



GOVERNMENT OF SIERRA LEONE

**REPORT OF THE PUBLIC ACCOUNTS  
COMMITTEE ON THE REPORT OF  
THE AUDITOR GENERAL ON THE  
ACCOUNTS OF LOCAL COUNCILS  
FOR THE FINANCIAL  
YEAR 2012**

SUBMITTED BY

**HON. CHERNOR R. M. BAH  
CHAIRMAN PUBLIC ACCOUNTS COMMITTEE**

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## **LIST OF ABBREVIATIONS**

ASA	Audit Service Act 1998
PAC	Public Accounts Committee
CA	Chief Administrator
DCA	Deputy Chief Administrator
FO	Finance Officer
Acct.	Accountant
PO	Procurement Officer
IA	Internal Auditor
M&E	Monitoring and Evaluation
GBAA	Government Budgeting and Accountability Act 2005
GoSL	Government of Sierra Leone
FMR	Financial Management Regulations 2007
ISSAI	International Standards for Supreme Audit Institutions
ITA	Income Tax Act 2000
LGA	Local Government Act 2004
MLGRD	Ministry of Local Government and Rural Development
NGOs	Non Governmental Organizations
PETS	Public Expenditure Tracking Survey
PPA	Public Procurement Act 2004
PPR	Public Procurement Regulations 2006
PVs	Payment Vouchers

RFQs	Request for Quotations
ASA	Audit Service Act 1998
GBAA	Government Budgeting and Accountability Act 2005
GoSL	Government of Sierra Leone
NRA	National Revenue Authority
UNDP	United Nation Development Program

## **I. BACKGROUND**

Mr. Speaker, Honourable Members, the Public Accounts Committee (PAC) of the Sierra Leone Parliament has the mandate to examine the annual accounts of Sierra Leone showing the appropriation of funds granted by the House to meet public expenditure together with the reports and special reports of the Auditor General. In exercising its mandate as per S.O.70 (6) in consonance with the provisions of Section 93 (6) and Section 95 of the Constitution [Act No. 6 of 1991], the Committee summoned public officers to provide both oral and written evidences in order to form the basis of the PAC Report.

Mr. Speaker, Honourable Members, the Local Government Act 2004 is the legal framework for the effective running and administration of local councils. Through statutory instruments introduced in 2006, city status was granted to the former towns of Bo, Kenema, Koidu-New Senbehun and Makeni, and municipal status to Bonthe Town Council. This Act is currently under revision to reflect the 2010 national decentralisation policy, which makes provision for the re-establishment of local councils as they existed before 1972 when they were suspended (five town councils, 12 district councils and Freetown City Council). It also creates the new Western Area Rural District Council by merging the four former Rural Districts of Koya, Waterloo, Mountain and York.

Mr. Speaker, Honourable Members, the Local Government (Assumption of Functions) Regulations 2004 guides the process of devolution. This legislation specifies 80 functions to be devolved from central to local government, the devolving central Ministry, Department or Agency, and when the local councils should assume each function. About half of these functions were devolved within the timeframe set (2005-2008) in the regulations. Transfers from central government include recurrent and development components. There are three broad types of transfers: administrative grants, grants for devolved functions and local government development grants. Under the Local Government Act 2004, 80 functions were devolved to local councils. By the end of 2010 46 of the 80 had been devolved, with the intention that the remaining functions will be devolved by the end of 2012. Those currently devolved functions include but are not limited to, primary and secondary health, primary and junior-secondary education, environmental health, agriculture extension services, rural water supply, solid waste management and community development.

## **II. INTRODUCTION**

Mr. Speaker, Honourable Members, the Committee on Public Accounts has a statutory mandate to examine all reports of the Auditor-General that are presented to Parliament, and present the results of its deliberations and recommendations to the House. In reviewing audit reports, the Committee considers:

- the significance of the programmes or issues raised in audit reports;
- the significance of the audit findings;
- arguments advanced by audited institutions; and
- the public interest in the report.

The Auditor General after the review of the accounts of all Local Government Councils compiles a report. This report forms the basis of deliberation by the Public Accounts Committee. The PAC conducts hearings on the report and presents a report to Parliament clearly highlighting the action to be taken on those who misappropriate public funds and resources.

Mr. Speaker, Honourable Members, the following report is the outcome of the public hearings conducted by the Committee with Vote Controllers and their Accounting Officers in all regions. This Report, originating from the Report of the Auditor General on Local Councils for the financial year 2012, is an attempt to present the Committee's observations and recommendations. In doing so, the report focuses on quality service delivery, and proffers recommendations to improve local governance in Sierra Leone.

## **III. MANDATE OF THE COMMITTEE**

Mr. Speaker, Honourable Members, the Public Accounts Committee, pursuant to (70) subsection (6) of the Standing Orders of the Sierra Leone Parliament, is mandated to examine any account or reports of Statutory Corporations and Boards after they have been laid on the Table of the House, and to report thereon from time to time to the House and to sit notwithstanding any adjournment of Parliament. The Public Accounts Committee also monitors expenditure of all public funds whether transferred from the central government or locally generated by the Local Government Councils.

Mr. Speaker, Honourable Members, the Committee assesses and evaluates levels of compliance with the established laws of Sierra Leone, including the performance,

adherence to and compliance with set performance standards and regulations governing public expenditure.

Mr. Speaker, Honourable Members, the Committee's mandate is guided by the Local Government Act 2004, The Financial Management Regulations, the Audit Service Act, the Government Budgeting and Accountability Act, the Public Procurement Act and all other related legislation and regulations which impart on public financial management and fiscal discipline.

#### **IV. METHODOLOGY**

Mr. Speaker, Honourable Members, the Committee received and examined the Auditor General's reports on the Accounts of Sierra Leone for the year 2012 on Local Councils, submitted under Section 119(4) of the 1991 Constitution as laid before Parliament on the 18<sup>th</sup> December, 2013. Technical officers from the Auditor General's Office and Anti- Corruption Commission assisted in the hearings/ deliberations of the Committee that formed the contents of this report. In examining the accounts the Committee interfaced with Accounting Officers and their technical teams to respond to the queries raised in the audit reports and the recommendations of the Auditor General thereon.

Where the Committee found discrepancies between the information provided by an Accounting Officer/Controller and the Auditor General, the Committee undertook inspection tours (physical verification) of the projects in question in order to obtain first-hand information on their performance status and establish whether government got value for money.

#### **V. ACKNOWLEDGEMENT**

Mr. Speaker, Honourable Members, I wish to firstly thank each Committee Member for the non-partisan spirit and focus on better public administration for Sierra Leone as was demonstrated in the course of the sittings.

I would also like to acknowledge the cooperation of those Accounting Officers who took their time to make submissions and appear before the Committee. Their contributions have guided the Committee's deliberations for the duration of the inquiry.

Mr. Speaker, Honourable Members, the Committee wishes to thank the representatives from the Audit Service Sierra Leone who have been assisting the Committee during the hearings in interpreting and explaining the queries raised where necessary and in verifying documents. We also owe great gratitude to the Anti-Corruption Commission for diligently handling their assigned duties during the course of the meetings.

## **VI. COMMITTEE MEMBERS**

Mr. Speaker, Honourable Members, according to the provisions of Standing Order 70 (1), the Public Accounts Committee is comprised of the following Members:

1. Hon. Chernor R.M. Bah **Chairman**
2. Hon. Komba E. Koedoyoma, **Deputy Chairman**
3. Hon. Alpha B. Lewally, Member
4. Hon. Lahai Marrah, Member
5. Hon. Alhassan Jero Kamara, Member
6. Hon. Sulaiman Muluku Sisay, Member
7. Hon. Dr. Foday I. Suma, Member
8. Hon. Hassan B. Sheriff, Member
9. Hon. Francis A. Konuwa, Member
10. Hon. Ellen Kuyembeh, Member
11. Hon. P.C Alhaji Bai Shebora Yek ii, Member

## **VII. TECHNICAL STAFF**

Mr. Speaker, Hon. Members, the following staff of the Audit Service provided technical assistance to the Committee during the course of the hearings:

- |  |   |                                  |
|--|---|----------------------------------|
| <b>1.</b> <i>Mrs. Lara Taylor-Peace</i>  | - | <i>Auditor General</i>           |
| <b>2.</b> <i>Mr. Vidal Paul-Coker</i>    | - | <i>Deputy Auditor General</i>    |
| <b>3.</b> <i>Mr. Abdul Aziz</i>          | - | <i>Deputy Auditor General</i>    |
| <b>4.</b> <i>Mr. Tamba Momoh</i>         | - | <i>Deputy Auditor General</i>    |
| <b>5.</b> <i>Mrs. Adama Rena</i>         | - | <i>Deputy Auditor General</i>    |
| <b>6.</b> <i>Mr. Aiah Gbondo Tugbawa</i> | - | <i>Assistant Auditor General</i> |
| <b>7.</b> <i>Mr. Morie Lansana</i>       | - | <i>Principal Auditor General</i> |
| <b>8.</b> <i>Mr. Alfred Saffa</i>        | - | <i>Principal Auditor</i>         |
| <b>9.</b> <i>Mrs. Melinda Dixon</i>      | - | <i>Auditor</i>                   |
| <b>10.</b> <i>Mr. Conneth John</i>       | - | <i>Audit Assistant</i>           |



## VIII. GENERAL OBSERVATIONS AND RECOMMENDATIONS

Mr. Speaker, Hon. Members, a summary of the Committee's observations and recommendations on some of the salient and critical queries raised in the report of the Auditor General on Local Government Councils 2012 is indicated here below:

- The Committee noted that the accountability regulations are still not adhered to in most cases. Some councils failed to respond to the queries raised by Audit which, in itself was in contravention of the financial management regulations.

***The Committee recommends that financial regulations be strictly adhered to and for any deviation Accounting Officers be held personally liable by withholding their salaries for as long as they fail to reply (Section 65 of GBAA 2005 and Section 165(2) of FMR 2007).***

- Contrary to the Public Procurement Act 2004, procurement procedures were not followed for a number of transactions undertaken by most local councils in respect of public works and goods.

***The Committee therefore strongly recommends improvements in records management of procurement documents and adherence to the Public Procurement Act of 2004.***

- The Committee noted the continued tendency by Vote Controllers not to address audit queries when they are summoned by the Public Accounts Committee. This is an indication that the audit exercise is not taken very seriously.

***The Committee, therefore, urges all Vote Controllers to clear all outstanding audit matters before they appear at the Public Accounts Committee public hearings.***

- The Committee observed that Accounting Officers do not follow financial regulations. This is evidenced by the queries that have repeatedly been highlighted by the Auditor-General such as misapplication of funds, misappropriation of revenue, failure to secure accounting documents, unsupported payments and failure to account for stores. The major reason for this is that stiff disciplinary action is not taken against erring officers.

***The Committee recommends that in future the Accounting Officers should ensure that documents are available for verification at the time of audit as required by law. Failure to comply would be subject to strong disciplinary action.***

- The Committee noted with concern record keeping practice in most Local Councils. This is evidenced by:
  - a) failure to account for procurement documents;
  - b) unsupported payments; and
  - c) poorly managed personnel records and files.

***The Committee, therefore, recommends that the following should be put in place with immediate effect:***

- a) ***All unaccounted procurement documents should be presented to Audit for verification;***
  - b) ***Inventories of records should be designed and developed; and***
  - c) ***A registry to be developed, manned by a staff well trained and experienced clerk for proper filing and safekeeping of personnel documents.***
- Sitting allowances were paid to some councillors who were absent for those council sittings and valid excuses were not proffered for their absence
  - ***The Committee reiterates its recommendation in the previous report that subsequent payments of sitting allowances to councillors must not include absentee councillors, otherwise authorisation need to be obtained from the Ministry of Local Government and Community Development. Failing to adhere to this such moneys should be immediately recovered or the officers responsible surcharged. Also, minutes of Councils meetings for every month should be forwarded to the Audit office for inspection.***
  - The Committee abhorred the manner in which Accounting Officers failed to deduct 5% withholding tax and evidence of payment made conveyed to NRA.  
***The Committee, therefore, strongly recommends that Finance Officers should ensure that 5% withholding tax is deducted from all payments above Le500,000 made to suppliers and contractors and evidence of payments made to NRA should be provided to Audit without further delay.***
  - The Committee noted with concern that there was laxity in the Local Councils' maintenance of financial records. This is evidence by failure to prepare bank

reconciliation statements for Councils' accounts and erroneous Cash Book records.

***The Committee, therefore, recommends that the Accounting Officers should reorganize and strengthen their Accounting departments with a view to ensuring that proper and up to date records are maintained, reconciliations done regularly and relevant records adjusted on a timely basis.***

- The Committee however noted that the Ministry of Local Government and the Local Government Commission have been conducting training activities for staff in all the 19 Local District Councils.
- Most Accounting Officers presented authentic NRA receipts to the effect of clearing withholding taxes and also claimed to have availed those evidences at the time of Audit. Some had made partial payment at the agreed sequence which was accepted by the Committee. Since these are deductions not meant for the District, they should be remitted as soon as they are collected

## **IX. CONCLUSION**

Mr. Speaker, Honourable Members, the Committee noted that the number of audit queries have been declining over the years. Local councils have generally employed competent and qualified staff, especially in areas such as Finance, Internal Audit and Procurement.

Inspite of the good work of the PAC, some issues have continued to arise year in year out. The Committee is of the view that mechanisms must be put in place to enforce the recommendations of the PAC with specified actions be prescribed to serve as a deterrent.

It is the Committee's belief that if these observations and recommendations are taken into account and implemented, they will enhance accountability, effectiveness, transparency, efficiency, prudent management and yield better service delivery in Local Government Councils.

I therefore move that the report of the Public Accounts Committee be adopted by this House and the recommendations contained therein be approved.

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**HON. CHERNOR R.M. BAH**

**CHAIRMAN- PAC**

## 1.0.BO CITY COUNCIL

### 1.1. Inconsistencies in reporting and presentation of Financial Information

Variances were observed between MTEF Budget Estimates 2012 prepared and submitted by the council and the budgets disclosed in the Financial Statements in respect of Total Revenue and Expenditure Streams.

#### **Official Response**

*The control of the Petra financial package is a challenge to Council. The in-putting of budget into the Petra is managed by Public Financial Management Reform Unit (PFMRU).*

- (i) **Own Source Revenue-**Bo City Council has an own source revenue budget line referred to as donation. So the difference of Le 5,000,000 between the own source revenue estimate in MTEF budget and The financial statement is the estimate for donations from int. organizations misunderstood to be grants as it was posted in PETRA as other grants. The budget in the Financial Statement has been adjusted.*
  
- (ii) **Total Grants-** The Petra budget summary captures both own source revenue and grants transfers for 2012.The Total of Le6,717,179,596.00 in the Financial Statement includes both own source and grants plus quarter 4 grant transfer, ENCISS Project grant and UK Water Aid Grant and Development Grant transferred in 2012 into the 2012 budget in PETRA to enhance the utilization of those funds without making adjustment to the MTEF BUDGET. The documents for the above grant transfers are available for your verification.*

*The total expenditure in the MTEF budget should be inclusive of the budgeted expenditure from own source revenue and not limited to estimates for grants since the council operates on zero based budget. In view of that the total expenditure estimate in the MTEF budget is Le6, 321,851,143 and the difference between the total in the MTEF and the total in the FS is as a result of factoring into PETRA funds transferred for quarter 4, ENCISS Project Grants, UK Water aid for kids and Fund balance brought*

*forward from 2011 also without making the required adjustment for estimates in the MTEF budget document. Documents for those transfers are available for your verification.*

**The Committee**

***The Committee recommends that the Chief Administrator should explain reasons for these variances within 30 days after the adoption of this report by Parliament.***

**1.2. Government Grants Received understated in the Financial Statements.**

Government grants received by the Council for the 4<sup>th</sup> Quarter in 2011, and 1<sup>st</sup> to 4<sup>th</sup> Quarters in 2012 were understated in the Financial Statements by **Le488, 570, 059**

**Official Response**

*Council realizes that Grants received were understated. This happened as a result of miscalculation. However, it has now been corrected and the required adjustment made in the Financial Statement which council will forward for your attention and verification.*

**The Committee**

***The Committee recommends that the Chief Administrator should ensure that differences identified must be investigated and action taken to correct the figures in the Financial Statements with an immediate effect.***

**1.3. Inconsistencies in the Recognition of some Revenue Streams**

It was observed from inspection of selected revenue records and the Financial Statements that some own source revenue streams were either overstated or understated in the Financial Statements. This resulted to a net overstatement of **Le263,705,565.00** in the Financial Statements.

**Official Response**

*Council agrees that there were inconsistencies in some revenue areas. But council has corrected it in the financial statement and vote service ledger and available for inspection and verification. Council is also pleased to note that it operates a property tax cadastral for property tax, licenses and kiosks which are paid to the bank directly to promote transparency and accountability and monthly reconciliation is done on*

*deposit slip with name and unique IDs of transaction and bank statements monthly. The Cadastral is automated and update daily as deposit slips are collected from the Bank. It is available for inspection and verification.*

**The Committee**

***The Committee recommends that the Chief Administrator should ensure that the differences identified must be investigated and action taken to correct the figures in the Financial Statements***

**1.4. Inadequate Control over the Management of Bank Accounts Operated by the Council; Bank Reconciliations not done.**

Bank Reconciliation is a fundamental financial control procedure that helps to identify discrepancies in the balances recorded in the Cash Book and those entered in the records held by the bank. However, we observed that Bank Reconciliations were not carried out for some of the accounts held by the Council for the period under review.

***Official Response***

*Council agrees that bank reconciliation is fundamental for financial control and therefore the Chief Administrator and the Finance unit have been ensuring that all bank accounts are on monthly basis reconciled, signed and approved before the monthly financial statement is approved and distributed. The reconciliation statement file was made available to the Auditors during the Audit period and is still available with all the reconciliation statements for verification.*

**The Committee**

***The Committee recommends the following:***

- That bank reconciliations are done on a monthly basis, reviewed and initialed by a responsible officer and filed accordingly.***
- That the individual bank accounts of the Council are reconciled with Council's corresponding Cash Books and all discrepancies investigated, corrected in the books of accounts and filed accordingly.***

**1.5. Pro-forma Invoices attached to Blank Request for Quotations (RFQs).**

Section 45 (1) of the Public Procurement Act, 2004 states that “Quotations shall be requested in writing from as many bidders as practicable, but from at least three (3) bidders”.

In spite of my recommendations in the previous reports, the Council still continued using pro-forma Invoices instead of the required RFQs in the procurement of goods and services amounting **Le665, 897,950.00**.

### **Official Response**

*Council agrees that the pro-forma invoices were used but together with the RFQ in every Contract requiring RFQ. The pro-forma Invoices were filled signed and attached by the Contractors to the RFQs as evidence of the supplier/contractor commitment to the process. However the RFQS for all contracts are now filled by the suppliers/contractors and are available for verification.*

### **The Committee**

***The Committee also observes that the justifications proffered by the Chief Administrator were satisfactory, therefore recommends the following:***

- That the Chief Administrator in collaboration with the Procurement Committee must ensure that the procedure in respect of the Request for Quotations method is in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act of 2004.***
- That the Chief Administrator should also forward explanations for the use of Pro-forma Invoices instead of RFQs within 30 days after the adoption of this report by Parliament; otherwise the amount involved must be refunded into the Consolidated Revenue Fund.***

#### **1.6. Payments without the relevant documentary evidence**

It was observed that supporting documents such as delivery note, list of beneficiaries and Payment Vouchers and other relevant cash withdrawal records were not attached to selected payments amounting to **Le211, 013,793.00**.

### **Official Response**



*(i) Council agrees that some of the supporting documents were not available at the time of Audit due to the delays on the part of MDA'S to forward returns to the Finance Department for Funds disbursed to them. The relevant documents were submitted by the MDA's and all supporting documents for the selected payments amounting to*

*Le 120,408,670.00 on Appendix "D" and are available for verification.*

*(ii) The differences of Le90,605,123 on Appendix "D-1" is as a result of comparing total debits on bank statement with total payments on payment vouchers without considering bank charges, direct reversal of transactions by the banks for error and un-presented cheques for 2011 cleared in 2012 for which vouchers cannot be traced to 2012.*

### **The Committee**

***With the inadequate justifications provided by the Chief Administrator, it was recommended by the Committee that:***

- All transactions from inception to completion should be supported by the relevant documentary evidence which must be retained for audit and reference purposes.***
- The documentary evidence in support of the expended amount of Le211,013,793.00 be availed the Audit office; otherwise, the whole amount must be refunded.***

### **1.7. Internal Audit Unit not effective**

A review of the operations of the Internal Audit (IA) Unit revealed the following:

- (i)** There was no charter or any formal document stating the purpose, authority, responsibility and scope of the IA Unit.
- (ii)** There was no evidence to indicate that the IA unit had a suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management.

### **Official Response**

*(i) There is no charter for the IA unit but there is the Human resource guidelines which clearly state the purpose, Authority and responsibility of the Internal Auditor.*

*(ii) There is no Audit manual for the Internal Audit department in the Council but the IAs in the councils are guided by the Internal Audit manual of the Ministry of Finance and Economic Development. The Councils through PFMRU are working with the ministry of finance to develop Audit manual for the councils.*

### **The Committee**

***The Committee observes that with all efforts by the Public Financial Management Reform Unit in the Ministry of Finance and Economic Development the Council internal control system still remain weak, therefore, the Committee recommends that the Councils in collaboration with the Ministry of Local Government and Rural Development should ensure the following:***

- (i) That a charter or formal document stating the purpose, authority, responsibility and scope of the unit is immediately designed; and***
- (ii) That a suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management is also designed.***

### **1.8. Inadequate control over the management and security of Fixed Assets**

The following were observed:

- (i) The Fixed Assets Register maintained by the Council did not contain information such as a unique serial number, current status and location.*
- (ii) Some assets purchased by the council and recognised in the Financial Statements, valued at **Le71,730,500.00**, were not included in the Fixed Assets Register. In addition, physical verification of these assets proved futile as the assets could not be found for inspection/ verification.*

### **Official Response**

- i) *During Audit period Council was operating two offices. The One at coronation field and Government reservation. The council is now housed in one office at reservation. The Fixed asset register is now updated with all information required to identify and locate every assets procured to date.*
- ii) *The Fixed Asset Register has been updated with assets valued at Le71,730,500 and is available for verification.*

### **The Committee**

***The Committee recommends that the Chief Administrator must ensure that the Finance Officer records all assets owned by the Council in the Fixed Assets Register which should include the name of the asset, cost of the asset, date of purchase, code/identification number and individual location.***

### **1.9. Ineffective management of the Council's budget and budgetary control processes**

There was no evidence in the form of minutes, correspondences and other documents to confirm that the Budget and Finance Committee was operational for the period under review. As a result, quarterly and/or monthly reviews to monitor line items in the budget were not carried out to ascertain actual as against planned revenue and expenditure.

### **Official Response**

*During the period of Audit the some of the staff were at the Reservation office while others were at the coronation field office. The transfers to the new office misplaced some files including Budget and Finance minutes. The files were later traced and available for verification.*

### **The Committee**

***The Committee observes that the Council Budget Committee was not operational and therefore the Committee recommends that:***

- ***A Budget and Finance Committee is made operational; and***
- ***Regular meetings are held and minutes of such meetings are kept for record purposes.***

#### **1.10. Set targets of the Performance Management Contract not met**

The set targets of the Performance Management Contract that were agreed on between His Excellency the President and the Council were not fully met for some of the specific deliverables at the end of 2012. Typical among them were:

- The council was unable to identify an additional two revenue generation area as indicated in the Performance Contract.

The council was unable to establish bye laws for the control of loading and unloading of heavy vehicles and Solid Waste Management as indicated in the Performance Contract.

#### ***Official Response***

*Council agrees that the two revenue areas were not identified because the bye-laws sent to the Ministry of Local Government via Law Officers department has still not been sent to parliament for approval. As a result of that council did not succeed in that venture. However, Council performed well in the review of the Performance contract 2012 and received the Presidential Golden Award as best performing council. The Bye-laws are still been pursued by council to capture the two revenue strings.*

#### **The Committee**

***The Committee recommends that the Chief Administrator should ensure that plans are put in place to expedite the agreement in respect of the projects in the contract document within 30 days after the adoption of this report by Parliament.***

#### **1.11. Guidelines not issued for Sitting Fees paid to Councillors**

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of **Le32,150,000.00** recognized in the Financial Statements as Sitting Fees paid to Councillors, contrary to Section 30 (2) of the Local Government Act, 2004.

**Official Response**

*Council has written several letters to the Ministry of Local Government for the payment of Medical and Rent Allowances to Councillors from own source revenue to facilitated revenue mobilization and commitment in fulfillment of sections (30)(2) of the Local Government act 2004.A reminder letter has been forwarded again to the permanent secretary. See attached copies of Letters written to the Ministry.*

**The Committee**

***The Committee recommends that the Chief Administrator should liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of Sitting Fees to Councillors***

## **2.0. BO DISTRICT COUNCIL**

### **2.1. Inconsistencies in reporting and presentation of Financial Information**

(i) Variances were observed between MTEF Budget Estimates 2012 and the budgets disclosed in the Financial Statements in respect of Total Revenue and Expenditure Streams.

(ii) A Review of the Council's financial statements and prime accounting records (General Ledger/Trial Balance) revealed the following:

- A total amount of **Le80,554,500.00** was observed as variances between 'The Cash Receipts and Payments' (Statement No. 1) and 'The Statement of Expenditure' (Statement No.7) for the period under review.
- Some control failures were observed in the use of the PETRA Accounting System. Controls to check the recording, accuracy, authorisation and processing of transactions were not performed. For instance, an amount of **Le49,234,443.64** represents differences observed between amounts recognized in the Financial Statement and those disclosed in report generated from PETRA Accounting System.

### **Official Response**

*(i) Your observation of a variance between the 2012 MTEF Budget Estimate and that disclosed in the Financial Statement in respect of Total Revenue and Expenditure streams, detailed in appendix A is true. All fourth quarter activities of 2011 FY under for GOSL, DSDP, and RCHP were not captured in the 2012 budget estimate. Funds under these headings were transferred first quarter of 2012. The receipt and expenditure for such funds were only then in the PETRA data base and the Financial Statement.*

*(ii) The variance observed between the cash receipt and payment in statement No.1 and the statement of Expenditure in statement No.7 for the period under review has been investigated and corrected as evidenced in the revised Financial Statement forwarded for verification.*

*Included also in the revised Financial Statement is the correction of the recoding inaccuracy observed in the form of variance that occurred as result of the swift move*

from the PETRA accounting system of reporting to the IPSAS format of Financial Statement.

### **The Committee**

***The Committee recommends that the Chief Administrator should ensure that:***

- ***Differences identified must be investigated and action taken to correct the figures in the Financial Statements.***
- ***The revised Financial Statements should reach the Audit office for verification within 30 days after the adoption of this report by Parliament.***

### **2.2. Bank Confirmation and Recognition in the Financial Statements**

The following were observed:

- (i) Bank confirmations were not received from the Council's Bankers for most of the accounts operated by the council.

An amount of **Le86, 952,571.49** for EU Project accounts confirmed by a bank (Union Trust Bank) was not disclosed in the Financial Statement submitted by the Council.

### **The Committee**

***The Committee observes that an amount of Le86,952,571.49 for EU Project accounts confirmed by a bank (Union Trust Bank) was still not disclosed in the Revised Financial Statements submitted by the Council.***

***The Committee strongly recommends that the Chief Administrator must ensure that Bank Accounts maintained by the Council are efficiently managed. All transactions; receipts and payments, interest and charges recorded must be maintained for all Bank Accounts. In addition, the transactions must be correctly posted and kept up-to-date and adequately disclosed in the Council's Financial Statements.***

### **2.3. Poor performance in Revenue generation**

- (i) During a review of the operating procedures of revenue collection, it was observed that collectors and agents were not adequately monitored and procedures were not enforced or followed. The Auditors were not provided with any meaningful revenue collection monitoring reports for review.
- (ii) Out of the total of Le550,001,600.98 collected as Own Source Revenue as per source documents(i.e receipts books, revenue report & revenue ledger), only the sum of Le521,933,350.98 was disclosed in the Income Statements, leaving an outstanding balance of **Le28,068,250.00**, which was not accounted for.

### **Official Response**

*With regards your observation of inadequate monitoring and procedures not enforced in revenue collection, the Chief Administrator and management have put stringent measures in place to achieve your recommendation which you shall verify in your next Audit exercise*

*(ii) Variance between own source revenue collected as per source document and what was disclosed in the income statement has been investigated and report ready for verification.*

### **The Committee**

**The Committee recommends the following that:**

- **The Chief Administrator (CA) should ensure that adequate controls over the collection, recording and reporting of financial transactions are put in place and that such controls are periodically monitored to ensure compliance.**
- **The sum of Le28,068,250.00 should be immediately refunded and evidence of refund in the form of Bank Statement be made availed the Audit Service for verification within thirty (30) days of the receipt of this Report.**

### **2.4. Request for Quotations (RFQs) not available**



Section 45 (1) of the Public Procurement Act, 2004 states that “Quotations shall be requested in writing from as many bidders as practicable, but from at least three (3) bidders”.

It was observed that Procurement procedures in respect of the Request for Quotations method, were not adequately and appropriately followed for goods and services amounting to **Le73,695,000.00**.

### **Official Response**

*The Procurement procedures in respect of Request for Quotations method is retrieved and now forwarded for verification. However, the amount stated is incorrect for this query. **Appendix “C”** shows that **Le5,200,000.00** were paid for Refresher Training for Chiefdom Health Overseers, which do not require Request for Quotation method.*

### **The Committee**

***The Committee observes that the Council is in perpetual violation of procurement procedures and it underscored that 95% of the nation expenditure hinges on procurement and therefore, the Committee recommends the following that:***

- ***The Chief Administrator in collaboration with the Procurement Committee must ensure that the procedures in respect of the Request for Quotations method should be in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act of 2004.***
- ***The required number of RFQs in respect of the queried procurements should be forwarded to the Audit office for verification within 30 days after the adoption of this report by Parliament.***

### **2.5. Payments without the relevant documentary evidence**

Supporting documents such as receipts, Delivery Notes, LPOs, reports and Beneficiary/Distribution List were not attached to sampled Payment Vouchers to justify the payments for goods and services amounting to **Le147,338,500.00**.

## **Official Response**

*All supporting documents observed to be missing during the period of review have been traced, corrected and filed ready for verification. Attached also for verification is a document evidencing that Le 88,000,000 out of the Le147, 338, 5000 meant for PHUs, does not require end user acquittals.*

## **The Committee**

***The Committee strongly recommends the following that:***

- All transactions from inception to completion should be supported by the relevant documentary evidence which must be retained for audit and reference purposes.***
- The Chief Administrator should forward the documentary evidence in support of the expended amount of Le147,338,500.00 to the Audit office within the regulatory timeframe of 30 days after the adoption of this report by Parliament; otherwise, the whole amount must be refunded.***

## **2.6. NASSIT deducted but not paid**

Section 25 (1, 2, 3) and Section 27(1) of the National Social Security and Insurance Trust Act 2001 requires the deduction and payment of NASSIT for every employer. It was however observed that NASSIT deductions from payment made to support staff, totalling **Le780,000.00** was not paid over to NASSIT.

## **Official Response**

*NASSIT totaling Le780,000 observed not paid over to NASSIT has been paid and receipt ready for your verification.*

## **The Committee**

***The Committee noted that supporting document in respect of NASSIT payment was submitted and cleared.***

## **2.7. Payroll Cost Understated in the Financial Statements**

Examination of Salary Vouchers and other relevant supporting documents revealed that payroll cost was understated in the Financial Statements by **Le45,196,456.00**.

### **Official Response:**

*The understatement of payroll in the Financial Statement due to coding error in the PETRA system has been corrected and is evidenced in the revised Financial Statement ready for verification.*

### **The Committee**

***The Finance Officer should ensure that Salary Vouchers are reviewed and correctly recorded in the relevant books of accounts and the total of Le45,196,456.00 must be adjusted in the Financial Statements and the revised Statements submitted for review.***

## **2.8. Internal Audit Unit not effective**

A review of the operations of the Internal Audit (IA) Unit revealed the following:

- (i)** There was no charter or any formal document stating the purpose, authority, responsibility and scope of the IA Unit.

There was no evidence to indicate that the IA unit had a suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management.

### **Official Response**

*There are no Chart and Manual available for the stated queries. Appropriate Authorities have been informed. Reporting and work programs are in Human Resource Guidelines for Local Councils and Work Plan.*

### **The Committee**

***The Committee recommends that the Council in collaboration with the Ministry of Local Government and Rural Development should ensure the following:***

***(i) That a charter or formal document stating the purpose, authority, responsibility and scope of the unit be immediately articulated; and***

***(ii) That a suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management is also designed.***

## **2.9. Guidelines not Issued for Sitting Fees & other Allowances paid to Councillors**

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of **Le86,613,750.00** recognized in the Financial Statements as Sitting Fees paid to Councillors, contrary to Section 30 (2) of the Local Government Act, 2004.

### **Official Response**

*It is true the Ministry has not given such guidelines to any Council in Sierra Leone. These Councilors' Sitting fees are paid by Local Government Finance Department who are under the purview of the Ministry of Local Government and Ministry of Finance into Council's Account. Thus when the fund is remitted for the purpose; we disburse accordingly and make returns. Reference shall therefore be made to the Local Government and Finance Ministries not Council.*

### **The Committee**

***The Committee recommends that the Chief Administrator should ensure the payment of Sitting Fees and other allowances are financed by the Council under guidelines issued by the MLGRD, after consultation with the Minister responsible for Finance, in accordance with Section 30 (2) of the LGA, 2004.***

## **2.10. Ineffective Management of the Council's Budget and Budgetary Control Processes**

There was no evidence in the form of minutes, correspondences and other documents to confirm that a Budget and Finance Committee was operational for the period under review. As such, quarterly and/or monthly reviews to monitor line items in the budget were not carried out to ascertain actual as against planned revenue and expenditure for the period under review.

### **Official Response**

*The CA in his response stated as follows:*

*The B & F committee was established and operational. The Reports of their meetings are imbedded in some Council meeting minutes. For example (a) the 42<sup>nd</sup> Ordinary Council meeting of 13<sup>th</sup> January; 2012 Section 6 and (b) 46<sup>th</sup> Ordinary Council meeting of 1<sup>st</sup> June, 2012; Sec 4.6. Copies of some were also available.*

### **The Committee**

***The Committee recommends that:***

- ***A Budget and Finance Committee should be made operational; and***
- ***Regular meetings are held and Minutes of such meetings are kept for record purposes.***

## **2.11. Inadequate Control over the Management and Security of Fixed Assets**

A review of the Council's Fixed Assets Register revealed that vital information such as the cost of assets and date of purchase were absent in the Fixed Assets Register.

### **Official Response**

*The Fixed Assets Register has been updated as requested for verification.*

### **The Committee**

***The Committee recommends that the Chief Administrator ensures that the Finance Officer records all assets owned by the Council in the Fixed Assets***

***Register and such record should include the name of the asset, cost of the assets, date of purchase, code/identification number, individual location, total quantity held and whether they were inherited, donated or purchased by the Council.***

## **3.0. BONTHE MUNICIPAL COUNCIL**

### **3.1. Inconsistencies in reporting and presentation of Financial Information**

- i.** Paragraph 60 of IPSAS 1 requires that unless an International Public Sector Accounting Standard permits or requires otherwise, comparative information should be disclosed in respect of the previous period for all numerical information in the financial statements, except in respect of the financial statements for the reporting period to which this Standard is first applied. Comparative information should be included in narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

It was observed that comparative information, as required by Paragraph 60 of IPSAS 1, was not given in respect of disclosures in the Financial Statements. (Statement No.1-Receipt & Payments, Statement, No.3-Financial Performance and Statement & No.4-Statement of Financial Assets and Liabilities (All Funds) as at 31st December 2012).

**(ii)** Variances were observed between MTEF Budget Estimates 2012 and the budgets disclosed in the Financial Statements in respect of Total Revenue and Expenditure Streams.

**(iii)** There were variances between the Financial Statements and some disclosure Notes. Control weaknesses were observed in the use of the PETRA Accounting System. Controls to check the recording, accuracy, authorisation and processing of transactions were not performed. For instance, an amount of **Le192, 487,503.32** represents differences observed between amounts recognized in the Financial Statement and those disclosed in report generated from PETRA Accounting System. In addition, Grants transferred and disclosure in the Financial Statements revealed that Grant for Fourth Quarter 2011,

amounting to **Le181, 522,137.00**, remitted in 2012 was not disclosed in the Financial Statements.

### **Official Response**

*It is true that there is difference in Statement 3 and Statement 4 in the Financial Statements presented to you.*

*This is largely due to human errors which my team and I recognized after the Financial Statements have been presented to you.*

*Management of Bonthe Municipal Council appreciates the fact that you were again able to pick it up during the final audit of the council. However, necessary actions have been taken to correct the amounts in the Financial Statements. The Revised Financial Statements should be submitted to the audit service for verification.*

*Also grants for fourth quarter 2011 remitted in 2012 as a role over was erroneously left out and would be disclosed in the Revised Financial Statement and presented to for verification.*

### **The Committee**

#### **The Committee recommends that:**

- ***The Chief Administrator should ensure that the Council complies with the requirements of Paragraph 60 of IPSAS 1.***
- ***Differences identified must be investigated and action taken to correct the figures in the Financial Statements.***
- ***The revised Financial Statements should reach the Audit Office for verification within 30 days after the adoption of this report by Parliament.***

### **3.2. Account Balances, Bank Statements & Bank Reconciliation Statements.**

- (i) A difference of **Le64, 487,827.36** was noted between closing Administration Account Balance disclosed in the Financial Statement and the Trial Balance.



(ii) Some Bank Statements submitted for inspection were incomplete. As such, complete bank reconciliations were not done for all of the accounts maintained by the Council.

### **Official Response**

*Management is aware of the incomplete bank statements submitted to council by the bank. This matter has to be followed to the bank by the council to know why complete bank statement is not submitted to council. However, management is making effort to get the full bank statements from the bank.*

### **The Committee**

***The Committee recommends that the Chief Administrator must ensure that Bank Accounts maintained by the Council are efficiently managed. Also Bank Statements for all accounts maintained by the Council should be submitted for inspection. In addition, every Bank Account maintained by the council should be reconciled with the corresponding Cash Book balance at least once every month and the reconciliations carried out must be checked and initialled by a responsible officer and filed accordingly.***

### **3.3. Inadequate control over Revenue Collection**

- (i) During a review of the operating procedures of revenue collection, it was observed that collectors and agents were not adequately monitored and procedures were not enforced or followed. The Auditors were not provided with any meaningful revenue collection monitoring reports for review.
- (ii) It was noted that general receipt books provided for inspection were supplied since 2004 and the actual quantity supplied then to the Council could not be confirmed as the delivery note accompanying the receipt was not provided. The Auditors were therefore unable to ascertain the actual quantity of books used in 2012 and confirm the completeness of revenue generation by the Council.

### **Official Response**

*Management is aware of some of the lapses in the revenue collection. However, strategies are now put in place to monitor the collectors and agents adequately.*

*Management agrees that, the delivery note accompanying the receipts was not provided at the time of audit. However, management is making all possible efforts to ensure that these documents are made available to you for verification.*

### **The Committee**

***The Committee recommends that the Chief Administrator (CA) should ensure that controls over collection, recording and reporting of financial transactions are adequate.***

### **3.4. Request for Quotations (RFQs) and Local Purchase Order (LPOs) not available.**

*Section 45 (1) of the Public Procurement Act, 2004 states that “Quotations shall be requested in writing from as many bidders as practicable, but from at least three (3) bidders”.*

It was observed that Procurement procedures in respect of the Request for Quotation methods were not adequately and appropriately followed for goods and services amounting to **Le191, 220,000.00**. **Appendix “B”** refers.

### **Official Response**

*Management is aware of the fact that these document were not presented at the time of audit. However, the Procurement Unit would make these documents in question be available to you for verification*

### **The Committee**

***The Committee recommends that the Chief Administrator in collaboration with the Procurement Committee ensures that the procedures in respect of the Request for Quotations method should be adhered to, in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act of 2004. It was also underscored by the Committee that the required number of RFQs in***

**respect of the queried regarding procurements are forwarded to the Audit office for verification within 30 days after the adoption of this report by Parliament.**

### **3.5. Payments Without Relevant Documentary Evidence**

The following were observed:

- i.** Supporting documents such as receipts, Delivery Notes, Certificate of work done and Beneficiary/Distribution List were not attached to selected Payment Vouchers to justify the payments for goods and services amounting to **Le173,711,305.00**.
- ii.** Several transfers from the various Bank Accounts, totalling **Le447,188,889.00**, were without the relevant authority (transfer Letters) and supporting documents.

#### **Official Response**

- *Management agrees with your observation that supporting documents were not attached to selected Payment Vouchers at the time of audit. The retirement/liquidation of funds disbursed to devolved sectors have been a big problem for Bonthe Municipal Council especially those MDA's living outside the operational area of the Council. However all the supporting documents for expenditure of Le282,106,305 would be made available for verification.*
- *As far as management is concerned, you are assured that, no bank manager would allow funds transfer from one bank account without the relevant authority (i.e.) it could have been that these documents were not made available to your team at the time of audit by staff of finance department of the Bonthe Municipal Council. The key staff were posted from Bonthe Municipal Council to various councils and were not present at the time of audit for which the audit team would have been better informed regarding the whereabouts of documents which were not available. The transfer letter from the various bank accounts totaling Le188,889.00 would be made available to you for verification.*

### **3.6. Withholding taxes not paid to the National Revenue Authority (NRA)**

It was observed that withholding taxes totaling **Le12, 483,712.50** in respect of activities relating to the Council's Administration and Devolved functions, were not paid to the National Revenue Authority.

#### **Official Response**

*It is unfortunate that some of those vouchers were inadvertently left out without deducting withholding tax and pay over to national revenue authority. However, management wish to assure you that deduction of withholding tax from various devolved sectors and administration is effected and the receipt of payment is forwarded to the audit office for verification.*

#### **The Committee**

***This Amount was paid and cleared***

### **3.7. Guidelines not issued for Sitting Fees paid to Councillors.**

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of **Le32,843,250.00** recognized in the Financial Statements as Sitting Fees paid to Councillors, contrary to Section 30 (2) of the Local Government Act, 2004.

#### **Official Response**

*There is no guideline issued by the Ministry of Local Government and Rural Development for the payment of Sitting Fees.*

#### **The Committee**

***The Chief Administrator should ensure the payment of Sitting Fees and other allowances should be financed by the Council under guidelines issued by the MLGRD, after consultation with the Minister responsible for Finance, in accordance with Section 30 (2) of the LGA, 2004.***

### **3.8. Internal Audit Unit not effective.**

A review of the operations of the Internal Audit (IA) Unit revealed the following:

- (i) There was no charter or any formal document stating the purpose, authority, responsibility and scope of the IA Unit.
- (ii) There was no evidence to indicate that the IA unit had a suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management.

#### ***Official Response***

*Management agrees with your observation on this issue. However, management is working closely with the Head of Internal Audit to put all these documents together so as to make his work more efficient and effective.*

#### **The Committee**

***The Committee recommends that the Council in collaboration with the Ministry of Local Government and Rural Development should ensure the following:***

***(iii) That a charter or formal document stating the purpose, authority, responsibility and scope of the unit is immediately defined; and***

***(iv) That a suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management is also designed.***

### **3.9. Inadequate control over the management and security of Fixed Assets**

- (i) A review of the Council's Fixed Assets Register revealed that vital information such as the cost of assets and date of purchase were absent.

(ii) Some codes recorded in the Assets Register could not be reconciled with those on the physical assets. Most of the assets seen were not coded and the codes on some could not be trace in the Register. As such physical verification of assets was limited.

### **Official Response**

*The Financial Officer is now in the process of reviewing the Fixed Assets Register that will capture all assets and code them accordingly.*

*Management will ensure that the Fixed Assets Register will be on priority list of the council assets are dully recorded.*

*The cost of the assets and date of its purchase will be labelled on each asset.*

### **The Committee**

***The Committee recommends the Chief Administrator should ensure that the Finance Officer records all assets owned by the Council in the Fixed Assets Register and such record should include the name of the asset, cost, date of purchase, code/identification number, individual location, and total quantity held and whether they were inherited, donated or purchased by the Council. Assets should be properly coded and regularly reconciled with the Fixed Assets Register.***

### **3.10. Ineffective Management of the Council's Budget and Budgetary Control Processes.**

There was no evidence in the form of minutes, correspondences and other documents to confirm that the Budget and Finance Committee was operational for the period under review. As a result, quarterly and/or monthly reviews to monitor line items in the budget were not carried out to ascertain actual as against planned revenue and expenditure.

## **Official Response**

*The observation made during the audit process was true, the Budget and Finance Committee was operational but close to the political campaign period the committee became dormant.*

## **The Committee**

**The Committee recommends that:**

- ***A Budget and Finance Committee should be made operational; and***
- ***Regular meetings are held and minutes of such meetings are kept for record purposes.***

### **3.11. Terms and Conditions of Performance Management Contract not fully met.**

The terms and conditions of the Performance Management Contract that were agreed between His Excellency the President and the Council were not fully met for the under-mentioned projects:

- (i)** There was no evidence that New Sources of revenue had been introduced by the Council as stipulated in the Performance Contract.
- (ii)** Home Economics Centre was not constructed as was agreed in the Performance Contract.
- (iii)** The Sea face wall was not rehabilitated as stipulated in the Performance Contract.

In conclusion therefore, the Bontho Municipal Council was unable to fully achieve any of the five (5) Specific Deliverables that were agreed on in the Performance Contract.

## **Official Response**

*Management is aware of the fact that none of the terms and conditions of the Performance Management Contract has been met. There are capital projects which involve huge amount of funds.*

*Bonthe Municipal Council actually needs financial assistance both from the government of Sierra Leone and external donors plus own source revenue generation. Council is making frantic effort to introduce new sources of revenue.*

***The Committee***

***The Committee recommends that the Chief Administrator should ensure the following that:***

- ***The monitoring and supervision of revenue collection should be enhanced so that the expectations of the Government of Sierra Leone would be met/exceeded;***
- ***Plans be put in place to expedite the agreement in respect of the projects in the contract document; and***
- ***Government provides timely funds to Council to ensure that terms and conditions contained in the Performance Contract are adhered to by the Council.***



## **4.0. BONTHE DISTRICT COUNCIL**

### **4.1. Bank Reconciliations not carried out.**

Bank Reconciliation is a fundamental financial control procedure that helps to identify discrepancies between the balances recorded in the Cash Book and those entered in the records held by the bank. However, we observed that Bank Reconciliations were not carried out for four (4) the accounts (School Fees Subsidy a/c, Revenue a/c, RCHP a/c & Salary a/c) held by the Council for the period under review.

#### ***Official Response***

*The CA stated that:*

*Management is also of the view that Bank Reconciliation is a fundamental financial control tool and has always ensured that it is been done regularly to ascertain the accuracy in the agreement of our bank statement and cash book balances. Management noted that it was an oversight not to have included bank reconciliation statements for the affected accounts during the handing over of bank reconciliation statements file. However, the above mentioned reconciliation statements are now available for verification.*

#### **The Committee**

***The Committee recommends that the Chief Administrator should ensure the following:***

- ***That bank reconciliations are done on a monthly basis, reviewed and initialed as correct by a responsible officer and filed accordingly.***

- ***That the individual bank accounts of the Council are reconciled with Council's corresponding Cash Books and all discrepancies investigated, corrected in the books of accounts and filed accordingly;***
- ***That the evidence of reconciliations [including the discrepancies (if any) and the corrections made in the books of accounts] are made available to the Audit office for verification***

#### **4.2. Inconsistencies in reporting and presentation of Financial Information**

*(i) Paragraph 60 of IPSAS 1 requires that unless an International Public Sector Accounting Standard permits or requires otherwise, comparative information should be disclosed in respect of the previous period for all numerical information in the financial statements, except in respect of the financial statements for the reporting period to which this Standard is first applied. Comparative information should be included in narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.*

Comparative information, as required by Paragraph 60 of IPSAS 1, was not given in respect of recognitions/disclosures in the Financial Statements. (Statement No.1- Receipt & Payments, Statement, No.3-Financial Performance and Statement & No.4- Statement of Financial Assets and Liabilities (All Funds) as at 31st December 2012).

***(ii) Own source Revenue recognised in the Financial Statements was understated by Le88, 425,160.***

Variances were observed between MTEF Budget Estimates 2012 and the budgets recognised in the Financial Statements in respect of Total Revenue and Expenditure Streams.

#### **Official Response**

*The CA in his response stated as follows:*

*(i) It is true that International Public Sector Accountant Standard (IPSAS) requires disclosures of previous year's numerical information in the financial statement when it is relevant to an understanding of the current period's financial statement. However, management was of the view that previous year's information in the*

*2011 financial statement do not match the requirements of the IPSAS and as such may not have been relevant to an understanding of the 2012 financial statement submitted to the Auditor General. In 2011 Council uses the Microsoft Excel Format in the preparation of monthly financial statement as compared to the Petra Accounting Software which was adopted in 2012. The Petra Accounting Package was more aligned to generate financial information required by IPSAS unlike the Microsoft Excel Format. This makes it difficult to compare financial information generated by the two tools (Microsoft Excel & Petra Accounting Package).*

*(ii) Management would like to make the following observations with respect to the issue of understated revenue in the Financial Statements:*

*(a) The sum of Le6, 177,000.00 was credited in error by the Bank (Matru Community Bank) which was reversed. We noted that these amounts were computed as understated revenue amounts though it cannot be considered as revenue earned. Please refer to the Bank Reconciliation Statements.*

*(b) An amount of Le3, 000,000.00 was an amount deposited in error in to the Revenue Account instead of the HIV/AIDS Account. We noted that this amount was computed as understated revenue amount though it cannot be considered as revenue earned. Also refer to the Bank Reconciliation Statements.*

*(c) The sum of Le56, 700,000.00 was interbank transfers in respect of loan repayments by the Agriculture Sector which cannot be considered as actual revenue earned. Please refer to the Loans Register and requisitions for further clarification.*

*(d) The sum of Le22, 236,000.00 was not posted in Petra Financial Statements but recognised in the Bank Reconciliation Statement. Please refer to the Bank Reconciliation Statements for verification.*

*(iii) Management will like to draw your attention to the fact that over the course of the 2012 financial year, there are activities which may not have been provided in the approved original budget but are provided for in the supplementary estimates approved by Council. Such activities are the payment of school fee subsidies, transfers of retentions for the Rural and Private Sector Development Project (RPSDP)*

*and the Education for All, Fast Track Initiative (EFA/FTI) Project. The documentary evidences in the form of Payment Vouchers, Cash Books and Financial Statements were presented for audit. In addition the information provided in the Financial Statement are generated from the Petra Accounting Package of which management has no control over it setup. However, these concerns will be communicated to the Public Financial Management Reform Unit (PFMRU) for their attention and action.*

## **The Committee**

### ***The Committee recommends that:***

- ***The Chief Administrator should ensure that the Council complies with the requirements of Paragraph 60 of IPSAS 1.***
- ***Differences identified must be investigated and action taken to correct the figures in the Financial Statements.***
- ***The revised Financial Statements should be submitted to the Audit office for verification.***

### **4.3. Inadequate control over Revenue Collection**

- (i) During a review of the operating procedures of revenue collection, it was observed that collectors and agents were not adequately monitored and procedures were not enforced or followed. The Auditors were not provided with any meaningful revenue collection monitoring reports for review.
- (ii) It was noted that General receipt books provided for inspection were supplied since 2004 and the actual quantity supplied then to the council could not be confirmed as the delivery note accompanying the receipt was not provided. The Auditors were therefore unable to ascertain the actual quantity of books used in 2012 and confirm the completeness of revenue generation by the Council.

### **Official Response**

*The CA stated that:*

- 1. Management views own source revenue mobilization as an important aspect that hinges on its ability to provide effective service delivery to the people. In order to achieve increase and sustainable revenue collection, adequate control and supervision over revenue collectors had now been adopted to ensure that revenues collected are banked intact. The following control mechanism has been adopted with the approval of the Budget and Finance Committee:*
  - a. Management had resolved that all tax payers (including businesses) should pay their taxes directly to the revenue accounts maintained with the Mattru Community Bank and forward pay-in slips to the account office where official receipts are issued.*
  - b. The Account Unit had been mandated to bank revenue intact and immediately accounts for revenues collected on a weekly and monthly basis and ensure that bank reconciliation statements are done and forwarded to the Chief Administration for review.*
  - c. The Deputy Chairman has been assigned with the responsibility of regular supervision of collection and accounting for revenue.*
  - d. Regular revenue collection reports from the Internal Auditor are now available for verification*
- 2. Management disagrees with the query related to general receipt books that was provided for audit which the auditor stated that they were supplied since 2004 and without delivery note. We would like to state that all receipt books provided for audit inspection were procured in 2011. These books were recorded in our accountable document register and both the payment voucher and delivery notes (procured in 2011) are available for verification.*

### **The Committee**

***The Committee recommends that the Chief Administrator should ensure that adequate controls over the collection, recording and reporting of financial***

**transactions are put in place and such controls are periodically monitored to ensure compliance.**

#### **4.4. Request for Quotations method not followed.**

There was no evidence in the form of three Requests for Quotations (RFQs) to justify that the procurement of goods, works and services amounting to **Le271, 608,000.00**, was conducted in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act, 2004.

#### **Official Response**

*The CA stated that*

*Management will like to state it desire in adhering to the laws governing public procurement in Sierra Leone and has always conducted it procurement process in line with the Public Procurement Act and Procurement Regulation. Management will however like you to consider the business environment in Mattru Jong where line businesses are very limited in number which poses significant constrains on the procurement process especially in obtaining three quotations. Management has always strived to meet this requirement even in the most difficult circumstances. We wish to state that it was difficult to locate and match the required quotations since we were not able to get the out gone Procurement Officer, who did most of the procurement, to clarify and match the quotations that were available. He later avail himself and most of the quotations have been located and marched which are now available to be verified.*

*We further wish to state that the procurement method used in respect of PV1241 valued at Le144, 395,000 was National Competitive Bidding (NCB) method instead of the RFQ method misunderstood by the Auditors. However, we are pleased to make available procurement documentations leading to the award for further verification.*

#### **The Committee**

**The Committee recommends that:**

- **The Chief Administrator in collaboration with the Procurement Committee must ensure that the procedures in respect of the Request for**

**Quotations method are in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act of 2004.**

- **The Chief Administrator should also forward explanations for not complying with the provisions of the Public Procurement Act of 2004 within 30 days after the adoption of this report by Parliament; otherwise the amount involved must be refunded into the Consolidated Revenue Fund.**

#### **4.5. Payments without the relevant documentary evidence**

It was observed that supporting documents such as receipts, delivery notes, reports, and list of participants etc. were not made available to justify the payments for goods, works and services amounting to **Le59, 508,667.00**.

#### **Official Response**

*The CA stated that:*

*It is true that some of the supporting documents in support of payment amounting to Le59,508,667.00 highlighted in appendix "C" may not have been attached to the payment voucher at the time of audit. After the exit meeting, a committee comprising the Internal Auditor, the Deputy Chief Administrator, the Finance Officer, M&E Officer and Representatives from Devolved Function was setup to address the issue of adequate supporting documentation to PVs. The committee observed that most of the supporting documents were wrongly attached to other payment vouchers and in some cases wrongly filed. However, management is pleased to report that all of the supporting documentations as queried have been located and now available for verification.*

#### **The Committee**

**The Committee recommends that:**

- **All transactions from inception to completion should be supported by the relevant documentary evidence which must be retained for audit and reference purposes.**

- ***The Chief Administrator should forward the documentary evidence in support of the expended amount of Le59,508,667.00 to the Audit office for verification within 30 days after the adoption of this report by Parliament; otherwise, the whole amount should be refunded.***

#### **4.6. Withholding taxes not deducted and paid to National Revenue Authority.**

It was observed that withholding taxes amounting to **Le10, 048,838.15** were not deducted at source from the payment for goods and services and paid to the National Revenue Authority.

##### **Official Response**

*The CA stated that:*

*Council has always endeavoured, as a statutory requirement, to deduct withholding taxes on all payments made to contractors and suppliers and make payment to the National Revenue Authority. Management wish to state that this payment are now been made and NRA receipts are attached for verification.*

##### **The Committee**

***The amount in question had been paid and evidence of payment was submitted to the Committee***

##### **Guidelines not issued for Sitting Fees paid to Councillors.**

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of **Le110,681,880.00** recognized in the Financial Statements as Sitting Fees paid to Councillors, contrary to Section 30 (2) of the Local Government Act, 2004.

##### **Official Response**

*The CA stated that:*

*The payment of Councillors Sitting Fee and Travelling Allowances are provided for in the Local Government Act 2004. Council will like to reiterate that this concern has long been forwarded to the Ministry of Local Government and Rural Development regarding*



*guidelines for the payment of sitting fees to Councillors. Council will like to bring to the attention of the Auditor General that it is not the mandate of Local Councils to formulate guidelines and policies as specified in the Local Government Act. It is the responsibility of the Ministry of Local Government to formulate guidelines for Local Councils operations. However, Management will make a follow-up on this with the ministry to ensure compliance.*

### **The Committee**

***The Committee recommends that the Chief Administrator should liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of Sitting Fees to Councillors.***

#### **4.7. Sitting Fees paid to Absentee Councillors.**

The total sum of **Le8, 501,250.00** was paid to some Councillors as Sitting Fees and transport allowances for various months without any evidence to indicate that they attended Council meetings for the stated months.

#### **Official Response**

*The CA stated that Councillors Sitting Fees amounting to Le8, 501,250, although the months are not indicated as alleged to have been paid without any evidence to indicate that the Council meeting was held, I can here categorically state that all minutes of Council meeting are filled and kept safe in office. There has never been a time when Councillors were paid sitting fees and transport allowances without sitting. Sitting fees are only paid after Council meetings.*

*There are eleven Councillors that were not present in the meeting and were paid sitting fees. Again may I say here that there are 18 (eighteen) Councillors plus two ex-officio members who are Paramount Chiefs. The meeting should not have taken place with just seven Councillors present without forming a quorum which is in contravention of the Local Government Act 2004 section 15 (6).*

*This meeting did take place because there was a quorum if not almost all Councillors were present. In any case I will ensure the Council continues to be compliant with the LGA 2004.*

### **The Committee**

***The Committee recommends that the Chief Administrator should liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of Sitting Fees to Councillors.***

#### **4.8. Sitting Fees paid to Councillors without evidence of meetings held.**

The total sum of **Le19, 552,500.00** was paid as Sitting Fees to Councillors for the period July-September 2012 without any evidence in the form of Attendance Register and minutes to justify that Council meetings were held for the stated period.

#### **Official Response**

*The amount Le19, 552,500 was paid to all eighteen Councillors and two Ex-officio members of Council. There is evidence of minutes in which all the Councillors participated and even contributed. The total sum involved here is for a quarter i.e. three months. There is no way Council can go three months without sitting.*

*The attendance register got missing somewhere along the line when we were transferring to our new office. However, there is an evidence of an attendance register for these sittings which is now available to be verified.*

### **The Committee**

***The Committee recommends the following that:***

- The Chief Administrator should ensure that the payment of Sitting Fees should be made only to Councillors who attend Council meetings.***
- The Chief Administrator should ensure that the amount involved is immediately recovered and paid back into the Consolidated Revenue Fund and evidence of payment be made available to the Audit office for***

***verification within 30 days after the adoption of this report by Parliament.***

#### **4.9. NASSIT deducted but not paid.**

There was no evidence to show a total of **Le1,638,000.00**, deducted as NASSIT contribution on PV No. 000100 and Cheque No.013030 of 4/7/12), was paid over to NASSIT.

#### ***Official Response***

*Evidence in the form of NASSIT receipt to show a total payment of Le1, 638,000.00 to NASSIT is now available to be verified.*

#### **The Committee**

***The amount in question had been paid and evidence of payment was submitted to the Committee***

#### **4.10. Internal Audit Unit not effective.**

A review of the operations of the Internal Audit (IA) Unit revealed the following:

- (i) There was no charter or any formal document stating the purpose, authority, responsibility and scope of the IA Unit.
- (ii) There was no evidence to indicate that the IA unit had a suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management.

#### ***Official Response***

- (i) *Management will like to state that it is the responsibility of the Internal Audit Department of the Ministry of Finance and Economic Development to formulate Internal Audit policies and Charter to be implemented by the Local Councils. However we are pleased to inform you that the Internal Audit Department of the*

*Ministry of Finance and Economic Development that provides technical support and training for Local Council Internal Auditor has been working on the Internal Auditor Charter which is nearly in completion. Once approved by the authorities concern, this Charter will now serve as a base to address the concerns raised in this audit. Meanwhile, the Internal Audit has relied on authority of the Local Government Act to carry out its functions.*

- (ii) *Similarly, the Audit Manual is also almost at its completion stage. The Internal Auditor presently relies on such statutory instruments as the Local Government Act, the Procurement Act and Manual, the Budget and Accountability Act in the performance of his duties. Management will however communicate the concerns raised in this audit to the directorate of the Internal Audit Department in a bid to have them expedite the processes leading to the conclusion of formulating both the Internal Audit Charter and the manual.*

*An Audit Committee formed by council in the fulfilment of reporting requirements became ineffective and had to be dissolved to make way for a new Committee. The names of the committee members have been submitted to council by management for approval.*

### **The Committee**

***The Committee recommends that Councils in collaboration with the Ministry of Local Government and Rural Development should ensure the following:***

- (i) That a charter or formal document stating the purpose, authority, responsibility and scope of the unit is immediately designed; and***
- (ii) That a suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management is also designed.***

### **4.11. Inadequate control over the management and security of Fixed Assets**

A review of the Council's Fixed Assets Register revealed that vital information such as the cost of acquisition of assets and date of purchase were absent.

**Official Response**

*The CA stated that:*

*Even though the Council still struggle to value assets that were donated or inherited, Council has now adopted the practice of ensuring that the Fixed Asset Register is being updated and information such as the name of the asset, cost, date of purchase, code/identification number, individual location, total quantity held and whether they were inherited, donated or purchased by the Council are being included in the Assets Register immediately assets are procured. In addition a fixed asset policy meant to give direction for the management of our assets has been prepared and approved by council and it is currently in use. Copy is now available for your attention.*

**The Committee**

***The Committee recommends that the Chief Administrator should ensure that the Finance Officer records all assets owned by the Council in the Assets Register and such record should include the name of the asset, cost, date of purchase, code/identification number, individual location, and total quantity held and whether they were inherited, donated or purchased by the Council.***

**4.12. Ineffective management of the Council's budget and budgetary control processes.**

There was no evidence in the form of minutes, correspondences and other documents to confirm that a Budget and Finance Committee was operational for the period under review. As such, quarterly and/or monthly reviews to monitor line items in the budget were not carried out to ascertain actual as against planned revenue and expenditure for the period under review.

**Official Response**

*Management always acknowledges the statutory mandate of the Budget and Finance Committee and the positive impact it has on the overall successes of the Council especially in ensuring effective budgetary controls. We appreciate the observations made by the external auditors and wish to state that the Budget and Finance Committee has been functional though faced with the challenges of meeting on a regular basis. The committee has been pivotal in Council's budgetary process and has always meet to review sector activity plans, set revenue rates and make recommendations to the Council for the approval of Council's Medium Term Expenditure Framework (MTEF) Budgets. Minutes of these meetings are now available for audit inspections and verification.*

### **The Committee**

***The Committee recommends that:***

- ***A Budget and Finance Committee should be made operational; and***
- ***Regular meetings are held and Minutes of such meetings are kept for record purposes.***

### **4.13. Set targets of the Performance Management Contract not met.**

The Council's engagement on profitable business venture(s) within the district

The set targets of the Performance Management Contract that were agreed on between His Excellency the President and the Council were not fully met for most of the planned projects. Typical among them were:

- (i) The establishment of a mechanism for new sources of revenue in order to help increase the Council's contribution to the national economy;
- (ii) The construction of a District Library
- (iii) The Construction of a Youth Training Centre Fence
- (iv) The development of a Council Service Delivery Charter.

## **Official Response**

*The CA stated that the Council agreed and signed the Performance Management Contract with His Excellency the President. Management will like to state the level of commitment adopted to ensure that the performance indicators mentioned above were implemented successfully. Management will like to emphasize that the success of the implementation of most of the indicators above was largely dependent on central government grant transfers to Local Councils. Sadly, Government was only able to transfer quarter 1 and 2 grants to Councils in 2012. This affected Council's ability to meet its overarching obligations in successfully implementing the performance contract.*

*Council continues to face tremendous challenges with the Chiefdom Authority in the mobilization of own source revenue. These problems were exacerbated by the Ministry of Local Government given authority to the Chiefdom Authority to take control over some of council's revenue areas in contravention of the LGA 2004. Until and unless the inherent ambiguity in the LGA with respect to revenue mobilization between Local Councils and Chiefdom Authorities is reviewed, revenue mobilization at Local Council level will continue to be at a snail pace.*

## **The Committee**

***The Committee recommends that the Chief Administrator should ensure that plans are put in place to expedite the agreement in respect of the projects in the contract document.***

### **4.14. Compliance with the Human Resource Management Guidelines**

**(i)** The undermentioned key positions as indicated in paragraph 1.7 page 3 of the Revised Human Resource Management Guidelines for Local Councils **(HRMG)** have still not been filled in the Council:

- Human Resource Officer
- Head of Devolved Functions

- Gender Officer
- Economist
- Draughts Man
- Clerk of Works
- Administrative Assistants

### **Official Response**

*It is true that the positions outlined above have not been filled. However Management will like to state that recruitment of Core Council Staff is the primary responsibility of the Local Government Service Commission (LGSC) and not the Council. Council will wish to have a full functioning Council with all the positions outlined in the HRMG be filled to ensure maximum efficiency. Management will communicate this to the LGSC and will wish to see it addressed before the next audit.*

### **The Committee**

***The Committee recommends that Local Government Service Commission should ensure that the councils fully comply with the requirements of the provisions of the Revised Human Resource Management Guidelines for Local Councils.***

## **5.0. MOYAMBA DISTRICT COUNCIL**

### **5.1. Inconsistencies in Reporting and Presentation of Financial Information**

- (i) Variances were observed between MTEF Budget Estimates 2012 and the budgets disclosed in the Financial Statements in respect of Total Revenue and Expenditure Streams.



(ii) A Review of the Council's financial statements and prime accounting records (General Ledger/Trial Balance) revealed the following:

- Basic salaries and NASSIT payments recognised in the Financial Statements were understated by **Le103, 878,236.75** and **Le22, 145,736.00** respectively.
- Grants, to the tune of **Le73, 282,443.00**, in respect of support to Ward Committee were not disclosed in the Financial Statements.

It was also noted that some expenditures recognised in the Financial Statements were either overstated or understated. The net effect of these anomalies amounted to **Le274, 192,360.00**.

### **Official Response**

*(i) These variances between the MTEF Budget and the financial statement have been corrected to reflect the correct amount in the adjusted financial statement.*

*(ii) The understatement of the basic salaries and NASSIT amount has been corrected to reflect the correct amount in the Financial Statement.*

*(iii) Grants amounting to Le73, 282,443.00 were part of administrative grant in the financial statement and we do not capture it separately in the financial statement since it is part of our administrative grant for payment of ward committee sitting fees.*

*(iv) The understatement and over statement of certain expenditure in the financial statement amounting to Le274, 192,360 has been adjusted to reflect the correct amount in the financial statement.*

### **The Committee**

**The Committee recommends that the Chief Administrator should ensure following:**

- ***Differences identified must be investigated and action taken to correct the figures in the Financial Statements.***
- ***The revised Financial Statements should reach the Audit Service for verification within 30 days after the adoption of this report by Parliament.***

## **5.2. Bank Statements & Bank Reconciliation Statements**

The following were observed:

- (i) Out of 27 accounts observed to have been in operation, only five (5) were reconciled and reviewed.
- (ii) Bank statements were not received for 8 out of the 27 bank accounts operated and two Bank account statements were observed to be incomplete.

### **Official Response**

*Reconciliation has been provided for all the Accounts for the financial period 2012 and they will be made available for your verification.*

*The bank statement was not provided for all the accounts due to misplacement of documents by the finance clerks at that time, but these statements have now been discovered and are readily available for Verification.*

### **The Committee**

***The Committee recommends that the Chief Administrator must ensure that Bank Accounts maintained by the Council are efficiently managed. Every Bank Account maintained by the council should be reconciled with the corresponding Cash Book balance at least once every month.***

## **5.3. Inadequate control over Revenue Collection**

- (i) During a review of the operating procedures of revenue collection, it was observed that collectors and agents were not adequately monitored and procedures were not

enforced or followed. The Auditors were not provided with any meaningful revenue collection monitoring reports for review.

(ii) It was noted that General receipt books provided for inspection were supplied since 2004 and the actual quantity supplied then to the council could not be confirmed as the delivery note accompanying the receipt was not provided. The Auditors were therefore unable to ascertain the actual quantity of books used in 2012 and confirm the completeness of revenue generation by the Council.

### **Official Response**

*This was because there was no valuator at the council and as such it was not easy to monitor the revenue collectors of the council and the Monitoring and evaluation officer was also acting as the Development planning officer of the council. However since we now have valuator, collectors and agents are being properly monitored.*

*Also council has ensured that all payments are now made at the bank.*

*Since the council was established in 2004, receipts books were supplied for revenue collection however since that date Moyamba District Council has not requested for any more receipts books .Also since we have transferred from the old building to the new building it was discovered that delivery notes were not seen for the supply of receipts books in 2004.*

### **The Committee**

***The Committee recommends that the Chief Administrator should ensure that contracts are always executed in line with the provisions in the Contract Agreement. In addition, any extension of the completion dates to the contract must be documented and appropriately filed.***

#### **5.4. Contract Terms not followed.**

The Terms of the Contract were in some cases not complied with in respect of the date of completion of some selected contracts. The completion dates had long passed and the contracts were still on-going. In addition, there were no indications that extensions of the completion dates had been agreed on by the parties to the contract as stipulated in the Contract Agreement.

#### **Official Response**

*The Council did all the procurement processes with instructions from the Rural and Private Sector Development Project Office (R.P.S.D.P) starting from advertisement to award. The management of the contract is the sole responsibility of R.P.S.D.P and payments are being done directly to the contractors by the Rural and Private Sector Head Office. Since these responsibilities are not undertaken by Council, the contractors are answerable to R.P.S.D.P rather than Council administration. Therefore, the non-extension of project completion date is the responsibility of R.P.S.D.P instead of Council. This project is under the direct supervision of the PCU in Freetown and since the project started no payment has been made to the contractor it was prefinanced.*

#### **The Committee**

##### ***The Committee recommends that:***

- All transactions from inception to completion should be supported by the relevant documentary evidence which must be retained for audit and reference purposes.***
- The Chief Administrator should forward the documentary evidence in support of the expended amount of Le59,168,000.00 to the Audit office within the regulatory timeframe of 30 days after the adoption of this report by Parliament otherwise, the whole amount must be refunded.***

#### **5.6. Payments without the relevant documentary evidence**

It was observed that supporting documents such as receipts, reports and PETS Forms were not attached to selected Payment Vouchers to justify the payments for goods and services amounting to **Le59, 168,000.00**.

**Official Response**

*During the audit process these documents were available but the movements of documents from one department to another really caused the detachment of some PETS Forms, receipts and reports from their payment vouchers. However these documents have been found and attached to their respective vouchers, and available for your verification.*

**5.7. Withholding taxes not deducted and paid to the National Revenue Authority.**

It was observed that withholding taxes totaling **Le10, 100,734.50** in respect of activities relating to the Council's Administration and Devolved functions, were not deducted at source and paid to the National Revenue Authority.

**Official Response**

*The withholding Taxes were not paid at the time of the audit because the finance department was collating the total withholding taxes due for 2012 and these have been paid and the receipts will be made available for verification.*

**The Committee**

***The above tax liability had been paid, receipt submitted and verified.***

**5.8. Guidelines not issued for Sitting Fees paid to Councillors.**

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of **Le65,533,500.00** recognized in the Financial Statements as Sitting Fees paid to Councillors, contrary to Section 30 (2) of the Local Government Act, 2004.

It was however noted from an examination of Payment Vouchers that **Le86, 949,750.00** was paid to Councillors as Sitting Fees & Allowances for the period under review. This figure when compared with that disclosed in the Financial Statements gave a difference of **Le21, 416,250.00** that was not accounted for by the Council.

### **Official Response**

*Ministry of Local Government has provided no guidelines to justify the amount disclosed in the financial statement. However we will ensure that these guidelines are provided. And the difference of **Le21, 416,250** has been included to reflect the correct amount in the financial statement.*

### **The Committee**

***The Committee observes that Councillors' sitting fees was a perennial issue within the councils and therefore the Committee recommends the following that:***

- ***The Chief Administrator should ensure the payment of Sitting Fees and other allowances are financed by the Council under guidelines issued by the MLGRD, after consultation with the Minister responsible for Finance, in accordance with Section 30 (2) of the LGA, 2004.***
- ***The Chief Administrator and Chairman of the Council should forward an explanation on the difference in Sitting Fees paid and the amount disclosed in the Financial Statements. The sum of Le21,416,250.00 must be refunded into the Consolidated Revenue Fund within 30 days after the adoption of this report by Parliament and payment details forwarded to the Audit Service for verification.***

### **5.9. Payments of Sitting Fees and Allowances to Absentee Councillors**

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, I consider it implicit that Sitting Fees, and other allowances, should only be paid to Councillors

for Council meetings which they actually attend. During the year to 31<sup>st</sup>December 2012, **Le29, 671,875.00** was paid as Sitting Fees and other allowances to Councillors who were absent from council meetings to which the payments related.

**Official's Response**

*Absentee Councillors have provided authentic excuse which was at the office of the Human resource officer who was promoted as Deputy Chief Administrator at the Bo district council, and since then he was not replaced and was not around to submit these letters during the audit process. However they have been made available for your verification.*

**The Committee**

***The Committee recommends that the Chief Administrator must ensure that Sitting Fees and Allowances are only paid to Councillors for Council meetings which they actually attend. However, the sum of Le29,671,875.00 be immediately recovered from the councillors involved and paid back into the Consolidated Revenue Fund.***

**5.10. Statutory Payments deducted but not paid over to the relevant authorities.**

It was observed that NASSIT and PAYE deductions, totaling **Le21, 830,736.00** and **Le1, 332,500.00**, were not paid over to NASSIT and the NRA respectively

**Official Response**

*NASSIT and PAYE deduction amounting to Le 21,830,736 and 1,332,500 respectively were not paid at the time of the audit because the finance department was collating the total NASSIT and PAYE deductions due for 2012, and these have been paid and the receipts will be made available for verification.*

**The Committee**

***The above liability has been paid to NASSIT, receipt submitted and verified***

### **5.10. Internal Audit Unit not effective.**

A review of the operations of the Internal Audit (IA) Unit revealed the following:

- (i) There was no charter or any formal document stating the purpose, authority, responsibility and scope of the IA Unit.
  
- (ii) There was no evidence to indicate that the IA unit had a suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management.

#### **Official Response**

*At the moment the Internal Audit Department of the Moyamba District Council does not have an Audit charter or any formal document stating the purpose, authority, responsibility and scope of the Internal Audit Unit, because the Internal Audit Department in the Ministry of Finance and Economic Development is working on it, and once it is prepared it becomes a legal document for the Internal Audit Unit.*

*It is also the same thing for the Internal Audit manual it is not available at the moment, but hopefully it will happen, Internal Audit Department in the Ministry of Finance and Economic Development is working on it.*

#### **The Committee**

***The Committee recommends that the Council in collaboration with the Ministry of Local Government and Rural Development should ensure the following:***

- (i) That a charter or formal document stating the purpose, authority, responsibility and scope of the unit is immediately designed; and***
  
- (ii) That a suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management is also designed.***

### **5.11. Inadequate control over the management and security of Fixed Assets**



The following were observed:

- (i) The Fixed Assets Register maintained by the Council did not contain vital information such as a unique serial number, current status and location.
- (ii) Some assets purchased by the council in 2012 were not included in the Fixed Assets Register.

### **Official Response**

*The Format of the fixed assets register has been improved to include vital information such as unique serial number, Current status, cost and Location. And it is readily available for verification*

*The assets that were purchased in 2012 that were not included in the register have now been captured and the updated fixed asset register is readily available for verification.*

### **The Committee**

***The Committee recommends that the Chief Administrator must ensure that the Finance Officer records all assets owned by the Council in the Fixed Assets Register and such record should include the name of the asset, cost of the assets, date of purchase, code/identification number, individual location, total quantity held and whether they were inherited, donated or purchased by the Council.***

### **5.12. Terms and Conditions of Performance Management Contract not fully met.**

The terms and conditions of the Performance Management Contract agreed on between His Excellency the President and the Council were not fully met for the under-mentioned projects:

- (i) There was no evidence that a property cadastre was set by the Council in the 14 chiefdom headquarter towns as stipulated in the Performance Contract.

(ii) The amount of own-source revenue generated by the Council was far less than the contract amount as indicated in the Performance Contract by 13.8%

(iii) Out of 13 rolled over projects to have been completed as stipulated in the Performance Contract, only six (6) were 100% complete.

### **Official Response**

*No Property cadastre was set up during 2012 because of the cost implications, but we have now been able to get UNDP to fund the setting up of a cadastre through the Local Government Finance Department (LGFDD). A consultant has been hired and will be in at any time to start work. The council is now in possession of the office equipments' for the implementation of this job.*

*This is because the local tax collection was affected last year because of the elections as most people did not pay their local taxes, Precepts were not also paid by three chiefdoms, also the jetty landing collection was also disrupted by the chiefdom authorities, which also affected the collection in 2012 and meeting our target for revenue generation. Also the collection of licenses from the fishermen became very difficult because those with legal nets were encouraged to license and those with illegal nets did not. This affected the collection too.*

*This happened because the funds for roll over took care of the first and second quarters in 2012, whilst the third and fourth quarters paid for with first and second quarter funds. 2012 was really not a normal year because of the national elections. We hope that things will improve in 2013.*

### **The Committee**

**The Committee recommends that the Chief Administrator should ensure the following:**

- **That the monitoring and supervision of revenue collection should be enhanced so that the expectations of the Government of Sierra Leone would be met/exceeded;**

- *That plans be put in place to expedite the agreement in respect of the projects in the contract document; and*
- *That government provides timely funds to council to ensure that terms and conditions contained in the Performance Contract are adhered to by the council.*

### **5.13. Ineffective management of the Council's budget and budgetary control processes.**

There was no evidence in the form of minutes, correspondences and other documents to confirm that the Budget and Finance Committee was operational for the period under review. As a result, quarterly and/or monthly reviews to monitor line items in the budget were not carried out to ascertain actual as against planned revenue and expenditure.

#### ***Official Response***

*The Budget and Finance Committee meeting for 2012 was operational, however you can see minutes of B&F committee meetings for verification.*

#### **The Committee**

***The Committee recommends that:***

- ***A Budget and Finance Committee is made operational; and***
- ***Regular meetings are held and Minutes of such meetings are kept for record purposes.***

### **5.14. Financial Reports and Bank Statements**

In spite of repeated requests, Financial Reports and Bank Statements in respect of the EU Project were not submitted for audit inspection.

#### ***Official Response***

*Financial reports and bank statements for EU Projects were not available because the EU Admin Finance officer was not around but later made himself available at the middle of the audit process and was not able to submit it the documents because of the Template provided by EU. However they are now available for verification.*

**The Committee**

***The Committee recommends that Project financial reports and bank statements must be recovered and promptly submitted for audit inspection.***

**6.0. PUJEHUN DISTRICT COUNCIL**

## **6.1. Comparative information was not given in respect of disclosures in the Financial Statements.**

Variances were observed between the Financial Statements and Notes to the Accounts.

### **Official Response**

- (i) Management also vividly took a look at the Financial Statements in relation to the observations made as regards the Financial Statements in terms of comparative analysis and also wish to quote what Audit Service considers as an exception; “ Paragraph 60 of **IPSAS** requires that unless an International Public Sector Accounting Standard permits or requires otherwise, comparative information should be disclosed in respect of the previous period for all numerical information in the financial statements, except in respect of financial statements for the reporting period to which this standard is first applied”. Management therefore wants to draw the attention of Audit Service to the fact that **IPSAS** was only introduced to the Pujehun District Council during the period under review. In addition to the above, during FY 2011, the Financial Statements that were presented to Audit Service were not done through the PETRA Accounting package which should have made it easier for comparative information. However, management has noted this with great concern and hopes to apply this requirement to subsequent Financial Statements that will be presented to Audit Service.*
  
- (ii) Management also critically examined these observations with concern as regards MTEF budget estimates and that of budget figures disclosed in the Financial Statements which Audit Service identified. However, management wants to make it clear to Audit Service that information detailed in the budget are inputted into PETRA by PFMRU which council has no control over. In some instances expenditures may occur which might need adjustments in the budget and this may be supplementary to the original budget. In the event aggregation of these expenditures are not taken into account during the preparation of the financial Statements due to oversight. Management however would share this concern with PFMRU for a way forward.*

### **The Committee**

**The Committee recommends the following that:**

- ***The Chief Administrator should ensure that the Council complies with the requirements of Paragraph 60 of IPSAS 1.***
- ***Differences identified must be investigated and action taken to correct the figures in the Financial Statements.***
- ***The revised Financial Statements should reach the Audit Office for verification within 30 days after the adoption of this report by Parliament***

**6.2. A difference of Le8,007,289.96 was observed between cash balances as per trial balance and the cash balances as per bank confirmation.**

### ***Official Response***

*Management is quite aware of the provisions in Section 139 (1) of the Financial Management Regulations of 2007 which states that : “The balance of every bank account as shown in a bank statement shall be reconciled with the corresponding cash book balance at least once every month; and the reconciliation statement shall be filed or recorded in the cash book”.*

*In fulfilment of the above provisions, bank reconciliation was carried out by the Accountant, verified by the Finance Officer and approved and initialled by the Chief Administrator as recommended by Audit Service for each and every month for the period under review and a copy of the reconciliation statement forwarded to the Regional Office of Audit Service.*

*We recognize the discrepancies between the Cash book balances of Council and the bank confirmation balances and attribute the differences to either cheques that were written and debited in the cash book which were not presented to the bank for payment (Unpresented Cheques) or Cheques that were wrongly debited in another account/s (Debit in error).*

*To substantiate the above point raised by management we now look at two accounts as evidence:*

#### **(1) DSDP2 RURAL WATER**

*Unpresented Cheques:*

<b><u>CHQ NO</u></b>	<b><u>AMOUNT</u></b>
(a) 1538460	293,880.00
(b) 1538462	293,700.00
(c) 1538464	270,960.00
(d) 1538466	401,475.00

**(11) EDUCATION ACCOUNT.**

*Unpresented Cheque:*

<b>CHQ .NO</b>	<b>AMOUNT</b>
<b>(a) 894877</b>	<b>1,250,000.00</b>

*Cheques that were debited in error from other accounts:*

<b>CHQ NO</b>	<b>AMOUNT</b>
1084149	2,004,000.00
1084141	704,000.00
895211	2,615,900.00

*From the above it is evidently clear that all accounts kept by the Pujehun District Council were reconciled and reasons for the discrepancies stated on the reconciliation statements which we would like Audit Service to revisit.*

**The Committee**

***The Committee recommends that the Chief Administrator ensures that Bank Accounts operated by the Council are efficiently managed. Every Bank Account maintained by the council should be reconciled with the corresponding Cash Book balance at least once every month and the reconciliations carried out be checked and initialled by a responsible officer and filed accordingly.***

**6.3. A major breach was noted in the selection of a procurement method for the supply of diets.**

Procurement procedures in respect of the Request for Quotations method were not adequately and appropriately followed for goods and services totalling **Le210,110,160.50**.

***Official Response***

*The Procurement Plan was adjusted in respect of this transaction. In effect, the supply was done on a quarterly basis and as such the Request for Quotation Method (RFQ) instead of the National Competitive Bidding (NCB) Method was used since the amount of Le50,000,000.00 per quarter was below the Le60,000,000.00 threshold.*

*However, having realized that this transaction is a continuous process and with the quantum of money involved taking into consideration the payment per annum, Council has fulfilled all the requirements to ensure strict compliance to procurement regulations, that is, the National Competitive Bidding Method (NCB) has now been adopted and all necessary documents available for inspection.*

**The Committee**

***The Committee recommends that the Chief Administrator must ensure that in future proper procurement rules as stipulated in the Procurement Act, 2004 are followed by the Procurement Officer.***

**6.4. The relevant documentary evidence was not made available to justify disbursements amounting to Le260,412,275.**

***Official Response***

*Management wants Audit Service to understand that towards the commencement of the audit for the period under review, most Senior Staff within the Local Councils were transferred from their locations to new areas for which the then Procurement Officer of the Pujehun District Council happened to be among. Hence, as at the time of the Audit, Management could not contact the Out-gone Procurement Officer whose files were not fully accessible to the incoming.*



However, upon receipt of the draft management letter the Out-gone Officer was contacted to have a close look at the transactions detailed in **Appendix “B”** and realized that all the transactions had the required documents which have now been assembled for inspection or verification.

## **The Committee**

***The Committee recommends that the Chief Administrator in collaboration with the Procurement Committee must ensure that the procedures in respect of the Request for Quotations method should be in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act of 2004. It recommends that the required number of RFQs in respect of the queried procurements is forwarded to the Audit office for verification within 30 days after the adoption of this report by Parliament***

**6.5. There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify the amount of Le153,981,346.00 recognized in the Financial Statements as Sitting Fees paid to Councillors.**

## **Official Response**

*The issue of guidelines by the Ministry of Local Government and Rural Development has been one of concern for Audit Service and for which Council is always queried. Management considers this issue with great concern but however, makes it clear that the issue of guidelines lies within the powers of the Ministry of Local Government and Rural Development in collaboration with the Ministry of Finance and Economic Development which has not been given the due attention by the concerned Ministries.*

*We however want to assure our Auditors that this concern will be officially communicated to the Ministry of Local Government and Rural Development expressing to them the attention this issue deserves and its implication on Council.*

## **The Committee**

***The Committee recommends that the Chief Administrator should liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of Sitting Fees to Councillors.***

**6.6. The operations of the Internal Audit Unit were not effective.**

***Official Response***

*Management agrees with the observations put forward by Audit Service as regards the non-availability of an Audit Charter. We want our auditors to understand that no Audit Charter has yet been developed for Local Councils. We however promise to contact the appropriate authorities (Internal Audit Unit) of the Ministry of Finance and Economic Development to develop a comprehensive Audit Charter for our Internal Audit Unit.*

*The internal Audit Units of Local Councils have Internal Audit manuals but no policy specific to Internal Audit of Local Councils to guide and direct their operations.*

*In terms of reporting line, the Internal Auditor should report to Council through the Internal Audit Committee set by Council.*

**The Committee**

***The Committee recommends that the Councils in collaboration with the Ministry of Local Government and Rural Development should ensure the following:***

***(i) That a charter or formal document stating the purpose, authority, responsibility and scope of the unit is immediately designed; and***

***(ii) That a suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management is also designed.***

**6.7. There was no evidence in the form of minutes, correspondences and other documents to confirm that a Budget and Finance Committee was operational for the period under review.**

***Official Response***

*Management views this issue with great concern and thanks Audit Service very much for their observations. However, management wishes to assure Audit Service that there is a Budget and Finance Committee already established as enshrined in the LGA 2004. Regular meetings and keeping of minutes of the Committee are what, perhaps, management needs to reinforce.*

*A data base for all revenue streams to be developed as recommended by Audit Service is also on course.*

*With the help of one of our development partners-Welt Hunger Hilfe, a **Property Cadastre** (Rate Data Base) has been developed for five (5) major towns within the District as a pilot phase. A similar exercise has also been undertaken by the Marine Resources Staff in the District which has ensured the registration of all boats/canoes in the District.*

*Management also intends to undertake similar exercises for other revenue streams like licenses, bill boards, market stalls, etc. to ensure same.*

### **The Committee**

***The Committee recommends that:***

- ***A Budget and Finance Committee be made operational; and***
- ***Regular meetings are held and Minutes of such meetings kept for record purposes.***

### **6.8. The Fixed Assets Register was not updated.**

#### **Official Response**

*We appreciate Audit service very much for their observation in relation to the management of council's Assets and faithfully promise to review the Assets Register.*

*The responsibility of preparing the Assets Register was delegated to the Store Keeper who Council has realized hasn't the capacity based on the findings of Audit Service.*

*Management, upon receipt of the draft management letter has assigned a very Senior Officer who is now charged with the responsibility of updating the Assets Register taking into account the required information as recommended.*

### **The Committee**

***The Committee recommends that the Chief Administrator must ensure that the Finance Officer records all assets owned by the Council in the Fixed Assets Register. Such record should include the name of the asset, cost of the assets, date of purchase, code/identification number, individual location, total quantity held and whether they were inherited, donated or purchased by the Council.***

**6.9. The terms and conditions of the Performance Management Contract that were agreed between His Excellency the President and the Council were not fully met.**

***Official Response***

*A data base not created as at the time of this audit but management however promises to accomplish this condition in the shortest possible time.*

*Management views this issue with keen interest but however, wants Audit Service to understand that this is a project that is implemented through the allocations from the Ministry of Finance via Local Government Finance Department (Quarterly transfers) and not through a readily available fund in a bank account.*

*It is with great dismay that for the rest of the period under review only two quarters were received from LGFD and as such funds were not sufficient to have completed this project as stipulated in the Performance Contract and council could not solicit funds from any other source for completion of this project.*

*Management remains extremely grateful to Audit Service for their observations and also appeals for their intervention in assisting council in the area of sharing of revenue with the Chiefdom Administration Council, mostly in the areas of Local Tax Precept and Market Dues.*

*Though there is a provision in the Local Government Act of 2004, for sharing of precepts and market dues which we anticipate for and include in our budget, the Chiefdom Administration Council has from 2011 and for the period under review not complied with this provision which greatly has impeded the achievement of our revenue projection.*

*Pujehun District Council indeed signed a Performance Contract in relation to the project mentioned by Audit Service.*

However, we want our Auditors to understand that this was a project that was to be funded by **Rural and Private Sector Development Project** where council was to take the lead in terms of Procurement processes and award of contracts.

Along the line RPSDP decided to take over the entire process relating to the implementation of this project and had to review the entire process already done by Council. As a result there were delays in terms of Contract awards and disbursement of funds.

At any rate, this project has now been awarded and implementation expected to start soonest.

### **The Committee**

**The Committee recommends that the Chief Administrator must ensure the following:**

- (i) That the monitoring and supervision of revenue collection should be enhanced so that the expectations of the Government of Sierra Leone would be met/exceeded;**
- (ii) That plans are put in place to expedite the agreement in respect of the projects in the contract document; and**
- (iii) That Government provides timely funds to council to ensure that terms and conditions contained in the Performance Contract are adhered to by the council.**

## **7.0. KAILAHUN DISTRICT COUNCIL**

### **7.1. Inadequate Control over the Collection, Recording, Banking, Reporting and Presentation of Financial Information**

1. Evidences in the form of request and application letters authorised by the CA to the Government Printing Department and delivery notes/ invoices for printing of receipt books were not submitted for audit;
2. A comprehensive clients' cadastre/database and bills/demand notices to justify the accuracy and completeness of property income totalling **Le32,007,786** disclosed in the financial statements were not submitted.
3. A comparison of revenue collected as per receipt books and that disclosed in the financial statements revealed that own source revenue was overstated by **Le17, 755,097**.
4. A comparison between the bank statements and cashbook revealed that revenue totalling **Le1, 511,319,954** was not recorded in the cash book.
5. A review of the Council's financial statements submitted for audit revealed the following issues: A variance/understatement of **Le368, 049,311** between the amount recognized as total expenditures in the financial statements and trial balance.
6. A variance/understatement of Le354, 209,007 between the amounts recognized as total expenditures in the financial statements and the General Ledger for line items by Sector Heads.
7. A variance/overstatement of Le13,840,304 between total expenditures as per trial balance and general ledger for various line items by sector Heads.
8. A variance/overstatement of revenue for Sector Heads amounting to Le605,822,294 between financial statements and general ledger.
9. A variance/understatement of revenue for Sector Heads totalling Le2,590,936,143 between bank statements and general ledger. A variance/understatement of revenue for Sector Heads amounting to Le1,985,113,849 between bank statements and financial statements.

10. There were Inconsistencies/differences in the balances disclosed between the cash book/general ledger and the financial statements.
11. The opening balances in the cashbook/general ledger for 2012 differ from the closing balances of the prior year.
12. The closing balances as per cashbook/general Ledger and Financial Statements differ.

### **Official Response**

1. *There were problems with the handing over of financial documents from the out gone Finance Officer to the present, but after several consultations we were able to locate these documents. The document in question is now available for audit verification.*
2. *It is true that there was no cadastral/data base to justify the accuracy and completeness of property income as disclosed in the financial statement. However, the council had in 2013 contacted IFAD for assistance, this was responded to and now a comprehensive data base/cadastral has been done and completed for all revenues collected by Council. And evidence of this is now available at the council which will be used in future.*
3. *The difference between the revenue as per receipt books presented for audit inspection and the financial statements which shows that the own source revenue was overstated by Le17,755,097 was investigated and documents to support the amount in question are now available for verification.*
4. *The various differences that occurred between the Financial Statements, revenues heads and other statements are as a result of the Petra System which is new. But we are working assiduously to rectify all those anomalies for the 2013FY.*

### **The Committee**

***The Committee recommends that the Chief Administrator (CA) should ensure the following:***

- *That printing of receipt books is done by the Government Printer, authorised by the CA, with evidence of request and signed application letters are maintained for references;*
- *That reconciliations between daily revenue collected as per receipt books, and bank pay-in slips/bank statements are carried out on a regular basis;*
- *That a comprehensive client cadastre/database is maintained for rates while the CA must forward copies of demand notices/bills sent to property owners in respect of the amount recognised on the financial statements ;*
- *That figures disclosed in the financial statement are derived from the Cash Books/General Ledger;*
- *That proper reconciliations are done between prime accounting records (Receipt books, Cash book/General Ledger) and Trial Balance, and discrepancies noted are investigated and appropriately corrected;*
- *That the receipt books issued in respect of own-source revenue are reconciled with the figures disclosed in the Trial Balance/Financial Statements;*
- *That bank statements and cash books are regularly reconciled taking into consideration all receipts and payments done; and*
- *That the Chief Administrator should ensure that all adjustments / corrections and reconciliations are properly done, and he should re-submit the corrected financial statements accordingly*

## **7.2. Ineffective Management of the Council's Budget and Budgetary Control Process**

1. There was no evidence in the form of minutes, correspondence and other documents to confirm that a Budget and Finance Committee was operational for the period under review;
2. The budgeted amount of Le305,203,314 for own source revenue was not justified by the council;



3. A comparison of the Council's performance in actual revenue generation against budgeted revenue for the 2012 financial year revealed a drop of 22%.
4. Some inconsistencies were noted between the cash book balance as per the trial balance and the cash book balance used in the preparation of the bank reconciliation for some accounts.

### **Official Response**

1. *With the inception of the current council, the Budget and Finance Committee now meets regularly and evidence of their meetings in the form of minutes and attendance register are available for verification.*
2. *It is true that there was no cadastral/data base to justify the accuracy and completeness of property income as disclosed in the financial statement. However, the Council had in 2013 contacted IFAD for assistance. This was responded to and now a comprehensive database/cadastral has been done and completed for all revenues collected by council. And evidence of this is now available at the council which will be used in future.*
3. *Bulk of Council's revenue has been through monies collected from evacuation and there was a very bad season in 2012 which led to poor productivity of cocoa and hence reduction in quantities evacuated but with the inception of the property cadastral we hope to improve on our revenue mobilisation by 2013.*

### **The Committee**

#### **The Committee recommends that:**

- ***The Council should ensure that the Budget and Finance Committee meets regularly and proceedings documented.***
- ***A client cadastre/database should be maintained to serve as the basis for preparing the annual budget.***
- ***Monitoring of actual revenue and expenditure should be done on a regular basis and comparison made against budget to identify variances so as to aid decision making.***

### **7.3. Inadequate Control over the general processing of Payment Vouchers**

A transfer of an amount to the tune of Le61,111,250 from the Rural Water Services Project funded by the World Bank to Devolved Agriculture and Administration.

1. The adequate supporting documents were not made available to justify the disbursement of funds amounting to Le166,682,285. See Appendix “3”
2. We observed that PVs in respect of devolved functions were not appropriately coded with the twenty-seven digit code and differences were noted between the date of transaction and the date they were posted.

### **Official Response**

1. *Indeed the said amount was withdrawn from Rural Water’s account to be used for agricultural trade fair at Makeni and pressing administrative expenses. There was a late transfer of funds to MAFFS to partake in the annual trade fair to be held in Makeni and the council had to source funds from the Rural Water’s account to undertake the said activities. However, these monies were immediately paid back into the account and evidence of this is available for audit verification. We are very much confident that such situation will not arise in the future.*
2. *Funds were disbursed to the various devolved ministries and the implementation exercises were in progress when audit exercise took place. However, appropriate retirements have been done and the PV’s and supporting documents are now available for verification.*
3. *The Petra system was newly introduced to councils and there was little knowledge in the use of the system, therefore for accuracy the twenty digit codes were not applied. But after several trainings on the use of the system we are now sure of applying it in all transactions.*

### **The Committee**

#### **The Committee observes the following:**

- **Bank Statements submitted revealed that tied grant untied has been refunded. The issue has been resolved.**
- **Supporting documents in the form of receipts and certification were submitted for the sum of Le166, 682,285.**

**The above issues were cleared.**

### **7.4. Inadequate Control over the Management of Bank Accounts Maintained by the Council**

A. Review conducted, revealed the following:

(i) That Bank Reconciliation Statements were not done for the under mentioned FIB bank accounts:

- School fee subsidy a/c no. 13.101.23571-01

- Rural Private Sector a/c no. 13.101.25816-01
- Development a/c no. 13.101.13994-01
- Salary Account a/c no. 13.101.24498-01

(ii) The balance used on the FIB Bank Reconciliation Statement differed from that in the bank statement for Rural Water Services.

**Official Response**

*School fees and rural private sector accounts were reconciled for the year under review but they were misplaced at the time of the audit exercise. These documents have now been found and will be available for verification. Salary accounts are not normally reconciled due to the fact that monies paid to this account are withdrawn immediately and disbursed to staff members. However; this account has been reconciled for the year under reviewed. Development account has been dormant for the entire 2012 FY.*

*This balance may have been paid to the bank on behalf of council but was not reflected in the council's cashbook.*

**The Committee**

***The Committee noted that the issues reported had been resolved***

**7.5. Procurement Procedures not followed**

1. It was observed that goods, works and services totalling Le21,750,000 were procured without the mandatory 'Request for Quotations' from at least three suppliers.
2. The total sum of Le1, 200,000 collected from the sale of bidding documents was not accounted for by the Council.

**Official Response**

1. *The transactions in question were done for emergency situation i.e. to respond to the maintenance of hospital generator and motor bike and a trade fair at Makeni. So the suppliers were allowed to supply the goods in advance before the payment process started but however the documentation is completed and ready for verification.*
2. *The council sold bid document for only supply of diet to secondary health care and the total sum was used to buy stationery for the printing of bid documents and refreshment for the procurement committee and evaluation committee. We do*

*accept that the amount did not go through the finance division to be recognised in the cash book. We will now ensure that all bids sold will be done through the finance office to be recognised as income.*

### **The Committee**

***The Committee observes the following:***

- ***Three requests for quotations with respect to such procurements undertaken were presented for verification.***
- ***Documents were presented in favor of the transaction though no council minutes were provided for such decision taken.***

### **7.6. 5% Withholding Taxes not deducted and paid to the National Revenue Authority**

It was observed that Withholding Taxes amounting to Le3,854,490 in respect of procurements were not deducted and paid to the NRA.

#### ***Official Response***

*Outstanding withholding taxes that were not paid due to some transaction not completed in time had been paid and evidences available for verification.*

### **The Committee**

***The Committee observes that the receipt from the National Revenue Authority in respect of the 5% Withholding tax paid was submitted and verified.***

### **7.7. Sitting Fees and other allowances paid to Councillors**

The following were observed:

1. There was no evidence in the form of guidelines issued by the MLGRD, to justify an amount of Le83,333,750 recognised in the Financial Statements as Sitting Fees.
2. The total sum of Le83,333,750 was paid to Councillors as Sitting Fees and Transport Allowances for meetings attended but no evidence in the form of minutes or attendance register were produced for audit.

#### ***Official Response***

1. *There are no guidelines at the Council from MLGRD at the moment. However, the ministry is working on guidelines to help council in dealing with the payment of sitting fees and allowances.*

2. *As stated in the management representation to ASSL during the interim audit those documents were misplaced during the councillors strike but however, some of those documents had now been traced and available for verification.*

### **The Committee**

***The Committee recommends that the Chief Administrator should ensure the following:***

- ***That the amount of Le83,337,750; payment of Sitting Fees and other allowances to Councillors be refunded within 30 days after the adoption of this report by Parliament.***
- ***That the guidelines issued by the MLGRD, in respect of the Sitting Fees and other allowances recognised in the Financial Statement are forwarded to the Audit Office as evidence.***

### **7.8. Internal Audit Department not Effective**

A review of the operations of the Internal Audit Department revealed the following:

1. There was no charter or formal document stating the purpose, authority, responsibilities and scope of the Department;
2. There was no evidence in the form of minutes or attendance register to indicate that the Council's Audit Committee was operational for the financial year under review;
3. Internal Audit reports were not submitted to the Council and Minister for the period under review

### **Official Response**

1. *The Council is still awaiting instructions from the Internal Audit of the Ministry of Finance in respect of a charter or formal documents stating the purpose, authority, responsibilities and scope of the department.*
2. *The former Internal Auditor at the Council left without informing the Council. There was no formal handing over therefore no document was available in his office to refer to in respect of queries raised. The new Internal Auditor has shown some responsibility of commitment and had in the first quarter ensured that an Internal Audit Committee is operational with meetings held.*
3. *The former Internal Auditor at the council left without informing the council. There was no formal handing over therefore no document was available in his office to referred to in respect of queries raised. The new Internal Auditor has shown*

*some responsibility of commitment by submitting first quarter audit report to council.*

## **The Committee**

***The Committee noted that some improvements had been made under the period of review by evidences submitted on the following:***

- ***Evidence of first quarter Internal Audit Committee meeting for 2013 in the form of minutes and attendance list were presented and verified.***
- ***Evidence of first quarter internal audit report was presented for verification.***

***However, the Committee recommends the following:***

- ***The Director of Internal Audit should design a charter or formal document stating the purpose, authority, responsibilities and scope of the department.***
- ***The Council should establish an Audit Committee charged with the responsibility of approving the Audit Department's work plans, and monitoring the implementation of all Internal Audit recommendations. The Council's systems and procedures should be regularly reviewed and assessed, and the reports including recommendations should be presented to the Council and Minister in accordance with Section 84 (3 & 4) of the Local Government Act, 2004***

## **7.9. Inadequate Control over the Management and Security of Furniture and Equipment**

1. One XL Motor Bike in the custody of the former Chairman was reported stolen. Police report to justify the alleged loss was not made available for verification and there was no report to indicate what action was taken by the Council.
2. Verification and reconciliation of physical asset with the master inventory of furniture and equipment was not carried out by the Council.

## **Official Response**

- 1. This motor bike is one of the bikes offered to council by OXFAM a Non-Governmental Organisation operating in the district. These bikes were distributed to councillors and other stakeholders in the district. The council in the last meeting declared the bikes obsolete and passed a motion that the former councillors now in possession take full ownership. Evidence of this will be available for verification.*
- 2. We are now developing proper master inventory of furniture and equipment for council which will be reconciled regularly in the future.*

## **The Committee**

***The Committee noted the following that:***

- Evidence of council meeting declaring the bikes donated as obsolete and passing ownership to former Councilors for the service they rendered to the Council was presented for audit verification.***
- The council has an inventory register which they are now using as a master register.***

***However, much is needed to be done in the subsequent audit in order to enhance efficient internal controls***

## **8.0. KENEMA CITY COUNCIL**

### **8.1. POOR PERFORMANCE IN REVENUE GENERATION**

A comparison of the Council's revenue collected for the 2011 and 2012 Financial Years revealed a drop by 9% from Le1, 015,875,925.00 to Le921, 786,369.00.

#### **Official Response**

*We agreed with your observation that revenue collected for 2011 and 2012 financial years shows a drop of Le94,089,556, but you will agree with me that even the tax collector don't want to pay tax as a result large number of people did not pay their taxes due to council especially property tax where council collected less than 20%. However, the council is working closely with its legal practitioner to ensure that these arrears are paid to council or legal actions taking against defaulters.*

*Secondly no Local Council especially the Kenema City Council did not benefit from the 2011 local tax precept as it was in the case of 2010 which saw all the Councils giving percentages as precepts from the local tax collected in the various area under their jurisdiction. As a result this seriously militates against the revenue base of the council for the periods under review and account largely for the fall in revenue generated in 2012.*

*Last but not the least, you will also agree with me that the entire country went into politics for almost half of 2012 as the county was to undergo presidential, parliamentary and local council elections. This influence:*

- Most business houses, enterprises, shops and stallholders, etc. to recess from their normal business activities as most of these business owners especially the foreigners have to travel to their country of origin and also some failed to import their good into the country owing to the fear that the elections will be violent; and*
- Most of our local business people travelling to other places where they believe they can best exercise their political right.*

#### **The Committee**

***The Committee noted that a Property cadastre has been developed to augment the Council's revenue base and also actions have been taken to enable Council to budget properly. However, the Committee recommends that:***



- ***The Chief Administrator should ensure that an assessment for revenue mobilization drive is done and all revenue generated is brought to account.***
- ***The Chief Administrator should provide an explanation and evidence as to what caused the significant drop in revenue generation.***

## **8.2. Inadequate Control over the Collection, Recording, Banking, Reporting and Presentation of Financial Information**

A review of the Council's financial statements and prime accounting records (General Ledger/Trial Balance) revealed the following:

1. An understatement of Le32,190,449 was noted between the closing bank balances reported in Note 7 of the Chief Administrator's report and that reported in Statement 5
2. Differences were noted between amounts recognised/disclosed as revenue and expenditure in the Financial Statements; and the General Ledger/Trial Balance submitted for audit.
3. Based on expense listing prepared by ASSL, it was noted that total expenditure recognised/disclosed in the Financial Statements was overstated by Le109,918,144.
4. Supporting schedule(s) to justify the recognition and disclosure of outstanding debts/commitments of Le3,042,165.496 in the FS were not submitted for audit. Work carried out, revealed that outstanding debts/commitments for projects undertaken were overstated by Le603,157,786.
5. A difference of Le17,380,000 was noted between the Assets and Liabilities balances disclosed in the Balance Sheet and a similar difference in the Trial Balance submitted for audit.
6. Payroll expenditure recognised/disclosed in the Financial Statements was understated by Le83,007,801.
7. A difference of Le5,479,260 was noted between the fund balances reported by the Chief Administrator in Note 9 and the Balance Sheet.
8. Evidence in the form of request and application letters authorised by the CA to the Government Printing Department for printing of receipt books were not submitted for audit.
9. A Series of receipt books used in the collection of Own Source Revenue was not presented for audit.

10. A Reconciliation between daily revenue collected as per receipt books and bank paying-in slip was not done.
11. Revenue collected as per receipt books and not recorded in the Cash book/General Ledger amounted to Le2, 100,000.
12. Revenue collected and recorded in the cash book differed from the one disclosed in the FS by Le113, 215,914.
13. Own Source revenue of Le780, 432 was not banked by the Council.
14. A comprehensive clients cadastre/database and bills/demand notice to justify the accuracy and completeness of Property Rates totalling Le249,610,394 disclosed in the financial statements was not submitted.

### **Official Response**

*It is true that there is a difference between statements 5 in the financial statements presented to you and the statement of the Chief Administrator. This is largely due to human error which I and my team recognize after the financial statements had been submitted to you. Management of the Kenema city council appreciates the fact that you were again able to pick it up during the final audits of the Council. However necessary actions have been taken to correct the amount in the Chief Administrator's Statement, and the correct amount as it is in statement five is now being copied to the necessary line in the statement of the chief Administrator.*

*We agreed that there are some differences between some figures in the financial statements and the General Ledger. The reason for this is due largely to the fact that my finance staff who were not in office for more than half of the year as they were posted to Kenema City Council sometime late last August, failed to recognize that there are two almost-dormant accounts which have received and incurred some amounts of money during the year under review but are not communicated to the Ministry of Finance through the Public Financial Management Reform Unit for it to be included in the Petra Financial Package and necessary budget lines created for it within this accounting package. As a result, activities in these accounts were not captured in the general ledger which is Generated from the Petra Financial. Again, we decided to report on these accounts because we believe that it is better to disclose such transaction in the financial statement which should be holistic, capturing every income and*

*expenditure of the council than to leave them under the table. Necessary contact has been made with the Ministry of Finance for these accounts to be included in the Petra financials.*

*It's unfortunate that your findings shows that expenditure totalling **Le109,918,144** is claimed to be overstated without presenting to us any schedule on the accounts were this amount was overstated, but however, management has done it findings and still cannot come up with this amount. As a result, I request that your team give my team the necessary technical support to revisit these documents.*

*Outstanding debts disclosed in the financial statements totalling **Le 3,042,165,496** are mainly balance payments on contracts to which the Council had made commitment by making part payment to the respective contractors and at the same time, cannot make the final or other tranches of payment as a result of the following reasons:*

- a. Government or its donor partners have not transferred grants supporting these projects within the year under review.*
- b. That these contractors have not within the year under review requested for the other tranches of payments*
- c. That the payment is retention payment which is due to contractors six months after the completion of a particular project if no liability occur, within that period, in other words if it occur, it must be cleared by the contractor before payment commences*
- d. And that the percentages of work done by the contractor do not match the percentage of money received by the contractor.*

*However the documents in respect of these contracts are available for your inspection.*

*On the other hand, Management wants to say that these debts were not overstated as they were calculated on the bases of contract price against actual payments made onto the 31<sup>st</sup> December 2012. But, however, Management will make available to you all of these documents for recalculation.*

*The difference of **Le17,380,000** was noted between the Asset and the Liability columns of the financial statement and was disclosed to the audit team by the finance*

*staff of council. Please be informed that this is a system issue within the Petra financial package which only shows up during the time of the preparation and presentation of the financial statements to your noble office. However, Management of the council has taken this with all seriousness by engaging both the public Financial Management Reform Unit and the Information Technology Department of the Ministry of Finance and they are working on it acidulously to ensure that this system malfunction is cleared within a short time.*

*The amounts disclosed in the financial statements are exactly transactions on payrolls that was paid for the financial period of 2012 while the files for payroll capture transactions on salary of the previous years. It is possible that you took into consideration all the documents in the files presented to you which might be responsible for the rise in amount for salary arrears incurred during the year under review.*

*Recall bullet point 2 under Management response 3.0 above, Accounts balances do not affect the balance sheet, as a result you will see these differences. Management of Kenema City Council is making all possible efforts to ensure that these accounts are created in the PETRA Financial with their necessary budget lines.*

*We agree that these evidences were not submitted during you audit of the Council, but the Management of the Kenema City will want to assure you that these documents will be made available to you for your verification.*

*According to findings that revenue totalling **Le2,100,000** were not recorded in the cash book or general ledger is not true. These amounts were recorded in the cashbook and it affects the general ledger, if not the total bank balance represented in the balance sheet should have shown a difference equivalent to **Le2,100,000** as against the bank reconciliation statements, which is not the case.*

*We agree, but this is as a result of the fact that after all the sensitization on the radio and other relevant media for people to pay their property rates and take back their bank pay-in-slip to Council for a general receipt in support of the amount on the pay-in-*

*slip to be issued to them, a large percentage of the resident in the City are still ignorant of this. They believe that once the payment is made to the bank, the transaction ends there, they will not go to the council for a general receipt to be issued to them. As a result, there is this large amount of money banked which is not supported by a general receipt evidence.*

*This is true, and we are aware of the bank intact procedure for every single cents of the Council of which the Kenema City Council is strictly a follower. Notwithstanding this, the council during the year under review was faced with serious situations after the normal banking hours or when at least one of the signatories to our accounts was not in the office or within reach or that the cost involved will not necessitate the preparation of cheque and petty cash not available but which the Council needs to respond to urgently. Cumulatively, all expenditure on these kinds of transaction over the year amounted to **Le780,432** in question. However, the documents in support of this amount are available for your inspection.*

*Management wants to assure you that the database of property in the City is available in the Valuation section of the Council and will be produced and made available to you on request during the verification exercise. However the Council believes that there will be some issues of differences between the figure presented in the financial statements and the figure that is available in the property database of the Council which is due largely to the fact that with all the sensitization carried out by the council during the year under review, large percentage of city residents still continue to pay for their properties in the accounts of the Council maintained in the Sierra Leone Commercial Bank and Guarantee Trust Bank and get away with the payment slip without showing these slips to the council administration. As a result, they cannot be captured by the valuation department for inputting into the property data base.*

## **The Committee**

***The Committee recommends the following that:***

- ***The Council should ensure that the Budget and Finance Committee meets regularly and proceedings documented.***
- ***A client cadastre/database should be maintained to serve as the basis for preparing the annual budget.***
- ***Monitoring of actual revenue and expenditure should be done on a regular basis and comparison made against budget to identify variances so as to aid decision making.***

### **8.3. Inadequate Control over the General Processing of Payment Vouchers**

1. The control environment over the disbursement of funds was not effective. Transactions were not properly initiated as they lacked requisition/pet form; PV's were not authorised by the Chief Administrator and above all adequate supporting documents were not seen.
2. The relevant documentary evidence was not made available to justify disbursement of funds amounting to Le475, 442,066. Based on sample tested the estimated value of such expenditure was approximately Le543, 630,477 (i.e. extrapolated to 11.4% of total charges).

#### **Official Response**

*The retirement / liquidation of funds disbursed to MDAs has been a problem and most of the supporting documents for the funds disbursed were not available at the time of the audit. However, all the supporting documents for expenditures totaling Le475,442,066 are now available for your verification. Also council has now made it a policy that all funds disbursed to MDAs must be liquidated for every quarter before the disbursement of the funds for the next quarter.*

#### **The Committee**

***The Committee noted that supporting documents in the form of receipts and certification were submitted for the sum of Le451,952,066. The balance of Le23,490,000 was still outstanding. However, Committee the recommends that the outstanding amount must be accounted for within 30 days after the adoption of this report by Parliament***

#### **8.4. 5% Withholding Taxes not Deducted and Paid to the National Revenue Authority**

It was observed that Withholding Taxes totalling Le29, 167,883 in respect of procurements were not deducted and paid to the National Revenue Authority

##### **Official response**

*It's unfortunate that largely, with the exception of just six vouchers with a total withholding tax of Le1,346,400 that was not deducted and paid over to the National revenue Authority, all other withholding taxes were deducted and turned over to the National Revenue Authority. Evidence of these payments is available for your inspection. I will want to call your attention to the fact that withholding taxes are deducted from the total amount due to contractors for the provision of a service, goods or work not on the second amount after you have deducted the first withholding tax. However payment evidence for the vouchers on which no withholding taxes was deducted as a result of LED projects implemented by council that are not taxable based on the advice or instructions we received from the United Nation Development program, are available for your verification.*

##### **The Committee**

***The Committee observes that an evidence in the form of a letter received from UNDP as agreement between the Government of Sierra Leone and UNDP for tax exemption for funds provided to institutions for the development of local communities in Sierra Leone, was provided. Withholding tax receipts from the National Revenue Authority were verified for the sum of Le26, 799,045.***

#### **8.5. Inadequate Control over the Management of Bank Accounts Maintained by the Council**

Bank Reconciliations performed for the following Bank accounts were inaccurate as differences were noted between Cash book balances on the Financial Statements and the Cash book balances used in the preparation of the Bank Reconciliation.

##### **Official Response**

*We agree with you findings, but the Management of the Kenema City Council want to bring this to your notice that we are using a financial package "PETRA FINANCIAL" which has the facility for electronically performing reconciliations, but because of the*

*banking arrangement between the council and all its numerous bankers we cannot perform bank reconciliations using what is available in this financial package. Largely bank reconciliation is done using Microsoft Excel which to a very large extent cannot detect easily the various errors of imbalances in accounting as compared to the Petra financial package. However this has been looked into with maximum seriousness and the financial staff of the Council have taken steps in making sure that the differences are corrected and the updated bank reconciliation statement is available for your verification.*

### **The Committee**

***The Committee noted that evidence of correction and adjustment on the bank reconciliation statements were submitted for verification.***

### **8.6. Procurement Procedures Not Followed**

1. For various goods procured totalling Le176,579,000 through the Request for Quotations method, the following issues were noted:

a) Delivery notes to justify that the items were procured and delivered were not seen; and

b) Valid business documents like business registration certificate, business licences, NASSIT registration to justify that an open and transparent procurement was done were not seen. See Appendix “5a”

2. The Kenema City Council signed a contract with Mobawa Construction and General Services on the 3rd of March, 2012 for the construction of an Abattoir and WATSAN facilities at the Fisheries Central Market. The contract cost was Le280,000,000 and the contract completion date was the 22nd of November, 2012. During the course of the audit, the following were observed:

a) This contract was not in the procurement plan submitted for audit;

b) The full project cost of Le280,000,00.00 was paid to the contractor before the completion of the work;

c) The contract completion date of 22nd November, 2012 was not met as construction work was still on-going at the time of the audit; and

d) Monitoring and evaluation reports to justify that the project was effectively monitored were not submitted for audit.



3. On the 3rd of March, 2012, a contract for the supply of a 20ft container cold room for the abattoir was awarded to Ngegor Construction and General Services. The total contract price was Le239, 000,000 and the contract completion date was the 22nd of September 2012.

The following issues were noted:

- a)The contract was not in the Development Plan, Budget and Procurement plan;
- b)Seventy (70) percent advance payment was made instead of the required thirty (30) percent;
- c) The item was not delivered within the stipulated deadline; and
- d) Monitoring and evaluation reports to justify that the project was effectively monitored were not submitted for audit.

4. On the 3rd of September, 2012, a contract for the supply and installation of a 15 kilo-watt solar panel with accessories for the abattoir was awarded to Solish Construction and General Supply. The total contract price was Le221,160,000 and the contract completion date was the 12th of November 2012. The following issues were observed:

- a)The contract was not in the Development Plan, Budget and Procurement Plan;
- b)Seventy (70) percent advance payment was made instead of the required thirty (30) percent; and
- c)The full project cost of Le221,160,000 was paid to the contractor before the completion of the contract.

There were no procurement documents such as contract, three requests for quotation, minutes of procurement planning, delivery notes, progress payment certificate, certificate of work completed, and monitoring and evaluation reports to justify that an open, competitive and transparent procurement was done for goods, works and services totalling Le109, 601,819.

### **Official Response**

*Certificate is awarded to a business, relevant registration documents to produce are copies of NASSIT registration and NRA clearance must be made available to the council. These documents are available at the Council for verification.*

11a. Management got this project from one of its development partners the United Nations Development Program, to be precise after the preparation of development plan, MTEF budget and procurement plan. Notwithstanding this a supplementary procurement plan capturing this project was prepared and sent to the National Public Procurement Authority for their attention. This supplementary plan is available for your verification.

11b. we agree that the project construction was Le280,000,000 as indicated in your finding. We still want to draw your attention to the fact that Management is aware that in any contract, “retention” has to be deducted and kept aside. Therefore for the contract awarded to Mobawa construction and General Service (i.e. construction of abattoir) council has paid Le252,000,000 with Le28, 000,000 still in the council UNCDF/LED account maintained with the Zenith Bank.

11c. Management is aware of the fact that, the contract is not completed as planned due to the fact that land ownership was a problem between Kenema City Council and the market traders. This delayed the commencement of the work at the site until the land issue was resolved which actually took some time. Where Audit Service has created doubt in this explanation you can visit the site and talk with the market traders and contractor during your verification exercise.

11d. This may be an oversight because we believe that these reports were made available to you during the final audit exercise, but however management of the council wants to assure you that copies of all monitoring reports on all projects are available and will be produce and made available to you on request during the verification exercise.

11e. Management is aware that in any contract if an advance payment guarantee is available of the amount submitted to the supplier, management has the right to issue 70% as it was question because the guarantee is available. There is no hard and fast rule that 30% should be given to supplier when guarantee is available and be side this kind of work falls within goods and not works. The procedure for works is different form goods.”

11f. Management is drawing your attention to the fact that the construction of the abattoir is ongoing, but that doesn’t mean that the 20ft container cold room was not available under the custody of council. I order one of my staff to go along with one of your staff to the construction site which they did and found out that the 20ft container cold room that was procured by Ngegor was within reach and the delivery note prove that the container was delivered within the stipulated time that was in the bidding

documents. However the delivery note will be made available for your attention during your verification exercise.

*1ivc. We agree that project cost was Le 221,160,000 as indicated in your findings. We will like to draw your attention to the fact that management is aware that in any contract “retention” has to be deducted and kept aside. Therefore for the contract awarded to Solish Construction and General Supply (I.e. Supply and installation of 15Kilo-Watt solar Panel) council has paid Le 214,812,000 with Le6,348,000 stilling the council UNCDF/LED account maintained with the Zenith Bank.*

*In addition based on your findings, “Procurement undertaken for which documents were not submitted” it could be as a result of an oversight from either your team of auditors or on the part of the responsible officer. However the related procurement documents in respects of these transactions are available for your verification.*

### **The Committee**

**The Committee noted that:**

- ***Evidence in the form of delivery note, business registrations, NASSIT registration, NRA certificate, etc. were seen and verified for the sum of Le176,579,000.***
- ***Evidence in the form of supplementary plan for the Le280,000,000, Le239,000,000 and Le 221,160,000 as part of the procurement plan were seen and verified.***
- ***Evidence in the form of cheque stubs for first and second tranch payment to Mobawa Construction and General Services totaling Le 252,000,000 were seen upon verification. The remaining Le28,000,000 withheld as retention payment.***
- ***Evidence in the form of certificate of performance to certify that the work was successfully completed on the 24th of April, 2013 was provided during verification.***
- ***Evidence in the form of delivery note to justify the supply of 20ft container cold room was seen upon verification.***
- ***Evidence in the form of cheque stubs for first and second tranch payment to Solish Construction and General Supply totaling Le214,812,000 was seen upon verification while Le6,348,000 is due to the supplier. A delivery note to justify the supply of 15 kilo-watt solar panel with accessories was seen.***
- ***During verification, procurement documents such as contract agreement, bidding document, three requests for quotation for the total amount of Le109,601,819 undertaken were seen and verified.***

***However, the Committee recommends that the remaining issues must be accounted for within 30 days after the adoption of this report by Parliament.***

### **8.7. Sitting Fees and other Allowances paid to Councillors**

The following were observed:

1. There was no evidence in the form of guidelines issued by the MLGRD, to justify the amount of Le52, 698,000 recognised in the Financial Statements as Sitting Fees.
2. The total sum of Le35, 158,500 was paid to Councillors as Sitting Fees and Transport Allowances even though they failed to attend Council meetings.

### **Official Response**

*We agree with your findings, but will continue to say to you that this is the responsibility of the Ministry of Local Government and Rural Development (MLGRD), The amount so stated in our findings was sent to council with Instructions / advice from the Ministry of Finance and Economic Development through the Local Government Finance Department for the payment of Councilors sitting fees and transport allowance. It was this instruction that the council followed and the necessary returns in recognition of this amount sent to the Ministry of Finance with a copy filed for your attention. On the other hand, I totally disagree that the Council never sat for nine months during last year. There is evidence from the minute of the meetings held within the period you queried, which will be submitted to you for your verification.*

### **The Committee**

***The Committee recommends that the Chief Administrator should ensure the following:***

- ***That the amount of Le52, 698,000 as payment of Sitting Fees and other allowances to Councillors should be refunded within 30 days after the adoption of this report by Parliament.***
- ***That the guidelines issued by the MLGRD, in respect of the Sitting Fees and other allowances recognised in the Financial Statement are forwarded to the Audit office as evidence.***

### **8.8. Internal Audit Department not Effective**

A review of the operations of the Internal Audit Department revealed the following:

1. There was no written provision from the management of the Council giving the Internal Audit Department unrestricted access to all records and documents.
2. There was no evidence to indicate that the Council's Audit Committee was operational for the Financial Year under review;
3. Executions of Internal Audit assignments were not planned and documented and lacked sufficient and appropriate audit evidence
4. Work carried out by the Internal Auditor was skewed towards the review of expenditures incurred by the Council with no provision for the review of systems, the Council's control environment and other high risk areas;
5. The review of working paper files revealed no logical sequence between audit work and reports submitted as audit procedures and conclusion were not documented;
6. Internal Audit Reports submitted were not acted upon; and
7. Internal Audit Reports were not submitted to the Council and Minister for the period under review.

### **Official Response**

*I have put in place a mechanism that ensures that all relevant documents are accessible by the Internal Auditor in order to undertake effective assessment of the council internal control environment. Also the Council in collaboration with the Director of Internal Audit will design a charter or formal document stating the purpose, authority, responsibilities and scope of the Internal Audit Department.*

*The Council has established an Audit Committee which is responsible for approving the Department's work plans and monitoring the implementation of all Internal Audit recommendations. Minutes of meetings held by the Committee are available for your verification.*

*Execution of Internal Audit assignments is properly planned documented and are supported by sufficient and appropriate audit evidence. These can be made available to you upon verification.*

*I must remind you that, the scope of the Internal Auditor goes beyond financial management; it actually looks at the entire internal control environment and come up with recommendations that will significantly add value to councils systems and procedures that accounts largely for Council operation. This can be evidenced from my internal audit findings and reports.*

*Working paper files such as permanent and current are maintained for all audit assignments conducted by the department.*

*I agree with your findings, however, with the establishment of an Internal Audit committee in the council as stated above, it makes it possible for all internal audit findings to be fully acted upon. Evidence of that can be seen from the first quarter 2013 internal audit findings which have been replied to by the relevant responsible officers of council.*

*The Council's Systems and Procedures are regularly reviewed and assessed and the reports in respect of these (including internal audit recommendation) shall be presented to the Council and Minister in accordance with Section 84(3 & 4) of the LGA, 2004. These relevant sections in the Act have made it possible for the first quarter 2013 internal audit findings to be tabled at council during the fifth Council meeting held in the Council main auditorium.*

## **The Committee**

**The Committee observes that:**

- **No evidence of written provision from the management of the council giving the Internal Audit Department unrestricted access to all records and documents was provided.**
- **Evidence in the form of minutes of Audit Committee meetings and attendance list were seen which proves that the Audit Committee is now functioning for the 2013 financial year.**
- **A current working paper file with evidence of work done was provided by the Internal Auditor during verification conducted.**
- **Other system and procedures like procurement, cash and banking etc. were reviewed upon verification.**
- **Evidence in the form of management response to Internal Audit report was made available for verification.**
- **No evidence to justify that the Internal Audit report was submitted to the Minister for the period under review.**

**Therefore, the Committee recommends the following:**

- ***The Director of Internal Audit should design a charter or formal document stating the purpose, authority, responsibilities and scope of the Department.***
- ***The Council should establish an Audit Committee charged with the responsibility of approving the Audit Department's work plans, and monitoring the implementation of all Internal Audit recommendations. The Council's systems and procedures should be regularly reviewed and assessed, and the reports including recommendations should be presented to the Council and Minister in accordance with Section 84 (3 & 4) of the Local Government Act, 2004***

### **8.9. Ineffective Management of the Council's Budget and Budgetary Control Process**

1. There was no evidence in the form of minutes, correspondence and other documents to confirm that a Budget and Finance Committee was operational for the period under review.
2. A revenue cadastre/database to support own source revenue budget totalling Le504,386,831.30 was not provided for audit; and
3. Monthly/quarterly budget review to monitor budget line items in terms of actual as against planned revenue and expenditure was not carried out by the Council.

#### **Official Response**

*The Management of the Kenema City Council wants to inform you that the Budget and Finance Committee was the first Committee that was established by the old council. For the year under review this committee was headed by Councillor Yatta Sama with an office space provided to her for effective operation of the committee. Evidence of the committee meetings held is available for your verification.*

*The management of the council wants to assure you that there is a valuation department which is fully operational. This department is headed by the Council Valuator, According to your findings the council will want to inform you that there is a data base available in this department which will be made available to you inspection during your verification exercise upon request. Notwithstanding the availability of the data base, the council during the year under review was faced with challenges such as for example most property owners making payment for their properties in the council*

accounts with the Sierra Leone Commercial Bank and Guarantee Trust Bank without bringing the slip of payment to the council for a general receipt to be issued to them. As a result, the total amount on similar transaction cannot be captured in the database. This might be responsible for the differences between what is available in the database and the amount presented to you in the financial statements. However the council has undertaken a more robust sanitization strategy that will ensure that this difference is minimized. You must be aware of the fact that large percentage of the funds council is using to undertake programs and projects are grants from central government which are supposed to be transferred to council on a quarterly basis with specific instructions. These grants are not forthcoming. As in the case of 2012-the year under review-Council only received grants for first and second quarters from the Government of Sierra Leone and first quarter from the Decentralized Service Delivery Program with no funds transfer to council for Reproductive and Child Health Program activities and the remaining quarters for both the GoSL and DSDP and all of these funds are captured in the budget of the council. This is exactly what is responsible for the imbalances between the actual income and expenditure and proposed income and expenditure stated in the budget of the council. We will also bring this to your attention that the Petra-Financial Package is indeed capable of producing budget Variance Reports on monthly, quarterly, yearly basis etc. as the case may be. This is shown in statement two in the financial statements submitted to you.

## **The Committee**

### **The Committee noted that:**

- **No evidence in the form of minutes, attendance list, correspondence and other documents to confirm that the budget and Finance Committee was operational for the period under review.**
- **A cadastre/database to support own source revenue generation has been developed by the Council.**
- **No evidence of monthly or quarterly budget review was provided during the verification exercise.**

## **8.10. Non-Refund of Unclaimed School Fees Subsidies into the Consolidated Revenue Fund**

We observed that unclaimed school fees subsidies totalling Le1, 011,500 were not paid into the Consolidated Fund Account.



## **Official Response**

*Let me bring this to your attention that the Ministry of Finance and Economic Development through the Accountant General's Department is paying fixed amount of subsidy base on the number of pupils enrolled in all the schools within the city, with no other amount transferred for the maintenance of the school fees subsidy account held by the Council with the Eco-Bank. This is witnessed by the draft Management Letter, it explained that in 2012 a total transferred of Le287,841,500 was transferred to Council as school fees subsidy. Base on the advice received from the Ministry of Finance, Council then transferred this entire amount into the individual school accounts as presented with no extra amount to offset the charges on our account by the bank which according to appendix 7 amounted to Le600,000. Therefore the Council is still of the opinion that it is indeed better to keep this unclaimed subsidy in the account as a way of offsetting the monthly bank charges by the bank.*

## **The Committee**

***The Committee recommends that the amount must be accounted for within 30 days after adoption of this report by Parliament.***

## **9.0.KENEMA DISTRICT COUNCIL**

### **9.1. Inadequate Control over Banking and the Collection, Recording, Reporting and Presentation of Financial Information**

1. Evidences in the form of request and application letters authorised by the CA to the Government Printing Department and delivery notes/ invoices for printing of receipt books were not submitted for audit.
2. There was delay in the posting/recording of own source revenue collected totalling Le2,275,000. See Appendix “1a”
3. There was no regular reconciliation in revenue collected as accounted for in the receipt books and the bank pay-in slip.
4. A comprehensive clients’ cadastre/database and bills/demand notice to justify the accuracy and completeness of Property Rates totalling Le16,358,000 disclosed in the Financial Statements was not submitted.
5. A comparison of revenue collected as per receipt books and that recorded in the Cash book/disclosed in the Financial Statements revealed that revenue streams were over/under-recognised.
6. Own Source revenue totalling Le25,747,500 was not banked by the Council.

### **Official Response**

1. *The council always undertakes the printing of receipt books with the Government Printing Department. On this occasion, the necessary requisition was duly made by the Chief Administrator and the requisite documents from the Government Printing Department were duly obtained. These documents are hereby forwarded for your verification.*
2. *The delay is caused by the frequent challenges with power availability and the occasional malfunctioning of the Petra system. Sometimes it will take days, and even weeks to get the system working again, thereby causing the delays you highlighted.*
3. *Indeed it is correct that regular reconciliations were not done for the period January – June 2012. This situation was however rectified since a new Finance Officer was posted on 1st July 2012.*
4. *The cadastre system had serious challenges with the anti-virus system installed by the UNDP consultant, and this caused the system to breakdown for some period. Efforts to get the consultant to fix the problem proved futile, at least in the short term, as he was out of the Country for the better part of six months.*

However, the problem has now been fixed early this year, with additional safeguards put in place to prevent a recurrence.

5. Our reconciliations of revenue recorded in the receipt books and that disclosed in the Financial Statements show consistency and due diligence. For example, the amount of Le120, 134,750 was recorded as revenue from alluvial diamond licenses on receipt No. 000203. This figure is consistent with what is paid into the Bank Account (see attached bank statement) and therefore, what is recorded in the Financial Statements. A joint verification exercise with ASSL would therefore resolve the misunderstanding as to whether there was an over/under recognition of revenue streams.
6. Again, we admit as reconciliations of our revenue bank accounts showed that an amount of Le3, 349,500 was not banked due to some malfeasance by our revenue collectors. However, the full amount has now been recovered and accordingly lodged in our revenue bank account.

### **The Committee**

#### **The Committee observes that:**

- **Evidence in the form of request and application letters authorised by the chief Administrator and sent to the Government Printing Department for the printing of receipt books was not provided for verification.**
- **Verification revealed that there were delays in the posting of daily revenue collected.**
- **Reconciliation between revenue collected as per receipt books and that banked as per pay-in-slip is carried out by the Council for the 2013 Financial Year.**
- **A client cadastre/database and bills/demand notices in support of the Le16, 358,000 collected as revenue from Property Rates was not submitted for verification. However, a Revenue Cadastre/Database has been developed and utilized by the Council for the 2013 financial year.**

**Therefore, the Committee underscored that the Chief Administrator should properly supervise and review the entire system to ensure the following:**

- **That the printing of receipt books is done by the Government Printer, authorised by the CA, and evidence of request and signed application letters maintained for references;**
- **That the posting/recording of own source revenue into the prime accounting records is done in accordance with the above regulation;**

- *That revenue collected is banked the next day after receipt in accordance with the above regulation;*
- *That reconciliations between daily revenue collected as per receipt books, and bank pay-in slips/bank statements are carried out on a regular basis;*
- *That a comprehensive client cadastre/ database is maintained for rates and the CA must forward copies of bills/demand notices sent to property owners in respect of the amount recognised on the FS;*
- *That the Receipt Books issued in respect of own-source revenue are reconciled with the Cash Book and Bank Statements and all corrections done accordingly.*
- *That the FO pays all own source revenue collected promptly into the Council's bank account so that it is not used by any staff. The relevant evidence to support the utilisation of this amount should be forwarded to the Audit office within 30 days after the adoption of this report by Parliament, or the amount of Le25,747,500 be refunded immediately.*

## **9.2. Inadequate Control over the General Processing of Payment Vouchers**

1. We observed that PVs in respect of devolved functions were not appropriately coded and differences were noted between the date of the transaction and the date they were posted.
2. The relevant documentary evidence was not made available to justify disbursement of funds amounting to Le353, 039,246.

### **Official Response**

1. *PV's not properly coded and differences between transaction date and posting date noted*

*This situation arises because of the challenges with our power supply and the PETRA Financial system. However, a brand new 30kva generator has now been procured to solve our power related problems. Also, mechanisms have now been put into place to ensure frequent checks and that updating of the PETRA system is being carried out by the Administrators in Freetown.*

2. *The relevant documentary evidence was not made available to justify disbursement of funds amounting to Le353,039,246.*

**(a) Education**

1. PV. NO. 1743

*This is case of misfiling, but the procurement process was undertaken correctly, as the full documents have been located and are now filed accordingly. See annex 'D' for details*

2. PV NO. 1750

*This is a case of misfiling, but the procurement process was undertaken correctly, as the full documents have been located and now filed accordingly.*

3. PV NO. 1269

*This is a case of misfiling, but the procurement process was undertaken correctly, as the full documents have been located and are now filed accordingly.*

4. PV No. 1400

*This is a case of misfiling, but the procurement process was undertaken correctly, as the full documents have been located and are now filed accordingly.*

5. PV NO. 1419

*This is a case of misfiling, but the procurement process was undertaken correctly, as the full documents have been located and are now filed accordingly.*

**(b) Rural Water Devolved Function -**

1. PV NO. 1739

*This supporting documents for the utilization of the funds for Agriculture trade fare were mistakenly filed under Agriculture Devolved instead of Rural Water Devolved, where the funds were utilized.*

*The receipts, invoices and utilization report relating to this disbursement, are hereby forwarded for verification.*

2. PV NO. 2082

*The full supporting document, which got mixed-up during filing, are hereby forwarded for verification.*

**(b) Other Grants -**

*The full receipt for payment to Radio Stations and summary vouchers for moderation fees and refreshment are hereby forwarded for verification.*

**(c) UNCDF Local Development –**

*These full supporting documents – receipts, invoices, and delivery note, are hereby forwarded for verification.*

**iii. Agriculture –**

*The full supporting documents for payment vouchers – 1372, 2236, 1330, 1340, 1336, 2118, 2212, 2210, and 2223, which were not filed accordingly at the time of Audit, are now forwarded for verification.*

**iv. Operational –**

*The full supporting documents of payment vouchers – 1968, 2068 2022, 1825,2011,2029,2028, and 2027, which were not filed accordingly at the time of Audit, are now forwarded for verification.*

**v. Health –**

*The full supporting documents for payment vouchers – 1639 and 1634, which were not filed accordingly at the time of Audit, are now forwarded for verification.*

**vi. Solid Waste –**

*The full supporting documents for payment vouchers – 1802, 1454, 2326, 1398, and 2324, which were not filed accordingly at the time of Audit, are now forwarded for verification.*

**vii. Administration –**

*The full supporting documents for payment vouchers – 1752, 1356, 1359, 1285, 1291, and 2457 which were not filed accordingly at the time of Audit, are now forwarded for verification.*

**viii. DSDP Solid Waste –**

*The full supporting documents for payment vouchers – 2302 and 2301, which were not filed accordingly at the time of Audit, are now g forwarded for verification.*

**The Committee:**

*The Committee noted that supporting documents in the form of receipts, invoices, delivery notes and certification were seen for the sum of Le324,659,246. The balance of Le28,380,000 was not adequately supported.*

*Therefore, the Chief Administrator should ensure the following:*

- That the relevant evidence in respect of the above expenditures is forwarded to the Audit Office for verification within 30 days after the adoption of this report by Parliament, otherwise; the amount of Le353,039,246.00 is to be refunded immediately;*
- That all transactions are supported by the relevant documentations and these must be numbered and cross referenced, so that in cases of missing documents, they are easily traced; and*
- That all PVs are uniquely coded for ease of reference, and transactions are posted/recorded immediately payments are made.*

**9.3. Procurement Procedures not followed**

1.It was observed that goods, works and services totalling Le155, 342,000 were procured without the mandatory 'Request for Quotations' from at least three bidders.

2.A record of all bidders to whom bidding documents were issued was not maintained by the Procurement Office.

3.The Kenema District Council signed a contract with Ngegor Construction Company on the 30th of March, 2012 for the construction of eight (8) hand dug wells in Malegohun Chiefdom. The contract cost was Le200,000,000. During the course of the audit, the following were observed:

- The contract completion date was not stated in the contract agreement.
- The contract did not specify payment terms and conditionality, which may include advance payments, progress payments, deduction and release of retention monies.
- On the 4th of May 2012 first tranche payment of Le140,000,000 was made and this exceeded the mandatory 30% advance payment of Le60,000,000 (30% of Le200m).
- By the 7th of November 2012, total payment made was Le189,000,000 representing 95% of the total contract price with no consideration for retention fees to cover defect period .

□ There was no evidence in the form of Performance Bond and Advance Payment Guarantee to justify that the contractor was qualified and responsible to perform the contract.

4. On the 12th of March 2012, a contract for the construction of a Well-Fed Gravity Water system in Boajibu, Simbaru Chiefdom was awarded to Frank Saffa Construction and Engineering Services. The total contract price was Le192,870,000. A performance bond/advance payment guarantee to secure the contractor's obligation to fulfil the contract was not obtained from the contractor.

5. On the 23rd of November 2011, a contract for the construction of one (1) Spring Box at Komende was awarded to San Procurement Construction Services. The total contract price was Le35,310,000 and the contract completion date was the 12th of November 2012. Full payment has been made to the contractor. Verification revealed that as at the time of the audit, the contract was not completed and had been abandoned.

6. On the 17th September 2012, a contract for the construction of a Cold Room at Tongo Field was awarded to Konjo Construction Company. The contract cost was Le849, 000,000 and the contract completion date was the 16th December 2012. Physical verification revealed that work was not completed within the stipulated deadline.

• The following were unavailable to justify the release of funds totalling Le891, 760,836 to contractors for various projects undertaken: progress payment certificate, certificate of work completed, Engineer's report and monitoring reports.

### **Official Response**

1. *The procurement processes for the category of procurement highlighted were duly followed. It is astonishing why the full supporting documents were not tendered for Audit.*

*However, the observation is noted and administrative steps have been taken to ensure non-occurrence of such a situation. See annex (S) for details of requisite documents for verification.*

2. *The act of maintaining a register to record all bidders to whom bidding documents were issued is best practice and is a basic requirement of any procurement function.*



*It is therefore also astonishing why? such evidence was not produced during the Audit. The observation is however noted, and copies of the records highlighted are hereby attached for verification.*

*3.The standard Contract Agreement of The Council does not normally detail the Terms and Conditions of contract. Those details are normally stated in the Contract Data (section vi of the bidding documents), a document that explains the contractual relationship of contract, and which forms part of the contract.*

*Other observations on this section are noted and management would take steps to implement fully the recommendations therein.*

*4.The guarantee was in the form of a Banker's Draft and has since been returned on the expiration of the validity date.*

*5.The payment made so far on this contract is 30% and not full payment as highlighted. Again, this is a donor funded project and only 50% of the project cost has been remitted, hence the inability of the contractor to complete project on time.*

*6.The completion of the project is contingent upon the donor (UNCDP) fulfilling their obligation of making full payment on the project. As the Council received the second tranche payment from UNCDF on 19th January 2013, it is clear that the completion date of 16th December, 2012 could not be met.*

*In relation to progress of payments, all the payments on the contract were made on the basis of Interim Payment Certificate (IPC) prepared by Council Works Engineer.*

### ***Ngegor Construction***

*(iii)A contract agreement document was provided, which stated the contract completion date, payment terms and conditionality for the construction of eight (8) hands dug well in Malegohun Chiefdom between Kenema District Council and Ngegor Construction Company.*

*(iv) Late transfer of funds for the construction of the eight hand dug wells give rise to the contract agreement not being followed. This contract was pre-financed by the contractor, though it was not part of the contract agreement. Upon the receipt of funds from the Central Government, the Council thought it fit to pay the contractor seventy percent of the contract price as the contract was nearing completion. A certificate of completion to justify that the construction of the eight hand dug wells was duly completed was provided for verification.*

### ***Frank Saffa Construction and Engineering Services***

*(v) No evidence in the form of bankers draft was made available for verification*

#### *San Procurement Construction Services*

*(vi) The construction of spring box was in progress as at the time of the verification exercise.*

*(vii) A certificate of completion was provided for the construction of the 8 hand dug wells totaling Le 200,000,000. 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 by Konjo Construction Company and Frank Saffa Construction Engineering Service respectively). The total payment made to date for these contracts is Le 667,450,836.*

#### **The Committee**

##### **The Committee recommends that:**

- Evidence in the form of three (3) Requests for quotation was provided for the sum of Le155,342,000 for goods and services procured***
- A bid register was provided for all bidders during the verification***

##### **Therefore, the Chief Administrator must ensure the following:**

- That all procurements undertaken by the Council are open, competitive and transparent. The procedures for the Request for Quotations must be in accordance with Section 45 of the Public Procurement Act 2004;***
- That the Procurement Officer maintains a record of all bidders to whom bidding documents are issued and such a record indicates the name of the bidder, the date and time of receipt and the name of the person responsible for issuing receipt;***
- That in future, payment terms and conditionality and contract completion date are stated on all contract documents;***
- That the terms and conditions in respect of the payment schedule and conditionality of all contracts are fully complied with. For example, if a contract obligates the contractor to pre-finance a particular project, this must be fully adhered to;***
- That no advance payments are made that exceeds the required 30% of the contract price, and when advance payments are made, they must be***

*against a valid advance payment guarantee/performance bond from a reputable financial institution;*

- *That an advance payment is made (unless otherwise specified in the contract) against the provision by the supplier/contractor of an Advance Payment Guarantee. The request for performance security must be met before contracts are awarded to contractors;*
- *That contract funds/progress payments must only be made upon the submission of a valid progress payment certificate, certificate of work completed, monitoring and evaluation reports and the engineer's report; and*
- *That the construction of the spring box at Komende is either completed or San Procurement Construction Services refunds the total contract price of Le35,310,00*

#### **9.4. Poor Performance of Revenue Generation**

A comparison of the Council's revenue generation for the 2011 and 2012 Financial Years revealed a significant drop by 60% from Le714, 863,422 to Le285,244,250.

##### **Official Response**

*Actually, the revenue generated for FY2012 increased by 9% compared with FY2011 generation. This is because the actual revenue generated for FY2011 was Le260, 123,312 rather than Le714, 863,422 indicated in the Draft Management Letter. An amount of Le450,000,000,000 was accounted for as own source revenue when in fact it is revenue transferred for the procurement of furniture under the Guest House Project funded by UNCDF – It is deferred Income rather than own revenue. See Appendix (X) for details.*

##### **The Committee**

*The Committee noted that the audit verification which revealed that an amount of Le450, 000,000 transferred from the Central Government was incorrectly posted as Own Source Revenue in 2011 by the Former Finance Officer and this was reflected in 2011 due to Own Source Revenue over stated compared to 2012. A general ledger printout of 2011 Own Source Revenue collected was submitted for verification. In fact the council recorded an*

**increase of 8% in Own Source Revenue collected in 2012 when compared to 2011.**

**Therefore, the Committee recommended that:**

- ***The CA should ensure that an assessment of revenue mobilization drive is done, and all revenues generated are brought to account.***
- ***The CA should provide an explanation together with documentary evidence as to what caused the significant drop in revenue generation.***

**9.5. 5% Withholding Tax not deducted and paid to the National Revenue Authority**

It was observed that withholding taxes totalling Le33, 095,868.30 in respect of procurements were not deducted and paid to the NRA.

***Official Response***

**(a) Rural Water**

1. PV 1313

*The withholding tax under this PV was duly paid but paid together with other withholding taxes on a single receipt. It was not seen during the Audit because of improper referencing.*

**(b) Agriculture –**

1. PV 1350

*The withholding tax under this PV was duly paid but paid together with other withholding taxes on a single receipt. It was not seen during the Audit because of improper referencing.*

2. PV 2238

*The withholding tax was duly paid.*

3. PV 1340

*The withholding tax was duly paid.*

4. PV 2240

*The withholding tax was duly paid.*

5. PV 2241

*The withholding tax was duly paid.*

6. PV 2118

*The withholding tax was duly paid.*

7. PV 2221

*The withholding tax for this expenditure is actually Le625, 000 instead of Le593, 750, and it was duly paid.*

8. PV 2223

*The withholding tax was duly paid.*

9. PV 2224 & 2237

*The withholding tax was duly paid.*

**(c) Operational –**

1. PV 1825

*This amount was paid as incentive to security and do not attract 5% withholding tax.*

2. PV2029, PV2028, and PV2027

*The payments on these PVs are payments relating to annual rent allowances and should not therefore attract 5% withholding tax.*

**(d) Administration**

1. PV1752

*This PV was really a duplication of PV 1356 and was supposed to have been cancelled. Not withholding tax is therefore applied*

2. PV1356

*The withholding taxes were duly paid.*

3. PV2147

*The Model Day Care School is owned by Kenema District Council and administrative support is normally budgeted and paid towards the running of the Centre. It should not there for attract 5% withholding tax.*

**(e) LED Investment –**

1. PV1894 and PV1893

*This project is being funded by UNCDF and one of the conditionality is the non-payment of withholding taxes.*

**The Committee**

***The Committee noted that an evidence in the form of a letter received from UNDP as agreement between the Government of Sierra Leone and UNDP for tax exemption for funds provided to institutions towards the development of local communities in Sierra Leone was provided. As a result of this, taxes were not paid on PVs' 1893 and 1984, totalling Le21,264,041. Tax receipt from the National Revenue Authority for the sum of Le10,372,727 was verified.***

**9.6. Inadequate Control over the Management of Bank Accounts Maintained by the Council**

Bank Reconciliation exercises were not performed for these accounts in the Financial Year under review.

(ii) A General Ledger/Cashbook was not maintained by the Council for Devolved Staff and UNICEF Accounts. In addition, these accounts were not disclosed in the Council's 2012 Financial Statements.

**Official Response**

*Bank Reconciliation Statements were prepared for UNCDF Micro at the time of the Audit (See appendix (AK) for details). However, Bank Reconciliation Statements were not prepared for Devolved Staff and UNICEF Bank accounts because they were not active accounts as were never remitted to them. They were opened in anticipation of funds that never materializes.*

*However, Council has taken steps to close those Bank Accounts. (See annex (AL) for details).*

## **The Committee**

***The Committee that a Bank Reconciliation Statement for the UNCDF MICROP Account was submitted for verification and also a letter from the Chief Administrator authorizing the closure of the Devolved Staff and UNICEF Accounts was seen and verified***

### **9.7. Sitting Fees and other Allowances paid to Councillors**

The following were observed:

- (i) There was no evidence in the form of guidelines issued by the MLGRD, to justify an amount of Le111,478,750.00 recognised in the Financial Statements as Sitting Fees.
- (ii) The total sum of Le108,000,000.00 was paid to Councillors as Sitting Fees and Transport Allowances even though they failed to attend Council meetings.

### **Official Response**

*The issues of payment of Sitting Fees and Transport Allowances to Councillors who do not attend meetings is a very touchy one and we have grappled with it since the inception of Local Governance in 2004.*

*However, the problem is further compounded by the absence of any clear policy form the Ministry of Local Government and Rural Development on the issue of this payment.*

*Nevertheless, Council would undertake to seek clarification from the Ministry in order to get things right. Audit Services would be availed with copies of all correspondences on the issue.*

## **The Committee**

***The Committee recommends that the Chief Administrator should ensure the following:***

- ***That the amount of Le111,478,750.00 and Le108,000,000.00 as payment of Sitting Fees and other allowances to Councillors should be refunded within 30 days after the adoption of this report by Parliament.***
- ***That the guidelines issued by the MLGRD, in respect of the Sitting Fees and other allowances recognised in the Financial Statement are forwarded to the Audit office as evidence.***

### **9.8. Internal Audit Department not Effective**

A review of the operations of the Internal Audit Department revealed the following:

- (i) There was no management commitment that gave the Internal Audit Department unrestricted access to all records and documents.
- (ii) There was no evidence to indicate that the Council's Audit Committee was operational for the Financial Year under review;
- (iii) Executions of Internal Audit assignments though planned and documented revealed that the audit work was skewed towards the review of revenue and expenditure with no provision made for the review of systems and the Council's control environment;
- (iv) Review of working paper files revealed no logical sequence between audit work carried and reports submitted to the Chief Administrator. Audit procedures and conclusion were not documented;
- (v) Internal Audit Reports submitted to the Chief Administrator were not acted upon; and
- (vi) Internal Audit Reports were not submitted to the Council and Minister for the period under review.

### **Official Response**

*Council has noted your findings and would seek to implement the recommendations made therein in full. Already, the Internal Auditor has been trained and the Audit*



*Committee has been set up and fully operational. See annex (AL) for details on functionality of Audit Committee.*

**The Committee:**

***The Committee that with the exception of the formation of the Audit Committee, all other recommendations were not implemented***

**9.9. Ineffective Management of the Council's Budget and Budgetary Control Process**

(i) There was no evidence in the form of minutes, correspondence and other documents to confirm that a Budget and Finance Committee was operational for the period under review.

(ii) A cadastre/database to support budgeted own source revenue totalling Le1,218,234,000 was not provided for audit; and

(iii) A comparison of the Council's performance in actual revenue generation against budgeted revenue for the 2012 financial year revealed a significant drop by 77%.

***Official Response***

*Council has noted your findings and would seek to implement the recommendations made therein in full.*

**The Committee**

***The Committee recommends that:***

- ***The Council should ensure that the Budget and Finance Committee meets regularly and proceedings documented.***
- ***A client cadastre/database should be maintained to serve as the basis for preparing the annual budget.***
- ***Monitoring of actual revenue and expenditure should be done on a regular basis and comparison made against budget to identify variances so as to aid decision making.***



## **10.0. KOIDU NEW SEMBEHUN CITY COUNCIL**

### **10.1. Poor Performance in Revenue Generation**

(i) A comparison of the Council's revenue generation for the 2011 and 2012 financial years revealed a drop by 19 % from Le711,996,135 to Le578,128,000. See Appendix "1a"

(ii) A comparison of the Council's performance in actual revenue generation against budgeted revenue for the 2012 financial year revealed a significant drop by 34%.

#### ***Official Response***

*This was as a result of the non-compliance of the public to pay their rate/licences but steps have now been taken to enforce collection. Very recently the Council employed a Valuation Officer and has also conducted a property Cadastre on potential revenue points in the municipality.*

#### **The Committee**

***The Committee noted that the Council has employed a Valuation Officer and a revenue cadastre has been developed. A copy of demand notice was provided as evidence.***

***However, the CA should ensure the following:***

- ***That an assessment of the revenue mobilization drive is done***
- ***That an explanation and evidence as to what caused the drop in revenue generation is provided***
- ***That budgets prepared are realistic, taking into consideration prevailing economic situations.***
- 

### **10.2. Inadequate Control over the Collection, Recording, Banking, Reporting and Presentation of Financial Information**

#### ***Official Response:***

*The Government printer has always been the printer for this council and all procedures were followed in undertaking the printing process. The documents mentioned were misfiled but have now been found and ready for verification.*

*The Valuation Officer who is in-charge of property income was not in office at the time of the audit. He was on another important official duty. Nevertheless, he has now returned to the office and all information relating to property income is now available for inspection.*

*The inconsistencies observed between the cash book and bank statement were as a result of reconciliation problems we had with the bank. But this has been resolved and the records are ready for vetting.*

### **The Committee**

**The Committee noted the following observations that:**

- **Evidences in the form of request and application letters authorised by the CA to the Government Printing Department and delivery notes/ invoices for printing of receipt books were not submitted for verification.**
- **A copy of demand notice was submitted as evidence during verification.**
- **A petty cash system has been put in place by the new Finance Officer to prevent/curtail the immediate use of Own Source Revenue collected.**
- **Inconsistencies highlighted between the financial statements and other documents have now been resolved. The Council's Financial Statement has been adjusted and evidence submitted for verification.**

**Therefore the CA should ensure the following:**

- **That the printing of receipt books is done by the Government Printer, authorised by the CA himself, with evidence of requests and signed application letters maintained for references**
- **That a comprehensive client database is maintained**
- **That figures disclosed in the financial statement are derived from the cash books**
- **That proper reconciliations are done between prime accounting records (receipt books, cash book/general ledger) and bank statements, and**

***discrepancies noted are investigated and appropriately corrected if necessary***

- ***That the FO/Accountant effects all the corrections on the financial statements and submits to the ASSL office accordingly, within 30 days after the adoption of this report by Parliament.***

### **10.3. Inadequate Control over the General Processing of Payment Vouchers**

#### ***Official Response***

*These were genuine expenditures undertaken by devolve sectors and council administration during the period under review for which pet forms and activity plans were raised and receipts obtained for all purchases made. However, due to the lack of proper filing system as it is inadequate; as such documents are being moved about from one location to the other. By all indication it is during this course that document attached to payment vouchers get missing unknowingly. Secondly those supporting documents are not cross reference to their respective vouchers. So even if we observed them missing we cannot trace and attach them easily. But however, the missing documents are readily available for inspection.*

#### **The Committee:**

***The Committee noted that supporting documents were submitted for the sum of Le 101,029,250 with a balance of Le 34,600,000.***

***Therefore the Committee recommends that the CA should ensure the following:***

- ***That the relevant evidences in respect of the above expenditures are forwarded to the Audit office for verification within 30 days of the receipt of this report, or the amount of Le135,629,250 be refunded immediately***

- ***That all transactions are supported by the relevant documentations numbered and cross referenced.***
- ***That all PV's are uniquely coded for ease of reference and transactions posted immediately after payments are made.***

#### **10.4. 5% Withholding Taxes not deducted and paid to the National Revenue Authority**

##### **Official Response:**

*That council did not deduct withholding taxes payable to National Revenue Authority may have been an oversight in the few cases that occurred due to the high volume of transactions during the period under review.*

*In any case measures are now in place to address the situation the Audit Team discovered. In future, diligent care will be taken to ensure such does not recur.*

##### **The Committee**

***The Committee noted that the Amount was paid and receipt verified.***

#### **10.5. Inadequate Control over the Management of Bank Accounts Maintained by the Council**

##### **Official Response:**

*The difference in balances was as a result of minor error in figure entry but the correction has been made and is ready for inspection.*

*The bank reconciliation statement and bank statement that were not submitted was because we were still settling reconciliation problems with our bank. However, the problem has been settled and the bank statement and bank reconciliation statements are all ready now for verification.*

##### **The Committee**

***The Committee noted that Financial Statements were adjusted and verified for the differences between cash book balance as per bank reconciliation statements and general ledger. However, Bank statements and bank reconciliation statements were not submitted for the accounts listed in the report for verification.***

***Therefore, the Committee recommends that the CA should ensure that bank accounts maintained by the Council are efficiently managed and the following control measures are put in place:***

- That all bank accounts maintained by the council are reconciled with the corresponding cash book balances at least once every month and the reconciliations carried out are checked, signed as correct by a responsible officer and filed accordingly.***
- That the cash book balances as per the General Ledger are the balances used in the preparation of the bank reconciliation***
- That a revised bank reconciliation with the corrected cash book balance, appropriately reconciled to the bank balance, is prepared and submitted for verification within 30 days after the adoption of this report by Parliament***
- That bank statements are obtained on a monthly basis for all accounts maintained by the Council and appropriately filed for audit purposes***
- That the bank statements for the bank accounts in question must be submitted to Audit Service within 30 days after the adoption of this report by Parliament***

## **10.6. Procurement Procedures not followed**

### **Official Response**

*The procurement Committee has mandated the Procurement Officer to strictly follow procurement procedures and details of the terms and conditions of the contract*

documents. However, the issue in relation to Request for Quotations have been addressed and are ready for inspection.

The contract was for the supply of diet to in-patient of Koidu Government Hospital. The contract was amended as a result of inflation in price of goods. However, all procurement procedures were followed in amending the price. The amended contract and other documents relating to the contract are now available for inspection.

### **The Committee**

**The Committee recommends that the CA should ensure the following:**

- **That all procurements undertaken by the Council are open, competitive and transparent. The procedures for the Request for Quotations should be in accordance with Section 45 of the Public Procurement Act, 2004.**
- **That payment is made in accordance with the contract agreement and additional payments are made only if such contract is duly amended by the responsible parties to the contract.**
- **That the amended contract is submitted to the Audit office within 30 days after the adoption of this report by Parliament otherwise; the excess payment of Le57,369,200 should be refunded by the Chief Administrator.**

### **10.7. Sitting Fees and other Allowances Paid to Councillors**

#### **Official Response**

The amount Le 41,656,375 as mentioned in 9.2 is included in the 2012-2014 MTEF Budget and is ready for inspection. Councillors who were paid as mentioned in 9.2 are as a result of invitation coinciding with that from by LGFD, Dec Sec, MLGLD, UNICEF, and letters are available for inspection.

### **The Committee**

**The Committee recommends that the CA should ensure the following:**



- ***That the payment of sitting fees and other allowances to absentee Councillors totalling Le41,656,375 be refunded within 30 days after the adoption of this report by Parliament.***
- ***That the guidelines issued by the MLGRD in respect of the sitting fees and other allowances recognised in the financial statement totalling Le44,519.500 as payment to Councillors be forwarded to the Audit Office as evidence.***

### **10.8. Internal Audit Department not Effective**

#### **Official Response:**

*The concept of Internal Audit in local councils is new. The preparation of audit charter is the responsibility of the Directorate of Internal Audit in the Central government and such document has not been sent to us. However, the council will continue to give all the support the unit needs. Though an internal audit committee was in existence, it was unable to sit as a result of the electioneering period. The councillors were busy with politic. Therefore steps are now being taken to ensure a functional Audit Committee. The internal audit report has now been looked at with all seriousness.*

#### **The Committee**

#### **The Committee recommends that:**

- ***The Council should design a charter or formal document stating the purpose, authority, responsibilities and scope of the department.***
- ***The Council's Audit Committee should be charged with the responsibility of approving the department's work plans, and monitoring the implementation of all Internal Audit recommendations. In addition, the minutes of meetings of the Audit Committee should be documented for reference purposes.***

- ***The Internal Auditor's report should be submitted to the Audit Committee for appropriate action to be taken by the Management and Council.***

#### **10.9. Inadequate Control over the Management and Security of Furniture and Equipment**

##### **Official Response:**

*The shredder and refrigerator in the Finance Officer's office were new asset recently donated to the Council. Their delivery coincided with the audit of the Council and they had not been entered into the Asset Register but both of the mentioned assets have now been entered into the asset register. The Dell computer was used by the former Mayor but misplaced during his final years in the council. However the council has urged him to replace it. The air conditioner was removed from the previous officer and it has not yet been installed in the present office.*

##### **The Committee**

***The Committee recommends that the Chief Administrator should ensure the following:***

***That verification of furniture and equipment owned and controlled by the Council are carried out on a regular basis***

***That the Master Inventory Register is appropriately updated with information obtained from the verification conducted***

***That the Dell (Inspiron) Laptop computer and the WestPoint air conditioner are made available for verification, or the cost of these equipment will be charged against his personal emoluments.***

#### **10.10. Poor Personnel Management**

##### **Official Response:**

*The Council was constrained with finance in paying the salaries and NASSIT together, so salaries were paid first but later the NISSIT was paid. The records are now available for verification. Most of these staff were inherited with these conditions but the Human Resource Officer has been mandated to address this issue.*

***The Committee***

***The Committee recommends that the Chief Administrator should ensure the following:***

- ***That payments in respect of NASSIT are made to the relevant authority within the regulatory framework***
- ***That the outstanding payment is made immediately and evidence forwarded to the Audit Office for verification***
- ***That the Council maintains files for all staff with the appropriate documents and appraisals done.***

## **11.0. KONO DISTRICT COUNCIL**

### **11.1. Poor Performance in Revenue Generation**

A Revenue mobilization drive has been put in place. A consultant has been hired by IFAD for Property Tax collection which forms the bulk of potential revenue in the District. Data collectors have been trained with data collected from ten (10) chiefdom headquarter towns and bigger towns; property assessed and demand notices prepared; bank accounts opened in seven (7) community banks for payment of property tax; demand notices issued to property owners and sensitization on property tax is on-going.

Over the years there has been a drop in the alluvial diamond mining activities in the district. This has resulted from the movement of a large number of the population from the mining areas, which used to account for high local tax returns in the District. Chiefdoms are not adhering to the revenue sharing arrangement they have with the Council with respect to market dues and other business licenses, whose collection is done by the chiefdom Councils. The drop in the mineral resource royalties is also a result of the drop in the alluvial mining activities in the District.

#### **The Committee**

##### ***The Committee recommends that:***

- ***The CA should ensure that an assessment for revenue mobilization is done and all revenue generated is brought to account.***
- ***The CA should provide an explanation and evidence as to what caused the drop in revenue generation.***

### **11.2. Inadequate Control over and the Collection, Recording, Banking, Reporting and Presentation of Financial Information**

#### ***Official Response***

*The printing of local tax receipt books is assigned to the office of the CCFC. It is the Government Printer that does the printing and the procedure recommended by Audit*

*Service is in fact what is followed. The relevant application, receipts and delivery notes are in the office of CCFC for verification. No new general receipt books have been printed by Council since 2007.*

*4.2. From the figures posted in appendix"1" of the management letter it can be noted that revenue collection was in trickles and very irregular. Collectors at revenue check points made returns only periodically and it was only then that we made bank payments. A separate Finance clerk is now assigned the responsibility of checking and banking revenue as and when it is collected.*

*4.3. The reconciliation referred to in recommendation (iv) above is in fact carried out on monthly basis. Evidence available in the finance office for verification.*

*4.5. A client cadastre/data base has been developed for most chiefdom headquarter towns in the district and the information is stored in the office of the council valuator. Plans are underway to continue this data collection with the aim of covering all the towns and villages in the district. Already payment of property rate is underway in all those towns and companies that have been assessed*

*4.6. Figures presented and disclosed in the financial statement are hived from summary of receipts and expenditures as posted in the various cashbooks.*

*4.7. Actions have been taken appropriately and discrepancies highlighted have been corrected accordingly.*

*4.8. This recommendation is being complied with accordingly.*

*4.9. The reconciliation referred to in recommendation (ix) has been effected, and evidence available in the finance office for verification.*

*4.10. The total revenue paid to bank as recognised in the own source cash book is Le56,983,195 and not Le40,478,250.*

4.11. All corrections recommended above have been effected and the corrected Financial statement available for verification.

### **The Committee**

#### **The Committee noted that:**

- ***It was verified that, receipt books were indeed printed in 2007 and not in 2012 but evidence in the form of request and application letters authorised by the Chief Administrator to the Government Printing Department were not handed over by the former Chief Administrator. The Council however promised that our recommendation with regards the printing of receipt books will be duly implemented.***
- ***It was noted that revenue collectors are in various locations in the district and they normally report to Council once or twice in a month. This resulted in revenue collected not being recorded/posted and banked on a daily basis.***
- ***Evidence of reconciliation done between revenue collected and banked as per bank pay-in-slip was seen and verified.***
- ***A client cadastre/database has been developed for some Chiefdoms and the process is on-going.***
- ***Bank statement submitted for verification revealed that the total own source revenue of Le56,983,195 was deposited. The reason for the discrepancy was due to the fact that incomplete bank statements were submitted during the audit exercise.***
- ***The issue of revenue not banked has been resolved.***
- ***All necessary corrections on the Financial Statements have been made and an adjusted financial statement submitted for verification.***

***Therefore, the Committee recommends that the CA should ensure proper supervision and review to enable the following:***

- *That the printing of receipt books is done by the Government Printer, authorised by the CA and evidence of request and signed application letters maintained for references;*
- *That the posting/recording of own source revenue into the prime accounting records is done in accordance with the above regulation;*
- *That revenue collected is banked on a regular basis in accordance with the above regulation;*
- *That reconciliations between daily revenue collected as per receipt books, and bank pay-in slips/bank statements are carried out on a regular basis;*
- *That a comprehensive client cadastre/database is maintained for Rates and the CA must ensure that revenue for properties within the control of the Council is collected;*
- *That Receipt Books and Cash book/General Ledger must be the basis upon which figures are presented and disclosed in the Financial Statements;*
- *That proper reconciliations are done between prime accounting records (Receipt books, Cash book/General Ledger) and Trial Balance, and discrepancies noted must be investigated and appropriately corrected;*
- *That the FO pays all own source revenue collected promptly into the Council's bank account so that it will not be used by any staff;*
- *That the Receipt Books issued in respect of own-source revenue are reconciled with the Cash Book and Bank Statements, and correction done accordingly;*
- *That revenue of Le14,385,561 not accounted for should be refunded to the Council's bank account immediately.*
- *That the FO/Accountant effects all the corrections on the Financial Statement and submission of same done accordingly within 30 days after the adoption of this report by Parliament*

### **11.3. Inadequate Control over the General Processing of Payment Vouchers**

#### **Official Response**

*All the missing documents transfer to in appendix “3” have been retrieved and attached to the relevant PVs accordingly. Evidence available in finance office for verification. That all the transactions referred to in the report have been supported by the relevant documentation attached to the individual PVs. All devolved functions now have Finance Clerks attached to them who are responsible for preparing PET forms using the relevant coding system.*

#### **The Committee**

*The Committee noted that supporting documents in the form of receipts and certification were submitted for the sum of Le150,550,000. The balance of Le21,586,000 was still outstanding.*

*However, the Committee recommends that the CA should ensure the following:*

- That the relevant evidence in respect of the above expenditures is forwarded to the Audit Office for verification within 30 days after the adoption of this report by Parliament’ otherwise; the amount of Le172,137,382 should be immediately refunded .*
- That all transactions are supported by the relevant documentations and these are to be numbered and cross referenced, so that in cases of missing documents, they are easily traced.*
- That all PVs are uniquely coded for ease of reference and transactions posted/ recorded immediately after payments are made.*

### **11.4. 5% Withholding Taxes not Deducted and Paid to the National Revenue Authority**

#### **Official Response**



*Some of the withholding taxes have been retrieved from the suppliers and paid to NRA. The process is on-going.*

*Withholding taxes to N.R.A on the procurements mentioned above are now being deducted and paid accordingly. This includes services as well.*

**The Committee**

***Withholding tax receipts from the NRA were seen and verified for the sum of Le25,032,750.***

**Inadequate Control over the Management of Bank Accounts Maintained by the Council**

***Official Response***

*The reconciliation in the case of Rural Water Services and Administration accounts as highlighted in the report have been made and already signed evidence is available in the finance office for verification.*

*This recommendation has been implemented and evidence available in the finance office for verification.*

**The Committee**

***Evidences of correction and adjustment on the bank reconciliation statements were submitted and verified.***

**11.5. Procurement Procedures not Followed**

***Official Response***

*Delivery note for supply of jute bags has been attached to the procurement document. Evidence available in the procurement office for verification, business certificate and tax clearance have been attached; evidence available for verification.*

**The Committee**

***Evidences in the form of delivery note, business registrations, NASSIT registration, NRA certificate etc. were seen and verified.***

## **12.0.BOMBALI DISTRICT COUNCIL**

### **12.1. Disclosures as per by International Public Sector Accounting Standards were not Made in the Financial Statements.**

Typical among them were Outstanding Commitments in respect of works contracts amounting to Le1,650,656,994, Fixed Assets purchased during the financial year under review in the sum of Le131,559,950, an investment of Le460,000,000, in respect of a twenty (20) Bed-Room Guest House that was constructed by the Council and an amount of Le20,911,150 owed/payable to Ram-Yus Construction and General Services, in respect of the rehabilitation of a Primary School at Mathullah.

#### ***Official Response***

*Management acknowledged the fact that the identified disclosures were not recognised in the Financial Statements. However, these disclosures have now been recognised in the revised Financial Statements which will be made available for verification.*

### **The Committee**

***The Committee noted that necessary disclosures have been made in the revised Financial Statements.***

***However, the Committee recommends that the Chief Administrator should ensure the following:***

- ***The Financial Statements should be revised to reflect the disclosures in respect of all outstanding commitments, fixed assets purchased during the financial year under review, investments made and debt owed to Ram-Yus Construction and General Services.***
- ***The revised Financial Statements should reach the Audit Office for verification within 30 days after the adoption of this report by Parliament.***

**12.2. The sum of Le16,229,443.35 in respect of own-source revenue generated was neither banked nor brought to account.**

### **Official Response**

*Revenue collected and banked have been reconciled to determine the actual difference from the receipt books and the bank statements for the period under review. Attachment to this appendix is submitted for verification. The unbanked cash of Le10,775,557 was used to purchase 100 chairs for the Conference Hall so that the Hall could be fully utilized to collect revenue for the Council. Receipts are attached for the attention of the Auditors. We regret that the amount was not banked and promise that in future such situation will not occur.*

### **The Committee**

***The Committee underscored that the amount queried was Le16,229,443.35 and not Le10,775,557 as stated in your response. However, out of the Le16,229,443.35 that was queried, supporting documents to justify the utilization of funds were made available and verified for Le10,775,557. The utilization of the remaining Le5,453,886 could still not be justified.***

**Therefore, the Committee recommends that the Chief Administrator should ensure the following:**

- **The utilization of the Le16,229,443 should be justified to the Audit Office within 30 days after the adoption of this report by Parliament; otherwise the full amount should be refunded and evidence of refund made available for verification within the above stated period.**
- **The Financial Statements should be adjusted to take into consideration the amount of own-source revenue understated after the money has been recovered or the justification of its utilization made.**

**12.3. Procurement procedures in respect of the Request for Quotations method, were not adequately and appropriately followed for goods, works and services amounting to Le576,732,042.**

#### **Official Response**

*The relevant supporting documents have been traced and forwarded for verification purposes. Management will in future ensure that all necessary supporting documents are made available to the Auditors to ensure a smooth auditing process.*

#### **The Committee**

**The Committee noted that RFQs were only made available for procurements amounting to Le498,687,041. The RFQs in respect of the remaining Le78,045,000 could still not be made available for verification.**

**However, the Committee recommends that the Chief Administrator should ensure the following:**

- **The required number of RFQs in respect of the queried procurements should be forwarded to the Audit Office for verification within 30 days within after the adoption of this report by Parliament.**
- **All quotations should be requested in writing from at least three bidders in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act, 2004.**

**12.4. The relevant documentary evidence was not made available to justify disbursements amounting to Le173,636,637.**

### **Official Response**

*The procurements undertaken without planning were in the Annual Procurement Plan of the Council for 2012 but these were stated in aggregate. A copy of this is available for your verification.*

### **The Committee**

***The Committee recommends that the Chief Administrator should ensure that the procurement actions taken by the Council are in line with the approved procurement plan and budget; except if the need for other procurements is authorized and approved by the relevant authorities.***

- 12.5. Withholding taxes amounting to Le26,431,397.5 were not deducted from the payments for goods, works and services and remitted to the National Revenue Authority.**

### **Official Response**

*Management acknowledges the fact that withholding tax was not deducted for some of the selected transactions. This situation was due to the fact that at the time of these transactions, Council made direct payments to the Devolved Sectors which were supposed to execute certain programmes and projects. They were supposed to ensure that taxes were deducted and paid to the National Revenue Authority. The Management regrets on behalf of the Sectors, their non-compliance with the law. The Council has conducted tax education training for all devolved MDAs. This, we believe will help to reduce the incidence of tax evasion or avoidance.*

### **The Committee**

***The amount in question had been paid and receipt submitted and verified***

- 12.6. The total sum of Le34,471,250 was paid to Councillors as sitting fees and transport allowances without any evidence to indicate that Councillors either attended Council meetings or those meetings were held.**

## **Official Response**

*As noted by the Auditors, it is the responsibility of the Ministry of Local Government and Rural Development to issue guidelines for the payment of sitting fees and travelling allowance to Councillors. The Council is looking forward to the Ministry to come up with the appropriate guidelines on this issue.*

## **The Committee**

***The Committee recommends that the Chief Administrator should liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting fees to Councillors.***

- 12.7. The operations of the Internal Audit Unit were not effective. There was no Audit Committee to monitor the activities of the unit and no evidence was presented to indicate that the unit had a charter and suitable audit manual for its operations.**

## **Official Response**

*The Ministry of Finance and Economic Development has the mandate to develop an Audit Charter for Auditors in Local Councils. However, the management will consult the Director of Internal Audit for the preparation of an Audit Charter. The IA Department will inform the Director of Internal Audit for the designing of a suitable Audit Manual that could be used by the nineteen Local Councils in the Country. The recommendation of the Auditor General has been implemented. The Council established an independent Audit Committee on the 28<sup>th</sup> February 2013, to follow up on the implementation of IA recommendations. Shortage of human resource made it impossible to implement all the activities in the year under review. However, the IA Department will fully implement the 2013 approved annual Audit Work Plan.*

## **The Committee**

***The Committee recommends that the Council should ensure the following:***

- A charter or formal document stating the purpose, authority, responsibility and scope of the unit should immediately be designed***

- ***A suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management should also be designed.***
- ***An independent Audit Committee that is charged with the responsibility of approving the unit's work plans, and monitoring the implementation of all IA recommendations should immediately be established.***
- ***The Management of the Council should respond to IA queries within a reasonable period of time as serious steps are taken to ensure that IA recommendations are implemented.***

***Also the Head of the IA Unit should ensure the following:***

- ***The Annual Work Plan should indicate timelines for the commencement and completion of IA assignments;***
- ***Audit Programs should be designed for the conduct of the various IA assignments and the Planning Memorandums of those IA assignments should include a section for risk assessment, systems documentations and materiality considerations.***
- ***IA assignments carried out should be supported by sufficient appropriate audit evidence and must be properly referenced and cross-referenced so that linkages among the planning, execution and reporting documents could be easily identified.***
- ***The Council's systems and procedures have to be regularly reviewed and assessed and the reports in respect of these (including IA audit recommendations) should be submitted to the Council and Minister in accordance with Section 84 (3-4) of the Local Government Act, 2004.***

**12.8. The set targets of the Performance Management Contract that were agreed between His Excellency the President and the Council were not met.**

### ***Official Response***

*Management regret to state that the Council did not sign a Performance Contract in the year under review. We only signed a Performance Contract for the 2011 financial year as a pilot programme; therefore we could not meet any specific targets set in the year 2012.*

*Management has now signed a new Performance Contract with His Excellency the President for the 2013 financial year and we hope to comply fully with the terms and conditions of the contract. In this regard, Management has taken the necessary steps to address all the concerns raised in the report.*

### **The Committee**

***The Committee noted that there was no evidence to confirm the actions that Management claims to have taken to address the issues in the Performance Management Contract.***

***However, the Committee recommends that the Chief Administrator should ensure that plans are put in place to expedite the agreement in respect of the projects in the contract documents.***



## **13.0. MAKENI CITY COUNCIL**

### **13.1. The recognition of own-source revenue into the various books and system of accounting was not consistent.**

For instance, the amount of own-source revenue recognized in the Financial Statements exceeded the amount recorded in the PETRA Accounting System by Le72,240,001 and the amount as per the Bank Statement for the review period exceeded the amount recognized in the Financial Statements by Le29,170,019.

#### ***Official Response***

*The amount of own source revenue recognized in the Financial Statements is exactly equal to the one in the Petra Accounting system. Evidence of this can be verified using the system. It is true that amount in the bank statement exceeded that in the Financial statements. This does not necessarily mean own source revenue generated. This was as a result of the following reasons:*

- i. Le15,000,000 out of the Le29,170,019 was amount transferred from the Administrative Account to the Revenue Account in December 2012 to settle the wage bill of Council.*
- ii. Le11,800,000 was amount paid by members of the public for stores for which Makeni City Council had no agreement with them. Le9,000,000 out of the Le11,800,000 had been paid back to the depositors. However, Le2,370,019 is unidentified deposits which up to date we have no evidence to show whether it was revenue generated for which their pay-in slips were not received from the public and cannot be strictly identified as revenue generated.*

iii. *Errors committed in the calculation of Supplies and consumables Wages & salaries are noted and would be corrected henceforth.*

### **The Committee**

***The Committee noted that the Financial Statements have been revised and the inconsistencies corrected and verified.***

**13.2. Procurement procedures in respect of the Request for Quotations method were not adequately and appropriately followed for goods and services amounting to Le102,675,000.**

### **Official Response**

*RFQS in respect of procurement activities totalling Le102,675,000 were available except for the Procurement of uniforms in which a shopping method was used because of its nature*

### **The Committee**

***The Committee noted that out of the total amount of Le102,675,000 that was queried, RFQs were made available for Le94,145,000. The remaining Le8,530,000 was still outstanding.***

***Therefore, the Committee recommends that the Chief Administrator should ensure the following:***

- The RFQs in respect of the procurements of Le102,675,000 should be forwarded to the Audit Office for verification within 30 days after the adoption of this report by Parliament.***
- All quotations should be requested in writing from at least three bidders in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act, 2004.***

**13.3. There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of Le40,560,750 recognized in the Financial Statements as Sitting fees paid to Councillors.**

### **Official Response**

*The recommendation by you in respect of sitting fees will be taken into consideration and necessary efforts would be directed towards having guidelines for its payment.*

### **The Committee**

***The Committee recommends that the Chief Administrator should liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting fees to Councillors.***

**13.4. The relevant documentary evidence was not made available to justify the payments for goods and services amounting to Le34,230,000.**

### **Official Response**

*All the relevant supporting documents are available except that minutes for Le6,542,000 were not made available by the Finance Officer of the Primary Health Care up to the time of this response.*

### **The Committee**

***The Committee noted that the supporting documents in question were made available and verified.***

**13.5. Withholding taxes amounting to Le3,796,118 were not deducted at source from the payments for goods and services and paid to the National Revenue Authority.**

### **Official Response**

*The said amount for withholding Tax has been paid and receipts totalling Le3,796,118 are ready for inspection or verification.*

### **The Committee**

***The Committee noted that the amount had been paid and receipt verified.***

**13.6. Overdrafts amounting to Le14,571,221 were obtained from the Sierra Leone Commercial Bank without any evidence of authorisation from the Ministry of Local Government and Rural Development.**

***Official Response***

*The Council did not obtain any overdraft from any bank without the due process. The Sierra Leone Commercial Bank is having a system error for the case of Salary account which recorded an overdraft of Le13,132,629.84 and the administration has had several discussions to correct it so that it will show a true and fair bank balance.*

*However, in the case of the three accounts we had discussions with the bank and we came to realize that two of those three accounts have ceased operation since 2009. One is existing but we are still waiting for the bank to clarify whether it is really functional and or is an account owned by the Council.*

**The Committee**

***The Committee noted that there was no evidence to indicate that the council has taken action on the issue of the overdraft.***

***Therefore, the Committee recommends that the Chief Administrator should ensure the following:***

- All overdrafts obtained by the Council should be authorized by the Ministry of Local Government and Rural Development.***
- The Financial Statements should be revised to take into consideration the recognition of the overdraft amounts of Le14,571,221.***

**13.7. A comparison between the reconciliation statements for some accounts and the bank confirmations in respect of those accounts revealed a difference of Le21,508,126.31.**

***Official Response***

*The reconciled closing balances have been corrected and are now equal to the bank confirmation balances of the Sierra Leone Commercial Bank and the Access Bank.*

### **The Committee**

***The Committee noted that the evidence to indicate that the reconciled closing balances have been corrected was made available and verified.***

**13.8. The operations of the Internal Audit Unit were not effective. There was no Audit Committee to monitor the activities of the unit and no evidence was presented to indicate that the Unit had a charter and suitable audit manual for its operations.**

### **Official Response**

*The issue of an Internal Audit Charter is really not the responsibility of the Council but the Internal Audit Unit at the Ministry of Finance and Economic Development.*

*The Audit Committee was established last year but the change of Councilors affected its functionality, but now it is fully functional.*

*The design of the Audit manual is not necessarily Council's responsibility but that of the Internal Audit Unit at the Ministry of Finance and Economic Development.*

*The timelines of the planned assignments were really not stated but this is noted and will be corrected for subsequent exercises.*

*There were responses but this is noted and more efforts will be directed towards this, especially with the functioning of the Internal Audit Committee and the adherence proper internal controls.*

*The IA assignments conducted were planned and the documents were available.*

### **The Committee**

***The Committee noted that there was no evidence to indicate the extent of implementation of last Committee recommendations in relation to the establishment of an Internal Audit Committee, design of an Audit Charter and Manual. Therefore, the Committee recommends that the Council should ensure the following:***

- ***A charter or formal document stating the purpose, authority, responsibility and scope of the Unit should immediately be designed***
- ***A suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management, should also be designed.***
- ***The Council should immediately establish an Audit Committee that is charged with the responsibility of approving the unit's work plans, and monitoring the implementation of all IA recommendations.***

***The Head of the IA Unit should also ensure the following:***

- ***The annual work plan should indicate timelines for the commencement and completion of IA assignments;***
- ***Executions of Internal Audit assignments should be properly planned and documented and must be supported by sufficient and appropriate audit evidence;***
- ***The Council's systems and procedures have to be regularly reviewed and assessed and the reports in respect of these (including audit recommendations) should be submitted to the Council and Minister in accordance with Section 84 (3-4) of the Local Government Act, 2004; and***
- ***The Management of the Council should respond to IA queries within a reasonable period of time and urgent steps should be taken to ensure that IA recommendations are implemented.***

## **14.0.PORT LOKO DISTRICT COUNCIL**

- 14.1. Classification of Transactions within Petra Accounting System not Consistent with the Information Recorded in the Financial Statements.**

### **Official Response**

*The 2012 Financial Statements have been revised according to IPSAS format as recommended by the Audit Service Sierra Leone (ASSL), in order to adequately and consistently disclose transactions that are appropriate and to show a true and fair view of the operations of the Port Loko District Council. The revised Financial Statements have been submitted to the ASSL regional office for their review and a copy is maintained for inspection. The difference between the PETRA System and the Financial Statements was as a result of an expense code instead of revenue codes posted in the PETRA which was revised and applied in the revised Financial Statements that was submitted to the ASSL.*

### **The Committee**

***The revised Financial Statements were submitted and verified.***

- 14.2. Procurement procedures in respect of the Request for Quotations method were not adequately and appropriately followed for goods, works, and services amounting to Le66,800,000.**

### **Official Response**

*Ethics, principles, procedures and methods that are enshrined in the Procurement Act are core to the Procurement Committee of the Port Loko District Council. Request for Quotations are always obtained and maintained. The amount of **Le66,800,000** mentioned was in respect of activities related to the Decentralized Service Delivery Programme (DSDP) phase two. The final audit of financial year 2012 coincided with an audit of the World Bank and Local Government Finance Department. Therefore, files related to transactions mentioned were with the parties mentioned earlier. However they are now available for inspection*

### **The Committee**

***The Committee noted that the requests for quotations in respect of the queried Le66,800,000, were made available and verified.***

- 14.3. There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of Le60,138,750 that was recognized in the Financial Statements as Sitting Fees paid to Councillors.**



## **Official Response**

*This is a challenge facing all nineteen (19) Councils in the Country, as the Ministry has not issued any guidelines for the payment of Sitting fees. However, payment of Sitting fees is done by the Council in compliance with section 30 (1) of the Local Government Act, 2004 which state that:*

- a) Councillors shall be paid such transport and other allowances as the Local Council may determine; and*
- b) Chairperson and Deputy Chairpersons shall be paid such remuneration as the Local Council may determine.*

## **The Committee**

***The Committee noted that there was no evidence to indicate that a guideline had been issued for the payment of sitting fees to Councillors. Therefore, the Committee recommends that the Chief Administrator should liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting fees to Councillors.***

## **15.0. TONKOLILI DISTRICT COUNCIL**

### **15.1. Disclosures as Required by International Public Sector Accounting Standards (IPSAS) were not made in the Financial Statements.**

Typical among them were Outstanding Commitments in respect of works contracts amounting to Le3,381,529,647, Fixed Assets purchased during the financial year under review in the sum of Le189,815,787 and a probable refund of an amount less than Le2.3billion (Contingency Asset) as a result of the termination of a contract relating to the rehabilitation of a Potable Water System.

#### **Official Response**

*The Financial Statements have been reviewed to reflect the disclosures in respect of all outstanding commitments and fixed assets purchased during the financial year under review. (Revised Financial Statements are attached for ease of reference).*

*As at the time of the audit, Council was unable to establish the actual liability of the Korea Group to the Tonkolili District Council. Council has requested the Engineer to measure the quantity and quality of work done and express those in monetary terms as against the amount of money given to the contractor to enable Council establish the liability of the contractor to Council. A request for refund will be made when the debt is established and reported in 2013 financial year to the Auditor General.*

#### **The Committee**

***The Committee noted that necessary disclosures have been made in the revised Financial Statements.***

### **15.2. The amount of Le25,000,000 in respect of Foreign Exchange Losses, as noted in the 2011 Financial Statements, was not re-stated in the 2012 Financial Statements.**

#### **Official Response**

*The foreign exchange loss that was reported in the 2011 Financial Statements was as a result of misplacement of codes using the Petra Accounting Software. The actual*

*expenditure in question was for the construction of a Perimeter fence for the Ministry of Agriculture, Forestry and Food Security (MAFFS) Guest House in Magburaka which code is 2632 instead of 2532 that was reported. However, this has been corrected in the 2012 Financial Statements in Statement 7 under FY 2011 comparative figures i.e. the appropriate codes have been used accordingly.*

### **The Committee**

***The Committee noted that the incorrect coding has been corrected and the re-statement has been done on the revised Financial Statements.***

**15.3. Procurement procedures in respect of the Request for Quotations method, the request for business registration, tax and NASSIT certificates and clearances from suppliers were not adequately and appropriately followed for goods and services amounting to Le183,036,292.**

### **Official Response**

*Business registration, tax and NASSIT certificates and clearances from firms that we transacted business with are available. They were not traced earlier due to misplacement of files resulting from staff transfer. These are firms in the data base of the Council and those documents are the requirements that businesses should meet to gain registration with the Council. The Requests for Quotations (RFQs) for two of the five issues were also not traced due to the same reason but are now available. The one was in respect of a Generator and others, by SALKA Enterprises and another was in respect of vehicle maintenance by Tamaraneh Training Garage. This garage was the only vehicle maintenance facility available and was contracted for the maintenance of Council vehicles. The agreement in respect of this is contained in the file for inspection.*

### **The Committee**

***The Committee noted that Requests for Quotations and other procurement documents were only made available for procurements amounting to Le160,036,292. The documents in respect of the remaining Le23,000,000 (i.e. Payment Voucher number 1287) could still not be made available for verification.***

***Therefore, the Committee recommends that the Chief Administrator in collaboration with the Procurement Committee should ensure the following:***

- *Bidders who participate in public procurements should be eligible and qualified, in accordance with Sections (20) and (21) of the Public Procurement Regulations, 2006; and*
- *The procedures in respect of the Request for Quotations method should be in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act of 2004.*

**15.4. There was no evidence in the form of addendums and minutes to support the additional payments of Le92,800,000 and Le6,500,000 that were made for the additional works claimed to have been done on the rehabilitation of Health Centres at Yele and Matotoka respectively.**

***Official Response***

Request for variation and additional works and minutes were also not traced at the time of the audit due to the fact that the Officer who was in charge was on sick leave at the time but these documents are now available for verification.

**The Committee**

***The Committee noted that the minutes, bill of quantity for the additional works were made available and verified.***

**15.5. Relevant documentary evidence was not made available to justify disbursements amounting to Le26,110,000.**

***Official Response***

*The payments that were queried for lack of supporting documents i.e. receipts and delivery notes, were all attached to their respective Payment Vouchers.*

**The Committee**

***The relevant documentary evidence to support the queried payments of Le26,110,000, was made available and verified.***

**15.6. There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify the amount of Le83,507,500 that was recognized in the Financial Statements as Sitting Fees paid to Councillors.**

***Official Response***

*The above recommendation is noted since Council is still looking forward to the Ministry of Local Government for directives on the above issue.*

**The Committee**

***The Committee recommends that the Chief Administrator should liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting fees to Councillors.***

**15.7. The amount of Le23,084,500 was paid as Responsibility Allowance to members of staff of the Council without any evidence of additional responsibilities given to them. It was also noted that the Council did not budget for this type of allowance for the financial year under review.**

***Official Response***

*The sum of Le23,084,500 that was paid as responsibility allowance was a budgeted line item that was approved by Council.*

**The Committee**

***The Committee noted that Council's approved budget showing the details of Responsibility Allowances rectified was made available and verified.***

**15.8. The operations of the Internal Audit Unit were not effective. There was no Audit Committee to monitor the activities of the unit and no evidence was presented to indicate that the unit had a charter and suitable audit manual for its operations.**

***Official Response***

***No Audit Charter & Manual***

*The Internal Audit Department at the Ministry of Finance and Economic Development had assured Council that a charter and audit manual would be made available to the Internal Audit Department of the Tonkolili District Council. The Council will send a reminder to the Ministry for these documents to be made available to us.*

### **No Audit Committee**

*An Audit Committee has now been established.*

### **Internal Audit Planning Memorandums**

*Risk assessments were part of the Planning Memorandum for 2012 and were available in the files for inspection.*

### **Internal Audit Assignments**

*All Internal Audit Assignments carried out were supported by sufficient audit evidence.*

### **Internal Audit Reports not submitted to Council & Minister**

*The Internal Audit Reports were submitted to the Chief Administrator for the attention of the Council. However, the Council will ensure in future that all Internal Audit Reports are submitted to the Minister as prescribed for in section 84 of the Local Government Act.*

### **The Committee**

***The Committee noted that the Internal Audit Unit provided minutes of the established Audit Committee and evidence of work carried out. However, we still noticed that nothing has been done for the unit to have a charter and suitable audit manual. Therefore, the Committee recommends that the Council, in collaboration with the Ministry of Local Government and Rural Development, should ensure the following:***

- a) A charter or formal document stating the purpose, authority, responsibility and scope of the unit should immediately be designed***
- b) A suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management should also be designed.***

***The Council should immediately establish an Audit Committee that is charged with the responsibility of approving the unit's work plans, and monitoring the implementation of all IA recommendations.***

***The Head of the IA Unit should ensure the following:***

**a) The Planning Memorandums of IA assignments should include a section for risk assessments and materiality considerations**

**b) IA assignments carried out should be supported by sufficient appropriate audit evidence and must be properly referenced and cross-referenced so that linkages among the planning, execution and reporting documents could easily be done.**

**The IA reports should be submitted to the Council and Minister in accordance with Section 84 (3-4) of the Local Government Act, 2004.**

**15.9. The terms and conditions of the Performance Management Contract that were agreed between His Excellency the President and the Council were not fully met.**

**Official Response**

*The reason for generating less revenue (own-source) than the contract amount was as a result of the following:*

- *The Council did not receive its precepts from Local Tax for 2012; and*
- *The Council was also supposed to receive the sum of Le110,000,000 from Magbass Sugar Complex as lease rent which was not received.*

*The reason for rehabilitating five (5) out of the ten (10) schools as was mentioned in the contract document was as a result of the Council not receiving its third and fourth quarter transfers on time. These were received in February and April 2013 respectively. For the non-construction of five (5) new schools, though the procurement processes were completed, funds from EFA-FTI were not received by the Council to implement the above projects.*

*Environmental campaigns were not undertaken because they were supposed to be undertaken in the third and fourth quarter of 2012 but allocations for those periods were never made available.*

*The reason why the number of inland valley swamps developed and rehabilitated were less than the contract number was because Government transfers were not received on time.*

*Overall the activities in the PTT were not undertaken because the Government allocations that were meant for implementing those activities were only received in the first quarter of 2013 instead of the third and fourth quarters of 2012.*

**The Committee**

***The Committee recommends that the Chief Administrator should ensure the following:***

- ***The monitoring and supervision of the revenue collection should be enhanced so that the expectations of the Government of Sierra Leone are met/exceeded.***
- ***Plans should be put in place to expedite the agreement in respect of the projects in the contract document.***

## **16.0. KAMBIA DISTRICT COUNCIL**



**16.1. The recognition of own-source revenue into the various books and system of accounting was not consistent. For instance, the amount of own-source revenue recognized in the Financial Statements was less than the amount as per the Receipt Books by Le11,021,260 and the amount as per the Receipt Books was greater than the Bank Deposits by Le33,429,280.**

**Official Response**

*According to the Contract that was signed between the Council and the Revenue Collectors, their transportation cost and incentives are deducted from the revenue generated before depositing the amount collected in the account. Implicitly, the total amount collected will not reflect on the Bank Statement.*

*The Finance Officer has revised the Financial Statements to reflect the amount collected and recorded by the Finance Clerks. This implies that the Financial Statements have been updated.*

**The Committee**

***The Committee noted that the Financial Statements have been revised and the inconsistencies corrected to reflect the amount stated on the source documentation and the correct 2012 revenue and expenditure totals. However, the Chief Administrator should ensure that the following actions are taken and evidence of adjustments in the Financial Statements made available to the Audit Office within 30 days after the adoption of this report by Parliament. Also:***

- The Financial Statements, Bank Statements and Receipt Books should be immediately reconciled and all discrepancies investigated, corrected in the books of accounts and filed accordingly.***
- The documentary evidence in support of the utilization of the Le33,429,280 (i.e. the difference between the Receipt Books and Bank Statements) should be made available for verification; otherwise, the full sum should be refunded.***
- The Finance Officer should closely supervise the clerks to ensure that all information on source documents are accurately and completed recorded in all the relevant books of account.***

**16.2. Outstanding commitment of Le242,003,440, in respect of the restoration of a Pipe Borne Water Supply System was not disclosed in Statement 19 of the Financial Statements.**

***Official Response***

*The Financial Statements have been revised to reflect the disclosure in respect of the restoration of a Pipe Borne Water Supply in the statement.*

**The Committee**

***The Committee noted that disclosure in respect of the Pipe Borne Water Supply has been made in the revised Financial Statements.***

**16.3. Procurement procedures in respect of the Request for Quotations method were not adequately and appropriately followed for goods and services amounting to Le138,731,600.**

***Official Response***

*The outstanding documents, including the Request for Quotations (RFQs) in respect of the procurement of **Le138,731,600** have been discovered and appropriately filed*

**The Committee**

***The Committee noted that the Requests for Quotations (RFQs) were only made available for procurements amounting to Le83,171,600. The RFQs in respect of the remaining Le55,560,000 could still not be made available for verification.***

***Therefore, the Committee recommends that the Chief Administrator should ensure the following:***

- The Request for Quotations in respect of the procurements of Le138,731,600 should be forwarded to the Audit Office for verification within 30 days after the adoption of this report by Parliament.***
- All quotations should be requested in writing from at least three bidders in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act, 2004.***

**16.4. Works contract for the rehabilitation of two health centers at Rokupr and Magbengbeh with a contract price of Le70,000,000, which should have been completed in two weeks since December 2012, was still ongoing as at 8<sup>th</sup> May 2013.** It was also observed that Dust Bins procured for Le25,000,000 in 2012 were supposed to be distributed to the various Wards for waste management activities but were still found at the supplier's premises at 8<sup>th</sup> May, 2013.

### **Official Response**

*Working in tandem with the objectives of the Free Health Care, the upfront payment was deemed necessary to provide the beneficiary communities with the facility in the shortest possible time. In the absence of the Budget and Finance Committee, due to the elections, the Procurement Committee has the mandate to take such critical decisions on behalf of the Council. It is upon this basis that the Procurement Committee of the Council met and took a collective decision to make this upfront payment, as it was also envisaged that the contractor will benefit from some economies of scale, to encourage him to perform and deliver the service on time.*

*The project was however delayed due to the Elections process in the Country.*

*Upon the monitoring of the projects by the Donors (World Bank and the Local Government Finance Department (LGFD), it was discovered that the project was under budgeted, as the Civil Engineer of the Council has some capacity inadequacies. This situation had to constrain the contractor and eventually caused the delay. The Donors and the Council resolved that the contractor should work with the resources allocated to match the value of the money paid to the Company. The independent Civil Engineer was to assess the value of the work and the Council was to conduct a thorough assessment of the work that should be completed with the funds allocated and submit a supplementary budget to the Local Government Finance Department for additional funding to avoid delays and ensure quality work.*

*Currently the Peripheral Health Unit in Rokupr has been completed and is in effective use by the community. The Magbengbeh Prehipehal Unit is also completed and the remaining funds for the project are currently utilised on the rehabilitation of the quarters and will be later completed with the said supplementary funds.*

### **The Committee**

***The Committee noted that copies of photographs showing completed works were made available and verified.***

**16.5. There was no evidence to justify that the National Social Security and Insurance Trust (NASSIT) deductions on the Payroll of Le6,439,500 was paid to the relevant authority.**

***Official Response***

*The Le6,439,500 which is the sum of NASSIT deduction has been paid to the Bank Account of the Institution and receipts of payment are available to the effect.*

**The Committee**

***The Committee noted that evidence in the form of receipt from NASSIT to justify that the amount in question has been paid was submitted and verified.***

**16.6. There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of Le81,022,500 recognized in the Financial Statements as Sitting fees paid to Councillors.**

***Official Response***

*This is the responsibility of the Ministry of Local Government and Rural Development.*

**The Committee**

***The Committee recommends that the Chief Administrator should liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting fees to Councillors.***

**16.7. The total sum of Le105,438,677 was paid to Councillors and Ward Committee members as Sitting fees and other allowances without any evidence to indicating that the Councillors and Ward Committee members either attended meetings or those meetings were held.**

***Official Response***

*These absentee Councillors were paid upon the basis of a business case advanced by the Chairman of Council.*

**The Committee**

***The Committee recommends that the Chief Administrator should ensure that the amount involved is immediately recovered and paid back into the Consolidated Revenue Fund and evidence of payment made available to the Audit Office within 30 days after the adoption of this report by Parliament.***

***Also the Chief Administrator should ensure that the payment of sitting fees is made only to Councillors attending Council meetings.***

**16.8. The relevant documentary evidence was not made available to justify disbursements amounting to Le136,568,433.**

***Official Response***

Documentary evidence ranging from receipts, invoices, delivery notes etc. for the payment of goods and services amounting to **Le136,568,433** are now available for inspection.

**The Committee**

***The Committee noted that out of the queried amount of Le136,568,433, documents were made available and verified for payments totalling Le119,767,621. The relevant documentary evidence for the remaining payments of Le16,800,812 remains outstanding. Therefore, the Committee recommends that the Chief Administrator should forward the documentary evidence in support of the remaining amount of Le16,800,812 to the Audit Office within 30 days after the adoption of this report by Parliament; otherwise, the amount should be refunded.***

**16.9. There was no evidence to justify that withholding tax deductions of Le17,385,290 were paid to the National Revenue Authority.**

***Official Response***

*Withholding tax deductions amounting to **Le17,385,290** have been paid to the NRA and the receipts have been filed for your verification.*

**The Committee**

***The receipts from the NRA were made available and verified.***

**16.10. Fixed Assets acquired during the year for Le57,095,000 were not taken on charge in the Council's Inventory Register.**

***Official Response***

*All fixed assets acquired during the financial year under review have been included in the asset register.*

**The Committee**

***The Inventory Register has now been updated.***

**16.11. A comparison between the reconciliation statements for some accounts and the bank confirmations in respect of those accounts revealed a difference of Le28,515,069.19.**

***Official Response***

*The reconciliation between the Cash Book balance and the Bank has been done.*

**The Committee**

***The reconciliations have been carried out and the inconsistencies corrected in the books of account.***

**16.12. The operations of the Internal Audit Unit were not effective. There was no Audit Committee to monitor the activities of the unit and no evidence was presented to indicate that the unit had a charter and suitable audit manual for its operations.**

***Official Response***

- *An independent functional Audit Committee has been established in the Council. Evidence of minutes are available for verification*
- *The Charter stating the authority of Internal Audit and the Audit manual are under consideration by the Head of the Internal Audit Unit at the Ministry of Finance and Economic Development*
- *The plan has been revised indicating timelines for the commencement and completion of the audit assignments.*

- *Management is now actively responding to quarries.*

### **The Committee**

*The Committee recommends that the Council should ensure the following:*

- *A charter or formal document stating the purpose, authority, responsibility and scope of the unit should immediately be designed*
- *A suitable audit manual including written policies and procedures, work programs for individual assignments and reporting lines at each level of management should also be designed.*
- *An independent Audit Committee that is charged with the responsibility of approving the unit's work plans, and monitoring the implementation of all IA recommendations should be immediately established.*

*The Head of the IA Unit should ensure the following:*

- *The annual work plan of the Unit should indicate timelines for the commencement and completion of all IA assignments;*
- *Executions of IA assignments should be properly planned and documented and should be supported by sufficient and appropriate audit evidence;*
- *The Council's systems and procedures have to be regularly reviewed and assessed and the reports in respect of these (including audit recommendations) should be submitted to the Council and Minister in accordance with Section 84 (3-4) of the Local Government Act, 2004; and*
- *The management of the Council should respond to IA queries within a reasonable period of time and immediate steps should be taken to ensure that IA recommendations are implemented.*

**16.13. The terms and conditions of the Performance Management Contract that was signed between His Excellency the President and the Council was not fully met. For instance, the amount of own-source revenue generated for the period was far less than His Excellency's target of Le223, 273,200 by Le96,800,700.**

### **Official Response**

***There are several reasons for not meeting the revenue target, and this could be attributed to the following:***

- ***There was a significant drop in the expected precepts the Council was supposed to receive from the collection of Local Taxes. Since the compliance rate was low, the Council ended up getting 10% of the projected Le105,000,000.00 from the precepts.***
- ***The Licenses, Fees and Charges were also grossly under collected due to a boycott by the Treasury Clerks at the Chiefdom levels. The Valuator was not in post during the start of the year when the compliance rate was high.***
- ***The Council's Guest House that would have given us a substantial amount was waiting to be commissioned by H.E the President. On three occasions it did not happened, and as such no revenue was generated from the outsourcing of the facility to a potential tenant/Contractor.***
- ***The Resource Centre that was to have attracted good revenue was not fully funded by NATCOM.***

***The funds were not made available by the Donor Agency (Education for All/Fast Track Initiative) for the construction of the Junior Secondary School though the Procurement Process was completed.***

#### **The Committee**

***The Committee recommends that the Chief Administrator should ensure the following:***

- ***The monitoring and supervision of the revenue collection should be enhanced so that the expectations of the Government of Sierra Leone are met/ exceeded.***
- ***Plans should be put in place to expedite the agreement in respect of the projects in the contract document.***

**16.14. Most of the established committees of Council were not operational for the financial year under review.**

#### **Official Response**

*Some committees are effectively operational such as the Internal Audit Committee; Health Committee etc. The minutes and other documents are available.*

#### **The Committee**



***The Committee recommends that the Chairman of the Council should ensure that all the committees that were established are operational and vibrant. In addition, the meetings in respect of these committees should be conducted regularly and the proceedings of such meetings should be appropriately documented with copies filed for audit and reference purposes.***

**16.15. The budgetary performance for certain streams of own-source revenue was poor. This was evident by the fact that the actual own-source revenue realized for the stated streams was far less than the budgeted amount by Le483,928,000 (i.e. approximately 85% less than the budgeted amount of Le569,190,500).**

### ***Official Response***

*In a bid to ensure that the Council meets its target of the own source revenue for the fiscal year under review, the seven Paramount Chiefs and Revenue Clerks of the seven Chiefdoms in Kambia District were engaged in a series of meetings and finally mapped out a robust strategy for the collection of own source revenues of all classes in all the Chiefdoms.*

*The seven Paramount Chiefs signed a Memorandum of Understanding (MOU) with the Council which dictates the following:*

- *The Chiefdom functionaries are to collect all classes of revenue in their Chiefdoms.*
- *A sharing arrangement of 25% to the Chiefdom Administration and 75% paid to the District Council.*
- *Only Council Receipt Books printed by the Government printer are to be used for the collection to ensure easy monitoring and accountability by all concerned.*

*The receipt books were printed and distributed to all the Chiefdoms and the collection was just about to start when we received a letter from the Permanent Secretary of the Ministry of Local Government and Rural Development (MLG&RD) dated 27th June, 2012, instructing us to handover all facilities associated with revenue to the Chiefdom Administration forthwith. This letter totally dwindled and thwarted the revenue collections efforts of the Council. Though another letter was sent to us by the Minister of Local Government and Rural Development, qualifying which revenue the Chiefdoms are entitled to, the misunderstanding was at its peak. By and large, this unfortunate*

*situation deprived the Council of meeting its proposed target of the own source revenue indicated in the Budget.*

*Lastly, a huge junk of the own source was to have been generated from Property Tax. This area was never exploited as we never had a Valuator in Post and as such we could not boast of a CADASTRE System in place. Virtually, the area was not fully exploited.*

## **The Committee**

***The Committee recommends that:***

***The Chief Administrator should ensure that the monitoring and supervision of the revenue collection is enhanced so that the amount of revenue generated is in line with the budget.***

***The Chief Administrator should ensure that a proper assessment for revenue mobilization is done and a comprehensive database on the results of such assessment (e.g. total number of tax payers, businesses, and traders per market etc.) is set up. This will help the Council in the budgetary preparation exercise.***

## **17.0. KOINADUGU DISTRICT COUNCIL**

**17.1. A number of disclosures as required by International Public Sector Accounting Standards (Modified Cash Basis) were not made in the Financial Statements.** Typical among them were Outstanding Commitments in respect of works contracts and others amounting to Le1,007,187,406, Fixed Assets purchased during the financial year under review in the sum of Le2,307,586,860, Receivables in respect of precepts amounting to Le77,256,365 and debts of Le60,966,263.5 owed/payable to suppliers/contractors.

### ***Official Response***

The Financial Statements for the period under review have been revised to reflect all the identified undisclosed activities as recommended by the Auditors and is now available for your verification

### **The Committee**

***The Committee noted that necessary disclosures have been made in the revised Financial Statements.***

**17.2. The 2011 comparative information was not re-stated in the Financial Statements.**

### **Official Response**

The 2011 comparative information that was not restated in the Financial Statements has now been restated and a copy of the Financial Statements is hereby available for your verification.

### **The Committee**

***The Committee noted that the 2011 comparative figures were not adequately and appropriately re-stated in the revised Financial Statements. Therefore, the Committee recommends that the Chief Administrator should within 30 days after the adoption of this report by Parliament ensuring that the 2011 comparative information is re-stated in the Financial Statements and a copy of the revised Financial Statements made available to the Audit Office for verification.***

**17.3. The sum of Le3,755,000 in respect of own-source revenue generated was neither banked nor brought to account.**

**Official Response**

*As indicated the overdraft balance has also been separately indicated in statement 12 as recommended by the Auditors.*

**The Committee**

***The Committee noted that the overdrawn balance has been disclosed in the revised Financial Statements.***

**17.4. Procurement procedures in respect of the Request for Quotations method, were not adequately and appropriately followed for goods, works and services amounting to Le435,651,628.**

**Official Response**

*The RFQs and National Competitive Bidding documents for the queried procurements as presented by the Procurement Officer are hereby forwarded for your verification. Please note that some procurements (like in the case of the EFA/FTI Education Programme) were done at national level and only details of winning contractors were sent to the Council as it was explained by the Procurement Officer. The second part of the recommendation by the Auditors will be adhered to accordingly.*

**The Committee**

***The Committee noted that RFQs were made available and verified for procurements amounting to Le347335,128. However, the remaining RFQs for procurements amounting to Le88,316,500 could still not be made available for verification.***

***However, the Committee recommends that the Chief Administrator should ensure the following:***

***The required number of RFQs in respect of the queried procurements should be forwarded to the Audit Office for verification within thirty (30) days of the receipt of this letter.***

***All quotations should be requested in writing from at least three bidders in accordance with Section 45 (1) and the First Schedule of the Public Procurement Act, 2004.***

**17.4. Withholding tax deductions from the payments for goods, works and services of Le5,980,522 were not paid to the National Revenue Authority.**

**Official Response**

*Cheque stumps for four (4) payments have been traced but not the payment receipts due to the absence of the Finance Officer who is currently sick. The balance cheques*

*and receipts will be forwarded later when he comes. Meanwhile, you can verify the four (4) payments from the stumps.*

**The Committee**

***The Committee noted that evidences presented were adequate and appropriate.***

**17.5. There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify an amount of Le31,666,875 recognized in the Financial Statements as Sitting fees paid to Councillors.**

***Official Response***

*The Local Council Association of Sierra Leone had been informed of the need to engage the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting fees to Councillors. Results are yet to come.*

**The Committee**

***The Committee recommends that the Chief Administrator should liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting fees to Councillors.***

## **18.0. WATERLOO RURAL DISTRICT COUNCIL**

### **18.1. Misstatements in the Financial Statements**

Material overstatements and understatements of account balances were noted and there were inconsistencies in the Financial Statements, as some account balances were incorrectly classified.

#### **Official Response**

- *The figure of Le163,347,049 stated as overstated and Le218,129,776 stated as understated are due to misclassification of funds that was transferred to the respective accounts as stated in the findings. The finance officer has already passed the journal to correct the misstatement that occur in the Financial Statement*
- *The increment of five percent indicated in the statement by the Chief Administrator is justifiable as there are new areas of revenue. For example lorry Part Tolls and forty percent increase in the cost of the sand tolls ticket.*
- *As at now there is no withholding tax expenses code that is identified as expenditure within the Petra Software System. It remains as liabilities until when paid through the bank, so the issues classification is noted. Council has already taken the appropriate action on that.*

#### **The Committee**

***The Committee recommended the following:***

- ***The CA should ensure that due care is employed in the preparation of the Accounts and a review should be done to confirm the accuracy of the balances.***

- ***The Financial Statements should be adjusted to reflect the above material misstatements and the adjustment should be made to other affected account balances.***

## **18.2. Procurement Procedures not followed**

Procurement procedures were not followed for a number of contracts undertaken by council.

### **Official Response**

*The responses on findings on Appendix B, C and D are as follows:*

- *The procurement documents for the supply of dust bin were made available to auditors. They are still available for your verification;*
- *Training of Farmers: though training falls within the purview of services, all the devolved sectors consider it as parts of their normal activities and are being undertaken by their own personnel.*

### **The Committee**

***The Committee recommends the following:***

- ***The CA should ensure that procurements are done in line with the PPA.***
- ***The CA should explain the reason(s) for undertaking activities outside the Procurement plan and submit the three competitive RFQs.***
- ***The Chief Administrator should provide adequate justification with the necessary supporting documents to substantiate why tendering procedures were not followed in the award of the contract for the cleaning of Lakka Government Hospital; otherwise, the matter will be referred to the National public Procurement Authority for necessary action.***
- ***The Procurement Officer should ensure that contracts are only awarded to contractors/suppliers who have valid tax clearances.***
- ***The CA should ensure that contract agreements are signed at all times before the commencement of the contract. This will have the benefit of ensuring that both parties to the contract are aware of their rights,***

**responsibilities and obligations; and if for any reason there are disputes, there will be a legal document to fall back on. Furthermore, the excess payment of Le1, 596,000 should be recovered within thirty (30) days after the adoption of this report by Parliament and evidence of recovery forwarded to audit for verification.**

- **The CA should provide adequate justification with the necessary supporting documents to substantiate the spending of Le127,548,120 on the water distribution network in Waterloo without any value for money; otherwise, the amount should be paid back into council's coffers and evidence of recovery forwarded for audit verification within thirty (30) days after the adoption of this report by Parliament.**

### **18.3. Poor Financial Performance**

The variance analysis report of actual own source revenues as against budgeted showed an alarming under performance.

#### **Official Response**

*The Period under review was termed as a 'Bad Financial Performance period for council. Although council had made great effort to generate and consolidate its own source revenue, it is rather unfortunate for council to perform so poorly in 2011, but as at now council has started an aggressive approach to collect revenue by setting a tight target to collect up to **(Le300,000,000) Three Hundred Million Leones** per Quarter and ensure that we recruit more revenue collectors and valuers to achieve that goal for 2012.*

#### **The Committee**

**The Committee strongly recommended that council should put in place stringent measures to reverse this downward performance by engaging local community development partners to sensitise their local communities and encouraging them to pay their taxes, enhanced the capacity of the Revenue mobilisation Unit and increasing its staff strength or reorganise its current work force, so as to widen its coverage and meet the challenges facing it at the moment.**

### **18.3. Third Party Confirmations not received from Commercial Banks**



Third Party Confirmations from Commercial Banks were only received for six (6) bank accounts. As a result, it was impossible to ascertain the accuracy of the bank balances held in Commercial Banks for the period under review.

**Official Response**

*Council has submitted bank statement for the period. The audit service Sierra Leone informed us about their plans to write to our bankers, but unfortunately we did not receive any copy of that action nor did they request us to follow up on this matter.*

**The Committee**

***The Committee strongly recommends that the CA should ensure that responses to letters of confirmations are expedited.***

**18.4. Revenue not brought to account**

One hundred and thirty-seven (137) local tax receipt books and ten (10) general receipt books valued at Le68,500,000 and Le10,000,000, respectively, were not brought to account.

**Official Response**

*It is true that some local tax and General Receipt Books were not available for inspection. The reason is that Revenue Collectors are located all over the district and sometimes very difficult for them to respond accordingly. Council has resolve that appropriate legal action would be taken in the shortest possible time against defaulters.*

**The Committee**

***The Committee recommends that the Chief Administrator should ensure that the receipt books are produced for verification within thirty days of the receipt of this report; otherwise, the amounts in question should be refunded to council's coffers and evidence of payment forwarded to for verification.***

**18.5. Payments without adequate supporting documents**

Several payments were made without adequate supporting documents.

**Official Response**

*It is unrealistic for any payment to be made without support document, the*

*fact of the matter is that most of the document are sometimes misplaced due to several financial monitors e.g. World Bank, Local Government Finance Department and internal auditors. Nevertheless council has traced All of them as they are now available for your verification.*

### **The Committee**

***The following recommendations were proffered:***

- ***The FO should ensure that all transactions, from inception to completion, are supported by the relevant documentation and these should be numbered and cross referenced so that in cases of missing documents, such documents can be easily traced. This will help to enhance proper financial management and facilitate the audit trail.***
- ***The Finance Officer should produce the supporting documents, the required valid receipt and the Payment Vouchers within thirty days after the adoption of this report by Parliament; otherwise, the sum of Le469,362,173 must be refunded by the responsible officers.***

### **18.6. Inadequate Control over the Collection, Recording and reporting of Financial Transactions**

Several control weaknesses were observed in the collection, recording and reporting of financial transactions.

### **Official Response**

*It has been observed that the revenue coordinating unit has been conniving with revenue collectors to defraud council. Council has set up an investigation team on the matter and progress is encouraging. The outcome will be communicated accordingly.*

### **The Committee**

***The following were recommended:***

- ***The CA should ensure that the amounts of Le8,540,413 and Le3,395,522 are be refunded by the revenue officers concerned into council's bank account and forward evidence of recovery to my office for audit verification within thirty days of the receipt of this report.***
- ***The CA should ensure that the amount of Le1,810,000 representing revenues collected from duplicated receipt number 1448 is refunded and evidence of recovery forwarded for audit verification.***

- ***The CA should institute an investigation into the use of fake ID numbers and the missing original receipts within thirty days of the receipt of this report and the result of the investigation forwarded to audit office for verification.***
- ***Every effort should be made by council to ensure that arrears in respect of property rate are included in the demand notes sent out to property owners. These demand notes should be sent out by December or January the following year so as to maximise the collection of property taxes.***
- ***The difference of Le16, 000,000 still not paid over by the Drivers Union should be retrieved and evidence of payment to the bank forwarded to audit office for verification.***

### **18.7. Short Payment of Revenue**

A difference between revenue collected by the finance office and the amount deposited into Councils Administrative Account was observed.

#### **Official Response**

*This amount is exorbitant and therefore need clarifications. It can also be attributed to delay in banking between December 2011 and January 2012. Action to mitigate this kind the issue has already taken, by ensure that we bank intact and on time.*

#### **The Committee**

***The following were recommended:***

- ***That all monies received should be banked intact. This will have the benefit of ensuring that all monies received are properly accounted for.***
- ***That the Finance Officer should ensure that supporting documents for the utilization of the Le7,028,500 are produced for audit scrutiny; otherwise, the whole sum should be refunded and evidence of payment to bank forwarded to audit office for verification.***

### **18.8. Internal Audit Department Not Effective**

It was observed that there was no Internal Audit Report for the fourth quarter of 2011. The Internal Audit Working papers were not properly documented to indicate the methodology used to arrive at certain conclusions.

#### **Official Response**

*The Chief Administrator (CA) responded as follows; The Internal Auditor did not make available the 4<sup>th</sup> quarter report as stated. The reason was the coincidence of Interim Audit exercise that was done by the Audit Service. The other was due to lack of personnel to support the Internal Auditor.*

### **The Committee**

***The following were recommended:***

***That the Internal Audit Department be adequately resourced in terms of manpower, training and logistics, in order to ensure that regular audit work is carried out and reported on. This should include the following:***

- ***Ensuring the strict adherence to all control procedures to safeguard the assets and records of the Council;***
- ***Reviewing all contracts to ensure effective performance and value for money;***
- ***Reviewing the accuracy of the payroll, disbursements and other material balances;***
- ***Continuously reviewing systems (including the PETRA) and procedures to ensure adequacy, effectiveness and efficiency;***
- ***Reviewing operations and programmes to ascertain whether results are consistent with objectives and goals;***
- ***Ensuring adherence to laws and regulations; and***
- ***Conducting special investigations relating to suspected fraud and other irregularities.***

### **18.9. Sitting Fees paid to Absentee Councillors**

There were no Internal Controls in place over the payment of sitting fees to councillors, as absentee councillors were paid a total amount of Le3,841,965.

### **Official Response**

*The Chief Administrator (CA) responded as follows; Councillors who were absents for the 2011 period have their letters of excuse in the file. They are ready for your verification.*

**The Committee**

*The Committee recommends that the Ministry of Local Government should take a decision on this matter. The Audit Service is requested to verify those issues again.*

## **19.0. FREETOWN CITY COUNCIL**

**19.1. The amount of Le96,200,000 was due to be paid by the Motor Drivers Union and Fudimond Enterprises from the proceeds they received by collecting Lorry Park dues from drivers from the Eastern and Western parts of Freetown.** However, only Le19,520,500 was disclosed in the Financial Statements as the amount collected for lorry park for 2012, leaving a difference of Le76,679,500 unaccounted for.

### **Official Response**

*Council outsourced revenue collection from Lorry Parks to Fudimond and Motor Drivers Union for the amounts stated in your report. The present management understands that arrangements for council to receive those sums were ineffective. The present Council has contacted these units in its effort to recover the unpaid sums and outcome will be communicated to you accordingly.*

*Management notes that the difference in revenue from the two buses operated by Council was for the number of days that the buses did not run. Management has endured proper management of the buses with a view to note all days that the buses are off the road with documentary evidence.*

### **The Committee**

***The Committee observes that, with respect to Lorry park dues, the audit verification team was informed that Council has recovered some of the dues from the Motor Drivers Union as initial payments to Council of their outstanding. However, neither a schedule nor a copy of the receipt issued by Council for such payments was submitted for verification, as such the issue still stands.***

***The issue relating to the differences that were not accounted for in relation to the two Council buses still stands, as the team was not provided with any documentation by Council that would support their response to the audit query.***

***However, the Committee recommends that the said money should be refunded by those responsible for the collection and payment of Lorry Park dues. Also, the Chief Administrator should recover the sum of Le194,600,000 and pay into the Council's account within 30 days after the adoption of this report by Parliament and evidence forwarded to the Audit Service for verification.***

**19.2. It was observed that Property Rates totaling Le4,686,414,014.73 accumulated over the past three years were still in arrears as at 31/12/12.**

### ***Official Response***

*The figure for the property rates are revenue arrears principally owned by Central Government agencies. Management has taken steps to collect these debts by enforcing the provision in the Local Government Act of 2004. Where it has been expedient to recover the debts, the matter has been taken to court.*

*Management has re-examined that analysis as presented in your appendix and we request that you visit this record as the reported figure is on the very high side due to duplications in the register maintained in the License Section. The corrected register is now available for your attention.*

### **The Committee**

***The Committee applauded the Council for the steps taken so far as names of defaulters have been published on Local newspaper etc. However, the issue still stands as the said amount is yet to be recovered from these Government agencies as stated in the response. However, the Chief Administrator should ensure that effective modalities are instituted to enhance the collections of property rates from these institutions.***

**19.3. The audit team observed that procurement procedures were not followed in respect of the contract relating to the cleaning of various hospitals amounting to le993,404,105.00.** There was no evidence of RFQ's advertisement made, no bid opening minutes, no bid evaluation report, no letter of contract awarded, nor was a correspondence made available to confirm that the said procurement was undertaken by the Ministry on behalf of the hospitals, as the

procurement officer intimated that the procurement was undertaken by the Ministry. It was also observed that the said procurement activities did not form part of the procurement plan.

### **Official Response**

*Procurement for the tertiary hospitals were undertaken by the Central Government. For the secondary hospitals on the decision of our procurement committee, Local Purchase Orders were issued to “Yeani Cleaning Services” that mandated the service provider to deliver the said services. The relevant minutes are attached to ease of reference.*

*As this aspect of operation had previously not been undertaken by Council, it was part of our Procurement Plan. However, we will ensure that it is included in our next Procurement Plan*

### **The Committee**

***The Committee noted the verification for some procurement documents that relates to Payment vouchers Numbers; 4881,1699, 4306 & 4266 amounting to Le12,291,000.00; Le13,148,300.00 Le26,296,600.00 & Le24,582,000.00 respectively (i.e. total Le76,317,900). However the relevant procurement documents relating to an amount of Le917,086,205.00 (i.e. Le993,404,105-Le76,317,900) were not submitted for inspection, as such the issue still stands. However, the Committee recommends that the Chief Administrator should provide an explanation why the Council failed to adhere to the National Public Procurement Act, 2004. Failing which, the whole amount must be refunded and evidence forwarded to the Audit Service for verification.***

**19.4. Honorarium and allowances amounting to Le97,770,000.00 which were given to staff and other individuals, were without documentary evidence such as a list of monitors, signature of recipients and receipts for inspection, cleaning of schools, markets, cemeteries and also for meetings attended by the Mayor , Councilors and other members of staff.**

### **Official Response**

*Supporting documents are available for verification.*



**The Committee**

*The Committee noted that the above issue still stands as the said documents were not submitted for verification, with the exception of payment amounting to Le1,665,000.00 with PV No. 5043. Therefore, the Committee recommends that the Chief Finance Officer should ensure that the Mayor and other Council officers sign to acknowledge receipt of the honorarium and allowances within thirty days from the date of receipt of this report; otherwise, the whole amount must be refunded and evidence forwarded to the Audit Service for verification. Also, the Chief Finance Officer should ensure that all the supporting documents relating to the disbursement of money to the Club are produced for audit verification within thirty days of the receipt of this report; failing which, the whole amount must be refunded and evidence forwarded to the Audit Service for verification*

**19.5. An imprest of Le82,360,129.14 was not supported by retirement details such as receipts, a list of beneficiaries acknowledgement of recipient etc.**

**Official Response**

*The necessary documents in support of amounts expended are now available for your inspection and verification please.*

**The Committee**

*The Committee noted that the issue remains unresolved, as the documents were not submitted for inspection. Therefore, the Committee the Chief Finance Officer should ensure that all the retirement documents should be produced for audit verification 33within 30 days after the adoption of this report by Parliament; otherwise, the whole amount must be refunded and evidence forwarded to the Audit Service for verification.*

**19.6. The sum of Le11,042,157.50 was deducted from expenditure as withholding tax but not paid over to the National Revenue Authority.**

**Official Response**

*Due to cash flow constraints during this financial year, these deductions were not paid on time. However, all these withholding taxes were paid during the financial year 2013 and this can be verified. The relevant receipts from NRA are available for verification.*

**The Committee**

*The Committee noted that the issue remains unresolved as the National Revenue Authority receipts were not submitted to auditors for inspection.*

*Therefore, the Committee recommends that the Chief Administrator should recover the money and pay over to the NRA with immediate effect and forward evidence to the Audit Service for verification.*

**19.7. It was observed that PAYE deductions from employees were not supported by receipts from the National Revenue Authority. The total amount was Le343,330,018.90. It was also observed that, 5% compulsory NASSIT contributions deductible from Employees, and the 10% payable by Employer, were said to have been deducted but not paid over to the Trust Fund. The total amount involved for the years was Le305,642,629.50.**

***Official Response***

*Due to cash flow constraints during this financial year, these deductions were not paid on time. However, all these withholding taxes were paid during the financial year 2013 and this can be verified. The relevant receipts from NRA are available for verification.*

**The Committee**

*The Committee noted that the issue remains unresolved as the National Revenue Authority receipts were not submitted to auditors for inspection.*

*Therefore, the Committee recommends that the Chief Administrator should recover the money and pay over to the NRA with immediate effect and forward evidence to the Audit Service for verification.*

**19.8. It was observed that salary advances (loans given to some members of staff) amounting to Le9,122,220.00 were not recovered by council for the year 2012.**

***Official Response***

*It is not a policy for FCC to recover all loans at the end of the year, as some are given to staff during the course of the year. The amount disclosed is outstanding loans at the end of the year and not unrecovered loan. The loan deductions continue in the year 2013 and this schedule is available for inspection.*

**The Committee**

***The verification team was informed that the issue had to do with carry forward loan rather than unrecovered loan. Conversely, the Finance Officer submitted a copy of the opening balances in 2013 of the loan register which the team could not reconcile with the schedule in the audit report, as a result, the issue was still unresolved. Consequently, the Committee recommends that the Chief Administration should ensure that these loans and salary advances are recovered from members of staff, within 30 days after the adoption of this report by Parliament and evidence forwarded to the Audit Service for verification. Failing which recovery will be made from the current administration.***

**19.9. Revenue collected totaling Le1,204,362,655.97 was not deposited into the bank accounts.**

**Official Response**

*We dispute the findings that an amount of Le1,204,362,655.55 was not banked intact, probably the team ascertained the moneys banked based on the deposits into the specific revenue designated bank account. On the contrary, banking was an ad hoc system; based on the account liquidity situation to respond to transactions as is necessary by the prevailing circumstances. A schedule of collections and deposits into the various account are attached as evidence for your examination.*

*We have noted comments under 7(ii) and have made the necessary corrections which can be verified.*

**The Committee**

***The Committee was provided with a copy of the schedule of collections and deposits into the various accounts. However, the Committee could not verify payments to bank as the bank statements were not submitted for verification.***

***Therefore, the CA should explain why the revenues were not deposited into the bank; otherwise, the full amount must be recovered.***

***\*\*\*\*\*All recommendations must be acted upon by the responsible officers within 30 days after this report has been tabled and adopted by Parliament.***

***APPRECIATION:***

***Mr. Speaker, Honourable Members, the Committee expresses appreciation to the Audit Service Sierra Leone staff who were represented at all times of the meetings and assisted in interpreting and explaining the queries raised where necessary and in verification of documents.***

**Mr. Speaker, Honourable Members, I would also like to thank members of the Committee who have been sitting during the outreach programs including during weekends in order to reach this stage of completing Financial Year 2012 of the Audit General's Report on Local Councils of Sierra Leone.**

**Hon. Chernor R.M. Bah  
CHAIRMAN, PUBLIC ACCOUNTS COMMITTEE**



**MOTION OF THE PUBLIC ACCOUNTS COMMITTEE**

**PROPOSER:** *Hon. Chernor R.M. Bah*

**SECONDER:** *HON. Komba Eric Koedoyoma*

**BE IT RESOLVED:**

**THAT THIS HONOURABLE HOUSE ADOPT THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF SIERRA LEONE (LOCAL COUNCILS) FOR THE FINANCIAL YEAR 2012 AND THAT THE RECOMMENDATIONS CONTAINED THEREIN BE APPROVED FOR IMPLEMENTATION.**