

Transmittal Letter



December, 2013

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

Dear Sir

SUBMISSION OF AUDITOR GENERAL'S ANNUAL REPORT

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, 2012.

Yours faithfully

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

Lara Taylor-Pearce (Mrs.) FCCA FCASL
Auditor General of Sierra Leone

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LIST OF ACCRONYMS

ACC	Anti-Corruption Commission
AGD	Accountant General's Department
ASSL	Audit Service Sierra Leone
ATM	Automated Teller Machine
CRF	Consolidated Revenue Fund
DMO	District Medical Office
GM	General Manager
GST	Goods and Services Tax
MDAs	Ministries, Department and Agencies
MEST	Ministry of Education, Science and Technology
MoFED	Ministry of Finance and Economic Development
NASSIT	National Social Security and Insurance Trust
NPPA	National Public Procurement Authority
NRA	National Revenue Authority
PAYE	Pay as You Earn
PHU's	Peripheral Health Unit
PS	Permanent Secretary
PV	Payment Voucher
RFQs	Request for Quotation
SIV	Store Issue Voucher
SLCB	Sierra Leone Commercial Bank
SLP	Sierra Leone Police
SLPA	Sierra Leone Ports Authority

FOREWORD



In this Annual Report I present the results of our work for the past year. We have conducted 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 we did performance audits on the Rehabilitation of Prisoners, Allocation of Lands, the Rehabilitation and Maintenance of Feeder Roads and Waiting Time on the Processing of Retirement Benefits. These are summarised in this report. The reports also include a summary chapter on audits of local councils, local chiefdoms, and on schools with a

particular emphasis on the Girl Child Program. In short, I report on all our audit activities so as to provide a comprehensive picture of the work of my office.

Audits are conducted in compliance with professional auditing and ethical standards generally recognized around the world.

In each of the past two years I commented that we had a long way to go in improving the quality of public financial management in Sierra Leone. We are getting better but at a very slow pace and advancing public financial management continues to require urgent attention by the government and public officials.

I think of my report as having overarching themes. This year there is a focus on cash management and the need to dramatically improve internal auditing. 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 as well as both the quality and accuracy of accounting. The very definition of what constitutes the government accounting entity remains to be considered, as at present all government bank accounts are not included in the Financial Statements of the Government of Sierra Leone.

The most basic elements of internal control including record-keeping, protection of assets and segregation of duties need fixing in many MDAs. Losses from a failure to abide by procurement laws and regulations are eroding public trust in government. 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. The management of the national pension trust, NASSIT, is of particular concern to me and this is reflected by its inclusion in a separate chapter in my report. The findings on governance, control and asset valuation in that agency should be a major concern for parliamentarians and all citizens. I commend this report to all.

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 to them all.



Lara Taylor-Pearce (Mrs.) FCCA FCASL

EXECUTIVE SUMMARY

About this Executive Summary

This executive summary draws on the main points of each chapter in this annual report. Where necessary, further explanations are added so that on the whole, the summary is a standalone chapter that accurately reflects the overall content. It is laid out in the same sequence as the chapters in the document. Readers seeking more detailed information need only go to the individual chapters.

The Role of ASSL

We are the guardians of the public purse and Sierra Leone's economic security. Acting in a professional, ethical and transparent manner, we audit and report on the stewardship provided by the government over moneys received - whether from taxpayers, donors or others - and related expenditures from these funds.

Through independent professional audit, we establish to a reasonable level of assurance that public moneys are used by the government in the manner intended by Parliament. We assess how and whether these funds are being clearly and accurately reported by government and how they are used in terms of economy, efficiency and effectiveness.

We report to Parliament in the first instance but also to the citizenry of Sierra Leone and other stakeholders.

The Public Accounts

The most significant outcome of my audit work for 2012 has been the issuance of an Adverse Opinion on the Financial Statements of the Government of Sierra Leone. It is my professional judgment that this was appropriate in the circumstances.

A few words on the types of audit opinion options available to me and the differences between them, may be helpful to the non-technical reader. The Auditor's Report is an expression of the auditor's professional judgment and its prescribed form is dictated by international standards and good practice recognized around the world by public and private sector audit practitioners. I may issue an unqualified or modified opinion on the accounts. An unqualified opinion – the most desirable - arises where the financial statements provide a true and fair view of financial position and performance. Modified opinions are classified as either an adverse opinion or a disclaimer of opinion. An adverse opinion is issued where the auditor has sufficient and appropriate audit evidence to support the assessment that the financial statements do not present a true and fair view. A disclaimer of opinion – the least desired - is considered more serious than an adverse and arises where the auditor does not have sufficient and appropriate audit evidence to form an opinion, one way or the other. In either case, for a modified opinion the audit evidence must be material (i.e. significant) and pervasive (i.e. throughout the financial statements). Last year (2011) I issued a disclaimer of opinion. This year, I have issued an adverse opinion. This is

The financial statements do not give a true and fair view ... put simply, the financial statements are misleading.

very serious indeed. It does signify that the quality of audit evidence available to me was sufficient, unlike in 2011, to at least form an opinion albeit an adverse one. There continues to be matters of the gravest concern that adversely impact the quality of the financial statements. Put simply, the financial statements are misleading.

The reasons for this year's adverse opinion are found in the clear evidence of material and pervasively erroneous amounts and inaccurate assertions throughout the financial statements as a whole. These are laid out in my Auditor's Report in Chapter 4 but may be summarised briefly as follows:

- Note (2) to the accounts asserts that they have been prepared using the IPSAS Accrual Accounting Standard, an international standard, as far as practicable, and that they also comply with International Financial Reporting Standards. However, a review shows clearly that the accounts do not comply with IPSAS and further, there is no basis in the standard for partial compliance. So the assertion, as far as practicable, is not an option. It is all or nothing.
- External Public Debt disclosed in the financial statements was materially understated by Le93.4 billion. In addition, recorded foreign exchange gains and losses in respect of External Public Debt are incorrect. However, in this case I was unable to estimate a potential amount of the misstatement because of insufficient information presented for audit inspection.
- Treasury Transit Accounts were used by the National Revenue Authority to collect money on behalf of Government. Moneys from these accounts should have been transferred to the Consolidated Fund at close of business on 31st December, 2012. However, this was not done. Consequently, Government Domestic Revenue for the year ended 31st December, 2012 as presented in the Public Accounts, did not include all moneys collected and was, therefore understated in an estimated amount of Le8.7 billion.
- Government Bank Balances disclosed in the Public Accounts were not free from material misstatement. Some amounts were included in error. I estimate the net effect of the over and under amounts to be Le18.6 billion.

Issuing an Adverse Opinion is a very serious matter for the country which should not be taken lightly, especially in view of my disclaimer given in 2011. Unfortunately, based on the facts revealed by the Public Accounts audit and, indirectly on the results of the many other audits undertaken by my office throughout 2012, that was unavoidable.

Strangely, the various issues giving rise to my adverse opinion, while very serious in terms of their effect on the accounts, are not profound or even complex but there is an urgent need to deal effectively with them. There needs to be a willingness to better address public financial management and to use the strong enforcement available in existing well-established laws and regulations to greater effect. If that was done the matters could be put right quickly, just as other countries have been able to do. That is the responsibility of the government and all public officials.

The matters found in our audits relate to very basic accounting accuracy, internal control, accountability and governance issues and, not for the first time, they plague public financial management in this country. Many items have been reported in the past and are not difficult to correct if there is the commitment and will to do so.

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

- There continues to be a wide disregard for reconciling cash book records to bank statements on a regular basis, preferably monthly. As I said in 2011 there is very little skill involved in preparing bank reconciliation. The procedures can be taught in less than a day to any clerk with basic numeracy and does not need the training of a professional accountant. Managers at all levels must impose the discipline, get the job done and rigorously follow-up the errors and omissions. Discrepancies must be investigated and officials must learn to follow the money, wherever that may lead. MoFED is making a start. The ministry is looking at applying greater controls over government bank accounts by implementing the Treasury Single Account (TSA) concept in government banking. I comment on this initiative further below and commend the responsible officials for at least starting to take action. I caution, however, that without basic bank account reconciliations, simple as they are, and rigorous follow-up of discrepancies, not a great deal will be accomplished.
- The NRA is to be complimented on the increased revenue collection it is said to be achieving, some of which no doubt is due to increased economic activity in Sierra Leone¹. However, in terms of internal control not much has changed since my comprehensive chapter on the NRA in 2011. Governance at the NRA continues to be weak and systems of internal control even weaker. Based on our follow-up work on last year's recommendations and other audit sampling done for 2012, little seems to have been done to rectify the serious shortcomings in the financial and operational controls we pointed out.
- Failure to comply with procurement laws and regulations remains endemic and is a bigger problem to tackle successfully. Our audit work on the Public Accounts and in MDAs suggests procurement deviations from laws and regulations amounting to Le24,225,042,005. The governance, legal and enforcement framework contained in the *National Procurement Act 2004*, is basically well designed but the will to make it work seems to be missing. For many jurisdictions the elimination of collusion between suppliers on the one hand, and between public officials and suppliers on the other, is an issue that is inherently difficult to detect and prove to the evidentiary levels required by the justice system. In Sierra Leone there needs to be more rigorous enforcement of NPPA requirements by managers who should be held to account, and where necessary, the involvement of the Anti-Corruption Commission.

... procurement deviations from laws and regulations amounting to Le24,225,042,005. The governance, legal and enforcement framework contained in the *National Procurement Act 2004* is basically well designed but the will to make it work seems to be missing.

¹*African Development Bank Group* - Driven by the mining sector (particularly iron ore), real GDP growth accelerated from 6% in 2011 to 16.7% in 2012 as a consequence of iron ore production. It has also been supported by agriculture, services and an expansion in construction. GDP growth is projected to stabilise around 7.2% in 2013 before reaching 12.1% in 2014 as iron ore projects become fully operational.

There needs to be a shift in the culture that accepts petty and grand corruption as the norm, to a culture of willingness by public servants to follow the money when things go wrong. As citizens, none of us should ever accept or condone the idea that we live in a kleptocracy and can do nothing about it. Yes we can.

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

Common Issues

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

- Huge procurement irregularities.
- Payments without supporting documents.
- Payments without adequate supporting documents.
- Imprests without retirement details.
- Withholding Tax not deducted and paid to the NRA.
- Stores items not taken on ledger charge.
- Monthly bank reconciliations not prepared.
- Fixed assets registers not maintained.
- Fixed assets registers not updated.
- No effective internal audit units.

In MDAs audit committees are rare and they are solely created at the discretion of the vote controller. The result is that MDA vote controllers can effectively undermine the independence of the internal audit function.

Based on our review, we conclude that internal audit as practiced throughout MDAs in particular, is not as effective as it needs to be given the complexity and stage of development of Sierra Leone's public sector.

Internal Audit

Based on our review, we conclude that internal audit as practiced throughout MDAs in particular is not as effective as it needs to be, given the complexity and stage of development of Sierra Leone's public sector. On the Institute of Internal Auditors Research Foundation's *Internal Audit – Capability Model* the function attains only Level 1 while tending towards Level 2 (from a possible 5), which is to say, it has sustainable internal audit practices and procedures but these are not yet well established throughout the public sector. In short, there is ample room for improvement.

Internal audit policy as set out officially in the *Internal Audit Manual for Ministries Departments and Government Agencies* largely complies with the Institute of Internal Auditors' international standards for the practice of internal audit. There are parts of

the manual that merit revision. For example it places internal audit working papers in the public domain once the report has been issued. Working papers are the work product of internal audit and should not be in the public domain.

Internal Audit Charters, considered a key component for defining roles and responsibilities for internal auditors and stakeholders alike, largely do not exist in MDAs although a draft charter is set down in the manual and was disseminated for adaptation and adoption.

A central audit committee exists under the aegis of the FS. In MDAs such committees are rare and are solely created at the discretion of the vote controller. The result is that MDA vote controllers can effectively undermine the independence of the internal audit function.

Although the salaries of the internal audit cadre are almost all paid from the MoFED budget, allocation of other resources in MDAs depends on the goodwill of the vote controllers. Resources such as adequate accommodation, file space, computers, printers, photocopiers, etc. are not adequate for many internal audit units to do their jobs effectively. Indeed, many MDA's internal audit functions are given little or no resource allocation and can thus be rendered ineffective – see Table 6.3, *Internal Audit Resources by MDAs*, below.

Working paper files are substantially non-compliant with the manual. One reason for this deficiency is that audit kits or templates based on the manual that would shape compliance have not yet been developed.

Internal audit reports do not fully comply with the requirements of the manual although reports in the sample we reviewed, though deficient in terms of standards, were still useful and well written.

National Social Security and Insurance Trust (NASSIT)

There are fundamental problems in processing and paying retirement benefits that need to be addressed. During the period 2008 to 2012, it took NASSIT an average of 58 days to process and deliver payments to retirees. The objective to promptly process and pay old age benefits within NASSIT's target of 15 days was not met in 2012. We also noted the following:

- Would-be retirees were not notified by NASSIT prior to their retirement.
- There were long waiting times for the provincial regions with north and south taking on average an additional 13 days.
- Private sector pensioners with contribution gaps had an average waiting time of 85 days.
- Members were not well sensitised on how to apply for their benefits before retirement. This seems to be why most retirees could not present the complete set of documents at their first applications and also promptly collect their cheques when available.
- NASSIT had only validated 13,638 out of 59,442 eligible employees of the Government of Sierra Leone whose past services NASSIT should have validated by 2011.

Some 32% of the Trust's funds, valued at cost, are tied up in investments and loans to subsidiaries and associated companies, which are largely commercial in nature; some of these appear to have lost value significantly. ... The Board of Trustees is failing in its responsibility to provide control and supervision as required by Section 8(1) of the NASSIT Act 2001

- The Trust does not have a file tracking and retrieval system at the records section and the files were not properly stored.
- The NAPOS computer system computes benefits twice a month. Benefit applications coming in after a run date are not processed until the next run date.

There are other serious problems at the most basic levels which need to be addressed. The systems and procedures by which the Trust collects contributions, pays benefits and also the manner in which Trust funds have been invested need to be considered by the Board as a matter of urgency. The deficiency in these systems would seriously affect the capability of the Trust to achieve its statutory mandate. Some of these deficiencies are as follows:

- The audited financial statements of the Trust subsidiaries and associates, namely Sierra Ferries Ltd. and West Africa Holding Ltd. were not provided.
- There were stale-dated cheques totalling Le815,292,000 arising from non-collection of retirement benefits and gratuity payments.
- The Trust did not prepare consolidated accounts incorporating its subsidiaries, associates and joint ventures as required by accounting standards.
- US\$225,000 was paid to SBTS Group as systems maintenance fees although no contract existed.
- Loan agreements, totalling Le7,020,717,000 were not made available for audit inspection.

NASSIT has made some progress on ICT with the upgrade of NASSIT Area Pension Operating System but much more work is needed to improve overall operating efficiency and effectiveness.

Some 32% of the Trust's funds, valued at cost, are tied up in investments and loans to subsidiaries and associated companies, which are largely commercial in nature; some of these appear to have lost value significantly. Section 7(2) of the National Social Security and Insurance Trust Act (2001) states that:

“The Board shall, in approving any investment, take into consideration the following:

- a. the safety and yield of the investment;
- b. the liquidity of the investment;
- c. the need to maintain the real value and spread of the investment;
- d. the maintenance of the fund and diversification of the portfolio of the investment; and
- e. the harmony of the investment with the public interest.”

The failure to address fundamental weaknesses in its investment decisions, contribution collection and the payment of benefits lead us to conclude that that Board of Trustees is failing in its responsibility to provide control and supervision as required by Section 8(1) of the NASSIT Act 2001.

We are not saying or implying that in undertaking such investments and loans the Board is acting *ultra vires* the Trust's enabling legislation. That would be a matter for a formal legal opinion and we have not requested such an opinion from a legal counsel. However, what is apparent is that some of these investments and associated loans, despite the ostensibly sound business plans to support them initially, are now of doubtful value, seriously impaired and do not meet the liquidity test inherent in

Section 7(2)(b) quoted above and perhaps never did. We do appreciate that there is social capital associated with some of these investments and therefore they may fall within the meaning of Section 7(2)(e) but it seems to us that investments need to substantively comply with all of section 7(2).

The failure to address fundamental weaknesses in its investment decisions, contribution collection and the payment of benefits lead us to conclude that that Board of Trustees is failing in its responsibility to provide control and supervision as required by Section 8(1) of the NASSIT Act 2001.

Performance Audit

We submitted two Performance Audits to Parliament during 2013. The overall results have been described in Chapter 7. What follows here is a succinct note on each performance audit with the exception of Waiting Time on the Processing of Retirement Benefits, which is contained in Chapter 5 on the review of NASSIT's operations.

▪ *Rehabilitation of Prisoners*

Convicted prisoners did not fully participate in the vocational and adult literacy programmes on offer. The Reception Board was inactive in the Western Area during the period under review and the Board was not established in any of the provincial prisons visited as required by the 1961 Prisons Rules. Some prison facilities did not have rehabilitation facilitators and in certain cases the available facilitators were not trained to deliver the programmes efficiently or effectively. There were no written policies and procedures covering rehabilitation programmes and there were no timeframes for completing the programmes. There was no Discharge Board and discharged packages/start up kits were not given to rehabilitated prisoners at the end of their prison terms.

▪ *Allocation of Lands*

The general conclusion from the findings is that there was failure on the part of the Ministry to establish a comprehensive policy framework, operational manual, etc., to ensure the optimal allocation and development of state lands. Necessary measures were also not instituted before and after allocation to ensure that areas allocated were free from any form of restrictions by external parties such as land squatters and encroachers.

▪ *Rehabilitation and Maintenance of Feeder Roads*

Rural feeder roads in the country are still in a poor state as a result of the noncompliance with the National Rural Feeder Roads policy. There was no value for money in the implementation of feeder road works during the period under review. Contractors were paid the full contract sum even when failing to complete road works. We also found out that unacceptable materials like logs were used in constructing bridges and culverts which would in future shorten the expected life span of the road. Rehabilitation works were not efficiently supervised and monitored.

Ministries, Departments and Agencies

We estimate there have been cash losses to the public purse of **Le82,146,575,696**. As in previous years this has occurred for a number of reasons; some inter-related. Overall we 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 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 were not deducted from suppliers or contractors.
- A perennial problem, payments without adequate supporting documents like invoices, receipts, delivery notes, etc. 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 controls over imprest accounts are 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 do not inspire confidence that resources are being managed optimally with due regard for economy, efficiency and effectiveness or fully in accordance with the intent of Parliament.

Public Enterprises and Donor 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 ineffective 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.

City, Municipal and District Councils

The Financial Statements of nineteen Councils were submitted for audit before, or shortly after, the legislative deadline of 31st March, 2013.

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:

- Inadequate budgetary processes;
- Reporting and presentation of financial information;
- Breaches of Procurement Act and Regulations;
- Expenditure not supported by relevant documentary evidence;
- No guidelines for the payment of Councillor Sitting Fees and other allowances;
- Statutory deductions not paid over to the relevant authorities;
- Inadequate control over the collection, recording and reporting of financial transactions;
- Set targets of the Performance Management Contract not met;
- Internal audit control Environment; and
- IT control environment.

These observations are expanded on in detail below and in even greater detail in the individual Councils' Reports submitted to the Minister of Local Government and Rural Development.

Local Chiefdoms

The audits of Local Chiefdoms focused primarily on the collection and administration of local taxes and other revenue generated by Chiefdom Councils which were deemed as high risk areas.

According to the Local Government Act of 2004, the Chiefdom Councils' significant role is to ensure that revenues raised from local taxes and from mining revenues other than those collected by the Government are shared between itself and the Local Councils

In general and across virtually all Local Chiefdoms the significant matters were identified in the audit examinations.

Schools

Controls over the processing of the Girl Child School program were weak. This apparent lack of control has resulted in:

- Refunds procedures not fully complied with by schools;
- Refunds not paid over to parents/guardians;
- Refunds being made to ineligible beneficiaries; and
- Unclaimed refunds not being paid over into the Consolidated Revenue Fund.

Payroll records were poorly managed. As a result of poor records management, staff members did not have personal files and some existing files lacked vital information such as offer and acceptance of employment letters, Employment Data (ED) Forms, etc. Unclaimed salaries were not paid back into the Consolidated Revenue Fund. The names of staff that had attained the statutory retirement age of 60 years were still on salary vouchers. Some staff members/ teachers whose names were on the salary voucher could not be physically verified.

INTRODUCTION

The role of the public service 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, through our audit reports, is 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's performance as the custodian of public funds and to ensure that they 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 benefits 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 Youyi 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 2014.

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 as we pursue the improvement of public financial management as is our mandate under the Constitution, the Audit Service Act and other related financial legislations.

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 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 64(4) of the *Government Budgeting and Accountability Act 2005* the Auditor General has the right to surcharge any person in certain circumstances.

ASSL's Vision

Audit 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 several sections to this report. Each deals separately with discrete components of the activities of government. The sections are as follows:

- My Audit Opinion on the financial statements of the government of Sierra Leone for the year-ended December 31, 2012, officially known as the Public Accounts, and related comments on the audit examination findings.
- A chapter setting out our review of internal audit in MDAs.
- Matters arising from two audits of the National Social Security and Insurance Trust (NASSIT).
- A summary chapter describing three 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, with a special focus on the Girl Child Program, and vocational institutions.

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 details 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 Government, public officials and to my own staff for the cooperation and assistance received in conducting the work of the Audit Service Sierra Leone.

CHAPTER 4

AUDITOR GENERAL'S OPINION ON THE PUBLIC ACCOUNTS

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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, but not limited to, segregation of duties, authorization, record keeping and selected controls over computer systems.

▪ 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 sufficient and appropriate audit evidence to support an Adverse Opinion on the financial statements of the Government of Sierra Leone (the Public Accounts). The audit evidence was sufficiently material and pervasive throughout the financial statements to render the financial statements not to be a true and fair expression of the financial position and performance of the government.

Issuing an Adverse Opinion on the accounts of the government is a very serious matter for the country and an action not to be taken lightly especially in view of my disclaimer in 2011. However, it is a matter of professional judgment based on the facts revealed by the Public Accounts audit and, indirectly, on the findings of the many other audits undertaken by my office throughout 2012.

We found extensive issues on control over External Public Debt, Domestic Revenue and Government Bank balances. A summary of these matters is set out below.

- Note 2 to the accounts asserts that they have been prepared using International Public Sector Accounting Standards (IPSAS) Accrual Accounting Standard 'as far as practicable' and also comply with International Financial Reporting Standards. However, a review of the financial statements shows clearly that the accounts did not comply with IPSAS standards and further there is no basis for partial compliance in the standards, so 'as far as practicable' does not arise as an option.
- External Public Debt disclosed in the financial statements was materially understated by Le 93.4 billion. In addition foreign exchange gains and losses, in respect of External Public Debt, as recorded in the financial statements are incorrect. However, in this case I was unable to estimate a potential amount of the misstatement because of insufficient information presented for audit inspection.

- We had encountered similar problems with Public Debt in 2011 which led us to conduct a review of the CS-DRMS computer system and the procedures around it used to manage public debt issues. The review was conducted by a senior member of my staff with the assistance of an international IT expert skilled in public debt management. It was disappointing to note that none of the recommendations in our report had been acted upon. Indeed they have been wholly ignored. We had received a commitment to move the Commonwealth Secretariat Department Recording Management System (CS-DRMS) from the Bank of Sierra Leone to the Public Debt Management Department at MoFED but even this has not occurred. For our country not to be able to accurately account for its foreign and domestic public debt – as is clearly the case here – should be a cause for embarrassment and a spur to action. Debt management servicing amounts to 30% of the recurrent budget of the government; consequently, managing public debt needs to be addressed as it is a material amount each year.
- Treasury Transit Accounts are used by the National Revenue Authority to collect money on behalf of Government. Moneys from these accounts should have been transferred to the Consolidated Fund at close of business on 31st December, 2012. However, this was not done. Consequently, Government Domestic Revenue for the Year ended 31st December, 2012 as presented in the Public Accounts, did not include all moneys collected and was, therefore understated in an estimated amount of Le8.7 billion.
- Government Bank Balances disclosed in the Public Accounts were not free from material misstatement, due to amounts from some accounts not being included, and others being included in error. We estimate the net effect of the over and under misstated amounts to be Le18.6 billion.

Strangely the various issues giving rise to my Adverse Opinion, while very serious indeed in terms of their effect on the accounts, are not profound or even complex, yet there is an urgent need to deal with them. With a stronger commitment and willingness to address public financial management reform and strong enforcement of existing well-established laws and regulations, the matters could be put right quickly as other countries have done. That is the responsibility of the government and all public officials.

The matters found in our audits relate to very basic accounting accuracy, internal control, accountability and governance issues and they plague, not for the first time, public financial management in this country. Many of these have been reported in the past and ought not to be repeated.

We are pleased to see MoFED and the Accountant General's Department addressing the creation and existence of bank accounts through a project considering the adoption of the Treasury Single Account (TSA) concept on which we comment further below. We also understand that as part of the TSA project the over 1,000 bank accounts in the government's name have been inventoried and placed in a database. My office has never been provided with a comprehensive listing of these bank accounts despite many requests over the years. Now that a comprehensive list has been created, we want a copy of the database and will be formally requesting same.

There has also been some improvement in the storing and retrieval of records. A Store and Records Centre situated at the Accountant General's Department has been renovated. Obtaining sampled transactions for audit purposes has improved. Responses to confirmation request for bank account balances were 100% this year as opposed to 51% in 2011.

4.1. AUDITOR GENERAL'S OPINION ON THE PUBLIC ACCOUNTS

I have audited the accompanying Public Accounts of the Government of Sierra Leone for the year ended 31st December, 2012. 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 Explanations 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 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 judgment, 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 believe that the audit evidence I have obtained is sufficient and appropriate to provide the basis for my audit opinion.

▪ **Basis for Adverse Opinion**

Basis of the Preparation of the Accounts

As explained in Note 2, the accounts assert that they have been prepared using IPSAS Accrual Accounting Standards as far as practicable and also comply with International Financial Reporting Standards. However, a review of the financial statements revealed that the accounts did not comply with IPSAS standards and further, there is no basis therein for partial compliance in the standards. An example would be that most expenses are recognised on a cash basis which is in contravention of IPSAS 1. Revenue is also recognised only when received in the CRF whereas IPSAS 23 (paragraph 60) requires recognition when the taxable event occurs. Quite apart from these two examples there are many other deviations from the standards in the financial statements.

External Public Debt

Accounting for External Public Debt contained many inaccuracies as demonstrated by the matters described below:

- Confirmation received from World Bank/IDA Bank confirmed an amount of Le1.5 trillion; however, this amount was understated in the accounts by Le11.5 billion.
- We also noted that accrued interest on loans amounting to Le42 Billion was not recorded in the financial statement.
- Exchange gains and losses in respect of External Public Debt recorded in the financial statements were 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.
- Our initial review of confirmations received from Public Debt Management Division revealed that an amount of Le236 billion recorded in the financial statements was not confirmed by the creditors namely, China Line of Credit, BADEA and IDB. I attempted an alternative audit procedure to ascertain the existence of these debts but only Le139 billion were substantiated by these procedures leaving an amount of Le96 billion unsubstantiated.
- From our review of the adjusted Financial Statement, schedules and relevant supporting documents, an amount of Le583 billion recorded as loan disbursement to Project Implementation Unit (PIUs) was understated by Le 846 million in Appendix G of the Public Accounts.
- Four (4) debts totalling Le8.5 billion recorded in the public debt management system (CS-DRMS) were not disclosed in the financial statements.
- From our review of the schedule of commercial creditors, it was observed that an amount of Le967 billion was understated in the accounts by Le30.6 billion.

- **Domestic Revenue**

Treasury Transit Accounts are used by the National Revenue Authority to collect money on behalf of Government. Moneys from these accounts should have been transferred to the Consolidated Fund at close of business on 31st December, 2012. However, this was not done. Consequently, Government Domestic Revenue for the Year ended 31st December, 2012 as presented in the Public Accounts, did not include all moneys collected and was, therefore understated for the following reasons:

Rokel Commercial Bank (RCB)

An examination of the transit bank statements and the Bank of Sierra Leone (BSL) statement showed that the total collection by Rokel Commercial Bank was Le17.1 billion. of this only Le13.8 billion was traceable to the available BSL Bank Statement account number 110582. The difference of Le3.3 billion cannot be traced to the same BSL Bank Statement as at 31st December 2012. However, the Bank Statement of Rokel Commercial Bank for Customs shows a nil balance as at 31st December 2012.

Guarantee Trust Bank (GTB)

Amounts totalling Le794 million, purported to have been remitted to the Bank of Sierra Leone, could not be traced to the available BSL bank statement.

From the daily payment of duties received by the bank on behalf of customs, it was observed that a difference of Le2.5 billion was found between the bank statement and the ASYCUDA records.

Sierra Leone Commercial Bank

It was observed that an amount of Le 48 million was purported to have been remitted to the Bank of Sierra Leone account number 110582, but it was not seen or traced to the BSL bank statement.

Eco Bank

It was observed that an amount of Le1.6 billion was claimed to have been remitted to the Bank of Sierra Leone account number 110582, but it was not seen or traced to the BSL bank statement

In the absence of bank reconciliations, comparing balances held at transit bank accounts with those in the cash books, 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.

- **Other Revenue**

An item classified as 'Earmarked Revenue' amounting to Le12.7 billion which was in the audited Financial Statement was omitted from the adjusted Financial Statement and no explanation was given to justify the omission.

Government Bank Balances

Government Bank Balances disclosed in the Public Accounts were not free from material misstatement, due to the following reasons:

- A total of Le18.6 billion confirmed by various commercial banks was not recorded in the Public Accounts.
 - Upon review of a sample of four Treasury Bank Reconciliation Statements to confirm whether they agreed with the Bank Balances and General Ledger Account Balances, it was observed that adjustments were recognised in the Bank Reconciliation Statements throughout the year. Some were recognised as withdrawals and others as lodgments. For instance in the December Bank reconciliation, an amount of Le2.4 billion was recognised as a withdrawal in the other charges account and Le11 million in salaries account. However, with the exception of credit being made in the other charges bank account to reverse a previous double debit, there were no supporting documents to substantiate the other adjustments.
 - From our review of the adjusted accounts, we noted that balances in respect of Departmental Accounts disclosed in the Public Accounts were bank statement balances instead of cash book balances as is in the case of other balance with the Central Bank. This inconsistency in the recognition of account balances in the account has led to a misstatement of Le0.5 billion.
- **Procurement**
 - We observed for most of the procurement undertaken by the Prisons Department for the period under review that the method used was Request for Quotations (RFQ), instead of National Competitive Bidding, even though the contract amounts for each of the contracts awarded were above the threshold for RFQs. The total contract prices amounted to Le16 billion
 - Contracts awarded in respect of diet, textbooks and teaching materials by the Ministry of Education totalling Le16.5 billion were without award letters, contract agreements and delivery notes.
 - Contracts were awarded in various ministries for which procurement regulations were not followed. The total contract price amounted to Le4.3 billion.
 - **Non-Salary, Non-Interest Recurrent Expenditure and Domestic Development Expenditure**

Payment vouchers with expenditure amounting to Le12 billion were not supported by appropriate documentary evidence.
 - **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs above, the Public Accounts do not give a true and fair view, of the financial position of the Government of Sierra Leone as at 31st December, 2012 and its financial performance and cash flows for the year then ended in accordance with section 57 of the Government Budgeting and Accountability Act, 2005 and other applicable laws and regulations.
 - **Emphasis of Matters**

Miscellaneous Debtors

Note 7 to the Public Accounts disclosed a total balance of Le8.1 billion for Miscellaneous Debtors as at 31st December, 2012. No repayments on these debts were made to Government during 2013.

- **Other Matters**

- **Payroll**

- A careful review of the payroll system revealed that 2,981 employees did not have National Social Security and Insurance Trust Numbers.
- Amounts totalling Le96 million represented salaries paid to staff who had retired.
- 587 staff members of the Civil Service were above the retirement age and documents to justify their continued employment were provided for only 27 of these, that is to say, documentary evidence was not provided for the remaining 560.

A handwritten signature in blue ink, appearing to read 'Lara Taylor-Pearce', with a stylized flourish at the end.

Lara Taylor-Pearce (Mrs.) FCCA FCASL
Auditor General of Sierra Leone

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	2012		2011
CONSOLIDATED FUND ASSETS				
CASH AND BANK BALANCES				
Cash and Bank Balances with the Central Bank	(3)	82,532		-
Cash and Bank Balances with Commercial Banks	(4)	193,851		65,577
Cash in Transit Bank Accounts		20,556		-
Cash in hand with PIUs		50		47
		296,989		65,624
LOANS AND ADVANCES				
Staff Loans and Advances	(5)	1,054		1,132
Debtors - Privatisation	(6)	4,175		4,114
Miscellaneous Debtors	(7)	8,130		8,130
		13,358		13,376
INVESTMENTS				
Multilateral Agencies	(8)	56,304		56,635
Public Enterprises	(9)	136,241		136,241
		192,545		192,876
Total Consolidated Fund Assets		502,893		271,876
CONSOLIDATED FUND LIABILITIES				
SHORT TERM				
Cash and Bank Balances with the Central Bank	(3)	296,167		167,942
Cash and Bank Balances with Commercial Banks	(4)	5		-
Domestic Suppliers Arrears	(10)	29,246		77,270
Other Creditors and Accrued Charges	(11)	-		1,118
Domestic Public Debt	(12)	1,141,842		748,689
Special Marketable Securities	(13)	-		125,217
		1,467,260		1,120,236
LONG TERM				
Non-Marketable, Non-Interest Bearing Securities held by the Bank of Sierra Leone	(14)	81,803		81,803
Creditors	(15)	1,496		2,983
5 Year Bond	(16)	357,516		357,516
External Public Debt	(17)	4,288,921		3,748,677
		4,729,736		4,190,979
Total Consolidated Fund Liabilities		6,196,996		5,311,215
NET CONSOLIDATED FUND LIABILITIES		5,694,103		5,039,334
Attributable to				
GENERAL REVENUE BALANCE				
Balance at beginning of year		5,039,334		3,477,521
Prior Year Adjustments	(18)	152,204		968,221
Restated Balance		5,191,538		4,445,742
Special Funds	(19)	(114)		112,902
Foreign Exchange Loss written off		(122,478)		(44,312)
Increase in Government Share of Equity- Public Enterprises		-		(9,006)
Net movement on Departmental Accounts		(12,027)		-
Net (Surplus)/Deficit for the period		637,184		534,008
Balance at end of year		5,694,103		5,039,334
Kebbe A. Kouroma				
Accountant General				

STATEMENT OF FINANCIAL PERFORMANCE							
for the year ended 31st December 2012							
In millions of Leones							
		2012					2011
	Notes	Original Budget	Actual	Variance	Projects & Subvented	Total	Actual
OPERATING REVENUE							
Domestic Revenue Collected	(20)						
Income Tax		451,636	704,041	(252,405)	-	704,041	477,181
Customs and Excise		407,526	341,258	66,268	-	341,258	283,376
Goods & Services Tax		381,893	417,966	(36,073)	-	417,966	351,451
Mineral Resources		242,303	232,878	9,425	-	232,878	210,771
Fisheries		13,848	7,861	5,987	-	7,861	11,851
Other Departments		65,419	143,258	(77,839)	230,653	373,911	138,508
Revenue in Transit		-	20,556	(20,556)	-	20,556	-
Sale of Goods and Services		-	-	-	97,684	97,684	54,948
Road User Charges		44,307	34,957	9,350	-	34,957	-
Total Domestic Revenue		1,606,932	1,902,775	(295,843)	328,337	2,231,112	1,528,087
Other Revenue (Direct Grants)	(21)						
HIPC Debt Relief Assistance		21,924	27,242	(5,318)	-	27,242	25,402
Other Grants Received		212,794	344,835	(132,041)	289,796	634,631	433,682
Peace Building Fund		113,797	-	113,797	-	-	431
MDRI Fund Transfer		-	-	-	-	-	113,000
Projects & Subvented Agencies (GoSL Transfer)		-	-	-	617,935	-	-
Total Other Revenue		348,515	372,077	(23,562)	907,731	661,873	572,516
Total Operating Revenue		1,955,447	2,274,852	(319,405)	1,236,068	2,892,985	2,100,602
PAYMENTS							
Wages, Salaries and Emp	(22)	798,306	924,792	(126,486)	440,783	924,792	676,745
o/w Grants to Projects and Subvented Agencies		-	-	-	-	-	251,223
Non-Salary, Non-Interest	(23)	751,415	794,927	(43,512)	1,113,258	794,927	559,247
o/w Grants to Educational Institutions		52,038	1,762	50,276	-	-	55,074
Transfers to the Road Fund		44,307	34,957	9,350	-	-	-
Transfers to Local Councils		82,176	87,395	(5,219)	-	-	76,056
Grants to Projects and Subvented Agencies		-	-	-	-	-	64,296
Domestic Development Expenses	(24)	318,110	412,912	(94,802)	144,693	412,912	316,383
PIUs and Subvented Agencies	(25)	-	-	-	-	1,080,799	796,236
Total Operating Expenses		1,867,831	2,132,631	(264,800)	1,698,734	3,213,430	2,348,611
Surplus/(Deficit) from Operating Activities		87,616	142,222	(54,606)	(462,667)	(320,444)	(248,009)
FINANCIAL EXPENSES							
Finance Costs	(26)	-259,870	-285,086	25,216	-139	-285,225	-251,102
Domestic Interest		-234,523	(255,873)	21,350	(139)	(256,012)	(227,022)
Foreign Interest		-25,347	(29,213)	3,866	-	(29,213)	(24,080)
Arrears Payments		(42,764)	(31,514)	(11,250)	-	(31,514)	(34,898)
Wages Arrears		(1,140)	(12,477)	11,337	-	(12,477)	(533)
Parastatal Arrears		(1,587)	(1,000)	(587)	-	(1,000)	(10,883)
Domestic Arrears		(40,037)	(18,037)	(22,000)	-	(18,037)	(23,482)
Total Non-Operating Revenue/(Expenses)		(302,634)	(316,599)	13,965	(139)	(316,738)	(286,000)
Net Surplus/(Deficit) for the period		(215,018)	(174,378)	(68,571)	(462,806)	(637,183)	(534,008)

CASH FLOW STATEMENT		
during the financial year ended 31st December 2012		
In millions of Leones		
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(Deficit) from ordinary activities	(637,183)	(534,008)
Decrease/(increase) in Miscellaneous Debtors	-	-
Increase/(decrease) in Domestic Suppliers Arrears	(49,081)	(3,608)
Increase/(decrease) in Other Creditors and Accrued Charges	(1,118)	(2,634)
Net Movement- Departmental Accounts	12,027	
Net cash flows from operating activities	(675,354)	(540,250)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Decrease/ (Increase) in staff loans and advances	65	266
Net Increase in Privatisation Debtors	101	(875)
Net cash flows from investing activities	166	(609)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from external borrowings		
Repayment of external borrowings	505,919	390,906
Net increase in domestic borrowing	393,151	(34,209)
Net Decrease in NNIB securities	(125,217)	(84,782)
Net Increase in 3 year Bond	-	77,516
Prior year adjustment	(47)	(10,567)
PIUs and Subvented proceeds from borrowing	1,495	2,983
MDRI Relief Income and Strategic Petroleum Fund	114	(112,902)
Net cash flows from financing activities	775,416	228,946
Net increase/(decrease) in cash and cash equivalents	100,228	(311,912)
Cash and cash equivalents at beginning of the year	(102,318)	209,592
Cash and cash equivalents at end of the year	(2,090)	(102,317)

**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 reflect the financial performance of the Government of Sierra Leone for the financial year ended 31st December, 2012 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 2012 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 Annual Statement of 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). 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 in the period in which they are received and expenditures for Government operations are recognised when goods and services are received.

(b) Depreciation

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

(c) Staff 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 Le213,635million debit (Le167,941million –2011) 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 2012**

In
Million
Leones

Account No.	TREASURY BANK ACCOUNTS	2012	2011
1100501	Treasury Main Account	(59,494)	(26,886)
1000512	Agd Expenditure Accounts - General	(174,399)	(161,974)
1100515	Agd Salaries &Wages Account 1998	(45,904)	(16,638)
1100516	Agd Pensions Account 1998	(16,327)	(4,253)
1100573	Salary Advance Account	(41)	
1100564	E.C.Treasury Account	11,377	
1100811	Treasury Ways & Means Adv A/C	48,117	26,886
	Departmental Accounts	14,976	14,412
1100721	Mdri Relief	511	511
		(221,186)	(167,941)

4. Cash and Bank Balances with the Commercial Banks

The amount of Le193,846million (Le65,576. million – 2011) represents the total of bank balances held at various Commercial Banks for Subvented Agencies and Projects Implementation Units (PIUs) that have submitted Financial reports for the year 2012.

In Million Leones

No.	BANK	2012	2011
		Le	Le
1	Sierra Leone Commercial Bank	57,906	31,117
2	Rokel Commercial Bank	111,825	22,179
3	Standard Chartered Bank	9,303	3,912
4	Union Trust Bank	623	3,399
5	First International Bank	11,553	4,099
6	Guarantee Trust Bank	858	-
7	Eco Bank	1,352	628
8	United Bank of Africa	307	95
9	Bank PHB	12	100
10	Access Bank	25	43
11	Zenith	82	
TOTAL		193,846	65,576

5. Staff Loans and Advances

The amount of 1,054 million (Le1,132 million – 2011) represents the outstanding balance on loans and advances given to employees of Government as well as Members of Parliament.

6. Debtors - Privatisation

The amount of Le4,175 million (Le4,114 million – 2011) 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 2012 are as follows:

DEBTORS-PRIVATISATION

at 31st December 2012

In millions of Leones			
	2012	2011	
	Value in Millions of US \$	Value (Le m)	Value (Le m)
Agricultural Produce Marketing Company	0.16	714.5	721.7
National Commission for Privatization	0.20-	866.8	875.5
GAVA (SL) Ltd.	0.58	2,492.1	2,517.2
Total Value	0.94	4,174.5	4,114.4

In millions of Leones		
	2012 Value	2011 Value
Balance as at 1st January	4,114.4	3,105.9
Privatisation receipts with National Commission for Privatisation	875.5	875.5
Privatisation debtors from Previous years	101.1	
Exchange Rate Differential on Revaluation	(41)	133.0
Balance as at 1st January	4,174.5	4,114.4

7. Miscellaneous Debtors

as at 31st December 2012

In millions of Leones		
	2012	2011
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	8,130

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 2012 are as outlined below:

In millions of Leones			
	2012 Value in Millions of SDR	Value	2011 Value
International Bank for Reconst. and Development (IBRD)	1.83	12,187	12,258
African Development Bank (AFDB)	6.62	44,117	44,377
	8.45	56,304	56,635

9. Investments – Public Enterprises

The carrying value of Le136,241 million (Le136,241 million - 2011) 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 2012

In millions of Leones					
No.	NAME	LEGAL STATUS	GOVERNMENT PARTICIPATION (In %)	2012 GOVERNMENT SHARE OF EQUITY	2011
A. Utilities					
A1	National Power Authority (NPA)	Authority Limited	100%	2.00	2
A2	S/L Telecommunications Co. Ltd. (SIERRATEL)	Company Limited	100%	25,813.00	25,813
A3	Sierra Leone Postal Services Ltd. (SALPOST)	Company Limited	100%	20.00	20
A4	Guma Valley Water Company (GVWC)	Company	95%	1,162	1,162
B. Financial Institutions					
B1	Bank of Sierra Leone	Central Bank Limited	100%	-	-
B2	Sierra Leone Commercial Bank (SLCB)	Company Limited	100%	57,518	57,518
B3	Rokel Commercial Bank (RCB)	Company Limited	51%	30,926	30,926
B4	National Development Bank (NDB)	Company	99%	1,588	1,588

as at 31st December 2012

In millions of Leones

No.	NAME	LEGAL STATUS	GOVERNMENT PARTICIPATION (In %)	2012 GOVERNMENT SHARE OF EQUITY	2011 GOVERNMENT SHARE OF EQUITY
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
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	136,241.15

10. Domestic Suppliers Arrears

DOMESTIC SUPPLIERS ARREARS

as at 31st December 2012

In millions of Leones

	2012	2011
Domestic Suppliers' Balances brought forward	77,270	80,276
Prior Year Additional Claims (write off)	(303)	4,636
Additional payment for cheques payable	6,928	34,472
Claims verified during the year	1,486	-
Payments made during the year	(56,257)	(40,892)
Exchange rate difference	123	(1,223)
	29,247	77,270

11. Other Creditors and Accrued Charges

In millions of Leones		
	2012	2011
NASSIT	-	1,118
	-	1,118

The amount owed to NASSIT was in respect of the validation of the past services of Government Employees and has been paid.

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

The carrying value for Domestic Public Debts comprises:

In millions of Leones				
	2012	%	2011	%
Treasury Bills	981,918	86.1	612,180	81.9
Treasury Bearer Bonds	110,400	9.7	108,923	14.5
Ways And Means Advances	49,523	4.2	26,886	3.5
	1,141,841	100.0%	748,689	100.0%

The Treasury Bills are marketable securities of the Government on a 90-day period, 182-day period and 365 day period 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 Le125,217billion nominal on treasury bills was shifted and rolled over from Special Marketable Securities to ordinary treasury bills.

14. Non-Marketable, Non-Interest Bearing Securities held by the Bank of Sierra Leone for the year ended 31st December 2012

In millions of Leones		
	2012	2011
Securities in issue at the beginning of year	81,803	81,803
Conversion to Marketable Securities	-	-
Securities in issue at the end of year	81,803	81,803

15. Creditors

As at 31st December 2012

In millions of Leones		
	2012	2011
PIUs and Subvented Agencies	1,496	2,983

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

16. 5 Year Bond

No transaction occurred during the year

17. External Public Debts (See Appendices G and H)

EXTERNAL PUBLIC DEBTS

as at 31st December 2012

In millions of Leones				
	2012	%	2011	%
Multilateral Creditors	2,749,847	64.1%	2,289,968	61.1%
Bilateral Creditors	571,692	13.3%	460,626	12.3%
Commercial Creditors	967,382	22.6%	998,083	26.6%
	4,288,921	100.0%	3,748,677	100.0%

In millions of Leones		
	2012	2011
Opening Balance	3,748,677	2,588,009
Prior Year Adjustment	154,392	748,878
	3,903,069	3,336,887
Loan Disbursements	582,693	444,820
Loan Repayment	(76,774)	(53,913)
	4,408,988	3,727,794
Actual Translated Balance	4,288,921	3,748,677
debt cancellation	-	-
Loss on Exchange (External Debt)	120,067	(20,884)
Exchange Rate Differential (Privatization Debt)	(41)	133
Exchange Rate Differential (Loan to Sierra Rutile)	-	-
Exchange Rate Differential (Domestic Suppliers Arrears)	(123)	1,223
Exchange Rate Differential (Bumbuna Hydro)		
Project and subvented Agencies	2,909	
Exchange Rate Differential (Multilateral Investments)	(331)	1,982
Total Loss on Exchange	122,481	(17,545)

The total amount of Le4,288,921 (Le3,748,677 million – 2011) 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 Le524,786 million (Le439,855 million – 2011).

18. PRIOR YEAR ADJUSTMENTS

In millions of Leones			
Details	2012	2011	Remarks
Domestic Arrears - Additional Claims	1,486	4,636	Adjustments for Additional Claims
Domestic Arrears paid in 2011 written-off	(303)	-	
Creditors	(2,983)	(4,768)	Adjustment to 2011 balance
External Public Debts-	154,392	748,878	revision of FX rate used in 2011
Salary Advance	(38)	-	Adjustments for previous years
Projects & Subvented Agencies	47	205,699	
Departmental Accounts at the Central Bank		11,747	
Privatisation Debtors	(101)	-	
Balances with Central Bank	(296)	2,029	
	152,203	968,221	

Movement in Special Funds

as at December 2012

in millions of leones

	MDRI Fund	Strategic Petroleum	Total
Balance as at 1st January	512	1,649	2,161
Interest received		133	133
Bank Charges	-	(19)	(19)
Balance as at 31st December	512	1,763	2,274.9
Movement in Special Funds	-	114	114

19. Domestic Revenue Collection (See Appendix A)

The total amount of Le 1,902,775 million (Le1,427,435 million – 2011) represents revenues from various sources collected for and on behalf of Government during the period and paid into the Consolidated Fund. This include revenue held in Transit Accounts amounting to Le20,556 million which was not transferred to the CRF prior to the close of business on 31 December 2012. Also revenue arrears for the year 2012 amounted to Le 53,976 million.

20. Other Revenue (See Appendix B)

The total amount of Le372,077 million (Le 572,515 million – 2011) received as grants comprises Le27,242 million (Le25,402 million – 2011) as HIPC Debt Relief Assistance, Le 344,835 million (Le433,682 million – 2011) as other direct budgetary support and Le289,796million captured as external grants to Projects and Subvented Agencies.

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

In millions of Leones		
	2012	2011
Wages and Salaries	937,269	677,277
o/w Charged Emoluments		
Education	11,328	234,444
Health	74,198	76,376
Public Order and Safety	19,333	54,666
Defence	66,585	54,575
Recreation, Culture and Safety	-	858
Economic Services	288,085	28,848
General Public Service	272,958	59,495
Foreign Missions	45,286	45,286
Local Councils	6,352	4,002
Others	20,357-	-
Social Security Contributions	82,655	
Pensions, Gratuities and Other Retirement Benefits	50,133	81,197

The amount of Le50,133 million (Le81,197 million in 2011) 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 2012 and beyond only gratuities are paid, also a total of Le75,532 million was paid out as government contributions to social security for public workers.

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

In millions of Leones

	2012	2011
Non-Salary, Non-Interest Recurrent Expenditure	813,964	593,612
o/w Education	307,844	8,850
Health	89,360	30,482
Defence	66,585	43,257
Police	58,580	34,184
Agriculture	20,028	20,028

23. Domestic Development Expenditures (See Appendix F)

The total amount of Le412,912 million (Le316,383 million 2011) for Domestic Development Expenditure represent the Government contribution to various Development Projects.

24. Project and Subvented Agencies

The total amount of Le 498,106, million for PIUs and Subvented Agencies includes direct disbursements to projects but excludes Government of Sierra Leone grants and counterpart funding during the year as follows:

Expenditure (PIUs / Subvented)

In millions of Leones

	2012	2011
Wages and Salaries	307,172	192,754
Goods and Services	451,811	834,572
Capital Development	144,693	92,307
Other	133,611	-
Loan Disbursement	582,693	-
Grant Paid	78,754	-
Gosl Transfer	(617,935)	(323,397)
	1,080,799	796,236

25. Finance Costs

The total amount of Domestic Interest comprises:

In millions of Leones

	2012	2011
Interest on Ways and Means	9,039.95	24,442.37
	183,209.18	
Interest on Treasury Bills		116,267.00
Interest on Treasury Bearer Bonds	51,914.01	46,272.20
Interest on NNIB Securities	11,709.45	39,156.43
	255,872.58	226,138.0

26. 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 years.

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

27. Bank and similar guarantees

At 31st December 2012, 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 most significant outcome from my audit work for 2012, has been the issuance of an Adverse Opinion on the Financial Statements of the Government of Sierra Leone. It is my professional judgment that this was appropriate in the circumstances.

A few words on the types of audit opinions and the differences between them may be helpful to the non-technical reader. The short-form Auditor's Report, in this instance, an Adverse Opinion, is an expression of the auditor's professional judgments and its prescribed form is dictated by international standards and good practice recognized around the world by public and private audit practitioners. I may issue an unqualified or modified opinion on the accounts. Modified opinions are classified as either an adverse opinion or a disclaimer of opinion. An unqualified opinion, the most desirable, arises where the financial statements provide a true and fair view of financial position and performance. An adverse opinion, which sits in the middle of my options - is issued where the auditor has sufficient and appropriate audit evidence of a material and pervasive nature that the Financial Statements do not present a true and fair view. A disclaimer of opinion, the least desired, is considered more serious than an adverse opinion and arises where the auditor does not have sufficient and appropriate audit evidence to form an opinion, one way or the other, to make a judgment on the Financial Statements. Last year (2011) I issued a disclaimer of opinion. This year I have issued an adverse opinion which, while very serious, does signify an improvement of sorts over the previous year, albeit only a slight improvement. It implies that there has been progress in the quality of audit evidence available to my staff even though there continue to be matters of the gravest concern that negatively impact the Financial Statements.

All of the matters raised in my Adverse Opinion 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 as being in compliance with international standards, may well be misleading to readers.

Unfortunately in recent years adverse, disclaimers or qualified opinions on the Public Accounts have been the norm in Sierra Leone. Neither this year's adverse opinion nor last year's disclaimer of opinion should be taken lightly and it is unfortunate that despite my concerns expressed repeatedly in Annual Reports, some of the key issues raised remain largely not acted upon in whole or in part. While public financial management is gradually improving, in matters of internal control around procurement, some aspects of banking and cash management, of both the expenditure and revenue, very serious weaknesses continue to plague the public sector especially in Ministries, Departments and Agencies (MDAs).

4.4. BASIS OF PREPARATION OF THE PUBLIC ACCOUNTS

It is reported in Note 2(a) in Public Accounts that International Public Sector Accounting Standards (IPSAS) Accrual Standard were used in preparing the Public Accounts with some exceptions. The exact wording is ‘where practicable’. It is also stated that in cases where IPSAS was not used, appropriate International Financial Reporting standards (IFRS) were applied. However the Accountant General stated that revenues were reported in the period in which they were received and expenditure for Government operations were recognised when goods and services were received. Our audit tests revealed that these standards were not complied with and partial compliance – the ‘where practicable option’ – cannot be permitted under the standard.

As we noted last year, 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 – what is it we are reporting upon. It needs to be defined 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. On any basis of accounting 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 as noted by the exclusion of certain transit accounts.

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 whole of government principle that renders Note 2(a) untenable. Similarly the reference to IPSAS Accrual Standards, there are over 30 of them – also makes Note 2(a) untenable and incorrect. 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 are destined to fail.

4.5. CASH AND BANK

There has been a considerable improvement in terms of the number of audit confirmations of balances received from commercial banks. We received direct confirmations from all nine commercial banks disclosed in the account – a rare 100% response. The total of Le 193,846 million was presented as cash and bank balances with commercial banks for the year 2012. This is a marked improvement compared to last year when only 51% 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 all nine banks namely: Access Bank, Sierra Leone Commercial Bank, Guaranty Trust Bank, Union Trust Bank, Rokel Commercial Bank, Standard Chartered Bank, First International Bank, Eco Bank, United Bank of Africa and PHB Bank, the amounts confirmed were not those disclosed in the Public Accounts. The unconfirmed bank balances totalled Le1.3 billion.

Conversely, we noted that a total of Le 18.6 billion was included in the confirmation letters of the respective banks, but this was not part of the ledger account balances that are recorded in the Public Accounts. We were unable to obtain an explanation for the non-inclusion and the differences noted. We noticed too that, as in 2011, opening departmental cash and bank balances were written off as prior year adjustments. The officer in charge of recording these balances explained, as he did also in 2011, that that treatment was because of the inconsistencies of Departments in submitting their financial returns to the Accountant General's Department.

Upon review of a sample of four Treasury bank reconciliation statements to confirm whether they agreed with the Bank Balances and General Ledger Account Balances, it was observed that adjustments were recognised in the Bank Reconciliation Statements throughout the year. Some were recognised as withdrawals and others recognised as lodgments. For instance, in the December Bank reconciliation, an amount of Le2.4 billion was recognised as a withdrawal in the other charges account and Le11 million in salaries account. However, with the exception of credit being made in the other charges bank account to reverse a previous double debit, there were no supporting documents to substantiate the other adjustments.

From our review of Note (3), Balances with Central Bank, we noted that balances in respect of Departmental Accounts disclosed in the Public Accounts were bank statement balances instead of cash book balances as was in the case of other balances with the Central Bank. Samples of 10 account balances were selected. This gave a total cash book balance of Le 2.3 billion and a total bank statement balance of Le 2.7 billion. This inconsistency in the recognition of account balances in the account has led to a misstatement of Le 0.5 billion.

We are pleased to see MoFED and the Accountant General's Department addressing the creation and existence of bank accounts through a project considering the adoption of the Treasury Single Account (TSA) concept on which we comment further below. We also understand that as part of the TSA project, the over 1,000 bank accounts in the government's name have been inventoried and placed in a database. My office has never been provided with a comprehensive listing of these bank accounts despite many requests over the years. Now that a comprehensive list has been created, we want a copy of the database and will be formally requesting same.

4.6. GOVERNMENT RECORD KEEPING (OTHER CHARGES)

There has been some improvement in the storing and retrieval of records. A Store and Record Centre situated at the Accountant General's Department has been renovated. The audit team selected a total sample of 2,231 payment vouchers from 26 MDAs valued at Le751 billion from a population of 6,560 valued at Le836 billion. We are able to report that all 2,231 vouchers were presented with minimum delay. Supporting documents such as invoices, delivery notes, certificates of completion, or other relevant documents were attached in most cases. The statutory authority of the Accountant General's Department to review payment vouchers and their supporting documents prior to payments being made is set down in 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, we noted from our review of the sample of Other Charges that 126 vouchers valued at Le 12 billion were without supporting documents. This represents 1.6% of the total Payment Vouchers examined.

4.7. PROJECT IMPLEMENTATION UNITS INCLUDED IN THE PUBLIC ACCOUNTS

From our review of the Financial Statements, we observed that balances in respect of Project Implementation Units (PIUs) and Subvented Agencies were recognized in the Financial Statement but that the balances were not accurately stated. We also came to the conclusion after a review of the financial statements that PIUs did not consistently report to the Accountant General, thereby leading to incomplete amounts 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 of 2011 amounting to Le4,768 million and PIUs creditors of Subvented Agencies for 2012 amounting to Le2,983 million were written off as prior year adjustments in the 2012 accounts.

In addition, from a review of Note 4, Cash and Bank Balances with the Commercial Banks, to the Financial Statements, we observed that balances in the accounts in respect of PIUs and Subvented Agencies represented the total of bank balances held at various commercial banks that have submitted financial reports for the year 2012. Those PIUs that did not report for the period under review were not reported in the accounts and so the balances are incomplete in the financial statements.

4.8. MISCELLANEOUS DEBTORS AND INVESTMENTS

A review of the Miscellaneous Debtors and Debtors-Privatisation revealed the following:

- 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 and recorded in the financial statements. In addition, the amounts recognised in the accounts was Le 753 million while the amount in the agreement and other correspondence amounted to Le 774 million, thereby understating the loan amount by Le 20.8 million. If, as claimed, the Financial Statements were on an IPSAS Accrual basis then a failure to calculate the interest due would, from a purely accounting perspective, have resulted in an understatement of revenue.
- 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 and GumaValley Water Company.

4.9. EXTERNAL PUBLIC DEBT

Debt Management servicing is approximately 30% of the annual recurrent budget and therefore of significant value and material in audit terms. The public debt liability is a major government liability and a key sustainability issue for GoSL. It requires comprehensive, accurate and timely records for good management. The audit requirement is to see that the transactions in public debt, namely, income (loan disbursements by the lender) and payments (debt service) by GoSL are accurately and completely recorded in the accounts. In addition we are required to verify that the outstanding public debt liability on the financial statements is accurately computed and appropriately disclosed. However, because of the significance of this account balance on the financial statements, my auditors carried out extensive work on this area to ascertain that the amounts disclosed are correctly stated.

Audit findings in this area were:

Confirmations from third Parties

Out of a total External Debt of Le.3.3 trillion, the amount directly confirmed by creditors totalled Le2.5 trillion which is 75% of the total. This compared to 2011 direct confirmations of 28% is considered to be a significant improvement. Direct confirmations were received for the following five creditors: Kuwait Fund for Arab Economic Development, Ecowas Bank for Investment and Development, Import & Export Bank of China, Saudi Fund for Economic Development and the Arab Bank for Economic Development in Africa.

Amount confirmed but incorrectly recorded in the accounts

An amount of Le42 billion in accrued interest should have been included but was omitted from the accounts. In addition, from the confirmations received, one of the main creditors, World Bank/IDA, confirmed an amount of Le 1.5 trillion but this amount was understated in the accounts by Le 11 billion.

Understatement of Commercial Creditors in the accounts

From our review of the schedule of commercial creditors it was observed that an amount of Le 967 billion was understated in the accounts by Le 30.6 billion.

Inconsistencies in the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) Report

Report 52 produced by CS-DRMS by the Bank of Sierra Leone, purports to be the comprehensive roll-forward schedule of all active external public debt. The report did not include correct amounts for movements during the year. This means that apart from the opening and closing balances, the amounts for disbursements, principal repayments and interest were inaccurate. From a sample drawn of loans denominated in US Dollars with no capital repayment we observed a difference of \$3,166 million (Le13,859 million) between the re-computed amounts and the amounts disclosed in the financial statement.

Computation Exchange Gain/Loss

The method of computing the exchange gain/loss on external debts was also a concern as the general rules in computing exchange differences set down in generally accepted accounting principles (GAAP) were not employed(i.e. use of spot rates and balance sheet date rates). An Audit examination of Note 18 (External Public Debts) revealed that this amount was arrived at simply by comparing the external public debt schedule submitted by the Bank of Sierra Leone and the schedule prepared by the Accountant General's Department. In our view, if any of the schedules were incorrect, the error would be absorbed in the exchange difference computation. Hence we were unable to certify that the exchange difference of Le122.5 billion was correct. Because of the limited information, we were unable to recompute the exchange difference.

CS-DRMS and the Financial Statement

An initial comparison of the CS-DRMS and the schedule of Disbursed Outstanding Debts proved that the balance for external public debts recorded in the financial statements was misstated by Le44.2 billion. After adjustments were made to the CS-DRMS by officials of the BSL and Public Debt Management Department (PDMD) to meet this shortage, the main loan (Rural Infrastructure Development Project-ADF -) initially understated by Le26.9 billion was omitted. The omitted amount stood at Le 40.7 billion (SDR6,109,948). Furthermore an amount relating to SFED Western Area Power Generation Project Phase 1 was found to have been changed in the CS-DRMS to match with the amount in the financial statements rather than the other way round. The original amount in the CS-DRMS was SDR 3,818,883 and it was changed to SDR 5,777,354.

Amount in the CS-DRMS but not in the Financial Statement

It was also discovered from our initial review of the financial statement that 11 debts totalling Le272 billion were in the CS-DRMS but not disclosed in the schedule of debtors in Appendix G of the accounts. In a response from PDMD we observed the existence of seven of these loans after Appendix G had been updated. Four of these loans amounting to Le8.5 billion cannot be traced to the financial statements.

Loans disbursed in 2010 and 2011 but recorded in 2012 in CS-DRMS

From our initial observations amounts totalling Le105.7 billion were loans disbursed in 2010 but the transaction was only recorded in CS-DRMS in 2012. These loans were only updated after our initial query. Upon investigation we were told by PDMD officials that they did not upload these debts because disbursement data in respect of the affected loans had not been received by the time the audit of 2011 was concluded; once received in 2012 the CS-DRMS was updated to reflect this.

ASSL Review of CS-DRMS

CS-DRMS is a globally recognized public debt management system promoted by the Commonwealth Secretariat and installed in over 60 countries worldwide. Many of the problems encountered in the 2012 audit of Public Debt associated with CS-DRMS also occurred in 2011. As result of the bad experience in 2011, during the first quarter of 2013 a senior staff member of ASSL assisted by an international expert in both IT and the CS-DRMS application conducted a review of the system and its management. Put simply, the system was not being used as designed and is located in the wrong institution. The output and associated recommendations from that review have to date been wholly ignored by MoFED and the other parties. Had the recommendations been followed, the colossal problems encountered in accounting for public debt – and auditing it - may have been reduced and the serious misstatements in the accounts avoided.

CS-DRMS is in use but currently only for foreign debt and is presently located at the BSL although during the review we were told of agreed plans to relocate it to the PDMD for them to better manage public debt. At the time of the review there was a link from BSLto PDMD but neither was working.

The CS-DRMS system should be a complete and up to date record of public debt (foreign and domestic) showing loan agreements (memorandum entries), disbursement requests (memorandum entries), actual disbursements and debt service payments for foreign debt, together with summarised or detailed domestic debt instruments receipts and repayments.

Foreign Debt - The Minister of Finance is responsible for undertaking all foreign loan agreements which should be approved by Parliament. The Accountant General controls all government-related bank accounts. MLPD who manages disbursements receives requests from projects for approval which are submitted to a committee (except World Bank disbursements) before submission to the lenders. Disbursements subsequently are to project bank accounts or may be direct payments from the lender to project contracted companies, etc. Disbursement can be difficult to track but are a key part of reconciling the foreign debt accounts.

Debt service payments for foreign debt loans are easier to manage as they are approved by the Accountant General (after initial work by BSL) for submission to BSL for settlement in the various currency denominations as determined by the loan agreement and the settlement payments charged to the government bank account (with BSL charges).

Domestic Debt - Domestic debt funding is handled by the BSL who manages overdrafts and issues Treasury Bills (at a discount) following auction with repayment upon maturity at full value. These are short-term Bills on 91, 182 and 364 day terms. Treasury Bonds are issued typically for longer periods with interest payable periodically or upon maturity repayment.

Accounting for Public Debt - Presently journalising of debt transactions is carried out at the end of each year which is unsatisfactory in reflecting the transactions in the accounts in a timely way. Transactions should be journalised as they happen. As we have discovered, the present arrangement creates a year-end bottleneck, delay to accounts completion and reconciliation/verification issues to resolve. The finalised accounts for public debt need to be supported by documentary evidence from lenders, projects, etc.

Recommendations - The recommendations made earlier in 2012 and clearly ignored are repeated here and we strongly urge that they be addressed by MoFED and BSL, as appropriate. We will be conducting a follow-up audit on this and other matters related to the Public Accounts in 2014.

Up to date debt records. Improved, composite and timely debt records should be established in the CS-DRMS computer system. This should include both foreign and domestic debt.

Improved communication. There needs to be better and timely communication between stakeholders of requisite information, particularly in regard to loan disbursements, to maintain the comprehensive public debt records.

Computer system. The system is located in the wrong place. It should be moved to PDMD as soon as possible with the link from BSL reactivated to permit access by the central bank.

Journalising into accounts. Monthly journalising of all public debt that has not occurred on a transactional basis (e.g. debt service, loan disbursements to GoSL, domestic debt receipts/payments can be identified on transactional basis) for both foreign and domestic debt. This needs to be established without further delay.

Reconciliation. Monthly reconciliation between CS-DRMS debt records and IFMIS accounting position involving the key stakeholders is an essential element of internal control.

Verification. Regular verification with lender statements against CS-DRMS debt record should be established preferably with appropriate segregation of duties to optimise internal control.

Meetings of stakeholders. Monthly reconciliation meetings should be introduced. This would avoid the year-end “task” and better adhere to modern financial requirements of up to date accounting information (i.e. accounting record reconciled with CS-DRMS debt record which in turn is verified to lender statements).

Procedures. Clear written procedures prepared and distributed (especially to both MDA and projects) indicating requisite public debt arrangements, use of authorised bank accounts, and project financial requirements and timetabling.

Grants. A review of procedures associated with donor grants but which do not form part of public debt, but should however be undertaken to ensure sound utilisation of funds and adherence to financial standards. This may usefully be cross-referenced to the STA project.

4.10. PAYROLL

4.10.1. Employees without NASSIT Numbers

2,981 employees on the payroll did not have National Social Security and Insurance Trust Numbers. Upon further enquiry no convincing explanation was given to us.

4.10.2. Salaries paid to retired staff

Salaries totalling Le96.7 million were paid to retired staff. Their names were yet to be deleted from the payroll. We were told that the names of employees can only be deleted from the payroll “When the retirement file is sent from the MDA whose staff is affected to the Accountant General”. In addition, the payroll system had no built-in detection or prevention controls to prompt the imminent retirement of staff or to stop the salaries of staff.

4.10.3. Employees above Retirement age but still in the payroll

587 staff members of the civil service were above the retirement age and documents, to justify their continued employment, were only provided for 27 meaning that documentary evidence was not provided for the remaining 560.

4.10.4. Employees without Designation

There were 47 staff on the payroll system whose designations cannot be ascertained, i.e. the purpose for which they were employed and their current positions.

4.11. THE NATIONAL REVENUE AUTHORITY

In 2011, my Annual Report contained a chapter exclusively devoted to the National Revenue Authority. We commend the NRA for achieving serious growth in tax revenue in general to the point where 60% of the State budget is covered by internally generated collections without donor funds. However, based on our review of the NRA, conducted as part of the annual audit of the Public Accounts, we remain unconvinced that many of our recommendations have been adequately addressed. The following observations support our view that much more needs to be done and we will be doing in-depth follow-up audits in the coming year.

4.12. DOMESTIC REVENUE

4.12.1. Database not Regularly Updated

The NRA did not maintain a comprehensive database of all registered businesses. We also noted that the distinction between small and medium tax payers was not clear as they had not been classified based on their turnover as in the case of large tax payers. The number of Large Tax Payers (LTP) in 2011 was 150 and Small and Medium Tax Payers (SMTP) were 573. The same list was provided again in 2012 suggesting the list was not updated to take account of those taxpayers who had closed down businesses and new entrants.

4.12.2. Goods and Services Tax

- Despite requests made for the production of dishonoured cheques registers, it was confirmed that no such ledger was maintained to record these transactions.
- During the reconciliation of the receipt issue-ledger, it was observed that 42 used receipt books were not produced for audit inspection which led to the team being unable to reconcile receipt totals to bank statements.
- In an interview with the officer in charge of GST registration and examination of completed forms, the team noted that for completed application forms returned to the Tax Payers Service (TPS) unit, there was no evidence to confirm that returned application forms were reviewed prior to being put into the system. Also, we were unable to verify that all completed forms received by TPS were entered into the VIPS software as there was no trail in the process

4.12.3. Customs and Excise

- I noted that in a number of revenue generating areas there were variances between revenue collected and paid into the bank accounts.
- From our review, we noted that from 22 vehicles, six were not accounted for since there were no documentary evidence to suggest that they were truly released to the owners.
- A review of payment plans for 2011 and 2012 financial years was carried out. The objective was to ascertain the completeness of payment for the two financial years. We observed that amounts totalling Le 691 million in respect of TIGO, a telecommunications company, and the firm ATMARN were still outstanding.

4.13. NONE TAX REVENUE (NTR)

- Having traced the receipts to the revenue cash book, one receipt book (6011651-6011700), with a total value of Le45 million as per revenue cashbook, was not presented for audit.
- For the period under review, postings in the NRA National Registration Secretariat cashbook did not agree with those made in the Rokel Commercial Bank statement. The sum of Le6 million was posted in the NRA cashbook as revenue for which receipts were issued but we were unable to trace this money to the relevant bank statement.
- Differences were noted between total passports printed for the out-stations and the total revenue reported as collections which amounted to Le136 million.
- From samples selected, it was observed that revenue collected from Makeni for the period 27 March 2012 to 30 April 2012 totalling Le11 million was not seen on the banked statement and in the NTR revenue banking records.
- Bank statements were not submitted for revenue collected and deposited to the Sierra Leone Commercial Bank Account No. 001-116419-03-00-04 for the period January 5, 2012 to 27 March 2012 amounting to Le 56 million. In addition, these deposits could not be traced to the NTR revenue banking records.

4.13.1. Income Tax Department

- Forty Corporation Tax Files from SMTO records were selected for tax audit purposes. Out of these, only 19 files were presented for audit purpose. From a review of these files, it was observed that there were no Corporation Tax Returns for the taxpayers, and there was no evidence that NRA had levied penalties on taxpayers for failing to submit their tax returns.

- In line with generally accepted practice, taxpayers carry out self-assessments at the beginning of the tax year. It is expected and required that taxpayers should send in their corporation tax returns not later than 31st March the following accounting year. These returns can either agree or disagree with the initial provisional assessment. It is the responsibility of the NRA Audit and Assessment Unit to audit the taxpayers' account for tax and PAYE computation. The objective is to ascertain whether the accounts are complete and accurate. However, from our review there was no evidence that audits had been carried out during the period under review.

4.13.2. Petroleum Bonded Warehouse

- The quantity of petroleum products imported and stored in the Petroleum Company warehouses was not recorded on the ASYCUDA system to enable the NRA to have visibility and to monitor the stock maintained at these bonded warehouses.
- We were told this was because the ASYCUDA system quantity field had a six character limit. The huge number of litres imported cannot always be accommodated. However, we confirmed with the ASYCUDA project manager that a work-around existed for the ASYCUDA system to accommodate these values through the splitting of the imported quantity on the system. Consequently, warehousing of consignments was done on a piecemeal basis, i.e. warehousing quantities received and issuing took place simultaneously. Therefore, it was difficult for ASYCUDA to ascertain the actual book stock balance at the various petroleum bonded warehouses.
- We observed that the C27 sheets submitted by the resident officers at National Petroleum and Leone Oil Companies did not have weekly uplift schedules attached. As such, the audit team was unable to reconcile the C 27 sheets and the weekly sales information.

4.13.3. Non-payment of import and excise duties

For the period 1st January to 30th June 2012 import and excise duty was not paid by the Oil Marketing Company (OMC). In an interview with the Officer-in-Charge of the Warehouse Unit it was revealed that the amount was paid through a cross debt settlement with the government. However, reconciliations to justify the actual payments made by OMC were not produced for audit. From the records submitted by the Resident Officer at Total Petroleum Company for Jet A1 deliveries to African Minerals there was no evidence of duty payments to NRA.

4.13.4. Duty Free given to Individuals/Institutions who did not meet the Eligibility Criteria

- Duty Free concessions were given to individuals/institutions who did not meet the eligibility criteria as set out in the Finance Act. **The total duty lost as a result of this was Le43 billion.**
- For any NGO to be given duty free concession, it must be registered with MoFED. In our review of the List of NGOs who had registered and renewed their licenses, we found out that **21 were given duty free concessions, even though they had neither registered nor renewed their licenses. The duty lost as a result of the approval by MoFED amounted to Le 844 million.**
- After comparing the approved schedule of individuals and institutions that were given duty waiver conditions and the ASYCUDA listings, we noted that 24 beneficiaries granted duty waiver were missing in the ASYCUDA listings of individuals and institutions granted such waivers. The value of the approved duty waivers granted to them amounted to Le205 million.

4.14. THE TREASURY SINGLE ACCOUNT (TSA) CONCEPT

In March 2012 MoFED and the Accountant General's Department initiated a study of the TSA concept with a view to its adoption by the Government of Sierra Leone. We commend the Financial Secretary and his officials for taking up this project as it will greatly contribute towards establishing internal control over cash and banking procedures, a matter over which this office has for many years expressed the most serious concerns.

TSA Defined

A treasury single account (TSA) can be defined as 'a unified structure of government bank accounts, enabling consolidation and optimum utilization of government cash resources'. It separates controls at the transaction level from cash management as a whole. In other words, a TSA is a set of linked bank accounts through which the government transacts all its receipts and payments and at the end of each day, it receives a consolidated view of its cash position.

Importance of TSA

A TSA is an essential tool for consolidating and managing the cash resources of government. In countries where the banking arrangements of government are fragmented like ours, the establishment of a TSA should receive priority in the public financial management reform agenda. Adopted successfully in many countries, Sierra Leone can draw on its lessons and experience in establishing a TSA.

The banking arrangements of government are a significant factor in managing and controlling the cash resources of government. They are crucial in ensuring that:

- taxes and non-tax revenues are collected and paid promptly and accurately; and
- cash balances are optimally managed so as to reduce borrowing costs of government (or to maximize returns on surplus cash).

This can be achieved by establishing a unified structure of government bank accounts via a TSA system. A TSA is considered an essential prerequisite for modern public sector cash management and is an effective tool for any ministry of finance/treasury to establish oversight and centralized control over the cash resources of government. It enhances the overall effectiveness of a Public Financial Management (PFM). The establishment of a TSA should, therefore, receive priority in any PFM reform agenda.

Situation Analysis

At the moment the government of Sierra Leone has more than 1,000 accounts in different commercial banks. According to MoFED the banks charge about 20%² interest on loans which accumulated to Le 254 billion for domestic debt in 2012 alone. Good cash management seeks to reduce spending arrears and delayed payment by government to its suppliers. For instance, domestic suppliers' arrears increased by 34% in 2012. There are instances where suppliers react by raising prices higher than they would have been because they want to compensate for the anticipated late payment by government.

²MoFED Press Release, *Finance Ministry Introduces Treasury Single Account*, 27 February 2013

Furthermore, Treasury Transit Accounts, previously commented on above, are used by the NRA to collect money on behalf of the government. Money from these accounts, according to the MOU signed between the NRA and various commercial banks should be transferred to the Consolidated Fund within 24 hours throughout the year and be closed out fully on 31st December each financial year. However, this is not always observed. There are instances where moneys are either transferred in the following financial year or not transferred at all; consequently Government Domestic Revenue at the year end as presented in the Public Accounts does not include all moneys collected and is therefore understated.

Status of TSA in Sierra Leone

Discussions with officials of the AGD revealed that the following has been done since the declaration by the Minister of Finance in March, 2013 regarding the introduction of the TSA in Sierra Leone:

- Revised Terms of Reference (ToR) for the procurement of technical specialist have been completed but await the approval by the Accountant General.
- A major donor has indicated willingness to fund the project.
- The inventory of all Government bank accounts has been completed.
- A database designed to maintain records of all MoFED authorized bank accounts and the signatories has been established.
- The working group on TSA has had its first meeting.
- A small delegation was sent to Liberia to view operation of the TSA there, but it transpired, it has no TSA process.
- A presentation was made at State House with the objective of gathering political support for the initiative.
- Meetings between the Minister of Finance and managing directors of commercial banks have been held.
- Bi-lateral meetings have been held with the three banks, namely Sierra Leone Commercial Bank, Rokel Commercial Bank and First Internal Bank as they hold significant balances on behalf of the government.
- A letter has been sent to the Governor of BSL, as the central and supervising bank, to request all commercial banks to submit on daily basis balances on commercial bank accounts so far determined for the TSA inclusion.
- The following banks are now reporting in response to the request of the BSL:
 - Sierra Leone Commercial Bank
 - Standard Chartered Bank
 - EcoBank
 - Rokel Commercial Bank
 - First International Bank
 - Access Bank
 - International Commercial Bank
 - United Bank of Africa
 - Bank PHB
 - Zenith Commercial Bank
- Furthermore, the Deputy Accountant General I, reported that efforts were underway to computerise the reporting aspect of the banks. The BSL is at present modernising its banking system with T24 software which is said to have the capabilities of assisting the TSA system.

TSA Principles

An effective TSA system should be founded on the following principles:

- The government banking arrangement should be unified, to enable Ministry of Finance/Treasury oversight of government cash flows in and out of these bank accounts and allow complete fungibility of all cash resources, including on a real-time basis, if electronic banking is in place. A TSA structure can contain ledger sub-accounts in a single banking institution (not necessarily a Central Bank) and can accommodate external zero-balance accounts (ZBAs) in a number of commercial banks. These separate accounts should be integrated with a top account (called the TSA main account) usually at the Central Bank for netting off their balances (usually at the end of each day) to get the consolidated cash position.
- No other government agency should operate bank accounts outside the oversight of the treasury. Institutional structures and transaction processing arrangements determine how a TSA is accessed and operated. The treasury, as the chief financial agent of the government, should manage the government's cash (and debt) positions to ensure that sufficient funds are available to meet financial obligations, idle cash is efficiently invested, and debt is optimally issued according to the appropriate statutes. In some cases, debt management including issuance of debt should be done by Public Debt Management Unit (PDMU).
- The TSA should have a comprehensive coverage, i.e., it should ideally include cash balances of all government entities, both budgetary and extra budgetary, to ensure full consolidation of government's cash resources.

4.15. TABLE 1 OUTSTANDING ISSUES IN PREVIOUS AUDITS

No	Outstanding Issues in Previous Audits	Management Response in Prior year	Current Status	Management Response in Current Audit
1	Inadequate control over collection, banking, recording, and reporting of Financial transactions	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.
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 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 were not captured.	We note your findings and wish to inform you that we have made significant progress in bringing donor disbursements as 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	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 place to ensure that paid unused modules are used.
6	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 removed from the Public Accounts. Debt owed by SALPOST has still not been recovered. Nonetheless no steps have been taken.	The Head, Public Debt Unit has been informed and a payment plan will be negotiated with the management of SALPOST.
7	Non-Disclosure of Revenue Arrears.	Will work with NRA for resolution.	Revenue Arrears were disclosed in the accounts but there was no break down to show the indebted institutions and business houses.	The National Revenue Authority did not provide us with information in this regard.
8	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 forthcoming year.

No	Outstanding Issues in Previous Audits	Management Response in Prior year	Current Status	Management Response in Current Audit
9	Un-presented Documents for Audit Inspection.	Your concerns have been forwarded to the Management of NRA.	Continued progress noted at AGD and at NRA.	Your concerns have been forwarded to the management of NRA.
10	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.	Considerable progress has been made. All nine (9) commercial banks responded.	More punitive action will be taken to enforce the banks to respond and on time.

CHAPTER 5

REVIEW OF THE NATIONAL SOCIAL SECURITY AND INSURANCE TRUST (NASSIT)

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MAIN POINTS

- **What we examined**

We did two audits. One was the annual audit of the Trust Financial Statement for the period 1st January to 31st December 2010. The second was the performance audit of waiting time for processing and payment of retirement benefits for the period 2008-2012. This report combines the observations and recommendations arising from those audits. Note that it does not include the Auditor General's opinion on the financial statements. The opinion will be attached to the Board approved financial statements and be published with NASSIT's Annual Report.

- **Why it is important**

The National Social Security and Insurance Trust is the only statutory body charged with the administration of the Sierra Leone Pension Scheme. It is a contributory Scheme: financed from contributions by employers and employees. Since its inception in 2002, the Trust has collected a large amount of contributions from its members, paid benefits and also invested contributions collected in various classes of investments. Citizens and their representatives in parliament have a need and a right to have independent assurance that systems and procedures employed by NASSIT for the collection of contributions, payments of benefits and the investment of funds collected are sound and free from corruption and fraud.

The payment of retirement benefits (gratuities, grants and pensions) is very important to beneficiaries. It is the right of every registered member of the scheme who has fulfilled all the conditions to get accurate and prompt payment of his benefits whenever a contingency occurs.

Over the years, the Trust has undertaken large amounts of investments in various sectors of the economy, particularly socially targeted investment. It's imperative that stakeholders of the scheme get independent assurance about the overall financial viability of NASSIT in the light of the investment decision undertaken. The long term viability of any social security scheme depends on the success of its investment portfolio.

- **What we found**

There are fundamental problems in processing and paying retirement benefits that need to be addressed. During the period 2008 to 2012, it took NASSIT an average of 58 days to process and deliver payments to retirees. The objective to promptly process and pay old age benefits within NASSIT's target of 15 days was not met in 2012. We also noted the following:

- Would-be retirees were not notified by NASSIT prior to their retirement.
- There were long waiting times for the provincial regions with north and south taking on average an additional 13 days.
- Private sector pensioners with contribution gaps had an average waiting time of 85 days.
- Members were not well sensitised on how to apply for their benefits before retirement. This seems to be why most retirees could not present the complete set of documents at their first applications and also promptly collect their cheques when available.
- NASSIT had only validated 13,638 out of 59,442 eligible employees of the Government of Sierra Leone whose past services NASSIT should have validated by 2011.
- NASSIT does not have a file tracking and retrieval system at the records section and the files were not properly stored.
- The NAPOS computer system calculates benefits twice a month. Benefit applications coming in after a run date are not processed until the next run date.

There were serious problems in need of being addressed at the most basic level. The systems and procedures by which the Trust collects contributions, pays benefits and also the manner in which Trust funds have been invested needs to be considered by the Board as a matter of urgency. The deficiency in these systems would seriously affect the capability of the Trust in achieving its statutory mandate; some of these deficiencies were as follows:

- The audited financial statements of the Trust subsidiaries and associates, namely Sierra Ferries Ltd. and West Africa Holding Ltd. were not provided.
- There are stale-dated cheques totalling Le815,292,000 arising from non-collection of retirement benefits and gratuity payments.
- The Trust did not prepare consolidated accounts incorporating its subsidiaries, associates and joint ventures as required by accounting standards.
- US\$225,000 was paid to SBTS Group as systems maintenance fees, although no contract existed.
- Loan agreements, totalling Le7,020,717,000 were not made available for audit inspection.

NASSIT has made some progress on ICT with the upgrade of NASSIT Area Pension Operating System but much more work is needed to improve overall operating efficiency and effectiveness.

Some 32% of the Trust's funds, valued at cost, are tied up in investments and loans to subsidiaries and associated companies, which are largely commercial in nature; some of these appear to have lost value significantly. Section 7(2) of the National Social Security and Insurance Trust Act (2001) states that:

“The Board shall, in approving any investment, take into consideration the following:

- a. the safety and yield of the investment;
- b. the liquidity of the investment;
- c. the need to maintain the real value and spread of the investment;
- d. the maintenance of the fund and diversification of the portfolio of the investment; and
- e. the harmony of the investment with the public interest.”

We are not saying or implying that in undertaking such investments and loans the Board is acting *ultra vires* the Trust's enabling legislation. That would be a matter for a formal legal opinion and we have not requested such an opinion from legal counsel. However, what is apparent is that some of these investments and associated loans (despite having ostensibly sound business plans to support them initially) are now of doubtful value, seriously impaired and do not meet the liquidity test inherent in Section 7(2)(b) quoted above and perhaps never did. We do appreciate that there is social capital associated with some of these investments and therefore they may fall within the meaning of Section 7(2)(e) but it seems to us that investments need to substantively comply with all of section 7(2).

The failure to address fundamental weaknesses in its investment decisions, contributions collection and the payment of benefits lead us to conclude that that Board of Trustees is failing in its responsibility to provide control and supervision as required by Section 8(1) of the NASSIT Act 2001.

5.1 ABOUT THIS CHAPTER

We did two audits. One was the annual statutory audit of the Trust's financial statements for the period 1st January to 31st December 2010. The second was the performance audit of waiting time on the processing and payment of retirement benefits for the period 2008-2012. This chapter combines the observations and recommendations arising from those audits but does not include the Auditor General's opinion on the financial statements. It will be published in due course with and when the financial statements have been approved by the Board of Trustees.

The chapter has two distinct parts:

Part I provides an overview of NASSIT's enabling legislation, its governance structure, it contains an analysis of its operations and in places draws on international best practices for similar pension organisations as a comparative benchmark for the Trust.

Part II is a reproduction of the Management Letter (ML) issued during the audit of the 2010 financial statements and the performance audit of benefit waiting times for the period 2008-2012. It includes officials' responses to the ML and, where appropriate, ASSL's verification report on those responses.

5.2 AUDIT OBJECTIVES

The primary objective of the audit was to ascertain whether funds generated by the Trust and public funds allocated to the Trust were utilised for their intended purposes in accordance with applicable rules and regulations. This audit also assesses the length of time it took NASSIT to process and pay benefits.

Other objectives were:

- To assess the strength of Internal Controls;
- To assess the level of compliance with financial and non-financial regulations; and
- To ascertain whether books, records/documents were complete and accurate

The audit also focused on answering to the following questions:

- Are procedures for the payment of gratuity and pension followed?
- Are the members' accounts well administered?

5.3 SCOPE AND METHODOLOGY

The financial audit component covered the financial statements for the 2010 fiscal period and the performance audit component covered the period 2008 to 2012 and included all four regional offices of NASSIT

The financial audit was conducted in accordance with the International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements as well as planning and performing the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

The performance audit was carried out in accordance with the financial audit manual of ASSL and the AFROSAI-E *Guidelines on Waiting Time Performance Audit (2008)*. In understanding the control system, interviews were conducted with personnel responsible for all the key systems identified.

5.4 OVERVIEW OF THE NATIONAL SOCIAL SECURITY AND INSURANCE TRUST

5.4.1. Background

After the civil war a social security scheme was established under the mandate of the Ministry of Labour, as part of the process of rehabilitation, reconstruction and resettlement geared towards sustainable peace, good governance, socio-economic development and political advancement.

The legislation establishing the Scheme, the *National Social Security and Insurance Trust Act*, was enacted into law on 20th July 2001.

5.4.2. The Scheme

NASSIT is a statutory Public Trust charged with the responsibility of administering Sierra Leone's National Pension Scheme. The primary responsibility of the Trust is the part replacement of income in old age, during invalidity, and the payment of benefits to the dependants of deceased members. Membership is compulsory for all workers, and optional for self-employed persons. It is incumbent on employers to ensure that their workers are registered with the Scheme.

The Scheme has the following features:

- It is contributory, financed from contributions by employers and employees.
- It is a defined benefit social insurance scheme where members contribute during their working life and are paid benefits at the onset of any of the three contingencies of old age, invalidity and death.
- It is index-linked; pensions are regularly reviewed and adjusted in line with national salary increases.
- It is portable; credits are transferable from one place of work to another.

In order to achieve its corporate objectives the Trust performs the following basic functions: registration of members; collection of contributions; keeping record of all members; management of the funds of the Scheme; and processing of benefits for payment.

5.4.3. Governance

NASSIT is governed by a fifteen-member Board of Trustees, responsible for the control and supervision of the Trust. The Director General who is appointed by the President subject to the approval of Parliament is responsible for the day to day management of the Trust.

The Board members are drawn from the government, employers and employees. It is made up of a Chairman, the Director General, and two representatives from the Employers' Federation and the Sierra Leone Labour Congress, with one representative from the following sectors:

- Ministry of Labour, Social Security and Industrial Relations;
- Ministry of Finance;
- Bank of Sierra Leone;
- Sierra Leone Teachers' Union;
- Forces;
- Civil Servants Union;
- Ministry of Social Welfare, Gender and Children's Affairs;
- Sierra Leone Insurance Association; and
- Social Security Pensioners' Association.

5.4.4. Organisational Structure

The Trust is headed by the Director General who is supported by two Deputy Directors General. The Deputy Director General I is responsible for Membership, Finance, Systems and Technology. The Deputy Director General II is responsible for Administration, Human Resource, Public Affairs and Customer Service. NASSIT has its headquarters in Freetown with branches in Bo, Kenema and Makeni. Each Regional office is headed by a Regional Manager.

5.4.5. Financing

The ultimate objective of social security systems is to honour benefits when they are due. This requires, first of all, financial sustainability. The Scheme is financed from three sources namely:

- Contributions;
- Investment income; and
- Penalty and Interest on delayed contribution.

NASSIT also receives contributions from the State to pay pensions to former civil servants already in payment at the scheme's date of inception. NASSIT only administers the payment of these pensions and is reimbursed for the amounts paid plus related administrative costs.

5.5 THE ADMINISTRATION AND MANAGEMENT OF NASSIT

5.5.1. General

Social security is defined as any programme of social protection established by legislation, or any other mandatory arrangement, that provides individuals with a degree of income security when faced with the contingencies of old age, survivorship, incapacity, disability, unemployment or rearing children. In some Jurisdiction Schemes may also offer access to curative or preventive medical care.

5.5.2. Contribution

Contribution is the main source from which the Trust derives its income. The employer deducts 5% from the employee's earnings and pays another 10% on behalf of the employee, to give a total contribution of 15%. Self-employed persons may join the Scheme as voluntary contributors, paying the full 15% on their declared income.

Success in contribution collection and compliance is essential for the success and financial viability of any Social Security scheme.

Table No. 5.1 - Annual Income ³ (Le Billions)				
Source of Income	2007	2008	2009	2010
Contribution	72,006,492	62,234,757	80,860,772	100,176,683
Formal Public Sector	37,495,065	29,327,216	49,071,632	65,056,743
Formal Private Sector	34,511,427	32,907,541	31,789,140	35,119,940

³Source- NASSIT Audited Financial Statements

Table No. 5.1 - Annual Income3 (Le Billions)				
Source of Income	2007	2008	2009	2010
Purchase of Credit	147,129	82,565		
Penalty & Interest	48,587	22,224	58,815	72,197
Investment		24,089,045	17,622,052	20,557,075
Other		613,162	473,342	472,316
Total		86,959,188	99,014,981	121,278,271

Contributions comprise more than 80% of the income received by the Trust, the majority of it was from the formal public sector during the years 2007, 2009 and 2010. The Contribution of the formal public sector is increasing at a higher rate than the formal private sector which has fluctuated over the years.

Table No. 5.2 - Employees Covered by the Scheme			
Year	Member Beneficiaries		
	Public	Private	Total
2008	77,368	70,025	147,393
2009	75,023	78,747	153,770
2010	77,076	87,708	164,784
2011	79,194	99,832	179,026

As at 2010, the total number of members covered by the Scheme was 164,784, forty six percent (46%) from the public sector and 54% from the private sector. Although more private sector members were registered the public sector contributes more than the private sector – see Tables 5.1 and 5.2. The main reason for this inverse relationship is lower contribution compliance by the private sector.

The following are recommendations that the Trust may consider implementing to increase contribution and compliance. The Trust should consider:

- Developing a relationship model for its contribution collection. The focus should be on building a relationship with employers rather than simply relying on the law to enforce contribution collection. Employers should be classified according to their level of compliance for monitoring and enforcement.
- Establishing a working relationship with key institutions including private and government agencies. For example, the Trust should consider establishing a relationship with the National Revenue Authority and the Office of Administrator and Registrar General to create a one stop service counter and to more easily keep track of employers and employees of the Scheme.
- Redesign its contribution collection business process. Its focus should not only be on contribution collection but also on capturing accurate and complete data. Effective management of contributors' data is critical in every social security system since it offers assurance to contributors that statements of account are complete and accurate and facilitate the prompt processing of benefits. Employers with a computerised payroll system should be encouraged to submit their data electronically, also transmit the data online for validation and feedback before payment.
- Develop electronic transfer of contribution and submission of returns in partnership with banks, particularly with banks that have large deposits of the Trust funds. With these, banks would be able to transfer collections to the Trust's account with complete and

proper details. It would also enable the Trust to do daily reconciliation of contributions received.

- Permit employers to submit electronic returns through institutional electronic arrangements, the Trust would more readily be able to direct real-time database update, replacing cumbersome manual procedures.

5.6 INVESTMENT

This is the second largest source of Trust income. Funds are held by social security schemes in order to safeguard their ability to pay benefits and provide services. Social Security funds are also held to generate investment income to finance benefits and services. The following is an excerpt from the draft *Guidelines for the Investment of Social Security Funds*, being developed by the Investment Study Group of the *International Social Security Association (ISSA)*:

“A sound governance structure is essential for the effective investment of social security funds. The governance structure should ensure an appropriate division of operational and oversight responsibilities, and the suitability and accountability of those with such responsibilities. The responsibilities of the governing body should be consistent with the overriding objective of the social security scheme, which is to pay the benefits and provide the services promised. The governing body should strive to maintain the financial sustainability of the social security scheme by monitoring and managing all the risks associated with the scheme, including in particular the demographic, financial and broader economic risks. Under the financial system adopted, the contribution level established and investment income should be sufficient to finance the benefits and services, risk management should be applied in the assessment of the long-term sustainability of the scheme.”

Table No. 5.3 Investment Portfolio								
Investments	2007		2008		2009		2010	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
	(Le'000)	(%)	(Le'000)	(%)	(Le'000)	(%)	(Le'000)	(%)
Land	728,469	0.37%	731,652		731,652	0.26%	14,339,242	4.17%
Call Deposits	18,299,762	9.41%	57,143,549	25.58%	7,004,688	2.49%	20,207,841	5.88%
Fixed Deposits	4,530,000	2.33%	52,655,400	23.57%	88,253,916	31.41%	61,321,421	17.85%
Govt Securities	122,746,750	63.10%	28,739,900	12.86%	62,313,600	22.18%	53,412,300	15.55%
Investments Property			7,222,920	3.23%	9,460,548	3.37%	21,690,672	6.31%
Equity	24,557,859	12.62%	26,067,610	11.67%	48,303,547	17.19%	56,603,547	16.48%
Sea view Estates	14,903,928	7.66%	18,205,616	8.15%	18,347,757	6.53%	33,352,714	9.71%
Corporate Debenture	8,766,607	4.51%	8,266,607	3.70%	8,266,607	2.94%	8,266,607	2.41%
Investments under construction			10,210,675	4.57%	20,037,690	7.13%	47,448,174	13.81%
Sierra Ferries			14,159,373	6.34%	18,257,302	6.50%	26,849,867	7.82%
Total	194,533,375	100%	223,403,302	100%	280,977,307	100%	343,492,385	100.00%

Table 5.3 gives a breakdown of the Trust's global investment portfolio covering 2007-2010. Over the years the largest concentration of the Trust investment portfolio is on call and fixed deposits and government securities. As at 2007, the Trust had 74% of its investment in GoSL securities and term deposits with other financial institution in Sierra Leone. This concentration has been reducing over the years, such that as of 2010, the Trust only had 39% of its portfolio in this class of investment.

The second highest concentration of investment is in equities, these comprise mainly investments in subsidiaries and associates. As at 2007 the percentage was 12.6%, but the concentration in this class has fluctuated over the years.

Table No. 5.4 - Investment Income						
	2008		2009		2010	
	Amount (Le'000)	Share %	Amount (Le'000)	Share %	Amount (Le'000)	Share %
Term Deposits	4,467,252	18.5%	8,877,991	50%	10,394,579	50.6%
Treasury Bills	17,759,158	73.7%	7,767,368	44%	9,051,162	44.0%
Corporate Debenture	923,661	3.8%	485,963	3%	71,561	0.3%
Dividend Income	4,574	0.0%	157,833	1%	268,390	1.3%
Other	738,380	3.1%				
Call Deposits	196,020	0.8%	332,987	2%	771,383	3.8%
TOTAL	24,089,045	100%	17,622,142	100%	20,557,075	100%

Table 5.4 gives an overview of the Trust investment income from 2008 to 2010. It can be seen that over 93% of the Trust investment income is derived from term deposits and treasury bills. Even though the Trust has been reducing its concentration in these, it remains heavily reliant on this class of securities which exposes it to any fall in interest rates or other financial crisis.

Table No. 5.5 – Equity Investments and Trust Receivables									
Company	% Holdings			Value of Equity			Loans Receivable		
	2008	2009	2010	Le '000' 2008	Le '000' 2009	Le '000' 2010	Le '000' 2008	Le '000' 2009	Le '000' 2010
Sierra Concrete Products Ltd	60%	60%	60%	7,110,000	7,110,000	7,110,000	8,266,607	8,266,607	8,266,607
Regimanuel Gray SL Ltd	40%	40%	40%	6,000,000	7,498,880	7,498,880		8,317,956	6,657,015
Kimbima Hotel Limited	60%	60%	60%	5,296,414	5,296,414	5,296,414	83,612	3,832,228	3,832,312
SN Alliance(SL) Ltd	50%	50%		3,000,000	3,000,000				
Home Finance company		99%	99%		19,800,000	31,100,000			
Eco Bank Transnational				4,543,667	4,543,667	4,543,667			
Gouji Property Investment				110,524					
Sierra Leone Brewery Limited				7,005	43,054	43,054			
Rokel					570,692	570,692			

Commercial Bank									
Standard Chartered Bank (SL) Ltd					440,840	440,840			
Total				26,067,610	48,303,547	56,603,547			

Table 5.5 shows a breakdown of the Trust investment in equity and its percentage holdings. There has been an increase in investment in equities by the Trust. Investments increased by 85% in 2009 and 17% in 2010. **Despite this increase the Trust has not received much dividend income.**

Table 5.5 also shows the amount of loans that have been given by the Trust to subsidiaries and associates that are still outstanding as at the 2010 financial year.

Table No. 5.6 – Investment in Assets Under Construction			
	Le 000 2008	Le 000 2009	Le 000 2010
Name			
Affordable Housing	2,090,289	6,215,861	10,419,356
Makeni Shopping Plaza	91,753	375,253	6,415,623
Bintumani Conference Centre	880,260	880,260	11,353,175
Bo Shopping Plaza		298,500	5,117,827
Kenema Shopping Plaza	7,148,373	12,267,816	14,142,193
TOTAL	10,210,675	20,037,690	47,448,174

Table 5.6 gives a breakdown of the Trust in investments under construction. These are socially targeted investments.

A sound governance structure is essential for the effective investment of social security funds. The governance structure should ensure an appropriate division of operational and oversight responsibilities, and the suitability and accountability of those with such responsibilities.

The following, based on best practice, are recommendations for the proper and effective management of the Trust investment portfolio:

- The Board should not be subject to political interference. It should carry out its function within the legal framework establishing the Trust and in the best interest of scheme members, beneficiaries and other stakeholders. The governing body also should not release itself from responsibility by delegating some functions to other service providers but should retain responsibility for monitoring and oversight of those service providers⁴.
- The Trust should seek to reduce the overconcentration of its investments on one particular class of assets or investments. As has been discussed above, the Trust has major concentration on term deposit and government treasury bills.

⁴ISSA Technical Report on the Guidelines for the investment of Social Security Funds

- For companies that the Trust has an interest in and a representation on the Board, it should ensure that there is proper alignment and compatibility between the Trust social security objectives and the corporate objectives of those companies, in order to reduce or avoid conflicts of interest
- The Investment Division of the Trust should develop and implement a communication strategy wherein they will provide regular updates to the public and the media about its investments, detailing at least in broad terms, the rationale for taking certain decisions and the rate of return. This would improve the public image of the Trust and raise its profile. This type of proactive public relations would likely result in fewer enquiries about the manner in which people's moneys have or are being used.
- Members of the Investment Division should be subject to minimum suitability standards to ensure a high level of integrity and professionalism in governance when taking investment decisions. There should be clear grounds and liability for all staff and officers involved in the managements of the Trust funds.
- The Trust should establish a code of ethics, transparency and accountability which should be embedded in the investment decision making process and in the system of checks and balances external to the investment unit. In short, the code of ethics should drive the corporate culture.

5.7 ANALYSIS OF GENERAL AND ADMINISTRATIVE EXPENSES

Table 5.7 below shows the evolution of General and Administrative expenses over recent years. From 2008 to 2009, the general administrative cost of the Trust increased by 16.5% while from 2009 to 2010 the cost of running the Trust increased by 1.5%.

Table No. 5.7 Analysis of General and Administrative Expenses			
Item	2008	2009	2010
Staff Expenses	15,560,849	18,548,000	20,542,822
General expenses	9,996,894	11,883,362	10,197,957
Depreciation	2,730,414	3,313,437	3,019,487
Utilities	710,103	873,952	1,306,614
Finance Expenses	193,912	351,733	446,486
Total	29,192,172	34,970,484	35,513,366

An Analysis of the items that made up the Administrative expenses indicates that staff cost comprise of more than 50% of the total General and Administrative expenses. The second highest expense line is General Expenses which are made up of general repairs and maintenance and all other expenses excluding depreciation, utilities and financial charges.

Table No.5.8 Workforce (No. of Employees)				
	2007	2008	2009	2010
Head Office	80	135	130	127
	80	135	130	127
NDB Building, Freetown	37	-	-	-
	37	-	-	-
West Region	77	71	64	70

Table No.5.8 Workforce (No. of Employees)				
	2007	2008	2009	2010
	84	71	64	70
North Region	21	24	25	26
	26	24	25	26
East Region	16	19	17	17
	20	19	17	17
South Region	18	21	18	18
	21	21	18	18
Total	249	270	254	258

From Table 5.8 it can be seen that the number of staff employed by the Trust peaked in 2008 reaching 270 employees and is now down to 258. Notwithstanding staff fluctuation the cost in terms of expenses has been progressively increasing. During 2009 and 2010 staff cost increased by 19% and 10% respectively.

For developed and advanced Schemes, General and Administrative expenses usually represent a rather low proportion of the overall insurable earnings. In younger schemes, obviously, several costs are incurred that are linked to the initiation of the Scheme such as: staff training, building the IT infrastructure, implementation of a mechanism to collect contributions and pay benefits, etc. It is important that the Trust should monitor the level of General and Administrative Expenses. This will provide an indication of the efficiency and financial viability of the Scheme. One particular important comparative indicator is the percentage of the level of administrative cost to insurable earnings.

Table No. 5.9 Ratio of Administrative Costs to Insurable Earnings ⁵			
	2008	2009	2010
Contribution Income (Le Million)	62,234	80,860	100,176
Administrative Expenses(Le Million)	29,192	34,970	35,513
Insurable Earnings (Le Million)	414,893	539,066	667,840
Admin Expense/Insurable Earnings(%)	7.0%	6.5%	5.3%

Table 5.9 shows the ratio of administrative expenses to insurable earning used by Schemes to monitor the level of administrative expenditure and also used by the International Labour Organisation as a benchmark in evaluating the efficiency of social security schemes. The standard safety percentage is 5%. For NASSIT the ratio has been gradually reducing from 7% in 2008 to 5.3% in 2010.

⁵Audited Financial Statements, calculations by auditor

5.8 BENEFITS

The Strategic objective for benefits as stated in NASSIT Strategic Plans is to:

“Process and pay social security benefits accurately, securely and promptly to members”.

It lays down a target of 15 days as the Key Performance Indicator (KPI) for payments. In order to qualify for retirement benefit, the applicant must be 60 years old and have contributed or earned credits for at least 180 months.

Table No. 5.10 Beneficiaries claims processed and Paid (in billions Leones) 2008 – 2012 ⁶										
CATEGORY	2008		2009		2010		2011		2012	
	NO.	AMOUNT (Le 000)	NO.	AMOUNT (Le 000)	NO.	AMOUNT (Le 000)	NO.	AMOUNT (Le 000)	NO.	AMOUNT (Le 000)
RETIREMENT	1,120									
Pension	2,107	4,121,409	3,660	9,288,096	5,218	9,950,787	6,452	18,131,720	7,393	25,519,343
Gratuity	1,040	2,057,543	1,481	2,740,449	1,478	3,741,211	1,259	3,249,341	1,003	3,985,434
Grant	80	422,851	163	453,364	137	730,459	108	661,443	129	1,340,950
SURVIVOR	480	1,471,823								
Pensions	455	899,202	1,404	2,365,181	2,054	2,774,104	2,745	3,813,367	3,112	4,465,656
Gratuity	449	459,022	504	587,674	388	567,482	451	600,443	376	579,158
Grant	31	113,599	61	258,533	34	128,288	38	134,703	22	117,936
INVALIDITY	24	54,714								
Pensions	2	9,631	3	71,710	5	16,310	15	138,994	31	624,715
Gratuity	21	35,645	34	48,991	22	21,540	121	129,300	54	65,703
Grant	3	9,439	3	3,459	1	9,393	1	340	284	556,066
TOTAL PENSION	2,564	5,030,242	5,067	11,724,987	7,277	12,741,201	9,212	22,084,081	10,536	30,609,714
TOTAL GRATUITY	1,516	2,552,210	2,019	3,377,114	1,888	4,330,233	1,831	3,979,084	1,433	4,630,295
TOTAL GRANT	114	545,849	227	715,356	172	868,140	147	796,486	435	2,014,952
GRAND TOTAL	4,194	8,128,301	7,313	15,817,457	9,337	17,939,574	11,190	26,859,651	12,404	37,254,961

⁶ASSL's analysis of NASSIT's facts and figures, 2011, 2012

In the year 2012, 10,536 members received pensions from NASSIT. A total amount Le30,609,714,000 was paid out by NASSIT as pensions. On average each pensioner received Le2,905,250 in the year 2012. From the Table above, the total number of pensioners increased from 2,564 in the year 2008 to 10,536 in the year 2012. The NASSIT pension population grew by 411% from 2008 to 2012.

Table 5.11 Government Pension –in- Payment Processed⁷		
Year	Roll	Le ‘000
2008	18,538	11,031,841
2009	20,542	15,190,580
2010	19,258	17,678,352
2011	19,149	18,403,943
2012	Not provided	Not provided
TOTAL		

Government pensioners are those who retired from the public sector before NASSIT started operations in 2002. The administration of their pension fund was transferred to NASSIT from the Accountant General’s Department in 2002. In the year 2011, NASSIT had a total of 19,149 government pensioners and Le18,403,943,000 was paid out as pensions. In the year 2011, on average, each government pensioner received Le961,000. Data for government pensioners was not provided for 2012.

5.9 VALIDATION OF PAST SERVICES

In introducing NASSIT, the government recognised the potential problem of workers already aged 45 and above not being able to meet the minimum contributory period of 15 years before retirement and being deprived of the opportunity of earning a pension under the scheme. To remedy this the validation of past services of eligible Public Servants was introduced in May 2004. Validation is the process by which NASSIT verifies the length of service of all Government workers, whose names were on the Accountant General’s payroll on January 2002. It converts those into the scheme so that they receive benefits taking into consideration their length of service. This means, the benefits will be computed and paid monthly as if the member joined the scheme from when he/she started working with the Government.

5.10 ICT INFRASTRUCTURE

The use of Information and Communication Technology (ICT) is critical to the success of social security organisations. More and more have turned to information technology to develop solutions that enable delivery of high quality services, satisfying stakeholders and improving efficiency of key processes. The application of ICT has strategic impact not only in delivering service but it can also transform them.

The Trust uses an application called NASSIT Area Pension Operating System (NAPOS) for benefits payments, contribution collection and data gathering generally. Custom built for

⁷NASSIT facts and figures, 2011, 2012

NASSIT, it has been upgraded to NAPOS II now with the integration of a Biometric Registration module.

As at 2010, the Trust has incurred Le4,949,036,000 for the upgrade of NAPOS II which is still on-going. Capitalising on the advances of ICT, the Trust should re-engineer its business processes to improve on efficiency, lower administrative cost and reduce processing time of benefits payments.

The *International Social Security Association Technical Commission on Information Communication and Technology* has identified three areas in which ICT plays a significant role in delivering social security services:

- Citizen interaction and service quality - The quality of the interaction between institutions and citizen constitutes a key aspect for improving the effectiveness of service delivery.
- Scalable ICT platforms - To optimize performance, flexibility, scalability, cost and longevity, the selection of the technology platform is critical.
- Decision support systems and business intelligence - The decision making processes must be supported by accurate information and the appropriate tools to enable interactive exploration and analysis.

Examples abound where ICT is being used to reap service and efficiency benefits in developing countries. This is true in places as diverse as Gabon, Tunisia, Mauritius, Mauritania, Tanzania, Ghana, Côte d'Ivoire, Cape Verde and Uganda. NASSIT management may wish to consider looking at some of these apparent success stories.

5.11 NASSIT SUSTAINABILITY RATIOS

Table 5.12 gives an indication of the Trust's Sustainability Performance, the Trust's performance took a dip in 2009 due to an increase in general administration expenses and total benefit payments while there was a fall in investment income. In 2010, the Trust's performance shows a slight improvement although there was a reduction in general benefits coverage ratio from 1.30 to 1.18.

Table No. 5.12 NASSIT Asset Sustainability Ratio ⁸			
Item	2008	2009	2010
Investment income (Le Million)	24,089,045	17,622,052	20,557,075
General and Admin exp (Le Million)	29,192,172	34,970,484	35,513,366
Benefits coverage (Le Million)	7,873,415	13,587,585	17,478,419
Total expenses (Le Million)	37,065,587	48,558,069	52,991,785
General exp coverage ratio	0.83	0.50	0.58
Benefits coverage ratio	3.06	1.30	1.18
Total expenses coverage ratio	0.65	0.36	0.39

⁸NASSIT Audited Financial Statements, calculations by author

FINANCIAL AND PERFORMANCE AUDIT FINDINGS AND RECOMMENDATIONS

5.12 PROCUREMENT

5.12.1. SBTS Group Maintenance Contract

The Trust made payments amounting to US\$225,000 to the SBTS Group as maintenance fees even though there was no maintenance contract between the Trust and the SBTS Group. The Trust had asked the SBTS Group to stop all maintenance work with immediate effect, for which the SBTS Group had accepted and agreed to withdraw all their staff from the premises of the Trust.

Officials' Response

The BA/SBTS Group Limited was awarded the contract on April 26, 2006. The scope of the project included to design and implement a Biometric Registration System (BRS) and to integrate the BRS System with the existing NAPOS application.

The Biometric Registration Systems module which formed part of the project as specified in Scope I was completed and implemented separately on the 28th February, 2008 by SBTS Group and since then the Trust has been using the BRS System up to this moment. During this period, SBTS Group deployed its staff in all the Trust Offices and provided free support and maintenance services from the 28th March, 2008, to the 28th February, 2009 (i.e. 12 months). This was in line with the original BRS contract specification, plus additional support over and above what was stipulated in the original contract.

On the 20th, August, 2009, Management wrote a letter to SBTS Group asking the company to stop all development efforts, parallel run, system testing, implementation works on the NAPOS II and BRS Support and maintenance (see attached Appendices A & B). This is because the SBTS Group by then sent a request to the Trust for payment for the maintenance and support provided by his company for the period over and above the 12 months as specified in the contract.

After several meetings by the Board sub-committee it negotiated an amount which was approved by the board. It was therefore not necessary for a maintenance contract because the service had already been provided before any payment.

It was thus an implied understanding between the parties that since work had been done and fees negotiated by the sub-committee and eventually approved by the Board of Trustee, there was a presumption of regularity.

ASSL Comment

Management's response noted. The Trust should not have made such payment though it was approved by the Board. It is also worth noting that at the time of the payment, the contract was not yet completed by SBTS Group and there should be a clear difference between a maintenance contract and support services. The issue still stands.

5.12.2. Purchase of Motor Vehicles

Procurement procedures were not followed and adequate supporting documents were not provided for the purchase of motor vehicles amounting to Le958,572,817. It was therefore recommended that the Trust should ensure full compliance with procurement rules and regulations.

Officials' Response

Management notes the comments and states the following:

- **Methodology.** *The threshold for the procurement of goods by NCB method is an amount not exceeding Le600,000,000. At procurement planning phase, the estimated value of the motor vehicle CIF at the port of delivery did not exceed the limit for NCB. The figures quoted in the audit are amounts offered after tender. The method of procurement and strategy are determined at planning stage and not after.*

Moreover consistent with S42 (1c) of the NPP Act 2004, ICB method is used when NCB fails to identify an acceptable bidder. In this case we achieved competitive prices from seven bidders from Sierra Leone; one of which was found to be acceptable.

- **Value for money.** *Best value for money concept is underpinned by three cardinal principles namely; cost, quality and time. These principles are facilitated by the development of the procurement strategy and analysis of the aforementioned factors among others. In this procurement, we achieved transparent competition after four weeks of advertisement, seven firms offered quotes. We were satisfied that the offers we had obtained, compared favourably with our market Intelligence information.*

Regarding quality we obtained assurance about quality from the relevant manufacturers' authorization support, that the suppliers would deliver the goods requested to specification. The goods were certified as having met the prescribed quality standards.

Finally the goods were delivered within acceptable lead time.

- **Bid Opening Register.** *As a matter of principle we maintain a register of attendance for all our meetings. At bid opening like all other meetings this register is signed by all attendees present. Score sheets recording bid details are circulated to all participants in the meeting. Bid details are publicly read out and records taken by all present.*

Kindly find attached copy of newspaper of bid advert and register of bid opening meeting and minutes of bid opening meeting for your perusal.

Management hopes that the concerns of the auditor have been adequately addressed and that due process was followed on this procurement.

ASSL Comment

Copy of the newspaper advert, and attendance for bid opening and minutes were provided during the verification exercise but no procurement plan was provided to substantiate that at the planning stage the amount did not exceed the NCB limit. Section 42(1c) quoted by the Trust could not be traced to the NPPA Act 2004. The issue still stands

5.12.3. Affordable Housing Projects

The Trust did not follow the appropriate procurement method when awarding contracts for its Affordable Housing Projects. National Competitive Bidding was used instead of International Competitive Bidding. It was recommended that the Trust should ensure full compliance with procurement rules and regulations.

Officials' Response

These were turn-key projects. The objective was to respond to demand from members to provide affordable houses and to trigger local supply. The trust was looking at the options of constructing model/ Pilot houses for showcase purposes all over the country and to test the market of its readability to acquire such houses within defined locations and the cost. Since the quantum of houses to be built were small in quantity they will not serve as sufficient appetite for International bidding. Management believes that it was best suited for the NCB

method to be used with the aim to facilitate local content enhancement. Local engineers were used for the design and build in order to control cost and since it was entirely meant for pilot by the trust. Moreover consistent with S42 (1c) of the NPP Act 2004, ICB method is used when NCB fails to identify an acceptable bidder.

ASSL Comment

No evidence was provided by the Trust to substantiate the above response. Section 42(1c) quoted by the Trust could not be traced to the NPPA Act 2004. The issue still stands

5.12.4. Disposal of Furniture, Equipment and Vehicles

The Trust did not follow the NPPA Act 2004 when disposing of its assets. The Trust stated that it used its internal manual, but procedures stated in the manual were also not followed. It was recommended that the Trust should ensure full compliance with procurement rules and regulations.

Officials' Response

Management notes the concern of the audit. However Internal bidding processes were carried out and an open tender was done at the premise of the trust which are critical elements to ensure value for money, with reserved prices set prior to this process were based on book value and maintenance cost incurred on each item for the last six months prior to sale by the Trust.

ASSL Comment

Management's response noted. The disposal process was not done in accordance with the Trust disposal manual. The Trust did not comply with the NPPA Act 2004 which overrides all other procedures. The issue still stands.

5.12.5. SBTS Group Contract

A contract in the sum of US\$1,548,794 was awarded to the SBTS Group in April 2006 for the design and implementation of a Biometric Registration System and its integration with the existing system. That contract was for a period of eight months, but it is still incomplete six years later. The SBTS Group has only just recently completed the design and implementation of the Biometric Registration System but the integration with the existing system has not been done.

Officials' Response

The BA/SBTS Group Limited was awarded the contract on April 26, 2006. The scope of the project included the following:

- *Design and Implement a Biometric Registration System (BRS) for the Trust and;*
- *Integrated the BRS System with the existing NAPOS Application*

There was considerable delay, but there were several factors responsible for the delays and these were as follows:

- *When the contract was awarded to SBTS Group, the company did a requirements gathering analysis of our existing system and recommended an enhancement to our existing system. They enhanced the system using a different platform by translating the source code from Fox pro database to SQL Server 2005 and C#. This therefore increased their scope of work as specified in the original contract. This enhancement was then estimated to last for 36 man-months using the recommended option B (see attached). Thus, instead of eight months as specified it has now increased to 36 months for the initial period.*
- *During the design and development phase of the projects, the SBTS Group Ltd. changed and replaced three set of developers and this was done according to the company for Administrative purposes. At any time, a set of developers were replaced by a new set, they will always need at least two to three months to understand the Trust operations, processes and procedures and the existing system before commencement of*

work. The Systems and Technology staff would have to take them through the entire existing system and our operations. This caused several delays in the project and the SBTS Group would always had to ask for an extension of contract (see attached) to be granted by the Trust in order to enable them completed the entire project.

- *Also, the SBTS developed the BRS-NAPOS II using a different platform and different operating system and whenever there are upgrades or technological changes they will always had course to change.*
- *The length of times we conducted the parallel runs are all factors responsible for the delay.*
- *New functional requirements were always submitted by the users of the Trust to the SBTS Group to be incorporated into the new system (see attached). At any time these request are implemented by the company they caused further delays in the project.*
- *The SBTS Group submitted a bill to the Trust for the enhancements done .This was considered to be an advanced new developed operating system that was far above the cost of the original contract.*
- *Management consider this outside their scope and mandate .The enhancement bill/voice was referred to the Board of Trustees. Disputes subsequently arouse as a result of these enhancements and the cost which the Trust refused to honour and we resulted to arbitration consistent with the contract (see attached). The whole process of arbitration took almost a year and as such during that period no development work was going on until the arbitration process was concluded.*

In conclusion management notes the concern of the auditors. The process was stalled and management had to undertake arbitration with respect to the additional fees from the developer for the re-writing of the NAPOS software in order to integrate the registration system with the operation system. The impasse had being settled, the System is now fully integrated, completed and now putting modalities in place for the system to be in live operation in all the Trust Offices.

ASSL Comment

Management's response noted. The contract was not executed in accordance with the original terms of the contract signed. This resulted in the Trust paying the sum of US\$2.2 million in 2011 for the settlement of disputes it had with the SBTS Group regarding this contract. This issue still stands.

5.13 LOANS AND ADVANCES

5.13.1. Regimanuel Gray (SL) Ltd

Le6,657,015,000 was stated as a loan to RG (SL) Ltd. This loan could not however be substantiated as supporting documents were not provided for audit inspection. It was recommended that the Trust should provide the loan agreement and other supporting documents for audit inspection.

Officials' Response

Management notes the concern of the auditor. These expenses relate to end of service benefits provided to employees as a result of industrial dispute and also repayment of loan to Eco bank of \$1.3 million. The board approved this amount and advised that it be converted to Equity at the shareholders meeting. The conversion is still outstanding. Management will inform the directors of RGSL to quickly proceed with the conversion

ASSL Comment

Evidence of US\$1,372,551 equivalent to Le5,421,579,886 repayment of loan to Eco Bank Ghana Ltd was seen by the audit team. However, no evidence of a loan agreement between the Trust and Regimanuel SL Ltd was provided for audit inspection. The shareholders of Regimanuel Gray (SL) have not met since 2009. The issue still stands.

5.13.2. Sierra Block Debenture

A loan plus interest amounting to Le 11,294,095,000 was made to Sierra Block Concrete Ltd. (SBCL) a subsidiary of the Trust. The loan was given in 2004, but no payment has been made. This subsidiary did not have an audited financial statement and appears to be unprofitable. It was recommended that the Trust should make a provision for possible loss in their accounts since the loan may not be collectable.

Officials' Response

The amount of Le 11,294,095,000 reported as interest to SCPL is not interest on loan to the Company. On 2nd February 2005 and 9th October 2005 the Trust gave loans of Le 4.5 billion and Le3.0 billion to SCLP. As at 2010, the consolidated loan shown in the Financial Statement of Le 8.3 billion represents principal plus interest amounting Le 766.607 million. Interest accrued as at end 2010 amounted to Le 3.0 billion making a total of Le 11,294,095,000.

SCPL's Financial Statement for 2010 have been audited and now presented for your attention. In April 2012, there had been an arrangement instructed by the Board of Directors of the Company that 8% of the Company's Gross Sales is applied to repay the amount due on the Loan. Since this understanding was struck, there had been regular payment now totalling Le 1,074,376,619 of the Loan. Management strongly believes that that business has potentials to grow and meet all its liability. This is evident in its financial statement. The Company has restructured its operation, negotiated a payment plan and it is currently meeting this.

ASSL Comment

An audited 2010 financial statement of Sierra Block Concrete Ltd was provided for audit inspection which was approved by the SCPL Board on 11th April 2013. The financial statement shows that Sierra Block Concrete Ltd has total noncurrent assets of Le12,554,023,000 and current assets valued at Le2,302,652. The current liabilities of Sierra Block Concrete Ltd were valued at Le12,260,294,000 and there were no long-term liabilities. The cash and cash equivalent as at December 31 2010 was valued at Le157,574,000. From analysis of the audited financial statements, Sierra Block Concrete Ltd appears to have going concern problems for the foreseeable future. The issue still stands.

5.13.3. Home Finance Company Ltd

Loans for Le280,044,000 are shown on the financial statements. No loan agreement was provided to substantiate the loan. The amount relates to start-up costs undertaken for Home Finance Company Ltd. and has been on the Trust books since 2003. It was recommended that the Home Finance Company Ltd. must repay the amount failing which the Trust should write it off.

Officials' Response

These payments relate to pre incorporation expenses. In 2011, the Trust decided that the amount be converted to shares and the relevant share certificate had been given. This has now being converted to equity by HFC Ltd and certificates had been issued. However as at the time of audit this was still a loan to the company as the decision for conversion had not been taken.

ASSL Comment

Management response noted; there is no evidence of the amount been converted to equity by HFC Ltd or a share certificate issued and provided for audit verification. The issue still stands.

5.13.4. Sierra Block Concrete Ltd

Amounts totalling Le83,658,000 were stated as a loan in the financial statement. No supporting document for the loan agreement was provided. The amount relates to start up costs for Sierra Block Ltd and has been on the Trust books since 2003. It was recommended that the Sierra Block Concrete Ltd should repay the amount failing which the Trust should write it off its books.

Official's Response

These relate to some operational cost after pre-incorporation expenses which are related to the Sierra Block. They include clearing of equipment's from port and lease ground rent for the project site. The Company has restructured its operations and now operates a two shift system due to the increase in demand for its product. Management strongly believes that the business has potentials to grow and meet all its liabilities. This is evident in its financial statement.

ASSL Comment

Management response noted. No loan agreement was provided to substantiate this amount as loan, therefore the issue still stands.

5.13.5. Kimbima Hotel Loan

A loan for Le 3,832,228,000 was given to Kimbima Hotel, a subsidiary of the Trust in 2009 on the condition that the hotel would be completed within six months and that the loan facility would expire within 60 months. As at date, construction is still ongoing on the Hotel.

Official's Response

Management notes the concern of the auditor. This is an investment to boost profit in the industry. Kimbima hotel has always been profitable before the enhancement. The delay is due to several factors inherent in the industry for modernization of hotels in the country. The plan has changed over the period to meet minimum standard as recommended by hotel expert which has necessitated newer loans. In other words, a larger scope of the works was pursued in order to take the Hotel from a zero-star to at least a three-star standard especially in the face of the growing competition in the tourist industry. The new dimension of works is expected to achieve the competitive edge. All loans have been consolidated to date.

ASSL Comment

Management's response noted; Evidence of all loan consolidation was provided to the audit team.

No evidence of the loan conversion to shares by Kimbima Hotel in favour of the Trust was provided as stipulated by the loan consolidation agreement. The issue still stands.

5.14 INVESTMENTS

5.14.1. Sierra Ferries (SL) Ltd

Sierra Ferries Ltd is 100% owned by the Trust. As at 2010, the Trust had capitalised Le 26,849,867,000 in respect of expenditures undertaken on behalf of Sierra Ferries Ltd. Most of the expenditures undertaken were administrative expenses and repair costs for the ferries. No audited financial statement of Sierra Ferries Ltd was provided to the audit team; additionally the Trust subsidized its operations. No share certificates were provided for audit inspection. We were unable to confirm the value of the Trust shareholding. It was

recommended that the Trust should make a provision in the financial statement as there are indications of possible impairment of the investment. The Trust should provide share certificates to substantiate the ownership of the shares by the Trust.

Official's Response

The objective of the investment is to address a social issue which is sea transportation and is long term. The investment is one hundred percent NASSIT. The trust has not decided on the treatment of the investment. This will be treated as equity to Sierra Ferries or debt. This will be reflected in the books of NASSIT. Management will present a proposal to the board for approval.

ASSL Comment

Management Response noted; No audited financial statement and share certificates were provided for audit inspection. The Trust did not provide for impairment, therefore the issue still stands.

5.14.2. Sierra Block Concrete Ltd.

The Trust had 60% shareholding in this company amounting to Le 7,110,000,000 going back to 2004. From inception this investment has not been profit making. No audited financial statement was provided for audit inspection. There were indications of impairment. The auditors were unable to confirm the value of the Trust shareholding. It was recommended that the Trust should make a provision in the financial statement as there are indications of possible impairment in the investment.

Official's Response

The investment in Sierra Block is long term in nature. We strongly believe the company will be profitable as evident in its financial statements. It has made considerable efforts in reducing its liability.

ASSL Comment

An audited 2010 financial statement of Sierra Block Concrete Ltd was provided for audit inspection. It was approved by the SCPL Board on the 11th April 2013. The financial statement shows that Sierra Block Concrete Ltd. has total noncurrent assets of Le12,554,023,000, current assets valued at Le2,302,652,000. The current liabilities of Sierra Block Concrete Ltd. were valued at Le12,260,294,000, there were no long-term liabilities and it was also unprofitable. The cash and cash equivalent as at December 31 2010 were valued at Le157,574,000. From analysis of the audited financial statements, Sierra Block Concrete Ltd. appears to have going concern problems for the foreseeable future. The issue still stands.

5.14.3. Regimanuel Gray (SL) Ltd.

The Trust had 40% shareholdings in this company amounting to Le7,498,880,000 invested at the formation of the company in 2004. No board meeting has been held since 2009. No audited financial statement was provided for audit inspection. No dividend has been paid since inception. There was evidence of mistrust between the Trust and the majority partner Regimanuel Gray (GH) Ltd. The auditors were unable to verify the value of the Trust shareholding. Share certificates were not provided as evidence of the trust ownership of the shares. It was recommended that the Trust should make a provision in the financial statement as there were indications of impairment of the investment. The Trust should provide share certificates to substantiate the ownership of the shares by the Trust

Official's Response

The amount of Le7,498,880,000 represents the Trust's 40% holding in RGSL. The Company reported losses for years after commencement of operations but there is potential for the Company to make profit. The Company substantially reduced its negative profit of Le17.61 billion in 2009 to Le326 million in 2010 and in fact reported profit in 2011. The 2010 accounts of RG (SL) Ltd. is now audited and available for inspection. We strongly believe the company will be profitable as evidenced by the financial statements.

ASSL Comment

A share certificate was provided to substantiate the Trust's ownership of the shares. A 2010 audited financial statement was provided for audit inspection which was signed by the external auditors on 11 April 2013. The Audit report highlighted that RG (SL) had going concern problems and there were no assurance that the company would continue into the foreseeable future. According to the audit report, RG(SL) had noncurrent assets of Le6,622,398,000, current assets of Le38,894,938,000 and current liabilities of Le60,438,467,000. The cash and cash equivalent available at the end of the year was Le1,077,466,000 and it was also making losses. The Shareholders of Regimanuel Gray (SL) has not met since 2009. The issue still stands.

5.14.4. Kimbima Hotel Ltd. (KHL)

The Trust had 60% shareholdings in this company amounting to Le5,296,415,000. At the time of the audit, the hotel was still under construction. There has been a lot of unexpected changes in the project and the project completion date has been postponed several times over the years. No audited financial statement was provided to the audit team. Share Certificates were not provided as evidence of the Trust's ownership of the shares. It was recommended that the Trust should make a provision in the financial statement as there were indications of impairment of the investment. The Trust should provide share certificates to substantiate the ownership of the shares by the Trust.

Official's Response

The amount of Le5.296 billion represents the Trust's 60% holding in KHL. The Hotel had been in refurbishment and construction for the past years since 2009. Due to a change in the scope of the refurbishment and additional construction works taken on to bring the Hotel to a competitive edge, there had been changes in cost and date of completion. Prior to commencement of the works, the Hotel was reporting profit as shown by its draft financial statements.

ASSL Comment

A share certificate was provided to confirm the trust ownership of the shares. An audited statement of financial position as at 13th July 2006 was provided for audit inspection which was signed by the auditors on 23rd August 2013. No audited financial statements were submitted for the financial years 2007, 2008, 2009 and 2010. Therefore the issue still stands.

5.14.5. West Africa Holdings Ltd.

The Trust had 30% shareholdings amounting to Le16,594,747,000 in the company. No audited financial statement was provided for audit inspection. It was also observed that the majority partner was the owner of the Logistics Company (Gateway Supplies) which supplied the Joint Venture. It was recommended that the Trust should ensure that all parties to the venture must disclose any third party interest they may have in other companies which transacted business with the Trust. It was also recommended that the Trust should implement a monitoring mechanism to ensure that it had value for money in all transactions undertaken by related third parties.

Official's Response

In 2010, when the 30% shares were acquired in WAHL, the Trust hired the service and acted on the advice of external solicitors Messer Yada Williams and Co to conduct legal due diligence and advised the Trust on the legal status of the Company and its members.

As you may be aware, WAHL is the Company managing the Mammy Yoko hotel refurbishment to an international 5-star standard to be operated by the Radisson-Blu brand of the Carlson Rezidor Group of Hotels. In order to achieve the theme that could attract the Radisson-Blu brand, the Carlson Rezidor Group of Hotel Investors recommended the Project Managers, Integrated Solutions based in South Africa.

On offer of the shares, the Trust learned about Gateway Supplies Inc. being the procurement agent of WAHL. Gateway Supply Inc. is not a supplier but a procurement agency incorporated according the Laws of the United States with the Majority Shareholder serving as its Chief Executive Officer. However, when the continuity of Gateway Supplies Inc. was queried, the responses received confirmed support of the existing structure by the Project Manager, Integrated Solutions on key grounds. The Project Managers being conscious of the quality of materials needed for the refurbishment recommended that we continue the services of Gateway Supplies Inc. Also, it was found out that dispensing of the services of Gateway would be counterproductive to the project.

In that regard, the CEO was required to provide a disclosure of his interest in Gateway Supplies, which he did and now forwarded for your attention. Observing the processes and procedures of Gateway Supply Inc. we noted that the Company employs a robust process that ensures value for money through comparative invoicing method. In that regard, WAHL requested for the originals of invoices of the items procured and the comparative invoice report, which have been provided by Gateway Supplies Inc. Meanwhile, the 2010 Financial Statements of WAHL is audited but not yet finalized by KPMG.

ASSL Comment

No evidence was provided during the verification exercise to confirm management's explanation, the issue still stands.

5.14.6. Kambui Holding Ltd.

The agreement between NASSIT and Kenema City Council was a joint venture, with NASSIT holding 80% and Kenema City Council holding 20%. This was not indicated in the financial statement. A loan of Le 4.486 billion and US\$680,688 was given to Kambui Holdings Ltd. The Trust did not disclose these loans separately in the financial statement but capitalised them as costs incurred in respect of Kambui Holdings Ltd. As per the loan agreement, the Trust was supposed to accrue for interest on these loans but this was not evidenced in the accounts. It was recommended that the Trust should reflect the true relationship between the Trust and Kambui Holdings Ltd in the financial statement.

Official's Response

Management will make the necessary disclosure and interest accruals.

ASSL Comment

The True relationship was reflected in the financial statement but the Trust did not accrue for interest on the loans provided; the issue still stands.

5.15 PAYABLES

5.15.1. Stale Cheques

The Trust had stale dated cheques amounting to Le 815,292,000 classified as payables in the financial statements. These arose as a result of the non collection of retirement benefits and

gratuity payments. It was recommended that the Trust should improve on its delivery service and ensure that pensioners promptly receive their payments.

Official's Response

Management notes the concern of the auditor. However the issue of stale cheques has been a challenge because of the limited and sometimes inaccurate information on member. To apply for social security benefits under the NASSIT Scheme, a contingency has to occur as stipulated in the NASSIT Act, No. 5 of 2001. When contingency occurs a member has to formally file an application after which a validation check date will be issued. During this period application documents are vetted for correctness and consistency before assigning an appointment date. The appointment date informs applicants as to when their cheques will be ready for collection. When cheques are forwarded to the payment points, customers are contacted by the Customer Service Department on the availability of their cheques for collection using the cell phone numbers and address submitted. The Customers are expected to report to our payment points for physical verification, biometric registration and payment of gratuity. Most of the stale cheques are those who cannot be contacted on known address with us. The trust has conducted several public education and public notice on the uptake of gratuity and pension Those with accessible contact addresses who cannot be contacted on cell phones are contacted at their stated addresses for them to report to our payment point for collection of their cheques. If they cannot be reached using the available means, after six months the cheque will be returned as staled Gratuity cheques for safe keeping. The cheques will be rewritten upon verification as and when the members show up to claim their benefit cheques

ASSL Comment

No evidence was provided during the verification exercise to confirm management's explanation; the issue still stands.

5.15.2. Non Reconciliation of Aged Payables

The auditors observed the Trust did not maintain a reconciliation of aged payables to identify long outstanding payables and reconciling items. It was recommended that the Trust should regularly prepare payable reconciliation and payable aged report and take necessary action where necessary.

Official's Response

Management notes the concern of the auditor and accepts that the process of reconciliation is ongoing and that aged payable report will be generated in the future.

Audit Verification Report

The effort of management is noted but will be reviewed during the next audit; therefore issue still stands.

5.15.3. Long Outstanding Accruals

It was observed that some amounts were classified as other accruals, some of which had been outstanding for more than four years. No explanation was given to the audit team for these long outstanding liabilities. It was recommended that the Trust should regularly prepare a reconciliation of its accruals and take appropriate action in respect of all long outstanding accruals.

Official's Response

Management notes the concern of the auditor. The process of reconciliation is on-going and will be improved upon.

ASSL Comment

The response of management is noted but the issue still stands.

5.16 BENEFITS

5.16.1. Monitoring of Survivors

The Trust did not have a system of monitoring survivors to determine when they become ineligible to receive benefits. It was recommended that the Trust should develop and implement a robust system of monitoring and verifying survivors to ensure that only legal and eligible survivors benefit from the trust.

Official's Response

The Trust is aware of the challenges involved in handling this category of payment. However, the Trust carries out a regular review to update our data. We are currently in the process of changing our operational system. The new system is designed to monitor survivors benefit in real time.

ASSL Comment

The response of management is noted; the issue still stands

5.16.2. Lack of Access Control in Pension Payroll System

It was observed that there were no user access controls in the pension payroll systems as every user had full administrative rights to access the system. It was recommended that the Trust should implement a user restricted access in the pension payroll system

Official's Response

There is an IT security policy of the. It contains a policy on access controls for all our software applications, systems and the network. Users don't have full administrative rights to either the NAPOS application and or our network system. Users are only given administrative rights local to their machines and not any system or the network. Besides there are access controls where users have their levels of access including the NAPOS application

ASSL Comment

A documented IT security policy was provided during verification. However, it was noted at the time of the verification that users' access control was not implemented as prescribed in the policy. The issue still stands.

5.17 INCOME

5.17.1. Penalties Levied on Late Payment

The NAPOS system did not automatically capture defaulters of late payments after the 15th of the following month. It was observed that the indebtedness of contributors was manually captured. It was recommended that the Trust should upgrade the NAPOS system to automatically capture all late contributions and accurately charge the appropriate penalties and interest.

Official's Response

Penalties on late payment are a process which is clearly defined in the Act. Before calculating late payment the trust must have issued both soft and hard demand letters. It is being currently calculated out of the system. Our new operational system is design to identify late payment and issue demand letters and calculate penalties.

ASSL Comment

As at the time of the audit, the NAPOS system did not automatically capture defaulters of late payments. The issue still stands

5.18 NON CURRENTS ASSETS

5.18.1. No Capitalisation Policy

The Trust did not have an approved Capitalisation Policy. It was recommended that the Trust should develop and implement a documented capitalisation policy.

Official's Response

The Trust capitalization policy is in line with best accounting practice based on the IFRS. All assets are capitalized and recorded in our asset register and depreciation or amortization is based on the class of asset.

ASSL Comment

The response of management is noted, a documented capitalisation policy was not provided during the verification exercise. Therefore the issue still stands.

5.19 RECEIVABLES

5.19.1. Long Outstanding Receivables

Amounts totalling Le58,091,000 classified as other receivables have been outstanding for a long time, some as far back as 2006. It was recommended that the trust should make provision for or write off all debts that are unlikely to be recovered.

Official's Response

Management notes the concerns of the auditor and has instituted investigations and reconciliation of this specific account. Necessary steps will be taken to write off all debts that are unlikely to be recovered

ASSL Comment

The response of management is noted; the issue still stands.

5.20 TAXATION

5.20.1. Overdue Withholding Tax and PAYE

Amounts totalling Le589,706,030 and Le491,827,112 in respect of withholding tax and PAYE respectively were outstanding to NRA; some of these amounts had been outstanding for more than four years. It was recommended that the Trust should pay the outstanding amounts to the National Revenue Authority and that in future it must expedite payments in respect of its tax obligations.

Official's Response

Management notes the concerns of the auditor and has instituted investigations and reconciliation of this specific account. Necessary steps will be taken to pay the outstanding if there are any after the process.

ASSL Comment

The response of management is noted. During verification, these amounts were still outstanding in the financial statement, therefore the issue still stands.

5.21 CASH AND BANK

5.21.1. Lack of Prompt Action Taken on Reconciling Items

Prompt action was not taken by the Trust in addressing reconciling items in the bank reconciliation statements that were prepared, with some reconciling items dating as far back as 2008. It was recommended that the Trust should address the issue of reconciling items without delay.

Official's Response

Management notes the concern of the auditor, however adequate action had been taken to address significant amount of these items.

ASSL Comment

Effort of management noted, but the issue still stands.

5.22 INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS COMPLIANCE

5.22.1. Consolidated Account

The Trust did not prepare a consolidated account in accordance with IAS 27 incorporating all its Subsidiaries, Associates and other third party interests. It was recommended that the Trust should prepare a consolidated account incorporating all third party financial interests.

Official's Response

Management notes the concerns of the auditor and will ensure that the Chairmen and Directors of the various subsidiaries present the necessary audited financial statement to enable us do the necessary consolidation

ASSL Comment

At the time of the verification exercise, the Trust did not prepare a consolidated account, the issue still stands.

5.22.2. No Related Party Disclosure

The Trust did not disclose any related party transaction. During the audit, it was observed that the Trust had a number of related party transactions such as Sierra Block Concrete Ltd., Regimanuel Gray (SL) Ltd. and Sierra Ferries Ltd. It was recommended that the Trust should disclose all related party transactions in its financial statement.

Official's Response

Management notes the concerns of the auditor with respect to transactions with our subsidiaries and will make the necessary disclosure.

ASSL Comment

The Trust did not disclose all related party transactions it had during the financial year, the issue stands.

5.22.3. Standard Pension Practice

The NASSIT Act requires that the Trust should prepare its accounts according to standard pension practice, which is supported by the provisions of IAS 26, Accounting and Reporting Retirement Benefits. The team observed that the financial statement only disclosed net assets available to pay benefits but did not take account of liabilities to pay pensions and other

benefits in the future. It was recommended that the Trust should prepare its financial statement in accordance with IAS 26, Accounting and Reporting by Retirement Benefits. If there was any deficit in the funding available, the Trust should make the necessary provisions in the financial statement.

Official's Response

Management notes the concerns of the auditors, however it is worth noting that valuation of the scheme has been prepared in accordance with the recommended actuarial practice and this is enshrined in the NASSIT act to ensure the solvency of the scheme. The next valuation is due after the 2010 financial report is published. Any deficient that may occur will be recommended on how to handle. The scheme has an equilibrium period of 20 years. Projection are carried out by the actuary and recommendations made.

ASSL Comment

The Trust is required to prepare its financial statements in accordance with IAS 26 Accounting and Reporting by Retirement Benefits, the issue still stands.

5.23 MANAGEMENT OF THE SCHEME

5.23.1. Lack of Written Funding Policy

There was no evidence of any documented funding policy.

Recommendation

The Trust should establish a documented funding policy in agreement with all stakeholders of the scheme which should be regularly reviewed, with the view of helping the fund in ensuring that corporate governance of the scheme was improved by increasing transparency and better understanding of the risk and advantages of financing options.

Official's Response

The funding policy is clearly stated in the NASSIT Act. The Trust operates a defined benefit scheme that is clearly defined. It is a partially funded scheme. Employee pays 5% contribution of earnings and Employers pays 10 % of employees' earnings which total 15%. Because the scheme is partially funded It has been recommended by the actuary that money not used in the payment of current pensions must be invested to give an actuarial rate of returns which is currently inflation plus 2%. This funding mechanism is constantly reviewed by an actuary. If there is any funding gap the actuary will recommend.

The scheme is self-funding inclusive of contribution and investment income realized from investment of contributions, while the S.L. Government is the underwriter of the scheme.

ASSL Comment

Management's response is noted, a documented funding policy was not provided for audit inspection; the issue still stands.

5.23.2. Delay in Submitting Annual Financial Report

According to Section 16(1) of the NASSIT Act 2001, the Trust is required to submit an annual report to the Minister within six months after the expiration of the financial year. This report comprises the annual audit report among others. As at date, the 2011 and 2012 annual reports are still outstanding. It was recommended that the Trust should ensure that it fully complied with the NASSIT Act 2001.

Official's Response

Management notes the concerns of the auditors, however this was the direct impact of the change in auditor's which has a very high learning curve at the inception year of the audits. The appointment of the auditor was also delayed. The report of the auditor was also delayed.

ASSL Comment

Management's Response is noted, the Trust is required to submit its financial statements annually for auditing. The issue still stands.

5.24 BENEFIT PROCESSING TIME

5.24.1. Delays in the Processing and Payment of Retirement Benefits

The strategic objective for benefits as stated in the Strategic Plans of 2007–2009, 2009–2011 and 2011–2013, states: "Process and pay social security benefits accurately, securely and promptly to members".

NASSIT has not determined the actual number of days it takes from the point when a valid and complete application is made, to the point when the Beneficiary's cheque is handed over to him or her.

In order to determine the time taken to process and pay retirement benefits we analysed 553 randomly selected pensioners' files, for the years 2008 to 2012. It took NASSIT an average of 58 days to process and pay retirement benefits. The table below shows the average waiting time from the date of acknowledgement of application to the date of acknowledgement of payment for the years 2008 to 2012 for all categories of pensioners.

Table No. 5.13 Waiting Time	
YEAR	TIME (DAYS)
2008	61
2009	54
2010	44
2011	63
2012	67
AVERAGE	58

According to the qualifying conditions of NASSIT, members can retire before age of 60 and above. Interviews and review of documents showed cases where members retired below the age of 55, before and after the age of 60. The majority of those who retired below 55 years of age were either military personnel or other categories of retirees like former members of parliament and they were few and easy to handle.

We considered the waiting times for the pensioners with the different age brackets. The average waiting times from the acknowledgement of application to the acknowledgement of payment for the different age brackets were estimated as follows and as shown in Table 13:

- Below 55 years took an average of 42 days;
- Between 55 and 60 years was estimated at 59 days on average;
- Above 60 years an average of 64 days was recorded.

Table No. 5.14 Average Waiting Time by Age Group 2008 to 2012 ⁹			
Year	Retirees Below 55 Years	Retirees Between 55 and 60 Years	Retirees Above 60 Years
	Average Waiting Time in Days		
2008	29	92	47
2009	41	46	79
2010	63	44	43
2011	39	63	66
2012	37	49	82
Average	42	59	64

In addition, the target KPI is “seamless process for processing benefits is 15 days for old age”. With reference to the 15 days for old age benefits, we analysed 103 pensioners’ files for each of 2009 and 2012. In each year, an average of 19 and 38 days, respectively, was required to process old age benefits and prepare payment slips. It was recommended that in order to achieve the strategic objective for the processing and prompt payment of retirement benefits, NASSIT should ensure strict adherence to the procedures for processing retirement benefits, validate the past services of eligible public servants and address the problem of contribution gaps prior to the retirement of members.

Official’s Response.

The Old Age Contingency cover by NASSIT spans for persons 55 years and above. In addition to the social security benefits, NASSIT only administers the payment of Government pensions. Government retirement pensions depending on the sector for instance the military and the prevailing circumstance can cover persons below and even far below 55 years. Therefore, in the case of retirement files identified for persons below 55 years are all completely within the realm of Government pension-in-payment. The processes in terms of computation of Government pension-in-payment are carried out by the Government. Thereafter, the names of the retirees and entitlements are forwarded to NASSIT only for payment. Any delay in terms of this category of retirees is duly as a result of non-receipt or untimely receipt of all the required information and documentations from Government.

There are required information and relevant documentations from claimants to ensure that social security benefits are accurately and promptly processed and paid to the right person. Contrary to this, it is very difficult to process and pay any social security benefits. Amongst these documentations are: retirement letter; social security card; successfully completed validation form and records of past service, as the case may be; and completed social security benefit application form. What prevails in this circumstance is that when claimants are required to forward these information and documentations, it takes them the longest time. In line with the Trusts’ work processes and procedures, processing of social security benefits only commences when full information and documentations are made available.

5.24.2. Non Notification of Would-be-Retirees

One of the procedures set out in the NASSIT work processes and procedures for the payment of social security benefits is that NASSIT should send notification letters to would-be retirees three months before they retire. This is to ensure that would-be retirees were

⁹Analysis of NASSIT retirement pension files

adequately informed about their retirement, the application process and the required documents they will need to present when making the benefit claim to NASSIT.

Through inspection of pension files and interviews with staff members of NASSIT, we noted that would-be retirees were no longer notified by NASSIT before their retirement. For the 553 randomly selected pensioners files from 2008-2012, it took an average of 100 days for those retirees who were aged 60 years and above to make an application for retirement benefits as shown in table 14 below:

Table No. 5.15 - Average Waiting Time - 60 years and Above	
Year	Average Waiting Time (Days)
2008	118
2009	131
2010	67
2011	85
2012	97
Average	100

The notification letters are frequently misunderstood by both the employers and the employees. The Head of the Benefits Department explained that the employees are complaining that employers use the notification letters to prematurely relieve them of their duties. It was recommended that NASSIT should formally notify would-be retirees three months before the due date of their retirement. The notification should contain the members' updated account statements and the list of all the required documents that must accompany the benefits application form upon retirement. In addition, notification and documentation should be included in the sensitisation programme conducted by NASSIT. This will allow the would-be retirees ample time to assemble all necessary documents before retirement, thereby avoiding the delays that occur between the time of application and acknowledgement of receipt of applications.

Official's response

This process was discontinued because employees were using the Trust's notification letters to would-be retirees as justification to retire them. Complaints were received from would-be retirees that the Trust is indirectly and forcefully retiring employees. Based on the principle of social insurance, attainment of age 60 is just one of the qualifying conditions for full retirement pension and not necessarily a vehicle to enforce retirement. However, upon the attainment of age 60, a member of the Scheme may decide to continue as an active member of the Scheme so as to augment his/her benefit/pension right. However, in developing the Trust's Strategic Plan 3024 – 2016, the necessary corrections with regard to the above will be reviewed. Moreover, retirement age varies from one category of employees to another, for instance, Teachers, Lecturers, Judges, etc. which is age 65.

5.24.3. Centralised Benefits Computation System

NASSIT has offices in all of the four Regions. These offices register individuals and establishments within the regions, receive applications for retirement benefits and effect payments of benefits upon receipt of the processed cheques from head office.

According to interviews, applications made in the provincial regional offices were forwarded to headquarters for benefits computation once every week. It takes headquarters two weeks to

process private sector benefit applications and three weeks for public sector benefits before returning them to the originating regions.

Analyses as presented in the table below reveal that, it took an average of 50 days for NASSIT to process and pay retirement benefits in the Western Region where the headquarters is located compared to that of the Northern, Southern and Eastern regions which took 60, 63 and 67 days respectively. The longest waiting time occurred in the Eastern Region with an average of 67 days.

Table No. 5.16 Average Waiting Time by Region				
Year	Regions			
	West	North	South	East
2008	46	25	67	44
2009	60	43	46	53
2010	34	55	62	59
2011	57	67	69	76
2012	54	111	70	104
Average	50	60	63	67

Recommendation

In order to ensure that delays caused as a result of the movement of retirement benefits applications from regional offices to the headquarters for further processing are curtailed, NASSIT should consider adopting a decentralised benefit processing system with effective controls.

Official's response

NASSIT Regional Offices are the contacts for all members and non members of the Scheme for services provided. Amongst these services are the application and receipt of social security benefits. Similarly, in line with the Trust's work processes and procedures, all information and documents should be presented at the respective Regional Offices as to facilitate the processing of social security benefits. Anything contrary will result to an unnecessary delay in the processing and payment of social security benefits. In most cases, this has been the prevailing circumstance and the primary reason for the delay in the processing and payment of social security benefits.

Further, members of the Scheme from the Accountant General's Payroll also apply for social security benefits in their respective Regional Offices. When these members apply, the files are forwarded to Government Operations Department for the extraction of contribution details. In most cases, it is at this point that contribution gaps are discovered. Consequently, the respective Heads of MDAs (Ministry of Education for Teachers, Military, Police, etc.) are contacted for verification of these gaps before these files are processed. On the other hand, if all the information and documents in the files received from the Regional Offices are correct, processing will be done on time so that it can be forwarded back for payment of social security benefits.

It is also important to note that there is a difference between first contact and lodgement of claim. Lodging starts when a claim number has been given to the file. And even there, problems can be encountered with the file where documents submitted are inconsistent with what was earlier supplied to NASSIT at registration of members. All social security benefits computation is centralized to avoid duplications and as a control system but does not reduce the processing time of social security benefits.

5.24.4. Incomplete Documents at First Application

An application for retirement benefits is complete if all the following documents are present in the application, retirement letter, social security card, application form for retirement benefits and record of service. NASSIT will only acknowledge receipt of application if all these documents are present in the application. If all the above documents are complete, an application will be acknowledged and claims lodged with an assigned claim number the same day.

During the review of files, the audit team considered the time lapse between date of application and date of acknowledgement of application. We observed that most of the retirees did not present the complete documents at their first time of application and hence applications were not acknowledged at the instance. Rather, they were advised to assemble the requisite documents or complete any missing information on their applications before re-applying.

Table No. 5.17 - Average Waiting Time for Complete Applications 2008 - 2012	
Year	Days
2008	122
2009	62
2010	45
2011	65
2012	73
AVERAGE	74

From table 6.16 below, it took retirees an average of 74 days to make a complete application that can be acknowledged by NASSIT. There were fluctuations in the average waiting times for the period 2008-2012. The highest waiting time (122 days) occurred in 2008 and it was reduced considerably in 2009 and 2010. The period 2011 to 2012 however recorded an increase in the average waiting time

Official's response

Acknowledgement of social security benefits application can only be made when all required information and documentations are made available. Consequently, the processing of social security benefit commences. Otherwise, the inadequate information and documents received are put on hold until the claimant forward the remaining. This means that it is impossible to process social security benefits with an incomplete application.

5.24.5. Late Collection of Cheques

We also observed that pensioners collected their cheques late. Retirees were unable to promptly collect their cheques when they were ready. Interviews with pensioners revealed that they were not informed when to collect their cheques. They said they had to check repeatedly at the NASSIT regional offices until their cheques were ready for collection. In 2012, an analysis of a sample of 100 paid files showed that it took the pensioners an average of 27 days to collect their cheques. It was recommended that NASSIT should ensure that claimants particularly with complete documentation are given an indication/ time frame for the processing of their applications. Moreover, they should endeavour to inform applicants when their cheques were ready. All these processes should be adequately documented and included in the files.

Official's Response

During presentation of all relevant information and documentations at the point of the application for social security benefits, the contacts in terms of telephone number and address of the claimant is requested. In some cases the contact telephone numbers and addresses are not correct when attempts are made upon completion of the processing of the social security benefits.

The Gratuity cheques are secured until the claimants are contacted or turn over to the respective Regional Offices. This is because these cheques are only given to the claimants themselves as they need to be verified, images captured and bank account numbers obtained from them. Otherwise, when once the gratuity cheques are issued without being verified and account number obtained, most often it becomes very difficult to obtain these information and documentations. This obviously will cause delay in the processing and payment of their monthly pension into bank accounts as these requirements are very vital.

5.25 ADMINISTRATION OF MEMBERS' ACCOUNT

5.25.1. Delays in the Validation of Past Services

In introducing NASSIT, Government recognised the potential problem of workers already aged 45 and above not being able to meet the minimum contributory period of 15 years before retirement. This will deprive them the opportunity of earning a pension under the NASSIT scheme. To remedy this situation, Government introduced the validation of past services.¹⁰ See paragraph 3 and 4 in chapter 2 for details.

We observed from a review of pensioners' files that retiring members recommended by the government to be validated were not validated as at the time of their retirement and application for benefits. Also, out of a total of 59,422 public sector employees whose past services NASSIT should validate, only 13,638 were validated as at 2011. We noted from interviews that some pensioners were not aware of the validation exercise and so they did not apply until they retired. Even those who were aware could not apply before retirement because they could not trace their records of service from their employers in time. Refer to the table below.

Table No. 5.18 - Outstanding Validation Summary as at December 2011						
Establishment	To be Validated as at Jan 2002	Applications Received	Invalid		Validated	Outstanding Not Yet Validated
			Incomplete	Not on Payroll		
Civil Service	17,206	8,375	1,949	128	6,298	10,908
Military	13,966	3,094	66	92	2,936	11,030
Police	7,290	5,216	1,565	2,808	843	6,447
Teacher	20,980	4,894	424	864	3,606	17,374
Total	59,442	21,579	4,004	3,892	13,638	45,759
Total Invalid			7,896			

¹⁰ MOU between GoSL and NASSIT in May, 2004

Number of people to be validated as at end December 2011	59,442
Number of applications for validation received	21,579
Number of incomplete applications received	4,004
Number of invalid applications	3,892
Number of people validated	13,638
Number of people not yet validated	45,804

The audit team also compared the average waiting times of pensioners whose past services were validated before they retired against pensioners whose past services were validated after retirement. From Table 6.18 below, the average waiting time for pensioners whose past services were not validated before they retired was 66 days. This was 14 days longer than the average waiting time of 52 days for those pensioners whose past service was validated before they retired.

Table No. 5.19 - Comparison of Validation Before and After Retirement		
Year	Before	After
2008	37	97
2009	63	43
2010	36	55
2011	59	61
2012	63	71
Average	52	66

Recommendation

In a bid to mitigate delays caused by the late validation of past services of eligible members, NASSIT must ensure that the past services of the outstanding 45,759 eligible public servants as at December 2011 are validated as prescribed by the MOU of 2004. As such, members' accounts would be credited for past services

Official's Response

The Trust has conducted several workshops with key stakeholders, television and radio discussions and also used the press media to educate on the importance and ramifications of non-validation of past services. In addition, in 2005, the Trust forwarded printed validation forms for all those on the Accountant General's payroll as at January 2002 to the respective Heads of Department. The outcome of this financial and labour intensive exercise in terms of responses from these Heads of Departments was very negative. The Trust being proactive, otherwise decided to directly issue the validation forms to the concerned members so as to fast track the entire process. NASSIT immediately received a strong worded letter from Establishment Secretary's office at then admonishing to desist forthwith from such exercise. As the information required to successfully complete the validation forms and the records of past services are only with the employers, the only feasible option was to wait and treat it by case to case basis when claimant turn over for application of social security benefits.

5.25.2. Ineffective Monitoring of Member's Accounts

According to the NASSIT Act of 2001:

"... every employer of an establishment shall deduct immediately at the end of every month 5% of the worker's earnings for that month irrespective of whether or not such earnings are actually paid to the worker. Also, every employer of an establishment shall pay for each month in respect of each worker, an employer's contribution of an amount equal to 10% of such worker's earnings for that month. The contributions referred to in

subsection (1) and (2) shall within fifteen days after the end of each month, be paid to the trust. A self-employed person who has agreed to become a member shall contribute 15% of his income each month, from his profession, vocation, business or occupation”.

It was disclosed during interviews that there were contribution gaps (meaning, a member is not fully contributed by his employer or by him if self-employed). The gaps in contribution were revealed only when their accounts statements were extracted for processing of benefits. These gaps had to be corrected before benefits were processed and paid.

We confirmed through reviews and analyses that there were gaps in contributions. The average waiting time for those pensioners who had gaps in contributions for the years under review was 85 days. This was 31 days longer than the 54 days for those pensioners who did not have gaps in contribution. See Table 15 below.

Table No. 5.20 Comparison of Waiting Times for Pensioners With and Without Contribution Gaps		
Year	With Gaps	Without Gaps
2008	104	55
2009	33	55
2010	73	41
2011	73	60
2012	141	58
Average	85	54

Official's Response

Gaps in members' contribution details exist as a result of the following:

- *Poor Mode of Social Security Contribution Schedules: At the end of the month, contribution schedules are expected from all registered establishment with the Scheme. NASSIT has conducted workshops with key stakeholders and installed software (NASSIT Converter) to ensure that the correct mode of contribution schedules is forwarded. In most, these establishments continue to forward wrong mode of contribution schedules. Employees affected by the presentation of the wrong mode of contribution schedules have contribution gaps for the period.*
- *Omission of Names on Social Security Contribution Schedules: There are also instances wherein employees' names are omitted on the contribution schedules for some reasons. These employees for the period(s) will have contribution gaps.*
- *Non-Remittance of Social Security Contributions: Although through workshops, television and radio discussions and press media NASSIT has reiterated the importance and implication of non-submission of contribution schedules at the month either with remittance of contributions or not have not yielded any positive outcome. Delinquent registered establishments because of non-remittance of social security contributions do not submit contribution schedules. At the end of the day, after going through all the non-compliance punitive actions and even prosecutions at the High Court, will submit wrong social security contribution schedules. There are cases wherein prosecutions take the longest time, at the end to forward correct contribution information and documents of the affected employees become impossible. These employees end having social security contribution gaps as some might have even gained other employment. However, the NASSIT has engaged the House of Parliament to assist in retrieving social security contribution arrears so as to shorten the period as compared to the period it takes at the High Court. Currently, NASSIT has also developed a proposal and is in discussion with the Office of the Attorney*

General and the Ministry of Justice for the establishment of a Special Court specifically for the prosecution of social security matters.

In addition, most of the gaps in social security contributions are from the Accountant General's payroll. Prior to now, identified social security contribution gaps from Accountant General's payroll were owned up to and payments were immediately made. During this period, social security contribution gaps had never created any meaningful delay in the processing of social security benefits. The state of play now is completely the reverse. NASSIT was informed that Accountant General's Department has been admonished to desist from making payment with respect to social security contribution gaps until the affected Department verifies and endorses. This decision has created an undue and very long delay in the processing of social security benefits of claimants that have social security contribution gaps. It has taken the longest time for these Departments to verify and endorse social security contribution gaps. Therefore, NASSIT can only process social security benefits upon receipt of the full information and documentations derived from the verification and endorsement of the social security contributions gaps by the respective Heads of Department.

5.26 RECORD KEEPING

5.26.1. Poor Records Management

NASSIT maintains a centralised system of storage for hard copy files and other forms of documentation for its members and pensioners. This system is operated at the records section of the Western Area office.

NASSIT does not have a file tracking and retrieval system where all the records of registered members and pensioners' files movement are recorded and monitored. The documents are filed only in alphabetical order which means that before tracing a particular file it is necessary to go through almost all the documents for a given alphabet letter, this makes the locating of member records cumbersome and inefficient.

In addition, for ease of access when records are needed, some files which should have been properly packed on shelves in an organised manner are scattered on the floor. The records were kept in cardboard boxes with no description on the shelves.



Partial view of the records section of NASSIT

It was recommended that NASSIT should upgrade its records management and develop a system for tracking and retrieving, so as to enhance easy access to files. Also, a system of back-up should be designed to maintain soft copy versions of all documents that can be easily retrieved in the event of a loss or disaster. In addition, NASSIT should improve and expand the storage facilities for records so as to be able to contain the large number of incoming records of new members registering with the scheme and for the pensioners

Official's Response

The Trust has a record movement tracking system and a Benefits File Request Form, designed for requesting departments, endorsed by Heads of Department. Also, there is Record Request 1, which is the designed request form used by departments requesting SS1A and SS1C forms. These requests are further re-entered in a forms request register.

However, in terms of the space constraints, Management has accorded the desired urgency by taking necessary actions culminating to Board of Trustees' Approval for the construction of a purpose building for Records Department. The process is ongoing and very soon the Trust will be proud of a new building for Records Department.

5.26.2. Movement Summary Sheet not well recorded

The movement summary sheet is a document that shows the record of actions taken, signatures and dates at all stages of the benefit processing, payment and preparation of spread sheet for pension payroll. It also shows the movement of pension files for processing from the date of acknowledgement of receipt of a claim or application to the date of acknowledgement of payment.

Examination of the movement summary sheet revealed instances where actions undertaken on the movement summary sheets were not completely adhered to or dated and signed by the responsible officers. It was recommended that responsible officers involved in the processing of benefits should take the necessary actions and sign and date the movement summary sheets. This will facilitate the identification and tracking of the stages at which delays occur.

Official's Response

Well noted. Corrective measures have been put in place.

5.27 NASSIT AREA PENSION OPERATING SYSTEM (NAPOS)

NASSIT uses the NAPOS for the processing and computation of benefits. NAPOS, as previously described above, is an operating system that runs pensions twice every month in batches and also serves as a control mechanism for the processing of benefits. These include maintaining a database of the information of all registered members, lodging of all benefits applications or claims upon retirement of members and the calculation of benefits when the contingency occurs.

We noted through interviews that NAPOS was designed in a way that it only runs or calculates benefit twice every month. The benefits run dates were the 1st and 15th of the month, benefits applications coming in after each run dates were not calculated until the next run date. There is an addition of 14 days to the waiting time for applications received immediately after the run dates. It was recommended that NASSIT should upgrade the NAPOS system in a way that it will be able to calculate benefits whenever an application is made hence contributing to the achievement of the 15 days target set by NASSIT.

Official Response

Management as part of the work processes and procedures, runs pensions twice every month (i.e. 1st and 15th), in batches because social security benefit applications come in bits and also to serve as a control mechanism. However, with NAPOS II, which has been developed and replaced NAPOSI has more robust control system. As a result, henceforth, social security benefits are now processed as the applications come in. No more batches or twice every month. Social security benefits applications come in today is immediately processed.

CHAPTER 6
REVIEW OF INTERNAL AUDIT

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MAIN POINTS

What we examined

A questionnaire, dealing with a range of internal good practice topics, was prepared and completed by ASSL audit staff after interviews with officials from a broad spectrum of MDAs. Interviews were conducted with Ministry of Finance and Economic development internal audit management and PEFA assessments for 2007 and 2010 were reviewed. The three volumes of the *Internal Audit Manual for Ministries Departments and Government Agencies* were reviewed in depth. A sample of working paper files was also reviewed with internal audit reports.

To arrive at an objective view on the status of internal audit in the government of Sierra Leone, the findings were assessed in line with the Institute of Internal Audit Research Foundation's *Internal Audit Capability Model* (IA-CM) and *Internal Audit Assessment Criteria*, the latter derived from the Office of the Superintendent of Financial Institutions in Canada.

Why it is important

Internal audit is a pillar for effective public financial management. It is also a profession in its own right, with audit standards and recognised professional certification. Properly configured and with an appropriate level of independence, sound internal audit contributes to maintaining the system of internal control, management, accountability and governance in the public sector. It can also be an agent for continuous improvement and may assist in ensuring appropriate levels of economy, efficiency and effectiveness in the management of public expenditure.

What we found

Internal audit policy contained in the *Internal Audit Manual for Ministries Departments and Government Agencies* is comparable largely with international standards of the practice of internal auditing although there are areas in the manual that need revision. For example, the policy places internal audit working papers in the public domain once the report has been issued. However, the conventional rule is that working papers are the work product of internal auditors and should not be in the public domain.

Internal Audit Charters, considered a key component for defining roles and responsibilities for internal auditors and stakeholders largely do not exist in MDAs although a draft charter is set down in the manual and was disseminated for adaptation and adoption.

A central audit committee exists under the auspices of the Financial Secretary. In MDAs such committees are rare and they are solely created at the discretion of the vote controller. The result is that MDA vote controllers can effectively undermine the independence of the internal audit function.

Although the salaries of the internal audit cadre are almost all paid from the MoFED budget, allocation of other resources in MDAs depends on the goodwill of the vote controllers. Resources such as adequate accommodation, file space, computers, printers, photocopiers, etc. are not adequate for many internal audit units to do their jobs effectively. Indeed, the operations of internal audit in many MDAs are given little or no resource allocation and can thus be rendered ineffective – see Table 6.3, *Internal Audit Resources by MDA*, below.

Working paper files are substantially non-compliant with the manual. One reason for this deficiency is that audit kits or templates based on the manual that should shape compliance have not yet been developed.

Internal audit reports do not fully comply with the requirements of the manual. Although reports in the sample reviewed were deficient in terms of standards, they were still useful and well written.

Based on the review, it is our conclusion that internal audit as practiced throughout MDAs in particular is not as effective as it needs to be given the complexity and stage of development of Sierra Leone's public sector. On the IIARF *Internal Audit – Capability Model* we believe the function attains Level 1 while tending towards Level 2 which is to say, it has sustainable internal audit practices and procedures which are not yet well established throughout the public sector. In short, there is ample room for improvement.

6.1. ABOUT THIS CHAPTER

In this chapter we describe the findings from a review of internal audit departments we undertook across a representative selection of MDAs. The audit review arose because in our work during the current and past years we felt that the function of internal audit in GoSL was not working. We therefore wanted to confirm our view and identify the root causes of flaws in the system.

In conducting the audit we designed a relatively short questionnaire describing the elements of a well-functioning internal audit department. It was based on current good practice as set down by the internal audit profession's standards setting body, the Institute of Internal Auditors (IIA). A small team of ASSL auditors met with internal audit management in eleven MDAs and completed the questionnaire. They also examined a selection of working paper files, professional audit guidance used and internal audit reports. In addition PEFA assessments for 2007 and 2010 were reviewed.

In forming our judgment on the overall quality of internal audit as practiced in GoSL we thought it fair and appropriate to recognize that while the function is not new to Sierra Leone, in its modern form, it has not been formally established here for a long time either. In fact it was officially established in the GBAA in 1995. The GBAA Section 6(1) (b) requires that internal audit practice "...conform to internationally recognised standards ...". These would be the *International Standards for the Professional Practice of Internal Auditing (Standards)* set down by the IIA. In 2009 the IIA Research Foundation (IARF) published its well recognised *Internal Audit Capability Model (IA-CM) for the Public Sector*. We have adopted this model as an official source of suitable objective criteria to provide a balanced view on how well internal audit is practiced in GoSL. We will describe the IIA IA-CM later in this chapter. We have also used adopted *Internal Audit Assessment Criteria* from another authoritative source as a basis for assessing best practice in internal auditing.

6.2. INTRODUCTION

Internal audit is a professional appraisal function that operates independently of line management, providing an objective assessment of practices and activities and contributes to governance, accountability and transparency. When properly functioning, internal audit provides senior management with assurance as to the design and operation of the governance, risk management and control processes in their organizations. Conducting internal audits in MDAs promotes effective management and the highest ethical standards throughout government. Internal audit should play a key role in ensuring that Sierra Leoneans receive value for money.

The legal authority for internal audit is established under the GBAA (2005), Section 6(1) through 6(5) inclusive. Section 6(1)(a) to (c) and 6(2) give the Minister of Finance authority to create the MoFED Internal Audit Department and, through the vote controller (Financial Secretary), to do the same "... in every budgetary agency ...", each to use internationally recognized standards. Sections 6(2) through (5) define internal audit and internal control and lay out the duties and functions of an internal audit department, division or other unit. Section 6(5) has internal audit departments ordinarily reporting to the vote controller "... but shall be to the Minister in any matter concerned with the management of internal controls by the vote controller". The enabling legislation has been interpreted to give the MoFED Internal Auditor

statutory authority to coordinate and manage the internal audit cadre, to set standards and monitor performance¹¹.

Establishing the function is one thing but implementing it effectively is quite another. The PFM Performance Assessment Reports for 2007 and 2010 gave overall scores of D and D respectively where the latter defined as:

“The internal audit function has been introduced for at least the most important central government entities and undertakes some audits which comment on systems issues, although it does not yet fully meet professional standards.”

The 2010 overall score of D represents a marginal improvement over 2007 when it was D, although ratings for coverage and quality as well as frequency and distribution of reports remained unchanged at C in each year.

Internal audit is a critical element of internal control in MDAs and we believe that there is a need for it to improve considerably and rapidly if PFM in GoSL is to progress and meet the reasonable expectations of parliamentarians and citizens.

6.3. METHODOLOGY AND APPROACH TO THIS REVIEW

The purpose of this review was to evaluate the effectiveness and reach of the internal audit function throughout MDAs, including the strengths, weaknesses, challenges, opportunities and threats and make recommendations on the way forward.

A questionnaire dealing with a range of internal good practice topics, was prepared and completed by ASSL audit staff on a broad spectrum of MDAs. Interviews were conducted with MoFED internal management and with representatives from MDA internal audit departments.

PEFA assessments for 2007 and 2010 were reviewed.

The *Internal Audit Manual for Ministries Departments and Government Agencies* was reviewed in depth.

A sample of working paper files were selected from a number of MDAs and reviewed for compliance with professional standards in general and the audit manual in particular.

A sample of internal audit reports covering a broad range of topics was reviewed and compared to standards set out in the internal audit manual.

Ultimately, to arrive at an objective view on the status of internal audit in the government of Sierra Leone, the findings were mapped against *Internal Audit Assessment Criteria* and the Institute of Internal Audit Research Foundation’s *Internal Audit Capability Model* (IA-CM).

6.4. OVERVIEW OF PUBLIC SECTOR INTERNAL AUDITING

The nature of internal audit organizational arrangements determines its independence and effectiveness. Broadly speaking there are two models: centralized and decentralized. Under the centralized model the Ministry of Finance controls the internal audit budget and also plays a

¹¹Republic of Sierra Leone: *PFM Performance Assessment Report*, June 2007

major role that may range from just determining, implementing and monitoring policy, procedures and methodology to having direct control of all internal audit resources and staff, including hiring, with an unfettered right of access to all line ministries. Under the decentralized model, each line ministry takes full responsibility for spending its own budget and regards the role of the Ministry of Finance (if any) as advisory but not prescriptive. There are, of course, varying configurations of the centralized and decentralized models.

In Africa and elsewhere there appears to be five main ways in which the internal audit function is configured¹². These, in summary are:

- Internal Audit as part of the Accountant-General's Office (Swaziland and Tanzania)
- Internal Audit as a function under the Ministry of Finance (Kenya, Botswana, Uganda and Zambia)
- Decentralized internal audit function situated at the entity level (South Africa and Ghana)
- Internal audit as part of the Auditor General's Office (Germany, but rarely seen now.)
- Centralized internal audit function under Cabinet (Malta)

The role of modern internal auditing involves three main elements, namely, the evaluation and improvement of risk management, internal control and governance. Risk management, control and governance encompass the policies and procedures established to ensure the achievement of objectives and include the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, as well as compliance with the behavioral and ethical standards set for public organizations and employees.

The internal audit function has become an integral part of public financial management and is an instrument for improving performance. It should ensure that public spending is legally compliant, within budgetary provisions, complies with specified expenditure control procedures, ensures the timely reconciliation of accounts and the effectiveness of systems for managing and accounting for physical and financial assets.

Modern internal audit practice has become a professional discipline of strategic significance in its own right with the now well-recognized professional designation Certified Internal Auditor (CIA) provided by the IIA. A well configured internal audit function plays a vital role in the governance and accountability process of public sector institutions. It needs the understanding and support of senior management to enhance its effectiveness.

The following criteria¹³ are used to assess an internal audit department as a well- functioning unit.

Figure 6.1 – Internal Audit Assessment Criteria	
Essential Elements	Criteria
1. Mandate	A clear written and well communicated Charter setting objectives, independent authority, unfettered right of access to records, institutions and personnel as well as authority to follow-up on action taken on audit findings and recommendations.

¹² *Internal Auditing in the Public Sector: Promoting Good Governance and Performance Improvement*, by Thomas Asare, International Journal on Government Financial Management (2009)

¹³ Adapted from *Internal Audit Assessment Criteria*, Office of the Superintendent of Financial Institutions Canada (2002)

Figure 6.1 – Internal Audit Assessment Criteria	
Essential Elements	Criteria
2. Organization Structure	Stature and authority of the IA Director within the institution. Extent of direct access to chief executive and the Audit Committee. Independence from entities audited and day to day control processes.
3. Resources	Adequacy of the processes in place to determine level of required resources, qualifications and competencies of staff and their development. Adequacy of resources and collective competency to carry out the mandate.
4. Methodology and Practices	Policy and practice compliance with international professional standards. Appropriateness of audit methodologies. Extent to which methodologies are risk-based and responsive to entity risk profile.
5. Planning	Adequacy of planning policies and practices to review audit cycles. Clear identification of audit objectives and scope of work in annual planning.
6. Reporting	Adequacy of policies and practices to report findings and recommendations to management and to follow-up findings and recommendations.
7. Quality Assurance	Adequacy of policies and practices for monitoring audit staff for standards compliance and use of approved methodologies.
8. Senior Management Oversight	Extent of Audit Committee approval required for (a) removal of IA Director/ (b) mandate and resources; and (c) annual work plans. Adequacy of policies and procedures for periodic reporting on plan to the Audit Committee and senior management.

This table is reproduced in Appendix 1 with an additional column showing our assessment of IAD in GoSL.

6.5. ORGANIZATION OF INTERNAL AUDIT IN THE GOVERNMENT OF SIERRA LEONE

Internal audit in the government of Sierra Leone follows a hybrid of the centralized model described above. That is the internal audit function is resident in MoFED under the management of a Director Internal Audit who reports to the Financial Secretary (FS). Internal auditors are deployed by the Director on permanent assignment to MDAs where they report in the first instance to the vote controller in each ministry. Internal audit salaries throughout GoSL are paid by MoFED. In MDAs the Head of Internal Audit (HIA) is appointed under rules and regulations set by the Public Service Commission and the Human Resource Office. The Director of Internal Audit sits on the interview panel. Head of Internal Audit (HIA) appointments are made by the vote controller/FS (subject to the approval of the Minister)¹⁴. The HIA in an MDA has functional responsibility to the Director Audit in MoFED who exercises control over policy and procedures but for administrative purposes reports to the MDA vote controller.

Internal audit policies and procedures are disseminated by MoFED Internal Audit Department (IAD) and are described in three volumes, *Government of Sierra Leone: Internal Audit Manual for Ministries, Department and Government Agencies*, issued in September 2006¹⁵.

¹⁴ Internal Audit Manual, Volume II, paragraph 5, page 143

¹⁵ Prepared by KPMG through the European Union Institutional Strengthening Project in MoFED). The development of these manuals has been supported by training programmes.

Under official policy the Financial Secretary has granted internal audit “... full, free unrestricted access to all functions, records, property and personnel of the Ministry and related parties”¹⁶.

Part of the IAD governance structure includes an Audit Committee. MDAs may also have an Audit Committee but at the discretion of the MDA vote controller.

Technically there are now IADs in all MDAs including all the main spending MDAs. These IADs function independently from MoFED and report directly to MDA vote controllers. Some of these staff are funded by donor programs and are present in MDAs to review and report on donor funded projects. The MoFED Director Internal Auditor has statutory authority to coordinate and manage the internal audit cadre, to set standards and monitor performance. The 2010 PEFA assessment noted that while:

“... Internal Audit Units are established ...(they are) not necessarily adequately resourced for all MDAs and are far from being fully implemented in a consistent way. There are examples of those that are better established than others but overall it is not yet a strong institutional platform. In August 2010 there was a significant injection of resources which should have a measurable impact in taking the internal audit function forward ”

Under the leadership of the MoFED Director Internal Audit, the entire cadre of public sector internal audit staff (now in excess of 130 staff) meets quarterly which is helping to develop the role of internal audit in Sierra Leone.

6.6. THE INTERNAL AUDIT-CAPABILITY MODEL (IA-CM) – A SUMMARY

The IA-CM is a framework that identifies the fundamentals needed for effective internal auditing in the public sector and consists of five levels tied to leading and recognized good practices. It may be used, in this instance, as an evaluation tool by legislative auditors or as a self-assessment tool for continuous improvement for internal audit activities. Importantly it may be used to determine the need for and type of internal audit activity appropriate to the organization and jurisdiction.

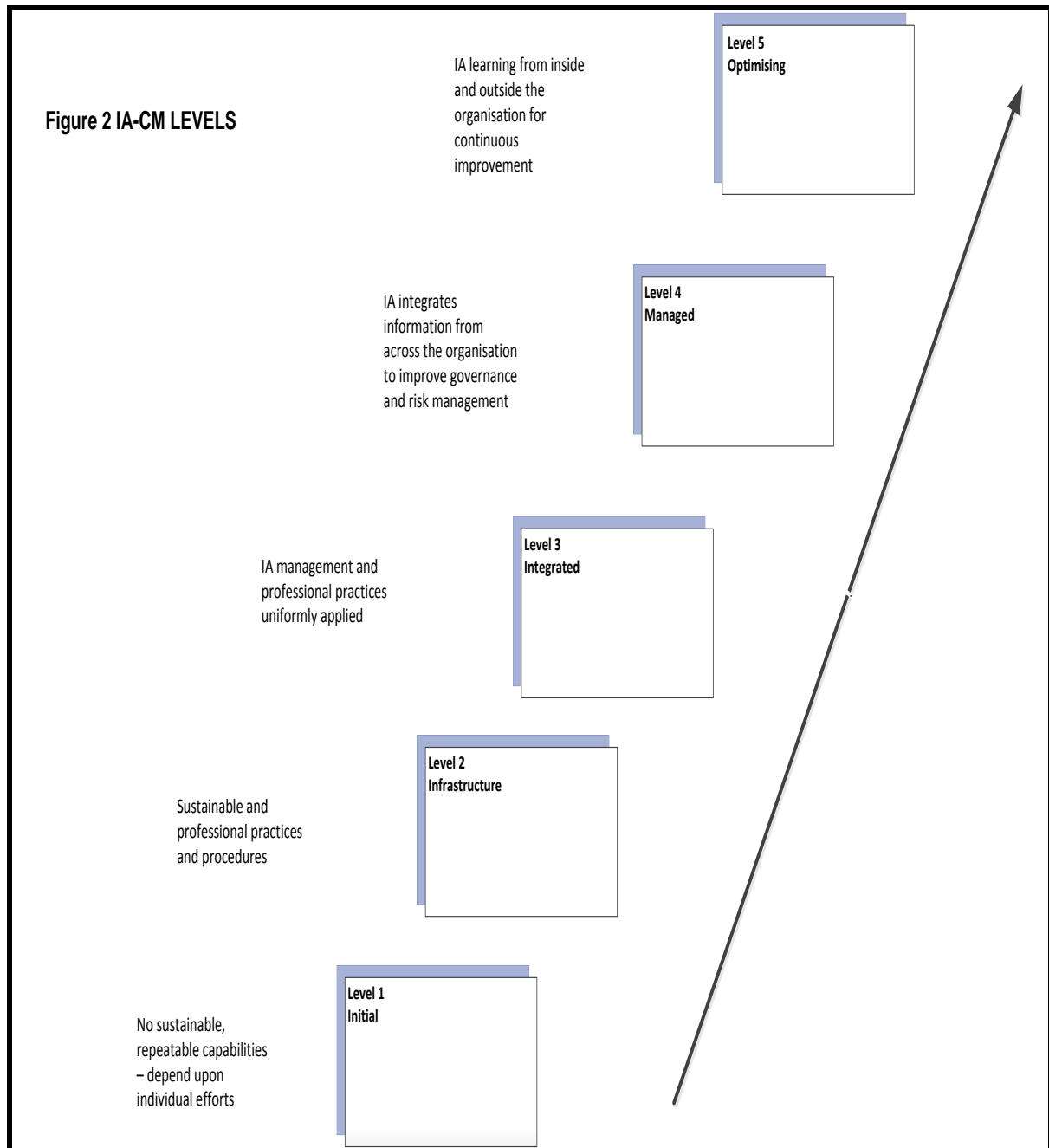
A credible and highly regarded model, the internal audit department of the World Bank worked with the IIARF to ensure sufficient global validation by considering different forms of government, stages of government’s maturity, and cultures of countries and continents. More than 300 people from over 30 countries were consulted during the validation process.

The model recognizes that management capacity, infrastructure, and governance arrangements are different in developed and developing countries and must also be considered. It does not take the view that one size fits all, but rather describes an evolutionary path for public sector organizations to follow in developing effective internal auditing to meet the organization’s governance needs and professional expectations. The IA-CM shows the steps in progressing from a level of internal auditing typical of a less established organization to the strong, effective internal audit capabilities generally associated with more mature and complex government entities. In short, the IA-CM is:

- a convenient vehicle for advocating the value and need for internal auditing;
- a framework for assessment of current internal audit capabilities; and
- a roadmap for orderly improvement and capacity building of internal audit activity.

¹⁶ *Ibid.* Volume II, page 169

It can be used for gap analysis against risk-based requirements, and can also help determine the optimum level of internal audit capability to support governance needs. Using small incremental steps, internal audit activities are enhanced through five capability levels, name: (1) Initial, (2) Infrastructure, (3) Integrated, (4) Managed and (5) Optimizing – see Figure 2. Each capability level describes the characteristics and capabilities of an internal audit activity at that level – see Figure 2, IA-CM Levels.



As may be seen from Table 6.2, *Description of the Capability Levels*, when size, complexity or risks increase, so does the need to have sophisticated internal audit capabilities. The IA-CM model attempts to match the nature and complexity of the organization, in this case the government of Sierra Leone, with the internal audit capabilities needed to support it.

Table 6.2 Descriptions of the Capability Levels	
5. Optimizing	<ul style="list-style-type: none"> - IA is a learning organization with continuous process improvements and innovation. - IA uses information from inside and outside the organization to contribute to achieving objectives - World-class/recommended/best practice performance. - IA is a critical part of the organization's governance structure. - Top-level professional and specialized skills. - Individual, unit, and organizational performance measures are fully integrated to drive performance improvements.
4. Managed	<ul style="list-style-type: none"> - IA and key stakeholders' expectations are in alignment. - Performance metrics are in place to measure and monitor I processes and results. - IA is recognised as delivering significant contributions to the organization. - IA functions as an integral part of the organization's governance and risk management. - IA is a well-managed business unit - Risks are measured and managed quantitatively. - Requisite skills and competencies are in place with a capacity for renewal and knowledge sharing (within IA and across the organization).
3. Integrated	<ul style="list-style-type: none"> - IA policies, processes, and procedures are defined, documented, and integrated into each other and the organization's infrastructure. - IA management and professional practices are well established and uniformly applied across the IA activity. - IA is starting to align with the organization's business and the risk it faces - IA evolves from conducting only traditional IA to integrating as a team player and providing advice on performance and management of risks. - Focus is on team building and capacity of the IA activity and its independence and objectivity. - Generally conforms to the standards
2. Infrastructure	<ul style="list-style-type: none"> - Key question or challenge for Level 2 is how to establish and maintain repeatability of processes and thus a repeatable capability. - IA reporting relationships, management and administrative infrastructures, and professional practices and processes are being established (IA guidance, processes, and procedures). - Audit planning based principally on management priorities. - Continued reliance essentially on the skills and competencies of specific persons. - Partial conformance with the Standards.
1. Initial	<ul style="list-style-type: none"> - Ad hoc or unstructured. - Isolated single audits or reviews of documents and transactions for accuracy and compliance. - Outputs dependent upon the skills of the specific person holding the position. - No professional practices established other than those provided by professional associations. - Funding approval by management, as needed. - Absence of infrastructure. - Auditors likely part of a larger organizational unit. - Institutional capability is not developed.

6.7. REVIEW FINDINGS AND RECOMMENDATIONS

Assessment against the IA-CM Model

Based on our review we conclude that internal audit as practiced throughout MDAs in particular is not as effective as it should be, given the complexity and stage of development of Sierra Leone's public sector. On the IIAF *Internal Audit – Capability Model* we believe the

function attains Level 1 while tending towards Level 2 which is to say, it has sustainable internal audit practices and procedures but these are not yet well established throughout the public sector. In short, there is ample room for improvement.

When reviewed against the *Internal Audit Assessment Criteria*, see Appendix 1, we came to a similar conclusion. Public sector internal audit in the government of Sierra Leone does not have sufficient grip to reach an acceptable level of self-sustainability without more resources, training and perhaps above all, a modern good practice compliant governance structure that guarantees a professional level of independence.

Internal Audit Charter

An Internal Audit Charter is a document that formally outlines internal audit's role, responsibilities, authority, standards and accountabilities. It also lays out the role of management in relation to internal audit. The Charter should be developed by the Head of Internal Audit in consultation with stakeholders, particularly the vote controller and the Audit Committee. It is an important means of setting and understanding stakeholder needs and expectations.

The majority of the MDAs do not have an Internal Audit Charter. Without a Charter, there will be an expectation gap around internal audit responsibilities and that of management. In short, roles of all stakeholders are not clear or well-understood.

The Internal Audit Manual contains a model Charter which was disseminated to MDA vote controllers by the MoFED Director Internal Audit, for local modification and adoption. Apparently this request has been largely ignored.

Internal Audit in City and District Councils

The local government internal audit units are a key component of the system of internal control. Section 84(2) and (4) of the *Local Government Act 2004* requires the Head of the Internal Audit Department to prepare a report on the internal audit work carried out by the department and submit it to the local council. These sections of the Act also require that the reports be sent to the Minister of Local Government and Rural Development. These units are grossly understaffed; there are no internal audit manuals and no evidence to show that the internal audit reports were submitted to the Minister during the period under review. The salary and resources for local government internal audit are should also not be MoFED responsibility.

Attempts have been made to create audit committees at the local government level but, we are told, the absence of a budget to pay sitting fees or per diems has hampered these strides.

Internal Audit Resources

Apart from the previously referenced GBAA requirement to create internal audit for central government there is no legislative or policy requirement to fund it.

Throughout MDAs, police and local council, the internal audit cadre is about 80 persons. Of these, approximately 70 are in central government (except for the police) under the technical guidance of the Director Internal at MoFED. Apart from a small unit in MoFED all are largely deployed to MDAs and under the vote controller's control for operational purposes.

There is no budgetary line item for internal audit in expenditure planning by ministries. As GoSL moves towards an activity costing model for expenditure planning, this may be

corrected and may raise the profile of internal audit as a separate and distinct activity. At present the allocation of resources (by which is meant all essentials to function except salary) to internal audit is at the discretion of the MDA vote controller and it appears that in many instances nothing or next to nothing is allocated – see Table 6.3, *Internal Audit Staff and Resources by MDA*. In many instances budgets are only allocated for the audits of donor funded projects and these are financed by donors. In the words of an official “... internal audit is being strangled by no budget line...” This is not an acceptable situation.

Table 6.3 – Internal Audit Staff and Resources by MDA¹⁷		
MDA	No. of IA Staff	MDA Resource Budget Le ‘000
Finance and Economic Development	6	75,000
Education, Science and Technology	2	nil
Health and Sanitation	6	32,000
Defence	5	nil
Agriculture, Forestry and Food Security	10	nil
Lands, Country Planning and Environment	2	nil
Trade and Industry	2	nil
Information and Communication	2	nil
Human Resource Management Office	2	nil
Works, Housing and Infrastructure	2	nil
Immigration	1	nil
Water Resources	1	nil
Prison Service	2	nil
Vice-President	2	nil
Foreign Affairs	2	nil
House of Parliament	1	nil
Transport and Aviation	2	nil
Fisheries and Marine Resources	3	nil
National Registration Secretariat	1	nil
Mines and Mineral Resources	3	nil
Energy	1	nil
President	2	nil
Internal Affairs, Local Government and Rural Development	2	nil
Tourism and Culture	1	nil
National Public Procurement	1	nil
Sierra Leone Investment Export and Promotion Agency	1	nil
Labour and Social Security	2	nil
Social Welfare, Gender and Children Affairs	1	nil
National Fire Force	1	nil
Youth and Sports	1	nil
Police ¹⁸	10	<i>footnote 18</i>
City, Municipal and District Councils ¹⁹	19	<i>footnote 19</i>
Total	99	107,000

¹⁷The information contained in this Table was largely provided by MoFED Internal Audit management.

¹⁸Staff numbers for the Sierra Leone Police Internal Audit Department are included in this Table. Note, however, that responsibility for salary does not rest with MoFED.

¹⁹Staff for City, Municipal and District Councils are not paid by MoFED and six of the staff are with the City of Freetown

The lack of resources is self-evident and considered by many to be the single biggest issue for internal audit throughout the public sector. It saps morale, creates a sense of isolation and causes great frustration as well as severely impacts the development of the function.

Organizational independence

Independence allows audit activity to be carried out without interference. Internal audit is independent in the sense that it is disconnected from the activities it audits or the influence of management at all levels. Independence permits internal auditors to act in an objective, impartial manner free from any conflict of interest or inherent bias or undue external influence.

Modern internal audit practice embraces independence by assuring internal audit full and unfettered access to functions, records, people and assets. It also achieves it by having the Head of Internal Audit report to the most senior member of management and at the same time by creating an independent representative Audit Committee to which he also has direct access and a well-defined reporting relationship. Both executive access and the committee are essential elements of organizational arrangements.

Audit Committees

At present a single Audit Committee exists and is hosted by the MoFED Director, Internal Audit. Its membership consists of the Development Secretary, Director ICT, Deputy Director PFM, the Head of Internal Audit (MoFED) who acts as secretary to the committee, and the Director Internal Audit who sits as an ex-officio member. There are no Audit Committees associated with internal audit in MDAs.

Effective independent Audit Committees are considered an essential element of sound governance for modern internal audit departments. The chief internal audit executive generally reports to the committee as well as administratively to the chief executive, in this case the FS or in an MDA the PS. The absence of audit committees in MDAs is a major weakness that, with resource constraints, corrodes and dilutes the effectiveness of internal audit.

In some jurisdictions governments and/or ministries have established a committee of permanent secretaries and added external members including private sector professionals and academics to fill out a sound governance model for internal audit. For example, Supreme Audit Institutions in many jurisdictions have established Advisory Committees who assist the Auditor General on a broad range of issues. Typical membership would include retired senior public servants and academics as well as members of the accounting and legal profession. The members meet usually quarterly and while travel expenses are paid generally there are no 'sitting fees'. With increased responsibility for policy and ethical activities, audit committees, like boards of directors, take their roles seriously. Audit Committees are recognized as a valuable provider of independent assurance and advice to IADs and management alike.

We strongly recommend that properly constituted Audit Committees be set up in all MDAs and that the composition of the present MoFED based committee is reviewed if only to show the way to others. They should have clear terms of reference, meet on a regular basis and maintain formal minutes of proceedings.

Role of the Vote Controller in MDAs

In the case of MDA IADs, the vote controller has power to such an extent that the independence of the head of internal audit is virtually non-existent. Under current policy as set down in the Audit Manual, he may at his sole discretion create an Audit Committee. As a

policy, this is not good practice and should be corrected to make audit committees mandatory and provide guidelines for selecting members.

Taking in consideration with the power he has to influence resourcing of internal audit, a vote controller can make MDA internal audit totally ineffective.

The Internal Audit Manual

Officially called *Government of Sierra Leone: Internal Audit Manual for Ministries, Department and Government Agencies*, it was, as previously noted, developed by KPMG for MoFED under an EU grant in 2006.

In general the manual is comparable with international standards for the practice of internal audit as laid down by the Institute of Internal Auditors. It is considered to be a formal statement of internal audit policy for GoSL. Comprehensive in nature, it is generally fit for the purpose but it may be timely to give it a thorough review as some portions are not up to date. For example, the following matters among others need to be reexamined:

- The section on IT Audit is very outdated and inadequate.
- The matter of placing audit working papers in the public domain and available to media is at variance with international practice and needs to be removed.

Internal Audit Working Paper Files

Internal audit working paper files are largely non-compliant with the professional standards set down in the Audit Manual.

As previously noted, the somewhat unusual policy described in the Internal Audit Manual states that "... work paper files are public information after the audit report has been released by the vote controller ..."²⁰. Under generally accepted auditing standards and good practice working papers are considered the work product of the auditor and are not suitable in the public domain. They should never be presented to the media or be subject to court order. The latter is, in some jurisdictions, prohibited by statute when auditors are protected from even being called as witnesses in criminal and civil hearings.

Internal Audit Reports

All internal audit reports should comply with the requirements set down in the Audit Manual. In addition, file review procedure and pre-issuance quality assurance on reports should determine that the working paper file and the internal audit comply in all material respects.

From MDA IADs, internal audit reports are sent by the Head of Internal Audit (HIA) to the vote controllers with copies to the MoFED Audit Committee, and to the Director and Deputy Director Internal Audit. Periodically copies are also sent to Audit Service Sierra Leone on CD.

Most reports produced by the Internal Audit Department (IAD) are eventually addressed by management with partial implementation of recommendations in some instances. The timeline for MDA response by management to reports is three months on average but some take much longer than that.

²⁰ *Ibid.* Volume II, page 211

Internal Audit Training and Development

In the past year MoFED internal audit has hosted training and development workshops on report writing, audit evidence, principles of internal audit, procurement audit and personnel audit. These workshops were given by a combination of locally sourced consultants, tertiary level educational institutions and international experts.

Many but not all internal audit staff meet the minimum requirement of a bachelor's degree in accounting and finance and have been given formal training in internal audit and in various other aspects of the profession. On average nearly all have three years professional experience. To improve the level of professionalism central IA, management has seen the need to pursue the Institute of Internal Audit certification designation *Certified Internal Auditor* (CIA) as well as certification in the IT audit field, the latter by using the Information Systems Audit and Control Association (ISACA) courses to obtain *Certified Information System Auditor* (CISA) designation for the latter. These are praiseworthy objectives but financial support would be required to pursue them fully.

Appendix 1 –Completed Internal Audit Assessment Criteria		
Essential Elements	Criteria	Assessment of GoSL Internal Audit
2. Mandate	A clear written and well communicated Charter setting objectives, independent authority, unfettered right of access to records, institutions and personnel as well as authority to follow-up on action taken on audit findings and recommendations.	The GBAA Article 6 sets down the legal mandate for GoSL internal audit. A draft Charter exists but has not been effectively implemented in MDAs despite its having been disseminated to vote controllers.
3. Organization Structure	Stature and authority of the IA Director within the institution. Extent of direct access to chief executive and the Audit Committee. Independence from entities audited and day to day control processes.	The MoFED-based Director Internal Audit reports to the FS. There is an Audit Committee. The extent of control exercisable by vote controllers in MDAs is not consistent with creating a sufficiently independent MDA IAD. Although MoFED policy as expressed by the FS grants IAD in general full and unfettered access to all records, personnel, etc., our review suggests that in practice the scope of internal audit at the MDA level may effectively be restricted in many instances and many documents are not available for inspection.
4. Resources	Adequacy of the processes in place to determine level of required resources, qualifications and competencies of staff and their development. Adequacy of resources and collective competency to carry out the mandate.	There is no budget line for internal audit in the expenditure plans the present time. Although internal audit staff salaries are covered by MoFED in MDAs vote controllers are in many cases not allocating sufficient resources to internal audit.
5. Methodology and Practices	Policy and practice compliance with international professional standards. Appropriateness of audit methodologies. Extent to which methodologies are risk-based and responsive to entity risk profile.	Internal audit policy and practice are captured in a three volume document, Internal Audit for Ministries Department and Government Agencies. While generally fit for purpose there are some policy elements that are inconsistent with current international good practice and at least one error relating to the reach of IAD. Notwithstanding these findings

Appendix 1 –Completed Internal Audit Assessment Criteria		
Essential Elements	Criteria	Assessment of GoSL Internal Audit
		<p>overall protocols as described in the manual for audit planning, execution and reporting are comprehensive. For example, a very practical approach to risk assessment is described in the manual, Volume III pages 206-207.</p> <p>The section on computer auditing (Volume III, Part F) is very dated and needs significant upgrading.</p> <p>It is not ‘user friendly’ and planned audit kits or templates have not yet been developed.</p> <p>Our review of a cross-section of audit files chosen from across MDAs strongly suggests that there is only a low level of compliance evident working papers.</p>
6. Planning	Adequacy of planning policies and practices to review audit cycles. Clear identification of audit objectives and scope of work in annual planning.	The internal audit manual addresses this adequately. However, we were told that well-designed plan exist they can rarely if ever be fully executed due to too few resources in MDA internal audit units.
7. Reporting	Adequacy of policies and practices to report findings and recommendations to management and to follow-up findings and recommendations.	The Internal Audit Manual (Volume III, page 225) is quite prescriptive and standards compliant as to reporting. However, examination of a sample of internal audit reports from 2011 was found not to be fully compliant with the policy requirements as set down in the manual.
8. Quality Assurance	Adequacy of policies and practices for monitoring audit staff for standards compliance and use of approved methodologies.	Manual sections dealing with QS/QA is adequate and considers hot and cold reviews at field supervisor and audit manager level. Given the quality of working paper files and significant non-compliance with the Audit Manual in practice quality assurance does not exist to an adequate level.
9. Senior Management Oversight	Extent of Audit Committee approval required for (a) removal of IA Director; (b) mandate and resources; and (c) annual work plan. Adequacy of policies and procedure for periodic reporting on plan to the Audit Committee and senior management.	Although an Audit Committee exists for MoFED IAD it meets infrequently and may not have the optimum composition. MDA audit committees generally do not exist. Their creation is solely at the discretion of the vote controller.

CHAPTER 7

PERFORMANCE AUDITS

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MAIN POINTS

What we examined

The chapter summarises the performance audits we conducted this year.

In 2013, we conducted four performance audits and submitted two to Parliament. The audits were concerned with the Rehabilitation of Prisoners, Land Allocation, Waiting Time on the Processing of Retirement Benefits and the Rehabilitation of Feeder Roads.

Performance auditing strives to answer the question “Are we doing the right thing, in the right way?” It is an independent, objective and reliable examination of whether government undertakings are performing in accordance with the principles of economy, efficiency and effectiveness (the 3Es) and whether there is room for improvement. The purpose therefore is to get MDAs “do the right thing in the best way”.

Because it is independent a view of performance other than the one drafted by the audited entity is presented. The core concepts and basic techniques in performance auditing are the same as with any form of audit but with different subject matter. 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 audits are said to deal with the 3Es (economy, efficiency, and effectiveness).

These are important matters for citizens and donor organisations alike. Each has a right to know that their contributions to the nation’s revenues have not been squandered. But performance audit goes beyond the purely legal question of whether revenues collected or expenditure made was authorised by Parliament. It goes deeper and examines, against criteria derived from principles of economy, efficiency and effectiveness, how revenues were spent and whether value-for-money was achieved. Assessing whether value-for-money was obtained is the key driver and it does so by examining inputs, outputs and outcomes.

What we found

Rehabilitation of Prisoners

Convicted prisoners did not fully participate in the vocational and adult literacy programmes on offer. The Reception Board was inactive in the Western Area for the period under review and the Board was not established in any of the provincial prisons visited as required by the 1961 Prisons Rules. Some prison facilities did not have rehabilitation facilitators and in certain cases the available facilitators were not trained to deliver the programs efficiently or effectively. There are no written policies and procedures covering rehabilitation programmes and there were no timeframes for completing the program. There was no Discharge Board and discharged packages/start up kits was not given to rehabilitated prisoners at the end of their prison terms.

Allocation of Lands

The general conclusion from the findings is that there was failure on the part of the ministry to establish a comprehensive policy framework, operational manual, etc., to ensure the optimal allocation and development of state lands. Necessary measures were also not instituted before and after allocation to ensure that areas allocated were free from any form of restrictions by external parties such as land squatters and encroachers.

Sierra Leone Roads Authority

Rural feeder roads in the country are still in a poor state as a result of the noncompliance with the National Rural Feeder Roads policy. There was no value for money in the implementation of feeder road works. Contractors are paid the full contract sum even when failing to complete road works. We also found out that unacceptable materials like logs were used in constructing bridges and culverts which will in future shorten the expected life span of the road. Rehabilitation works are not efficiently supervised and monitored.

7.1 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 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

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.

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 at removing 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.

7.2 SUMMARY OF 2012 PERFORMANCE AUDIT FINDINGS

7.3 SIERRA LEONE PRISONS SERVICE (SLPS).

The objective of the audit was to assess the factors deterring the effectiveness of the rehabilitation programmes undertaken by SLPS.

The audit team sought to address the following questions:

- Does the Sierra Leone Prisons Service provide various effective programmes to help prisoners in the rehabilitation process?
- Are there adequate facilities to help in the rehabilitation and reintegration process?
- does the Sierra Leone Prisons Service provide after care service to discharged prisoners?

As a means of answering the above questions, the team visited the Prisons Headquarters and seven out of the 17 prison facilities of the SLPC and reviewed the provision of Adult Literacy classes and the following Vocational Training programmes during the period 2008 – 2012:

- | | | | |
|----------------|------------|----------------|----------------|
| 1) Tailoring | 4) Bakery | 7) Carpentry | 10) Electrical |
| 2) Shoe making | 5) Masonry | 8) Art & Craft | 11) Upholstery |
| 3) Plumbing | 6) Welding | 9) Agriculture | |

The following issues were observed:

- 15% and 9% of the convicted prisoners were participating in the vocational and adult literacy programmes respectively. The unwillingness of prisoners to participate in rehabilitation programmes affected the effective implementation of the programmes. This ultimately resulted in the poor reintegration of prisoners into society and the potential for recidivism
- The Reception Board that should assess and assign prisoners for rehabilitation was inactive in the Western Area was not established in any of the provincial prisons visited as required by the 1961 Prisons Rules.
- During investigations on the efficiency of delivering the rehabilitation programmes, the team noted that 11 out of the 17 prisons or 65% had no rehabilitation facilitators and 62% facilitators did not have the relevant skills for the programmes.
- There were no written policies and procedures covering rehabilitation programmes, and no timeframes for the completion of any rehabilitation programme.
- Information in respect of the progress of rehabilitation of participants was not maintained.

- There were inadequate learning and workshop materials for the implementation of the various training programmes.
- In spite of the requirement of SLPS to have a Discharge Board, the team noted that for the period under review, there was no discharge board to determine what arrangements should be made for prisoners before completion of their jail term. Rehabilitated prisoners were also not provided with a discharge package/start-up kit at the end of their jail term.

In a bid to improve the rehabilitation of prisoners, we recommended the following:

- Devise strategies to encourage prisoners to participate in the rehabilitation programmes and sensitize prisoners on the benefits of a successful completion of a rehabilitation programme. There should be compulsory adult literacy classes for illiterate prisoners as required by the UN Standard Minimum Treatment of Prisoners as amended in 1977.
- The Reception Board should participate in the assessment and assignment of prisoners = to rehabilitation programmes. A Reception Board should also be established for the provincial prisons.
- Ensure documentation of the progress of prisoners' participation in the rehabilitation programmes.
- Periodically undertake training needs assessment on rehabilitation facilitators. Expose facilitators to further training programmes to equip them with the requisite professional knowledge and skills.
- Review ongoing programmes and detailed policy and curriculum on rehabilitation to ensure they are compiled with. Benchmarking can also be done with other countries.

7.4 MINISTRY OF LANDS, COUNTRY PLANNING AND THE ENVIRONMENT

The purpose of this Performance Audit was to assess the efficiency and effectiveness of the Allocation of State Lands by the Ministry of Lands, Country Planning and the Environment (MLCP&E). This report focuses on the processes and procedures in the allocation of state lands.

The audit was motivated by the concerns raised by the general public on state lands allocation which were published in the print media. Land issues had also been a concern to the government to the point that they were included in the "Sierra Leone Poverty Reduction Strategy Paper" which was the Government policy document during the period 2008-2012.

In order, to assess how efficient and effective the Ministry was in the allocation of state lands, two specific audit questions were formulated:

- How well are the procedures and processes for the allocation of state lands being implemented?
- How well does the Ministry ensure effective management of state lands and land management information system?

The general conclusion from the findings is that there was failure on the part of the ministry to establish a comprehensive policy framework, operational manual, etc. to ensure the optimal allocation and development of state lands. Necessary measures were also not instituted before and after allocation to ensure that areas allocated were free from any form of restrictions by external parties like land squatters and encroachers.

Illegal acquisition of state land by squatters prevented large numbers of Lessees from physically taking possession of their allocated lands. Necessary steps were not taken by the Ministry to address this problem.

Annual lease rental of Le1,000,000 was paid for the construction of a dwelling house for the first three years of ownership regardless of the size/acreage or location of the land; and some Lessees were offered more than the maximum allocation of three town lots.

There was no evidence of an established committee as recommended in the Marcus Jones Commission's report and accepted in the Government White Paper for the allocation of state lands. There was no evidence that applicants were interviewed before they were allocated state lands for the period 2010 to 2012.

Evidence of a structural plan on the allocation of state lands to include infrastructural facilities like good road network, markets, water supply, electricity, etc. was not provided

The National Lands Policy of 2005 was still at its draft stage.

Registers or database was not prepared for state land in the Western Area and the reserved lands in the Regions.

We recommended the following, so that the Ministry could be efficient and effective in its allocation of state lands:

- Appropriate steps must be taken by the Ministry to update and revise the lands Act/Policies in order to effectively regulate land acquisition and allocation in Sierra Leone and to improve on the processes and procedures
- Ensure that the land to be allocated is free from all encumbrances before allocation to a Lessee.
- Re-establish the state lands committee to facilitate transparency, accountability and the optimal allocation of state lands. The basis of offer and the reasons for waiting a long time for the allocation of state lands should also be documented.
- The processing of applications, surveying, layout and allocation of state lands must be adequately planned and monitored to minimise the problems associated with state lands allocation and land disputes.
- A comprehensive database and a register of all state lands should be maintained undertake are, survey and do proper mapping to distinguish between lands that belong to the state and those already allocated.
- Collaboration amongst the Country Planning, Surveys and Lands and the Environment divisions should be paramount in the management and administration of lands in the country. Their responsibilities should be clearly defined for optimal allocation.

7.5 SIERRA LEONE ROADS AUTHORITY (SLRA)

This Audit was undertaken on the Rehabilitation and Maintenance of Rural Feeder Roads by the Sierra Leone Roads Authority (SLRA) and other key stakeholders for the period 2010 to 2012. According to PRSP1, Road transport accounts for the majority of freight and passenger movement in Sierra Leone. Poor rural roads and the lack of regular transport services for personal travel and evacuation of agricultural products still pose serious problems.

It is clear that the country faces two major gaps in rural transport development. The first is the existence of inadequate and poorly maintained rural feeder roads connecting villages and farming areas to market centres. The second gap is the poor and unreliable rural services caused by the lack of intermediate means of transport and appropriate infrastructure for use, leaving the carrying of goods almost entirely to commuters, mostly women.

The feeder road sector in the country therefore attracts continued investment of public and particularly donor funds and resources, all aimed at providing affordable means of transportation for even the deprived but productive communities. An amount of Le59,403,677,555²¹ (billions) has been spent on the rehabilitation of feeder roads by development partners.

It is against this backdrop that an independent assessment on the Rehabilitation and Maintenance of Feeder Roads was undertaken by Audit Service Sierra Leone on the SLRA. The audit was geared towards ascertaining the challenges affecting the feeder road network and to suggest recommendations, which will assist in improving the condition of feeder roads in the country.

The audit covered SLRA's headquarters and its regional offices. It included the following feeder road projects under the Ministry of Agriculture, Forestry and Food Security (MAFFS), and five District Councils:

- Rural and Private Sector Development Project (RPSDP);
- Agricultural Sector Rehabilitation Project (ASREP); and
- Rehabilitation and Community-Based Poverty Reduction Project (RCPRP).

The National Rural Feeder Roads Committee (NRFRC) and the Road Maintenance Fund Administration (RMFA) being key stakeholders were also considered. The audit team visited sample rural feeder roads that were rehabilitated by SLRA and the various projects under MAFFS.

During the audit, the following were reported by the audit team:

Generally stakeholders were aware of the policies and regulations on the rehabilitation and maintenance of feeder roads. Nevertheless, there were issues of non-compliance and there was no value for money in the implementation of feeder road works.

Contracts including clearing works, earth works and side drains were awarded to be executed during the rainy season amounted to Le195,332,547 for SLRA contracts and Le1,834,118,527 for RPSDP contracts. The auditors noted a contravention in which payments amounting to Le1,759,724,003 were paid to Contractors in respect of road works not completed.

Unacceptable materials like logs were used to backfill constructed culverts instead of suitable laterite materials for road works amounting to Le180,907,000.

An all-inclusive standard for the construction of concrete structures like pipe culverts, single and twin box culverts and bridges have not been developed by SLRA for the implementation of all feeder road projects in the country.

Road works were not carried out in accordance with the technical specifications and drawings, as stated in the contract agreement. Notably, some constructed pipe and box culverts were without offshoot, wing walls and poorly plastered.

SLRA did not provide any evidence of a national feeder road inventory and road condition survey for the planning, development and management of the feeder road network in the

²¹ Projects Financial Statements for the period 2010 to 2012

country. Existing structures like culverts and bridges in poor conditions were not considered by SLRA during the rehabilitation of feeder roads.

There was limited collaboration and coordination amongst stakeholders on feeder road works and the local communities were not actively involved in the planning and monitoring of feeder road works in their localities-the description or specification of work to be done by Contractors was not made known to the community actors.

In the case of on-going projects, the team observed that safety measures and axle load control for feeder roads were not implemented.

SLRA have not enacted appropriate traffic laws that specify the maximum axle and overall loads for rural feeder roads in the country.

In order to improve on the feeder roads condition in the country, we recommended that the following should be addressed:

- SLRA and other development partners that are engaged in the implementation of feeder road projects should consider the construction/rehabilitation and maintenance calendar as required by the NRFRP before the award of contracts.
- Ensure that contracts are completed within the required completion dates. Conduct physical inspection of project sites before preparing measured work certificates and making payments to Contractors. All incomplete contracts are either completed by Contractors or they make a refund of amounts expended for incomplete work.
- Improve on the level of supervision and monitoring during the rehabilitation of feeder roads. Develop an all-inclusive technical standard for the rehabilitation and maintenance of feeder roads in the country.
- Collaborate with other stakeholders, conduct road condition survey and develop an updated National Road Inventory periodically. Ensure that the local communities actively participate in the planning and monitoring of feeder road works in their localities.
- Consider existing structures like culverts and bridges that are in poor state when undertaking a road condition survey for inclusion in the contract agreements.
- NRFRP should ensure that all activities relating to the implementation of rural feeder roads are effectively coordinated and harmonised to facilitate the free flow of information and reduce potential conflict of interest amongst stakeholders. SLRA should provide the necessary technical guidance and support to Local Councils to ensure efficient management of feeder roads.
- Traffic management measures should be implemented by contractors during road works. SLRA should implement axle load control to avert the damage of culverts and bridges.

CHAPTER 8

MINISTRIES, DEPARTMENTS AND AGENCIES

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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 the risk of non-compliance is high, based on past experience or the very nature of the activity. 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 **Le81,634,888,708**. 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

COMMON ISSUES

A number of audit issues to be reported apply to several institutions. These common issues are outlined in the paragraphs below. Table 8.1 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 MDAs.

- **Huge Procurement Irregularities**

For the procurement of goods and services the National Public Procurement Act, 2004 establishes rules and regulations which must be adhered to for the proper execution of procurement. ASSL observed massive flouting of procurement rules amounting to **Le24,225,042,005** in 2011-12. In most non-compliant cases goods and services were acquired without basic documentation such as contracts, evaluation reports, minutes of bid opening meetings or evaluation meetings and other records of procurements undertaken. It was recommended that the NPPA rules be adhered to in the future. In many cases it was requested that the Vote Controllers submit the relevant documents to the Auditor General within thirty (30) days of receipt of the audit report or otherwise the funds expended should be recovered.

- **Payments Without Supporting Documents**

Section 73(1) of the Financial Management and Regulation (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 **Le17,624,409,729** were not presented for audit inspection during 2013. 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.

- **Payments Without Adequate Supporting Documents**

Other disbursements, totalling **Le3,648,240,402** 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.

- **Imprests Without Retirement Details**

Section 87(1) of the FMR 2007 states: “The officer holding an imprest shall, when recouping an imprest, submit to the Accountant General a properly completed payment voucher, supported by individual vouchers and receipts and a covering schedule summarizing and allocating the individual transactions”

On the contrary, the sum of **Le1,039,618,533** was used as special imprest for activities undertaken by various institutions for which retirement details were not available for inspection. It was therefore recommended that the institutions concerned should submit retirement details to ASSL.

- **Withholding Taxes Not Deducted And Paid To The NRA**

During the audits of MDAs conducted during 2012, it was identified that withholding taxes totalling **Le117,546,098** 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.

- **Store Items Not Taken On Ledger Charge**

Various store items were not recorded in the Store Ledger in various institutions, to show how those items were distributed and who the beneficiaries were. It was recommended that the institutions involved should ensure that the Officer(s) in charge of the distribution of those items must provide evidence of the distribution and take them on ledger charge within thirty (30) days of the receipt of the report.

- **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.

- **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.

- **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.

- **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 8.1 – MDAs Common Issues										
MDA	Procurement irregularities (Le)	Payments without SD (Le)	Payments without adequate SD (Le)	Unretired imprest (Le)	Withholding taxes not deducted and /or paid to the NRA	Items not recorded in the Stores Ledger	No Bank Reconciliation done	FAR not maintained	FAR not updated	No IA Unit
Ministry Of Education Science & Technology Hq (2011)	18,581,640 57,955,500	293,176,400 18,206,230		72,112,333		✓				
Ministry Of Education Science & Technology Hq (2012)	16,482,299,865	5,575,129,426 8,200,047,023	617,000,000	60,400,000	1,405,000 9, 161,315	✓		✓		
Ministry Of Education Science And Technology – Southern Region (2012)			51,130,000				✓		✓	
Ministry Of Agriculture, Forestry And Food Security Hq (2011)	240,000,000 272,950,000	40,387,000 24,900,000		99, 896,000				✓		
Ministry Of Agriculture, Forestry And Food Security Hq (2012)	202,500,000 430,164,000 1,327,500,000									
Ministry Of Agriculture, Forestry And Food Security-Tonkolili District (2011)		2,418,000						✓		
Ministry Of Agriculture, Forestry And Food Security – Eastern Region(2012)								✓		
Ministry Of Agriculture Forestry And Food Security- Eastern Region (2011)								✓		
Ministry Of Health & Sanitation Hq(2012)	990, 000,000	61,629,500 100,037,463	86,414,345							
Primary Health Care Bombali District (2011)		53,776,000							✓	
BAL B/D	20,021,915,005	14,333,248,742	754,544,345	232,408,333	10,566,315					

Table 8.1 – MDAs Common Issues										
MDA	Procurement irregularities (Le)	Payments without SD (Le)	Payments without adequate SD (Le)	Unretired imprest (Le)	Withholding taxes not deducted and /or paid to the NRA	Items not recorded in the Stores Ledger	No Bank Reconciliation done	FAR not maintained	FAR not updated	No IA Unit
BAL B/F	20,021,915,005	14,333,248,742	754,544,345	232,408,333	10,566,315					
Primary Health Care Tonkolili District (2011)		5,395,000				✓		✓		
Primary Health Care Tonkolili District (2012)		53,000,000								
District Medical Office –Bo (2012)		478,545,083	20,024,640				✓			
Makeni Government Hospital (2011)		2,819,000		2,095,000	1,276,800					
Connaught Hospital (2012)		367, 986,986			4,692,850					
Ministry Of Mines And Mineral Resources Hq (2012)			1,092,462,723							
Ministry Of Mines And Mineral Resources Eastern Region (2012)	5,388,000							✓		✓
Ministry Of Mines And Mineral Resources Northern Region (2012)								✓		
Ministry Of Defence Hq (2012)			40,919,867					✓		
Ministry Of Defence South -5th Brigade (2012)					919,450					
Ministry Of Defence North (2012)				12,542,000				✓		
Ministry Of Fisheries And Marine Resources (2012)	3,296,562,000				1,970,600					
BAL B/D	23,323,941,005	15,241,094,811	1,907,951,575	247,043,333	19,426,015					

Table 8.1 – MDAs Common Issues										
MDA	Procurement irregularities (Le)	Payments without SD (Le)	Payments without adequate SD (Le)	Unretired imprest (Le)	Withholding taxes not deducted and /or paid to the NRA	Items not recorded in the Stores Ledger	No Bank Reconciliation done	FAR not maintained	FAR not updated	No IA Unit
BAL B/F	23,323,941,005	15,241,094,811	1,907,951,575	247,043,333	19,426,015					
Ministry Of Foreign Affairs (2010 – 2012)	169,617,000	295,005,918	100, 850,413							
Ministry Of Local Government And Rural Development (2011-2012)		15,395,000		296,477,840		✓				
Ministry of Employment Labour & Social Security (2011&2012)	298,791,000 21,350,000		226,084,639							
Ministry Of Tourism And Cultural Affairs (2011-2012)				50,000,000 25,750,000				✓		
Ministry Of Internal Affairs (2011-2012)		2,072,914,000		48,350,000						
Ministry Of Social Welfare, Gender And Children's Affairs (2011)	115,200,000			209,916,250		✓				
Ministry Of Social Welfare, Gender And Children's Affairs Eastern Region (2011)			6,461,000					✓		
Provincial Secretary's Office North 2012					2,012,850					
Provincial Secretary's Office – Eastern Region (2012)				14,257,100				✓		
Accountant General's Department (2012)			19,915,000					✓		
Vice President's Office (2012)								✓		
Sierra Leone Prisons-Southern Region (2011 & 2012)				107,945,000	537,900					
BAL B/D	23,929,199,005	17,624,409,729	2,243,339,127	999,739,533	21,976,765					

Table 8.1 – MDAs Common Issues										
MDA	Procurement irregularities (Le)	Payments without SD (Le)	Payments without adequate SD (Le)	Unretired imprest (Le)	Withholding taxes not deducted and /or paid to the NRA	Items not recorded in the Stores Ledger	No Bank Reconciliation done	FAR not maintained	FAR not updated	No IA Unit
BAL B/D	23,929,199,005	17,624,409,729	2,243,339,127	999,739,533	21,976,765					
Prisons Service (2011-2012)			9,000,000							
Eastern Regional Prisons (2012)				16,879,000	56,234,813					✓
Sierra Leone Police – Southern Region (2012)					6,628,437		✓			
Sierra Leone Police – North East (2012)					1,730,000					
Sierra Leone Police East (2012)	5,715,000							✓		
High Court (2011)	290,128,000		82,084,875 1,313,816,400		11,195,583					✓
Appeal Court (2011)										✓
Supreme Court (2011)										✓
Judiciary – Kenema (2012)						✓				
National Stadium Management (2011-2012)					19,780,500					
Government Printers (2012)						✓				
Immigration Department Hq (2011)				23,000,000		✓				
TOTAL	24,225,042,005	17,624,409,729	3,648,240,402	1,039,618,533	117,546,098	-	-	-	-	-

8.1. MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT (2012)

8.1.1. Review Of Fuel Management

The Ministry of Finance and Economic Development had no fuel policy that determined the level of personnel entitled to fuel and the quantity on a daily or monthly basis. It was recommended that steps were taken immediately to develop a fuel policy in a bid to effectively and efficiently manage the fuel supplied to the Ministry.

Officer's Response

The Principal Deputy Financial Secretary stated that the fuel policy, an extraction of the general fuel policy of all the MDAs, was available for the Ministry.

Auditor's Comment

The issue is still outstanding.

8.1.2. Fuel Reconciliation Not Properly Carried Out

Reconciliations between the Ministry and National Petroleum Filling Station were not properly done during the period under review. Reconciliations were done without records from the Fuel Station. It was recommended that reconciliations must be done between the records maintained by the Ministry and the Fuel Station, to enhance efficiency, accuracy and effectiveness of handling government resources.

8.1.3. Approved Vehicles Without Life Cards

The names on six(6) life cards were different from the names on the approved list of vehicles. Twenty eight (28) of the approved vehicles to which fuel were issued during the period did not have life cards. It was recommended that the discrepancy between vehicle owners, and life cards should be regularized immediately and evidence of that forwarded to ASSL for verification.

8.1.4. Requisitions Not Raised For Fuel Issued

A total of 2,833 litres of fuel equivalent to Le12,757,500 was given out to staff of MOFED without requisition. The names of the personnel requesting for fuel and the reasons for the request were not stated on the requisitions. It was recommended that in future, requisitions must be raised for all fuel issued out in an appropriate format, stating the name, reasons and vehicle number of the staff requesting and also the name and authorizing signature of the manager in charge. In addition, requisitions for fuel totalling 2,833 litres amounting to Le12,757,500 must be produced for audit inspection; otherwise the said amount should be recovered and details of recovery forwarded to ASSL for verification.

8.1.5. Fuel Given To Non-Approved Vehicles

A total of 11,512 litres of fuel amounting to Le15,812,506 from January to April 2012, were given to vehicles that were not part of the approved list of vehicles for the period under review. It was recommended that in future, the approved list of vehicles should be updated to include all the names of personnel entitled to vehicles for transparency and accountability.

8.1.6. Excess Fuel Given To Personnel

According to the 1994 Cabinet conclusion on the disbursement of fuel to civil servants, nine litres of fuel should be given to official personnel per working day. However, 5,369 litres equivalent to Le24,169,000 was issued in excess of the approved limit to personnel of the Ministry. It was recommended that the Ministry should give satisfactory explanation for the excess fuel issued.

8.2. MINISTRY OF EDUCATION SCIENCE & TECHNOLOGY, HQ (2011)

8.2.1. Proceeds from the sale of bids and bid securities not accounted for

Receipts issued for the sale of bids were not the official government receipts and the Bid Register was not maintained or provided during the audit. In addition, the sum of Le5,600,000 was received from the sale of bids, of which Le970,000 was claimed to have been spent on breakfast and lunch for the Technical Evaluation Committee, for which no receipt was provided. In addition to the amount claimed to have been spent on breakfast and lunch for the Technical Evaluation Committee, Le1,660,000 was given to those involved in the evaluation process as sitting fees. However, the balance of Le2,970,000 was not deposited into the CRF as a pay-in-slip in respect of such was not provided. It was recommended that the sum of Le1,660,000 given as sitting fees to those involved in the evaluation process should be refunded without delay into the CRF and evidence forwarded to the ASSL for verification. The receipt for the amount expended as breakfast and lunch should also be provided; otherwise, the amount in question must be paid into the CRF. The pay-in-slip for the amount of Le2,970,000 which should have been deposited into the CRF should be produced for audit verification as early as possible.

Cheques amounting to Le8,828,328 were also issued to the Ministry of Education Science and Technology or Procurement Officers by bidders as bid security, but evidence to show that they were later returned to the respective bidders was not provided. It was recommended that evidence to show that those cheques were later returned to the respective bidders should be sent to the office of the Auditor General within thirty (30) days of the receipt of the report.

Official's Response

The PS stated that the Procurement Officer had been notified of those anomalies and efforts were underway to rectify them. For receipts in respect of the amount spent on breakfast and lunch for the Technical Evaluation Committee from the sale of bids, he said that the documents had been made available for verification and the amount of Le2,970,000 deposited into the CRF. He confirmed that the pay-in-slip was ready for inspection. Regarding cheques issued by bidders as Bid Securities, the PS stated that they were officially returned to Bidder's on request. Unsuccessful bidders he added, were also informed and at the same time requested to write a letter to the Ministry for the withdrawal of their cheques/Bid Securities. He mentioned that there was evidence to show that cheques/bid securities had been returned to their respective bidders.

Auditor's Comment

The issue remains unresolved. Supporting documents like receipts, vouchers were produced for the lunch totalling Le970,000 and sitting fees for Technical Evaluation Committee totalling Le1,660,000. However, no deposit was made to the CRF for the amount of Le2,970,000, so the issue still stands. With regard to bid securities, the issue still stands as no documentary evidence was produced for verification.

8.2.2. Store Found in a Disorderly Manner

Physical observation of the store revealed that it was not packed orderly and there were no fire extinguishers to protect items in the event of a fire accident. In addition, there was no Inspection Report of the store by the Permanent Secretary (PS) or someone assigned to perform such role. It was therefore recommended that the PS should ensure the orderly arrangement of the store and the installation of fire extinguishers to protect store items in the event of a fire accident. Furthermore an inspection of the store should be done frequently and evidence of that maintained at the store.

Official's Response

The PS mentioned that recommendations stated above had been noted and would be adhered to by the Responsible Officer in charge.

Auditor's Comment

The issue still remains unresolved.

8.2.3. Unapproved Grants Awarded

Grants totalling Le130,000,000 were awarded to the Institute of Advance Management & Technology (IAMTEC) and the Sierra Leone Opportunity Industrialisation Centre (SLOIC) which were not on the approved List of Technical Vocational Institutes of the Ministry for 2011. It was recommended that the Principal Accountant should submit a justifiable reason within thirty (30) days of the receipt of that report, or refund the amount in question into the CRF and forward evidence to the ASSL.

Official's Response

In his response the PS stated that LAMTECH on the one hand was receiving Grants from the Ministry on the basis that it started operations as a Technical Vocational Institute and was on the approval list as a Technical Vocational Institute before it was upgraded to a University. SLOIC on the other hand was receiving grants from the Ministry on the basis of an existing Agreement between the Government of Sierra Leone and O.I.C. International. He added that in the event O.I.C. International ceases to fund the centre, the Government of Sierra Leone should take over.

Auditor's Comment

An agreement between Government of Sierra Leone and SLOIC was submitted for verification. However, the issue in relation to IAMTECH still remains unresolved.

8.2.4. Supporting Documents For Subventions Not Produced For Inspection

Supporting documents and returns, in respect of subventions paid, totalling Le 149,842,823 were not submitted for inspection. It was recommended that the PS should produce the supporting documents within thirty (30) days of the receipt of the report; otherwise, the amount must be paid back into the CRF and evidence forwarded to the ASSL.

Official's Response

The PS stated that the expenditure returns and supporting documents in respect of subventions paid to those institutions had been traced and were ready for inspection.

Auditor's Comment

Le25,257,000 Returns in respect of subventions were verified leaving a balance of Le124,585,832 not accounted for. The issue therefore remains unresolved.

8.2.5. Unauthentic Receipts Issued

Receipts totalling Le 10,000,000 were not authentic, as they had no business name or address, in respect of the payment made to Christian Faith Rescue Orphanage as per PV no. 21827. It was recommended that the PS should ensure that authentic receipts, in respect of the said amount were provided within thirty (30) days of the receipt of the report; otherwise, he should refund the amount into the CRF and forward evidence to the ASSL.

Official's Response

The PS mentioned that the Ministry will, in future, thoroughly scrutinize all receipts submitted to ascertain their authenticity.

Auditor's Comment

The issue remains unresolved.

8.2.6. Bank Statements Not Submitted By The Ministry

Despite several requests made for a list of Bank Accounts maintained by the Ministry and also their respective Bank Statements, only bank statements in respect of the Basic Education Commission were submitted. It was recommended that the PS should ensure that the list of all Bank Accounts maintained by the Ministry and the required Bank Statements must be provided within thirty (30) days of the receipt of that report; otherwise, Section 18(1) of the Audit Service Act would be enforced.

Official's Response

The PS stated that a list of all Banks Accounts maintained by the Ministry and their respective Bank Statements were available for inspection.

Auditor's Comment

The issued remains unresolved.

Refer to the Table of Common issues (page 128) for further observations.

8.3. MINISTRY OF EDUCATION SCIENCE & TECHNOLOGY, HQ (2012)

8.3.1 Proceeds from sale of bidding documents not accounted for

It was noted that amount totalling Le37,200,000 received from the sale of bidding documents were not brought to account, as the necessary supporting documents to substantiate the utilisation of funds were not submitted to the audit team for review. It was therefore recommended that the Procurement Officer (PO) should provide the relevant documentation for the utilization of the Le37,200,000 from the sale of Bidding Documents within thirty (30) days of the receipt of that report; otherwise, the amount must be refunded into the CRF and evidence of payment to bank forwarded to ASSL for verification.

Official's Response

The PS did not respond to the issue regarding the sale of bidding documents.

Auditor's Comment

The issues are outstanding.

8.3.2 Payment Vouchers and Supporting Documents Not Submitted for inspection

The following were observed:

- Even though a similar finding was observed in the 2011 audit exercise, it was surprising to note that grants and subventions totalling Le1,063,946,333 were paid to institutions in the year 2012 that were not on the approved list of Technical Vocational Institution of the Ministry;
- The amount of Le128,223,635 represented fuel paid for by the Ministry for which fuel operating records such as fuel chits were not submitted to support the utilisation of fuel;
- In the absence of monthly or quarterly fuel reconciliations between the Ministry and the supplier, the audit team's several attempts to review the fuel records maintained by the supplier (Fuel Station) in order to ascertain the actual fuel balances, proved futile.

The following were therefore recommended:

- The PS should submit a justifiable reason within thirty (30) days of the receipt of that report, or refund the amount in question into the CRF and evidence of payment to the bank forwarded to the ASSL for verification;
- The PS was to ensure that the fuel operating records to support the utilisation of the Le128,223,635 were submitted within thirty (30) days of the receipt of that report; failing which the amount in question must be refunded and evidence of payment to the bank forwarded to the ASSL for verification; and
- The Principal Accountant should ensure that monthly fuel reconciliations were carried out between the Ministry and the supplier.

Official's Response

Regarding Grants/Subventions the PS said that there was an existing Memorandum of Understanding between OIL International and the Government of Sierra Leone which stated that at the expiration of OIC international intervention, the Government of Sierra Leone would continue to support SLOIC. Copy of the M.O.U. he said, was available for verification. For LAMTECH Voc. Training Centre, he said that that institution was on the Ministry's approved list of Technical Vocational Institutes prior to its upgrade to a University. He mentioned that the Ministry considered it prudent to continue its support to the institution to cushion the running cost of the institution for a period of time with the aim of discouraging increase in fees by the University. Barefoot Solar Engineering Training Centre, he further mentioned, was a government institution directly under the Ministry of Education, Science and Technology. Relating to the issue of the operating records for fuel, he said that had been put in place. However there were no further comments on the issue of reconciliation.

Auditor's Comment

The issue still stands.

8.3.3 Unverified Assets

Assets totalling Le156,700,000 were purchased in the year 2012 but the audit team was unable to verify the existence of those assets. The Store Keeper was advised to produce the assets in question for physical verification within thirty days of the receipt of the report; failing which the amount involved must be refunded and evidence of payment to the bank forwarded to the ASSL for verification.

Auditor's Comment

There was no response for the query. Therefore the issue is outstanding.

Refer to the Table of Common issues (page 128) for further observations.

8.4. MINISTRY OF EDUCATION SCIENCE AND TECHNOLOGY SOUTHERN REGION (2012)

8.4.1. Bank Statements Not Submitted

Bank Statements, to confirm receipts and payments to bank, for the Sierra Leone Commercial Bank Current Account No. 004-412177-03-00-01 was not submitted for inspection. It was recommended that the Deputy Director (DD) should ensure that a systematic system exist for the safe custody of all accountable documents and the Bank statement must be submitted to the ASSL for inspection.

Official's Response

The Deputy Director of Education (DDE) stated that there was delay in receiving bank statements from the Sierra Leone Commercial Bank and that would be made available to ASSL as soon as it was received from the bank.

Auditor's Comment

The Bank Statement is yet to be made available for inspection.

8.4.2. Poor Management And Supervision Of Stores

Some variances were observed between items received and those recorded in the Store Ledgers. An examination of selected transactions revealed that out of a total of 1,692 text books supplied to the Ministry, only 1,516 Books was recorded by the Storekeeper in the Store Ledger leaving a balance of 176 Books not accounted for by the Storekeeper. It was recommended that the DD should ensure that the variances were immediately investigated and the investigation report submitted to the ASSL for verification; otherwise the current market price of the balance text books should be paid into the CRF.

Official's Response

The DDE stated that concerns relating to variances in the supply of text books had been communicated to the Task Force Team and as far as their records were concerned, only books that were supplied and received by the district had been recorded in the store ledgers. Any outcome on that issue would be communicated to ASSL for necessary action.

Auditor's Comment

Investigation Report on the variance between the supplier's records and the Ministry is yet to be submitted for verification.

Refer to the Table of Common issues (page 128) for further observations.

8.5. MINISTRY OF EDUCATION SCIENCE AND TECHNOLOGY EASTERN REGION (2011)**8.5.1. Non Retirement Of Allocations**

The total sum of Le37, 342,992, in respect of quarterly allocations made by the Kenema District Council to the Ministry of Education, Science and Technology Kenema (MESTK), was not retired. It was recommended that the Deputy Director of the MESTK should ensure that all allocations made to them were properly retired and accounted for, in accordance with the regulation; and he must forward the retirement details in respect of the above to the ASSL for verification within thirty (30) days of the receipt of the report, otherwise, the sum of Le37, 342,992 should to be refunded promptly.

Official's Response

The DDE stated that he deeply regretted the non-provision of appropriate acquittals in respect of funds utilized. The difference as highlighted in the report, he said, was indeed balances that were utilized for which supporting documents were with the Kenema District Council Finance Office. He mentioned that those had been retrieved and would be provided for verification.

Auditor's Comment

Acquittals (receipts, certifications and invoices) were verified for the total sum of Le33,542,992. There were no acquittals for the remaining amount totalling Le3,800,000.

8.5.2. No Periodic Inspections Of Schools

There was no evidence in the form of Inspection Reports to confirm that periodic inspections of schools in the Kenema District were carried out by School Inspectors during the period under review. It was recommended that the DD in collaboration with the Minister of Education, Science and Technology should ensure that periodic visits to schools within the Kenema District were made by School Inspectors in accordance with the regulation. In addition, reports on those visits must be appropriately documented and copies filed for audit assessment and reference purposes.

Official's Response

The DD stated that their inability to perform periodic visits to schools within the Kenema District was as a result of staff shortage and late remittance of funds by the Central Government to meet activities planned. He however mentioned that the recommendation was highly appreciated and would be implemented.

Auditor's Comment

Our recommendations were not implemented.

8.5.3. Poor Management Of Stores

The Ministry's Allocated Store Ledger (ASL) was not properly maintained. In some instances, items of receipts were not brought on charge in the ASL, whilst in other cases, issues out of stores were not deducted from the stock balances in the ASL. A total number of 235 (Two Hundred and Thirty Five) stationery and other items in respect of the year end balances in the ASL, were also not brought to account. The general condition of the store was far from being pleasant. It was also noted that the store was untidy, poorly ventilated and infested with termites. In addition, the store was not spacious and the items in it were scattered and not neatly packed. Furthermore, the roof was badly damaged and a lot of defects were identified in the store accommodation. It was recommended that the DD should ensure that all items of receipts and issues were brought on charge in the ASL on a timely basis and those must be reflective of the actual stock balances at any given period in time. In addition, the balances 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 then market price of the items in question should be paid without delay. It was also recommended that in future, regular reconciliations should be done between the physical store items and the records in the ASL, and all discrepancies properly investigated and corrected accordingly. The store ought to be properly rehabilitated and all the environmental defects highlighted therein must be rectified.

Official's Response

The DDE said that they regretted the fact that the store space within the Ministry was small and funds for the rehabilitation of the store were not forthcoming for the period under review. He however said that in their effort to ensure sanity in conformity with the regulations, receipts and issues from store were brought on charge on a timely basis and the evidence would be provided for verification.

He said that the balances not brought to account as highlighted in the report were indeed in store as at the time of the audit but not verified by ASSL due to the fact that items were not properly packed. Those items he said had been retrieved and taken on charge and would be presented for verification.

He added that reconciliation between physical store items and store records were performed on a regular basis and evidence of such reconciliation would be presented for verification. The general condition of the store he said had been upgraded to meet health and safety requirements.

Auditor's Comment

The recommendations were not implemented.

8.5.4. Non Maintenance Of Log Book/Operating Records

The total sum of Le32,780,000 was allocated to the MESTK for the use of fuel and the servicing and repairs of motor bikes during the period under review. However, there was no evidence in the form of log book/operating records to indicate the details of journeys for which fuel was consumed, the quantity of fuel consumed and the nature of servicing and repairs. Consequently, the auditors could not verify whether those funds were utilized in the interest of the Ministry. It was recommended that the DD should maintain an updated log book or operating record addressing all the information stated in Section 236 of the Financial Management Regulations, 2007 and must also forward the operating records together with the relevant documentary evidence on how the Le32,780,000 was utilized on fuel, servicing and repairs of motor bikes to the ASSL within thirty (30) days of the receipt of the report; otherwise, the full amount should be refunded.

Official's Response

The DDE stated that a fuel log book in the required format as prescribed by the FMR, 2007 had been developed and would be presented for audit. He also mentioned that receipts and invoices in respect of funds spent for repairs and maintenance to motor bikes were available and would be presented for verification.

Auditor's Comment

Receipts were verified for the sum of Le25,140,000. There were no supporting documents to justify the utilization of the remaining amount totalling Le7,640,000.

8.6. MINISTRY OF EDUCATION SCIENCE AND TECHNOLOGY EASTERN REGION (2012)

8.6.1. Poor Management Of Stores

Three hundred and forty-six (346) text books recorded in the Allocated Stores Ledger (ASL) were not in the store. In addition, the auditors noted that the store was untidy, poorly ventilated with low visibility. Furthermore, the store was not spacious and the items in it were scattered. There was also no toilet facility for staff assigned to the store. It was therefore recommended that the DD should produce the 346 text books in the ASL for verification within thirty (30) days of the receipt of the report, or the current market price of the text books should be paid into the CRF. Regular reconciliations should also be done between the physical store items and the records in the ASL and all discrepancies properly investigated and corrected accordingly.

Official's Response

The DDE responded as follows:

- *He explained that the 346 text books not brought to account as highlighted in the report were indeed in store as at the time of the audit but not verified by the team of auditors conducting the verification at that time, mainly due to the fact that items in the store were not properly packed. The items had been retrieved and taken on charge and would be presented for verification*

- *He stated that reconciliations between physical store items and Store Records were of late said performed on a regular basis and evidence of such reconciliations would be presented for verification; and*
- *He concluded with the fact that the general condition of the store had been upgrade to meet health and safety requirement. He registered his deepest regret over the situation and promised that it would never be repeated.*

Auditor's Comment

- Verification revealed that 346 (Three hundred and forty-six) text books recorded in the Allocated Stores Ledger (ASL) were not in the store.
- The store was untidy, poorly ventilated with low visibility, not spacious and the items in it were scattered.
- There was no toilet facility for staff attached to the store.

8.6.2. Non Maintenance Of Log Books/Operating Records

There was no evidence in the form of log book/operating records to justify the total amount of Le16,930,000 allocated to the MESTK for the consumption of fuel during the period under review. It was recommended that the DD should forward the evidence on the utilisation of Le16,930,000 to the ASSL for verification, within thirty (30) days of the receipt of the report, or the full amount must be refunded. A log book or operating records must be maintained and updated regularly for the utilisation of fuel.

Official's Response

The DDE stated that receipts in respect of fuel consumed would be presented for verification.

Auditor's Comment

Evidences to justify the utilisation of fuel totalling Le16,930,000 were not provided during verification.

8.7. MINISTRY OF AGRICULTURE, FORESTRY AND FOOD SECURITY HQ (2011)

8.7.1. Review Of The Tractor Hire Purchase Scheme

The Ministry did not maintain individual debtors files/ledgers. As a result, a total of Le2,055,637,836 still remained as arrears/outstanding debt for the period under review. It was recommended that the PS must apply stringent penalties on all debtors who were not complying by paying their annual installments and that outstanding amounts in 2011 should be recovered within thirty (30) days of the receipt of that report.

Official's Response

The PS stated that the recovery of the outstanding debt was ongoing and that stringent measures had been taken against most of the Debtors who had failed to comply with the loan repayment of their annual installment by seizing their tractors and making them available for sale to the public and farmers who were ready to comply with the loan repayment of the annual installment. He however said that some outstanding amounts for 2011 had been recovered in 2012 and the Bank Statements were available for verification. He also said that the Ministry had a Memorandum of Understanding (MOU) with the First International Bank (FIB) to collect all outstanding debts from debtors.

Auditor's Comment

Upon verification of the Hire Purchase Account's Bank Statement, the stringent measures taken resulted in the recovery of only Le31,722,613 as Loan Repayment from the Tractor holders leaving a balance of Le2,023,915,233 still outstanding.

8.7.2. Poor Payroll Administration

A review of payroll documents presented for audit inspection revealed that 116 drivers were employed against 76 official vehicles, while only 62 vehicles were roadworthy, the service of 40 drivers were not utilised and a total amount of Le142,252,800 was paid to drivers who were not utilised for the period under review. It was recommended that action should be taken as quickly as possible by the Director, HRM Office and the PS to address the anomaly.

Auditor's Comment:

The issue is still outstanding

8.7.3. Receipts And Distribution Of Fertilizers

Fertilizers amounting to Le44,420,000 issued to various farmers in the Western Area on a cost recovery basis had not been recovered. It was recommended that the Chief Agricultural Officer should recover the sum of Le44,420,000 from the various farmers and evidence of recovery forwarded to the ASSL for verification, within (30) days of the receipt of the report; otherwise, the said amount must be refunded.

Official's Response

The PS said that the Chief Agricultural Officer had forwarded the necessary recovery documents and that they were available for verification.

Auditor's Comment

Paying-in-slips were submitted totalling Le13,040,000 to cover the recovery of the Le44,420,000 with a balance of Le31,380,000 still outstanding. However, Bank Statement to confirm payment to the bank was not presented for verification. Hence the issue still stands.

8.7.4. Projects Of The Ministry

8.7.5. Review Of The Seed Multiplication Project

The seed multiplication unit received the sum of Le2,653,292,190 from the Government of Sierra Leone, GTZ and Food and Agricultural Organisation for the procurement and supply of seed rice, groundnuts and other crops for the period under review. It was observed that accountable documents and records such as bank statements, monthly bank reconciliation statements, cash books and details of accounts operated by the project were not produced to the audit team to support the utilisation of the amount. It was recommended that the Project Coordinator should forward to the ASSL all documents/information relating to the project.

Official's Response

The PS stated that the Project Coordinator had made all the project documents/information relating to the project available and that they were ready for audit inspection.

Auditor's Comment

Out of the total of Le2,653,292,190, supporting documents were submitted for Le2,118,417,642 leaving a balance of Le534,874,547 for which documents were not made available. Upon examination of the documents submitted, the auditors observed that amounts totalling Le183,580,000 were without adequate supporting documents such as receipts, invoices and evidence of deliveries.

8.7.6. Review of Diversified Food Production Project (DFPP)

No Accounting Manual was in use within the Project to define how transactions were processed, how to guide new recruits and allow management to monitor transactions in accordance with the manual. Furthermore, the accounts were presented without accompanying notes on the Accounting policies used to prepare the Financial Statement. It was recommended that the Project Coordinator, DFPP should put in place a comprehensive Finance Procedure Manual urgently and must state clearly the Accounting policies adopted to prepare the Financial Statement.

Official's Response

The PS stated that all the recommendations would be strictly adhered to and necessary action taken by the Project Coordinator to correct all the anomalies.

Auditor's Comment

The issue is still outstanding.

Refer to the Table of Common issues (page 128) for further observations.

8.8. MINISTRY OF AGRICULTURE FORESTRY AND FOOD SECURITY HQ (2012)

8.8.1. Review of the Tractor Hire Purchase Scheme

For the year 2012, the total amount of Le2,569,698,240 was supposed to have been recovered from debtors in respect of the Tractor Hire Purchase Scheme; however, only Le178,254,991 was recovered, leaving a balance of Le2,391,443,249.20, representing approximately 93% of what should have been recovered from debtors. It was also noted that the Tractor Hire Purchase Scheme was being managed by the First International Bank without any binding contract between the Ministry and the bank. The initial contract agreement between the Ministry and the Bank had expired since 31st December 2010 and up to the end of the audit, it had not been renewed. It was recommended that the PS must ensure that a revised payment plan between the Ministry and the debtors was implemented within thirty (30) days of the receipt of the report and that a new contract agreement signed between the Ministry and the bank so as to enable the Tractor Hire Purchase scheme to be properly managed.

Official's Response

The PS stated that the tractors were giving a lot of problems to the farmers, a team headed by the Minister had engaged the farmers in the province to advise them to pay their debts, he added. He further said that a press release for defaulters to pay had been made and a cabinet paper, which was available for verification had been sent to government for them to review the cost from 40% to 60% subsidy. He mentioned that the bank was contracted to implement the programme since they had about 1% of the amount. He however said that management had noted the findings and the process was going on to renew the contract with the Ministry.

Auditor's Comment

The process is ongoing as a Cabinet Proposal was submitted to the team for verification. Hence, the issue will be kept in view for the next audit inspection. A Review of the Memorandum of Understanding, sent to the Attorney General and the Minister of Justice, Law Officers Department, to show that the signing of a new contract was in progress, was submitted for verification. This issue will also be kept in view.

8.8.2. Bank Statement Not Presented For Audit Inspection

An examination of the revenue registers and NRA receipt books for revenue streams revealed that revenue collected totalling Le1,121,832,260 for the year 2012 was alleged to have been paid into the bank for which Bank Statements were not submitted for audit inspection by both the NRA Collector and the Transport Officer in charge of the buses. It was also observed that Forestry activities were carried out in the thirteen districts. However, out of those thirteen districts, returns were only submitted for five (5) leaving a balance of eight (8) still outstanding. Furthermore, there was no segregation of duties over the printing, receipt and custody of the bus tickets as the printing, custody and issuance of those tickets were done by the Secretary to the Deputy Minister 1 and the duplicates of tickets were not maintained. The Phytosanitary Certificates amounting to Le6,006,000 were issued by the Crop Division for which there was no evidence to show that the Certificates were paid for. It was recommended that the PS should ensure that bank statements to certify the payment of the said amount into the bank were submitted for audit verification within thirty (30) days of the receipt of the report; otherwise, the amount in question must be paid back into the CRF and evidence of payment to the bank forwarded to ASSL for verification. The Director of Forestry Division was to ensure that the relevant returns were submitted for verification within thirty (30) days of the receipt of the report. The Chief Accountant was to ensure that there was adequate segregation of duties over the printing, custody and issuance of the tickets. The Director, Crops Division was to produce the relevant receipts and evidence of payment to bank within thirty (30) days of the receipts of the report, failing which the amount involved was to be paid back and evidence of payment into the CRF forwarded to ASSL for verification.

Official's Response

The PS stated in his reply that:

- *The NRA was responsible for the collection of tax derived from the Forestry and Phytosanitary Division. The process of collecting such revenues was that clients normally paid to the bank, and a bank pay slip was submitted to NRA for which an NRA receipt would be obtained. The client would then present the NRA receipt to the Forestry/Phytosanitary Division of the Ministry where the receipt number would be entered into a ledger. The ledger he said would be available for verification. However he said that with advice from the Internal Audit Unit, MAFFS, they would subsequently be making photocopies of all NRA receipts presented by clients. For the bus account, the bank statements he said were available for verification.*
- *They had sent a memorandum to the various District Officers to submit their returns and those documents were available for verification.*
- *Management had instituted a new method of printing and custody of receipt books by means of segregation of duties for the bus service.*
- *They issued certificates to customers after they (customers) had made payment to the bank. The customers would take the bank slips to NRA, in return NRA would give receipts which numbers would be entered in the MAFFS ledger and then a certificate would be issued. However, through the advice of the Internal Audit, MAFFS, he said had instituted the photocopying of all bank paying slips and NRA receipts in 2013.*

Auditor's Comment

The Bank Statements in respect of Forestry and Phytosanitary amounting to Le892,777,725 and Le39,118,762 respectively were not submitted for verification to certify the payment of the said amounts into the bank. Returns were not submitted for the various districts stated on the Report. Hence the issue remains the same. The explanation stated on the segregation of duties was not satisfactory as no evidence of such explanation was presented for verification. A Schedule showing the NRA receipt numbers for the various certificates issued was

presented to the verification team but the auditors were unable to confirm the payment of the said amount into the bank as bank statements from NRA were not submitted for verification.

8.8.3. Observations Of The Mechanical Store

The following lapses were observed:

- No regular inspection of the Mechanical Stores was carried out either by the PS or his representative.
- In spite of previous reports, leakages were observed in some of the ware houses which have caused a lot of damage to some stores items.
- Electricity supply to the Mechanical stores continued to be a challenge especially at night; considering the fact that valuable properties costing millions of Leones were kept in the various warehouses.
- Even though several recommendations had been made over the 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; making it extremely difficult for people to use the main entrance, hence hindering the proper functioning of the store.

It was recommended that with immediate effect, the PS should carry out unannounced inspections of the stores and the dates observed should be recorded for verification and urgent steps should be taken to repair the leaking roofs, to prevent more losses to occur. Every effort should be put in place to ensure regular power supply to the store so as to enable personnel carry out their functions effectively and efficiently. The PS should also ensure an overhaul in the drainage system at the Central Mechanical Stores.

Official's Response

The PS stated that:

- *Regular inspections of the stores were done by himself and the Minister with other senior personnel and evidence of that was available from the log book for verification;*
- *Modalities were being put in place by top Management to repair the Kissey stores after the rains;*
- *Electricity supply to the mechanical stores continued to be a challenge especially at night; but management was working very hard to salvage the situation; and*
- *The Ministry had contacted SLRA to work on the drainage system; evidence of that was available for verification.*

Auditor's Comment

Management responses relating to the operations of the Store were noted. However, the issues remained the same.

8.8.4. Bank Statements Not Submitted By The Ministry

Despite written request made by the Auditor General for a list of bank accounts maintained by the Ministry and also their respective bank statements, such requests proved futile as the list of bank accounts as well as bank statements operated by the Ministry Headquarter and the SCP/GAFSP Project were not submitted. It was recommended that the PS should ensure that the list of all bank accounts maintained by the Ministry and the required bank statements were provided within thirty (30) days of the receipt of the report; otherwise, Section 18(1) of the Audit Service Act would be enforced.

Official's Response

The PS said that the bank statements of the Ministry were available for verification.

Auditor's Comment

The recommendation stated on the report was not adhered to, as the bank statements were not submitted for verification.

8.8.5. Review Of the Diversified Food Production Project

According to their annual work plan, the project was supposed to undertake Inland Valley Swamp (IVS) “Development, Local and Imported tools, small ruminants”, etc. However, this was not accomplished and neither documentary evidence nor a plausible explanation was submitted to the audit team for not meeting their target. It was recommended that the Project Coordinator must provide adequate documentary evidence and a plausible explanation for not meeting their target within thirty (30) days of the receipt of the report.

Official’s Response

The Project Coordinator said that that was not achieved as a result of the prolonged procurement process for the recruitment of the Engineering Consultant for the Design and Supervision of IVS and Socio-economic infrastructure. He also mentioned that the delay in No Objection from IDB on MOU with Extension and Livestock Divisions of MAFFS which were to provide the quantities and specifications on tools and livestock delayed the procurement process. He further said that following the conclusion of the procurement process and contract signed with IDEAS LTD and AL-HABSHI of Kuwait JV and the signing of MOUs with Extension and Livestock Divisions of MAFFS, the procurement process for Imported tools, small ruminants, etc had been initiated and in process.

Auditor’s Comment

The issues remain the same.

Refer to the Table of Common issues (page128) for further observations.

8.9. MINISTRY OF AGRICULTURE FORESTRY AND FOOD SECURITY, SOUTHERN REGION (2012)

8.9.1. Poor Control Over Revenue Generated By The Forestry Division

The revenue collections by the Forestry Division decreased by 11% in 2012 (from Le17.3m in 2011 to Le15.4m in 2012) and Bank Statements, which recorded the payments and withdrawals from bank were not submitted to confirm the payment of Le15,401,000 collected by the Forestry Division as revenue for the period under review. It was recommended that the District Agriculture Officer (DAO) should ensure that the Ministry engaged in a revenue mobilisation drive to increase its revenue generation. Bank statements in respect of the sum of Le15,401,000 must be submitted for verification within thirty (30) days of receipt of the report; otherwise the whole amount must be refunded.

Official’s Response

The DAO stated that the Accountable Document Register was not maintained but document to show for the issue of receipts to the forestry division was available in Freetown as receipts were collected directly from the Ministry in town. He added that the number of foresters available was small and coverage area was wide, hence unable to cover the length and breadth of the region.

Auditor’s Comment

ASSL recommendations were not implemented by the ministry.

8.9.2. Poor Control Over Fuel Usage

Monthly/Quarterly Reconciliations were not carried out between the Ministry and the Fuel Station. Out of a total of Le62,906,000 allocated to the Ministry by the Councils (Bo City & District), only the sum of Le48,935,250 was supported by fuel chits leaving an outstanding balance of Le13,970,750 not accounted for by the Ministry. It was recommended that the DAO should ensure that Monthly/Quarterly Reconciliations were carried out between the Ministry and the Fuel Station and the evidence on the utilisation of Le13,970,750 was forwarded to the ASSL for verification within thirty (30) days of receipt of the report; otherwise the amount involved must be paid back into the CRF.

Official's Response

The DAO stated that the reason for the difference in fuel bought and fuel supplied as evidence in fuel chit was as a result of activities carried out on holidays and weekend when fuel was collected from the station without chit. He added that requisitions for fuel raised and for purpose not indicated, was just a mistake but the requisition evidence would be provided. He agreed that reconciliation was not done in the past but in the years ahead it would be done which will be proven in the next audit exercise.

Auditor's Comment

Monthly/Quarterly Reconciliations between the Ministry and the Fuel Station were not carried out.

8.9.3. Lapses Observed In a Project supervised by the Ministry of Agriculture

In spite of repeated requests, a monitoring report on the implementation of a project was not available to justify the utilisation of an amount of Le225,939,750. The Team visited a Project Site at Koribondo and observed that the Agriculture Business Unit was not functional. The generator was not in working order and a television supplied to the Centre could not be physically verified. It was recommended that in future, all transactions from inception to completion should be supported by the relevant documentary evidence which must be retained for audit and reference purposes. In addition, the Project Head should forward the Monitoring Report in support of the expended amount of Le225,939,750 to ASSL for verification within thirty (30) days of receipt of the report; otherwise the amount involved must be paid back into the CRF.

Official's Response

The DAO responded as follows:

"The mistake was done by the bank as a result of improper printing and those mistakes had been taken up with them and the corrections effected. They were sorry for such happenings as this was not brought to their attention by the ministry representatives, but effort will be made to correct such bad happening in the future; The officer responsible for such supply of vegetable seeds at that time failed to hand over those documents to the predecessor; and the officer responsible for such training at that time failed to hand over the documents to the predecessor."

Auditor's Comment

The monitoring report was still not available for verification.

8.9.4. Inadequate Control Over Staff Records

Staff Personnel files were not properly kept as they lacked vital documents such as Certificates and Appraisal Forms. In addition, the names of thirteen (13) staff on the Staff List had attained/exceeded the retirement age of 60 years. It was recommended that the DAO should ensure that, staff personal files were immediately updated with the relevant information. The DAO should also liaise with MAFFS Headquarter and the Human Resource Management

Office for necessary action relating to names of thirteen (13) staff on the Staff List that have exceeded the retirement age of 60 years.

Official's Response

The DAO stated that staff were paid through the bank system and salary vouchers were not photocopied. On the issue of retirement of staff, he said that this was so because some of those staff were transferred staff and failed to transfer their documents in their previous file. He however said that effort would be made to ensure that recommendations were adhered to. Staff who had reached their retirement age must be notified by NASSIT and until that is done the staff would keep coming to work until they were notified, he added. He mentioned that staff were regular at work as their work involved more of field work than work out of the ministry and only signed the register when they worked in Bo.

Auditor Comment

ASSL recommendation is yet to be implemented. The DAO claimed that some of the issues raised were not directly under his control.

**8.10. MINISTRY OF AGRICULTURE FORESTRY AND FOOD SECURITY,
EASTERN REGION (2011)**

8.10.1. Public Funds Not Brought To Account

The sum of Le339,601,000 in respect of quarterly allocations made by the Kenema District Council was not brought to account. The sum of Le15,000,000 and Le588,000 in respect of timber licenses and transport permits were not brought to account. It was recommended that the DAO must ensure that all public funds were properly accounted for including the above amounts and evidence forwarded to ASSL within thirty (30) days of the receipt of the report; otherwise, the total sum of Le339,601,000 should be refunded without delay.

Official's Response

The DAO stated that the documents were ready for verification.

Auditor's Comment

Out of the Le339,601,000 unsupported expenditures, Le 41,749,000 was still not accounted for.

8.10.2. Inadequate Control Over Collection And Banking Of Revenue

The total sum of Le5,051,000 in respect of transport permit collected was not recorded in the cash book. The Ministry did not make available bank statements to justify that the total sum of Le5,051,000 in respect of revenue generated by the Forestry Department, was paid into the bank. It was recommended that the DAO should ensure that there were adequate controls over collection/issuing of receipts, permits and banking of revenue. In addition, proper supervision and review were to be employed to ensure that transactions recorded in the books of accounts were accurate, complete and supported by the relevant documentary evidence. Evidence of receipts and bank statements in respect of the issue highlighted, must be forwarded to the ASSL for verification within thirty (30) days of the receipt of the report; otherwise, the total amount of Le5,051,000 should be refunded promptly.

Official's Response

The DAO said that the officer that was acting during the period died and no document was traced. He however stated that a letter had been attached to explain further the details of what the audit required.

Auditor's Comments

Our recommendation was not implemented.

8.10.3. Inadequate Control Over The Distribution And Usage Of Fuel

Ministry of Agriculture Forestry and Food Security Kenema (MAFFSK) was not following any policy or rule regarding 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 those weaknesses, the Ministry could not account for fuel costing Le49, 822,500. It was recommended that the DAO should formulate a policy 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 DAO should forward a detailed breakdown (indicating recipient's signatures) on how the quantities of fuel consumed in 2011 were distributed. The information was to reach the ASSL within thirty (30) days of the receipt of the report; otherwise, the amount stated above was to be refunded.

Official's Response

The DAO in his reply stated that during the period under review the various divisional heads were keeping track of their own fuel allocated to them. He said that the district store keeper had a ledger, where he did all entries from the various heads of division and it was during that period that he had to collect all the fuel tracking documents from the heads which he took home for proper recording. He mentioned that it was during that period that he died suddenly and as a result the office took time to retrieve the documents from the family.

Auditor's Comment

To a large extent, our recommendation was implemented. Fuel registers indicating a detailed breakdown, including recipients' signature, on the use of quantities of fuel in 2011 were presented during verification. However, no evidence of fuel chits was seen.

8.10.4. Poor Records Management

Staff personal files lacked vital information such as application letters and credentials of staff, offer and acceptance of employment letters, etc. There was also no evidence in the form of a Time Book or Attendance Register to indicate that the arrival and departure of staff to and from work were recorded and monitored. It was recommended that the DAO should ensure that staff personal files contained staff details and documents such as the ones mentioned above; and the MAFFSK had to maintain a Time Book or Attendance Register, in which accurate details of staff arrival and departure were recorded, for all units.

8.10.5. Poor Management Of Stores

Four hundred and twenty seven (427) assorted items were recorded in the allocated store ledger and the requisition books as receipts and request. 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. It was recommended that the DAO should ensure that all items of receipts were brought on charge in the Stores Ledger on a timely basis and must be accompanied by delivery notes and supported by the relevant receipts in accordance with Section 183 (2) of the Financial Management Regulations, 2007. In addition, all requested documents were to be forwarded to the ASSL within thirty (30) days of the receipt of the report.

Auditor's Comments

Our recommendations were not implemented.

Refer to the Table of Common issues (page 128) for further observations.

8.11. MINISTRY OF AGRICULTURE, FORESTRY AND FOOD SECURITY, EASTERN REGION (2012)

8.11.1. Poor Performance On Revenue Generation

No revenue was recorded for timber licences in 2012 as compared to 2011, when the sum of Le20,000,000 was recorded. The audit further revealed that revenue totalling Le210,000,000 in respect of forty two (42) receipt books issued to the Forestry Division was not submitted for audit. Bank statements to justify the total sum of Le89,910,000 in respect of revenue generated from the issuance of permits by the Forestry Department, were not provided. It was recommended that the DAO should provide an explanation, and evidence to account for the drop in revenue generation. The deposit slips and bank statements in support of the forty two (42) receipt books, timber licences and forestry permits should be forwarded to ASSL within thirty (30) days of the receipt of the report; or the said sums refunded promptly.

Official's Response

The DAO stated that the Officer in charge was suspended indefinitely just after the issuing of one license and no other officer was assigned to the office for that year. No receipt was missing and the allocation and entry of receipt books not serially done as identified by audit had been made known to head quarters for serial distribution of books for audit purposes, he added. He further mentioned that the DAO and the Officer in Charge were not signatories to the account at the bank and a copy of paying in slip had been made available for verification.

Auditors Comment

The issues were still outstanding

8.11.2. Poor Records Management

One hundred and twenty-five (125) staff members were without personal files and staff were not appraised during the period under review. Thirteen (13) staff members who should have gone on retirement were in active service. It was recommended that the DAO must ensure the provision of individual files for all staff, with each file containing staff details and employment history, and staff appraisals should be done on a regular basis.

Official's Response

The DAO stated that they were working on getting all at a central location to solve the problem. He mentioned that appraisals and records would be put in place in due course and on the issue of retirement, the Human Resource Management had that responsibility.

Auditor's Comment

Our recommendations were not implemented as the Ministry failed to update staff personnel files and the staff identified for retirement were not retired by the Ministry.

8.11.3. Inadequate Control Over The Disbursement Of Funds

An amount of Le65,915,000 was spent on the rehabilitation of Inland Valley Swamp (IVS) and Water Control Management, but monitoring and evaluation reports to prove that those projects were adequately monitored were not submitted for audit. It was recommended that the DAO should forward the relevant evidence in respect of the above expenditure to the ASSL for verification within thirty (30) days of the receipt of the report; or the amount refunded soonest.

Official's Response

The DAO stated that the monitoring report for activities undertaken had been independently sent to headquarters. He however said that the document was ready for inspection.

Auditor's Comment

The issue is still outstanding.

8.11.4. Inadequate Control Over The Distribution And Usage Of Fuel

The Ministry could not account for fuel used, costing Le46,083,500 as there was no Log book/ operating record or fuel register. It was recommended that the DAO should forward to the ASSL, a detailed breakdown and evidence of how Le46,083,500 was utilised, within thirty (30) days of the receipt of the report or refund the amount promptly.

Official's Response

The DAO stated that the distribution list for fuel as per request was available for inspection and the use of chits had been introduced to control the use of fuel and other Government items.

Auditor's Comment

Supporting documents provided were not sufficient to confirm that our recommendations were fully implemented.

Refer to the Table of Common issues (Page 128) for further observations.

8.12. MINISTRY OF AGRICULTURE, FORESTRY AND FOOD SECURITY, BOMBALI DISTRICT (2011)**8.12.1. Revenue Not Brought To Account**

A comparison of the receipt books used in the collection of revenue by the Forestry Division, and the bank statement revealed that the sum of Le9,590,000 was not brought to account. It was recommended that the District Agricultural Officer should without delay recover and pay the Le9,590,000 into the Forestry Account and forwarded evidence of payment to the ASSL for verification within thirty (30) days of the receipt of the report. The District Agricultural Officer was further advised to promptly pay into the Ministry's account, all revenue generated by the Forestry Division.

Official's Response

The DAO's reply was that the payment of Le2,500,000 had been made into the Forestry Development Account at the Sierra Leone Commercial Bank.

Auditor's Comment

A Pay-in-Slip indicating that the sum of Le2,500,000 had been paid into the Sierra Leone Commercial Bank was made available and verified. However Le7,090,000 is still outstanding.

8.12.2. Seed Rice Loaned To Farmers Not Recovered

It was observed that, out of the total of 19,215 bushels of seed rice that was loaned to farmers in 2011, only 16,782 bushels had been recovered; leaving an outstanding balance of 2,433 bushels. It was therefore recommended that the DAO should ensure that the outstanding

bushels of seed rice were recovered from the farmers within thirty (30) days of the receipt of the report.

Official's Response

The DAO in his response stated that the 3,866 bushels of seed rice loaned to farmers were an accumulation of seed rice that had been in circulation to farmers over the years since 2007. He mentioned that since that time (2007-2011), most of the farmers in question were no longer operating in those areas where they were originally registered. As a result of that unfortunate situation he added, the Ministry had decided to list the names of defaulters and those names had been faithfully submitted to both the City and District Councils and the Ministry's Head Office in Freetown.

Auditor's Comment

There was no evidence to indicate the implementation of the audit recommendation.

**8.13. MINISTRY OF AGRICULTURE, FORESTRY AND FOOD SECURITY,
BOMBALI DISTRICT (2012)**

8.13.1. Revenue Not Brought To Account

A comparison of the receipt books used in the collection of revenue by the Forestry Division and the bank statement revealed that the sum of Le8,827,000 was not brought to account. It was recommended that the DAO should ensure that the Le8,827,000 was immediately recovered and paid into the Forestry Account and evidence of payment forwarded to ASSL for verification within thirty (30) days of the receipt of the report. In future, the DAO must ensure that revenue generated by the Forestry Division was promptly paid into the Ministry's Account.

Official's Response

The DAO stated that revenue of Le8,827,000 collected was banked but pay-in- slips were not presented to auditors as the Forestry Officer who was the custodian of those documents was bereaved and was away during the audit exercise. He however said that they had been retrieved and ready for submission to ASSL.

Auditor's Comment

The balance of Le1,017,000 remained unaccounted for.

**8.14. MINISTRY OF AGRIC, FORESTRY AND FOOD SECURITY, TONKOLILI
DISTRICT (2011)**

Refer to the Table of Common issues (page 128) for observations.

**8.15. MINISTRY OF AGRIC, FORESTRY AND FOOD SECURITY, TONKOLILI
DISTRICT (2012)**

8.15.1. Accountable Documents In Respect Of Forestry Revenue Not Made Available For Audit Inspection

Accounting documents such as receipt books, cash book, bank statements and pay in slips that were used in the collection, recording and reporting of revenue generated from the Forestry division, for the period under review, were not made available for audit inspection. It was recommended that the DAO should ensure that the documents in question were forwarded to ASSL within thirty (30) days of receipt of the report. In future, all accounting documents in respect of revenue generated by the Forestry division should be retained for audit and reference purposes.

Official's Response

The DAO mentioned that the out-gone officer failed to handover revenue generating documents to the in-coming forestry officer for the period under review

Auditor's Comment

The documents in question were not made available for verification.

8.15.2. Services Of Mechanical Engineers Not Utilised

The services of the mechanical engineers employed by the Ministry were not utilized. This was evident by the fact that the maintenance of vehicles and bikes for the year under review was contracted to a private contractor. It was recommended that the DAO in collaboration with the Tonkolili District Council should ensure that the maintenance of the Ministry's vehicles and motor bikes was handled by the Ministry's mechanical engineers.

Official's Response

The DAO stated that maintenance of vehicle and bikes was contracted to a Private Contractor based on advice given to them by the Tonkolili District Council.

Auditor's Comment

There was no evidence to indicate the extent of implementation of the recommendation.

8.15.3. Inadequate Control Over The Recovery Of Seed Rice Loaned To Farmers

A total of 1,040 bushels of seed rice that was issued to farmers on loan had still not been recovered and redistributed to other beneficiaries. It was recommended that the DAO should ensure that the outstanding bushels of seed rice were recovered from the farmers within thirty (30) days of the receipt of the report; otherwise legal measures would be taken against the defaulters.

Official's Response

The DAO said that a loan recovery ledger had been prepared to track seed rice distribution to FBOs and loan recovery.

Auditor's Comment

There was no evidence to indicate that the recoveries of seed rice were redistributed to other beneficiaries.

8.16. MINISTRY OF MINES AND MINERAL RESOURCES HQ (2012)

8.16.1. Ineffectiveness Of The Cadastre System

Even though the Cadastral System had the capacity to print the licences, it was observed that the licences were printed by the Director of Mines from a stand-alone computer. In addition, a comparison between the NRA cash book and the Cadastra System revealed that revenue in respect of licences totalling \$4,758,033 and Le1,214,509,152 could not be traced to the cadastre system. Furthermore, Mining and Trading Licences valued at \$581,148 and Le 3,750,000 recorded in the Licence Register maintained by the Director of mines were not traced to the Cadastre System. It was noted that the number of licenses recorded in the Licence Register maintained by the Director of Mines did not match with those in the Cadastre System. It was therefore recommended that the PS should ensure that all licences were printed from, and all payments for licences inputted into the Cadastre System. The Director was strongly advised to ensure that the licences recorded in the register were transferred to the Cadastre System to update the relevant information. The PS was also to ensure that the system was upgraded to facilitate accurate reconciliation between the Director's office and the cadastre system.

Official's Response

The PS said that the transfer of the Ministry's records to the National Minerals Agency was still being implemented as a lot of data could have been misplaced. He added that the System had lately been properly set up and they were hoping that the results for the year, 2013 would be quite positive. The imputing of figures into the System was not properly centralized during the year, 2012 and it was hoped that reports for the year would be quite positive, he further said. He also stated that the postings of the Ministry's records into the Cadastre System was still being perfected therefore some of those errors were still occurring but efforts were being made to regularize the situation.

Auditor's Comment

The issues are still outstanding.

8.16.2. Inadequate Control Over The Collection And Recording Of Revenue

Arrears of annual licence fees stood at \$1,702,778 as at 31/12/2012. In addition, penalties were not levied on companies for delays of payment as stipulated in Sections 152 and 173 of the Mines and Mineral Act of 2009. Furthermore, revenue of \$84,850 and Le 21,150,000 collected from the sale of Application Forms and Rehabilitation Fees were utilized without written authority from the Ministry of Finance or Parliament. It was recommended that the PS should ensure that the outstanding fees were recovered from those companies within thirty (30) days from the date of receipt of the report. Similarly, fines must be levied on companies on overdue payment. The PS was requested to provide evidence of authority in respect of the utilisation; otherwise, the \$84,850 and Le21,150,000 must be refunded within thirty (30) days of the receipt of the report and evidence forwarded to the Audit Service for verification.

Official's Response

The PS stated that a comprehensive and verified list of defaulting companies was still being prepared for submission to the Hon. Minister of Mines so that action could be taken as early as possible to reclaim those monies.

Auditor's Comment

The issue is still outstanding.

8.16.3. Duplicate Copies Of Licences Not Submitted

Duplicate copies of trading licence certificates issued to individuals totalling \$829,700 and Le16,305,200 for the year 2012 were not submitted for audit inspection. It was recommended that the PS should ensure that the duplicate licences were produced for inspection within

thirty (30) days of the receipt of the report; otherwise, Section 18(1) of the Audit Service Act, 1998 would be invoked.

Official's Response

The PS stated that those documents were available in the Cadastre System/ Office.

Auditor's Comment

Documents were not produced to substantiate Management's response. Therefore the issue still stands

8.16.4. Utilisation Of Funds Without Prior Approval

Funds totalling \$78,374 and Le687,986,950 derived from Application Forms and Rehabilitation Fees were utilized without any prior approval from MoFED. Furthermore, a total of Le300,000,000 was invested in Treasury Bearer Bonds in the year 2012 from the Diamond Area Community Development Fund Account without authorisation from MOFED. It was recommended that the PS should provide evidence of authority in respect of the utilization, otherwise the sum of \$78,374 and Le687,986,950 should be refunded within thirty (30) days of receipt of the report and evidence forwarded to the ASSL for verification. The PS should also ensure the provision of evidence from the Accountant in relation to the purchase of the Treasury Bearer Bonds.

Official's Response

The PS stated that the former director of Mines had been summoned to a meeting at the Ministry of Finance when the restructuring of the channelling of Government Gold and Diamond Office (GGDO) Funds to the Ministry of Finance, Ministry of Mines amongst others was in progress. He said that they were informed verbally on what had transpired in that meeting and a meeting was later held by the Director of Mines and the Permanent Secretary where in they were informed that the GGDO would be paying a certain percentage of their funds directly into the CRF whilst the remaining Funds would still be kept and maintained by the Ministry of Mineral Resources. That had been the case since, he maintained. He further mentioned that there were documents available for the years, 2010 to date (reclaimed from the S L Commercial Bank – Initial investment date 17th December, 2010). That, he said had been the case for the past years and proceeds from such an investment had been reflecting in the Account through the years. The former Permanent Secretary (Retired) and the Director of Mines (Deceased) were not available to assist in providing documents etc. so as to throw more light on the issue, he added. He however stated that more effort was being put into the matter in order to ascertain and locate the letters of original instructions to the Bank.

Auditor's Comment

Documents were not produced to substantiate Management's responses. The issue still stands.

8.16.5. Personal Files And Receipt Of NASSIT Payment Not Submitted For Audit Inspection

NASSIT deductions totalling Le 57,924,099 in 2012 were not paid to NASSIT. In addition, Personal Files of Mines Monitoring Officers (MMO) were not maintained and there were no written conditions of service to cover their employment which made it difficult for the auditors to ascertain the procedures used to recruit them. It was recommended that the PS should ensure that efforts were made soonest to pay over all outstanding social security

contributions to NASSIT and that personal files and conditions of service of MMO's should be provided for audit verification within thirty (30) days of the receipt of the report.

Official's Response

The PS stated that GGDO funds paid into the mines monitoring account for the payment of salaries to un-verified mines monitoring officers were usually insufficient to meet payment of both the net salary payments due and NASSIT. He said as at then, payments from the GGDO were paid directly to the National Minerals Agency. He mentioned that the Agency was also expressing concerns over the lack of funds. He however said that efforts would be made between the agency and the Ministry to settle those arrears when the agency settled down financially in the very near future. Corrective measure had been put into place and the Staff Superintendent authorized to open up Personal Files for each individual Mines Monitoring Officer on the Pay-Roll for September 2012, he concluded.

Auditor's Comment

Documents were not produced to substantiate Management's response. The issue still stands.

Refer to the Table of Common issues (Page 129) for further observations.

8.17. MINISTRY OF MINES AND MINERAL RESOURCES EASTERN REGION (2012)

8.17.1. Lack Of Monitoring Of Miners And Mining Activities

The sum of Le34,500,000 was collected as Monitoring Fees. However there was no report from the Mines wardens and Monitoring Officers to justify that the activities of miners were monitored. It was recommended that the Mines Engineer should provide all the reports for the period under review and ensure that regular monitoring exercises were conducted and reports submitted by Mines Wardens and Monitoring Officers on a regular basis.

Official's Response

These were the words of the Mines Engineer in response to the finding:

'For the period under review, mines monitoring was very effectively done and my team received special commendation from the late Director of Mines for revenue generation despite the numerous logistical problems that faced my office. Although there was no functional vehicle, and almost all the bikes were broken down, there was exemplary team work between the TECHNICAL TEAM (myself and 31 Mines Wardens, Senior Mines Wardens and Area Superintendents) and the MINES MONITORING TEAM (86 Senior Mines Monitoring Officers, Assistant Senior Mines Monitoring Officers and Mines Monitoring Officers) which kept all Mining activities largely under control, otherwise the Mining atmosphere would have been chaotic and illicit Mining activities would have been rampant.

Also, too many complaints from landowners and Miners and Diamond/Gold Dealers would have been made to the Director of Mines, Permanent Secretary and the Minister or, Deputy Minister of Mines and Mineral Resources.

It is true that not all the Mines Monitoring Officers wrote monthly reports but it was very mandatory for all those attached to sensitive Mining entities such as TONGUMA PROJECT (now OCTEA MINING COMPANY), SIERRA DIAMONDS (SL) LTD. etc., to send monthly reports to me and to the Director of Mines for the attention of the Minister.

Also, at the end of every month, a considerable number of MINES MONITORING OFFICERS would converge at Kenema City to do a thorough check of all Diamond Dealers/Dealer Agents, Gold Dealers, Diamond Exporters/Diamond Exporter Agents and Gold Exporters/Exporter Agents. At the end of the exercise, which lasted for two or three days, they would prepare their reports in triplicate — one for their own use, one for the Government Mining Engineer and one for the Director of Mines. Other important Mining towns like.

Tongo Fields, Boajibu, Mano Junction, Sandanu, etc. were also heavily monitored throughout the day in order to minimize illicit Mining and buying transactions and also to curtail smuggling of precious minerals into neighbouring countries.

Also, a special team of highly experienced Mines Monitoring Officers were attached to the PRECIOUS MINERALS INTELLIGENCE & INVESTIGATIONS UNIT (P.M.I.I.U.) of the Sierra Leone Police, whose main duty is to investigate all Mining/illicit buying activities with a view to

- *discourage illicit mining/ buying activities;*
- *prosecute all defaulters in court if there is enough evidence to do so; and*
- *raise revenue for Government by means of court fines.*

Although their activities were purely controlled by the Assistant Inspector - General of Police (Eastern Region) so that the outcomes of cases were not unduly prejudiced, my Mines Monitors did give me verbal as well as periodic written reports. Also, the P.M.I.I.U. also sometimes consulted me on some technical issues when necessary.

In a nutshell, I think the Mines Monitoring Team did work in synergy with the Technical Team to put mining-related activities under control even in the face of the numerous logistical constraints.

I promise that when sufficient funds are available, I will make it mandatory for all Mines Monitors and Mines Wardens and Area Superintendents to send their reports on monthly basis.

The sum of Le 33,300,000 was generated as MINES MONITORING FEES for the whole of 2012 (24 Gold Mining Licences and 321 Diamond Mining Licences).

Although the name implies that the money should be used for Mines Monitoring purposes only, this money is used by Regional Mines Offices for the day-to-day running of the offices by

- *paying salaries/allowances of unverified/casual Administrative Staff, watchmen, cleaners and messengers;*
- *fuel and maintenance of the standby generator and vehicles/ bikes;*
- *purchase of ink/ cartridges for computers and accessories as well as minor maintenance of these machines;*
- *purchase of stationery and sundries;*
- *minor maintenance of office buildings; etc.*

I was not able to lay hands on the Mines Monitoring Reports because Mines Office, Kenema is presently being supervised by the Government Mining Engineer, Bo, who was not available during the preparation of this report. He has the keys to the G.M.E.'s Office."

Auditor's Comment

Our recommendations were not implemented. Reports from Mines Wardens and Monitoring Officers to justify that the activities of miners were monitored were not produced during verification.

8.17.2. Decline In Revenue Collection

Total Revenue generated by the Ministry (including income and non-tax revenue) fell by 28% from Le314,010,000 in 2011 to Le226,370,000 in 2012. It was recommended that the Mines Engineer should ensure that a revenue mobilization drive was carried out, as well as the monitoring and supervision of miners. It was also recommended that revenue collection should be enhanced and all revenue generated, brought to account.

Official's Response

The Mines Engineer stated that there were many reasons for the decline in mining revenue with particular reference to the issuance of Artisanal Mining Licences, as itemized below:

- *There were no vehicles and road worthy bikes to undertake a robust revenue mobilization drive, especially in remote Communities. That situation was a recipe for encouraging illicit mining activities in those areas*

where supervision was bound to be weak. The benefit from revenue earnings in the form of Diamond Area Community Development Fund had motivated some Chiefdom Administrations to help curtail illicit mining activities by the formation of Chiefdom Mining Committees, Section Mining Committees and Village / Town Mining Committees in order to assist mines personnel on the ground to curtail illicit mining and buying activities.

- The number of Mines Monitors and Mines Wardens was quite inadequate to reduce illicit Mining activities in both Kenema and Kailahun Districts, especially when there were no vehicles and functional bikes. Thanks for the establishment of Kailahun District as a separate mining area, with its own resident Area Superintendent. With adequate logistics, more licences would be issued for 2013.
- The known productive mining areas have been exhausted (It was done with impunity during the past civil war because there was no strong central authority to maintain law and order in mining areas) and many potential miners were unwilling to venture out into areas whose grades (i.e. carats per metric ton of gravel) were yet to be roughly assessed.
- Harsh global economic trends especially in 2012 , were a disincentive for many local as well as foreign investors to support many mining programmes, especially when the price of raw diamond fell woefully in the world market for diamonds below two (2) carats , which range constitutes the average range of gem diamonds found in Kenema and Kailahun Districts.
- Rumour had it that the mining laws of Liberia were more Artisanal miner — friendly than those of Sierra Leone , and that Liberia had more productive virgin lands . There was therefore a steady drift of able - bodied miners into Liberia , thus creating shortage of labour and making mining more expensive in Sierra Leone .
- There was persistent shortage of fuel in Kenema District and, of course, Kailahun District in 2012 , thus demotivating potential miners to undertake any meaningful mining ventures under such conditions .

Auditor's Comment

Our recommendations were not implemented.

8.17.3. Lack Of Mining Database/Cadastre of miners

A comprehensive database/cadastre of miners and mining licenses applied for and issued during the period under review was not maintained. It was recommended that the Mines Engineer, Kenema should ensure that a comprehensive database/cadastre of miners and mining licenses applied for and issued were maintained in accordance with Section 39 and 41(2) of the MMA, 2009.

Official's Response

The Mines Engineer stated in his response that when the Cadastre System was introduced at the end of 2010 , it was expected to be fully operational with effect from January 2011. Unfortunately the system failed to work in the Kenema Office. He said that the actual fault could not be successfully diagnosed and so it could not be easily remedied despite several attempts by the Senior Cadastre Clerk at Mines Office, Bo and experts from Geological Surveys, Freetown. He added that they suspected system error or manufacturing error and that since Mines Office, Kenema produced more Licences nowadays than even Kono Mines Office, and was therefore, the major revenue earner for the Mines & Mineral Resources Ministry, the only sensible way to keep the revenue collection uninterrupted was to enter the data manually , which he personally did (in order to avoid entry errors) whilst waiting for the Cadastre System to be fixed properly . He further said that that was the only sensible thing to do under the circumstances but fortunately, the fault had been rectified and the Cadastre Clerks had told him that the Cadastre System was now fully operational.

Auditor's Comment

Evidence to confirm that database/cadastre system is now fully operational was not provided during the verification.

8.17.4. Ineffective Personnel Management

There was no evidence in the form of training report or certificates to prove that in- service training programmes were conducted for Mines Monitoring Officers. The auditors noted that staff personal files were not maintained for all staff. It was recommended that the Mines Engineer, Kenema should ensure that staff personal files were maintained and training programs organized for wardens and Monitoring Officers.

Official's Response

The Mines Engineer confirmed that no in-service training programme was organized for Mines Monitoring Officers and that staff personal files were not maintained for all staff. The new concept of periodic staff appraisal was introduced only in 2013, based on a workshop conducted. He explained that, that appraisal system would necessitate the maintenance of all personal files for all staff members and that it had already been started by the Chief Clerk.

With respect to the training of Mines Monitoring Officers, He was convinced that the National Minerals Agency, after its recruitment of Mines Monitoring Officers to suit its purpose, would organize an effective training programme for the lucky ones who would be selected, and hoped that that recruitment process would soon be done.

Auditor's Comment

Our recommendations were not implemented.

8.17.5. General Observation

A discussion with the Mines Engineer and general observation of the Ministry's operations revealed that the Ministry lacked basic logistics to aid daily operations. In addition, there was inadequate means of mobility and only four (4) GPS machines were available for thirty two (32) technical staff in various locations in Kenema and Kailahun Districts. It was recommended that the Ministry of Mines and Mineral Resources should ensure that the institution was well equipped to perform its functions, and transportation must be provided to facilitate smooth operational activities.

Official's Response

The Mines Engineer stated that for almost the whole of 2012 there was no functional vehicle for the use of the Government Mining Engineer and other personnel; not even a reliable motorbike and therefore, no robust revenue drive could be organized by a combined team of Mines Wardens and Mines Monitoring Officers for conducting raids on illicit miners. The SLP had to come in to help in some instance and that was in fact one of the main reasons for the sharp fall in revenue earnings from Artisanal Mining Licences and Diamond and Gold Dealers Licences. The insufficiency of GPS (GLOBAL POSITIONING SYSTEM) machines was another major set — back because the Cadastre System made it absolutely mandatory for the GPS coordinates of all four (4) vertices of all Artisanal Mining plots to be taken before issuance of the licence certificates, he added. He noted that the use of only 4 (four) GPS machines by 32 technical staff was completely unrealistic and problematic, thus drastically reducing the rate of issuance (and hence the number) of licences issued. He said that several appeals were made to the RDF (REVENUE DEVELOPMENT FOUNDATION) specialists for the supply of more G.P.S. machines but to no avail.

He clearly mentioned that where Applicants for mining licences were unduly delayed for the issuance of licences, there was the tendency for the desperate ones to indulge in illicit mining while some frustrated law — abiding ones may simply desist from mining altogether.

He said that he took all of the audit queries in good faith and promised to do much better. He had never been fortunate to pass through any induction course or to be provided with the financial regulations pertaining to my office because he entered the service on contract, he further mentioned and stressed that he would make sure that he got all those requirements and study them properly in order to avoid mistakes.

Auditor's Comment

Our recommendations were not implemented.

Refer to the Table of Common issues (Page 128) for further observations.

8.18. MINISTRY OF MINES AND MINERAL RESOURCES, NORTHERN REGION (2012)

8.19.1. Revenue Not Brought To Account

A comparison of the Revenue Records (Revenue Register and Receipt Books) maintained by the Ministry and the Bank Statements revealed a difference of Le6,500,000 which was not brought to account. It was recommended that the Mines Engineer paid the said sum of Le6,500,000 into the CRF and forwarded evidence of payment to ASSL for verification within thirty (30) days of the receipt of the report. In future, the Mines Engineer should promptly pay into the CRF all revenue generated by the Ministry.

8.19.2. Unclaimed Salaries Not Paid Into The Consolidated Revenue Fund (CRF)

There was no evidence to indicate that unclaimed salaries totalling Le2,610,360 were paid back into the CRF. Those unclaimed salaries were for the month of January 2012. It was recommended that the Mines Engineer should ensure that the total unclaimed amount was paid back into the CRF within thirty (30) days of the receipt of the report and evidence of payment forwarded to ASSL for verification. Subsequently, all unclaimed salaries should be promptly paid back into the CRF and the evidence of payment retained for audit and reference purposes.

8.19.3. Fuel Chits Not Made Available For Inspection

Fuel chits were not made available to explain how fuel amounting to Le3,512,000, was consumed by the Ministry during the period under review. It was recommended that the Mines Engineer forwarded chits in respect of the fuel consumed to ASSL for verification within thirty (30) days of the receipt of the report; otherwise the whole amount should be refunded. In future, the use of fuel chits should be instituted and those chits should be retained for audit and reference purposes.

Refer to the Table of Common issues (Page 129) for further observations.

8.19. MINISTRY OF DEFENCE (MOD) HQ (2012)

8.19.1. Payment To Staff Who Had Attained The Statutory Retirement Age

A review of the personnel files and records of staff revealed that salaries totalling Le11,167,933 were paid to eight (8) members of staff in the Ministry who were over sixty years or had attained the statutory retirement age. In addition, there was no evidence of extension letters given to staff who had attained the statutory retirement age.

Staff Attendance Registers for civil staff were not maintained at the following locations:

- Armed Force Personnel Centre (AFPC)
- Joint Logistics Unit (JLU)
- Army Engineer
- Camp Murray town
- Cockerill station
- 3 Brigade

The audit team was also unable to physically verify one hundred and thirteen (113) civil personnel at the different locations within the Ministry, based in Freetown. The total amount of Le615, 025,308 was paid as salaries to the personnel in question. It was recommended that the Director General should inform the Human Resource Management Office (HRMO) for appropriate action; otherwise, the names of the unverified personnel should be deleted. In addition, the Human Resource Manager MOD, should expedite action to establish attendance registers at the different locations in the Western Area and have them properly supervised. Furthermore, the one hundred and thirteen (113) personnel in question were to present themselves for physical verification within thirty (30) days of the receipt of the report; otherwise, their names should be deleted from the Ministry's payroll.

Official's Response

The HRM in his response stated that a comprehensive list had been forwarded to the Human Resource Management Office by the Ministry in respect of all civilian staff, including those names queried by the auditors, for immediate issuance of retirement letters and removal of their names from the payroll. He added that copy of the letter with an attached list was available for audit inspection. He also mentioned that staff attendance registers were now maintained in the various locations identified by the auditors and that those were available for audit inspection. He further stated that the total of 113 civil personnel had been verified by the Deputy Secretary of Finance and Admin and the Human Resource Officer. The verification list he said, was available for audit inspection.

Auditor's Comment

- The correspondence sent to HRMO for the deletion of the names of the personnel in question was submitted to the auditors during the verification exercise. However, the list submitted to HRMO did not include the names of three (3) personnel.
- Staff Attendance Registers for civil staff at the different locations were not produced for audit verification.

Out of the one hundred and thirteen (113) civil personnel not physically verified, the verification team was also unable to physically verify a total number of thirty eight (38) civil personnel.

8.19.2. Difference Between Rice For Operation And Training Received And Distributed

A difference of one thousand, four hundred and sixty four (1464) bags of rice amounting to Le236, 093,790 was observed between the quantity received and issued/distributed to the RSLAF in respect of operation and training. In addition, no evidence was seen regarding the utilisation of the difference. It was recommended that the Commanding Officer, Joint Logistic Unit (JLU) should forward documentary evidence in support of the difference to the ASSL for verification within thirty (30) days of the receipt of the report; otherwise, the whole amount must be refunded.

Official's Response

The Commanding Officer, Joint Logistics Unit stated that the documents in support of rice distribution to the RSLAF for operation and training were available for audit inspection

Auditor's Comment

The issue remains the same.

Refer to the Table of Common issues (Page 129) for further observations.

8.20. MINISTRY OF DEFENCE-SOUTH (2012)

8.20.1. Non-Retirement Of Allocations From MOD Headquarter

The total sum of Le72,656,000, in respect of monthly/quarterly allocations made by the MOD through the Joint Forces Commander (JFC) were without adequate retirement details. It was recommended that the Brigade Commander should ensure that all allocations made to the 5th Brigade were properly retired and accounted for in accordance with the above regulation. He should also ensure that retirement details for the sum of Le72,656,000 were submitted to ASSL for verification within thirty (30) days of the receipt of the report; otherwise the amount involved should be refunded and paid back into the CRF.

Auditor's Comment

No response was submitted by the institution.

Refer to the Table of Common issues (Page 129) for further observations.

8.21. MINISTRY OF DEFENCE NORTH (2012)

8.21.1. Records Of Fuel Consumption Not Made Available For Audit Inspection

There were no records such as request forms, fuel chits and register to explain the consumption of 26,276 litres of fuel by the various units of the 4th Infantry Brigade. It was recommended that the Brigade Commander should within thirty (30) days of the receipt of the report forward the records in support of the 26,276 litres of fuel, to ASSL for verification; otherwise, the whole amount must be refunded. In future the Management of the 4th Infantry Brigade should institute the use of request forms, fuel chits and register, all of which must be retained for audit and reference purposes.

8.21.2. Deductions From The Salaries Of Junior Staff Without Authority

Deductions were made from the salaries of junior members of staff/cleaners without any form of authority from the management of the military. This practice started in July 2011 and continued till July 2012. The total deductions from the salaries of those junior staff members amounted to Le6,108,000. It was recommended that the Brigade Commander in collaboration with the Payroll Division of the Ministry of Defence ensured that deductions made from the salaries of junior staff members from July 2011 to July 2012 were refunded to the actual beneficiaries, within thirty (30) days of the receipt of the report; otherwise, the Act would be considered a financial misconduct and the relevant authorities would be appropriately informed. In future, salaries paid to junior staff members should be in accordance with the terms and conditions of service of the Ministry of Defence.

8.21.3. Rice Distribution List Not Made Available For Inspection

Three hundred and twenty four (324) bags of rice were distributed by the Brigade Headquarters to military personnel for the months of February and June 2012. However, the distribution list to indicate the military personnel who benefited from the rice was not made available for inspection. It was recommended that the Brigade Commander forwarded the rice distribution list to ASSL for verification within thirty (30) days of the receipt of the report. In future, records showing the distribution of rice and other consumables must be retained for audit and references purposes.

Auditor's Comment

No response was submitted by the institution.

Refer to the Table of Common issues (Page 129) for further observations.

8.22. MINISTRY OF HEALTH & SANITATION HQ(2012)**8.22.1. Distribution Of Phone Cards Without Recipient's Signatures**

Phone cards amounting to Le 18,000,000 were distributed, for which recipients' signatures were not provided. It was recommended that the PS should submit evidence of distribution in the form of recipients' signatures, within thirty days of the receipt of the report; otherwise the amount in question must be refunded into the CRF and evidence forwarded to the ASSL.

Official's Response

The PS stated that the respective documents were available then for inspection.

Auditor's Comment

Supporting documents for Le16,000,000 were not submitted for verification.

8.22.2. Salaries Paid To Staff That Have Attained The Retirement Age

The sum of Le 65,863,424 was paid to staff who had attained the retirement age. It was recommended that the PS must ensure that a mechanism was put in place to stop the payment in question and retrieve the amount already paid from such staff or be deducted from any benefit/pension due them; otherwise the entire amount should be refunded into the CRF and evidence forwarded to ASSL within thirty (30) days of the receipt of that report.

Official's Response

The PS stated that information on retired officers was received late and in some cases extensions of services were approved subsequently by relevant authorities. He mentioned that the salaries section of the MOHS had confirmed that deletion of four staff had been done and the others would be deleted in November; due to late receipt of notification. On the aspect of refunds, he said that modalities were in place to ascertain affected staff.

Auditor's Comment

Evidence of the said deletion and modalities to retrieve the amount already paid was not presented for verification.

Refer to the Table of Common issues (Page 128) for further observations.

8.23. CONNAUGHT HOSPITAL (2012)**8.23.1. Receipt Books not submitted By Revenue Collectors**

Twenty-four (24) receipt books issued to revenue collectors were not returned. Their value was estimated at Le45,500,000. It was recommended that the Finance Officer should ensure that all receipts books given to collectors were returned. It was also recommended that the receipt books must be made available for verification within thirty (30) days of the receipt of the report, or the amount of Le45,500,000 refunded into the hospital's account.

Official's Response

The HM said that the twenty four (24) receipt books in question had been retrieved from the out gone Finance Officer and were available then for verification.

Auditor's Comment

Out of the twenty-four receipt books only one(1) was verified leaving a balance of twenty-three (23) valued at Le45,250,000.

8.23.2. Cash Book Not Properly Maintained

Some entries in the cashbooks were made in pencil. It was recommended that the Finance Office should explain why entries in the cash book were not done in ink, within thirty (30) days of the receipt of the report.

Official's Response

The HM said that the entries in the hospitals cash book in pencil were done by the Revenue Collector when he was out of the country on official matters. He said that he had ensured that those mistakes were regularised and available for verification.

Auditor's Comment

The irregularity has not been amended.

8.23.3. Revenue And Proceeds Allegedly Paid To Bank And The CRF

For revenue amounting to Le621,357,876 bank statements were not presented to confirm that the said amount was banked. The auditors were also not able to confirm that Le32,500,000 representing 5% of the revenue generated was paid into the CRF as bank paying-in slips were not presented for inspection. It was recommended that the Finance Officer ensured that all revenue generated were paid into the bank accounts of the hospital. In addition, evidence relating to the payment or usage of the Le621,357,876 must be made available for verification within thirty (30) days of the receipt of the report, or, the said amount be refunded by the Finance Officer. Furthermore, evidence of payment of the Le32,500,000 must also be made available for verification within thirty (30) days of the receipt of the report, or the amount paid into the CRF by the Finance Officer.

Official's Response

The HM said that the said amount was indeed deposited in the hospital's account under his supervision. The revenue collectors he noted, were denied requesting for the bank statements because they were not signatories to the account. He said that he had formally requested for the bank statements and they were available for verification. According to the HM since he assumed office he had ensured that 5% of whatever was collected as revenue was transmitted to the CRF. The paying slips in respect of the said amount he noted were available for verification.

Auditor's Comment:

Out of the Le621,357,876 unaccounted for, bank statements were submitted to confirm the payment of only Le193, 673,438 leaving a balance of Le427,684,438 for which bank statements were not submitted to confirm payment made to the bank. Bank paying-in-slip to confirm the payment of Le32,500,000 to account no: 1100856 held at Bank of Sierra Leone was submitted and verified. However no bank statements were produced to confirm payments made to the bank.

8.23.4. Documents Not Presented For Audit Inspection

The following documents were not produced to the audit team for inspection: bank statements for accounts numbered; 007-0014802244401 Eco Bank, 01-3001-11-0200008364

SLCB and complete set of the other accounts: bank reconciliation statements, cheque stubs, records on the operation of the ambulances, minutes of management meetings, minutes of drugs and therapeutic committee meetings. It was therefore recommended that the said documents should be made available for inspection or verification within thirty days of the receipt of the report, by the Hospital Care Manager. The Secretary, Drugs and Therapeutic Committee was also to make available minutes of meetings for verification, within thirty days of the receipt of the report.

Official's Response

The HM said that bank statements and monthly reconciliations of the said accounts were available but were locked up in his cabinet when he was away. The said documents were available for verification. Also, he said that efforts had been made by the Hospital Management to get the minutes of all management meetings held and they were available for inspection.

Auditor's Comment

Out of the two bank accounts, bank statements were only submitted for one account i.e. Ecobank Account No. 007-0014802244401. Evidence of monthly bank reconciliations for all the bank accounts maintained by the Hospital were not submitted to the audit team for verification.

8.23.5. Drugs Procured For The Hospital and Not Put Into Use

Regular drugs amounting to Le7,897,500 and Free Health Care Drugs valued at \$13,701 were procured and not consumed. Upon inspection, the auditors noted that those drugs had also been expired but had not been disposed of. It was therefore recommended that the pharmacist should provide plausible explanation, within thirty (30) days of the receipt of the report, why the drugs were kept until they expired and why they had not been disposed off.

Official's Response

The HM stated that the pharmacist had his own method of disposing expired drugs and that he had been contacted on this issue.

Auditor's Comment

The issue remains the same.

8.23.6. Reagents And Other Working Instruments Not Supplied To The Laboratory And Dental Units

Reagents and instruments needed for the running of the laboratory and the dental units were not supplied to the units. It was recommended that reagents and consumables should be made available to those units for the effective execution of their work and that the Hospital Care Manager must provide documentary evidence on why reagents and consumables were not provided to those units. It was also recommended that the processing tank in the X-ray unit should be replaced within thirty days of the receipt of the report.

Official's Response

The HM said that the said contract was awarded by the Hospital Management.

Auditor's Comment

The issue remains the same.

8.23.7. Contracts Awarded Not Completed

Contracts which were awarded for the rehabilitation of the Dialysis Unit amounting to Le250,691,043 and the rehabilitation of the Connaught Hospital amounting to Le1,231,694,200 were not satisfactorily executed. There was a leaking roof in the Dialysis Ward, damaged toilets, and fans not in working order in the Hospital, while a work completion certification had been issued to the contractor. However, interviews with some personnel revealed that the consultant in post had taken up the rehabilitation of the unit, from her own personal funds. A generator was procured for the Hospital but has still not been installed. It was recommended that the Procurement Officer, Ministry of Health, should submit a written explanation within thirty (30) days of the receipt of the report as to why those contracts were not satisfactorily carried out or refund the amount of Le250,691,043, and Le1,231,694,200 for the rehabilitation of the Dialysis Unit and Connaught Hospital respectively. It was recommended that the Facilities Officer should provide an explanation as to why the generator had still not been installed.

Auditor's Comment

No response was proffered by the Hospital Management. The issue remains the same.

8.23.8. Unverified Staff Members, And Incomplete Attendance Register

Eighty-two (82) staff members did not show up for verification. Pages were removed from the attendance register and dates were not in order. Salaries paid to those staff amounted to Le834,421,980. It was recommended that the matron should provide an explanation as to why pages were removed from the Attendance Register. Those staff members should also make themselves available for verification within thirty (30) days of the receipt of the report; otherwise, their names would be recommended for deletion from the payroll.

Official's Response

The HM said that the matter had been forwarded for the attention of the Matron

Auditor's Comment

The issue remains the same, as the staff in question were not presented for physical verification.

8.23.9. Poor Environmental And Sanitary Facility In The Hospital

The environment of the hospital had the constant smell of urinary waste and was infested with rats and cockroaches. In addition, the toilet facilities in the wards were not good and most of the fans in the wards were not working whilst the sum of Le332,000,000 had been paid to a contractor (AFWEN) for the cleaning of the wards. The auditors observed that the monitoring of the cleaning was difficult as the terms and conditions of the contract agreement were not known by the end users. It was recommended that the Hospital Care Manager should address those anomalies within thirty days of the receipt of the report and the Facilities Officer must submit the contract agreement for the cleaning of the hospital within thirty (30) days of the receipt of the report.

Official's Response

The HM said that the audit recommendations on the matter had been noted and the personnel concerned had been in complete.

Auditor's Comment

The issue remains the same.

Refer to the Table of Common issues (Page 129) for further observations.

8.24. OLA DURING CHILDREN'S HOSPITAL (2012)

8.24.1. Diet Short-Supplied

A difference of Le 125,706,650 was observed between the schedule of requirement and the Diet Receipt Ledger for the period under review. It was recommended that the Medical Superintendent should ensure that the amount of Le125,706, 650 must be recovered from the supplier within thirty (30) days of the receipt of the report and evidence of recovery forwarded to the ASSL for audit verification.

Official's Response

The MS stated that the items short supplied had been delivered and evidence of that was ready for verification.

Auditor's Comment

A balance of Le 8,944,000 worth of items was not delivered.

8.24.2. No Strict Internal Medical Waste Control System

Even though several recommendations had been made in the past for the Hospital Management to institute written guidelines regarding the management of medical waste, no such action was taken. It was also noted with dismay that in some instances medical waste (Including sharp object and used needles) were not separated from the general waste that was eventually transported to a general dumping site. Furthermore, there was a garbage dumping spot closer to the Hospital premises designated for the transfer of rubbish, even though, the Hospital through the Freetown City Council, was paying the Freetown Waste Management Company, a total amount of Le 3,000,000 per month for the clearing and transfer of rubbish to the general dumping site. In order to prevent the spread of communicable diseases and to mitigate the risk associated with medical waste, it was recommended that the Hospital Management should make every effort to develop an internal Medical Waste Management Policy. Such a policy would address issues relating to the identification of the various forms of waste, the storage, transporting and the risks associated with medical waste which would will have the benefit of ensuring that all the concerned parties were aware of the cause of action to take when dealing with waste.

Official's Response

The MS said that modalities had been put in place and would be ready for the next audit for 2013 financial year.

Auditor's Comment

The issue still remains the same.

8.24.3. Review of the Free Health Care System

The following were observed:

- Due to the presence of the Free Health Care Programme, the wards were congested;
- There were instances where more than two patients of diverse diseases were clustered on a single bed;
- There was a serious shortage of medical doctors at the Hospital;
- There were only three doctors attending to an overwhelming number of patients;
- Interviews with key personnel revealed that doctors were usually not on duty at night; and
- Several patients of diverse ailments were using one oxygen cylinder at the same time.

It was therefore recommended that the responsible officers at the Ministry of Health and Sanitation should ensure that the other health centres were equipped to handle referred cases

in order to avoid the clustering of patients. In addition, the Ministry of Health and Sanitation were urged to put mechanisms in place to address the chronic shortage of doctors at the Hospital. Furthermore, it further recommended that the relevant authorities should put mechanisms in place for the procurement of more oxygen cylinders, so as to ameliorate the situation.

Auditor's Comment

There was no response to the query; therefore the issue is outstanding.

8.25. PRINCESS CHRISTIAN MATERNITY HOSPITAL (2012)

8.25.1. Poor Condition Of The Store

The store was poorly ventilated and shelves were not adequate as some drugs were scattered on the floor, and no fire extinguisher was at the store. It was recommended that the Medical Superintendent should remedy the situation as quickly as possible.

Official's Response

The MS stated that Management was working hard to ensure that the above anomalies and other deficiencies in the operation of the store were rectified. He mentioned that the pharmacist who supervised the store had the mandate to deal with those issues, most of which had been addressed.

Auditor's Comment

Though a lot of effort had been made to improve the storage condition by fitting air conditioners in the store, the auditors however realized that there were insufficient shelves, pallets and even the store space was too small for the quantum of drugs delivered to the Hospital.

8.25.2. Congested Labour Ward

The Labour Ward was congested and untidy as there were more patients than beds. It was recommended that the Medical Superintendent must expedite action to remedy the situation.

Official's Response

The MS said that the labour ward had four beds which were definitely insufficient for the large number of patient visiting the hospital. Therefore the hospital accepted short stay admissions.

Auditor's Comment

The issue still remains the same.

8.25.3. Poor Waste Management

Medical waste was not properly managed in the Hospital as a lot of wastage was observed around the compound. In order to mitigate the risk associated with medical waste, it was recommended that the Hospital Management should make every effort to develop an internal medical waste management policy. Such a policy should include how waste must be stored transported and disposed of.

Official's Response

The MS stated that the hospital was generally small for the number of patients who visited it; because of tremendous influx of patients. He further said that, it was extremely difficult to get people to place waste in the bin.

Auditor's Comment

The issue still remains the same.

8.26. PRIMARY HEALTH CARE TONKOLILI DISTRICT (2011)

Refer to the Table of Common issues (Page 129) for further observations.

8.27. PRIMARY HEALTH CARE TONKOLILI DISTRICT (2012)

8.27.1. Fuel Allocation Not Brought To Account

A comparison of the fuel allocations received from the Tonkolili District Council and the amount of fuel consumed by the PHC Tonkolili District revealed a difference of Le18,508,000 that was not brought to account. It was therefore recommended that the DMO should within thirty (30) days of the receipt of that report provide an account of the Le18,508,000 to the ASSL; otherwise, the whole amount must be refunded. In future, all allocations made to the PHC Tonkolili District in respect of fuel should be properly accounted for.

Official's Response

The DMO stated the issue was as a result of the late disbursement of the first and second quarterly allocation of funds in 2012 and because of that, the sector took fuel on loan to carry out health activities. He said that the amount might have been for the fuel the sector used before the allocation. He however promised that the Primary Health Care would ensure that records in respect of fuel were properly maintained in the future.

Auditor's Comment

An account was not given on how fuel amounting to Le18,508,000 was consumed by the PHC.

8.27.2. Revenue From The Sale Of Cost Recovery Drugs Not Brought To Account

A comparison of the Supply Vouchers of cost recovery drugs and the Bank Statements revealed that the sum of Le89,365,048, in respect of the sale of cost recovery drugs by the PHUs, was not brought to account. It was therefore recommended that the DMO should give a full account of the outstanding balance in respect of the cost recovery drugs sold, to the ASSL within thirty (30) days of the receipt of the report; otherwise, the sum of Le89,365,048 must be immediately refunded. In future, the DMO should ensure prompt payment of revenue generated from the sale of cost recovery drugs into an authorized bank account of the Ministry of Health and Sanitation.

Official's Response

The DMO stated that upon the audit finding, the District Health Medical Team of the Primary Health Care conveyed a meeting and came up with a decision that all the defaulted PHUs should be called to a meeting in November 2013 to inform them that defaulted PHUs would not get access to their PBF funds until their debts were honored, failing to do so, the DMO would write to the Ministry of Finance through the Permanent Secretary, Ministry of Health for the said amounts to be deducted from the salaries of the defaulters. The DHMT came to realize that some PHUs paid without taking their pay-in-slips to either the Finance Officer or the District Pharmacist.

He mentioned that those issues would be discussed in the meeting.

Auditor's Comment

The recommendation was not implemented.

Refer to the Table of Common issues (Page 129) for further observations.

8.28. PRIMARY HEALTH CARE BOMBALI DISTRICT (2011)

8.28.1. Fuel Allocation Not Brought To Account

A comparison of the fuel allocations received from the Local Councils and the amount of fuel consumed by the PHC Bombali District revealed a difference of Le20,014,000 that was not brought to account. It was recommended that the DMO should within thirty (30) days of the receipt of the report provide an account of the Le20,014,000 to the Audit Office; otherwise, the whole amount must be refunded and in future, all allocations made to the PHC Bombali District in respect of fuel should be properly accounted for.

Official's Response

The DMO stated that the fuel allocations to the PHC from the Local Councils were paid directly to the filling station and all records for the use of fuel were available with the Transport Officer and Finance Officer.

Auditor's Comment

The issue is outstanding.

Refer to the Table of Common issues (Page 128) for further observations.

8.29. PRIMARY HEALTH CARE BOMBALI DISTRICT (2012)

8.29.1. Records Of Outstanding Cost Recovery Drugs Not Made Available

A comparison of the value of cost recovery drugs supplied to the Primary Health Units for sale and the bank statements revealed that the sum of Le48,553,900 was still outstanding. The auditors also noted that the returns from those PHUs, in respect of the outstanding balances, were not made available for audit inspection. It was recommended that the District Medical Officer (DMO) should give a full account of the outstanding balances in respect of the cost recovery drugs, to ASSL within thirty (30) days of the receipt of the report; otherwise, the sum of Le48,553,900 must be immediately refunded. In future, the DMO should ensure that the revenue generated from the sale of cost recovery drugs must be promptly banked. The PHC Bombali District should also be furnished with returns in respect of outstanding balances on a regular basis and those returns must be retained for audit and reference purposes.

Official's Response

The DMO stated that it was a stated policy that revenue in respect of Cost Recovery Drugs must be paid into the Cost Recovery Account as soon as sales were done, but most In-Charges were now doing their payments with receipts forwarded to the Pharmacist at the District Medical Stores and copies available with the Finance Officer.

Auditor's Comment

The audit recommendation was not implemented. An account was not given on the outstanding balances in respect of Cost Recovery Drugs.

8.29.2. Deceased Staff Members Still On Staff List

The names of five (5) deceased staff members were still appearing on the official staff list and payroll of the PHC Bombali District. The total amount that had been paid to those deceased staff members from the date of death to date (according to information from the Accountant General's Department) was Le25,312,350. It was recommended that the DMO should ensure the following:

- The deceased staff names should immediately be removed from the Official Staff List of the PHC and the details should be forwarded to the Accountant General for the deceased names to be removed from the payroll.
- The Le25,312,350 that had been paid into the deceased accounts from the date of death to date should be recovered and paid into the CRF within thirty (30) days of the receipt of this report; and
- In future, information on deceased staff members should immediately be forwarded to the Accountant General's Department for prompt action to be taken.

Official's Response

The DMO stated that all deceased staff members were reported immediately to the Finance Office and Human Resource Management Office (HMRO) of the Ministry of Health and Sanitation. He mentioned that monthly payment for all staff working was done according to the daily attendance register sent to the HRMO and there was a column for deceased staff that was filled monthly by the Monitoring and Evaluation Officer even when their names were appearing.

Auditor Comment

There was no evidence to indicate the extent of implementation of our recommendations.

8.29.3. Vehicles And Motor Bikes Not Licensed And Insured

It was observed that fifteen (15) motor bikes and two (2) motor vehicles used by the Office of the DMO were not licensed and insured for the period under review. It was recommended that the DMO should ensure that all the vehicles and motor bikes owned and controlled by the PHC Bombali District were licensed and insured with immediate effect, and the evidence of that forwarded to ASSL for verification.

Official's Response

The DMO stated that vehicles and motor bikes licenses and insurance were funded by the Councils on a yearly basis and the Transport Officer had forwarded all licenses and insurance documents to the Councils for action to be taken.

Auditor Comment

Out of the fifteen (15) motor bikes and two (2) motor vehicles, the auditors were able to verify license for two (2) vehicles and three (3) bikes. The licenses for the remaining twelve (12) bikes were not made available for verification.

8.30. GOVERNMENT HOSPITAL MAGBURAKA (2011)

8.30.1. Records Of Diets And Firewood Not Maintained

The Hospital did not make available any record in the form of store ledgers, request forms and distribution list, to justify how diets and firewood supplied to them for Le182,383,238 were consumed/utilized. It was recommended that the Medical Superintendent should provide all the records in respect of diet consumption to the Audit team for verification within thirty (30) days of the receipt of the report; otherwise, the full amounts should be refunded and in future, the Medical Superintendent should ensure the maintenance of records of all diets received and consumed by the Hospital.

Official's Response

The Hospital superintendent replied that records relating to the utilisation of diets and fire wood had been maintained based on the recommendation.

Auditor's Comment

The records in respect of the consumption of diets and firewood were not made available for verification.

8.31. MAKENI GOVERNMENT HOSPITAL (2011)

8.31.1. Book/Duplicate Copies Of Receipts Not Maintained

It was observed that the book copies of thirty four (34) receipts, with an estimated value of Le970,000 were blank. It was recommended that the Medical Superintendent should submit the details of the receipts in question to the ASSL within thirty (30) days of the receipt of the report and the amount of Le970,000 refunded to the hospital account. It was further recommended that in future, book copies of all receipts issued for the collection of revenue must be maintained for audit and reference purpose.

Official's Response

The Medical Superintendent stated that the observation was true as they had checked the receipt books and confirmed that the duplicate carbon copies were blank. He said that was a problem they had inherited and because they considered the matter to be serious, they had instituted a monitoring mechanism wherein, all receipts books returned by various collectors were thoroughly checked by the Finance Officer to ensure that all carbon copies were clearly written.

Auditor's Comment

The book/duplicate copies of the receipts were not submitted for verification.

8.31.2. Fuel Used For Non Official Purposes

It was observed that 116 gallons of fuel, valued at Le2,030,000, were given to people who were not employees of the Hospital. It was recommended that the Medical Superintendent should refund the amount to the Hospital's account within thirty (30) days of the receipt of the report and the evidence of refund forwarded to the ASSL for verification and in future, fuel meant for official purposes should not be put into private use.

Official's Response

The Medical Superintendent said that that was a matter they considered very serious, since the hospital was in much need of fuel always. He however said that after discussion with the Transport Officer they noted that the fuel in question was used during the joint monitoring exercise with other health related partners.

Auditor's Comment

There was no evidence to indicate that the audit recommendation had been implemented.

Refer to the Table of Common issues (Page 129) for further observations.

8.32. GOVERNMENT HOSPITAL KENEMA (2012)

8.32.1. General Observations

The general management and condition of the Kenema Government Hospital was far from being pleasant. This was evidenced by the following observations:

Paediatric Ward:

- Beds for hospitalised children were insufficient; the situation resulted in bed sharing;
- There was poor ventilation and low visibility in the Ward; and
- No electricity, water and toilet facilities existed for hospitalised children.

Male Ward:

- There was no toilet facility for hospitalised patients, resulting in the use of plastic kettles for defecation;
- There were no trolleys for the movement of medication within the Ward

Surgical Ward:

No electricity and toilet facilities existed for hospitalised patients.

Laboratory:

Basic equipment and consumables like needles, syringes and gloves that should facilitate the smooth and efficient delivery of medical services to patients were not available.

Store:

The following were observed:

- The floor space for the proper storage of drugs was insufficient;
- Air conditioners required for the recommended temperature of drugs were not available; and

There was no shelf, electricity and furniture for the efficient running of the store.

It was recommended that the Medical Superintendent should ensure that the needs of the various Hospital units were met to facilitate the smooth and efficient delivery of medical services to the general public.

Official's Response

Regarding the Paediatric Ward, the MS stated that the overcrowding of patients in the ward was due to the free Health Care Service. He said that the ministry of Health and Sanitation had decided to extend the ward to accommodate the increase with beds which would solve the issues queried.

He further mentioned that management had solicited funds from the City Council to re-wire the entire and other facilities mentioned.

Regarding the Male Ward the MS stated that the bad state of the toilet facilities of the ward was as a result of the cesspit that felled. He however said that they had constructed a new one which was now in use and two new toilets had been supplied to the said unit for use.

For the Surgical Ward, he mentioned that the electricians of the said ward had taken care of the situation and the toilet facilities were to be done by either Goal S/L or SAWACO within a very short time as promised.

Regarding the Laboratory the MS stated that the basic equipment and consumables had been supplied by the Ministry of Health and Sanitation, GLOBAL Fund and International Rescue Committee to facilitate the smooth and efficient delivery of Medical Services to patients.

In the area of Stores the MS stated that the Hospital had no standard that would be able to have all those facilities but the Hospital Management and the Kenema City Council had decided to be rehabilitating existing structures until they were able to contract a standard facility as budgeted in the 2014 Health plan.

Auditor's Comment

Our recommendations were not implemented.

8.33. GOVERNMENT HOSPITAL –BO (2012)**8.33.1. Inadequate Doctors And Other Specialists**

There were inadequate medical and other specialist doctors assigned to the Hospital. In an interview with a key hospital management personnel, it was revealed that only three (3) doctors were assigned to the hospital during the period under review and that one (1) of them was on maternity leave. In addition, the audit team made several visits to the Hospital at night and it was noted that there was no doctor on duty or one on call at night in case of emergency. Assigned nurses were however always on duty during those visits. It was however noted, throughout the night visits, that the Pharmacy was closed, making it impossible for patients to access drugs in cases of emergencies at night. It was recommended that the Chief Medical Officer in the Ministry of Health & Sanitation should ensure that adequate doctors and other specialists were assigned to that hospital. Furthermore, the Hospital Pharmacy must be opened 24 hours daily.

Official's Response

The HM stated that the Chief Medical Officer in the Ministry of Health and Sanitation was making efforts to address the issue by sending adequate doctors and other specialists to the Bo Government Hospital. He mentioned that the Hospital Management had also taken action on doctors on call at night in case for an emergency and that management had addressed the opening of the Hospital Pharmacy to 24 hours daily.

Auditor's Comment

ASSL recommendations were yet to be implemented by the Hospital.

8.34. DISTRICT MEDICAL OFFICE –BO (2012)**8.34.1. Inadequate Control Over Revenue Administration**

An evaluation of the control over revenue administration in the Births & Deaths Units revealed that printed receipt books were not taken on charge in the Accountable Documents Register. It was recommended the DMO posted receipt books received there and then into the Accountable Documents Register for accountability and control.

Official's Response

The DMO stated that the Accountable Register was now in use, and all printed receipt books had been taken on charge including printed materials received from the Government Printer in adherence to audit observations.

Auditor's Comment

The Accountable Documents Register provided was not updated with the series of the receipt books received and issued during the period.

8.34.2. Inadequate Control Over The Distribution And Usage Of Fuel

The Ministry could not account for fuel costing Le136,113,500 as no form of a log book/ operating record or fuel register was maintained. It was recommended that the Finance

Officer forwarded a detailed breakdown and evidence of how Le136,113,500 was utilised to the ASSL within thirty (30) days of the receipt of the report; or the amount stated above immediately refunded.

Official's Response

The DMO stated that there were operation log books to all vehicles attached to that sector and a fuel register where fuel consumed, purchased by both the City and District Councils were recorded and maintained. He mentioned that all the books for fuel verification may not have been verified for evidence at the time of audit. However the relevant documents referred to were readily available to ascertain the evidence of fuel consumed for verification.

Auditor's Comment

The issue is still outstanding.

8.34.3. Inadequate Control Over The Issue Of Drugs And Other Medical Supplies

There were instances where store items issued using the manual GRIN Cards were not updated in the Channel Delivery System operated by the IT Unit in the District Store. In addition, significant errors were noted in the information relating to the Cost Recovery Drugs generated by the Channel Delivery System operated by the IT Unit in the District Store. In some instances the cost of drugs indicated on the printed and signed Channel Delivery was far greater than the actual cost of drugs supplied and received by selected Health Units. Furthermore, the stock records in respect of each item entering the District Medical Store and its distribution list were not submitted for inspection. It was recommended that the DMO should ensure that the I.T. Channel Operator and the District Pharmacist were properly supervised and the Channel System periodically interrogated by the DMO, by comparing the reports generated with the supporting documents. Any discrepancies should be investigated. The Storekeeper should also submit the relevant stock records to ASSL for verification within thirty (30) days of receipt of the report.

Official's Response

The DMO stated that management acknowledged the auditors findings of disparity between the actual cost recovery drug quantities and the high prices allocated to them. He said it was as a result of typographical error but that had now been rectified by the IT Channel operator and the actual equivalent costs that must be paid made available to all the facilities that benefited from the cost recovery supplies. He also mentioned that management affirmed the auditor's observation that stock records in respect of each item entering the District Medical Store and its distribution list were not submitted for inspection. He said that it was as a result of inadequate logistics in term of paper and print cartridge to print out the requested document under the review period. He however assured that the soft copy of the document was available for inspection.

Auditor's Comment

The stock records in respect of each item entering the District Medical Store and its distribution list were not submitted for inspection.

8.34.4. General Observation of the Peripheral Health Units (PHUs)

The DMO was to ensure that a thorough review was done on PHUs operations in the district. Appropriate measures/actions must be taken to upgrade their operations by addressing the few observations that had been raised in the report.

Official's Response

The DMO stated that management acknowledged the findings made regarding selected centres visited and that some centres were indeed provided with Solar panels, unfortunately those had been carted away by thieves, for which reports were made both to headquarters and the police. He said that frantic efforts had been made to supply both fuel and lubricants to few centres provided with generators for alternate power supply; particularly BENMOCK Centres. He mentioned that the few vehicles available to promote Health Care delivery service in the District had almost outlived their usefulness because of depreciation and topography outlay of the road network could not be overemphasized. He further said that motor-bikes supplied to the Health facilities had actually eased the problems of mobility particularly hard to reach areas; but those also needed periodic maintenance. The limited funds provided for the repairs and maintenance of vehicles and motor bikes were absolutely inadequate, hence compounding the problems of mobility, he stressed. He however mentioned that management would ensure a thorough review of the operations of the PHU's in the District thereby enhancing appropriate measures to upgrade their operations and would address the few observations raised by ASSL.

Auditor's Comment

ASSL's recommendations are yet to be implemented.

Refer to the Table of Common issues (Page 129) for further observations.

8.35. MINISTRY OF FOREIGN AFFAIRS (2010 – 2012)

8.35.1. Payment To Staff Who Had Attained The Statutory Retirement Age

A review of the personnel files and records of staff revealed that payments totalling Le 50,299,091, and \$ 120,093 were made to staff at the Ministry's Headquarters and local staff in overseas mission who were over sixty years or had attained the statutory retirement age. In addition, there was no evidence of extension letters given to staff who had attained the statutory retirement age. However, a review of staff personnel files revealed that relevant documents such as appointment letters, public service commission recruitment forms and birth certificates of dependants of staff were not seen in some files. It was therefore recommended that the Director General should inform the Human Resource Management Office in writing of staff who had attained the statutory retirement age for necessary action and submit copies of extension letters to local staff who were still in post and had attained or exceeded the statutory retirement age of 60 years, within thirty (30) days of the receipt of the report; otherwise, the amount should be refunded.

Official's Response

The PS stated that the observation for local staff at the Missions abroad may be true because there were variations between the retirement age of the host countries and Sierra Leone, as some countries like Germany and the United States of America had their retirement age at sixty-five years or over. More so, local staff members of their Embassies were covered by the labour regulations of the host country, over which they had no direct control. He said with regards to Headquarters, every effort was being made by the HRO to bring to the attention of the HRMO the names of all members of staff who had attained the retirement age. He mentioned that names of those discovered by the auditors were an oversight, for which appropriate measures had been taken to avoid such occurrence.

Auditor's Comment

The members of staff in question are Sierra Leoneans, and as a result are paid from the consolidated fund. The Audit verification team was also not provided with the correspondence sent to the Human Resources Management Office for verification, so the above issue still stands.

8.35.2. Mismanagement Of Public Property

It was observed that ambassadors, members of parliament, cabinet ministers and public officers failed to surrender their diplomatic passports and Government properties when they were recalled, dismissed, sacked, terminated and not re-elected. It was recommended that all identity cards, passports and other Government properties in the possession of public officers who had been dismissed, recalled, not re-elected and terminated should be surrendered within thirty days of the receipt of the report.

Official's Response

The PS said that it was true that Ambassadors, Cabinet Ministers, public officers, members of parliament did not normally surrender their diplomatic passports when recalled, dismissed, sacked, terminated or not re-elected. He said it was because the life of a Sierra Leone passport was five years and some of those passports would have expired by the time the officers would have been recalled, dismissed, sacked terminated or not re-elected. He said that nonetheless, efforts would be made to retrieve diplomatic passports from officials recalled dismissed, sacked terminated or not re-elected even before the expiration of such passports. In the case of Government properties at headquarters not being surrendered by recalled, dismissed, sacked, terminated or not re-elected officers, he said the Ministry had no records of any recalled, dismissed, sacked, terminated or not re-elected officer hanging on to Government properties of that Ministry.

Auditor's Comment

The above issue still stands.

8.35.3. Mismanagement Of Fuel allocated

Valid vehicle life cards and insurance certificates for staff who benefited from fuel distribution were not submitted for audit verification. The amount involved for the period under review totalled Le 389,590,000. It was therefore recommended that the Director of Administration should adhere to the Government Policy and guidelines on the distribution of fuel. He should also produce for audit verification, insurance certificates and vehicle life cards of fuel beneficiaries within thirty days of the receipt of the report; otherwise, the total amount must be refunded to the CRF.

Official's Response

The DG stated that that may be true in some areas but in the context of not providing ten gallons to offices of grade seven and above per week, it was due to the fact that the foreign ministry had a large number of staff within that grade. He therefore stated that the policy adopted was that ten gallons were provided for grade 10 and above, eight gallons for grade 9 and five for grade 8 and 7 respectively.

Auditor's Comment

The above issue still stands as the Ministry failed to adhere to Government guidelines and policies.

Refer to the Table of Common issues (Page 130) for further observations.

8.36. MINISTRY OF FISHERIES AND MARINE RESOURCES (2012)

8.36.1. Revenue Not Brought To Account

There was a difference of Le 692,435,378 between the Ministry of Fisheries and Marine Resources (MFMR) Cash Book and that of the NRA Cash Book. In addition, the amount of \$140,000 in respect to fines levied on Fishing Vessels for various infractions was not posted in the Ministry's Cash Book and also not found in the Bank Statements submitted for inspection.

Furthermore, it was observed that revenue in the sum of Le906,306,032 in respect of local discharge and fines was still outstanding as at 31st December, 2012.

There was also no evidence like minutes and attendance list/records to substantiate or indicate the Committee's approval for the reduction of fines levied on fishing vessel- F/V Puyu 6016 from \$20,000 to \$10,000. It was recommended that the PS should ensure that the amount involved was recovered from the Companies and evidence of recoveries forwarded to the ASSL for verification.

Official's Response

The PS stated that the reconciliations was carried out between NRA Cash Book and MFMR Cash Book and the difference of Le692,435,378 was due largely to the under-casting and transposing of certain figures. The receipts he said, had subsequently been made available in the Ministry for details of the postings done in both books of accounts. He also mentioned that there was a correspondence for the reduction in fines levied on vessel F/V Puyu 6016 from \$20,000 to \$10,000 which was paid into the Fisheries fines account.

Auditor's Comment

After recalculation, the team further noted a difference of Le129,883,475 between the two revenue cash books. The issue relating to fines still stands, as the audit response did not reflect the audit query. On the issue relating to Local discharge and fine amounting to Le906,306,032, the Ministry submitted a Bank of Sierra Leone paying slip with a face value of Le224,425,000 for payment of fines. However, the issue still stands as the verification team was not provided with the Bank Statement that would further confirm the payment to bank. The verification team was provided with the correspondence relating to the reduction in fines levied on vessel F/V Puyu 6016 from \$20,000 to \$10,000. However, the decision was made wholly and solely by the Director rather than the committee; therefore the issue still stands.

8.36.2. Under - Assessment Of Licenses And Royalty

The calculations for the payment of licenses and royalties by the Ministry were found to be inconsistent with the standard rates stipulated in the calculation schedule. The calculation of licenses and royalties were under-assessed by \$80,316 and \$29,380 respectively for the year under review. The fishing companies paid less than what they should have paid. The PS was strongly advised to have the amount involved recovered from the fishing companies within thirty (30) days of the receipt of the report and evidence provided to the ASSL for verification.

Official's Response

The PS stated that the calculations done by MFMR were in accordance with the 15% concession on royalties given to the companies which was based on the yearly fees on both licenses and royalties and was in accordance with the Fisheries Regulations. He also pointed out that calculations for yearly fish schedules were different from monthly calculations which the Audit team used.

Auditor's Comment

The verification team noted the response stated by the Ministry on this issue. However, the issue remains unresolved.

8.36.3. Non Delivery Of Outboard Engine

An advance payment of Le117,073,299 (30% of \$88,900 i.e. \$26,000 @ Le4,389.70) was made to Isabrim Enterprise on 30th April 2012 on PV 7868 for the purchase of 16 Yamaha Outboard Motor/Machine Engines. However, as at 31st May 2013 (five months after the contracted delivery date) the outboard engines were not delivered by the supplier. It was

recommended that the PS should ensure that the engines were supplied within 30 days of the receipt of the report; otherwise, the amount must be refunded to the CRF.

Official's Response

The PS said that the supply of outboard engines was in progress with seven (7) engines already in (30/5/13) out of sixteen to be supplied. The remaining nine engines were yet to be supplied, he further mentioned.

The details of the supplied engines were as follows:-

- *Yamaha Outboard Engine, 15Hp, 2-stroke, long shaft*
- *Yamaha Outboard Engine, 40Hp, 2-stroke, long shaft*

The PS also stressed that the Internal Audit had verified the seven outboard engines supplied and noted that to date, only 30% payment had been made to the supplier.

Auditor's Comment

The said engine that the Ministry claimed to have been supplied was not verified. As a result the issue is unresolved.

8.36.4. Supply Of Wrong Specification Of Fishing Net Procured

The audit team observed that Fishing Nets costing Le1,690,637,795 were not in conformity with the specifications in the bidding documents. It was recommended that the PS should ensure that the correct specifications as per contract agreement and delivery notes be supplied by the contractor within thirty days of the receipt of the report; otherwise, the said amount must be paid back into the CRF.

Official's Response

The PS stated that the specification of fishing nets referred to the length, depth, and mesh sizes of the netting material supplied were in accordance with the specifications stipulated in the bidding document. He added that the fishing materials supplied had been supplied in bigger units of bundles rather than smaller units. Which he said, did not affect the quantity and quality of nets required in the bidding document and considering the requirement of fishermen in respect of fishing materials, the fishing materials supplied were quite suitable and appropriate.

Auditor's Comment

The above issue still stands.

8.36.5. Fishing Gears Issued Out Of Store Without Authorised Request

It was observed that fishing gears costing Le899,132,000 were issued out of the store without the approved requisition and the names and signatures of recipients. It was recommended that the Acting Assistant Director of Fisheries should provide the relevant documents where the recipients signed for the items received within thirty (30) days of the receipt of the report; otherwise, the amount involved must be refunded into the CRF.

Official's Response

The PS stated that records on the supply of fishing materials to Fisheries Stations had lately been available in the office for inspection.

Auditor's Comment

The said documents were not made available for inspection, therefore the issue still stands.

8.36.6. Issue Of Stores Items Without Recipients' Signatures

It was observed that store items costing Le336,678,700 were issued from the Youyi Building store without any evidence to indicate the names and signatures of the recipients. It was

recommended that the Store Keeper should produce the relevant evidence where recipients signed for the items received; otherwise, the amount involved must be refunded into the Consolidated Revenue Fund.

Official's Response

The PS replied that action had been duly taken

Auditor's Comment

The issue still stands.

Refer to the Table of Common issues (Page 130) for further observations.

8.37. MINISTRY OF SOCIAL WELFARE, GENDER AND CHILDREN'S AFFAIRS (2011)

8.37.1. Wrong procedure in the Issuance Of Fuel

Six thousand six hundred (6600) litres of fuel, costing Le29,950,000 were not entered in the Fuel Register. In addition, fuel chits, vehicle life cards and insurance certificate were not made available to the auditors to support the utilisation. It was recommended that the PS should ensure the refund of the fuel in question or the total amount with evidence forwarded to the ASSL for verification within thirty (30) days of the receipt of the report, and that in future, fuel must be posted in the Fuel Register and the relevant documents retained for audit or reference purposes.

Official's Response

The PS stated that the quantity of fuel had been recorded in the fuel register and that fuel chits, vehicle life cards and insurance certificates were available for audit verification.

Auditor's Comment

The issue still stands.

8.37.2. Bank Statements And List Of Bank Accounts Not Presented For inspection

A list of the Ministry's bank accounts and bank statements for 2011 was not submitted for audit review which was contrary to section 18 of the Audit Service Act of 1998. It was recommended that the PS should ensure that the list of bank accounts and bank statements were submitted for verification within thirty days of the receipt of the report.

Official's Response

The PS stated that bank statements for the various accounts with the Ministry had been obtained from the banks and retained for audit verification.

Auditor's Comment

The Ministry has produced bank statements for seven (7) bank accounts. In addition, withdrawals totalling Le2,041,173,072 and \$ 2,657,846 were made from the seven (7) bank accounts, for which the relevant supporting documents to substantiate the utilization of funds were not made available during the verification exercise.

Refer to the Table of Common issues (Page 130) for further observations.

8.38. MINISTRY OF SOCIAL WELFARE, GENDER AND CHILDREN'S AFFAIRS EASTERN REGION (2011)

8.38.1. Public Funds Not Brought To Account

The total sum of Le6,461,000 in respect of quarterly allocations made by the Kenema District and City Council was not brought to account. It was recommended that the Principal Social Development Officer Kenema should ensure that all public funds/expenditures were properly accounted for, in accordance with the regulation; in addition, the relevant documentary evidence, in respect of the unaccounted funds must be forwarded to the ASSL within thirty (30) days of the receipt of the report; otherwise the total sum of Le6, 461,000 should be refunded without delay.

Official's Response

The Regional Gender Officer stated that the Ministry operated under two sectors; Social Services and Gender Sectors and funds received from two councils were shared between the Principal Social Development Officer for Social Services and the Regional Gender Officer for Gender issues; for which each Sector implemented activities and liquidated to the councils separately. He said that in respect of the discrepancy of Le 6,461,000 observed by the auditors, it was not known whether the discrepancy was from the Social Services Sector or from the Gender Sector. He however mentioned that the Ministry's accountant was working frantically with the councils to ascertain which of the sectors the shortcomings came from, and promised to report back to the ASSL with the required answers within two weeks from receipt of the response.

Auditor's comment

Part of our recommendations was not implemented.

8.38.2. Unpresented Documents

The under-mentioned documents were not made available for audit inspection:

- Staff personal files;
- Fuel register;
- Fuel chits;
- Handing over notes from the Gender Officer; and
- Information for allocations from Central Government.

It was recommended that the Principal Social Development Officer should develop a systematic filing system 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 of the Audit Service Act, 1998 would be invoked.

Official's Response

The Regional Gender Officer said that all the requested documents were available for inspection.

Auditor's Comment

Personal files were only seen and verified. The rest are still outstanding.

Refer to the Table of Common issues (Page 130) for further observations.

8.39. MINISTRY OF INTERNAL AFFAIRS (2011-2012)

8.39.1. Inadequate Control Over The Utilization Of Fuel

Out of the total amount of Le143,200,000 paid for fuel for the period under review, only Le91,699,000 was supported by fuel chits, leaving a balance of Le51,501,000 not brought into

account. In addition, a comparison of the Integrated Financial Management Information Systems printout and the Fuel Station Ledgers/Records revealed an over statement in the Fuel Station records of Le5,500,000 for the period under review. Furthermore, it was difficult to understand why a fuel station at Ross Road in the East end of Freetown was contracted for the supply of fuel to the Ministry that was located at Percival Street in the central business district. It was observed that three (3) different fuel stations were contracted for the supply of fuel to the Ministry. It was recommended that a fuel station that was far from the Ministry should not be contracted for the supply of fuel and fuel chits for the sum of Le51,501,000 must be submitted for audit verification within thirty (30) days of the receipt of that report.

Official's Response

The PS stated that the total sum of fuel paid for to the Sierra Leone National Petroleum Company by the Ministry for FY 2012 was Le86,000,000. He said that part of the fuel paid for in FY 2012 to the tune of Le2,500,000 was utilized only in FY 2012 and that was due to error of transaction that took place between the Bank of Sierra Leone and one of the Company's bankers (Sierra Leone Commercial Bank). He mentioned that the total sum of fuel utilized for FY 2012 was Le88,521,491, balance brought forward from 2011 (Le21,491) inclusive and not all the fuel paid for in 2012 was used; it was carried forward to 2013 and was used up to June, 2013. He further said that the remaining chits for the period were ready for audit verification/inspection and the Ministry had taken action to be dealing with a fuel station, nearest to the Ministry. He however said that the problem happened as a result of the misunderstanding that erupted between the Ministry and the Sierra Leone National Petroleum Company fuel station at the time which was later resolved in favour of the Ministry.

Auditor's Comment

Out of the total amount of Le51,501,000 that was not supported by fuel chits, fuel chits were only submitted for the amount of Le32,500,000 leaving a balance of Le19,001,000 that was not brought into account.

8.39.2. Top-Up-Cards Distributed To Senior Officers Not Signed For By Beneficiaries

There was no evidence in the form of ledgers, distribution list or list of beneficiaries to support the amount of Le60,204,000 utilized for the purchase of phone cards for the period under review. It was recommended that all top up cards used for official purpose must be signed for by the beneficiaries as acknowledgement of receipt and the PS should submit the evidence to support the utilization of Le60,204,000 within thirty days of the receipt of the report; otherwise, the amount must be refunded.

Official's Response

The PS mentioned that the non submission of the list of beneficiaries was an oversight which he deeply regretted; he however said that those documents had been made available for verification.

Auditor's Comment

Out of the Le60,204,000 utilized for the purchase of phone cards for the period under review, evidences of signed distribution list were provided for Le52,204,000 leaving a balance of Le8,000,000.

Refer to the Table of Common issues (Page 130) for further observations.

8.40. PROVINCIAL SECRETARY'S OFFICE – EASTERN REGION (2012)

8.40.1. Inadequate Control Over The Distribution And Usage Of Fuel

The Management of the Provincial Secretary's Office was not following Government prescribed policy on fuel. There were no control mechanisms in the form of fuel chits and fuel register to monitor and reconcile the receipt and usage of fuel totalling Le116,350,000.

It was recommended that the Provincial Secretary should ensure the following:

- That the Government prescribed policy on fuel was adhered to;
- That monthly/quarterly fuel reconciliation was prepared on a regular basis;
- That details of all fuel received and issued were appropriately recorded in the Fuel Register; and
- That documentary evidences to support the utilization of fuel were produced within thirty (30) days of the receipt of this report, or the amount involved must be refunded.

Official's Response

The PS stated that the office was going through a restricting process and policies and procedures were being reviewed currently by the Ministry. In terms of control there was some form of register maintained at the filling station that accounted for all fuel issued. He mentioned that evidence of that was now available for verification.

Auditor's Comment

The recommendations were not implemented.

Refer to the Table of Common issues (Page 130) for further observations.

8.41. PROVINCIAL SECRETARY'S OFFICE NORTHERN REGION(2012)

8.41.1. Deplorable State Of Government Quarters

The Government Quarters were deplorable. We observed that the doors and windows were broken; the roofs were leaking; and the internal conditions were far from being pleasant. It was also observed that some quarters were occupied by illegal occupants while others were in a dilapidated state. It was recommended that the Provincial Secretary should ensure that all illegal occupants were evicted from those quarters with immediate effect. He should in collaboration with the Ministry of Works factor the estimates for the refurbishment of all Government quarters in the Bombali District into the annual budget.

Official's Response

The PS stated that the contract for the rehabilitation and construction of Government Quarters was awarded in Freetown and as such, details of contract and other arrangement never came to his knowledge. He however mentioned that they are making frantic efforts to fully get the relevant information and the collapse of the contractor's activities would be known.

Auditor's Comment

The audit recommendations were not implemented.

Refer to the Table of Common issues (Page 130) for further observations.

8.42. MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT (2011-2012)

8.42.1. Bank Statements Not Submitted.

It was observed that cash books and bank statements for three accounts, were not submitted to the audit team for inspection. It was recommended that the Accountant should maintain a

cash book, monthly bank statements and bank reconciliations and the Vote Controller must produce the requested documents for all three accounts for audit verification within thirty days of the receipt of the report.

8.42.2. Lack Of Monitoring And Supervision Of Projects

It was observed that there was no evidence that supervision was provided for the following projects GOBIFO PROJECT, JICA and LED PROJECT for audit supervision. It was recommended that the Vote Controller should produce supervisory or monitoring reports for all projects supervised over the period under review, within thirty days of the receipt of the report.

Official's Response

The PS replied that the Ministry did not have direct hands in the activities of the project but only did superficial oversight of the projects.

Auditor's Comment

No supervisory or monitoring reports for the projects were submitted for verification by the Ministry.

8.42.3. Outstanding Payment For The Printing Of Local Tax Receipt Books Not Recovered

Money owed to the Ministry by local councils in respect of local tax receipt books issued to them for the period under review, which amounted to Le22, 627,400 was not collected by the Ministry. In addition, Store Issue Vouchers for the distribution of the local tax receipt books to the councils were not presented for audit inspection. It was recommended that the PS should put a debtors' circularisation in place and the total amount collected within thirty days of the receipt of the report. In future the Vote Controller must ensure the use of a store issue voucher for local tax receipts books.

Official's Response

The PS explained that although there was no store issue voucher, the Ministry kept records of Local Tax Receipt books printed and issued to the Chiefdom Administrations. He added that the Ministry had since put modalities in place to have Store Issue Vouchers in respect of Local Tax Receipt Books. The outstanding amount reflected in the report as regards the amount owed to the Ministry were Local Tax Receipt Books that were not sold by the Chiefdoms he further mentioned. He said in concluding that the Directorate of Local Government had made arrangements for the unsold books to be returned to head office for review.

Auditor's Comment

The unsold local tax receipt books were not made available for verification. Therefore the query still stands.

General Observation

The following were observed:

- A Master Inventory/Fixed Assets Register was not maintained to keep a record of all assets acquired by the Ministry;
- Upon physical verification of assets held by the Ministry using the Asset Listings developed by the Internal Auditors, it was observed that several assets were missing;
- The total sum of Le 37,095,000 was used for the purchase of assorted items and the maintenance of official vehicles of the Ministry in 2011. However, certificates of fitness from Road Transport Authority for the maintenance of those vehicles were not attached to the Payment Vouchers nor were the vehicle numbers and specifications attached;

- Vehicle Log Books and a list of official vehicles were not produced for audit inspection and the items said to have been purchased for maintenance as stated above, were not recorded in the Allocated Store Ledger;
- From physical verification carried out in the store it was observed that the store ledger was not updated with every purchase of office items;
- The system of documentation, record keeping and filing at the Ministry was very poor;
- Documents requested were not signed for, authorized or maintained, files were not maintained for the maintenance and updating of a Fixed Assets Register, a Donation Register and Location Inventories.

Auditor's Comment

The issues were not appropriately addressed.

Refer to the Table of Common issues (Page 130) for further observations.

8.43. MINISTRY OF EMPLOYMENT LABOUR AND SOCIAL SECURITY (2011&2012)

8.43.1. Non Compliance With The Factory And General Law

A review of the list of all factories obtained from a survey conducted in 2011 indicated that 1488 factories were operating in the country and that only 203 registered and renewed their licences with the factory division in the Ministry. Among the Non-compliant factories, 800 larger ones owed the Government an estimated revenue of Le2,202,000,000. It was recommended that the PS should ensure that an effective system of collecting revenue from factory owners in respect of factory registration fees must be established and the estimated outstanding revenue of Le2,202,000,000 recovered and paid over to the NRA within thirty (30) days of the receipt of the report and copies of paying in slips and bank statements forwarded to the ASSL for verification.

Official's Response

The PS stated that an internal policy for the collection of revenue for both Work Permit and factory had been established. He said that the attention of factory owners has been drawn to the issue of outstanding revenues. He added that meetings had been held with various factories for further verification of payments to be effected. The deadline notices issued to each factory owner for payment was within two weeks and during their meeting with factory owners, they had agreed that before invoking section 49 of the Factories Act of 1974, the list of all defaulters would be published in newspapers and relevant action taken promptly thereafter.

Auditor's Comment

Letters have been written to defaulters inviting them to a Decent Work Country Programmed (DWCP) with the Honourable Minister of Labour. However, the estimated outstanding revenue of Le2,202,000,000 still remains unsettled.

8.43.2. Thirty Eight (38) Unregistered Factory Owners

It was also observed that 38 factory owners obtained work permits from the Ministry of Labour for their foreign employees but did not register their factories with the factory division. As a result, estimated outstanding revenue of Le164,000,000 was owed to the Government by the factory owners. It was recommended that the PS and Chief Inspector should invoke Section 49 of the Factories Act, 1974 on defaulters so that the estimated outstanding revenue of Le164,000,000 could be recovered from the factory owners and paid into the Consolidated Fund within thirty (30) days and details of recovery forwarded to the ASSL for verification.

Auditor's Comment

Section 49 of the Factory Act, 1974 is yet to be invoked on defaulters. The issue is therefore outstanding. The estimated outstanding revenue of Le164,000,000 is yet to be recovered from factory owners and paid to the Consolidated Fund.

8.43.3. Non-Renewal of Factory Registration

There was an estimated outstanding revenue of Le14,240,000 which was as a result of the non renewal of registration of 32 factories by factory owners during the period under review. In addition, no evidence was seen that the Factory Inspector levied fines on the Factory Owners for non-compliance in 2011. It was recommended that the PS should ensure that the Chief Inspector collected the outstanding revenue amounting to Le14,240,000 from those factories within thirty (30) days of the receipt of the report, and details of recovery submitted to the ASSL for verification.

Auditor's Comment

Revenue totalling Le5,130,000 has been collected from 11 factory owners and paid to NRA leaving an outstanding amount of Le9,011,000.

8.43.4. Foreign Employees without Work Permit

Section 34c (1) of the General Law (Business Start-up) 2007 provides that, "An employer intending to employ a non-citizen shall apply to the Committee for a permit in the prescribed form, not less than six months before the intended arrival in Sierra Leone of the person for whom the application is made." It was recommended that the PS should ensure that the Commissioner of Labour enforced the relevant regulation to obtain work permits by foreign workers.

The list obtained from the Ministry of Finance and Economic Development disclosed that out of 79 Registered International Non Governmental Organisations (NGOs), only 16 obtained work permits from the Ministry of Labour for their foreign employees, during the period under review. Sixty-three (63) NGOs did not comply with the relevant legislation, hence an estimated outstanding revenue of Le63,000,000 had to be paid to NRA. It was recommended that the PS should ensure that the estimated outstanding revenue of Le63,000,000 should be recovered from the International NGOs and paid to the CRF within thirty days and details of recovery forwarded to the ASSL for verification.

Official's Response

The PS replied that he had noted the provisions under the Business Start-Up Act of 2007 and had brought that to the notice of mining companies and other business entities to abide by the law.

Auditor's Comment

The issue remains outstanding.

8.43.5. Inspection not carried out on factories by the factory division

During the period under review, inspection was not carried out on larger factories (mining companies, cell phone companies, private owned petroleum, etc.) by the Factory Inspectorate because the existing items of equipment used by the Factory Division were out dated. As a result, Government lost an estimated revenue of Le 961,500,000 from 725 larger companies. It was recommended that the PS should provide the Factory Division with the necessary logistics and equipment to carry out its inspection effectively.

Official's Response.

The PS stated that effort would be made to discuss the need for adequate funding to facilitate the inspections of larger companies listed.

Auditor's Comment

The factory division is yet to receive the necessary logistics and equipment to carry out its inspection effectively. The issue remains the same.

8.43.6. Revenue not brought to account

A difference of Le182,716,674 was observed between the Work Permits Register and the NRA cashbook. It was recommended that the Officer in Charge of Work Permits must prepare a reconciliation statement between the Work Permits Register and the NRA cashbook in respect of the outstanding amount of Le182,716,674 and investigate any variance, within thirty (30) days of the receipt of the report; otherwise, the full amount should be recovered and paid into the CRF.

Official's Response

The PS stated that an attempt had been made by the officer in charge to reconcile the statement between the work permit register and NRA cash book. He also said that they had noted the colossal amount to be reconciled particularly in the area of sales of Application Forms and had called for a meeting between the NRA and the Ministry for a final reconciliation of the Audit observation.

Auditor's Comment

The issue is outstanding.

8.43.7. No criteria maintained for staff recruitment

Criteria were not established by the Social Safety Net Unit for the recruitment of staff. In addition, staff appointment letters were not submitted so that the auditors could verify the terms and conditions by which 29 staff members in the Social Safety Net were employed. Furthermore, total salaries paid for the period under review amounted to Le779,029,000. It was therefore recommended that the Director, Social Safety Net Unit, should produce those documents within 30 days of the receipt of the report otherwise, the whole amount must be refunded and the receipt forwarded to the ASSL for verification. Beneficiaries in whose regard the Social Safety Net (SSN) was established in 2004 with the aim of assisting vulnerable people, (aged 60 and above) with no regular source of income, had only received assistance from the SSN once in 2008. Even though provision had been made in the SSN budget during the past years no monies were allocated in respect of the beneficiaries. It was therefore recommended that the MoFED should allocate funds in respect of the beneficiaries as that was the aim of establishing the SSN.

Official's Response

The PS said that the personnel who was handling staff personal files was on vacation at the time of the audit. He however mentioned that staff appointment letters and other relevant documents had been made ready for verification. On the issue of beneficiaries he said that necessary action would be taken with the Ministry of Finance and Economic Development.

Auditor's Comment

The issues are still outstanding.

8.43.8. Store documents not submitted for audit inspection

There was no documentary evidence such as store receipt voucher, issued voucher, distribution list, etc, to indicate that store items purchased to the tune of Le118,145,700 for

the period under review were received and distributed to the various divisions. It was therefore recommended that the PS should forward to the ASSL documentary evidence in support of the receipt and distribution of the store items to the various units to the ASSL for verification within 30 days of the date of the receipt of the report; otherwise, the sum of Le118,145,700 must be refunded.

Official's Response

The PS said that documentary evidence in support of receipt of the said items had lately been made available for verification.

Auditor's Comment

Documentary evidence in support of the receipt and distribution of the store items to the various units is still outstanding.

Lack of Supervision

It was observed that:

- The fines stated for defaulters (non compliance) in the Factories ACT of 1974 were so low that they would cost defaulters nothing if they were prosecuted in the Industrial Court;
- The Employer and Employee Act of 1960 used in the Industrial Relations Division for settlement of industrial issues between employers and employees needed to be revised;
- The Commissioner of Labour did not take action geared towards the amendment of the above outdated Acts;
- The Commissioner of Labour did not carry out supervision on the activities of Work Permits and the Factory Inspectorate Division;
- There was the lack of coordination between the Ministry and the Immigration department in respect of the inflows of all foreigners working in the country;
- The Internal Audit Unit did not do any work on the Ministry's revenue generation; and
- The List of all foreign employees in the country obtained from a survey conducted by the Ministry of Labour in 2011 was not submitted for audit inspection, despite several written and oral requests.

The following were recommended:

- The Permanent Secretary and the Commissioner of Labour should establish a system to amend the necessary areas in the Act, so that obsolete fines in the ACT could be updated, (which can also be considered as new area for the collection of Non Tax Revenue);
- The Commissioner of Labour should regularly supervise and monitor the activities carried out by those Divisions and produce quarterly reports for the attention of the PS;
- The Permanent Secretary and the Commissioner of Labour should hold regular consultations with the Chief Immigration Officer on the inflows of foreigners residing in the country for employment purposes;
- It is strongly recommended that the Internal Audit Department should be adequately resourced in terms of manpower, training and logistics, in order to ensure regular internal audit work on revenue generation; and
- The Permanent Secretary should ensure that the Commissioner of Labour submits the list of foreign employees for audit verification within 30 days of the date of the receipt of the report, otherwise, Section 18(1a) of the Audit Service Act 1998, would be revoked.

Official's Response

The PS stated that action had been taken before to revise the obsolete labor laws. He however, mentioned that the International Labour Organization (ILO) had consented to assist the Ministry in the process of reviewing the obsolete labour laws. He expressed the hope of initiating a meeting with the Ministry of Finance and Economic Development to review the non-tax rate as speedily as possible.

Auditor's Comment

The issue remains the same as the audit recommendations have not been implemented.

Official's Response

On the issue of regular consultations with the CIO, the PS mentioned that he had discussed the recommendation with the Minister of Labour who promised to hold a meeting with his colleague Minister of Internal Affairs at political level. The outcomes of that meeting he said, would inform a joint consultative meeting with experts of both ministries and divisions for further implementation on residence and work permit fees.

Auditor's Comment

No evidence was seen in respect of consultation meetings held between the Commissioner of labour and the Chief Immigration Officer on the inflows of foreigners residing in the country for employment purposes.

Official's Response

The PS said, on the issue of Internal Auditing, that the Ministry strongly agreed with the recommendations and the audit of revenue generation formed an integral part of the Internal Audit FY 2013 Annual Work Plan. He said that internal audit unit was currently auditing the operations of the Work Permit Bureau.

Auditor's Comment

Except for Internal Audit work on the Ministry's revenue generation that was ongoing, all other issues are still outstanding.

Official's Response

On the issue of submitting a list of foreign employees, the PS said that efforts were well underway to make the said document available for further verification upon receiving it from the consultant. He added that from records, the Ministry had an outstanding payment for consultancy which militated against the release of the aforementioned document. He however said that they would prevail on them to release those documents accordingly.

Auditor's Comment

This issue is still outstanding.

Refer to the Table of Common issues (Page 130) for further observations.

8.44. MINISTRY OF TRADE AND INDUSTRY (2011-2012)

8.44.1. Loan Issued To 59 Small And Medium Sized Entertainment

Documentary evidences such as business status, details and due dates of repayments, terms and conditions for selection, cashbook, control ledger in the Ministry, bank reconciliation and bank statement to indicate the withdrawal of Le12,004,793,056 issued to 59 Small and Medium Sized Enterprises (SME) were not submitted to the auditors for inspection. In spite of several requests by the audit team, the business proposal/project documents were not submitted for inspection. It was therefore recommended that the PS should ensure that those documents were produced for audit verification within thirty (30) days of the date of the receipt of the report. The PS was advised that copies of reconciliation statements in respect

of balances on individual loan accounts of Small and Medium Sized Enterprises were to be submitted for audit verification within thirty (30) days of the date of the receipt of the report. Also the Director, Domestic, Commerce and Industry was also requested to submit the business proposal documents for audit inspection within thirty (30) days of the date of the receipt of the report.

Official's Response

In his response, the PS stated that documentary evidence to justify the amount of Le12,004,793,056 issued as loan to 59 SMEs had been submitted to the Audit team during the audit exercise. Both the Memorandum of Understanding (M.O.U) and the updated lists of beneficiaries of the SMEs loans scheme he said were submitted to the audit team. He therefore mentioned that the Ministry would again submit the M.O.U. and the updated lists of beneficiaries of the SME loan scheme including statements as requested. He said that the M.O.U. was the document governing the implementation of the SME loan scheme and referred to the obligations of the Bank in the M.O.U. Business proposals were submitted directly to the Sierra Leone Commercial Bank by applicants and potential beneficiaries were trained by the Bank and disbursement to SMEs was done by the Bank and not the Ministry of Trade and Industry, he concluded.

8.45. MINISTRY OF TOURISM AND CULTURAL AFFAIRS (2011-2012)

8.45.1. No expenditure returns for Monument And Relics Commission And The Sierra Leone International Theatre Institute

Bank Statements, Cash Book and expenditure returns were not submitted to support the utilisation of Le 58,440,652 in respect of allocation paid to the Monuments and Relics Commission for the period under review. It was also noted that expenditure returns were not submitted to support the utilisation of funds amounting to Le 23,492,425 for the subvention paid to the Sierra Leone Centre of the International Theatre Institute. It was recommended that the Commissioners should ensure that those documents were made available within thirty (30) days of the receipt of the report; otherwise, the amounts involved had to be accounted for or paid into the CRF.

Official's Response

The PS stated that Bank Statements and expenditure returns had all been submitted to a member of the audit team. However, the Agency was willing again to provide copies of all supporting documents relating to that expenditure for further verification, he added. He also said that management had noted the recommendation on the issue of the cashbook and the Commission was subsequently maintaining one, which was available for audit verification. He further said that the relevant supporting documents relating to that expenditure were submitted to the auditors but were again available for further verification.

Auditor's Comment

Out of the Le23,492,425, supporting documents were submitted and verified for an amount of Le10,718,900 leaving a balance of Le12,773,500 still outstanding.

Refer to the Table of Common issues (Page 130) for further observations.

8.46. ACCOUNTANT GENERAL'S DEPARTMENT (2012)

8.46.1. Procurement Rules Flouted

A review of procurement documents revealed the following observations:

- Le152,409,750 worth of procurements were done with businesses whose NRA Tax Clearance Certificates had expired before payments were effected.
- Le58,933,520 worth of procurements were done with businesses with no NRA Tax Clearance Certificates.
- Le586,559,180 worth of procurements were done with businesses that did not submit NASSIT Clearance Certificates for at least two workers.

The following were recommended:

- All relevant documentations, Quotations, Proforma Invoices, Tax and NASSIT Clearances should be made available for audit inspection. In addition, management should ensure that all payment vouchers had adequate supporting documents, for completeness and compliance.
- Management should ensure that all maintenance of vehicles should be certified by SLRTA before and after repairs.

Official's Response

The AG stated that the first two findings were partly an oversight on the part of the auditors as some of the updated tax clearances were in the respective folders maintained for each of the retainers and mistakingly on the part of the AGD those were not attached to the respective payment vouchers. All documentations he said, had immediately been put in place and were ready for audit inspection. He also mentioned that NASSIT clearance certificates were not obtained for those transactions because that had not been a mandatory document in the normal business process. That certificate was normally set as a requirement in procurement using the NCB method, he concluded.

Auditor's Comment

During the verification exercise, the team of auditors had a second look at the documents and they observed that the updated Tax Clearance Certificates were not attached to the respective payment vouchers as indicated in their response.

A section of the act makes NASSIT Clearance mandatory. We still insist that that provision should be adhered to for all subsequent payments in respect of any contracts.

Refer to the Table of Common issues (Page 130) for further observations.

8.47. OFFICE OF THE VICE PRESIDENT (2012)

8.47.1. Documents Not Submitted For Audit Inspection

The office of the Vice President failed or refused to provide the under mentioned documents for audit inspection:

Contracts worth Le101,304,096 awarded to Yabiz International and Kokobeh Enterprise for the feeding of security officers at both the residence and office of the Vice President. The following were requested but not presented:

- copies of receipts issued for the sale of bids;
- bank paying-in-slip confirming that the amount generated from the sale bid documents was banked intact;

It was also observed from PV No 2421, 2422 and 2423 that the adjustment mechanism used for the computation of per diem for three personnel was at 35% instead of the correct rate of 25%. This led to a total over payment of per diem of Le 3,388,615.

It was recommended that all requested documents should be produced for audit verification within thirty days of the receipt of the report; otherwise, section 18 of the Audit Service Act 1998 would be invoked.

Official's Response

The Secretary to the Vice President stated that there were no copies of bank paying-in slips or receipts with regards monies generated from the sale of bids and regarding the payment vouchers, he said those were raised in respect of an official trip to Saudi Arabia by the Honourable Vice President and entourage from 12th-17th August, 2012.

Auditor's Comment

Receipts issued for the sale of bids amounting to Le 1,800,000 and bank paying-in-slips confirming that this amount was bank intact were not submitted for Audit inspection. Therefore the issue is still outstanding.

Upon verification of the documents submitted it was observed that an overpayment of Le 3,388,615 had not been refunded and paid into the CRF.

Refer to the Table of Common issues (Page 130) for further observations.

8.48. CABINET SECRETARIAT (2012)

8.48.1. Daily Subsistence Allowance Calculated Wrongly

It was observed from two payment vouchers (PV049257 and PV 049258), relating to attendance at the Young African Professionals Programme in Tanzania from 12th to 16th November, 2012 that Daily Subsistence Allowance (DSA) adjustment mechanism of 45% applicable only to Ministers was used to adjust the DSA of the Secretary to Cabinet giving rise to an additional costs of \$320. It was therefore recommended that the Secretary to Cabinet explained why his DSA adjustment was done likewise.

Official's Response

The Secretary to Cabinet stated that the Daily Subsistence Allowance (DSA) adjustment mechanism of 45% was applicable only to Ministers and not the Secretary to the Cabinet and Head of the Civil Service. He stressed that the adjustment mechanism of 45% for the payment of DSA was not for Ministers alone but also to Civil/ Public Servant on Grade 14 and above which included the Secretary to the President, the Secretary to the Cabinet and Head of the Civil Service, the Director General, Human Resource Management office, the Financial Secretary, and the Clerk of Parliament.

Auditor's Comment

The auditors were not provided with any evidence to confirm the Vote Controller's explanation.

8.48.2. Officers Without Contract Gainfully Employed

A review of payroll documents presented for audit inspection revealed that two employees who had attained the statutory retirement age of 60, had their contracts extended up to the Financial Year 2011. However, there was no evidence to suggest that their contracts were extended in 2012, even though they were included in the Department's payroll for the entire financial year. The total costs in the Consolidated Fund in salaries for the period under review were Le7,297,536. It was recommended that the Secretary to Cabinet provided evidence, within thirty days of the receipt of the report, supporting the decision of his office to retain

the services of those retired officers; otherwise, the cost of their salaries must be disallowed and surcharged.

Official's Response

The Secretary to Cabinet stated that the HRMO was yet to issue the extension letter for FY 2012. He mentioned that a reminder had been sent to that office and a reply was being awaited.

Auditor's Comment

During the audit documents (Contract Letters) to justify their continued employment after the statutory retirement age of 60 were not submitted for verification. Therefore the issue is unresolved.

8.49. HIGH COURT OF SIERRA LEONE (2011)

8.49.1. Accountable Documents Not Produced For Audit Inspection

Documents relating to various expenditures and operations of the department were requested for during the audit. However, as at the time of writing of the report, the documents were still unavailable. It was recommended that the Master and Registrar should ensure that the requested documents were provided for audit verification within thirty days of the receipt of the report, otherwise the relevant regulation would be invoked.

Official's Response

The Master and Registrar stated that the accountable documents mentioned were misplaced at the time of the audit exercise. He said fortunately those documents had been recovered and were available for inspection and verification.

Auditor's Comment

The bank statements for the Imprest Account, the Asset Register, and twenty (20) personal files were not presented during verification, therefore the issue is outstanding.

8.49.2. Lack of Proper Control Over The Distribution Of Fuel And Oil

An examination of fuel documents presented for audit inspection revealed that a generator register and vehicle log books were not maintained by the department. It was recommended that the Master and Registrar should introduce a generator register and log book system with immediate effect for all vehicles and generators.

Official's Response

The Master and Registrar stated that the recommendation of the Auditor General will be strictly adhered to and that the generator register and log book system had been introduced were now available for verification.

Auditor's Comment

A generator register was introduced in 2012, but no vehicle log book was instituted.

8.49.3. Poor Payroll Administration

A review of payroll documents presented for audit inspection disclosed that seven personnel who had attained the compulsory retirement age of sixty years, were still gainfully employed, and without evidence to support their continuous employment. It was recommended that the Master and Registrar provided documentary evidence to justify the continued employment of the affected staff; otherwise, the Accountant General should ensure that necessary action was taken.

Official's Response

The Master and Registrar stated that the seven personnel concerned were contract workers approved by Human Resource Management Office (HRMO). Their letters of appointment, he mentioned, would be made available for verification.

Auditor's Comment

Contract appointment letters were not submitted for verification; therefore this issue is outstanding.

8.49.4. Project Documents Not Produced For Audit Inspection

Project documents relating to various expenditures and operations of the Project were requested for during the audit. However, as at the time of writing this report, the documents were still unavailable. It was recommended that the Consultant Master and Registrar should ensure that the requested documents were provided within thirty days of the receipt of the report.

Official's Response

The Master and Registrar stated that the donors who sponsored the projects were with all the documents for final auditing during the audit exercise. He mentioned that the audit exercise was ongoing by the donor partners but the documents would be produced immediately they were available.

Auditor's Comment

Only bank statements for the project accounts were made available but the bank statements for the counterpart funding and the rest of the other documents were not produced; therefore this issue is outstanding.

Refer to the Table of Common issues (Page 131) for further observations.

8.50. APPEAL COURT OF SIERRA LEONE (2011)**8.50.1. Accountable Documents Not Produced For Audit inspection**

An attendance register was requested for during the audit, but was not made available. It was recommended that the Master and Registrar should produce this document within thirty (30) days of the receipt of the report.

Official's Response

The Master and Registrar stated that he was going to ensure that all requested accountable documents were produced for further verification especially the Attendance Register.

Auditor's Comment

The Attendance Register was not produced for verification; therefore the above issue is outstanding.

8.50.2. Lack Of Proper Control Over The Distribution Of Fuel And Oil

An examination of fuel documents presented for audit inspection revealed that a generator register and vehicle log books were not maintained by the Department. It was recommended that the Master and Registrar introduced a generator register and log book system with immediate effect.

Official's Response

The Master and Registrar stated that he would ensure that a generator, vehicle register and log book systems were immediately put in place for audit inspection.

Auditor's Comment

A generator register was put in place for 2012, but not a vehicle log book, therefore the above issue is outstanding.

Refer to the Table of Common issues (Page 131) for further observations.

8.51. SUPREME COURT OF SIERRA LEONE (2011)

8.51.1. Accountable Documents Not Produced For Audit inspection

An attendance register was requested for during the audit, but was not made available. It was recommended that the Master and Registrar provided the requested documents within thirty (30) days of the receipt of the report.

Official's Response

The Master and Registrar stated that he was going to ensure that all requested accountable documents were produced for further verification especially the Attendance Register.

Auditor's Comment

The attendance register was not produced for verification; therefore the issue is outstanding.

8.51.2. Lack Of Proper Control Over The Distribution Of Fuel And Oil

An examination of fuel documents presented for audit inspection revealed that a generator register and vehicle log books were not maintained by the department. It was recommended that the Master and Registrar introduced a generator register and log book system with immediate effect for all vehicles and generators.

Official's Response

The Master and Registrar said he was going to ensure that generator, vehicle register and log book systems were immediately put in place for audit inspection.

Auditor's Comment

A generator register has been put in place for 2012, but no vehicle log book was instituted.

Refer to the Table of Common issues (Page 131) for further observations.

8.52. JUDICIARY EASTERN REGION (2012)

8.52.1. Inadequate Control Over The Management, Collection And Banking Of Revenue

The NRA receipts presented indicated that the total sum of Le64,995,000 was generated from fines and other acquittal charges levied on those sentenced by the Judiciary during the period under review. However, the NRA Office at the Magistrate Court in Kenema did not provide any evidence in the form of bank statements to confirm that that amount was either paid into a bank account authorised by the Accountant General or into the CRF.

A review of the records from the Prisons Department, Kenema revealed that Discharge Files/NRA receipts in respect of fines and acquittal charges totalling Le2,940,681 were not made available for audit, which resulted in the auditors not being able to verify whether those

finest and acquittal charges were collected before inmates were discharged / released from detention.

It was recommended that the Deputy Master and Registrar should ensure the following:

- That revenue collectors must be properly supervised and their work reviewed on a daily basis
- That all public funds must be recorded in an appropriate accounting record and properly accounted for, in accordance with the existing regulation;
- That 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;
- That all revenue generated from fines and acquittal charges, must be promptly paid into the CRF held at the Bank of Sierra Leone and no use of such funds should be made by any staff in any manner between the time of its receipt and payment into the bank; and
- That the NRA Officer at the Magistrate Court Kenema must provide a detailed explanation together with the necessary documentary evidence to support the findings highlighted, within thirty (30) days of the receipt of the report, or should refund the amount involved.

Official's Response

The Magistrate stated that the Judiciary Kenema did not have an NRA office at the Magistrate Court. He said that all court fines were paid by the accused person's parents directly to the NRA office and Magistrate court clerks only prepared payment slips and would ask the accused relative to pay at the office of NRA and bring six (6) photo copies of the payment receipt from NRA for their records. He mentioned that the Le 64, 995, 000 receipts for which Bank Statements were not made available must be the sole responsibility of the NRA office. He stressed that fines and acquittal charges totalling Le 2, 940,681 that were not made available for audit must be accounted for either by the Prisons Department or NRA office Kenema.

Auditor's Comment

Our recommendations were not implemented.

Refer to the Table of Common issues (Page 131) for further observations.

8.53. SIERRA LEONE POLICE (HQ) (2012)

8.53.1. Review Of Operational Policies And Its Implementations

It was observed that a number of withdrawals were made from the Staff Welfare and Peace Keeping Funds, in order to meet normal operational expenses while waiting for government subvention (with the intention of refunding same), but were not refunded on the arrival of such subvention. The amount involved was Le127,549,000 and \$219,045. It was therefore recommended that the Assistant Inspector General Support Services should provide explanation regarding the use of Staff Welfare and Peace Keeping Funds to meet operational expenses.

Official's Response

The Inspector General in his response said that the sum of \$219,045 would be refunded immediately when third quarter allocation were allocated to the SLP.

Auditor's Comment

No evidence of refunds was provided to the auditors in respect of the \$219,045 withdrawn from the Welfare Account.

8.53.2. Own Source Revenue not paid into the CRF

It was observed that the sum of Le 2,462,595,000 was collected as own source revenue generated by the SLP, but not paid to the CRF and without permission from the MoFED not to do so. It was recommended that within thirty days of the receipts of the report, the SLP should produce written evidence as to why monies collected as owned source revenue were not paid into the CRF and therefore excluded from the Public Accounts.

Official's Response

This was the response of the Inspector General:

“By tradition, the role of the Sierra Leone police and all other police force all over the world is to protect life ,property prevent and detect crimes , maintain law and order, apprehend and prosecute offenders and enforce all laws. However, these duties cannot be successfully accomplished without the requisite logistical and financial support. In the case of Sierra Leone police the bulk of such support had over the years come from Government until after the end of the rebel war in the country that donors including the Department for International Development (DFID) through the Commonwealth Community Safety and Security Project (CCSSP) intended to face lift the Sierra Leone Police to the level of other forces by providing both the logistical and financial support needed. Presently, donor support has been drastically reduced leaving Sierra Leone Police. As such the Sierra Leone Police has to identify legitimate means of supplementing its resources. Against this background a project titled “REVENUE GENERATION IN THE SLP” was identified in 2006 and was subsequently approved by the Executive Management Board (EMB). Identify means to and ways by which funds can be generated for the Sierra Leone Police in a bid to augment shortfalls of its financial allocation. It was also recommended that 25% of revenue generated is to be paid out to personnel who are deployed for such operations/activities in the form of incentives. Therefore the generation of this fund was approved by both the EMB and Police Council chaired by no less a person than Vice president of the Republic of Sierra Leone. This fund has augmented the daily police operation and enhanced effective service delivery, the revenue generation fund is also open to audit from both Internal and external Auditors for transparency and accountability. However the SLP Management will ensure that they obtain concurrency from the Accountant General for use of the said fund.”

Auditor's Comment

Management did not provide documentary evidence to show that permission was obtained from the MoFED to utilise income generated rather than paying it into the CRF. Therefore this issue remains unresolved.

8.53.3. Officers Who Had Attained The Retirement Age

It was observed that there were one hundred and eighty-four (184) officers on the SLP payroll during the year under review. Those officers had attained the compulsory retirement age of 60 before the start of the year, and there was no documentary evidence to extend their contract. The amount paid to those officers in the year 2012 amounted to Le 845,890,860. It was recommended that, in future, the Human Resources Officer at the Sierra Leone Police should inform the HRMO of staff who had attained the statutory retirement age of 60 years and/or had an extension letter in their files indicating why their services were still required.

Official's Response

The IG stated in his reply that the same issue came up in the 2011 Audit Service Sierra Leone audit on the Sierra Leone police, and Parliament was informed about the significance of the personnel retention up to date. He however said that Management had taken cognizance of the recommendation and in future the HRMO would be informed about any personnel to be retained after the retirement age of 60 years or a letter of extension

would be written and placed in their files indicating why their services were still required. He also said that a new condition of service had been given financial concurrence by the Accountant General and was at that time awaiting cabinet and parliamentary approval. On approval at the shortest possible time, they would all be sent on retirement thereby benefitting from the new terms and conditions of service for all serving members and those going on retirement, he concluded.

Auditor's Comment:

This issue is still unresolved.

8.54. SIERRA LEONE POLICE EASTERN REGION (2012)

8.54.1. Poor Stores Management

Delivery notes to justify that seven hundred and forty-one (741) uniforms were actually received, were not submitted for audit. In addition, there was not enough floor space in the store, therefore items were scattered and untidy and the store lacked facilities for the safe keeping of store's documents. It was recommended that the Assistant Inspection General, Eastern Region (AIGER) should ensure that delivery notes were obtained for all items delivered to the store and the store must be properly rehabilitated and defects highlighted rectified without delay.

Official's Response

The AIGER stated that the accountability on documentation has been done.

Auditor's Comment

The issues are still outstanding

8.54.2. Unpresented Documents

Bank statements in respect of issuance of clearances and police reports, receipt books and accountable documents register were not submitted for inspection in spite of several requests by the auditors. It was recommended that the requested documents should be forwarded to the Audit office for verification within thirty (30) days of the receipt of the report.

Official's Response

The AIGER stated that all the documents mentioned above were not in existence but, since it had been pointed out by the Audit Team, management had made tremendous effort to put in place all the system as highlighted.

Auditor's Comment

The issue remains unresolved.

Refer to the Table of Common issues (Page 131) for further observations.

8.55. SIERRA LEONE POLICE – SOUTHERN REGION (2012)

8.55.1. Inadequate Control Over The Collection, Recording, Banking And Reporting Of Financial Transactions

There were no database/lists or contract agreements for armed guard security services provided by the SLP in the Southern Region. In addition, bank statements and pay-in-slips were not available to confirm whether the sum of Le249,600,000, being revenue generated by the SLP South for the provision of armed guard security services to various institutions and individuals was paid into the SLP Revenue Account No.1100666 at the Bank of Sierra Leone . It was recommended that the Assistant Inspector General Southern Region(AIGSR) should ensure that a database of all contracts for the provision of armed guard security services was created and contract agreements maintained for reference purpose; revenue generated from the provision of armed guard security services and other streams must be paid directly into an account authorized by the Accountant General, and that the bank statements and pay-in-slips should be forwarded to ASSL within thirty (30) days of the receipt of the report, or the sum of Le249,600,000 refunded there and then.

Official's Response

The AIGSR stated that there was adequate control, recording and banking of cash collection for revenue generation in respect of missing items reported at the Criminal Investigation Department (CID) Bo which receipts and bank paying slips were available to ascertain the fact. He added that the inadequacy of control over financial transactions often occurred in the area of payments done by the banks and other institutions that were provided with Armed Guard Security services. With the exception of Sierra Leone Commercial Bank Ltd Bo, all other banks and institutions in Bo were being paid for by their head offices in Freetown directly to the Revenue Generation Department at Police Headquarters, or at the Bank of Sierra Leone in Freetown with no reference to the Regional Police Headquarters Bo for record purposes, he added. He mentioned that as a result of those short falls, there was always an inadequate control over the payment, recording, banking and reporting of proper financial transaction by the Regional Police Headquarters Bo particularly with institutions in Bo whose Head Offices in Freetown paid directly on their behalf. Statement of Account of payments made into the Sierra Leone Revenue Account No.1100666 at the Bank of Sierra Leone for the period under review was now available for verification, he concluded.

Auditor's Comment

Contract agreements for Armed Guard Security services provided by the SLP in the Southern Region were not available for inspection.

A Comprehensive list of armed guards providing special security services in the Southern Region was not available for review. The list for the Bo District was verified and those for Moyamba, Pujehun and Bonthe were still outstanding.

A review of the Bank Statement submitted revealed the that out of a total of Le249,600,000, only the Le24,800,000 paid by the Sierra Leone Commercial Bank-Bo Branch was clearly established from the Bank Statement leaving an outstanding balance of Le224,800,000.

8.55.2. Poor Stores Management

Requisitions were not submitted to support various items, totalling Le18,150,000, issued from the SLP Regional Store by the Regional Storekeeper. It was recommended that the Regional Storekeeper should ensure that all materials issued out of store should be supported by requisitions and Store Issue Vouchers with recipients' acknowledgment attached.

Official's Response

The AIGSR stated that requisitions and store issue vouchers for items issued from the store totalling to the amount stated above were left in Freetown after conveyance of items to Bo and were not available at the time of the audit. The requisitions together with the Store Issue Vouchers had however been retrieved and were ready for inspection, he mentioned.

Auditor's Comment

The issue is outstanding

8.55.3. Welfare Fund Policy Not Followed

Paragraph 11.2 of the SLP Welfare Fund Policy requires that upon the death of a serving member, the sum of Le500,000 be given to the next of kin as death bonus. It was however noted that this provision was not followed in the payments of death benefits in respect of 16 serving members during 2012. The sum of Le1,000,000 instead of the stipulated Le500,000 as indicated in the Policy was paid to next of kins. In addition, an unclaimed amount of Le1,000,000 in respect of Welfare payment to a deceased officer was not acknowledged by the next of kin and there was no evidence that that amount was refunded into the Welfare Account. It was recommended that the AIG should ensure that the provisions in the Welfare Fund Policy were strictly adhered to and that the extra payments and unclaimed benefits were recovered and paid back into the Fund within thirty (30) days of receipt of the report.

Official's Response

The AIGSR stated that the Welfare Fund Policy of 2005 stipulated Le 500,000 as death bonus to next of kin. This policy, he said, had been revised and paragraph 12.2 of the Revised SLP Welfare Fund Policy stated that upon the death of a serving member, the sum of Le1,000,000 should be given to the next of kin as death bonus. He mentioned that the payment voucher of One Million Leones was prepared in respect of the death of Late Sgt 518 Foday S in the name of his daughter Isata Senesie as next of kin who collected the Cheque for funeral arrangements but did not sign her name, neither did the Finance Officer take note of the mistake. He further mentioned that the next of kin had been searched for to sign the payment voucher as an acknowledgement, but could not be easily found as she was presently staying at Ngiehun Village in the Malema chiefdom, in the Kailahun District where the deceased hailed from. To err is human; this mistake was done in good faith with no intention to fraud. The issue is considered unfortunate as it was done out of ignorance, he concluded.

Auditor's Comment

ASSL was unable to certify whether the unclaimed amount of Le1,000,000 was paid to the beneficiary as stated by the SLP.

8.55.4. Inadequate Control Over The Distribution And Usage Of Fuel

Recipients' signatures to prove that 1,872 litres of fuel were received by intended/rightful beneficiaries were not seen in the Fuel Register. It was recommended that the AIG should ensure that the issue of fuel was acknowledged by recipients and that the 1,872 liters of fuel was accounted for by the officer in charge of fuel within thirty (30) days of receipt of the report.

Official's Response

The AIGSR stated that distribution list of fuel to various beneficiaries was commensurate to the quantity of fuel received from Police headquarters. Distribution lists of 46,760 liters together with the fuel invoices were available for inspection, he concluded.

Auditor's Comment

Recipients' signatures to prove that 1,872 litres of fuel were received by intended/rightful beneficiaries were not indicated in the Fuel Register.

Refer to the Table of Common issues (Page 131) for further observations.

8.56. SIERRA LEONE POLICE – NORTHERN REGION (2012)

8.57. NATIONAL STADIUM MANAGEMENT (2011-2012)

8.57.1. Payment Vouchers Not Submitted For Audit Inspection

Upon examination of documents submitted for audit inspection, it was observed that no payment vouchers were prepared for the expenditure from the National Stadium Account Number 100307 at the Sierra Leone Commercial Bank. The total amount spent without the use of a payment voucher system amounted to Le715,803,570. It was recommended that the GM must ensure that payment vouchers in respect of Le 715,803,570 were produced for audit verification within thirty days of the receipt of the report; otherwise, the full amount should be refunded into the National Stadium Management's bank account.

Official's Response

The GM stated that the Ministry of Sports had conducted its internal inspection of the accounts of the National Stadium and confirmed that the accounting process in the stadium management was not properly carried out. He added that frantic efforts could be made to the effect so that those documents were made available for audit inspection.

Auditor's Comment

During audit verification, we were able to verify Le 650,803,570. However, the GM failed to provide both PVs and the supporting documents for the sum of Le 65,000,000.

8.57.2. Differences Between Receipts And Bank Paying In Slips

It was observed that Le99,014,430 was the difference between what was collected as per receipt books and what was banked as per the paying-in slip, as bank statements were not provided. It was recommended that evidence must be provided within thirty-days of the receipt of the report to account for the difference; otherwise, that amount should be refunded into the Stadium Management's account at the Sierra Leone Commercial Bank.

Official's Response

The GM stated that the documents had subsequently been made available for audit inspection.

Auditor's Comment

Two paying-in-slips, amounting to Le 64,310,000 were verified. However, the sum of Le34,704,430 and the accompanying Banks Statements were still not available.

8.57.3. Employees Deduction Not Paid To NASSIT Account

It was observed that the 5% NASSIT deductions from employees earnings were made but not paid over to the Trust. The total amount deducted but unpaid, totalled Le 34,720,263.40. It was therefore recommended that the Vote Controller should ensure the payment of the said amount to NASSIT and evidence of payment forwarded to the ASSL within thirty days of the receipt of the report.

Official's Response

The GM stated that management was putting measures in place to settle the payments on installment basis on terms to be agreed upon with NASSIT. The agreed plan would be made available for ASSL's attention, he added.

Auditor's Comment

During audit verification, we were provided with a letter from the Director-General of NASSIT, expressing concern about the non-payment of NASSIT deductions. The National Stadium Management had responded to the said letter indicating how they would settle the outstanding payments. Since NASSIT had not confirmed their acceptance of the proposal, the above issue is considered unresolved.

Refer to the Table of Common issues (Page 131) for further observations.

8.58. SIERRA LEONE STATE PRISONS HQ (2011-2012)

8.58.1. General Environmental Condition

Poor General Environmental Condition

The auditors observed the following during their visit to the Pademba Road Prison:

- the body-scanner at the main entrance of the prison was not functioning;
- the reception and store where new prisoners' records were kept were untidy, disorganized and located in a building that was burnt down in 2007;
- there was no pipe-borne water in the prison; and
- the conditions at the carpentry workshop, bakery and hospital were deplorable.

It was recommended that the Director of Prisons should take necessary action to improve on the environmental conditions of the prison.

Official's Response

The Director of Prisons stated that the scanner in question was given to the department by the special court which was a specialised one that needed the contract of a specialist, but which the department didn't have. He said that they had made frantic efforts to contract one but there was none so far to take it up. He also said that since the Pademba Road was a maximum prison, they received prisoners every day and the reception office was very small to accommodate over 1650 prisoners records. The Administration, he said, was doing its best to match up with the congestion as the Pademba Road Prisons itself was built for just 324 inmates. However, the relocation of the prison will be an ideal solution.

The problem of pipe-borne water was still a challenge to the department as the construction of the hill side by pass road at the back of the prison had created the problem. However, the administration had a water bowser that fetched water every day for the prison's utilisation, he mentioned.

He stressed that the obsolete state of some of the Machines, equipment and the dilapidated nature of the workshops within the prison, did not necessarily imply that the rehabilitative aspect had been ignored, rather, the department was doing its utmost within its limited available resources to ensure the inmates were rehabilitated.

Auditor's Comment

The general environmental condition of the Pademba Road Prison as highlighted in the report is still a major concern and therefore needs attention.

Refer to the Table of Common issues (Page 131) for further observations.

8.59. SIERRA LEONE PRISONS-SOUTHERN REGION (2011 & 2012)

8.59.1. Inadequate Control Over The Receipt And Issue Of Diet

Examination of selected transactions and records in respect of diets supplied to the regional prisons revealed that there was no documentary evidence to indicate that monthly requisitions were raised for the use of 840 bags of rice and 300 bags of flour during 2011 and 909 bags of rice and 318 bags of flour during 2012 (i.e. the whole year supply). The SIV number F5651 of 07/12/2011 for the supply of 70 bags of rice was also not signed by recipient. Additionally, no SIV was on file for 72 bags of rice and 25 bags of flour supplied to the Prisons in March 2012. Daily lockup returns/ daily diet returns were not provided for the months of September, October, November and December, 2011. The Prison's Gate book in which all items received or issued to the Prison were first entered before taken to store, was not properly kept. Details such as delivery note number, supplier's name, the time supplied etc. were not stated. In spite of repeated requests, the gate book in respect of diet supplied in 2012 was not available for audit inspection.

It was recommended that the Regional Commander (RC) should ensure that:

- Monthly Requisitions for Diets (rice and flour) were prepared and copies retained for inspection. Requisitions in respect of diets for the periods under review should be submitted to ASSL for verification within thirty (30) days of receipt of the report.
- The completed and approved SIVs in respect of items stated in paragraph (ii) must be submitted to the ASSL for verification within thirty (30) days of receipt of the report.
- Daily lockup returns/ Daily diet returns for the months of September, October, November and December, 2011 must be submitted to the ASSL for verification within thirty (30) days of receipt of the report.
- The prison's gate book must be properly maintained by recording details such as delivery note number, supplier's name etc.
- The gate book in respect of diet supplied in 2012 must be submitted to the ASSL for verification within thirty (30) days of receipt of the report.

8.59.2. Inadequate Control Over The Receipt And Usage Of Fuel

The Institution could not account for fuel costing Le77,989,500 as no form of a Log book/ operating record or fuel register was maintained to confirm utilisation/distribution of fuel. It was recommended that the RC should forward detailed breakdown and evidence of how Le77,989,500 was utilised, to the ASSL within thirty (30) days of the receipt of the report; or the amount stated above should be immediately refunded.

8.59.3. Lack Of Adequate Mobility And Other Fixed Assets

The Regional Prisons were constrained in carrying out some key functions. There was only one utility vehicle and one official vehicle for the Regional Commander. Moyamba, Bonthe, Pujehun & Matru Jong Prisons were without a vehicle or motor bikes to ease their operations. Some fixed assets had also become obsolete. It was recommended that the Director of Prisons, the PS, Ministry of Internal Affairs and other key personnel in the Ministry should ensure that the Regional Prisons were provided with the necessary equipment to enhance their operations.

8.59.4. Inadequate Prison Cells

Physical inspection of the Prison Yard revealed that the Cells were too small to accommodate the current number of inmates (over one hundred inmates). In an interview with the RC, it was revealed that the Bo facility for example, which accommodated over 100 inmates was constructed to accommodate 80 inmates. It was recommended that the Director of Prisons, the PS, Internal Affairs and other key personnel should ensure that adequate accommodation was provided for inmates in the Prison Cells.

Refer to the Table of Common issues (Page 131) for further observations.

8.60. SIERRA LEONE STATE PRISONS EASTERN REGION (2012)

8.60.1. Inadequate Control Over The Allocation And Distribution Of Fuel

There were no fuel distribution lists and chits to justify that the sum of Le58,648,500 (13,033 liters) was spent with the approval of the Regional Commander's Office on fuel for various personnel. It was therefore recommended that the Regional Commander ensured the following:

- that all fuel distributed were appropriately recorded in a Fuel Log Book;
- that a fuel distribution list with recipients' signatures was maintained for all fuel distributed; and
- that fuel chits were prepared and authorised before the approved supplier issued each quota of fuel. The documentary evidence to justify the distribution of Le58,648,500 fuel was to be forwarded to the ASSL for verification within thirty (30) days of the receipt of the report, or the total sum should be disallowed and surcharged.

Official's Response

The Regional Commander stated that the fuel delivery note dated 31/3/12 with a total allocation of 1,000 litres reached the Regional supply station / depot at N.P. Filling station Blama Road in kenema on 1/04/12. He said that particular allocation was not documented at the Regional Headquarters' Office in kenema. The total allocation was utilized by the then Regional Commander as evidenced in the supply signatory record book at the fuel depot at N.P. filling station Blama road kenema. That record, he said would be made available for verification.

Auditor's Comment

Distribution lists for 1,000 litres of fuel were not provided during verification.

8.60.2. Fuel Register Not Submitted For Inspection

A Fuel Register was not submitted to support the distribution of Le19,669,500 worth of fuel. It was recommended that the Regional Commander should ensure that the relevant documents were forwarded to the ASSL for verification within thirty (30) days of the receipt of the report; or the said sum refunded without delay.

Official's Response

The Regional Commander stated that the documents were now available for verification.

Auditor's Comments

The issue is still outstanding.

General observation

Officers contributed Le10,000 and Le20,000 on a monthly basis as transportation fare for a bag of rice supplied to them by the government. It was recommended that the Regional Commander should ensure that the supply of rice to officers was done without any additional

financial cost, and that the Director of Prisons must sanction the payment of transport or refund such moneys to the officers.

Official's Response

The Regional Commander stated that the terms of reference of the Sierra Leone Prison service, Rice supply policy compendium that the committee for the Rice supply should ensure that a bag of Rice reached all deserving prison personnel across the board without let or hindrance. He added that the Prison Administration was cognizant of that agreement with the contractor but it was rather unfortunate that the supply of rice to officers nationwide came into existence first before the Rice policy was written losing sight of how personnel staying in the provinces should receive their supply of Rice visa- vis transportation cost to the provinces. He mentioned that the desire for officers to receive their rice supply in time warranted them proposing to foot the bill of transportation cost of their rice from Freetown to kenema, kono and Kailahun with a private transport. As such a minimal cost of Le10, 000/00 and Le15, 000/00 was agreed on to offset transport cost. Apparently, in order to solve the problem, and adhere to the terms of reference in the Rice Policy, he said he believed Headquarters was about to engage the contractors to normalise the problem.

Auditor's Comment

The issue was still outstanding.

Refer to the Table of Common issues (Page 131) for further observations.

8.61. SIERRA LEONE STATE PRISONS NORTHERN REGION (2012)

8.61.1. Records Of Fuel Consumption Not Made Available For Audit Inspection

There was no evidence in the form of request forms, fuel chits and other fuel records to explain the consumption of 5535 litres allocated to the various prisons. It was recommended that the Regional Commander should within thirty (30) days of the receipt of the report forward the records in support of the 5535 litres of fuel to ASSL for verification; otherwise, the whole amount should be refunded. In future, fuel allocations made to the Prisons Department should be properly accounted for.

Official's Response

The Regional Commander stated that the fuel was used as intended. He mentioned that it was possible that the officers in charge failed to record due to the numerous requests made by the officers entitled to fuel, but after reconciliation, the officers in charge had made available the distribution lists of how it was utilised.

Auditor's Comment

Fuel records were provided for a total of 3,340 litres; leaving an outstanding balance of 2,195 litres for which records were not made available.

8.61.2. Ration Allocations Not Brought To Account.

The total sum of Le18,070,000, in respect allocations that were made to the various prisons for ration was not properly accounted for. It was recommended that the Regional Commander should give a full account of how the Le18,070,000 was spent on ration by the various prisons. The details of that account should reach ASSL for verification within thirty (30) days of the receipt of the report; otherwise the full amount should be refunded. In future, the Regional Commander should ensure that allocations made to the various prisons in the region for ration were properly accounted for.

Official's Response

The Regional Commander stated that rations were normally given to all officers of the Republic of Sierra Leone and the amount in question relating to ration was utilized as intended. He said that condiments pertaining to the diet were purchased in bulk for distribution to the respective Prisons Institutions. These he said, were used on a daily basis for cooking as food was given to officers as a form of motivation to enable them accomplish their daily tasks.

Auditor's Comment

Documents were submitted for a total sum of Le 10,078,500; leaving an outstanding amount of Le7,990,500.

8.62. IMMIGRATION HQ (2011)**8.62.1. Revenue From The Sale Of Passports And Passports Forms Not Brought To Account**

It was observed that the total amount that should have been collected in revenue for printed passports for the period under review, both from the sale of passports and passport forms, was more than the amount banked. See analysis below.

ACTUAL REVENUE CALCULATED

As Per Receipt Books	Total Revenue Banked	Difference
4,016,094,000	3,709,926,800	306,167,200

It was recommended that with immediate effect NRA officers in the Immigration department should forward an appropriate explanation on the said issue, with adequate evidence to ASSL, or the full amount must be recovered and paid back into the CRF and receipts forwarded for verification.

Official's Response

The Chief Immigration Officer (CIO) said that the issue of revenue had been forwarded to the Head of National Revenue Authority/Immigration for their response. He added that NRA responses to the revenue collection were attached for ASSL's attention.

Auditor's Comment

Upon verification, the NRA officer produced copies of documents in respect of passports and forms sold for which monies were not reconciled with the collections made at Head office which they claimed had resulted in the difference of passports and forms sold. However, unless payments which were made at the provinces and overseas were remitted to the NRA, the above issue would still be outstanding.

Refer to the Table of Common issues (Page 131) for further observations.

8.63. IMMIGRATION DEPARTMENT NORTHERN REGION (2012)**8.63.1. Revenue Not Banked**

There was no evidence in the form of bank statements and pay-in-slips to justify that revenue in the sum of Le 152,288,500 generated from the sale of passports and registration of non-citizens was paid into an authorized Government account by the NRA officers at the Immigration Department Northern Region. It was recommended that the Regional Immigration Officer in collaboration with the National Revenue Office at the Immigration Department should ensure that the bank statements and pay-in-slips in respect of the queried amount of Le152,288,500 must be forwarded to ASSL for verification within thirty (30) days of the receipt of the report; otherwise it could be considered a financial misconduct. In future, all the revenue generated from the sale of passports and registration of non-citizens should promptly be paid into an authorized account of Government and the bank statements together with the pay-in-slips retained for audit and reference purposes.

8.63.2. Staff Personal Files Not Maintained

Personal files were not maintained for twelve staff members of the Department. It was recommended that the Regional Immigration Officer should ensure that personal files were created for all staff members of the Department and those files should contain relevant information such as application and appointment letters, birth certificates, qualifications, medical reports and query letters (if any), promotion letters, appraisal reports, etc.

Refer to the Table of Common issues (Page 131) for further observations.

8.64. ADMINISTRATOR AND REGISTRAR GENERAL (2011-2012)

8.64.1. Pay-In-Slip Not Serially Pre-Numbered

Pay-in-slips used to lodge the sum of Le 992,623,642 for the period under review were not serially pre-numbered. It was recommended that the Commissioner of the NRA should provide evidence within thirty (30) days of the receipt of the report showing the action her office had taken to deal with the breach by the SLCB.

Official's Response:

The Administrator and Registrar General stated that the Management of the National Revenue Authority (NRA) was fully aware of that issue and had made several attempts with the bank to correct that abnormality. He said there were engagements currently underway to stop those occurrences.

Auditor's Comment

During the verification exercise, documentary evidence was not produced to show actions taken by management to correct the abnormality. Evidence of serially pre-numbered pay-in slips was not provided for audit inspection, therefore the issue is unresolved.

8.64.2. Transfers Not Made Into The CRF

Only two transfers to the Consolidated Fund were made during the period January to March 2012, even though there were more than one hundred transactions that paid Le738,665,711 into SLCB Account Number 003001116419030170. There was no evidence that the said amount was transferred into the CRF, and also that the NRA made attempts to charge the SLCB interests, which the auditors eventually estimated at Le 6,210,313.

Official's Response

The Administrator and Registrar General stated that he had been submitting copies of the Bank of Sierra Leone Statements signifying that the said amount actual hit the (CRF) but was coded on the wrong account. A commission of Le 161,000 was knocked-off from the amount bringing it to Le738, 504,711, he added. He also mentioned that the question of interest did not come into play because the funds were remitted into the CRF.

Auditor's Comment

The NRA had not addressed the issue raised by the auditors. For instance Le331,434,231 was paid into SLCB Account Number 003001116419030170 between 1st June and 31st August 2012, but nothing was transferred into the CRF at the Bank of Sierra Leone for the same period. The NRA was basically funding the SLCB liquidity position; therefore the issue is still outstanding.

8.64.3. No Monthly Reports Issued By The Banks

The MOU provides for the Bank to produce a monthly report of all transactions processed by the Bank on behalf of the Authority. The auditors did not see evidence of such a report during the audit exercise. It was recommended that the Authority should provide an explanation within thirty (30) days of the receipt of the report as to why monthly reports were not prepared by the Bank in accordance with the MOU.

Auditor's Comment

The issue is still outstanding

8.65. NATIONAL FIRE FORCE (2012)

8.65.1. Limited Fire Engines

Investigations revealed that Fire Force Branch offices at Kissy and Aberdeen, with over fifty(50) staff did not have any operational fire engines, hence one-third (1/3) of the citizens of that municipality were not protected in terms of fire disaster. Moreover, only three (3) fire hydrants were available within the city. It was recommended that the National Fire Force should acquire operational fire engines for those branch offices and more fire hydrants added to the existing ones.

Official's Response

The Chief Fire Officer noted the observation and stated that management had ensured that the uncoded items were properly marked and the inventory up graded. He affirmed that more than one third of the citizenry of the municipality remained fire unprotected as the Kissy and Aberdeen Fire Stations were without workable fire engines. He said that was the main reason why the fire engines were purchased. He mentioned that during the distribution, Management would ensure that both kissy and Aberdeen fire stations were provided with one fire engine each. On the issue of the provision of Fire Hydrants, he stated that that was within the purview of the Guma Valley Water Company. He said that Management would continue to raise the concern that for efficient and effective fire fighting, Guma Valley Water Company (GVWC) needed to be persuaded to reopen all existing fire hydrants within the city.

Auditor's Comment

Up to the end of the verification exercise, the Kissy and Aberdeen Fire Stations were without operational Fire Engines; therefore the issue of the Fire hydrants remains unresolved.

8.66. GOVERNMENT PRINTERS (2012)

Refer to the Table of Common issues (Page 131) for observations.

CHAPTER 9

PUBLIC ENTERPRISE, COMMISSIONS AND DONOR FUNDED PROJECTS

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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**

Non-Submitted Accounts

As at 31 March, 2013, the following Public Enterprises and Commissions had not submitted their Accounts for the 2012 Financial Year.

Table 9.1 – Late-Submitted Accounts		
INSTITUTION	FINANCIAL YEAR	DATE OF SUBMISSION
Office of National Security	2012	25/10/13
National Public Procurement Authority	2012	17/9/13
Sierra Leone Broadcasting Corporation	2012	10/702013
Sierra Leone Maritime Administration	2011	11/13/2013
SL Investment Export Promotion Agency	2011	14/4/13
Sierra Leone Road Transport Authority	2009, 2010	27/5/13
Statistics Sierra Leone	2011 & 2012	4/11/2013
Standards Bureau	2009 - 2011	5/8/2013
Independent Media Commission	2011	22/4/13
National Tourist Board	2012	15/7/13
Sierra Leone Postal Services	2009 - 2011	10/9/2013
Pharmacy Board	-2012	-
Political Party Registration Commission	-2012	-
Civil Aviation	-2012	-

COMMON ISSUES

A number of audit issues to be reported apply to several institutions. These common issues are outlined in the paragraphs below Table 9.2 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.

- **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 **Le3,079,136,386**, 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.

- **Payments without adequate supporting documents**

Other disbursements, totalling **Le1,906,808,835** 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.

- **Imprests without retirement details**

The sum of **Le67,410,000** was used as special imprest for activities undertaken by various institutions for which retirement details were not were not available for inspection. It was therefore recommended that the institutions concerned should submit retirement details to ASSL for verification.

- **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 **Le149,621,842** 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 taxes are 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.

- **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 Cash Book 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 Cash Book. Reconciliations should be performed by a finance officer and signed as reviewed by a senior finance officer.

- **Fixed Assets Registers Not Maintained**

A number of Public Enterprises 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 Public Enterprises must ensure that the location and state of all assets are checked on a regular basis, evidence of which must be documented.

- **Fixed Assets Registers not updated**

Some institutions maintain Fixed Asset Registers that were 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.

- **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 those mechanisms are being complied with. It was recommended that the Heads of Public Enterprises should ensure that internal audit units were established with immediate effect and that those units begin operations as soon as is practicable.

Table No. 9.2 Common Issues								
Public Enterprise	Payments Without Supporting Documents (Le)	Payments Without adequate Supporting Documents (Le)	Unretired Imprest (Le)	Withholding Taxes not Remitted (Le)	No Bank Reconciliations done (Le)	Fixed Asset Register Not Maintained (Le)	Fixed Asset Register Not updated (Le)	No Internal Audit Unit (Le)
Sierra Leone Ports Authority (2012)		1,802,192,390		35,620,000		✓		
Sierra Leone Telecommunications Company (2009)	181,849,400			4,088,828 24,042,330	✓	✓		
Sierra Leone Telecommunications Company (2010)					✓	✓		
Sierra Leone Road Transport Authority (2009-2011)					✓	✓		
National Commission For Democracy (2011)		5,537,500		3,349,225			✓	
W/A Regional Communications Infrastructure Programme (2012)					✓			
Law Reform Commission (2011)						✓		✓
Office Of National Security (2009-2011)	80,820,000					✓		✓
Sierra Leone Housing Corporation (2012)						✓		
Sierra Leone Airports Authority (2012)		99,078,945						
Environmental Protection Agency (2012)						✓		
Sierra Leone Broadcasting Corporation (2011-2012)						✓		
Maritime Administration (2009)	195, 542, 463						✓	
Maritime Administration (2010)	92,276,565							
Int. Fund For Agric Dev (2011)				82,521,459				
National Revenue Authority (2011)	2,530,000,000						✓	
Bank Of Sierra Leone (2011)							✓	✓
Bank Of Sierra Leone (2012)	194,190,421					✓		
Guma Valley Water Company (2011)							✓	
Sierra Leone Water Company (2010)						✓		
Bal. b/d	3,079,136,386	1,906,808,835	-	149,621,842	-	-	-	-

Table No. 9.2 Common Issues								
Public Enterprise	Payments Without Supporting Documents (Le)	Payments Without adequate Supporting Documents (Le)	Unretired Imprest (Le)	Withholding Taxes not Remitted (Le)	No Bank Reconciliations done (Le)	Fixed Asset Register Not Maintained (Le)	Fixed Asset Register Not updated (Le)	No Internal Audit Unit (Le)
Bal. c/d	3,079,136,386	1,906,808,835	-	149,621,842	-	-	-	-
Sierra Leone Commercial Bank (2012)							✓	
Sierra Leone Roads Authority (2009-2010)			23,754,350 43,655,650					
TOTAL	3,079,136,386	1,906,808,835	67,410,000	149,621,842	-	-	-	-

9.1. BANK OF SIERRA LEONE (2011)

9.1.1. Destruction Of Mutilated Notes

A review of the Security Register maintained for the destruction exercise of mutilated notes revealed that the presence of the Internal Audit representative, though required by bank policy to be present during the destruction process, was minimal and in some cases not present at all. It was therefore recommended that representatives from internal audit must be present at all times during the destruction of mutilated notes from initiation to completion as per Section 18 of the Manual of Operations for the Banking Department.

Official's Response

The Director stated that in order to forestall the impairment of its independence and contravention of its role as defined in the Internal Audit Charter, the Internal Audit Department had discontinued participation in the Note Destruction Exercise since 2009 and according to the revised procedures, independent observers were present at the destruction exercise which was subject to random checks by the Internal Audit Department. He however said that at the time of the audit the changes relating to Internal Audit participation in the Notes Destruction exercise were not reflected in the Manual of Operations of the Banking Department but action had later been taken by the Banking Department to reflect the said changes in the Manual of Operations for Currency Management.

9.1.2. Safeguard Of Assets At Kenema Branch

As part of the review process, the auditors visited the Kenema Branch of the Bank and noted that there were major flaws in the security system. The CCTV cameras, fire and police alarms, and fire extinguishers had been non-operational since 2004 despite several memos from the head of security at the branch to head office in Freetown for management to remedy the situation. It was recommended that those essential security equipment should be serviced or replaced and put in good working condition so as a safeguard against theft or any other perils that the Bank may experience.

Official's Response

The Director stated that the procurement process for the replacement of the fire extinguishers and Fire Alarm System at the Kenema Branch which was budgeted for in the 2012 Capital Budget had commenced and action would be taken to explore the possibility of introducing the Police and Alarm System. He said that the CCTV System would be acquired in 2012 under the WAMZ Payments System Project financed by the African Development Bank.

9.1.3. Long Outstanding Items In Fixed Assets Holding Account

Certain items amounting to Le455,000,000 were acquired in 2010 and categorised as fixed asset holdings in the general ledger and had still not been capitalized. Those items were still part of fixed asset holdings up to the time of the review. However, comments provided by the General Services Department were insufficient, inappropriate and unconvincing to address the situation. It was recommended that management should look into the circumstances surrounding those assets for eventual capitalisation and effective safeguard controls.

Official's Response

The Director stated that the observations had been noted and that action would be taken to transfer all completed projects in the Fixed Assets Holding Schedule to the Fixed Assets Register.

9.1.4. Non-Reconciliation Of Trial Balance Value To The Fixed Assets Register

A difference of Le771,245,489 was observed in the cost of fixed assets between the General Ledger balance and the Fixed Assets Register. It was recommended that on a regular basis, management should ensure that the Fixed Assets Register was reconciled to the General Ledger.

Official's Response

The Director stated that the Fixed Assets Register and the Trial Balance were yet to be reconciled in respect of the two assets categories. He mentioned that the difference between the Fixed Assets Register and the General Ledger for the Premises Assets Category was the cost of the dispossessed land at Tokeh which was part of the year 2010 audit adjustments which was not reflected in the Fixed Assets Register.

9.1.5. Under utilization of The Leone Lodge

In the course of the audit, the Leone Lodge was visited and it was observed that the building was unoccupied and used as store for materials purchased for the Tokeh Resort Center. The building was occupied by the former Governor and since his removal from office in 2007 it had remained unoccupied. It was recommended that management should take positive steps, possibly leasing it in order to maximize the use of the facility.

Official's Response

The Director stated that the Bank was considering the possibility of repairing/leasing the Leone Lodge.

9.1.6. Retirement Of Advances For Gas And Oil

Cash advances were given to staff at head office in respect of gas and oil in transit. However they were not being liquidated on a timely basis. Investigations revealed that there was no time line established by management for the retirement of receipts or un-utilized cash. It was recommended that management should set the maximum period for which cash advances should lapse before liquidation and on a quarterly basis a review should be done on that account with notice sent to defaulters with appropriate punitive measures.

Official's Response

The Director stated that the long outstanding amount in the Advance Cash Schedule for the purchase of 45 gallons of fuel had been retired and a separate account had been opened to reflect and monitor the 872 litres of fuel held at National Petroleum Company, Cotton Tree for various Bank's vehicles and generators. He also said that to ensure that long outstanding items in the schedule were cleared on a timely basis, management was reviewing a proposal that all unretired advances should be deducted from salaries of staff concerned after two reminders had been forwarded to them.

9.1.7. Inactive Accounts Maintained

The bank maintained current and suspense accounts some of which were used as a pipeline to transfer funds to government projects, which had either been concluded or terminated. Others were opened for community banks which had since been liquidated. However, our investigations revealed that staff at the banking department could still have access to those accounts, rather than being transferred to a separate group called inactive account, inaccessible by staff unless approval by senior management. It was recommended that management should formulate a working policy for inactive accounts in which they may stipulate the period of inactivity after which inactive accounts must be

transferred to a dormant account, also the level of authorization before the account should be moved from such grouping to a normal current account should be clearly stated.

Official's Response

The Director stated that the Bank was in the process of developing a policy on the treatment of dormant accounts.

9.1.8. No Updating Of Stock Records

A year end stock count was performed by management and the stock count sheet was made available to the auditors. Our review of the same revealed that items with zero quantity at hand as at balance sheet date were showing up either positive or negative value balances. These were not adjusted for in the books of the Bank during the period under review. It was recommended that going forward management should ensure that figures in the General Ledger must agree with the stock reports and any differences noted should be reconciled and timely investigated and cleared.

Official's Response

The Director confirmed that the audit exercise revealed that there were some stock items with nil quantities but with monetary values and that the said system error had also been identified during the stock-take exercise conducted by the Bank. The issue is being investigated and appropriate action will be taken to regularize the records.

9.1.9. Disaster Recovery Plan And Business Continuity Plan

There was no evidence of an approved and comprehensive Disaster Recovery Plan/Business Continuity Plan to ensure that its critical Information Technology infrastructures were safe in an unforeseen event such as the event of a fire disaster. It was recommended that a complete Disaster Recovery Plan and a Business Continuity Plan be put in place for the recovery of the Bank's core systems in the event of a disaster.

Official's Response

The Director stated that the Disaster Recovery Plan which was tested on a periodic basis had been reviewed to include detailed impact and threat analysis.

Refer to the Table of Common issues (Page 214) for further observations.

9.2. BANK OF SIERRA LEONE (2012)

9.2.1. Inaccurate Depreciation Charge

There were errors in the system for depreciation calculation to the extent that, depreciation charges for premises were overstated by Le835,000,000. In addition, differences were observed when comparing depreciation charge by the system and those recorded in the Fixed Assets Register. It was also noted that there were no regular monitoring, supervision, reconciliation and review of the Fixed Assets Register during the year which could have detected those differences. It was recommended that although an audit adjustment had been effected to normalize the situation, a formal reconciliation of the Fixed Assets Register, the ledger and review of journals before and after posting

into the system by appropriate employees should be performed on a monthly basis, documented and approved by management. All differences will then be followed up and cleared promptly.

Official's Response

The Director explained that errors referred to had been identified and action taken to raise the necessary entries. We note the external auditors' observations on the non reconciliation of the ledger and register. Action would be taken he said to recommence work on the reconciliation exercise on a regular basis.

9.2.2. Security And Safety Lapses At The Kenema Branch

The following security and safety lapses were identified during our review of the Kenema branch:

- There were no fixed security alarms around and inside the Bank's premises;
- The fire alarms and smoke detectors were not operating effectively;
- The fire extinguisher canisters located throughout the bank were not upgraded to ensure that they were operational and the security staff had not been trained in using them.
- There were no fire trainings held for employees throughout the year like fire drills since 2007. The last time the canisters were upgraded was in 2004 according to information from the senior security officers;
- There was the need for a larger backup system to be uploading all the information on the sixteen (16) CCTV cameras, as all information recorded on the present one was erased after 60 days;
- At the main entrance, one of the glass walls was broken and needed to be replaced; also the entrance glass door needed to be re serviced as it did not open with ease;
- Most of the air conditioners were inoperative.
- Inside the vault room, the floor and ceiling had been damaged by water that leaked in when it rained.
- There was only one exit point from the vault to the main entrance of the bank.
- One of the generators for the security lights generators was out of order and needed to be repaired.
- It was recommended that management should address all the above security flaws in order to protect the assets of the Bank.

Official's Response

The Director promised that most of the queried issues would be addressed under the renovation of the Banking building and that action would be taken to service the fire extinguishers and the CCTV cameras.

9.2.3. Adequacy Of General Provision On Loans And Advances

Our review of the bank's loan portfolio focused on determining the levels of provisions necessary to reflect the fair values of the advances and also to assess the adequacy of general provision made in compliance with IFRS. Our evaluation was therefore based on the loss percentage as regards historical provisions of the bank and the emergency period, defined as; the time it takes for management to identify delinquent loans and the period it takes for the loan to become bad. It was noted that the bank has not made any general provision and as such a general provision of Le55,710,242 was required. It was recommended that the bank should adhere to IAS 39 Financial Instruments: Recognition and Measurement in respect of loan provisioning.

Official's Response

The Director stated that the auditors recommendation had been adopted and the necessary journal adjustments would be effected.

9.2.4. Manual Recording And Poor Filing System With The Financial Market Department

The Financial Market Department maintained manual records for transactions on investment securities. The filing system was very poor making it difficult for retrieving/tracing of relevant supporting documents. It was recommended that the Financial Market Department should improve on its record filing system to facilitate effective referencing.

Official's Response

The Director stated that the records of the Bank's holdings of treasury securities were held in ledgers and were also in Microsoft Excel spread sheets. Going forward, under the WAMZ/ADB Payment System Project, he said that the Bank would implement the Scriptless Security Settlement Software (SSSS) and the RGTS in 2013 which would address the issue.

9.2.5. Inaccurate Computation Of Accrued Interests On Loans To Community Banks

Although the bank computes accrued interest on loans to community banks, this was not done accurately based on the necessary parameters. Based on re-computation and test check by the audit team, a difference of Le37,566,107 was noted between the audit team's computation and the bank's computation. Although the error had been effected by way of audit journals in the audited financial statement, the bank should ensure it takes into consideration all the necessary parameters i.e. interest rate, start date of repayment of interest and the principal amount; just to ensure that all interest computations were done correctly.

Official's Response

The Director stated that the new method of computation for interest and principal payment had been adopted and the necessary journal adjustments would be effected.

9.2.6. Repayment Of Medical Expenses

During our review of Other Income, we noticed that there were some staff who exceeded their medical scheme limits, and as a result, the excesses above their limits should have been deducted from their monthly salaries. However, the deduction of those excess amounts from staff salaries was discretionary. There appeared to be no policy on the bases of which those deductions are made. It was also noted that those deductions for excess medical expenses were currently being treated as sundry income by the bank; this method was not consistent with proper accounting treatment as they should have been reduced from the medical expenses where the original debits were posted. It was recommended that management should adopt a more systematic approach in deducting the excess medical expenses from staff salaries and that deductions must be done on a monthly basis and it should be spread over a period depending on the amount involved. The bank should also adopt a consistent policy on the deduction of excess medical facilities utilized by staff. In future, all deductions relating to the above should not be treated as other income but these amounts should be used to reduce whatever medical costs had been posted into the accounts for the staff.

Official's Response

The Director stated that a policy would be put in place to address the issue.

9.2.7. Accounting For Accrued Charges

An advance payment of Le74,071,661 made in respect of calendars and diaries for the period was not deducted from the total amount of Le246,905,537 set aside as provision as at balance sheet date. It was recommended that all advance payments made before the balance sheet date should be deducted from the total provision made so as to reflect the true liability as at year end.

Official's Response

The Director stated that the accounting for accrued charges would be modified accordingly.

9.2.8. Long Outstanding Retention Monies

Long outstanding balances of retention from contract sum were noted as far back as the year 2006. We were not provided with any reasonable explanation in respect of the details of the long outstanding nature. Below is a list of the details:

Date	Details	Amount
	Le	
24.04.06	Nimo Const. Retention iro of repairs to Middle hill Lodge	1,920,891
06.12.06	Fabra – retention iro const Resource centre Tokeh	113,603,255
30.08.07	Tra-Meyer Ltd – retention iro construction of Zimmi C/Bank	8,037,450
		123,561,597

It was recommended that the details of the liability be available for reference purposes and to ascertain their accuracy and existence.

Official's Response

The Director in his response stated that the retention money regarding Fabra, had been paid with the Valuation Certificate and was indicated in a letter dated March 31, 2011 and forwarded to Messrs Fabra. He added that Nimo Construction retention in respect of repairs to Middle Hill Lodge and retention in respect of construction of Zimmi Community Bank would be taken back to profit.

9.2.9. Summary Of Matters Previously Raised

This section summarises the status of matters previously reported:

- The fixed assets register was still not updated
- The Leone Lodge was still underutilised.

Refer to the Table of Common issues (Page 214) for further observations.

9.3. ROKEL COMMERCIAL BANK LTD (2012)

9.3.1. Review Of Issues Of Previous Management Letter

9.3.2. Financial Asset

In the previous management letter, the auditors highlighted issues relating to the valuation of some of the bank's financial assets. In some instances, the assets included receivables which had been long outstanding, calling into question the likelihood that those items would eventually be recovered. Impairment provisions for those accounts had been made in the Financial Statements, but they required management's keen watch on their performance.

9.3.3. Contingent Liability

Provisions for payouts had been made in the accounts in the event that judgement against the bank in the lower courts was upheld.

9.3.4. Loans And Overdrafts Not Properly Classified

As required by the Central Bank's prudentials, loans and overdrafts must be classified into categories with the level of provision for impairment for each facility depending on its classification. It was however noted that some of those loans and overdrafts were not properly classified in the draft reports submitted at the end of the year. It was also noted that a Kenema branch customer, Capitol, was granted an overdraft facility of Le4,000,000,000 for which the collaterals were: Equity mortgage, Lien over export proceeds and Personal guaranty of Directors

9.3.5. Outstanding Items Noted In Reconciliations

A list of outstanding items was noted in the reconciliations, some of which were transacted in 2008 and 2009. It was therefore recommended that the previous recommendations should be re-visited in a bid to have them implemented.

Official's Response

The Managing Director in his response noted the auditors' comments and stated that they were regularly reviewing the accounts and taking action accordingly. He said the account had been marked for reduction and that the customer had made substantial deposits to liquidate the overdraft.

9.3.6. Cash And Bank

Under IAS 29, the effects of changes in Foreign Exchange Rates, statement of financial position items must be translated using the closing period exchange rate. The auditors however noted the following differences between the trial balance and the cash count certificate (as translated using the closing mid rate) for foreign monies (Dollars) for the following branches:

Table No. 9.3			
Branch	Trial balance Le	PKF Translation Using the closing mid rate (Le)	Difference Le
Siaka Stevens Street	1,287,956,700	1,270,191,780	17,764,920
Congo Cross Branch	595,736,850	587,519,790	8,217,060
Charlotte Street	115,196,700	113,607,780	1,588,920
Bo	83,572,200	82,419,480	1,152,720

Also the following translation difference was noted in the Nostro account:

Table No. 9.4			
	Trial balance Le	PKF Translation Using the closing mid rate Le	Difference Le
GBP Sterling	3,252,915,138	3,239,715,138	13,200,000

Differences were also noted between the trial balance and the clearing suspense/un-cleared effects reconciliation for the following banks:

Table No. 9.5			
Detail	Trial balance Le	Reconciliation Le	Balance Le
Bank of Sierra Leone	13,893,988.17	2,709,708.69	11,184,279
Standard Chartered Bank	77,816,930.96	96,215,901.39	18,398,970
Sierra Leone Commercial Bank	494,699,808.40	397,565,513.02	97,134,295
Union Trust Bank	174,042,630.29	179,140,300.00	5,097,670
Guarantee Trust Bank	73,304,241.46	109,007,237.50	35,702,996
First International Bank	400,088,137.01	358,069,257.01	42,018,880

It was recommended that the Statement of Financial Position items should be translated at the closing rates and reconciliation controls be properly monitored.

Official's Response

The MD mentioned that it was the practice of the bank to revalue foreign currencies at two different rates, one for 'Notes' and the other for 'Transfers'. He however stated that management had noted the audit recommendation and would look into that aspect in line with LAS29.

9.3.7. Loans And Overdraft Review

It was noted that collaterals/securities held on loans and overdrafts for the following customers were inadequate for their respective exposures:

Table No. 9.6			
Customer Name	Type of exposure	Total exposure as at 31.12.12 Le	Securities held and/value
Leone Lodge Plc	Loan	14.66bn	Legal mortgage over property at Taia Resort Property RSC Le8bn (registration of the mortgage deed was still ongoing at the time of finalising the accounts) legal mortgage over property at Off Ascension Town RSC Le320m.
Modcon Limited	OD/Guarantee	13.067bn	Debentures registered at different dates with a total value of Le3bn.

D&S Group	OD/Guarantee	9.142bn	Legal mortgage valued at Le2.4bn.
Union Fishing	Loan/Overdraft	8.328 bn	Legal mortgage to be created.
Upwards – SL	Overdraft/Loan	8.22bn	Mortgage over lease hold valued at Le5.070bn.
Freetown City Council	Overdraft/Loan	6.760bn	None
Wingin Heavy Duty Machine Co	OD/Guarantees/Loan	6.612bn	Debenture valued at Le2.5bn/cash security.
CSE	Overdraft	5.868bn	None
Camserv Group	Overdraft	5.702bn	Mortgage over lease hold valued at Le5.250bn.
Rapid International	Overdraft/Loan	5.278bn	None
S.S. Daswani	OD/Guarantee	4.712bn	Mortgage over freehold valued at Le2.815.
International Procurement Services	Loan/Guarantee	3.318bn	Legal mortgage on property currently valued at le 650m.
Sierra Leone Broadcasting Corporation	Loan	3.039bn	None
Safecon SL Ltd	Overdraft/Guarantee	2.760bn	None

We noted that collaterals/securities held for AGICs for the following customers were inadequate for their related exposures:

Table No. 9.7			
Customer Name	Total value of AGIC Le	Total value of securities held Le	Difference Le
Cape Sierra Hotel	1,320,000,000	-	1,320,000,000
Jumbo Limited	1,290,000,000	1,090,000,000	200,000,000
MKD JASS	429,655,470	279,000,000	150,655,470
Benkade Const.	155,580,000	-	155,580,000
ECIC	142,982,000	-	142,986,000
Lucky Gold Star	102,300,000	-	102,300,000
Kayteestar Limited	100,000,000	-	100,000,000
Rafzee Bus Support	95,720,625	-	95,720,625
Lifeline Medical Support	90,891,630	-	90,891,630
Mordie Eng and Const.	89,785,924	-	89,785,924
Global Trading Group	76,500,000	-	76,500,000

Although loss provisions were made for these items, it was recommended that efforts should be made to obtain adequate collaterals for facilities granted.

Official's Response

The comments of the Managing Director were as follows:

"We note your comments and advise that whilst we endeavour to obtain adequate security for facilities granted to customers, customers' requests are subjected to full appraisals based on accepted canons of good lending. Notwithstanding the above, efforts are being made to continuously perfect/increase the level of security held on behalf of customers to protect the Bank's interest.

Regarding the accounts mentioned in the report we comment as follows;

<i>Leone Lodge PLC</i>	<i>We confirm that the mortgage in respect of the Taia Resort property has been registered and documents held in securities.</i>
<i>Modcon</i>	<i>We are in the process of up-stamping the debenture. We advise that mortgage in respect of 15B Charlotte Street property has now been signed by customer to be registered and stamped to cover (RSC) Le3,000,000,000 to further secure the Bank's interest.</i>
<i>D & S Group</i>	<i>Guarantees and Overdraft positions have since been regularized. We presently hold Lien funds of Le7,000,000,000 which fully covers Letters of Credit issued on behalf of customers. In addition, we hold confirmation of payment from the Government of Sierra Leone with regards to the projects.</i>
<i>Union Fishing</i>	<i>Mortgage to be prepared for properties.</i>
<i>Upwards –SL</i>	<i>The legal mortgage in respect of the Kennedy Street is being up stamped to Le8,000,000,000. We also advise that the said property is not Leasehold but a Freehold.</i>
<i>Freetown City Council</i>	<i>We are pursuing legal action. Judgement obtained in our favour.</i>
<i>Wingin Heavy Duty</i>	<i>We hold domiciliation letter for contract financed in addition to the debenture held. We advise that legal mortgage in respect of property at Waterloo has now being signed by customer to be registered and stamped to cover (RSC) Le900m.</i>
<i>CSE</i>	<i>We hold domiciliation letter from the Government of Sierra Leone for contracts awarded.</i>
<i>Camserv SL</i>	<i>Facility is 92% covered by legal mortgage of Freehold property at Regent Road, Lumley. We also advise that the said property is not Leasehold but a Freehold.</i>
<i>Rapid International</i>	<i>We are in the process of obtaining security to adequately cover the exposure.</i>
<i>S S Daswani</i>	<i>MF fully covers present balance on account as customer is paying off debt.</i>
<i>International Proc</i>	<i>We are in the process of obtaining additional security from customer.</i>
<i>SLBC</i>	<i>We are pursuing legal action and have obtained judgment for payment of debt.</i>
<i>Safecon SL Ltd</i>	<i>We are pursuing legal action. Judgement obtained in our favour.</i>

We note your comments and advice that the Bank's liability under Bonds and Guarantees is secondary in nature i.e. the Bank's liability is contingent upon the occurrence of a future event.

We state that Bonds/ Guarantees are made available to customers with good performance and proven track records after proper appraisal, review and assessment.

Additionally, we request irrevocable letters of domiciliation from contract awarding bodies indicating that entire contract proceeds will be channelled through the customer's accounts with the bank until the contract is completed.

We confirm, notwithstanding the above that adequate collateral is obtained for facilities granted under Bonds and Guarantees."

9.3.8. Other Assets

Lists of outstanding items in the BNFCs reconciliations which were transacted as far back as in 2008 and 2009 were noted. It was recommended that the lists of long outstanding items should be reviewed and if appropriate written off.

Official's Response

The MD stated that those items had been transferred to the 'Unreconciled Nostro' account and further investigation was being conducted on them.

9.3.9. Other Liabilities

It was noted that a list of outstanding items in the following reconciliations/extracts, had some which were transacted as far back as the early part of 2011:

<i>Account Type</i>	<i>Branch(s)</i>
BP 3	Saika Stevens Street
Unclaimed Transfers	Kenema & Congo Cross
Sundry Persons Koidu,	Kenema & Congo Cross

The auditors were not provided with a list of individuals/institutions for the following unclaimed balances:

Table No. 9.8	
Details	Amount (Le)
Unclaimed Balance BP	57,287,759
Unclaimed Fixed Deposits	454,886
Unclaimed Rebate	805,547
Unclaimed Office	19,693
Unclaimed Misc	459,432
Unclaimed Ball-call	287,645
Unclaimed BP Awaiting Approval	3,253,960
Unclaimed BP Awaiting cover	364,153
Unclaimed Deposit B/S	124,277
Unclaimed TRF FHO	311,163
Unclaimed dividend suspense	26,363,549
CFC unclaimed USD	132,420,245
CFC Unclaimed GBP	8,094,174
Unclaimed cash security	43,750,197

The auditors noted a difference between the listings and the General Ledger for the following:

Unclaimed Savings

General ledger	2,679,744,829
Account listing	<u>2,634,836,502</u>
	<u>44,908,327</u>

Unclaimed Current

General ledger	523,914,156
Account listing	<u>516,458,376</u>
	<u>7,455,780</u>

A list of individuals/institutions detailing dividends totalling Le1,788,396,814, payable as at 31st December, 2012, was not provided for inspection. It was recommended that the list of long outstanding items should be reviewed and if appropriate, written off. In addition, a comprehensive list and supporting evidence must be obtained and filed to support control account balances; the differences should be investigated and the ledger accounts adjusted if appropriate.

Official's Response

The MD stated that they were at the time overhauling the entire unclaimed balances records with a view to reconciling all outstanding balances. The exercise, he said would be completed by 31st August 2013.

9.3.10. Property, Plant And Equipment

Section 17(1) of the National Public Procurement Act requires that a procurement related function should be carried out by persons trained and knowledgeable in procurement, in accordance with the guidelines and qualification requirements established by the Authority. However, there was no evidence to confirm that the above could be said for some procurement committee members.

The first schedule of the National Public Procurement Act established different thresholds for the procurement of goods, works and services using Shopping Procedure, National Competitive Bidding (NCB), and International Competitive Bidding (ICB). The auditors were not provided with any evidence that the different thresholds guided procurement officers in the procurement undertaken in 2012. Please see examples of some of those cases below:

Table No. 9.9		
Asset Name	Date of Acquisition	Amount (Le)
ATM visa	28 th February 2012	117,727,000
ATM software	20 th July 2012	218,113,500
VeriFone	24 th August 2012	64,606,600
VISAT equipment	28 th February 2012	222,726,070

The bank applied for a “no objection” from the National Public Procurement Authority for the purchase of a generator for their Kenema branch costing Le96, 525,000. The audit revealed that the bank solicited five proforma invoices from different suppliers. However, it was observed that the file for this procurement activity was not complete. The bidding documents issued to those suppliers and

the evaluation report could not be located. The Bank was advised that persons charged with managing its procurement activities should be trained in procurement, in accordance with the guidelines and qualification requirements established by the NPPA and that the threshold established by the Authority for the procurement of goods, works and services must be adhered to.

Official's Response

The MD in his response confirmed that training sessions had been organized for staff involved in the procurement process and they had identified staff who had undertaken procurement studies and had been suitably deployed. He added that the items under referenced relate to software supplied by authorized and accredited local service providers as upgrade for existing systems and that they had no choice in the matter.

9.4. SIERRA LEONE COMMERCIAL BANK LTD (2012)

9.4.1. Review Of Management Letter For The Year 31st December, 2011

It was noted that action had not been taken on loans and advances classification and customers' loans and advances exceeding the approved limit which was raised in the 2011 report. It was recommended that those matters should be addressed promptly.

9.4.2. Review Of Recurrent Budgets

An analytical review of the budget for 2012 noted differences between the budget and the operating profit and loss. It was recommended that budgets prepared must be done to reflect the true expected performance of the Bank and that targets should be set to motivate or challenge managers. It was also recommended that a detailed investigation should be done on the question of adverse variances and evidence of action taken documented for reference.

9.4.3. Loans and Advances

The auditors reviewed the 50 largest exposures in the Bank's Advances Portfolio during the audit and observed the following:

- **Integrated Engineering Services**
The Bank granted the customer an Advance Payment Guarantee (APG) of Le4,024,000,000, the value of the security amounting to Le2,400,000,000.
- **Barris Construction and General Supply**
No collaterals were obtained from the customer for the overdraft facilities and the performance bond of Le332,000,000.
- **Jozanrose Construction Enterprise**
The balance on this account exceeded the value of the security which stood at Le180,000,000, the current facilities: Le621,150,000.
- **International Construction Company**
An Advance Payment Guarantee (APG) of Le4,500,000,000 was granted to the customer on the legal mortgage that was used in securing an overdraft, the value of the security was Le2,600,000,000.
- **Premier Investment (SL)**

The current facility of the customer was in excess of the single obligor limit as stipulated by the prudential guidelines of the Bank of Sierra Leone. The facility balance of Le19,800,000,000 also exceeded the security which stood at Le10,500,000,000. It was recommended that Management should take action on those issues of loans and advances.

▪ **Loans and advances classification**

In accordance with the prudential guidelines of the Central Bank, loans and advances are required to be classified into four different categories as follows (current, substandard, doubtful and loss). The categorisation determines the level of provisions to be made. It was however noted that some of those loans and advances were not properly classified in the draft reports submitted to the auditors. It was recommended that a monthly review of all advances should be done so that classification and impairment provisions could be arranged accurately.

9.4.4. Cash And Bank Balances

A difference of Le 520,503,047 was noted between the trial balance figure and the auditors' analysis of the Nostro Account balances. The auditors reviewed the Siaka Stevens Street Branch treasury register and noted that cash held in the vault in some occasions exceeded the Bank's insurance limit.

Date	Amount (Le)
21.04.2012	10,782,185,805
24.05.2012	12,462,785,805
25.05.2012	10,430,035,805
26.05.2012	10,238,035,805
21.08.2012	10,053,100,805

The auditors reviewed the branch's Vault Cash Register and observed that in some instances there was no evidence of dual access control. In addition, the Foreign Exchange Register was not signed off by the 'A' Signatory during the month of January 2012. Furthermore, it was noted that some long outstanding items still remained in the Bank of Sierra Leone current account reconciliation statements. It was therefore recommended that more efforts should be put into investigating and reconciling the nostro balance difference. It was also recommended that, the Bank should ensure that cash in vault did not exceed the amount covered by insurance and that dual control in the vault must be more effectively monitored. Furthermore, the long outstanding items mentioned should be investigated.

9.4.5. Accounting Entries Still Under Investigations

It was noted that some of the operational suspense accounts with significant balances at the end of the year were still being investigated. It was recommended that management should step up its effort to investigate those balances and have the accounts properly reconciled.

9.4.6. Customers' Deposits

A difference of Le163,013,543,000 was noted between the consolidated customers' balances and the trial balance amount. The auditors were not provided with the list of dormant accounts reactivated during the year under review. It was recommended that all accounts and balances should be regularly reconciled and that in future a comprehensive list of dormant accounts reactivated during the year must be maintained for reference.

9.4.7. Internal Audit Review

The Internal Audit Department could not provide the auditors with the Audit Work Programme for the year ended 31st December, 2012. It was recommended that in future the work plan should be filed so that it can be easily retrieved for reference.

9.4.8. CCTVs Not In Good Working Condition

During the physical verification of assets at the branches, it was noted that only the Siaka Stevens Street Branch/Head Office CCTV was in good working condition. It was recommended that regular repairs and maintenance of CCTVs at all the branches had to be done to ensure that those controls were properly and effectively functioning.

9.4.9. Lapses observed in the review of the Information Technology (IT) Department

During our inspection of the IT Department, it was noted that the server room was easily accessible and the visitors' log not properly monitored, in addition to the fact that there was delay in providing information requested for. The auditors were also not provided with any evidence that backups were done on a regular basis and kept outside the Bank's premises. It was recommended that management should implement strict controls in the IT Department and backups done regularly and stored in a secured off site location.

9.4.10. Human Resource Management

The auditors reviewed the files of personnel employed during the year and noted that the recommendations from referees were not received for staff employed in September 2012, and in some of the files reviewed, there were no passport pictures of the personnel. It was recommended that management should expedite action to address those anomalies.

Refer to the Table of Common issues (Page 214) for further observations.

9.5. NATIONAL REVENUE AUTHORITY (2011)

9.5.1. Suspense Account Figures Still Outstanding

We noted that the 2010 audited financial statement included a suspense figure of Le1,316,321,000. However the 2011 financial statement presented for audit showed Le46,893,687. An Interview with management revealed that the suspense account had been reconciled and cleared. However, the journal entry, supporting documents and explanatory notes relating to this entry was not provided to the auditors to substantiate the authenticity of the transaction.

Official's Response

The Director of Finance, NRA stated that he noted the opening balance in the suspense account but the overall effect of the balance in the suspense was reduced when journals were passed and adjustments made for property plant and machinery, equipment, Investment, cash and cash equivalent and income tax liability. He mentioned in the same vein that Le46,893,687 reported in the account was calculated devoid of the opening balances of 2010. He said that the

Journal entry, supporting documents explanatory notes relating to the suspense accounts were then available for verification.

Auditor's Comment

Management had made efforts to effect the necessary adjustment by reducing the suspense amount to Le746, 278,854. However, the issue is still unresolved.

9.5.2. Non Reconciliation Of Outstation Returns

The Authority did not reconcile returns received for the outstations, such as Gbalamuya, Lungi, Sania, Dogolia, Kono, Koindu, Kailahun, Zimmi and Mano River Bridge.

Official's Response

The Director of Finance stated that the returns from those outstations were normally sent to Customs and Excise department for capture into their database and onward transmission to the database at head office. He mentioned that it was at Customs that reconciliations and verifications were done.

Auditor's Comment

Management's explanation could not justify that the Authority reconciled returns received for the outstations. Hence the issue still stands.

9.5.3. Understatement Of Payables

There was a difference between payable in the Financial Statement and the General Ledger amounting to Le473, 882,867. Furthermore, from our review of the payables, we observed that withholding tax liability was understated by Le539, 813,266.

Official's Response

The Director of Finance stated that he recognized the error and wished to make the necessary adjustments.

Auditor's Comment

The understatement of Payables is partially resolved. Journal entries were effected for Le473,882,867 out of the Le 539,813,266 payables understated. Hence the issue is still unresolved.

Refer to the Table of Common issues (Page 214) for further observations.

9.6. SIERRA LEONE PORTS AUTHORITY (2012)

9.6.1. Procurements of Consultants

On the 27th of August and 10th December, 2012 an approval was sought from the National Public Procurement Authority by the Sierra Leone Ports Authority to engage the service of both a Human Resource Consultant and a Financial Consultant. In reply to the SLPA's request, it was advised that for such service that fell within the range of a small value contract, Consultant's Qualifications should be used. This required that consultants, who the procuring entity had identified as having the required skills and competence to carry out the service, must be contacted and requested to submit their curriculum vitae and charges. The one determined to be most responsive should then be hired.

Our auditors were not provided with the names of the other consultants that were contacted and the evaluation report which has the basis for the selection of a consultant. It was therefore recommended that the institution should comply with all relevant procurement laws and regulations when carrying out its procurement activities.

Official's Response

The GM confirmed that management had noted the observation on the issue and would ensure that the Authority complied with all relevant procurement laws and regulations in her procurement activities.

Auditor's Comment

The Audit team was not provided with the names of the other consultants who were contacted and the evaluation report; the above issue is still outstanding.

9.6.2. Non-performance of Contract

In 2010, a contract valued at \$399,881 was awarded to Davis and Dan for the installation of Navigational Aid. By December 2012 the sum of \$71,977 had been paid to the contractor, representing 20% of the total contract price as per contract agreement. It was observed that the contract was not fully performed by the contractor. It was also observed that the contractor did not submit an advance payment guarantee before payment was made as stipulated by section 56 (4) of the NPPA Act, 2004. It was therefore recommended that the Authority should take action to ensure that the contract was performed, or the contractor must refund the total amount which had been paid to him.

Official's Response

The GM replied that management had noted the observation on the issue and would take steps to ensure that the Contractor performed his own part of the contract in accordance with the agreement. He also mentioned that management was in the process of contacting the supplier.

9.6.3. Auditor's Comment

No evidence of correspondence between SLPA and the Contractor was made available for verification; therefore, the above issue is still outstanding.

9.6.4. No Debtor Management Policy

It was observed that there was no formal debtor policy governing the management of debtors. The receivable balance of Le 13,207,418,000 should have been better managed and controlled if there was a proper policy for the management of debtors.

According to SLPA's invoice, payment must be made "within seven days of invoice date, crossed cheques payable to Sierra Leone Ports Authority, after fourteen days, interest applicable at Bank of Sierra Leone prevailing rates". It was noted that even though some customers went far above this seven-day credit period, no penalty charges were levied on them. It was recommended that a formal debtor policy be developed and enforced in order to minimise the possibility of bad debts. In addition, client background checks and credit worthiness assessments must be performed before granting credits. Credits should only be granted to clients with good credit ratings. Furthermore, internal controls should be improved upon and existing debtors rigorously pursued.

Official's Response

The GM indicated that management would ensure strict adherence to the new Credit Policy of the Authority and Customers and Agencies would be informed accordingly.

Auditor's Comment

The issue is outstanding.

9.6.5. Ageing Debtors

The Debtors Ledger revealed the following categories of debtors, goods in transit Le407,888,485, other debtors Le1,369,173,314 and “unpaid deducted Sierra Leone Dock Workers Cooperative Society” Le47,500,000. A review of the ageing analysis schedule showed that some of these debts had been outstanding for an average of five years. It was therefore strongly recommended that a more robust collection mechanism should be introduced for the effective collection of debts, and a provision for bad debts made for those which were not likely to be recovered.

Official's Response

The GM in his response replied that Management had noted the observation. He drew the attention of the auditors to the following:

Goods in Transit – Le407,888,485

From the above amount, Management had made full provision for Bad debt in the sum of Le95,000,000 in respect of Larose Gaye in the financial statement for the year ending 31st December 2012. The remaining balance of Le312,886,486 which related to Davis and Dann Ltd for the supply of Navigational Aid which Management was pursuing with the supplier.

Other Debtors Le1,369,173,314

He explained that the above related to a loan given to two former SLPA Board Members and Expenses incurred by the Authority on behalf of Ferry Mabera which were not settled. However, the Authority had made full provision in the financial statement for the year ended 31st December 2012.

Dock Workers Cooperative Society – Le47,500,000

The above amount, he said, related to a loan of Le360,000,000 given to the Dock Workers Society by the Authority in 2006. Le312,500,000 was repaid by the Society before it was closed by the High Court of Sierra Leone in 2011. However, the Authority had made full provision in the financial statement for the year ended 31st December 2012 for the outstanding balance of Le47,500,000).

Auditor's Comment

The issues are still outstanding.

9.6.6. Debtors Circularisation

Out of the total debt of Le 13,207,418,000 circularized, the auditors only received Le377,075,400 worth of debtors' confirmation representing three percent of the total debt circularized. It was recommended that customers' accounts should be reconciled regularly, as discrepancies can cause disputes. An aged receivable analysis should highlight which customers had balances that were overdue and should form part of a regular report to senior management along with details of action that were to be taken to pursue the debts.

Official's Response

The GM stated that out of the total debt of Le13,207,418,000 circularized, confirmations were received for Le3,369,850,257 i.e. 25.5% of amount circularized. He mentioned that 76.1% of debts circularized had therefore been accounted for, whilst Management was pursuing the remaining debts of 23.9% circularization sent and that all relevant documents were now available for verification.

Auditor's Comment

The issue is outstanding

9.6.7. Staff Personal Files Not Provided For Imprest

The auditors were not provided with the personal files of some staff who were appointed during the year under review. It was recommended that files must be kept for all employees containing all necessary information with updates to reflect changing circumstances.

Official's Response

The GM stated that management would design an appraisal form for all staff that would be completed by Heads of Departments at the end of each year.

Auditor's Comment

The issue is still outstanding.

9.6.8. No Evidence Of Staff Appraisals

It was observed that the Authority did not have any form of appraisal for its staff. It was recommended that the Authority should develop and implement a written staff appraisal policy.

Refer to the Table of Common issues (Page 214) for further observations.

9.7. SIERRA LEONE AIRPORTS AUTHORITY (2012)

9.7.1. Sole Source Without Waiver

In Accordance with the Public Procurement Act, Sole source procurement may be appropriate upon securing a specific waiver from the National Public Procurement Authority (NPPA); it was observed that the Sierra Leone Airports Authority (SLAA) adopted the sole source method of purchasing a vehicle at the cost Le71,000,000 without securing a waiver from NPPA. It was therefore recommended that the Authority should ensure that a waiver was obtained from NPPA before doing sole sourcing and must consider establishing a procurement unit considering the quantum of procurements done.

Official's Response

The GM said that the vehicle in question was available only with one supplier at the time. He added that the authority of the head of the Procurement Committee was sought to use sole source method to procure the vehicle at a total cost of USD26,000. By the time the procurement was concluded, another brand of better quality as confirmed by the engineers and sourced from another supplier at a total cost of USD20,000, he added. Considering the relative low cost and high quality of the vehicle, approval was sought in favour of the second supplier thereby achieving the overriding objective of having value for money.

Auditor's Comment

The issue is outstanding.

9.7.2. Procurements Not Included In The Procurement Plan

Procurement amounting to Le29,557,749,556 undertaken during the year 2012 were not included and endorsed in the 2012 procurement plan. It was recommended that the Authority should ensure that the procurement plan was adhered to and signed by the Procurement Committee Members to confirm approval.

Official's Response

The GM in his reply said that the procurement of Le29bn related to the ongoing modernization of the Terminal Building Project and helipads, though fully budgeted for, was mistakenly omitted by the Procurement Committee, from its plans for 2012.

Auditor's Comment

The issue still stands.

9.7.3. Wrong Calculation Of Executive And Middle Management Rent Allowance

The calculation of tax deductions for rent allowances in respect of executive management and middle management was wrongly done resulting in some employees being over taxed and some under taxed amounting to Le17,610,469. It was recommended that the tax should be adjusted to reflect the actual tax to be paid to NRA.

Official's Response

The GM in his reply stated that steps had been taken to recover over payments and settle those under paid.

Auditor's Comment

The issue still stands.

9.7.4. PAYE Not Promptly Paid To The NRA

Deductions of PAYE were not paid to the National Revenue Authority on a monthly basis as prescribed by the income tax Act of 2000. It was recommended that the Authority should ensure that PAYE deductions were paid promptly.

Official's Response

The GM stated that they had cash flow problems then, but they had discussions with NRA officials in March 2013 and they reached a temporary arrangement of paying the current PAYEE in addition to one month arrears. This he said, was working well with the hope of fully revitalizing the original agreement by September 2013 when they would

have fully met their loan commitments. With the exception of December 2012, all the other months under reference had been fully paid under the temporary arrangement as they were working to ensure that the balance payment was made.

Auditor's Comment

The issue still stands.

9.7.5. No rental agreement for SLAA's Clients

Rental Agreements with Clients and Grant agreements with the World Bank and GOSL were not provided for inspection. It was therefore difficult for the auditors to determine the basis on which rents were charged and the conditions that were attached to the grant. It was recommended that the Authority should take steps to draw up a service level agreement between itself and its customers. It should also provide the grant agreements for audit verification.

Official's Response

The GM stated that the commercial department had done a lot of work in that direction, with rental agreements available for most of the customers. He said the only customers without rental agreements were those whose agreements were being worked on, and those would be concluded "very soon". He further said that the World Bank Grant was negotiated and contract signed by Government which was in the custody of the relevant Government authority. He said they would contact the relevant authority to obtain the signed contract.

Auditor's Comment

Rental agreements were provided for only 20% (Le296,417,175.4/1,482,085,877.53) of the total rental income charged for the year ended 2012. Also, no grant agreement was provided for verification. Hence, the issue still stands.

9.7.6. No Bank Statement or document for SCB UK Account.

Bank Statement or documents were not provided to prove the existence of the account held at SCB, UK. Even though this point was highlighted in the previous audit, nothing was done to remedy the situation. It was recommended that the Authority's Management should take steps to make available the documents to the bank accounts available for audit verification.

Official's Response

The GM said that the accounts held at SCB were part of those accounts that were frozen following the garnishee order that arose from the court case Sierra Leone had with Philip Brothers over the sale of agricultural produce. He said they wrote SCB in September 2012 but had not received any reply. He however said they shall again write them a reminder letter on that issue.

Auditor's Comment

The issue still stands.

9.7.7. Inter-Banks Transfers Not Accounted For Promptly

Inter-bank transfers were not promptly accounted for in the Authority's Cash Book and reported in the General Ledger, causing unnecessary reconciling items and journal entries for the period. It was recommended that the Authority's management should ensure that Inter Bank transfers were

promptly accounted for in their cashbooks and reported in the General Ledger in order to avoid unnecessary reconciling items.

Official's Response

The GM said that those were transfers that were done in Freetown due to the need to address urgent funding of the Leone account but delayed to reach the Account office in Lungi. With the exception of those transfers all other transfers were promptly accounted for in the books of account he concluded.

Auditor's Comment

The issue still stands.

9.7.8. Administrative, Commercial & Planning Expenses Over spent

The administrative expenses, commercial & planning expenses & engineering & maintenance expenses were over spent by Le2,110,784,898, Le133,536,510 & Le6,885,066 respectively. It was recommended that the Authority's management should ensure that proper budget planning was done.

Official's Response

The GM said that the administrative budget was over spent due to redundancy payments of Le3,700,000,000 made in 2012 to redundant security personnel. That payment was not envisaged at the time of preparing the budget and was therefore not budgeted for, he added.

Auditor's Comment

The issue still stands.

9.7.9. No Database Of Debtors

There was no database of the Authority's debtors; this made it difficult for circularization to be sent for the confirmation of debts as information regarding addresses and age of debt was not available. It was recommended that the Authority should provide the audit team with all relevant information of their debtors and ensure that debtors responded to the circularization sent.

Official's Response

The GM said that there was an existing credit control policy that was at the time being reviewed to ensure that existing lapses were fully addressed. He stated that the age profile of debts was being maintained and a file was available for review. He added that the old debts that had existed over 10 years related to dormant customers that they had requested NCP's permission to write off but were advised to stay on action. Considering the remoteness of recovery, high percentage provision was made, he said. He mentioned that they would again compile the list of old debts and ask NCP's permission to write them off.

Auditor's Comment

The issue still stands.

Refer to the Table of Common issues (Page 214) for further observations.

9.8. SIERRA LEONE TELECOMMUNICATIONS COMPANY (SIERRATEL) (2009)

9.8.1. Proper Procurement Procedures Not Followed

It was observed that proper procurement procedures were not followed for expenditure undertaken in the sum of Le2,606,083,573. It was recommended that the company should ensure that procurement processes were followed for all expenditure and may wish to establish a procurement unit considering the quantum of procurements done.

Official's Response

The GM stated that a procurement unit was not in place during the period. He however mentioned that a procurement unit headed by an appropriately and qualified procurement officer with the relevant qualification and experience had been set up. He added that a procurement committee comprising of senior management staff to which the procurement officer served as secretary had been set up to handle all procurement issues. He said that Committee would ensure that all procurement of goods and services conformed to the requirements of the procurement act and was in the best interest of the company, concluding that the company relied on obtaining three pro forma invoices and quotations before deciding where to purchase.

Auditor's Comment

The issue still stands.

9.8.2. Difference Between The Expenditure Schedule And Expenditure Balance In The Financial Statement

It was observed that a total difference of Le4,881,397,322 existed between the Summarised Expenditure Schedule and the Financial Statement. It was recommended that Sierratel should ensure adjustment of the expenditure balance to reflect the actual expenditure.

Official's Response

The GM stated that expenses in the Financial Statement comprised of cheque payments made by Sierratel and payments made by Teltac on behalf of Sierratel. He mentioned that the analysis undertaken by the audit team seemed to reflect only cheque payments made by Sierratel and did not include the Teltac payments.

Auditor's Comment

Sample of electricity and fuel payment was provided to the audit team, but this also did not tie up with the amount stated in the Financial Statement. The issue is still unresolved.

9.8.3. No Maintenance And Insurance Policy

There was no Maintenance and Insurance policy for the majority of the Assets. It was recommended that the Company should implement a maintenance policy and ensure that all assets owned by the company were insured.

Official's Response

The GM stated that the company was in the process of formulating a maintenance and insurance policy that would cover all assets

Auditor's Comment

The issue still stands.

9.8.4. Overpayment Of Funds To The Government Of Sierra Leone

As per joint agreement between Teltac and Sierratel, monthly payments of \$ 50,000 were to be made to the GOSL for poverty alleviation, but in the months of Oct, Nov, and Dec, overpayments of \$1,362, \$30,878 and \$1,251 were made to the Government of Sierra Leone above the monthly payment of \$50,000. In addition, GOSL was paid \$200,000 in the month of April instead of \$100,000 and no reasonable explanation was given for that variation. It was recommended that the reasons for the overpayment should be given to the audit team to justify the revenue reflected in the financial statement.

Official's Response

The GM stated that according to the tripartite agreement, Government, Celtel and Sierratel, Sierratel were to pay US\$175,000 from the gateway revenue and according to their records, the US\$50,000 monthly payment related to a loan repayment to the Sierra Leone Commercial Bank for cables and not for Poverty alleviation to GOSL as indicated by the auditor. The differences related to exchange and bank charges. He mentioned that in November 2009, they increased the payment amount to US\$80,878 and even made a debt restructuring to consolidate both the Loan and overdraft and increased the monthly repayment to US\$100,000. The US\$105,000 indicated in the schedule did not relate to the Government of Sierra Leone payment but to an advance monthly repayment to Teltac as was in the agreement, he added. He further stated that the monthly contribution to GOSL accordingly to the Gateway agreement was US\$ 100,000 and the company had made all the payments of US\$ 100,000 as per agreement. It was a miss posting of US\$ 200,000 in the month in question and that was explained and adjustment had been made in the account, he concluded.

Auditor's Comment

The Teltac Agreement did state that a monthly amount should be paid to the Poverty Alleviation account; which was made clear to the Director of Finance during the verification. Furthermore, we were not provided with evidence of the loan repayment to Sierra Leone Commercial Bank and there was no evidence of the adjustment made in the account, therefore the issue still stands.

9.8.5. Inadequate Supporting Documents In Respect Of Revenue

Amounts stated as revenue from national telephone, International Telephone and Telephone lines rental totalling Le2,822,928,839 could not be verified as adequate supporting documents such as receipts and bills issued to customers were not provided. It was recommended that Sierratel should provide the necessary supporting documents to verify the completeness and accuracy of the amount stated in the financial statement.

Official's Response

The GM stated that a monthly analysis of local and international telephone revenue had been forwarded for further verification.

Auditor's Comment

During the verification exercise adequate supporting documents were not provided.

9.8.6. Inadequate supporting document in respect of CDMA revenue

Revenue from CDMA data and voice totalling Le2,931,040,187 could not be accurately ascertained as no recognised basis of revenue allocation was provided by Sierratel's Management. It was recommended that the company should recognise revenue that they can substantiate with relevant documents and adjust the said amount on the financial statement.

Auditor's Comment

The issue still stands

9.8.7. No Agreement Provided For United States Embassy Rent

The amount of Le22,200,000 stated as revenue from a United States (US) Embassy agreement could not be verified as no agreement was provided. It was recommended that the Management of Sierratel should provide the agreement to substantiate the amount stated as revenue from US Embassy.

Official's Response

The GM said that what was stated in the account was US Embassy maintenance and that related to an invoice for providing a link to the US Embassy.

Auditor's Comment

Adequate documents were not provided to justify the management's response; therefore the issue still stands.

9.8.8. Control Weaknesses In Revenue Collection

It was observed that the IT system which computed bills that charged customers, had no access restriction in the inputting of data. For example, there was no password control to access the computers; therefore, the auditors were unable to rely on the information generated from the system. It was recommended that the IT system should be updated with a user restriction on access controls.

Official's Response

The GM stated that the billing system computers were restricted to specific users as the Land Lines were currently not working, no bills were produced and hence less security controls. He however mentioned that management would ensure that appropriate security measures were put in place which would include restrictive passwords when the land line billing system would be operational.

Auditor's Comment

We did not evidence restriction to specific users.

9.8.9. Inadequate Supporting Documents In Respect Of Deferred Income

It was observed that amounts stated as deferred income totalling Le959,575,312,000 could not be verified, as the basis of calculation and supporting documents were not provided to the audit team. It was recommended that management should develop a well-documented policy on how its deferred income was to be calculated and provided for, in the financial statement.

Official's Response

The GM in his response said that the amount of Le959,575,312 stated as deferred income related to the 35% of recharge cards and internet activation paid for but not used at the end of the year.

He stated that provision was made because of prudence in account as not all recharge cards purchased would be utilised at the year end. For internet activation, most of the subscribers paid in advance of two to six months and by the year end some would not have been used and therefore a liability on the company, he maintained.

Auditor's Comment

During the verification exercise, adequate supporting documents were not provided to substantiate the basis on which the deferred income was recognized in the financial statements. The issue still stands.

9.8.10. Inadequate Supporting Document To The Other Payables

Amounts stated as other payables amounting to Le 1,591,713,000 could not be verified as a schedule and other supporting documents were not provided. It was recommended that Sierratel should provide all supporting documents in respect of the other payable balance and ensure that a proper and updated record was kept and maintained in respect of the account balance in the financial statement.

Official's Response

The GM mentioned that the schedule for other payables had been enclosed for further attention.

Auditor's Comment

No schedule for other payables was submitted for verification. The matter is therefore unresolved.

9.8.11. Inadequate Supporting Documents In Respect Of Trade Payables

Payable confirmation letters were sent to Airtel, Tigo, Chell Holding and Sprint to confirm payables totalling Le 23,378,203,816 but no confirmation was received by the auditors up to the end of the audit. It was recommended that Sierratel's management should take adequate measures to get the companies respond to the confirmation letters.

Official's Response

The GM stated that he had sent all confirmation letters to the respective creditors but had not received response from any.

Auditor's Comment

No payables confirmations were received from creditors. The issue still stands.

9.8.12. No Responses To Bank Confirmation

No responses were received from bank confirmations sent out to various banks. It was recommended that Sierratel should take frantic action to ensure that the Banks responded to the circularisation.

Official's Response

The GM stated that he would continue to prevail on the banks to respond to the requests.

Auditor's Comment

As at the time of the verification exercise, no bank confirmations were received from the Banks.

9.8.13. No Confirmation Received From National Telephone Subscribers

National telephone subscribers and other receivables totalling Le 38,826,881,170 could not be verified as no supporting documents were provided to confirm the completeness and accuracy of the amount. It was recommended that the management of Sierratel should provide all supporting documents in respect of the other receivable balances and ensure that a proper and updated record was kept and maintained in respect of the account balance in the Financial Statement.

Official's Response

The GM stated that the receivable amount of Le38,826,881,170 was the total balance of Land Line subscribers. He mentioned that the listing of the balances provided to the auditors and receipts provided, though faded was as a result of the type of paper and length of time kept. He further said that they had sent all confirmation letters to the respective debtors but had still not received response from any of them.

Auditor's Comment

No confirmation response was received from customers.

9.8.14. Non Basis Of Calculating Impairment

Amounts stated as impairment allowance totalling Le14,709,276,423 could not be verified as the basis or justification of impairment calculation was not provided to the audit team. It was recommended that Sierratel's management should provide all supporting documents in respect of the impairment calculation and ensure the maintenance of a proper and updated record in respect of the account balance in the financial Statement.

Official's Response

The GM stated that the impairment allowance was a provision made on all inactive land line subscribers. The majority of the land line subscribers he said, were inactive and it would be very unlikely to recover amounts owed. It was therefore prudent to make a provision in the account, he concluded.

Auditor's Comment

The issue still stands. The issue is therefore unresolved.

9.8.15. Inadequate Supporting Documents In Respect Of Tax Liability

The Auditors were unable to verify the balances on tax liability totalling Le8,635,166,398 as a schedule and supporting documents were not provided to the Audit team. It was recommended that the management of Sierratel should provide all relevant documents to substantiate the tax liability stated in the Financial Statement.

Auditor's Comment

No response from management. Hence the issue still stands.

9.8.16. No General Ledger And Trail Balance Submitted

A trial balance and general ledger were not provided to the audit team. It was recommended that management should provide those documents for inspection.

Official's Response

The GM stated that a revised trial balance had been prepared for reference.

Auditor's Comment

The issue is still outstanding.

Refer to the Table of Common issues (Page 214) for further observations.

9.9. SIERRA LEONE TELECOMMUNICATIONS COMPANY (2010)

9.9.1. Default By Pentagon Agency In The Supply Of Fuel

There was a short supply of fuel by Pentagon Agency to Sierratel's 21 sites. An average of 250 gallons was supplied rather than the agreed 360 gallons which Sierratel paid in advance for each month. No refunds were made by Pentagon Agency for such shortages in supply. It was recommended that Sierratel's management should cause the Agency to refund the unsupplied fuel.

Official's Response

The GM stated that they were in the process of reconciling with Pentagon Security Services to establish any short fall in fuel supply and would request any payment that would be due from them.

Auditor's Comment

The issue still stands.

9.9.2. Proper Procurement Procedures Not Followed

It was observed that proper procurement procedures were not followed for expenditures undertaken totalling Le1,877,908,313 and there was no procurement unit. It was recommended that the company should ensure that the procurement process was followed for all expenditure and that it ought to consider setting up a procurement unit because of the quantum of procurements done.

Official's Response

The GM stated that a procurement unit was not in place during the period. He however mentioned that a procurement unit headed by an appropriately and qualified procurement officer with the relevant qualification and experience had been set up. He added that a procurement committee comprising of senior management staff to which the procurement officer serves as secretary had been set up to handle all procurement issues. He said that Committee would ensure that all procurement of goods and services conformed to the requirement of the procurement act and was in the best interest of the company. He further said that the company relied on obtaining three pro forma invoices and quotations before deciding where to purchase.

Auditor's Comment

The issue still stands

9.9.3. No Supporting Document For Staff Gratuity

Amounts totalling Le 9,788,709,692 stated as staff gratuity could not be verified as no supporting documents were provided. It was recommended that the Management should provide all documents to substantiate the balance stated in the Financial Statement.

Official's Response

The GM stated that the terminal benefit figure of Le 9,788,709,692 was a provision made in the account which was worked based on the expected benefits of all staff in the event of redundancy. He said that the exact working was normally done by an actuarial specialist and in the absence of such specialist; they adopted a mathematical approach to be prudent in making a provision. A copy of the calculation he said, was provided to the auditor and would be further provided as requested.

Auditor's Comment

Management's explanation noted. The issue still stands

9.9.4. No Maintenance and Insurance policy

There was no Maintenance and Insurance policy for the majority of the assets owned by Sierratel. It was recommended that the Company should implement a maintenance policy and ensure that all assets owned were insured.

Official's Response

The GM stated that the company was in the process of formulating a maintenance and insurance policy to cover all assets

Auditor's Comment

The issue still stands.

9.9.5. Default to the Teltac Agreement

According to the agreement between Teltac and Sierratel, Teltac was to pay a monthly payment of US\$50,000 to the Poverty Alleviation Account. However no evidence of payment into the said account was given to the audit team. It was recommended that the agreement with Teltac should be adhered to and all relevant documents relating to payments made into the Poverty Alleviation Account provided to the Audit team.

Official's Response

The GM said that the Teltac agreement stated that a monthly payment of US\$ 50,000 be made to GOSL for poverty alleviation fund. He added that under the tripartite agreement between Sierratel, Celtel and the Government, Sierratel should use the \$50,000 for poverty alleviation to settle Celtel's debt and to reduce such payment from Government's debt to Sierratel. He mentioned that the \$50,000 payment was made accordingly until all Celtel's debt had been paid. On completion Sierratel had been making monthly payment to GOSL of US\$150,000, he further stated.

Auditor's Comment

The issues are still outstanding.

9.9.6. Inadequate supporting documents in respect of National Telephone line

Amounts stated as revenue from the national telephone, International Telephone and Telephone line rental totalling Le1,425,944,281 could not be verified, as adequate supporting documents were not provided. It was recommended that Sierratel should provide all relevant documents to substantiate the revenue balance stated in the Financial Statement.

Official's Response

The GM explained that the total revenue for local and international land line in the account was Le 444,557,173 as against Le1,425,944,281 questioned by the auditor's. he said they had provided a monthly breakdown of the figures and all files relating to the land line revenue. However, most of the receipts print out were not legible as they had faded due to time and print out paper material. He called attention to a copy of the schedule of the land line revenue which had been enclosed.

Auditor's Comment

During the verification exercise, adequate supporting documents were not provided to verify the balance stated in the financial statements. Hence the issue still stands.

9.9.7. Inadequate supporting documents in respect of CDMA

Revenue from CDMA data and Voice totalling Le 3,248,457,380 could not be accurately ascertained as no recognised basis of revenue allocation was provided by Sierratel's management. It was recommended that the Company should recognise the revenue that can be substantiated with relevant documents, and adjust the said amount in the Financial Statement.

Official's Response

The GM stated that the amount of Le 3,248,457,380 related to actual sales of Recharge Cards and Internet activation, the analysis of which was provided to the auditors and all files submitted for verification. He mentioned that for prudence, they cannot charge all the gross sales as revenue as there was always recharge cards purchased and not used. That also applied to internet activation as most customers paid for more than a month's subscription, he added. The amount not used was referred as deferred income and it was a liability on the company at the year end.

Auditor's Comment

During the verification exercise, adequate documents were not provided to justify the basis on which the revenue was recognised. Hence the issue still stands.

9.9.8. Control Weaknesses In Revenue Collection

It was observed that the IT system which computes bills for customers had no access restriction in the inputting of data. For example, there was no password control to access the computers. The auditors were therefore unable to rely on the information generated from the system. It was recommended that the IT system should be updated with user restricted access controls.

Official's Response

The GM stated that the billing system computers were restricted to specific users as the Land Lines that bills were sent to customers was currently not working, no bills are produced and hence less security controls. He however mentioned that management would ensure that appropriate security measures were put in place which would include restrictive passwords when the land line billing system would be operational.

Auditor's Comment

The issue is still outstanding.

9.9.9. Inadequate Supporting Document To The Deferred Income

Payable confirmation letters were sent to Airtel, Tigo Chell holding and Sprint to confirm payables totalling Le5,603,732,000. However, as at the end of the audit, no confirmation was received by the auditor. It was recommended that Sierratel's management should take frantic measures so that the companies could respond to the Confirmation Letters.

Official's Response

The GM said that they had sent all confirmation letters to the respective creditors but had still not received a response from them. He further stated that the responses were normally directed to the auditors. He however promised that they would continue to prevail on them to respond to the request.

Auditor's Comment

As at the time of the verification exercise, no response to the confirmation was received from the creditors and no schedule was enclosed for audit verification. Hence the issue still stands.

9.9.10. No responses to bank confirmation

No responses were received from bank confirmations sent out to various banks. It was recommended that Sierratel should take frantic action to ensure that the Banks responded to the circularisation.

Official's Response

The GM stated that he would continue to prevail on the banks to respond to the requests.

9.9.10. Inadequate supporting document to the other payables

Amounts stated as other payables amounting to Le8,421,704,000 could not be verified as a schedule and other supporting documents were not provided. It was recommended that Sierratel should provide all supporting documents in respect of the other payable balance and ensure that a proper and updated record was kept and maintained in respect of the account balance in the Financial Statement.

Official's Response

The GM mentioned that the schedule for other payables was enclosed for further attention and also said that they sent all confirmation letters to the respective creditors but had still not received a response from them. He further stated that the responses were normally directed to the auditors. He however said that they would continue to prevail on them to respond to their request.

Auditor's Comment

The issue is still outstanding.

9.9.11. No Evidence Of Supervision For Reconciliations Prepared

There was no evidence of supervision of bank reconciliation statements prepared by a senior staff. It was recommended that management should ensure that each bank reconciliation statement prepared was signed by a senior personnel.

Official's Response

The GM stated that they would endeavour to make sure that reconciliations were done for all banks and were properly supervised. For greater efficiency and control, management had decided to consolidate most of the bank accounts thus reducing the number of bank accounts to a minimum to ease the reconciliation process, he added.

Auditor's Comment

The issue still stands.

9.9.12. Inadequate Supporting Documents In Respect Of Receivables

National telephone subscribers and other receivables totalling Le 18,914,815,000 could not be verified as no supporting documents were provided to confirm the completeness and accuracy of the amount. It was recommended that Sierratel should provide all supporting documents relating to National Telephone subscribers for the period under review.

Official's Response

The GM stated that the figure for national telephone subscribers comprising local and international dialling calls had been amended and that a schedule was available for verification. He added that the national land lines had been non operational for a long time and they were in the process to resuscitate its operations with modern facilities and improved monitoring and control equipment.

Auditor's Comment

During the verification exercise, no schedule was provided for verification. Hence the issue still stands.

9.9.13. Inadequate Supporting Documents In Respect Of Impairment

The amounts stated as impairment allowance totalling Le 6,262,472,000 could not be verified. The basis or justification for the impairment calculation was not provided to the auditors for inspection. It was recommended that the management of Sierratel should provide to the auditors records showing the basis of calculation of the impairment.

Official's Response

The GM stated that the impairment allowance was based on the shelved national and IDD subscribers from the system and approval was sought from the board for a provision to be made for bad debts and other non active and non recoverable debts to be written off the books.

Auditor's Comment

Adequate documents were not provided to justify the writing off of bad debts.

9.9.14. No Supporting Document For Writing Off Inventory

The sum of Le 1,800,000,000 was written off on inventories. However no supporting documents and basis of calculation were submitted to the auditors for inspection. It was recommended that calculations should be done in compliance with International Accounting Standards (IFRSs/IPSAS); otherwise, the basis of calculation should be clearly disclosed. It was also recommended that proper records of inventory that had been written should be maintained. The figure of Le 1,800,000 was a provision made for stock write off.

Official's Response

The GM stated that management had requested approval from the board for unusable stock to be written off the books and based on that a provision was made in the account. He said that they would identify all those obsolete items and seek a final approval from the board for them to be totally removed from the books of account and further seek approval for their disposal.

Auditor's Comment

The issue still stands.

9.9.15. No Cash Flow Prepared

There was no cash flow statement submitted. It was recommended that Sierratel should be preparing cash flow statements as an integral part of its financial statement.

Official's Response

The GM stated that Sierratel would prepare a cash flow statement as an integral part of the revised financial statement.

Auditor's Comment

The issue still stands.

9.9.16. No General Ledger And Trial Balance Prepared

There was no general ledger and trial balance submitted with the financial statement. It was recommended that the general ledger and trial balance should be prepared to substantiate every transaction in the financial statement.

Official's Response

The GM indicated that a revised trial balance had been prepared for reference.

Auditor's Comment

The issue is still outstanding.

Refer to the Table of Common issues (Page 214) for further observations.

9.10. MARITIME ADMINISTRATION (2009)

9.10.1. Income From Scanning Fees Not Paid To Commissioner Of Income Tax

The sum of Le1,530,806,883 for scanning fees received on behalf of NRA was not paid over to the Commissioner of Income Tax. This omission contravened the contract agreement that 7.5% of scanning fees collected on behalf of NRA should be promptly paid. It was recommended that the amount of Le1,630,806,883 received on behalf of NRA should be paid over to the NRA there and then.

Official's Response

The Acting Executive Director (Ag. ED) stated that payments to NRA were only made on the instructions of the Vote Controller to transfer funds and no such instructions were received.

Auditor's Comment

The auditors did not see any form of evidence of the instructions of the Vote Controller to transfer funds to the NRA during the verification exercise.

9.10.2. Non Deduction Of PAYE

A total of Le92,090,520 of PAYE that should have been deducted from the basic salaries and allowances of the former Executive Director, Mr. Lukulay for 2009, was neither deducted nor paid over to the NRA. It was recommended that the SLMA's Management should take steps to recover this amount from the Former Executive Director.

Official's Response

The Ag. ED stated that the Former Executive Director claimed he was paying taxes in the form of benefits in kind to the NRA and this was stated in our monthly schedules sent to the NRA.

Auditor's Comment

The evidence for the above claim was not provided for verification.

9.10.3. Non Insurance Coverage Of Assets

SLMA's Management failed to insure their assets against loss in the event of disaster or theft. It was recommended that the Acting Executive Director should ensure that all SLMA properties, plants and equipments were adequately insured to mitigate any eventual risk of loss.

Official's Response

The Ag. ED said that Management had taken note of that and would forward to the Board for approval of an insurance coverage.

Auditor's Comment

There was no evidence to suggest that Management had put forward the proposal of an insurance coverage to the Board for approval.

Refer to the Table of Common issues (Page 214) for further observations.

9.11. MARITIME ADMINISTRATION (2010)

9.11.1. Income Collected not entered into Cash Book

Revenue collected at the various provincial offices were not recorded in the Cash Book; as a result, the auditors could not ascertain the total amount collected at the various district offices. It was recommended that SLMA's Management should ensure that revenues collected were recorded in the book promptly and receipts should be issued for all cash collected.

Official's Response

The Ag. ED stated that all regulators outside the head office were given receipt books and the accounts department entered those receipts in the computerised accounting software used. He mentioned that the Administration maintained a computerised cashbook and not a manual cash book.

Auditor's Comment

The issue still stands.

9.11.2. Income from Scanning Fees not paid to Commissioner of Income Tax

The sum of Le 828,709,987 for Scanning fees received on behalf of NRA was not paid over to the Commissioner of Income Tax. This contravened the contract agreement that 7.5% of scanning fees collected on behalf of NRA should be paid promptly. It was recommended that the amount of Le828,709,987 received on behalf of NRA should be paid over to the NRA there and then.

Official's Response

The Ag. ED stated that payments to NRA were only made on the instructions of the Vote Controller to transfer funds and no such instructions were received.

Auditor Comment

There was no form of evidence allowing the Vote Controller to break the NRA agreement with the Commissioner of Income Tax.

9.11.3. Payment Vouchers not traced

Out of the Auditors' random sample tested a total sum of Le1,403,555,272 payment vouchers could not be found. Upon enquiry with the Accountant, it was noted that those payments vouchers were submitted to the Anti-Corruption Commission for investigations. It was recommended that SLMA's Management should take steps to retrieve those payment vouchers from the ACC for audit verification.

Official's Response

The Ag. ED stated that after the investigation carried out by the ACC, some of the documents requested were not returned and thus were not available. He however mentioned that steps would taken to retrieve those documents from the ACC.

Auditor's Comment

There was no evidence to suggest that the Vote Controller had taken any steps to retrieve the said documents from the ACC.

9.11.4. Non Deduction Of PAYE

A total of Le101,374,272 of PAYE that should have been deducted from the basic salaries of the former Executive Director, were neither deducted nor paid over to the NRA .It was recommended that the SLMA's Management should take steps to recover that amount from the former Executive Director.

Official's Response

The Ag. ED stated that the Former Executive claimed he was paying taxes in the form of Benefits in Kind to the NRA and this was stated in their monthly schedules sent to the NRA.

Auditor Comment

The evidence for the above claim was not provided for verification.

9.11.5. Non Insurance Coverage Of Asset

SLMA's Management failed to insure their asset against any loss in the event of disaster or theft. It was recommended that the Executive Director should ensure that all SLMA properties, plants and equipments were adequately insured to mitigate any eventual risk of loss.

Official's Response

The Ag. ED stated that management had taken note of this and would forward a proposal for insurance coverage to the board.

Auditor Comment

There was no evidence to suggest that Management had put forward to the Board an insurance coverage for approval.

Refer to the Table of Common issues (Page 214) for further observations.

9.12. SIERRA LEONE STATE LOTTERY (2010)

8.12.1. Inventories with negative balance

In reviewing the clients' records, it was noted that the Kick Po inventory coupons had a negative balance of Le 34,462,297 as per the General Ledger. It was recommended that Management should endeavour to carry out a periodic inventory count and reconcile with accounting records, and inconsistencies identified must be investigated and promptly resolved.

Official's Response

The MD said that as recommended, a period inventory reconciliation was done then to correct the anomaly so that the inventory would be free from material misstatement.

8.12.2. Receivables from the National Commission for Privatisation

The institution's property at Tower Hill was partly occupied by the Company while the remaining portion is rented out to the National Commission for Privatisation and the ASSL. Those companies share common facilities such as electricity and water supply. According to an agreement between the Company and the National Commission for Privatisation, upon receipt of the bills from

service providers, the management of the Sierra Leone State Lottery Company should make payment to those suppliers and later bill the National Commission for Privatisation and the ASSL based on the office floor occupied. The audit team noted that unlike the ASSL, the National Commission for Privatisation had not been making prompt settlement for utility bills paid on their behalf and rent for the flat occupied. Highlighted below is the analysis showing the balances as per client record for years 2010 and 2011.

In thousands of Leones

Details	2010	2011
Rent	1,066,668	1,066,668
Utilities	85,840	85,840
Total	1,152,508	1,152,508

According to the analysis above those balances continued to remain unpaid and there was no clear settlement strategy from the National Commission for Privatisation regarding their obligation. It was recommended that State Lottery Management must endeavour to collect all outstanding rents from the National Commission for Privatisation and seize to make settlement for utility bills on their behalf until refunds were made.

Official's Response

The MD stated that over 80% of the debt owed by NCP was in 2008 before the appointment of the current chairman. He said that management would collect the debt as soon as possible. He confirmed that as of then utility bills were being paid by each respective institution.

8.12.3. Revaluation Of Property, Plants And Equipment

In 2004 the company opted for the revaluation model for valuing its office premises at no 44 Siaka Stevens Street, in accordance with International Financial Reporting Standards (IAS 16). The valuations ought to be kept sufficiently up to date so that the carrying amount did not differ materially from its fair value at the “financial position date”. However, no subsequent revaluation activity was carried out since the initial revaluation exercise. It was recommended that Management must endeavour to carry out a revaluation exercise on the property on a regular basis to ensure that its carrying value at any “financial position date” did not exceed its market value.

Official's Response

The MD confirmed that the recommendation regarding the revaluation of assets would be adhered to in compliance with International Financial Reporting Standards.

9.13. SIERRA LEONE ROAD TRANSPORT AUTHORITY (2009, 2010, 2011)

9.13.1. Rental Income Not Paid

The Authority accommodated some tenants in its Kissy Road office for which, based on rental agreements, the Authority was expected to collect Le 1,500,000 annually as rent from those tenants. However, during the audit, the auditors were unable to sight evidence of collection of those rents in

the Authority's book. It was recommended that the SLRTA Management should provide an explanation as to why those rents were outstanding and also ensure prompt payment of all rent due.

Official's Response

The ED stated that they noticed that those companies were not paying the rental income as stated in the agreement. He however said that management had written them a letter in respect of this, whilst awaiting their response. Some of the plate makers had made payments in respect of the arrears and management was also committed to ensure that all rent for 2013 were paid before 31st December 2013, he stated.

Auditor's Comment

The issue is still outstanding.

9.13.2. Agreements Between SLRTA And Contractors For The Printing Of Number Plates

The agreement between SLRTA and the contractors for the printing of number plates (International Association Services, Sarrah Trading Enterprises and Bilak Trading and Construction Companies) had expired since 2009. It was recommended that the Authority should ensure the existence of binding legal agreements between them and those Contractors, and those agreements must be made available for audit inspection.

Official's Response

The ED stated that Management was in the process of drafting new terms and conditions for another agreement which may exclude non performers.

Auditor's Comment

The issue is still outstanding.

9.13.3. Amounts Not Transferred To The Road Fund

Section 10 (a) of the Road Transport Act, 1996 states "the Authority shall have power, in connection with its functions under section 9- to impose and levy fees, including Vehicle Licensing and registration fees with the approval of parliament: provided that any Vehicle Licensing and Registration fees levied by the Authority shall be paid into the Road Fund under paragraphs (b) and (c) of sub-section (1) of section 25 of the Sierra Leone Roads Authority Act 1992 less any amount which the Authority may be allowed to retain to defray the Administrative costs of the levying of such fees". However it was observed that, the end of year cash balances of Le3,706,532,000, Le3,546,973,000 and Le2,942,817,000 held by the Authority for the years 2009, 2010 and 2011 should have been transferred to the Road Fund as stated in the Road Transport Act. It was recommended that the Authority should ensure that it complied with all the provisions of the Road Transport Act, 1996.

Official's Response

The ED stated that the ending cash balances related to December collection and that transfers into the road fund were done at the end of each month. He said that some of those balances were used to pay the Road Fund and also to defray their capital and administrative expenses.

Auditor's Comment

The issue is still outstanding.

9.13.4. Receivables Described As Suspense Were Not Supported By Documentations

Receivables of Le209,708,124 and Le 767,100,434 described as suspense in 2010 and 2011 could not be substantiated as no supporting evidences were provided to the audit team. It was recommended that management should make available supporting evidence relating to those receivable balances for audit inspection.

Official's Response

The ED stated that the inadequate filing system had been the main cause for the delay/availability of all the relevant documents relating to this account balance. He said that those were expenses whose supporting documents could not be located at the time of preparing the accounts because the accounts had been long overdue for submission. He however stated that efforts were being made to locate those documents by contacting the individuals who were in charge at that particular time; also some of the necessary documentations were being found as the search was ongoing. Management also had ensured suitable records management system, he added.

Auditor's Comment

The issue is still outstanding.

9.13.5. Stores Documents For 2009 Were Not Presented For Audit Review

Amounts totalling Le 1,740,717,000 and Le 2,019,002,000 in respect of inventory for 2009 and 2010 could not be substantiated as no supporting evidences were provided. It was recommended that management should make available all supporting evidence relating to the Authority's stores for audit inspection.

Official's Response

The ED stated that the observation of the auditors was as a result of the death of the former store keeper Mr. Eric Lungay who was acting during that period and that records kept in his computer were not accessed. Since the store issues were inadequate the total store items acquired during that period were classified as inventory in the Balance Sheet. He however said that management had taken a robust measure by incorporating Store Module into its accounting software – Microsoft Dynamics Great Plane (GP) and that the new storekeeper was currently using it.

Auditor's Comment

The issue is still outstanding.

Refer to the Table of Common issues (Page 214) for further observations.

9.14. NATIONAL COMMISSION FOR DEMOCRACY (2011)**9.14.1. Non Deduction Of PAYE From Salaries**

PAYE was not deducted from salaries that were above the income tax threshold. It was recommended that the PAYE must be deducted from salaries according to the Income Tax Act 2000.

Official's Response

The Commissioner stated that until recently, PAYE had been deducted and paid by the Accountant General's office on behalf of the Commission. He said that when approached to produce receipts for audit purpose, they had replied by saying that auditors should meet them to verify payments. He mentioned that the Commission had reverted to the old order by deducting and paying PAYE on behalf of staff.

Auditor's Comment

Evidence was not provided to the auditors to verify whether PAYE was paid on behalf of employees of the Commission. However, they were informed that only net salaries were paid by the Ministry of Finance and Economic Development in respect of staff. Therefore the issue is still outstanding.

9.15. SIERRA LEONE HOUSING CORPORATION (SALHOC) (2012)

9.15.1. General Ledger Not Maintained

The Corporation did not maintain a General Ledger which should be used for posting account balances to the trial balance. In response to the previous management's comments, the observation was noted with the belief that the recommendation would be implemented; but the auditors noted that during the year under review, the General Ledger was not instituted by management.

9.15.2. Mortgage/Divestiture Loan Card – Kissy Low-Cost Housing Estate

The auditors observed from a sample chosen that the mortgage/loan cards were not properly updated (for instance, balances on the card were not shown or regularly updated). It was also observed that instead of the accounts department which should be responsible for corporation finances and administering of mortgages, a junior staff in the Estate and Planning Department of the Corporation was responsible for issuing receipts for monies paid for mortgages, recording payments in the relevant loan cards and at the same time did bank lodgements with no supervision/counter check by a senior officer or the accounts department.

The response by management to this query was that they had taken appropriate action. However, the auditors further observed that the mortgage cards of members of staff of the corporation had still not been updated to reflect their correct outstanding balance. Their payments in the form of monthly deductions from their respective salaries and allowances had not been posted in their respective cards.

Payables and Accruals

The following accounts and balances included in the financial statements had been long outstanding without any movement:

	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	18,328,000
Security Deposit Refundable	5,615,000
Deferred Credit	23,000
Insurance Accrued	22,498,000
Interdepartmental Loan	121,598,444

In a previous response of management, this observation was also noted and further commented on, that the recommendation would be forwarded to the Board for necessary action but no action was taken.

9.15.3. Land and Building

Included in the land and building cost during the year under review were lands situated at Juba and Goderich not under the full control of the Corporation and the likelihood of recoverability was not imminent. Those properties had been developed by other individuals/institution for which the corporation was not earning any form of rent or being compensated for and as such no economic benefits had been derived by the corporation from owning those properties; they had therefore been considered impaired. However there was no provision for impairment loss on those properties during the year under review. It was further observed that the cost of those properties included in the land and building cost of the corporation could not be verified in order to ascertain the materiality of the amounts involved. It was therefore strongly recommended that the Board should take necessary action to reclaim ownership of those properties, either in the form of receiving rent or any form of compensation, alternatively, those costs should be identified and disclosed and the necessary provision for impairment on those properties be approved by the Board.

9.15.4. Huge Debts Owed to the Corporation

The auditor observed that the total amount of Le4,924,761,000 was tied up in debts owed to the Corporation during the year under review. Those monies were owed by tenants occupying both the OAU and Goderich (7th Battalion) Estates with no sign of recoverability. It was recommended that necessary action should be taken by Management to recover those debts; debt collection management strategy should be improved, alternatively provision should be made for impairment loss thereby providing for a bad debt of at least 50% of that amount owed to the Corporation.

9.15.5. Analytical Review

The receivables/turnover ratio for 2011 was 253:1 whilst that of 2012 was 384:1 indicating an increase of 131%. Receivables due to the Corporation were Le 2,200,000,000 as compared to Le5,500,000,000 in 2012. According to information and explanation obtained from Management, efforts made to recover those debts had proved futile. The liquidity ratio was also 0.60: 1. It was recommended, as a matter of urgency, that a new strategy was to be implemented to curb the huge debt owed to the Corporation. Alternatively Management was to consider a provision for bad and doubtful debts to be forwarded for approval by the board for monies that were unlikely to be recovered.

Refer to the Table of Common issues (Page 214) for further observations.

9.16. NATIONAL COUNCIL FOR TECHNICAL VOCATIONAL AND OTHER ACADEMIC AWARDS (NCTVA) 2011

9.16.1. Information Technology Safeguards

Although daily backups of transactions were being done, back up diskettes were not kept in the office. The auditors were also unable to ascertain that backup disks were stored safely in the office or off site for the period under review. It was recommend that daily backups should be kept safely off site and a secured password system instituted.

Official's Response

The Director said that they now maintained backups of important documents at a secured location within the office and would also ensure that all files on backups were password protected to prevent unauthorized persons from accessing them.

9.16.2. Procurement Rules Flouted

There was evidence that some items were purchased without competitive bidding. It was recommended that Procurement Policy must be observed and implemented without delay.

Official's Response

The Director stated that management would ensure that all staff were provided with the procurement policy of the Organisation and that in future, all items bought would be done in line with the procurement policy of the organisation.

9.16.3. Non Compliance With Laws And Regulations

There were still back log outstanding payments to NASSIT in respect of Social Security contributions. A repayment plan should have been done in 2011. However this was still not done. It was recommended that an immediate repayment plan should be done and all efforts must be made to pay over outstanding employee's deductions to NASSIT.

Official's Response

The Director mentioned that a payment plan was now in place and management had been complying with the terms of payment. He added that payments had however been slow due to the unavailability of funds since payment of funds by MEST had been coming late.

Refer to the Table of Common issues (Page 215) for further observations.

9.17. ANTI-CORRUPTION COMMISSION (2011)

9.17.1. Outstanding Balances Under Agreement To Pay

Amounts totalling Lē1,382,775,375 relating to out of court settlement and fines agreed between the Commission and concerned individuals were still outstanding as at 2011. The amounts had been long overdue. No evidence was seen of the Commission's effort in recovering such amounts. The Commission at the time of the agreement was satisfied that the persons involved were party to corruption and had benefited from it. The Commission would have instituted proceedings for damages but the persons agreed to pay to avoid court proceedings. There was no evidence of any correspondence sent to the persons concerned as a reminder. It was therefore recommended that the Commission should embark on monitoring these payments by ensuring that payments were made when due, regular reminders were sent to all persons concerned and necessary action taken against defaulters.

Official's Response

The Commissioner said that the collection of fines was outside the Commission's mandate and that the Commission had collected a total of over Lē20,000,000,000 over the last 5 years. He further mentioned that Out of Court settlements did not always imply criminality and each case may turn on its own peculiar facts which would guide the

Commission's future. For enforcement strategies he said it must also be noted that the option of civil process though available in those situations ought not to be hastily adopted, as it presented its own challenges which prevented it from being a collection option. He however mentioned that the commission would intensify its efforts to collect outstanding amounts, as may be deemed expedient.

Auditor's Comment

The issue is outstanding.

9.17.2. Kenema And Makeni Buildings Damaged

During our Provincial verification, it was observed that the new buildings in Makeni and Kenema had cracks on the walls. Upon enquiry, it was revealed that water leaked through the buildings during the rainy season. It was also observed that the roof of the Kenema building leaked during the rainy season.

It was therefore recommended that the Commission should deduct retention money for all construction projects and that it should contact the contractors to assess the cracks on the buildings and take necessary action. In addition, the contractor for the repairs on the roof of the Kenema building had to be contacted to rectify the problem in the roof and the Commission's management must ensure effective monitoring of the various construction projects it undertook.

Official's Response

The Commissioner in his response indicate that attention of the Consultant had been drawn to that issue through a letter dated 6th September 2012, and promised that further action would be taken to ensure value for money.

Auditor's Comment

The issue is outstanding.

9.18. SIERRA LEONE STOCK EXCHANGE (2011)

9.18.1. NASSIT Dues Outstanding

Total NASSIT dues to be paid for the period under review were Le40,699,509. However, it was observed that only Le14,859,649 was paid leaving an outstanding amount of Le25,839,860. Further reviews revealed that only Le12,796,040 was disclosed as NASSIT outstanding on the Financial Statement. It was recommended that all NASSIT deductions should be paid on time to avoid penal action against the Stock Exchange and the figures in the Financial Statement must be restated to reflect the correct NASSIT outstanding and paid over to NASSIT Authority.

Official's Response

The Director stated that the contribution related to the former Director General of the Exchange Mr. Jonathan Bangura. He said that during his time as Director General of the Exchange, Mr. Bangura did not complete his NASSIT registration and as such his NASSIT reference number, which served as the basis for payment was not issued. He also said that several attempts had been made to complete his application but were unsuccessful. He said that the Exchange had noted the issue and had made a provision in its financial statements which was discussed with the Audit team during the 2010 audit but no adequate advice was given as to how the Exchange could resolve the issue

since Mr. Bangura no longer worked there. The Exchange would appreciate suggestions from the Audit team as a way forward.

Auditor's Comment

Evidence of correspondence between the Exchange and NASSIT indicating Mr. Bangura's NASSIT Reference Number was provided during verification. The correct outstanding NASSIT figure has been reinstated in the financial statement but the amount has not been paid to NASSIT; therefore the issue still stands.

9.18.2. No Evidence Of An Approved Budget

There was no evidence of a budget that guided the activities of the Exchange for the period under review. It was therefore recommended that a budget should be developed every year to give direction to the operations of the Exchange.

Official's Response

The Director stated that the Exchange had noted the audit findings and recommendation.

Auditor's Comment

No approved budget was provided for the period under review, therefore the issue still stands.

9.19. NATIONAL INSURANCE COMPANY (SL) LIMITED 2011

9.19.1. Long Outstanding Receivables

There were receivables which have been outstanding for more than four years on the receivables aging analysis. It was recommended that clients background checks and credit worthiness assessments must be performed before granting credit and credits should only be granted to clients with good credit ratings.

Official's Response

The Managing Director stated that most of the Companies major premium debtors were Government institutions such as NPA GUMA and SIERRATEL; which were facing serious liquidity challenges. In the given circumstance, the Company had embarked on a cross-debt agreement and payment plans with the clients which had yielded positive bad debt recoveries, he added.

9.19.2. Review Of Reinsurance Income Debit Notes

The reinsurance foreign income receivables were in credit and upon further review it was noted that debit notes were not posted and only receipts were posted. It was recommended that debit notes on reinsurance income should be reviewed by the accountant who must ensure that they were posted in time.

Official's Response

The Managing Director said that reinsurance foreign income was a fairly new area of business and noted that the reinsurance department was challenged to manually track the negotiations and generate debit notes. He mentioned that the debit notes were most times generated after confirming the arrangements. He however stated that management was

considering moving that transaction to the Technical Departments where they could be easily tracked and reconciled using their Consolidated Software of Insurance and Accounting (CSIA).

9.20. NATIONAL TELECOMMUNICATIONS COMMISSION (2012)

9.20.1. Late submission of Financial Statements

The Commission did not comply with sections 17(2) and 19(1) of the Telecommunications 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”.

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

Official’s Response

The Director General stated that the Commission had been working on meeting the target for timely submission of subsequent financial Statements. The 2012 Financial Statements, he said, was under review for submission and was expected to be audited before the end of 2013 as it would enable the Commission to meet the target early in 2014 for the audit of the 2013 Financial Statements.

Auditor’s Comment

Work on the 2012 Financial Statements is still ongoing and the 2011 audited financial statements have not been finalized. The Commission has already defaulted in presenting its 2012 annual report. Therefore, the issue is still unresolved.

9.20.2. Revenue collection and Debtors Management

The Commission did not have a comprehensive database of active operators/service providers in the country. It was recommended that management should ensure that the data of the Commission’s operators/ service providers were reviewed and updated.

Official’s Response

The Director General stated that a special committee had been set up comprising the Director of Engineering, Director of Legal/Licences and Director of Finance to ensure that a data base for Operators/Service providers became operational by 18th October 2013.

Auditor’s Comment

The format of the proposed database of operators/service providers was presented to the team for verification. However, the database has still not been developed. This issue is still unresolved.

9.21. OFFICE OF NATIONAL SECURITY (2009, 2010 & 2011)

9.21.1. Cash Count Not Done

According to the Accounting Manual of the Council, cash count should be performed on a quarterly basis. However, from a review, it was noted that it was not performed on a quarterly basis. It was recommended that, in future cash counts should be done quarterly and at the end of each financial year to ensure that cash balances were truly reflected in the Financial Statement of the Council.

Official's Response

The National Security Coordinator stated that arrangements had been put in place for the performance of quarterly cash counts.

Auditor's Comment

During the exercise no evidence was provided to the team to support that cash count should be conducted quarterly. Therefore the above issue still stands.

9.21.2. No Procurement Unit

NPPA Acts 2004 Sect. 19 (1)

“A procurement unit shall be established in each procuring entity, staffed with persons trained and knowledgeable in procurement and charged with carrying out, on an ongoing basis, functions related to procurement”.

The Council did not have a Procurement Unit as stated in the NPPA Acts, 2004. It was recommended that the provisions and regulations of the NPPA Act should be adhered to, by having procurement functions carried by the Procurement Committee because of the nature of operations of Council.

Official's Response

The National Security Coordinator confirmed that there was a Procurement Committee and personnel were on training to set up the unit.

Auditor's Comment

Minutes of procurement committee meetings were made available for inspection. However, no evidence was provided to support that a Procurement Unit would be set up in the near future. Therefore the above issue still stands.

9.21.3. Unauthorised Access To Personnel Files

Files were not appropriately secured to prevent unauthorized access. Also, personnel files maintained for other staff by the Council were inadequate to reflect changing circumstances. 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 National Security Coordinator said that files were appropriately secured to prevent unauthorised access.

Auditor's Comment

A sample of personnel files were provided with adequate documentation. However no evidence was provided that personnel files were secured to prevent unauthorized access by unauthorized staff. Therefore the above issue still stands.

9.21.4. No Approved Conditions Of Service

There was not in existence an approved staff Conditions of Service. It was recommended that the Council developed an approved Conditions of Service that would address all staff issues.

Official's Response

The National Security Coordinator stated that there was a draft condition of service for the Council which had been forwarded for approval by the Council.

Auditor's Comment

A draft condition of service was made available to the team, the issue still stands.

9.21.5. No Human Resource Unit

The Office of National Security did not have a Human Resources Unit. It was recommended that the Council should consider setting up a Human Resource Unit to handle all human resource issues.

Official's Response

The National Security Coordinator said that the Human resource Unit was embedded in the Admin and Finance Department and the Admin and Finance Department handled Personnel matters.

Auditor's Comment

No evidence was provided to substantiate management's response as there was no indication that this function was handled by the admin and finance department, the issue still stands.

9.21.6. Understaffed Finance Department

The Finance Department was understaffed. The accountant was responsible for the processing of all transactions from start to finish. It was recommended that an accounts clerk be employed to assist the accountant in the day to day operations of the Council, especially those demanding segregation of duties.

Official's Response

The National Security Coordinator noted the recommendation and stated that action would be taken.

Auditor's Comment

Evidence was provided to confirm that the process recruitment was ongoing; the above issue still stands.

9.21.7. Non- Submission Of Accounts

The Council failed to comply with the provisions of the National Security and Central Intelligence Act, 2002, as the accounts for the years 2009, 2010 and 2011 were not presented to the Auditor General as stipulated in the Act. It was also noted that the Commission failed to submit its Annual

Report to the President on time as stated in the Council Act of 2002. It was recommended that management should endeavour to comply with every provision contained in the organisation's Act especially those that affect stakeholders' interests.

Official's Response

The National Security Coordinator said that action had been taken.

Auditor's Comment

The issue still stands.

Refer to the Table of Common issues (Page 214) for further observations.

9.22. TERTIARY EDUCATION COMMISSION (2012)

9.22.1. The Accounting Environment

There was the absence of quarterly budget performance reports with variances explained and as such the performance of the different areas became difficult to fathom. It was therefore recommended that all efforts should be made to strengthen the existing controls over expenses and the use of proper budgetary tools must be employed.

Official's Response

The Executive Secretary said that management would like to make it known that there was a budget performance analysis on a half yearly basis, as the Commission's main source of revenue, through subvention, was provided half yearly by Government. He also mentioned that claims for each period could only be paid to the Commission when a proper budget spending and proper returns on how the Commission utilized its monies were accounted for and as such, because of proper accountability, the Commission had never been found wanting in any situation.

9.22.2. Non Compliance With Laws And Regulations

It was observed that social security contributions were deducted from employees' salaries and not paid to the appropriate authorities. It was recommended that those amounts should be paid to NASSIT without delay.

Official's Response

The Executive Secretary stated that there had never been an instance in which Social Security Contributions were deducted from employees' salaries and not paid to the appropriate authorities. He said that the accounting firm had audited the Commission's accounts for the past four years and Social Securities payments were up to date. He however said that the Commission would like to state that for the period indicating accrued NASSIT and NRA, it spanned as far back as Financial Year 2007 when the Commission did not receive subventions from the Government for that period. Concluding, he said that the Commission was in the process of working out modalities with NASSIT and NRA to settle the back log.

9.22.3. Pay-As-You-Earn Not Paid Over to The NRA

Monthly income tax deductions from employees' salaries were not paid over to the Income Tax Authorities. It was recommended that these amounts should be paid to the NRA without delay.

Official's Response

The Executive Secretary stated that there had never been an instance in which PAYE contributions were deducted from employees' salaries and not paid to the appropriate authorities.

9.23. SIERRA LEONE WATER COMPANY (2010)

9.23.1. Review Of Management Letter For The Year Ended 31st December, 2009

An assessment of the operating environment and the system of internal controls revealed the lack of Head office supervision of branch operations and the absence of profitability targets, financial and other operational goals set by management during the period under review. It was also observed that revenue for the period was recognized only when payments were made by customers instead of at the time bills were sent out. The Company also did not maintain a Fixed Assets Register and there was no asset capitalization policy. It was noted that the Company occupied the current premises at Tower Hill based on "long usage" and no rental or lease agreement existed between the Company and the owners of the premises. It was therefore recommended that the previous recommendations should be revisited and implemented.

Official's Response

The Director General in his response stated that Regional Offices were staffed by Regional Managers and were supervised directly by their Regional Managers and monthly Internal Audit was carried out by the Internal Auditor of the company. He mentioned that since 2010, performance targets had been developed for each regional office and that once an electronic billing system was installed revenue would be recognized as bills were issued to customers. He further mentioned that preparation of an Assets Register was in progress and that a contract had been awarded for the purpose and all assets had been listed so far. The Director General asserted that the preparation of an asset capitalization policy was in progress.

The passing of the New SALWACO Bill 2013 would automatically provide title of ownership. Since the premises occupied belonged to the Government of Sierra Leone the passage of the New SALWACO bill would vest the premises to SALWACO

9.23.2. Revenue Not Recognized On A Cash Basis

Revenue for the period under review was recognized on a cash basis instead of at the time the subvention/grants were approved by the government and also when bills were sent to customers. The auditors could not confirm whether the funds/grants received from government were actually requested by SALWACO as no supporting documents were made available during the audit. Some of the revenue summaries sent to head office were not signed and approved by a senior responsible official. It was recommended that revenue should be recognized on an accrual basis and that all the necessary supporting documents in respect of transactions undertaken by the organisation must be maintained and filed for future reference. All revenue summaries should also be signed by a senior responsible official before sending them to the Head Office.

Official's Response

The Director General stated that the degree of uncertainty in receiving revenue from government made it difficult for revenue to be recognised at the point of approval by government. He said that the manual nature of their revenue collection would not support the recognition of revenue at the point when bills were issued to customers. He however

stated that SALWACO was in the process of acquiring an electronic billing system that would resolve the inconsistency. He further mentioned that all revenue returns from the region were duly endorsed and supported by pay-in-slips

9.23.3. Cash And Bank Balances Not Identified

A cash count certificate and other supporting documents were not provided to justify the cash balance of Le65,511,913 It was recommended that the necessary supporting documents to support the cash balance be provided for future reference.

Official's Response

The Director General stated that cash counts were carried out each time replenishments were made and the cash count statement filed.

9.23.4. Receivables

Project receivables amounting to Le115,000,000 had not moved for the past two years. It was recommended that the above balance should be investigated and regularized and adjustments as found to be necessary made.

Official's Response

The Director General mentioned that there were no break-down for receivables in the 2008 Audited Accounts; hence individual debtors could not be identified. He said that most likely, those debts may have been collected unknowingly. He therefore advised that those debts should be written off.

9.23.5. Payables

Trade payables amounting to Le266,000,000 did not move since the 2008 Financial Year. It was recommended that the balance should be investigated and regularised and adjustments as found to be necessary made.

Official's Response

The Director General stated that there were no break-down for payables in the 2008 Audited Accounts; hence individual creditors could not be identified. He said that most likely, those creditors may have been paid unknowingly and therefore advised that the creditors be written off.

9.23.6. Governance policies flouted

Auditors were not provided with any evidence to prove that the chairman and other members of the Board had been in the Board for less than two years. In addition, allowances given to the Members of the Board were above the stipulated amount. An Analysis of the difference is given below:

Variance (Le)

Amount given to the Board of SALWACO	115,073,000
Stipulated amount	70,375,800
Variance	44,696,200

According to paragraph 38(b) of the Company's Act "water is supplied to commercial concerns and such institutions as schools and hospitals by meter" however in the case of SALWACO, water was not supplied by meter.

According to paragraph 43.1 "if a person fails to pay any water charges for which he is liable under this Act, the Company may within twenty-eight days after the charges became due and payable recover from that person such charges together with costs and other expenses as a court". We however noted that this was not enforced during the period under review.

It was therefore recommended that the SALWACO Act, 2001 should be complied with at all times.

Official's Response

The Director General stated that the term of the previous Board had ended in August 2010. In its replacement, he said a supervisory board was established which was made up of representatives from the Ministry of Energy and Water Resources as Chairman, Ministry of Finance and Economic Development and State House Strategic Policy Unit (SPU). He added that due to the circumstance of the company at that time, there was need for the Board to meet more frequently and that brought high Financial Burden on a Company whose financial standing was in a bad shape. As a remedy, he mentioned that the previous Minister prudently approved a fixed amount as Board fees to be paid at the end of each month. He further stated that the company had secured funds to procure five thousand meters under the Three Town Water and Sanitation Project and they would soon be installed to all operational areas of SALWACO customers. In conclusion, he noted that on a cost benefit basis, it was not prudent to take court action against their customers since most of them owed small amounts.

Refer to the Table of Common issues (Page 214) for further observations.

9.24. LAW REFORM COMMISSION (2011)

9.24.1. Financial Statements Not Properly Prepared

Proper financial statements were not prepared and submitted for the 2011 financial year. Those should include the trial balance, balance sheet, Income and expenditure statements and cash flow statement. It was recommended that a full set of financial statements should be prepared always and submitted for audit purposes.

Official's Response

The Commissioner stated that he will endeavour to ensure that full and proper financial statements were made available for future audits.

9.24.2. No Quarterly Budget Performance Report

Once again as in 2008-2010, the auditors noted the absence of quarterly budget performance reports. 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 Commissioner stated that he would endeavour to prepare "Quarterly Budget Performance Reports in future.

Refer to the Table of Common issues (Page 214) for further observations.

9.25. GUMA VALLEY WATER COMPANY (2011)

9.25.1. Supporting Documents Not Produced For Expenses

The auditors were not provided with the relevant supporting documents for expenses made by the Company.

9.25.2. NASSIT Liabilities Not Paid

The auditors noted that the Company did not pay its NASSIT liabilities. It was recommended that timely consideration should be given to matters raised by the auditors, if the full benefits of the audit were to be realised.

9.25.3. Unchanging Payable figures

It was noted that the under-mentioned payable accounts did not move for the whole year under review:

Table No. 9.10	
Particulars	Amount (Le)
Retention	4,641,287
Retention – 2 nd phase Guma project	1,263,842
Sea and Land services	10,706,845
DEOP Sewerage deposit	61,882,561
Subscriptions payables	7,898,761
Professional Services – taxation	2,060,000

The auditors did not receive responses from the Ministry of Finance confirming the IDA loan through Government which during the audit stood standing in the books at Le2,600,000,000 and Le123,500,000,000 as current and non-current liability respectively. It was recommended that the above accounts should be investigated, regularized and adjustments, as found to be necessary, made. In addition, all efforts should be made by Management to ensure the acknowledgement of those debts by the Ministry of Finance.

9.25.4. No Responses From Customers To Confirm Debtors Balances

Debtors circularization was done, but the auditors did not receive responses from customers for debtors balances amounting to Le7,857,160,452. The auditors were also not provided with an aged analysis report. It was therefore recommended that vital steps should be taken by management to ensure the acknowledgement of those debts. It was also recommended that an aged analysis report should be prepared and maintained at all times.

9.25.5. No Responses Received For Bank Confirmation Requests

The auditors did not receive bank confirmations for the following banks:

- Rokel Commercial Bank
- Standard Chartered Bank

- First International Bank
- Union Trust Bank
- First Discount House

It was recommended that the documents referred to above should be prepared and maintained for future reference.

Refer to the Table of Common issues (Page 214) for further observations.

9.26. ENVIRONMENTAL PROTECTION AGENCY (2012)

9.26.1. Matters Previously Reported

9.26.2. Invoicing

The Agency did not use the Quick Books financial management system for invoicing of licensing, monitoring, screening and application fees. It was recommended that the Quick Books Financial Management system should be used for billing, and the Client accounts that should be reviewed by an independent officer of the Agency and relevant information should be made available for monthly board meetings.

Official's Response (31/12/2011)

The Executive Chair Person stated that Licensing and monitoring fees were calculated based on the Environmental Impact Assessment License Regulations, 2010. He said it was based on environment footprint and not a fixed sum. This regulation has put the Agency in a better position to have a structured invoicing system, he added.

Auditor's Comment

The recommendation has still not been implemented.

9.26.3. File Management and Storage System

We observed that the file management and storage system of the Finance Department of the Agency was not well organised as accounting documents were not properly stored and filed. It was recommended that a proper file management and storage system should be put in place to ensure that all accounting documents were accounted for and properly stored.

Official's Response

The Executive Chair Person stated that an improved system was currently in place and documents were scanned and stored to ensure a better back up for all financial transactions.

Auditor's Comment

The situation is still the same.

9.26.4. Budget Performance Reviews (Budget Tracking)

We observed that budget performance reports were not closely monitored by management to ensure that expenditures were in line with approved budgets at all times. It was recommended that a budget

performance report was to 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 for the period in question
- Variances
- Explanation of such variances

Official's Response

The Executive Chair Person said that management was developing a budget performance mechanism to ensure that activities were aligned with proposed plans and timelines. A performance tracking table (PTT) he said was also submitted to the office of the President on a quarterly basis.

Auditor's Comments

The situation was still the same in both 2011 & 2012

Anomalies and Variances

Some variances and anomalies were observed in the accounts mentioned below:

9.26.5. Petty Cash – Leone Account

The sum of Le33,621,300 was noted between the monthly expenditure recorded in the Petty Cash Register and those posted to the Quick Book Financial Management System. A difference of Le 5,187,400 was also noted between the physical cash count amount and the amount recorded as cash balance in the draft Financial Statements. The auditors further noted a difference of Le 5,413,500 between the balance indicated as bank balance (as at 31st December 2012) in the bank reconciliation statement and the amount indicated in the bank statement from Bank of Sierra Leone. It was recommended that the above mentioned anomalies and variances should be investigated and corrected. In addition, the petty cash postings to the Quick Book Financial Management System were to be reviewed by a senior officer of the Agency to ensure that they were true and correct at all times.

Official's Response

The Executive Chair Person stated that there were errors of mispostings between the Quick Books and the cash register and those would be rectified. He also mentioned that the difference between the physical cash count amount and the amount recorded as cash balance was as a result of the physical cash count incorporated in the entire region (i.e. Bo and Makeni branch offices) whereas the cash balance was for the head quarters. He further mentioned that the difference of Le5,413,500 between the balance indicated as bank balance in the bank reconciliation and the amount indicated in the bank statement was due to the difference in the opening balances used. However, further investigations would be carried out on this figure, he concluded.

Auditor's Comment

The situation still remains the same

9.26.6. Withholdings Tax Deductions

Withholding tax deducted from payments to suppliers and contractors were not posted to the Quick Books Financial Management System and as a result the amounts reported by the Quick Books Financial Management System were in most cases in-correct. It was recommended that withholding

taxes deducted from payments to suppliers and contractors should be accurately posted to the Quick Books Financial Management System and those postings should be reviewed by a senior officer of the Agency.

Official's Response

The Executive Chair Person stated that withholding tax of 5% on payments to suppliers had been paid but not posted to the Quick Books. He said that the Agency had some challenges in sharing the software among users which restricted the rate of input. However, posting had been made in the current year 2013, he added.

9.26.7. Internally Generated Income

Receipt numbers were not posted to the Quick Books Financial Management Software which rendered it difficult and time consuming to trace those incomes to their supporting documentations. Receipts were also not issued for all licensing and monitoring fees received by the Agency for the entire period under review. Furthermore, two different receipts were issued to Sierra Rutile Limited and Talisman for the same amount although different dates were indicated in the receipts (Sierra Rutile Limited – 0503-25/9/2012 and 0504 – 04/01/2012, Talisman – 0521 and 0520). It was recommended that receipt numbers should be part of the transaction details posted to the Quick Books Financial Management System in respect of income transactions. In addition, the above mentioned transactions in respect of Sierra Rutile Limited and Talisman should be investigated and corrected. Furthermore, receipts should be issued for all funds received by the Agency except it was not proper to do so based on accepted accounting principles and practices.

Official's Response

The Executive Chair Person stated that receipt numbers were not posted to the Quick Books financial management software which had been enhanced. He noted that a better networking system of this software had been put in place to enable more users have access to the files, adding that the Agency realised that many proponents did not collect receipts. He further said that the two different receipts were cancelled but that was not indicated in the books.

Auditor's Comments

The cancelled receipts are yet to be verified.

9.26.8. Vital Documents Of Funds From Donors Not Submitted For Inspection

The audit revealed that funds from UNEP Funded Project amounted to Le 257,494,277 and UNDP donations, Le 166,217,248. However the grant agreements and correspondence from UNDP and UNEP were not made available to substantiate the truthfulness of the above mentioned amounts. It was therefore recommended that the documentation supporting the above mentioned transactions must be made available for verification.

Official's Response

The Executive Chair Person said that some of those projects were inherited from the Ministry of Lands and the Environment and there were other projects, funded by the UNDP who were the custodians of the original Grant Agreements. He added that the EPA could facilitate a meeting with UNDP for more insights into those projects.

Auditor's Comment

The issue is still outstanding.

9.26.9. Arithmetical Errors On Staff Payroll

There were a number of arithmetical errors in the staff payrolls in respect of basic salary, allowances, gross pay, PAYE and NASSIT. It was recommended that payroll calculations must be checked by a senior officer of the Agency for arithmetical errors and other inconsistencies.

Official's Response

The Executive Chair Person stated that those anomalies had been rectified.

9.26.10. Remuneration for Board Members

The following were observed:

- A resolution was passed by the board in November 2012 to pay each board member a bonus of Le 8,000,000;
- Terminal benefits were paid to three staff at a rate of 30% per annum for each term of office;
- Members of the board were given 200 litres of fuel per month instead of 50 litres per month which was agreed by them in December, 2011 contrary to the fact that remuneration including bonuses granted to board of directors should be determined by an independent body and not by the Board of Directors themselves; and
- The term of office of most of the board members had expired as they were appointed into office for a period of three years, i.e. three years to October/November 2012.

It was recommended that the above mentioned transactions be ratified by the authorised officer.

Official's Response

The Executive Chair Person in his response mentioned the following:

The Act as quoted above provides the board with the mandate to approve these payments. Also, please note that Section 6 is not unique to the EPA, as the Radiation Act also provides likewise;

The board had approved these percentages. There are relevant board minutes to confirm these percentage increases; The figure was inadvertently recorded as 50 litres of fuel per month instead of 200 litres which was the amount approved by the board. Board minutes are available to support this claim; and

The term of office of the board members have been approved by the office of the President in retrospect. Letters are available for inspection.

Auditor's Comment

The above mentioned letters are yet to be made available for inspection.

Refer to the Table of Common issues (Page 214) for further observations.

9.27. SIERRA LEONE BROADCASTING CORPORATION (2011 & 2012)

9.27.1. Incompetent Finance Staff

The personnel responsible for the accounting and financial operations of the Head Office lacked basic accounting skills and experience required for the effective and efficient running of the Finance unit. There was the absence of simple double entry book keeping system, resulting in the non

existence of general ledgers in the organisation. The lack of understanding was demonstrated in the trial balance for the Accounting years ended 31st December, 2011 and 31st December, 2012.

Official's Response

The MD stated that management acknowledged the observation made under that sub heading regarding the finance department. The staff in that department were inherited from the Sierra Leone Broadcasting Service (SLBS) when it was a Civil Service, and at that time, Civil Servants of their level were only knowledgeable in the Vote Service Ledger accounting system, which is no longer in use, he added. He however, stated that efforts had been made by Management to secure an accounting software package and staff training would be provided in order to meet the international accounting principles. He further mentioned that management had also put in place manual Double Entry book keeping system and the Trail Balance for the accounting year which ended 31st December 2011 and 31st December 2012, and had been adjusted and ready for verification.

Auditor's Comment

This issue has not been fully resolved.

9.27.2. Salary Advances and Loans

In 2011 and 2012, Le 5,260,000 and Le 5,711,000 respectively were selectively not deducted from the salaries of certain individuals. It was recommended that the Finance Department should ensure the deductions of staff loans and advances from salaries.

Official's Response

The MD stated that Management acknowledged that finding, following their internal investigation of the matter. He said that they were pleased to inform ASSL that with effect from October 2013 all staff indebted to the Corporation were going to have deductions made from their salaries. The finance staff who allowed this anomaly to occur had been served with query letters, for necessary actions, he further mentioned.

Auditor's Comment

Only Le2,000,000 had been recovered.

9.27.3. Payment Vouchers Missing

The Corporation used pre-numbered payment vouchers. From the payment voucher files made available for 2011 and 2012, many payment vouchers were missing. The Finance Department operated an Excel spread sheet for Book keeping purposes. However payment voucher number was not among the data recorded on the system. The Department only recorded date, cheque number, amount and payee, thus making it difficult to trace transaction on the system by reference to voucher numbers. There were also many cheques not recorded in the system as expenses. On examination, the auditors verified that though most of the cheques were cancelled, some of the missing cheques on the records were paid to payees and cashed by the bank.

Official's Response

The MD stated that management acknowledged that personnel of the finance department were using pre-numbered vouchers during the period under review. He however stated that management wished to inform ASSL that with the procurement of an accounting software package, the accounting system in the Corporation would become easy to reference any payment voucher. He further mentioned that management wished to inform ASSL that all missing vouchers and

cheque numbers that were not recorded in the system as expenses had been adjusted in the financial statements, and were ready for verification.

9.27.4. Audit Verification Report

It was observed that some vouchers were still missing.

Refer to the Table of Common issues (Page 214) for further observations.

9.28. ROAD MAINTENANCE FUND (JULY 2011 – DECEMBER, 2012)

9.28.1. Procurement Procedures Not Followed

Procurement procedures were not followed for expenditures totalling Le204,274,400. It was recommended that procurement procedures must be adhered to, according to the Procurement Act, of 2004 and where the procedures were not complied with, the reasons should be documented.

Auditor's Comment

During the verification exercise, supporting documents were provided for the above mentioned procurements by management but supporting documents were not provided for amounts totaling Le 204,274,400 to show that proper procurement procedures were followed.

9.28.2. Excess Payment To Contractors

Independent checks to confirm correctness of outstanding amounts owed to contractors were not done by the administration for the payment requests sent by the SLRA. As a result of this Le14,442,652 was paid in excess in the case of the final payment request verified. Also, some cheques which were prepared for payment to some contractors were not collected by them. It was recommended that all payment requests by SLRA should be investigated and approved, before payments were made to avoid over payment by the administration.

Official's Response

The CEO stated that the payments in question related to contracts awarded by SLRA between 2010 and 2011 before the RMFA took over the management of the fund. He mentioned that those were liabilities passed over to RMFA by SLRA without the supporting signed contracts between SLRA and the contractors. He said that they had acted in good faith trusting and relying on the submission of SLRA as the employing agency and in accordance with the provisions of Section 23 (2) (a) of the RMFA Act, 2010. He however stated that he would ensure that all future requests by SLRA were thoroughly scrutinized and verified, and supporting documentations obtained.

Auditor's Comment

The issue is still outstanding.

9.28.3. No evidence of board minutes

There was no evidence of board minutes with respect to sitting fees paid to four board members amounting to Le7,500,000. It was recommended that the evidence of board meetings should be made available for audit inspection or the board members in question must refund the sitting fees to the Administration.

Official's Response

The CEO stated that minutes of the Board Finance Committee Meetings which approved the payment of sitting fees to board members were available for audit inspection. He said that the Committee meeting minutes had been filed separately from the main Board minutes which were requested for audit inspection during the field audit.

Auditor's Comment

Evidence of Board Meeting was seen for only 25th January, 2012. For the other missing Board minutes, the CEO informed the audit team that the previous Finance Director had not been keeping copies of Board Minutes and that was why copies of Board Minutes had not been provided to the audit team.

9.28.4. Breach of the RMFA Act

There was no Board meeting for the period March 29, 2012 to October 9, 2012 which was in contravention of section 6(1) of the Road Maintenance Fund Administration Act 2010, which states that "The Board shall hold its first meeting on a date and at a time to be determined by the minister, after consultation with the board; and after that, the Board shall meet for the dispatch of business at least once every three months". The Chairman last attended a board meeting on 29th March, 2012, two board meetings were held in his absence on the October, 2012 to January 23, 2013. The RMFA Act was also not clear on the power to convey regular board meetings. It was recommended that the Administration should ensure that it complied with the RMFA Act, 2010 regarding the convening of Board meetings.

Official's Response

The CEO in his response stated that he had no idea why the board did not meet as required by the Act with regard to the chairman not attending board meetings, the CEO confirmed that the Chairman had been informed of all Board meetings.

Auditor's Comment

The issue is still outstanding.

9.29. ENHANCED INTEGRATED FRAMEWORK COUNTERPART FUNDING (2012)

9.29.1. Counterpart Fund

An amount of Le100,000,000 was paid into the Counterpart Fund by the GOSL for the EIF project. However, no records for the above transaction were disclosed in the 2012 Financial Report of the Project as required by Project Reporting Standards. It was recommended that all government support to the project must be disclosed in the financial report and that the National Implementation Unit should ensure that it complied with the reporting standards in the Memorandum of Understanding.

Official's Response

The Project Coordinator stated that in future, the issue would be addressed accordingly.

9.29.2. Auditor's Comment

The Le 100,000,000 government support to the counterpart fund was not disclosed in the financial Report. The issue is still outstanding.

9.30. W/A REGIONAL COMMUNICATIONS INFRASTRUCTURE PROGRAMME (2012)

9.30.1. No Segregation Of Duties

There were control weaknesses in the processing and recording of financial transactions. Adequate segregation of duties did not exist between the initiation, authorization, disbursement and recording function, as the Financial Management Specialist carried out all the operations alone from inception to conclusion.

Official's Response

The Project Coordinator stated that MoIC had assigned the Accountant of the Ministry to handle the finances of the Project. He also mentioned that a Finance Clerk had been assigned to assist the Accountant in the Project. He said that hopefully, the increment of staff would reduce the work load of the Accountant and ensure segregation of duties.

Auditor's Comment

The issue is outstanding.

9.30.2. Periodic Review Of The Project's Internal Controls And Compliance Was Not Done

The Ministry of Information and Communication's Internal Audit is charged with the responsibility to review the internal controls systems, the overall operations and compliance with the agreement of the project. The Internal Audit did not conduct any work on the project for the period under review.

Official's Response

The Programme Coordinator in his response stated that the MoIC had directed the Internal Audit team of the Ministry to prepare quarterly work plan and audit programmes in reviewing the internal control processes of the PIU and submit quarterly reports on its work with the project. He said that full access had been given to the auditors to all financial records and documents.

Auditor's Comment

The issue is still unresolved.

Refer to the Table of Common issues (Page 214) for further observations.

9.31. INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT/RURAL FINANCE AND COMMUNITY IMPROVEMENT PROJECTS (2011)

9.31.1. Financial Issues

A handful of Payment Vouchers relating to the procurement of certain items inspected by the auditors, did not bear the signature of the Coordinator, confirming his approval/authorization of the transaction. It was therefore recommended that management should ensure that payment vouchers

were completed in full and initialed by authorized personnel before any payment transaction was effected.

Official's Response

The Project Coordinator said that management would ensure that all payment voucher were fully initialed by the appropriate personnel.

9.31.2. Sites visitation

The auditors visited project areas in Kenema, Kailahun, Kono and Koinadugu districts, where the Rural Finance and Community Improvement Projects (RFCIP) sponsored by the International Fund for Agricultural Development (IFAD) and Government of Sierra Leone (GoSL) were undertaken, and the following were observed:

- The construction of the Technical Assistant Agency building at Lambayama Section Blama Road Kenema was still in progress.
- The construction of the Financial Services Association (FSA) building at Largo in the Nongowa Chiefdom is yet to be completed. The reason for the delay was that the initial contract was terminated and another contractor was subsequently sought.
- The construction of the Community Bank at Tongo Field in the Lower Babara Chiefdom had been completed and ready for full operations but the Manager's quarter was yet to be fenced.

It was recommended that more efforts were to be put in place to ensure the speedy completion of the projects.

Official's Response

The Project Coordinator noted the observations and recommendation.

9.31.3. Kailahun District

Projects:

The projects visited in the Kenema district were as follows:-

The construction of the Ward Committee Office at Pendembu and Kangama.

Implementing Agency: Rural Finance and Community Improvement Project (RFCIP)

The sites visited were Mandu Chiefdom, Pendembu and Kangama.

It was observed that the construction of the Mandu Financial Services (FSA) building was yet to be fully completed. The reason for the delay was that the initial contractor was not performing effectively and the contract was in effect terminated and a new contractor was hired. The construction of the Ward Committee Offices in Pendembu and Kangama Town had been completed. It was recommended that efforts were to be increased to ensure the completion of the projects.

Official's Response

The Project Coordinator stated that action had been taken to ensure speedy completion of the construction of the FSA at Mandu Chiefdom.

9.31.4. Kono District Projects:

The projects visited in this district were as follows:-

- The construction of the Kangama Financial Services Associations (FSA) building in the Gorama Chiefdom;
- The construction of the Nimikor Community Bank in the Njaiama Nimikor Chiefdom; and
- The construction of a Ward Committee Office at Ngo Town in the Njaiama Swafe Chiefdom.

Implementing Agency: The Rural Finance and Community Improvement Project (RFCIP).

The sites visited were: Goroama Chiefdom, Njaiama Nimikor Chiefdom, Njaiama Swafe

It was observed that the construction of the Financial Services Association (FSA) building at Kangama in the Gorama Chiefdom had been completed and currently in use. In addition, the construction of the Community Bank at Njaiama Nimikor Chiefdom was yet to be completed and the construction of a Ward Committee Office at Ngo Town Community in Njaiama Swafe Chiefdom had been completed. It was recommended that the project implementation team should intensify their effort to ensure the completion of the project.

Official's Response

The Project Coordinator noted the observations and recommendation.

9.31.5. Koinadugu District Projects:

The projects visited in this district were as follows:-

- The construction of the Musaia Financial Services Association (FSA) building
- The construction of a Ward Committee Office in the Folosaba Dembela Chiefdom.
- Implementing Agency: The Rural Finance and Community Improvement Project (RFCIP).

The site visited was the Musaia Community.

It was observed that the construction of the Ward Committee Office at Musaia had been completed and the construction of the Musaia Financial Services Association (FSA) building in the Folosaba Dembehla Chiefdom was yet to be complete.

It was recommended that efforts should be intensified to ensure the speedy completion of the Musaia Financial Service project.

Official's Response

The Project Coordinator noted the observations and recommendation.

9.31.6. General Observation

The Engineers of the various projects should more effectively monitor and supervise the projects under their control to ensure that they are completed within the time frame set in the contract agreements and according to the agreed designs.

Official's Response

The Project Coordinator noted the observations and recommendation.

**9.32. INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT /
REHABILITATION AND COMMUNITY-BASED POVERTY REDUCTION PROJECT
(2011)**

9.32.1. Sites Visitations

The auditors visited the Kenema, Kailahun, Kono and Koinadugu Districts where the projects sponsored by the International Fund for Agricultural Development (IFAD) under the Rehabilitation and Community-Based Poverty Reduction Project and Government of Sierra Leone (GoSL) were undertaken.

9.32.2. Kenema District

Project - The rehabilitation of the Inland Valley Swamp (IVS) at Tissor in the Nongowa Chiefdom.

Implementing Agency-Rehabilitation and Community-Based Poverty Reduction Project (RCPRP)

Site Visited - The Tissor Community, in the Nongowa Chiefdom.

During visit of the auditors to the Kenema District they observed that some community members (beneficiaries) at Tissor in the Nongowa Chiefdom did not seem to understand their contribution in project implementation for the development of the Inland Valley Swamp in their Community. They had the misconception that the main focus of the project was to provide finances, which were being entrusted to the elders, focal persons and chairpersons, for distribution to the community. It was recommended that a community sensitization exercise was undertaken to ensure that the beneficiaries of the IVS projects were given a clear insight into the aims and objectives of the projects.

Official's Response

The Project Coordinator said that he noted the observations and recommendation. He however mentioned that they had mounted series of sensitization on their projects aims and objectives. Notwithstanding the above, management would embark on more proactive sensitization approach that would give clear insight of the projects objectives, he added.

9.32.3. Kailahun District

Projects -The main projects undertaken in this district were:

- Rehabilitation of the 12.5 km feeder road spanning the Jawaie to Mandu Chiefdom,
- Rehabilitation of the Inland Valley Swamp (IVS) at Daru Jawaie Chiefdom, Pendembu and Kangama .
- The construction of four (4) quarters at Clonal Garden in Pendembu Town .

Implementing Agency - Rehabilitation and Community-Based Poverty Reduction Project (RCPRP).

Sites Visited were:- Daru Jawaie – Chiefdom, Mandu Chiefdom and the Pendembu Clonal Garden
During the visit of the auditors to the Kailahun district the following were observed:

- The Rehabilitation of the 12.5km feeder road that spans the Jawaie and Mandu Chiefdoms had been completed.
- The rehabilitation of the Inland Valley Swamp (IVS) at Daru in the Jawaie Chiefdom was faced some constraints of limited tools to expedite the project.

- The construction of the four (4) quarters in Pendembu Clonal Garden was near completion.

It was recommended that efforts should be increased to ensure the speedy completion of the projects. Moreover the project implementation agency should consider instituting a maintenance policy for the roads that had been rehabilitated.

Official's Response

The Project Coordinator stated that a road maintenance fund had been set up by the Government of Sierra Leone to ensure continuous rehabilitation of feeder roads.

9.32.4. Kono District

Projects - The main project undertaken in this district is the development of the Tuiyo Inland Valley Swamp (IVS) at Fiama Chiefdom.

Implementing Agency - Rehabilitation and Community-Based Poverty Reduction Project (RCPRP).

Site Visited - Tuiyo Fiama Chiefdom

It was observed that the rehabilitation of the Inland Valley Swamp (IVS) at the Tuiyo Fiama Chiefdom was ongoing as scheduled. It was therefore recommended that a continuous rehabilitation programme was instituted in order for the Inland Valley Swamps (IVS) sites not to be left unattended.

Official's Response

The Project Coordinator said that he noted the observations and recommendation.

9.32.5. Koinadugu District

Projects -The main project undertaken in this district was the rehabilitation of the Inland Valley Swamp (IVS) at Madina in the Folosaba Dembela Chiefdom.

Implementing Agency - Rehabilitation and Community-Based Poverty Reduction Project (RCPRP).

Site Visited - The Madina Community

It was observed that the rehabilitation of the Inland Valley Swamp (IVS) at Madina, in the Folosaba Dembehla Chiefdom had been completed. For continuous IVS development programmes it was therefore recommended that the Inland Valley Swamp (IVS) sites should not be left unattended.

Official's Response

The Project Coordinator said that he noted the observations and recommendation.

9.32.6. General Recommendations

The Engineers who have been contracted to undertake various projects should be effectively monitored and supervised to ensure that the projects are completed within the time frame set in the contract agreements and according to the agreed designs.

The project implementing agency should institute continuous development programmes after the initial project period ends so that the Inland Valley Swamp (IVS) sites would not be left unattended thereby resulting in the swamp becoming bushy and unusable in the coming seasons.

The project implementing agency should consider instituting a maintenance policy so that the roads would not return to their former states.

Official's Response

The Project Coordinator noted the observations and recommendation.

Refer to the Table of Common issues (Page 214) for further observations.

9.33. YOUTH EMPLOYMENT SUPPORT PROJECT (2012)

9.33.1. Computerized Accounting Software

In accordance with the Project Operations Manual, page 23, Chapter 101, “the books of account will be maintained on computerized accounting system (Sun Accounting), in order to ensure accurate processing and reporting of the use of funds.” This was not in place during the course of the audit assignment. An excel spread sheet print-out was made available to the auditors. It was recommended that Sun Accounting Software should be procured and installed and all staff involved in the financial management of the project should be given comprehensive training.

Official's Response

The Project Coordinator stated that Management was of the view that the Sun Accounting Package was too large taking into consideration the size of the project. He said that Management would look into other possibilities to address the concerns of the auditors.

9.33.2. No Chart of Account Developed

There was no Chart of Account developed for the project. It was recommended that there must be Chart of Accounts developed for the project, which must be in compliance with the Project Operation Manual and in consonant with the Finance Agreement.

Official's Response

The Project Coordinator stated that discussions had commenced with the relevant departments within the Ministry for the Government's chart of accounts structure to be rolled over to the project.

9.33.3. No signed Contract Letter for Consultants

There was no Contract Letter or Letter of Engagement signed by the Consultants who received salary from the project implementing unit. There were evidences that payments were made at the end of the respective months to consultants, but they could further examine the terms of engagement to establish if the terms were being complied with by the duo. It was recommended that the Contract Letter or Letter of Engagement must be made available to the auditors as audit evidence or a letter of representation be made by the project implementation unit.

Official's Response

The Project Coordinator stated that Contract letters were available for all core staff being paid from the project and could be made available for review.

CHAPTER 10

CITY, MUNICIPAL AND DISTRICT COUNCILS

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 Councils and whether they are prepared in accordance with the acceptable accounting framework and other relevant legislation. Risk based, the audits covered the period 1st January to 31st December 2012. They focused on the transfer of local government grants and other grants made to the Councils in respect of 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 ISSAI standards, the audit test procedures included the examination of Councils' records, their control environment, control procedures, statutory disclosures and other requirements. The 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. 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 Financial Statements for 19 Councils were submitted for audit before, or shortly after, the legislative deadline of 31st March 2012.

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:

- Inadequate budgetary process;
- Reporting and Presentation of Financial Information;
- Breaches of Procurement Act and Regulations;
- Expenditure not supported by relevant documentary evidence;
- No guidelines for the payment of Councillor Sitting Fees and other allowances;
- Statutory deductions not paid over to the relevant Authorities;
- Inadequate control over the collection, recording and reporting of Financial Transactions;
- Set targets of the Performance Management Contract not met;
- Internal Control Environment /Internal audit ineffective and

- IT Control Environment deficient

These observations are expanded upon in more detail below and in even greater detail in the individual Councils' Reports submitted to the Minister of Local Government and Rural Development.

- **Summary of Detailed Findings and Recommendations**

Inadequate Budgetary Process

Paragraph 67(2) of the Local Government Act, 2004 requires that the budget should reflect the priorities and needs of the localities within the district. However, there was no evidence to justify that the various Wards within the Councils were consulted in preparation of the Councils' budgets. Also, evidence of regular review of Councils' cash flow position was not available for audit. In most instances, variances were observed between Medium Term Expenditure Framework (MTEF) Budget Estimates 2012 prepared and submitted by the council and the budgets disclosed in the Financial Statements.

Reporting and Presentation of Financial Information

A more comprehensive reporting system using International Public Sector Accounting Standards (IPSAS) Cash Basis was introduced to all Local Councils during the financial year 2012. The Financial Statements of Councils for the year ended 31st December 2012 were prepared in accordance with the Local Government Act, 2004 and its underlying Financial Regulations. Additional financial statements were prepared using the modified cash basis of accounting. This was done mainly to capture loans and advances, investments and outstanding public debt of the Councils as part of its financial assets and liabilities so as to provide a statement of assets and liabilities, as required by the Financial Regulations.

However control weaknesses were observed in the use of the PETRA Accounting System which generated the accounting information that was used to prepare the Financial Statements. In some instances, differences were noted between amounts recognized in the Financial Statements and those generated from the PETRA Accounting System.

Breaches of Procurement Act and Regulations

Lack of three Requests for Quotations (RFQ)

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 Le3.5 billion in 2012 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.

Wrong procurement Methods

Section 38 of the Public Procurement Act 2004 requires that the Council should undertake open competitive bidding when ordering goods, works or services. This requirement was not met by two Councils during 2012, as an amount of Le296.1 million, was spent for goods and cleaning of Hospitals for which tendering procedures were not carried out. The decision not to use the NCB for these contracts may have resulted in the Councils not maximising value-for-money and increased the risk that the contract will not be delivered successfully.

Contract Conditionality not followed

- A contract for the supply of food and non-food items to the Koidu Government Hospital was awarded to a contractor in February, 2011, and expired in February 2013. The contract price was Le266, 000,000 but payments made as at the 27th of August 2012 exceeded the contract price by Le57,369,200. However, an amended contract to justify the excess payments was not submitted for inspection.
- The sum of Le25,000,000 was paid for the supply of 100 dust bins to the various Wards for waste management activities. It was however observed that these dust bins were still not supplied. There is now a significant risk that this contract will not be delivered successfully and that Council funds have been wasted.
- On the 12th of March 2012, a contract was awarded for the construction of a Well-Fed Gravity Water system in Boajibu, Simbaru Chiefdom. The total contract price was Le192,870,000. A performance bond/advance payment guarantee to secure the contractor's obligation to fulfill the contract was not obtained from the contractor.
- A Certificate of Completion, progress payment certificate, engineering and monitoring report were not submitted for two contracts (Construction of Cold Room and Well-Feed Gravity Water System). A total payment made for these contracts was Le667,450,836.
- An amount of Le 244,975,634 was paid to a contractor for which Defect Liability Certificates were not submitted to the ASSL for review.
- A review of the procurement documents relating to the contract for the supply of Diet to the Lakka Government Hospital, disclosed that one of the bidders submitted, as part of its bid documents, a letter of recommendation signed by both the Matron and Medical Superintendent of the hospital. It was surprising to note that these two officers were also members of the Evaluation Committee for the award of the contract and there was no evidence to show they declared their conflict of interest. The contractor was awarded the contract for the sum of Le483,408,000.
- The contract for the supply of 40 KVA Generator was awarded for sum of Le150 million. The Company that was awarded the contract did not submit a Manufacturer's Authorisation Certificate (MAC), as required by the Invitation for Bids.
- It was observed that contingency fees amounting to Le15,000,000 and Le4,347,925 in relation to the contracts for rehabilitation of a perimeter fence at the Lakka Government Hospital and rehabilitation of an Education office at Waterloo were included and paid with the contract price even though no events took place that should have been certified by the Engineer

Table 10.1 -*Breaches of Procurement Act and Regulations*, identifies Councils and provides values for examples of the types of breaches described above.

Table 10.1 Breaches of Procurement Act and Regulations				
Name of Council	Wrong Procurement Method Le	Lack of 3 RFQs Le	Contract Conditionality not followed Le	Total Le
Bonthe Municipal Council		191,220,000		191,220,000
Bombali District Council		78,045,000		78,045,000
Kambia District Council		55,560,000	25,000,000	80,560,000
Koinadugu District Council		73,192,500		73,192,500
Kenema District Council		860,320,836		860,320,836
Koidu New Sembehun City Council		166,688,000	57,369,200	224,057,200
Makeni City Council		8,530,000		8,530,000
Pujehun District Council	200,000,000	210,110,160		410,110,160
Tonkolili District Council		23,000,000	99,100,000	122,100,000
Western Rural District Council	96,135,000	897,731,559		993,866,559
Total	296,135,000	3,481,484,260	181,469,200	3,959,088,460

Payments without adequate documentary evidence

Standard accounting practice and internal control procedures dictate 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.

In the Financial Statements for 2012 a significant amount of expenditure (excluding payroll costs) could not be supported by adequate documentary evidence such as receipts, invoices, beneficiary lists, delivery notes, etc. Based on sample testing, the estimated value of such expenditures is approximately Le1.07 billion. 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 10.2 - Expenditure Without Adequate Documentary Evidence	
Name of Council	Total Le
Bo District Council	110,858,000
Bonthe District Council	13,406,000
Bonthe Municipal Council	173,711,305
Bombali District Council	46,000,000
Freetown City Council	320,030,791
Kambia District Council	16,800,812
Koinadugu District Council	183,875,632
Kenema City Council	23,490,000
Kenema District Council	28,380,000

Table 10.2 - Expenditure Without Adequate Documentary Evidence	
Koidu New Sembehun City Council	34,600,000
Kono District Council	21,586,000
Makeni City Council	14,571,221
Pujehun District Council	21,000,000
Western Rural District Council	65,280,001
TOTAL	1,073,589,761

No guidelines for the payment of Councillor sitting fees and other allowances

Payments totalling Le1.35 billion were made to Councillors as sitting fees and allowances during 2012. 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, should 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 meetings which they actually attend. During the year to 31st December 2012, the sum of Le438.2 million was paid as sitting fees and other allowances to Councillors who were absent from the meeting to which the payments related. Also, the sum of Le227.5 million was paid as sitting fees and other allowances to Councillors without any evidence in the form of attendance registers and minutes to justify that Council meetings were held to which the payments related.

Statutory deductions not paid over to the relevant Authorities

Withholding taxes, PAYE and NASSIT contributions of Le82.3 million, Le344.7 million and Le345.9 million respectively, were in most cases not deducted and paid over to the National Revenue Authority and NASSIT as required by the Income Tax Act. Failure to pay tax reduces the amount of revenue collected by and available to Government and threatens delivery of critical Government services. The failure to deduct and pay over the amounts withheld from employees' salaries will result in contribution gap difficulties being encountered at NASSIT by employees on retirement. The retirement benefits of staff will be seriously affected as retired workers will not be able to get their correct terminal benefit packages and the Council risks being sanctioned for not complying with regulations related to amounts withheld.

Table 10.3 - *Statutory Deductions Not Paid Over to the Relevant Authorities*, identifies Councils and provides values for the statutory deductions.

Table 10.3 – Statutory Deductions Not Paid to the Relevant Authorities			
Name of Council	Withholding Tax Le	NASSIT Le	PAYE Le
Bonthe Municipal Council	12,483,712		
Moyamba District Council	10,100,734	21,830,736	1,332,500
Bombali District Council	26,431,397		
Kambia District Council		6,439,500	

Table 10.3 – Statutory Deductions Not Paid to the Relevant Authorities			
Name of Council	Withholding Tax Le	NASSIT Le	PAYE Le
Kenema District Council	1,459,100		
Kenema City Council	2,368,838		
Kono New Sembehun City Council	2,630,000		
Kono District Council	1,550,350		
Freetown City Council	11,042,157	305,642,629	343,330,018
Western Rural District Council	14,285,433	12,058,500	
TOTAL	82,351,728	345,971,365	344,662,518

Inadequate control over the assessment, 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 to the assessment, collection of and accounting for such revenues and other public moneys relating to their departments or offices. During 2012, Own Source Revenue amounting to Le382.5 million was not brought to account. The system may be abused by dishonest officials and as a result Councils may not be able to meet planned commitments. This may undermine the credibility of the Financial Statements. The Chief Administrators should ensure that controls over the assessment, 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 account are accurate and complete and are supported by the appropriate documentary evidence.

It was also observed that the sum of Le3.95 billion relating to Property Rates was still in arrears in one of the Councils. This may lead to the loss of public funds and will undermine the Council's development programmes. The Chief Administrator should ensure that effective modalities are instituted to enhance the collection of property rates from the institutions.

Table 10.4 – Inadequate Control Over the Assessment, Collection, Recording and Reporting of Financial Transactions		
Name of Council	Not brought to Account Le	Revenue Arrears Le
Bo District Council	28,068,250	
Bombali District Council	5,453,886	
Tonkolili	3,066,760	
Freetown City Council	271,279,500	3,947,205,242
Kambia District Council	33,429,280	
Koinadugu District Council	3,755,000	
Kenema District Council	25,747,500	
Western Rural District Council	11,675,000	
TOTAL	382,475,176	3,947,205,242

Set targets of the Performance Management Contract not met

In November 2011 Local Councils entered into a contracting agreement with His Excellency the President on performance tracking of Councils. The rationale of the performance tracking initiative was geared towards development of the respective district/city/municipal councils with regards generating their own revenue and utilising it for development purposes instead of relying on funds from central government and/or donor dependency. The implementation of the performance tracking commenced in January, 2012.

However, at the end of 2012 the targets set in the Performance Management Contract that were agreed on between His Excellency the President and the Councils were not fully met for some of the specific deliverables.

Internal Control Environment

The Internal Audit Units in the Councils are a key component of the system of internal control. Section 84 (2) and (4) of the Local government Act 2004 requires 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. These sections also require that a copy of the Internal Audit Report should be sent to the Minister of Local Government and Rural Development. We noted these Units were grossly understaffed, there were no Internal Audit Manuals; and that there was no evidence to show that the Internal Audit Reports were submitted to the Minister for the period under review.

Effective checks on internal controls and the accuracy of transaction recordings were not carried out on the books of account. Reviews were only carried out on payment vouchers. No risk management process was in place at the councils to identify and respond to the risk of fraud.

IT Control Environment

Provisions for virus protection for desktop PCs and laptops are inadequate. Antivirus software is inadequate. In fact most of the computers at the Councils were infested with viruses.

The PETRA accounting package for local councils makes provision for manual Payment Vouchers (PV) numbers to be inputted into the system. It was however observed that the expense voucher listing report in the PETRA did not have any provision for this; thus making it extremely difficult to trace individual payments to their source documents. In the same vein, the system generated PV numbers were in most instances not indicated on the manual PV in order to expedite the easy retrieval of Payment Vouchers.

CHAPTER 11

LOCAL CHIEFDOMS

MAIN POINTS

The audits of Local Chiefdoms focused primarily on the collection and administration of local taxes and other revenue generated by Chiefdom Councils which were deemed as high risk areas. Risk simply means the possibility of something undesirable happening at some time in the future and could have a negative impact should it happen. The exercise was carried out to ascertain whether the financial documents and books of accounts were a reasonable presentation of the results of the activities for the period, and applicable internal control procedures necessary for sound and prudent financial management were in place, and in line with existing rules and regulations.

Why it is important

According to the Local Government Act of 2004, the Chiefdom Councils' significant role is to ensure that revenues raised from local taxes and from mining revenues other than those collected by the Government are shared between itself and the Local Councils. Such revenues are used in the running of the affairs of the Chiefdoms.

What we found

In general and across virtually all Local Chiefdoms the significant matters identified in the audit examinations fall into the following areas:

- Poor cash and bank account management practices;
- Missing supporting documentation for transactions;
- Inadequate use of or a failure to use Asset Registers;
- Failure to deduct withholding tax from supplier remittances;
- Monthly Bank Reconciliations not carried out; and
- Precepts not deducted and paid to the Local District Councils.

There were also instances of largely unpresented documents upon request by auditors. Those vital documents hindered the audit exercise and sadly, after thirty days in which personnel of various chiefdoms were advised to produce those documents, most of them were not available.

Overall the findings suggest a need for greatly improved financial management with a clear focus on basic principles of book keeping.

Summary of Detailed Findings and Recommendations

Common Issues

These common issues are outlined in the paragraphs below. Table (1) shows to which chiefdoms 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 section relating to specific Local Chiefdoms.

Payments without supporting documents

Supporting documents for payments made by Local Chiefdoms, totalling Le313,074,513 were not presented for audit inspection for the reviewed period. As these documents were not made available, there is the risk that these payments were for goods or services that were not actually delivered to the respective institutions. It was recommended that Chiefdom Administrative Clerks should ensure that all supporting documents in relation to those transactions were submitted to ASSL for inspection and, in future, **ALL** supporting documents must be attached to PVs and retained for audit purposes.

Monies not brought to Account

A comparison between the receipt books used in the collection of revenue and the Bank Pay-in-slips and statements revealed a difference of Le86,396,000 that was not brought to account. It is critical that all revenue collected must be banked for proper accountability; otherwise it may be diverted into private use. It was recommended that in future, the revenue generated from the payment of local taxes, fines and other charges should be banked intact and the bank statements and pay-in-slips retained for audit and reference purposes. The Chiefdom Administrative Clerks should also ensure that the total amount was accounted for by those concerned and paid back into the Chiefdom's Account and payment forwarded to ASSL for verification.

Payment without recipient signature

There was no evidence in the form of recipient signatures on the payment vouchers as evidence of receipt to indicate that salaries/payments amounting to Le20,791,496 were received by suppliers/staff of the Chiefdom. There is the risk that salaries/payments were not made to the intended beneficiaries. There is a possibility that payments may be made to non existing suppliers or staff. The Chiefdom Administrative Clerks should provide the documentary evidence indicating that salaries/payments were received by the correct recipients and this must reach ASSL within thirty (30) days of the receipt of the report; otherwise, the full sum should be refunded.

Withholding tax not deducted and paid to the NRA

During the audits of the Local Chiefdoms conducted during 2013 it was identified that withholding taxes totalling Le6,245,300 were not deducted and paid to NRA as specified by section 117(4) of the Income Tax Act 2000. The amounts identified during the audits **MUST** be recovered and paid to NRA and evidence of payment forwarded to the ASSL for verification. The Commissioner of Income Tax should also take 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.

Monthly bank reconciliations not prepared

A number of Local Chiefdoms audited did not perform monthly bank reconciliations during the period subject to audit. 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 on the cash balance recorded in the cashbook but also over revenue and expenditure items reported. It is critical that the Local Chiefdoms perform bank reconciliations shortly after the end of each month. All differences should be fully investigated and the appropriate corrections made to the cashbook.

Precepts not deducted

Local tax collected during the period under review revealed that precepts amounting to Le96,702,133 were not deducted and paid to the Local District Councils. This may undermine the District's planned commitment in addressing the felt needs of chiefdoms. It was recommended that the Chiefdom Administrative Clerks should ensure that precepts were deducted in accordance with the regulation and paid to the District Council as soon as taxes were collected; In addition, the CCFC must forward the relevant documentary evidence supporting the payment of precepts to the District Council to ASSL for verification, within thirty (30) days the receipt of the report; otherwise, the total precepts due must be immediately refunded.

Fixed Assets Registers not maintained

A number of Local Chiefdoms audited did not maintain Fixed Assets Registers. This contravenes section 231(1) of the FMR 2007. Failure to maintain a Fixed Assets Register makes it virtually impossible to maintain adequate control over assets held. Fixed asset registers should be introduced immediately and Chiefdom Administrators must ensure that the location and state of all assets are checked on a regular basis, evidence of which must be documented.

Table No. 10.5							
CHIEFDOM	Payment without SD (Le)	Monies not brought to account (Le)	Payment without Recipient Signature (Le)	Withholdi ng taxes not paid to NRA (Le)	No Bank Reconcil iation done	Precepts not deducted	FAR not mainta ined
Badgia Chiefdom Bo District (2011)					✓		
Bagbo Chiefdom Bo District (2011)					✓		
Bagbwe Chiefdom Bo District (2011)	1,700,000				✓		
Boama Chiefdom Bo District (2011)	21,987,000		15,128,000				✓
Kakua Chiefdom Bo District (2011)			1,553,020				✓
Bumpeh Chiefdom Bo District (2011)	8,386,000						
Gbo Chiefdom Bo District (2011)					✓		
Jaiama Bongor Chiefdom Bo Chiefdom (2011)	56,590,693				✓		
Lugbu Chiefdom Bo District (2011)					✓		
Tikonko Chiefdom Bo District (2011)	36,343,145			201,450			
Valunia Chiefdom Bo District (2011)	6,425,000.						
Wonde Chiefdom Bo District (2011)	3,802,700						
Selenga Chiefdom Bo District (2011)			1,371,000				
Smallbo Chiefdom Council – Kenema District (2007-2010)	10,613,975				✓	6, 783,000	✓
Nongowa Chiefdom Council – Kenema District (2007-2010)					✓	54, 476,133	✓
Lower Bambara Chiefdom Council, Kenema District (2007-2010)	18,900,000				✓	9, 422,000	✓
Kandu Leppiama Chiefdom Council, Kenema District (2007- 2010)	3,838,000				✓	11, 723,000	✓
Dama Chiefdom Council – Kenema District (2007 – 2010)	1,740,000				✓	14, 298,000	✓
Niawa Lenga Chiefdom Bo Chiefdom (2011)		26,510,000					
Sanda Loko Chiefdom Bombali District (2009-2011)		28,125,000					✓
Safroko Limba Chiefdom Bombali District (2009-2011)	3,415,000	4,685,000					✓
Paki Masanbang Chiefdom Bombali District (2009-2011)		4,790,000					
Makari Gbanti Chiefdom Bombali District (2009-2011)	77,350,000	4,360,000		3,472,500			✓
Biriwa Chiefdom Bombali District (2009 – 2011)	9,640,000	6,120,000		207,500			✓
Bombali Shebora Chiefdom (2009 -2011)	10,406,000	4,193,000		1,865,000			
Gbanti Kamaranka Chiefdom Bombali District (2009 – 2011)	7,601,000	5, 523,000					✓
Gbendembu Ngowahun Chiefdom Bombali District (2009 – 2011)	34,336,000	2, 090,000	2, 739,476	498,850			✓
Total (Le)	313,074,513	86,396,000	20,791,496	6,245,300	N/A	96,702,133	N/A

Unpresented Documents

In spite of several requests, vital accountable documents were not submitted for inspection in the undermentioned Local Chiefdoms for various periods under review. See table 10.6 below:

Table No. 10.6	
LOCAL CHIEFDOM	UNPRESENTED DOCUMENT
Bagbo Chiefdom Bo District (2011)	Staff Personnel Files and Staff Attendance Register
Bagbwe Chiefdom Bo District (2011)	Bank Statements, Staff Personal Files and Attendance Registers
Bumpeh Chiefdom Bo District (2011)-	Staff List and Staff Attendance Register
Gbo Chiefdom Bo District (2011)	Bank Statements and two (2) General Receipt Books
Jaiama Bongor Chiefdom Bo Chiefdom (2011)	Bank Statements
Kakua Chiefdom Bo District (2011)	Staff list and Staff Attendance Register
Lugbu Chiefdom Bo District (2011)	Bank Statements
Niawa Lenga Chiefdom Bo Chiefdom (2011)	Bank Statements, Staff list, Cash Requisition for the payment of allowances and Staff Personnel files
Tikonko Chiefdom Bo District (2011)	Monthly Cash Requisitions, Staff list and Staff Personnel files
Valunia Chiefdom Bo District (2011)	Ten (10) Local Tax Receipt Books and Staff List
Small Bo Chiefdom Council Kenema District (2007-2010)	Bank Statements 2009 – 2010
Nongowa Chiefdom Council Kenema District (2007-2010)	Bank Statements 2008-2010
Lower Bambara Chiefdom Kenema District(2007 – 2010)	Local tax receipt books for the 2007 and 2008 tax years; Bank Statement 2009 to 2010
Kandu Leppiama Chiefdom Kenema District(2007 – 2010)	Local tax receipt books for 2009 tax year and Bank Statements (2007, 2008 and 2010)
Dama Chiefdom Council Kenema District(2007 – 2010)	Local tax receipt books (2007 -2008), Staff list and Attendance Registers
Makari Gbanti Chiefdom Bombali District (2009-2011)	Request for Quotations
Bombali Shebora Chiefdom (2009 -2011)	Pay –in – Slips for unclaimed salaries

It was recommended that Chiefdom Administrative Clerks should ensure that a secured system existed for the safe custody of all accountable documents and were required to submit the queried documents to ASSL, within thirty (30) days of the receipt of the report for verification.

CHAPTER 12

SCHOOLS

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MAIN POINTS

What we examined

The audits of schools and other educational institutions were focused on high risk areas. Risk simply means the possibility of something undesirable happening at some time in the future and could have a negative impact should it happen. The audit was undertaken in order to ascertain whether girl child refunds were paid to the legitimate parents/guardians and to confirm whether rules and regulations governing employment of teachers on the school's payroll voucher were followed and whether these teachers were gainfully employed by the Central Government.

Why it is important

In order to promote the education of the Girl Child, the Government through the Ministry of Education Science and Technology (MEST) introduced a policy to encourage parents to send their children to school, and the Government in return pays their school fees. The purpose of this payment by government to schools is to subsidize the payment of school fees which must be refunded to parents/guardians when the school authorities receive the subsidy. The scheme has been in operation for over 10 years now, with an increase in student enrollment.

Citizens of Sierra Leone value education for their children and themselves as education plays a major role in the advancement of society, poverty reduction and economic development. Government policy and the expenditure of significant public funds to get the desired results are a reaction to the wishes of the people of Sierra Leone.

What we found

Controls over the processing of Girl Child Refunds were weak. This apparent lack of control resulted in:

- Refunds procedures not fully complied with by schools
- Refunds not paid over to parents/guardians
- Refunds being made to ineligible beneficiaries
- Unclaimed refunds not being paid into the Consolidated Revenue Fund

Payroll records were poorly managed. As a result of poor records management, staff members did not have personal files and some existing files lacked vital information such as offer and acceptance of employment letters, Employment Data (ED) Forms, etc. Unclaimed salaries were not paid back into the Consolidated Revenue Fund. The names of staff who had attained the statutory retirement age of 60 years were still on salary vouchers. Some staff members/ teachers whose names were on the salary voucher could not be physically verified.

We will continue to review the situation with the hope of an improvement. The Ministry of Education must therefore follow-up on our detailed observations as set out below.

DETAILED FINDINGS AND RECOMMENDATIONS

11.1. BREACHES IN GIRL CHILD SUPPORT REFUND PROCEDURES

In accordance with Guidelines for the refund of fees under the Girl Child Education Support, the school authorities must complete the following information during the refund of fees: the details of the pupil (names of pupil, Form & Admission Number), fees (paid, owed & refunded), details of parents/guardians (Name, address & Phone Numbers) signature and date. Refunds must be made only to a third party (parents/guardians) and the beneficiaries must acknowledge receipt of refunds by signing (not thumb Print) if their parents are unable to do so.

Relevant procedures, as stated above, were not fully met by some schools in the refund of Le64.3 million to beneficiaries for the Girl Child Education Support. This breach in guidelines may have resulted in funds being diverted to personal use thereby leading to the loss of government funds.

Table 11.1 -*Breaches in Girl Child Refund Procedures*, identifies Schools, and provides values for the breaches described above.

Table 11.1 Breaches in Girl Child Support Refund Procedures	
Name of School	Amount paid without fully following procedures Le
United Methodist Church-Bo	13,325,000
Ansarul Islamic JSS-Bo	4,870,000
Saint Andrews JSS-Bo	25,525,000
Yoni Bana Junior Secondary School- Yoni Bana Town	3,600,000
Services Secondary School Juba -Freetown	7,900,000
Murray Town Municipal Junior Secondary School- Freetown	9,060,000
TOTAL	64,280,000

11.2. UNCLAIMED GIRL CHILD SUPPORT REFUNDS NOT PAID BACK INTO THE CRF

The School Authorities were to make returns to the Consolidated Revenue Fund (CRF) in respect of unregistered and/or unrefunded claimants. Unclaimed refunds, totalling Le89.5 million were not paid back into the CRF. In addition, there was no evidence to indicate that this amount was paid back to beneficiaries.

Table 11.2 Unclaimed Refunds not paid back into the CRF	
Name of School	Amount Le
Queen of the Rosary JSS-Bo	150,000
Nusrat Jahan for Girls-Bo	150,000
Ansarul Islamic JSS-Bo	2,880,000
Ahmadiyya JSS-Freetown	4,180,000
Bishop Comforti Agricultural Secondary School Mile 91	800,000
Makeni Comprehensive Academy Junior Secondary School	1,025,000
Wallace Johnson JSS-Freetown	1,350,000

Table 11.2 Unclaimed Refunds not paid back into the CRF	
Name of School	Amount Le
United Methodist Secondary School For Girls-Freetown	2,450,000
St. Joseph's Secondary School –Freetown	27,625,000
Henry Fergusson Junior Secondary School Freetown	1,550,000
Government Independent Memorial Junior Secondary School Freetown	6,000,000
Government Municipal Secondary School Freetown	475,000
Freetown Secondary School For Girls Freetown	38,823,000
Methodist Junior Secondary School – Kenema	506,950
Dr. S.M. Broderick Junior Secondary School Freetown	1,590,000
TOTAL	89,544,950

11.3. GIRL CHILD SUPPORT REFUNDS TO INELIGIBLE BENEFICIARIES

Refunds were only to be made to those registered claimants who had paid their fees in full or in part and who had valid fees receipts. In addition, repeaters, non-claimants and fee defaulters need not be refunded. An amount of Le37.9 million was paid to persons whose names were neither on the claim sheet as pupils nor on the Fees Register.

Table 11.3 Refunds to Ineligible Persons	
Name of School	Amount Refunded Le
Ahmadiyya JSS-Freetown	1,940,000
Annie Walsh Memorial JSS-Freetown	4,605,000
Bishop Johnson Municipal School-Freetown	1,125,000
Wesleyan Secondary School- Freetown	5,870,000
Vine Memorial JSS-Freetown	5,030,000
St. Joseph's Secondary School –Freetown	3,250,000
Services Secondary School, Juba- Freetown	900,000
Government Model Secondary School-Freetown	3,000,000
Freetown Secondary School For Girls- Freetown	6,675,000
King Fahad Secondary School- Freetown	3,515,000
Lukes Commercial Secondary School – Kenema	2,000,000
TOTAL	37,910,000

11.4. NO EVIDENCE OF GIRL CHILD SUPPORT REFUNDS TO BENEFICIARIES

Despite repeated requests, several vital documents for funds received for the Girl Child Education Support program were not presented for audit inspection in some schools. There was no evidence to indicate that the sum of Le138.4 million paid into the school fees accounts, had been paid over to beneficiaries. There is the risk that this fund may have been diverted to personal use. It was therefore recommended that the Principals should ensure that a proper system existed 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. In addition, the accountable documents should be made available for inspection, to avoid attracting Section 18 (1) of the Audit Service Act, 1998.

Table 11.4 No Evidence of Girl Child Support Refunds	
Name of School	Amount Le
Abdel Nasser JSS-Bo	9,850,000
National Commercial Secondary School- Magburaka	840,000
Badru Deen Islamic JSS – Kenema	9,225,000
Murray Town Municipal JSS- Freetown	35,697,000
Henry Fergusson Junior Secondary School- Freetown	34,080,000
Government Independent Memorial Junior Secondary School Freetown	25,780,000
Dr. David Arnold High School Freetown	22,900,000
TOTAL	138,372,000

11.5. **TEACHERS WITHOUT EMPLOYMENT DATA (ED) FORMS**

Examination of payroll records maintained and submitted by the school revealed that copies of ED Forms and/or Appointment Letters were not kept in teachers' Personal Files. The sum of Le153.5 million was paid to these teachers during the period under review. There is the risk that salaries may be paid to non-existing staff.

Table 11.6 Teachers Without ED Forms	
Name of School without ED Forms/App Letters	Salary paid Le
United Methodist Church JSS-Bo	11,369,128
Ansarul Islamic JSS-Bo	31,107,048
Saint Andrews JSS-Bo	111,004,100
Total	153,480,276

11.6. **UNCLAIMED SALARIES NOT PAID INTO THE CRF**

Section 96(7) of the Financial Management Regulations 2007 requires that any unpaid personnel emoluments shall be repaid to the Accountant-General and the entry on the salary voucher shall be initialed by the paying officer and verified by the Chief Financial Officer.

Bank paying-in-slips and Accountant General's receipts were not available as evidence to justify that unclaimed salaries amounting to Le40.6 million were paid into the CRF. In addition, there was no evidence to indicate that this amount was paid back to the respective employees. There is the risk that payments of salaries may be made to non existing staff.

Table 11.7 Unclaimed Salaries not Paid into the CRF	
Name of School	Unclaimed Salary Le
Abdel Nasser JSS-Bo	4,833,892
Ansarul Islamic Sec. School - Mile 91	11,992,883
Badru Deen Islamic Junior Secondary School – Kenema	1,794,412
Benevolent Islamic Junior Secondary School – Magburaka	670,000
Bishop Comforti Agricultural Secondary School - Mile 91	463,603
Yoni Bana Junior Secondary School-Yoni Bana Town	5,152,074
St. Francis Senior Secondary School-Makeni	5,304,698
St. Francis Junior Secondary School, Makeni	1,534,950
Sierra Leone Muslim Brotherhood Junior Secondary School - Mile 91	1,104,410
Kissy Municipal Junior Secondary School – Freetown	4,209,198
Government Secondary School For Boys – Magburaka	2,705,048
Freetown Secondary School For Girls – Freetown	821,109
Total	40,586,277

11.7. **TEACHERS ON STUDY LEAVE WITHOUT THE APPROVAL OF MEST**

Some teachers whose names were on the salary vouchers were on study leave without the approval of the Ministry of Education. The sum of Le251.2 million was paid to them during the period under review. This may affect the teaching scheme and deprive the school and pupils of the much needed service of the teachers.

Table 11.8 Teachers on Study Leave Without the Approval of the Ministry	
Name of School	Salary Paid to Teachers on Study Leave Le
Queen of the Rosary JSS-Bo	8,115,252
Sierra Leone Muslim Brotherhood School-Bo	10,124,136
United Methodist Church JSS-Bo	36,626,825
Nusrat Jahan Girls-Bo	48,790,716
Methodist High School- Bo	59,575,992
Saint Andrews JSS-Bo	28,363,548
Abdel Nasser JSS-Bo	49,317,780
College Junior Secondary School – Kenema	10,304,148
Total	251,218,397

11.8. STAFF MEMBERS/TEACHERS NOT PHYSICALLY VERIFIED

Some staff members/teachers could not make themselves available for physical verification during the period of the audit exercise. The total salary that was paid to those staff members/teachers during the period amounted to Le75.6 million. There is the risk that staff members on the payroll are ‘ghost teachers’. This may lead to the loss of Government funds.

Table 11.9 Staff Members/Teachers not Physically Verified	
Name of School	Salary paid to Teachers not Physically verified Le
Ansarul Islamic Sec. School - Mile 91	25,045,860
Yoni Bana Senior Secondary School-Yoni Bana Town	22,493,844
Yoni Bana Junior Secondary School-Yoni Bana Town	12,189,696
St. Joseph Senior Secondary School-Makeni	15,867,384
Total	75,596,784

11.9. NAMES OF STAFF/TEACHERS ON SALARY VOUCHERS AND NOT ON STAFF LIST

There were some staff members/teachers whose names appeared on the salary vouchers but could not be found on the school’s staff list for that period. The total salary that was paid to those staff members/teachers amounted to Le9.3 million.

Table 11.10 Names of Staff/Teachers on Salary Vouchers and Not on Staff List	
Name of School	Salary to staff whose names are on Salary Voucher but not on Staff List Le
Ansarul Islamic Secondary School - Mile 91	9,293,393
Total	9,293,393

11.10. SALARY PAID TO OVERAGE STAFF

A review of the personnel files and records of staff revealed that salaries totalling Le26.5 million was paid to teachers who had attained the statutory retirement age of 60 years. This was in contravention of the NASSIT Act, and may lead to the loss of funds by Government.

Table 11.12 – Salaries Paid to Overage Staff	
Name of School	Salary to Over aged Staff Le
United Methodist Secondary School For Girls-Freetown	20,868,650
Government Model Secondary School-Freetown	5,601,554
Total	26,470,204

Appendix A (Losses of cash and stores recorded from 1st January 2012 to 31st December 2012)

MDA	Details	Page Ref	Cash loss (Le)	Other Items
Ministry of Finance And Economic Development (2012)	2,833 litres of fuel consumed without requisitions	132	12,757,500	
	5,369 litres of excess fuel issued without approval	132	24,169,000	
Min. of Education Science & Technology, HQ (2011)	Payment without supporting documents	128	18,206,230	
	Payment without supporting documents	128	293,176,400	
	Unretired imprest	128	72,112,333	
	Proceeds from sale of bids unaccounted for	133	2,970,000	
	Grant awarded without Authority's approval	134	60,000,000	
	Subventions not accounted for	134	124,585,832	
	Unauthentic Receipts issued	134	10,000,000	
Ministry of Education Science & Technology, Hq (2012)	Payment without supporting documents	128	13,775,176,449	
	Unretired imprest	128	60,400,000	
	Without relevant procurement documents	128	16,482,299,865	
	Proceeds from sale of bidding documents not accounted for	135	37,200,000	
	Grant awarded without Authority's approval	135	1,063,946,333	
	Withholding Taxes not paid to NRA	128	10,566,315	
	Fuel consumed without operating records	135	128,223,635	
	Unverified Assets	136	156,700,000	
Ministry of Education Science & Technology Eastern Region (2011)	Non retirement of allocations	138	37,342,992	
	Fuel consumed without operating records	139	32,780,000	
Ministry of Education Science & Technology Eastern Region (2012)	Three hundred and forty-six (346) text books recorded in the Allocated Stores Ledger (ASL) not found in the store.	139	-	346 text books
Ministry of Agriculture, Forestry & Food Security Hq (2011)	Payment without supporting documents	128	65,287,000	
	Unretired imprest	128	99,896,000	
	No evidence of recoveries for distribution of fertilizers	141	31,380,000	
Ministry of Agriculture Forestry & Food Security Hq (2012)	Debtors on Tractor Hire Purchase Scheme	142	2,391,443,249	
	Revenue not accounted for in the bank statement	143	931,896,487	
	Procured items not distributed	128	1,327,500,000	
	Bal b/d		37,250,015,620	

Appendix A Cont'd				
MDA	Details	Page Ref	Cash loss (Le)	Other Items
	Bal b/f		37,250,015,620	
Ministry of Agriculture Forestry & Food Security, Southern Region (2012)	No bank statement confirming payment of revenue into the bank.	145	15,401,000	
Ministry of Agriculture Forestry & Food Security, Eastern Region (2011)	Public funds not brought to account	147	41,749,000	
	Revenue neither recorded in the Cash Book nor seen in the Bank Statement.	147	5,051,000	
Ministry of Agriculture, Forestry & Food Security, Eastern Region (2012)	Revenue collected from forty two (42) receipt books not accounted for	149	210,000,000	
	Bank statements not available to justify revenue paid into bank	149	89,910,000	
Ministry of Agriculture, Forestry & Food Security, Bombali District (2011)	Revenue not brought to account	150	7,090,000	
Ministry of Agriculture, Forestry & Food Security, Bombali District (2012)	Revenue not brought to account	151	1,017,000	
Ministry of Agriculture, Forestry & Food Security, Tonkolili District (2011)	Payment without supporting documents	128	2,418,000	
Ministry of Mines & Mineral Resources HQ(2012)	Proceeds from the sale of bid documents unaccounted for (\$84,850 & Le21,150,000)	153	386,005,000	
	NASSIT deductions not paid over to NASSIT	154	57,924,099	
Ministry of Mines & Mineral Resources, Northern Region (2012)	Revenue not brought to account	159	6,500,000	
	Unclaimed salaries not paid into the CRF	159	2,610,360	
Ministry of Defence North (2012)	Unretired imprest	129	12,542,000	
	Records of fuel consumption not made available for audit inspection (26,276 litres)	161	118,242,000	
	Deductions from the salaries of junior staff without authority	161	6,108,000	
	Rice distribution list not made available for inspection	162	-	(324) bags
Ministry of Defence South (2012)	Withholding Taxes not paid over to NRA	129	919,450	
Ministry of Health & Sanitation (2012)	Payment without supporting documents	128	161,666,963	
	Distribution of phone cards without recipient's signatures	162	16,000,000	
Connaught Hospital (2012)	Payments without supporting documents	129	367, 986,986	
	Twenty-Four Receipt Books not accounted for	163	45,250,000	
	Revenue and proceeds allegedly paid to bank and the CRF	163	460,184,438	
	Withholding Tax not paid to NRA	129	4,692,850	
	Bal b/d		39,269,283,776	

Appendix A Cont'd				
MDA	Details	Page Ref	Cash loss (Le)	Other Items
	Bal. b/f		39,269,283,776	
Primary Health Care – Tonkolili District (2011)	Payment without supporting documents	129	5,395,000	
Primary Health Care Tonkolili District (2012)	Payment without supporting documents	129	53,000,000	
	Fuel allocations not brought to account	168	18,508,000	
	Revenue from the sale of cost recovery drugs not brought to account	168	89,365,048	
Primary Health Care Bombali District 2011	Payment without supporting documents	128	53,776,000	
	Fuel allocations not brought to account	169	20,014,000	
Primary Health Care Bombali District 2012	Records of sale of cost recovery drugs not made available	169	48,553,900	
	Deceased staff members still on staff list	170	25,312,350	
Makeni Government Hospital (2011)	Payment without supporting documents	129	2,819,000	
	Unretired imprest	129	2,095,000	
	Withholding tax not paid to NRA	129	1,276,800	
District Medical Office –Bo (2012)	Payments without supporting documents	129	478,545,083	
	Fuel consumed and not accounted for	174	136,113,500	
Ministry of Foreign Affairs (2010 – 2012)	Payment without supporting documents	130	295,005,918	
Ministry of Fisheries & Marine Resources (2012)	No procurement procedures followed	129	3,296,562,000	
	Revenue not brought to account	177	822,318,853	
	Monies not seen in the bank statements submitted for inspection. \$140,000	177	602,000,000	
	Revenue still outstanding.	177	906,306,032	
	Withholding tax not paid to NRA	129	1,970,600	
	Non delivery of Outboard Engine	178	117,073,299	
	Fishing Gears issued out of store without authorised request	179	899,132,000	
	Issue of stores items without recipients' signatures	179	336,678,700	
Ministry of Social Welfare, Gender & Children's Affairs (2011)	Relevant Procurement documents not available	130	115,200,000	
	Withdrawals without supporting documents (2,041,173,072 & \$ 2,657,846)	179	12,140,987,872	
	Bal b/d		59,737,292,731	

Appendix A Cont'd				
MDA	Details	Page Ref	Cash loss (Le)	Other Items
	Bal c/d		59,737,292,731	
Ministry of Social Welfare, Gender & Children's Affairs Eastern Region (2011)	Unretired imprest	130	209,916,250	
	Public funds not brought to account	180	6, 461,000	
Ministry of Internal Affairs (2011-2012)	Unretired imprest	130	48,350,000	
	Payment vouchers and supporting documents not submitted for inspection	130	2,107,904,000	
	Fuel utilised without operating records and supporting documents	181	32,500,000	
	No evidence of Top up card received by the claimed beneficiaries	182	8,000,000	
Provincial Secretary's Office – Eastern Region (2012)	Unretired imprest	130	14,257,100	
Provincial Secretary's Office – Northern Region (2012)	Withholding Taxes not paid over to NRA	130	2,012,850	
Ministry of Local Government & Rural Development (2011-2012)	Payment without supporting documents	130	15,395,000	
	Unretired imprest	130	296,477,840	
Ministry of Employment Labour & Social Security (2011&2012)	800 large factories owing government huge revenue	184	2,202,000,000	
	38 factory owners owing revenue for non-renewal of registration	185	164,000,000	
	21 Factory owners owing revenue for non-renewal of registration	185	9,011,000	
	63NGOs with outstanding payments for work permit registration	185	63,000,000	
	Revenue not brought to account	186	182,716,674	
	29 unverified members of staff	186	779,029,000	
	No documentary evidence for store items	187	118,145,700	
Ministry of Trade & Industry (2011-2012)	Loan issued to 59 Small and Medium Sized Entertainment without any documentary evidence	189	12,004,793,056	
	Bal b/d		78,001,262,201	

Appendix A Cont'd				
MDA	Details	Page Ref	Cash loss (Le)	Other Items
	Bal. b/f		78,001,262,201	
Ministry of Tourism & Cultural Affairs (2011-2012)	Unretired imprest	130	75,750,000	
	No expenditure returns for Monument and Relics Commission and the Sierra Leone International Theatre Institute.	189	71,214,152	
Cabinet Secretariat (2012)	Officers without contracts, gainfully employed	192	7,297,536	
High Court of Sierra Leone (2011)	No relevant procurement documents	131	290,128,000	
	Withholding Taxes not paid over to NRA	131	11,195,583	
Judiciary Eastern Region (2012)	Revenue not accounted for	195	67,935,681	
Sierra Leone Police (Hq) (2012)	Monies collected as own source revenue generated by the SLP, but not paid to the CRF.	196	2,462,595,000	
Sierra Leone Police – Southern Region (2012)	Revenue generated not paid into an account authorised by the Acct General.	198	224,800,000	
	Fuel not accounted for (1,872 litres)	200	8,424,000	
	Withholding Tax not paid over to NRA	131	6,628,437	
Sierra Leone Police – Northern Region (2012)	Withholding Tax not paid over to NRA	131	1,730,000	
National Stadium Management (2011-2012)	PVs and supporting documents not submitted for the utilisation of funds.	200	65,000,000	
	Banks Statements not made available in support of revenue collected.	201	34,704,430	
	Employees deduction not paid to NASSIT Account	201	34,720,263	
	Withholding Taxes not paid to NRA	131	19,780,500	
Sierra Leone Prisons-Southern Region (2011 & 2012)	Unretired imprest	130	107,945,000	
	Fuel not accounted for	203	77,989,500	
	Withholding Tax not paid over to NRA	130	537,900	
Sierra Leone State Prisons Eastern Region (2012)	Unretired imprest	131	16,879,000	
	Withholding Tax not paid to NRA	131	56,234,813	
	Distribution lists for fuel not provided for verification (1,000 litres)	203	4,500,000	
	Bal. b/d		81,647,251,996	

Appendix A Cont'd				
MDA	Details	Page Ref	Cash loss (Le)	Other Items
	Bal b/f		81,647,251,996	
Sierra Leone State Prisons Northern Region (2012)	Fuel consumption not made available for audit inspection(2,195 litres)	205	9,877,500	
	Ration allocations not brought to account	205	7,990,500	
Immigration Hq (2011)	Unretired imprest	131	23,000,000	
	Proceeds from sale of passports not brought to account	205	306,167,200	
Immigration Department Northern Region (2012)	Revenue not banked	206	152,288,500	
TOTAL			82,146,575,696	

