	Nil	Nil	Nil
	Inadequate control over the distribution and usage of fuel	95,177,000	Nil	Nil	Nil
District Medical Office, Pujehun District (2010)	Withdrawals without SD for utilisation	994,770,000	Nil	Nil	Nil
Bo Government Hospital (2009- 2010)	Missing Receipt Books	7,195,000	Nil	Nil	Nil
	Payments without acknowledging of receipt	19,900,000	Nil	Nil	Nil
	Revenue not banked	10,334,820	Nil	Nil	Nil
	Revenue still outstanding	2,388,000	Nil	Nil	Nil
Princess Christian Maternity Hospital (2010)	Withdrawals not accounted for	37,224,000	Nil	Nil	Nil
	Imprest without retirement details	15,000,000	Nil	Nil	Nil
	Payments without SD	57,301,000	Nil	Nil	Nil
	Monies in respect of cost recovery drugs still outstanding	3,891,000	Nil	Nil	Nil
	Fuel utilised without relevant operating records and documents	54,700,000	Nil	Nil	Nil
Ministry of Health and Sanitation (2011)	Sale of Bid Documents not accounted for	10,982,000	Nil	Nil	Nil
	Withdrawals without supporting documents for utilisation	10,999,443,750	Nil	Nil	Nil
	No SD for distributing in drugs	43,291,147,800	Nil	Nil	Nil
	Bal C/F				

		APPENDIX A Cont'd			
LOSSES OF CASH AND STORES RECORDED FROM 1ST JANUARY 2011—31ST DECEMBER 201					
MINISTRY/DEPARTMENT	DESCRIPTION	CASH LOSSES	RECOVERIES	PENDING	SURCHARGE
		LE	LE	LE	LE
		2 0 1 1			
	Bal C/F	68,618,270,835			
Connaught Hospital (2011)	Revenue not brought to account	52,760,000	Nil	Nil	Nil
	Cash book recordings without receipt books	54,793,300	Nil	Nil	Nil
	Outstanding amount for payment to canteen staff	500,000	Nil	Nil	Nil
	No evidence of payment into the CRF	56,568,240	Nil	Nil	Nil
	Revenue not banked and accounted for	110,718,500	Nil	Nil	Nil
	Essential drugs and Laboratory Reagents not accounted for	69,931,692	Nil	Nil	Nil
Receipt and issue of store items					
District Medical Office (2011)	Inadequate control over the collection of revenue	17,679,320	Nil	Nil	Nil
Kingharman Road Hospital (2011)	Revenue not banked intact	193,865,000	Nil	Nil	Nil
	Receipt books not presented for audit inspection	74,720,112	Nil	Nil	Nil
	Loan not recovered	20,000,000	Nil	Nil	Nil
	Diet short supplied	28,600,000	Nil	Nil	Nil
	Drugs not accounted for	4,437,000	Nil	Nil	Nil
Ola During Children's Hospital (2011)	Diet not fully supplied	34,044,000	Nil	Nil	Nil
	Revenue not brought to account	2,893,000	Nil	Nil	Nil
Pujehun Government Hospital (2007-	Imprests not retired	7,000,000	Nil	Nil	Nil
	Withdrawals without SD for utilisation	120,841,100	Nil	Nil	Nil
	No evidence of items supplied	144,829,900	Nil	Nil	Nil
	No evidence of diets supplied	131,504,700	Nil	Nil	Nil
Government Hospital Kenema (2011)	Inadequate control over the collection and banking of revenue	40,580,000	Nil	Nil	Nil
	Inadequate control over the distribution and usage of fuel	52,218,000	Nil	Nil	Nil
	Bal C/F	69,836,754,699			

APPENDIX A Cont'd					
LOSSES OF CASH AND STORES RECORDED FROM 1ST JANUARY 2011—31ST DECEMBER 201					
MINISTRY/DEPARTMENT	DESCRIPTION	CASH LOSSES LE	RECOVERIES LE	PENDING LE	SURCHARGE LE
		2 0 1 1			
	Bal C/F	69,836,754,699			
Princess Christian Maternity Hospital (2011)	Revenue not brought to account	17,675,700	Nil	Nil	Nil
	Fuel issued to illegal vehicles	21,744,000	Nil	Nil	Nil
	Replacement of spare parts not accounted for	19,636,500	Nil	Nil	Nil
	Items not accounted for	60,547,500	Nil	Nil	Nil
Ministry of Agriculture Forestry and Food Security (HQ)	Sale of bidding documents not accounted for	21,000,000	Nil	Nil	Nil
	Loans yet to be recovered from the farmers	13,072,000	Nil	Nil	Nil
	Loan not recovered	24,000,000	Nil	Nil	Nil
	Amount utilised with inadequate SD	2,932,721,000	Nil	Nil	Nil
Ministry of Works, Housing and Infrastructure	Revenue not banked	5,576,000	Nil	Nil	Nil
Office of the DMO and PHUs, Kenema (2011)	Non retirement of imprest	43,929,400	Nil	Nil	Nil
Ministry of Lands and Country Planning (2010 - 2011)	Imprest not fully retired	10,520,000	Nil	Nil	Nil
	No Bank Statement for the revenue collection	1,923,213,383	Nil	Nil	Nil
	Arrears of Lease Rent stood at	1,997,590,000	Nil	Nil	Nil
	Item issued from store but not made available for verification	4,500,000	Nil	Nil	Nil
Ministry of Mines and Mineral Resources (2010-2011)	Revenue collected but not banked	528,606,697	Nil	Nil	Nil
	Monies not paid to the NRA	1,706,287,500	Nil	Nil	Nil
	Withdrawals without	4,793,673,640	Nil	Nil	Nil
	Salary paid to ghost staff	29,096,550	Nil	Nil	Nil
Ministry of Energy and Water Resources	Lack of control over the distribution of fuel	29,997,500	Nil	Nil	Nil
	Bal C/F	84,020,143,000	Nil	Nil	Nil

	APPENDIX A Cont'd				
LOSSES OF CASH AND STORES RECORDED FROM 1ST JANUARY 2011—31ST DECEMBER 201					
MINISTRY/DEPARTMENT	DESCRIPTION	CASH LOSSES	RECOVERIES	PENDING	SURCHARGE
		LE	LE	LE	LE
		2 0 1 1			
	Bal C/F	84,020,142,069			
Ministry of Fisheries and Marine Resources	Fines collected not deposited into Bank Account	6,099,689,168	Nil	Nil	Nil
	Receipt books not submitted for audit and no evidence of monies banked	8,404,154,585	Nil	Nil	Nil
	Revenue not paid to NRA	7,859,089,990	Nil	Nil	Nil
	Levied fines not paid to the Ministry	351,000,000	Nil	Nil	Nil
	Under – assessment of licences and royalties	1,472,714,250	Nil	Nil	Nil
Ministry of Trade and Industry (2010)	Illegal Payments of salaries and allowances	6,799,236	Nil	Nil	Nil
Provincial Secretary's Office East (2011)	Non retirement of imprest	100,000,000	Nil	Nil	Nil
Provincial Secretary Office South (2010 -2011)	Fuel not brought to account	176,180,000	Nil	Nil	Nil
	Arrears of rent	3,143,000	Nil	Nil	Nil
Office of the President (2007 – 2010)	Excessive use of fuel without documentation	33,244,900	Nil	Nil	Nil
	No evidence of per diem distributed	79,435,000	Nil	Nil	Nil
	Documents not submitted in support of per diem	251,295,150	Nil	Nil	Nil
	Imprest with no retirement details	1,507,071,000	Nil	Nil	Nil
	Special Imprests not retired	550,305,043	Nil	Nil	Nil
	Bal C/F	110,014,263,301	Nil	Nil	Nil

			APPENDIX B - SUMMARY OF SCHOOLS FINDINGS									
	ARREARS OF SCHOOL FEES (Le)	WITHHOLDING TAXES NOT DEDUCTED AND PAID TO NRA (Le)	UNAPPROVED PAYMENT VOUCHERS/ DISBURSEMENTS (Le)	EXPENDITURE WITHOUT SUPPORTING DOCUMENTS (Le)	FEES COLLECTED WITHOUT RECEIPTS (Le)	MONIES NOT ACCOUNTED FOR (Le)	PROCURE MENT RULES FLOUTED (Le)	TEACHERS APPRAISALS NOT DONE	FIXED ASSETS REGISTER NOT MAINTAINED	BANK RECONCILIATION NOT DONE	UNPRESENTED DOCUMENTS	POOR RECORDS MANAGEMENT
Ahmadiyya Jnr Sec Sch Blama				1,040,000								
Badrudeen JSS Kenema						20,067,000			✓			✓
College Junior Secondary School				25,566,000			23,594,000					✓
College Secondary School		784,550										
Government JSS - Kenema										✓		
Government Secondary Boarding School				1,917,500								
Government Senior Secondary School				1,599,000								
Holly Rosary JSS Kenema		1,892,450	8,998,000	6,350,000			41,865,000					
Holy Rosary SSS Kenema				1,736,419								
Holy Trinity JSS 2010 - 2011		3,302,500		49,075,500			61,498,000	✓	✓			✓
Holy Trinity JSS 2009-2010		2,342,050		56,157,000			46,841,000	✓	✓			
Holy Trinity SSS 2010- 2011		1,658,175		4,621,000	29,893,000		30,463,500	✓				
Holy Trinity SSS 2009-2010				30,908,292								
Islamic JSS Kenema										✓		
Islamic SSS Kenema		592,500										
Luawa Islamic Junior Kailahun				5,752,800				✓	✓		✓	
Lukes Commercial		609,750		13,999,000		32,222,000	12,195,000			✓		
Methodist Kailahun												
National Senior Secondary School Kailahun		970,400		36,917,000		51,075,000	9,333,000	✓	✓	✓	✓	
Saint James Sec Sch		954,000										
St Joseph's Secondary School Blama				9,511,000			20,260,000	✓				
Tahir Ahmadiyya				881,900								
Bullom Ahmadiyya SSS	20,425,000	1,128,500	3,360,000	11,317,000		5,236,076			✓			
Bullom Ahmadiyya Muslim JSS	2,620,000	517,000		10,028,500				✓	✓	✓		
Govt Model JSS	6,475,000			8,013,000		58,203,956		✓		✓	✓	
Govt Model SSS	21,580,500	4,001,300		243,286,100		3,373,300			✓	✓	✓	
Govt Rokel JSS	1,300,000					2,552,000			✓	✓		
Govt Rokel SSS	1,425,000			1,604,600					✓			
St. Augustine JSS												
St. Aug. Agricultural SSS	7,350,000	1,770,000		42,450,000		7,023,714		✓	✓	✓	✓	
Govt. Technical Sec Sch	760,000			34,384,000		929,000			✓			
Govt. Municipal . SSS	6,250,000			24,928,000						✓		
Govt. Municipal JSS				7,940,000		1,540,000						
Birch Memorial Secondary School - J.S.S				5,000,000					✓	✓		✓

	ARREARS OF SCHOOL FEES (Le)	WITHHOLDING TAXES NOT DEDUCTED AND PAID TO NRA (Le)	UNAPPROVED PAYMENT VOUCHERS/ DISBURSEMENTS (Le)	EXPENDITURE WITHOUT SUPPORTING DOCUMENTS (Le)	FEES COLLECTED WITHOUT RECEIPTS (Le)	MONIES NOT ACCOUNTED FOR (Le)	PROCURE MENT RULES FLOUTED (Le)	TEACHERS APPRAISALS NOT DONE	FIXED ASSETS REGISTER NOT MAINTAINED	BANK RECONCILIATION NOT DONE	UNPRESENTED DOCUMENTS	POOR RECORDS MANAGEMENT
Bal B/F	68,185,500	19,738,625	12,358,000	608,377,611	29,893,000	182,224,046	222,455,500					
Birch Memorial Secondary School - S.S.S				5,100,000		1,959,894			✓	✓		✓
Makeni Comprehensive Academy -JSS										✓		✓
Makeni Comprehensive Academy-SSS										✓		✓
S/L Muslim Brotherhood JSS Makeni				3,100,000		2,563,748			✓			✓
S/L Muslim Brotherhood SSS Makeni				6,220,000		2,563,748			✓			✓
Ansarul Islamic Sec Sch Bo JSS	2,880,000			6,147,200								
Centenary United Methodist JSS -Bo									✓			
Kakua Community, JSS, Bo	600,000											
Kakua Govt. JSS, Bo	4,630,000			2,306,000		1,461,000						
Methodist Secondary JSS Bo												
Queen of the Milton Comprehensive JSS Bo	4,300,000	920,250		10,488,000								
Queen of the Rosary. JSS												
Queen of the Rosary. SSS												
St. Andrews JSS	2,840,000			60,721,000		2,240,000					✓	✓
Sierra Leone Muslim Brotherhood, JSS Bo	6,980,000			2,835,000							✓	
United Brethren in Christ Church JSS	1,080,000			5,405,000						✓		
United Methodist Church JSS	1,740,000			4,646,000						✓		
Islamic Call Society JSS. Bo	975,000										✓	
Queen of the Methodist High Sch. JSS Bo		516,885		5,640,000								
Govt. Secondary School, Bo		2,419,500				38,640,000		✓				
