



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 2014**

**SUBMITTED BY:
HON. CHERNOR R.M. BAH
CHAIRMAN PUBLIC ACCOUNTS COMMITTEE**



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LIST OF ACRONYMS AND ABBREVIATIONS

ASSL	-	Audit Service Sierra Leone
AG	-	Auditor General
ACC	-	Anti- Corruption Commission
CBOs	-	Community Based Organisations
CA	-	Chief Administrator
DRP	-	Disaster Recovery Plan
DAO	-	District Agricultural Officer
FO	-	Finance Officer
FS	-	Financial Statement
FY	-	Financial Year
HR	-	Human Resource
IECO	-	Information, Education and Communication Officer
IA	-	Internal Audit
IVS	-	Inland Valley Swamps
JICA	-	Japanese International Cooperation Agency
LGA	-	Local Government Act
LGSC	-	Local Government Service Commission
LPO	-	Local Purchase Order
MDAs	-	Ministries, Departments and Agencies
MLGRD	-	Ministry of Local Government and Rural Development
MCC	-	Makeni City Council
M&E	-	Monitoring and Evaluation
NRA	-	National Revenue Authority
NASSIT	-	National Social Security and Insurance Trust

1. BACKGROUND

Mr Speaker, Honourable Members, in most democratic systems, governments are increasingly being defined and judged by the way they manage public funds. Integrity, transparency and accountability of public resources are a prerequisite to underpin public trust as cornerstone to good governance. Lack of Integrity, transparency and accountability of civil servants has played a major role in preventing sustainable development from taking root in most of the Third World countries of which Sierra Leone is a part. The central role of Parliament is to hold government accountable for its actions. The Sierra Leone Parliament's key accountability functions are embedded in their legislative, representative and oversight responsibilities. The use of public funds must, therefore, be explained to Parliament, by those who manage the resources in question and such persons be held accountable for the use of the said resources.

The 1991 Constitution of Sierra Leone [Act No.6 of 1991] provides that public resources 'shall be held in trust for the people and persons in position of leadership are answerable to the people.'

Against this backdrop, 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 tandem with Sections 93 [6] and 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.

The Local Government Act of 2004 is the legal framework that guides the administration of Local Councils. The Act mainly defines the functions of Local Authority as corporate body. The hallmark of good local governance is a people centered approach that enhances participatory development and promotes equity, transparency and accountability in the management of human, financial and material resources.

Mr Speaker, Honourable Members, through statutory instruments introduced in 2006, city status was granted to the former towns of Bo, Kenema, Koidu-New Sembehun and Makeni; and municipal status to Bonthe Town Council. This Act is currently under review 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. Approximately, half of these functions were devolved within the set timeframe [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.

2. INTRODUCTION

Mr Speaker, Honourable Members, the Public Accounts Committee of the Sierra Leone House of Parliament considers the Reports of the Auditor-General and makes recommendations to improve Government's management of public finances. Through its Oversight role, the PAC provides an important check on corruption in government and improves the government's management of public resources to promote development more effectively. The Committee has, over the years, made significant contributions to holding government accountable on a number of high profile cases. Also, it highlighted other important concerns of financial mismanagement flagged up by the Auditor-General's Reports.

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 findings and recommendations to the House for consideration. In reviewing audit reports, the Committee considers:

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

The Auditor General, after the review of the accounts of all Local Councils, compiles a report and presented to Parliament in 2015, which forms the basis of deliberations by the PAC. The PAC conducts hearings on the report and presents a report to Parliament, clearly highlighting the actions to be taken on those who misappropriate public resources.

Mr Speaker, Honourable Members, the findings and recommendations contained in this report are 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 2014, is an attempt to present the Committee's observations and recommendations. In this regard, the report focuses on quality service delivery and provides recommendations to improve local governance in Sierra Leone.

3. LEGAL MANDATE OF THE COMMITTEE

Mr Speaker, Honourable Members, as one of the Standing Committees in the Sierra Leone Parliament, the PAC draws its legal standing from Section 93[1] of the 1991 Constitution of Sierra Leone, and Section 70, Sub-section 6 of the Standing Orders of the Sierra Leone Parliament. Section 93[6] of the 1991 Constitution and the parliamentary Rules of Procedure give Committees of Parliament powers of the High Court to:

- enforce the attendance of witnesses and examining them on oath, affirmation or otherwise;
- compel the production of documents; and
- issue of a commission or request to examine witnesses abroad.

According to Section 119[2] of the 1991 Constitution, the Auditor-General is required to audit and submit annual reports on public expenditure to Parliament. The Public Accounts Committee is mandated to consider or examine any accounts or reports of Statutory Corporations and Boards after they have been laid on the Table of the House, and report thereon from time to time to the House. In this regard, the Committee monitors expenditures of all public funds, whether transferred from the central government or locally generated by Local Councils. The Committee assesses and evaluates levels of compliance with the established laws of Sierra Leone, including adherence and compliance with set performance standards and regulations governing public expenditures. Also, the Committee's mandate is guided by the Local Government Act of 2004, the Financial Management Regulations, the Audit Service Sierra Leone Act, the Public Procurement Act, 2004 the Government Budgeting and Accountability Act, 2011 and other related legislations and regulations, which impart on public financial management and fiscal discipline.

4. PROCEDURE

Mr Speaker, Honourable Members, the Committee received and examined the Auditor-General's reports on the Accounts of Sierra Leone for the year 2014 on Local Councils, submitted under Section 119[4] of the 1991 Constitution, as laid before Parliament in 2015. Technical officials from the Auditor-General's Office assisted the Committee in its deliberations, which formed the contents of this report.

Mr Speaker, Honourable Members, before the commencement of the exercise, summon letters on the Auditor-General's Report on Local Councils for 2014 were sent out to all Local Councils, notifying them about the Committee's oversight visit, and requested for the physical presence of past and present core staff; i.e., Chief Administrators, Finance Officers, Accountants, Procurement Officers, Internal Auditors, Store Clerks, and other Senior Officials within the Councils to respond to queries reported by Audit Service. The Committee also requested Councils Officials to clearly state their challenges, if any, and provide explanation on how they have been carrying out their responsibilities.

During the course of examining the queries raised in the Audit Report, the Committee observed traditionally established parliamentary procedures. For instance, putting auditees on oath to ascertain the authenticity and accuracy of their submissions to the Committee, as provided for in Section 93, Sub-section 6[a] of the 1991 Constitution of Sierra Leone. Besides, in line with S.O. 73[20], the hearings were opened to the public, but cautioned media houses about premature publications of Committee decisions as contained in S.O. 75[1 - 3). Where the Committee found discrepancies between the information provided by the Accounting Officers/Vote Controllers and the Auditor-General, the Committee undertook inspection tours of the projects in question in order to obtain firsthand information on their performance status and establish whether they were worth the value for money invested by the government.

5. ACKNOWLEDGEMENTS

Mr Speaker, Honourable Members, I wish to thank the Committee Members for the non-partisan spirit demonstrated during the course of the hearings. Special thanks go to the Office of the Clerk for providing the Secretariat for this Committee who worked tirelessly in compiling this Report. I would also like to acknowledge the support of core staff of the various Councils who took their time to attend the hearings. Their attendance and contributions guided the Committee's deliberations during the course of reviewing the issues highlighted by Audit Service. This acknowledgement would be incomplete without mentioning the representatives from Audit Service Sierra Leone for their invaluable input during the hearings, especially on the areas of explaining the queries raised in the Report and verification of documents submitted during the investigations. Special thanks go to the secretariat of the Committee, David Saffa and Musa L. A. Foullah, for putting the committee's findings in the form of this report.

6. MEMBERSHIP OF THE COMMITTEE

Mr Speaker, Honourable Members, according to the provisions of Standing Order 70 [1], the Public Accounts Committee comprises the following Members:

Hon. Chernor R.M. Bah, **Chairman;**

Hon. Komba E. Koedoyoma, **Deputy Chairman;**

Hon. Hassan B. Sheriff, Member;

Hon. Sulaiman Muluku Sisay, Member;

Hon. Alpha B. Lewally, Member;

Hon. Francis A. Konuwa, Member;

Hon. Lahai Marah, Member;

Hon. Alhassan Jero Kamara, Member;

Hon. Dr Foday I. Suma, Member;

Hon. Helen Kuyembah, Member; and

Hon. P.C Alhaji Bai Shebora Yek II, Member.

7. OFFICE OF THE AUDITOR-GENERAL

Mr Speaker, Honourable Members, the PAC works in collaboration with Audit Service Sierra Leone [ASSL], which provides the technical assistance that enables the committee to provide effective oversight in relation to the manner in which public resources are utilised by MDAs. Pursuant to Section 119 [1-7] of the Sierra Leone Constitution [Act No.6 of 1991], the Auditor-General audits public expenditure, and expresses an independent opinion on how MDAs and other public institutions expend financial resources allocated to them.

8. SCOPE OF THE EXERCISE

Mr Speaker, Honourable Members, for the financial year 2014, the hearings were conducted in Parliament and at various District and City Council Halls in the provinces. The exercise covered 16 out of 19 Local Councils; 12 out of 13 district councils, and 4 out of 6 Municipal Councils. The Auditor-General's report, upon which the Committee conducted its hearings, did not include Kenema City Council. The Committee was informed that the Council failed

to submit its Financial Statement to Audit Service for the period under review. For Freetown City and Western Area Rural District Councils, the Committee was unable to hold hearings on those Councils because of time. The hearings covered issues relating to financial transactions carried out by 18 Local Councils as listed below:

1. Kambia District Council;
2. Bombali District Council;
3. Tonkolili District Council;
4. Port Loko District Council;
5. Koinadugu District Council;
6. Makeni City Council;
7. Bo District Council;
8. Bo City Council;
9. Pujehun District Council;
10. Moyamba District Council.
11. Bonthe District Council;
12. Bonthe Municipal Council;
13. Kailahun District Council;
14. Kenema District Council;
15. Koidu New Sembehun Council; and
16. Kono District Council;

Mr Speaker, the Committee sat from the 19th to 23rd April, 2016 and from 26th to 30th July, 2016. The Report is structured in two parts: General Observations and Recommendations, and Specific Observations and Recommendations on prominent policy matters related to financial transactions carried out by the 12 Districts and 4 Municipal Councils as listed above.

9. GENERAL OBSERVATIONS AND RECOMMENDATIONS

Mr Speaker, Honourable Members, summaries 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 Councils for 2014 are indicated below:

[I] During the course of the hearings, the Committee observed that authorised users of the PETRA System, such as Chairmen, Chief Administrators and Internal Auditors, who were supposed to monitor transactions posted in the PETRA System could not access it because Passwords had not been created for the aforementioned personnel that would have allowed them to access the System, which the Committee learnt was the responsibility PFMRU in the Ministry of Finance and Economic Development. Besides, the PETRA System was observed to be faulty in most Local Councils, and as a result users were unable to access it.

In view of the above, the Committee recommends that:

[i] the Public Financial Management Reform Unit [PFMRU] in the Ministry of Finance and Economic Development provides passwords to all authorised users i.e., the Chief Administrators, Finance Officers, Internal Auditors, Chairmen and the Accountants to enable them access the System for the sake of transparency and accountability; and

[ii] Chief Administrators should take radical steps in terms of liaising with the Public Financial Management Reform Unit in the Ministry of Finance to provide Passwords for all authorised users of the PETRA System in all Local Councils.

[II] During cross examinations, the Committee observed that over 98% of the Internal Audit Units in the Local Councils were ineffectual. The ineffectuality, the Committee noted, was due to the failure of the Chief Administrators to create conducive working environments in terms of providing the required documents to aid the work of the Internal Auditors. The Committee was reliably informed that some Chief Administrators were even quarrelling with their Internal Auditors, thereby denying them the opportunity to access vital information needed. Other issues that were also observed to have rendered the Internal Audit Units ineffectual were the lack of documentary evidence to indicate that the Audit Committees in the respective Councils were properly functioning in terms of supervising and monitoring the work of those Units; and most importantly, the absence of a Charter or any formal document stating the purpose, authority, scope and responsibilities of the Internal Audit Units was noted very seriously. Further, the Committee noted lethargy, inefficiency and ineptness on the part of the Internal Auditors to provide their quarterly reports. Over 90% of the Internal Auditors in those Councils could not provide their audit reports to the Committee. Contingent upon that the Committee recommends that:

[i] the Chief Administrators in all Local Councils should ensure that the Internal Audit Units are capacitated and enhanced, so as to enable them undertake audit exercises consistently on time, devoid of harassment, threat or intimidation from any superiors;

[ii] Vote Controllers of the said councils should always ensure they provide all documentation requested for by Internal Auditors, and accept that Internal Auditors are partners in ensuring prudent financial management, transparency and accountability;

[iii] the Charter or formal document [outlining the purpose, scope, authority and responsibilities of the Internal Audit Units], purported to have been in the draft stage, and a suitable Audit Manual [spelling out the policies, procedures and work programmes], for individual assignments and reporting lines at each level of management be immediately designed and implemented; and

[iv] the Independent Audit Committees that are charged with the responsibility of approving the Units' Work Plans and monitoring the implementation of all Internal Audit recommendations should immediately be overhauled, and if possible, reconstituted to effectively aid the work of the Internal Auditors. In that respect, Chief Administrators are entreated to ensure a friendly working environment for all parties within their Councils.

[III] the Committee also observed that the regulation of deducting and paying withholding taxes to the National Revenue Authority (NRA) was not strictly observed by Accounting Officers. This failure by the Accounting Officers to deduct 5% withholding taxes and pay same to NRA, as the Committee noted, had deprived the government the much needed revenue to provide basic social amenities to the citizens. In this respect, the Committee strongly recommends that:

[i] Finance Officers must ensure that the 5% withholding taxes are deducted from all payments above Le500, 000 made to suppliers and contractors; and evidence of such payments to NRA be provided for verification; and

[ii] any Finance Officer/Accountant who fails to deduct and pay same to NRA the 5% withholding tax, will have his/her salary suspended for a period of two months, when such information is seized by the Committee.

[IV] Furthermore, the Committee learnt that sitting allowances were paid to some Councillors absent from council sittings for which valid excuse was neither provided to Audit Service, nor the Committee. That aside, the Committee observed that there was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify the payment of sitting fees to Councillors. Upon that observation, the Committee inferred that that contravened Section 30[2] of the 2004 Local Government Act. Contingent upon that the committee hereby recommends that:

[i] Subsequent payments of sitting allowances to Councillors must not include those absent without any written excuse to the authority concerned for their absence; otherwise authorisation needs to be obtained from the Ministry of Local Government and Rural Development. If payments are effected in disregard of this advice, the officers responsible for making such payments must immediately recover the amount in question or otherwise face suspension for two months without salary;

[ii] signed minutes of Councils' meetings for every month be forwarded to Audit Office for inspection; and

[iii] the Ministry of Local Government and Rural Development be summoned by the House for disregarding the recommendations of the Committee and Audit Service in respect of providing guidelines for sitting and transport allowances for Councillors.

[V] Also, the Committee observed that almost all the Councils committees which include but are not limited to health, education, sports, Agriculture, were found to be latent. That was made clear when the Councils failed to provide documentary evidence in the form of minutes to show that those committees were actually meeting. In the Kambia District Council, for instance, the Chairman of the Health Committee informed PAC that the seven committees in the Council were not given the leeway to perform their functions by senior officials of the Council. In view of the above, the Committee hereby recommends that:

[i] all Chief Administrators in the Local Councils should ensure that meetings are regularly held and minutes of such meetings are properly preserved for the Committee's inspection; and

[ii] the Ministry of Local Government and Rural Development should put in place a policy that will spell out the penalties to be imposed for non-performing Council committees; and

[iii] that the same penalties be imposed on any Chief Administrator/Senior Official whose action may thwart the work of any Council committees.

[VI] The Committee further noted that some Chief Administrators, Accounting and Procurement Officers, who were in post when most of the transactions took place, were found to have been transferred to other Councils during the Audit Service exercise as well as the Committee. Their absence during the period under review affected the work of both the Audit Service, as well as the Committee. Consequently, instead of the stipulated days for the submission of written submissions before their appearance as requested by the Committee, the said officials would only tender their written answers during the Committee hearings.

However, the problem was further exacerbated when majority of Councils Officials failed to leave behind handing over notes for their successors. In view of the above, the Committee hereby recommends that:

- [i] the Local Government Service Commission reviews its transfer policy in terms of increasing the number of years that core Council Staff should serve in a particular Council. This will give them ample time to prepare handing over notes for their successors.*
- [ii] the Local Government Service Commission should ensure that before a particular Staff is transferred to another Council, a copy of the handing over notes must be sent to the Commission for verification within thirty days; and*
- [ii) any Council Official who fails to prepare and submit handing over notes prior to his/her transfer within the stipulated number of days should be suspended for two months without salary.*

[VII] Another key observation of the Committee was the permissiveness of the councils in the area of maintaining financial records. That was clearly demonstrated by their failure to prepare bank reconciliation statements for institution's accounts and erroneous Cash Book records.

In that regard, the Committee hereby recommends that the Accounting Officers should ensure that their Accounting Departments are strengthened, with a view to ensuring that proper and up to date records are maintained, reconciliations are regularly done, and relevant records adjusted on time.

[VIII] Of cruciality also, the Committee noted that the accountability regulations were and still are not adhered to by the councils in most cases. Some Councils failed to respond to queries raised by Audit Service – an act which in itself was in contravention of the financial management regulations.

In respect of that the Committee recommends that the 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, hence evoking Section 65 of GBAA 2005 and Section 165[2] of FMR 2007].

[IX] Moreover, the Committee observed that procurement procedures were not strictly adhered to for a number of transactions undertaken by most Councils in respect of public works and goods and services procured during the period under review. The Committee found that to be contrary to the Public Procurement Act, 2004.

In this regard, the Committee therefore, recommends for improvements in records management of procurement documents and adherence to the Public Procurement Act of 2004.

[X] The Committee observed continued tendency by Vote Controllers not to address audit queries. Indeed, the Committee found their response to be inadequate, unsatisfactory and without supporting documents. The delays made the work of the Committee very burdensome. Such attitudes so demonstrated by those Vote Controllers were nothing but an acceptance of their non-compliance to the Committee's previous recommendations to act bona fide in the execution of their responsibilities as public officials. The Committee noted

the totality of such nonconformist attitudes by people in positions of trust, have impacted on the performance of the Committee. It is on those grounds the Committee recommends that:

[i] Vote Controllers must endeavour to clear all outstanding audit issues that have not been resolved due to lack of adequate supporting documents; and

[ii] Council Officials who failed to provide documents for audit verification at the time of audit without valid cause must be held accountable for the payment of the monetary value attached to those documents.

[XI] The Committee observed that Accounting Officers did not follow financial regulations. This was evidenced by the queries that have repeatedly been flagged up by the Auditor-General which include but not limited to misapplication of funds, misappropriation of revenue, failure to secure accounting documents, unsupported payments and failure to account for stores. The Committee further observed that the recurrence of such noncompliance was due to non-imposition of stiff disciplinary action against such erring officers. Against that back drop, the Committee recommends that:

In future, the Accounting Officers must 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.

[XII] 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's *recommendations in that regard are as follows:*

[i] that all unaccounted procurement documents must be presented to Audit for verification;

[ii] that inventories of records must be designed and developed; and

[iii] that a registry be developed, manned by a well trained and experienced clerk for proper filing and safekeeping of personnel documents.

[XIII] 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 Local Councils covered. 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 the deductions were not meant for the District, they should be remitted as soon as they were recollected.

10. SPECIFIC OBSERVATIONS AND RECOMMENDATIONS

1.0 KAMBIA DISTRICT COUNCIL

1.1 Limited Access to Petra

Audit Findings

Authorised users, such as the Chairman, CA and Internal Auditor, who were supposed to review and approve records in the PETRA System could not access the System for the period under review.

Committee's Observations and Recommendations

The Committee drew the attention of the CA on this issue and demanded explanation on whether the issue had been resolved. Responding to the Committee's curiosity, the CA told the Committee that the issue of the PETRA System had been a perennial problem in the Council. The CA maintained that only the Finance Officer had access to the System. The CA, the Chairman and the Internal Auditor had no access to it because they had no password to it. The CA submitted that, **"it is the responsibility of the Public Financial Management Reform Unit [PFMRU] in the Ministry of Finance and Economic Development to install the PETRA Software into the computers and not the responsibility of Council."** He affirmed to the Committee that the IT Unit in the Ministry of Finance provided computers to the Council for over a year, but had not installed the PETRA System on those computers. He told the Committee that representatives from World Bank had also interrogated him on the issue.

Reacting to the Committee's enquiry on the efforts made by his Council to resolve the problem under consideration, the CA said frantic efforts had been made and that the issue had been communicated to the Local Government Finance Department for possible collaboration with the IT Unit in the Ministry of Finance, so that the problem could be resolved for once. The CA lamented that his efforts had not yielded any dividend because those who were supposed to resolve the issue gave it deaf ears. The Committee asked the CA to provide tangible evidence to underscore his submission. In response to the Committee's demand of tangible proof, the CA said: **"there are no written records available, but the oath I subscribed to is enough for me to say the truth."**

In as much as the efforts of the CA are very important in resolving this issue, the Committee is of the view that:

- *the Public Financial Management Reform Unit [PFMRU] and the IT Unit in the Ministry of Finance should ensure that the PETRA System is installed immediately;*
- *the Finance Officer should, apply for passwords for all authorised users of the PETRA System- Internal Auditor, the CA and the Chairman, so as to enable them access the System for the sake of transparency and accountability; and*

- *the CA should continue to make follow-ups, in the form of writing, with those concerned.*

1.2 Council's Committees not Operational

Audit Finding

Minutes of meetings were not made available to justify that Council committees such as Health Committee, Sports Committee, Education Committee, were operational.

Committee's Observations and Recommendations

As noted by Audit, the Committee observed that a good number of Council's seven [7] committees were still not operational as at the time of the Committee's engagement with Council, though the CA claimed otherwise. However, during cross examination, the Deputy Chairman of the Council, Mr Foday Bangura, who was also the Chairman of the Health Committee, informed the Committee that the committees in question were dysfunctional as purported by the CA. According to him, the committees had not been properly supported by Council. Mr Foday Bangura mentioned that he had been briefing the Chairman on some of those administrative lapses, but that his complaints were disregarded. When asked to define the relationship between himself and the CA, Mr Foday Bangura said their working relationship had not been cordial; stating that the negative aspect of their relationship was 60% as against the 40% positive. The Committee also observed that the Monitoring and Evaluation Unit had not been functioning effectively due to lack of Council's support.

Reacting to Mr Foday Bangura's allegations, the CA was baffled by what he told the Committee, asserting that the Deputy Chairman had been attending meetings in Freetown in his capacity as Chairman of Council's Health Committee, and had been reporting to Council accordingly. However, the Committee was not able to lay hands on any written document in the form of minutes to show that Council's committees were actually meeting.

Replying to the Committee's query on whether Council was making use of all the eleven [11] core staff in the Council, the Committee was made to understand that only four [4] core staff were active in terms of performing their duties. The Committee also observed that Council had not been posting vital information on the Billboard for public consumption. However, the Information Education Communication Specialist told the Committee that before he was posted to the Kambia District Council, the public had not been adequately educated on the need to pay taxes; but upon his arrival, that issue had been resolved because his office had been engaging the public via radio discussions on the need to pay taxes to council.

Asking the Chairman of the Council to give an overall assessment of his Council's performance over the years, Mr Samuel Momoh Sankoh III told the Committee that the Kambia District Council had not been performing recently as expected, stating that the recent performance appraisal report placed Kambia District Council at the bottom of the scale, an indication that the Council had not been doing well. He also spoke about the need to have more women Councilors, the need for public access to information, and the need for better collaboration.

In view of the above, therefore, the Committee recommends that:

- *Council committees should be reactivated and the CA must ensure that meetings are held at least twice a month, and minutes of such committee meetings be taken and maintained for reference purposes;*
- *the Chairman of Kambia District Council should intervene in order to improve on the working relationship between the CA and other core staff within the Council;*
- *the CA should ensure that vital information are posted on the Billboard for public consumption; and*
- *every Unit in the Council must be allowed by the CA to function properly and are managed to operate vibrantly.*

1.3 Internal Audit not Effective

Audit Finding

A review of the operations of the Internal Audit [aka IA] Unit revealed the Following:

1. There was no Charter or formal document, stating the purpose, authority, responsibility and scope of the IA Unit.
2. There was no evidence to indicate that an Independent Audit Committee was operational to supervise and monitor the work of IA Unit.
3. There was no evidence that the IA Unit had a suitable audit manual, including written policies, procedures and work programmes for individual assignments and supporting lines at each level of management.
4. Even though the IA Unit submitted a work plan for 2015, the Committee noted that no audit was carried out during the period under review.

Committee's Observations and Recommendations

Enquiring into the issue under review revealed that the Internal Audit Unit in the Ministry of Finance was responsible to develop and popularise a uniform Charter or formal document, stating the purpose, authority, responsibility and scope of the IA Unit; and also an audit manual for all Councils. Though the Committee was made to understand that a Charter was in the draft stage and had been reviewed and was found applicable, the Committee told officials of the Council that its non-implementation meant that both the Charter and the audit manual did not exist at all. Reacting to the Committee's probing question on what the CA had done to salvage the situation, the CA told the Committee that he had been working very hard in terms of liaising with the Ministry of Finance in order to stand down issue. However, the CA could not convince the Committee with his verbal submissions because of lack of written documents in the form of correspondences. Thus, the Committee was of the view that no effort was made by the CA and his Internal Auditor.

Queried on whether the Internal Auditor had been performing his duties, the Internal Auditor claimed that he had been functioning effectively. What was shockingly shocking to the Committee was the inability of the Internal Auditor to produce a single report as evidence to underscore his proposition. In fact, what came out clearly during the course of the proceeding was the lack of an Independent Audit Committee to monitor and supervise the work of the Internal Auditor. According to the CA, an Independent Audit Committee was in existence, though its functionality was on optimal scale. When the Committee demanded materiality of evidence for proof of the existence of an Audit Committee, the Internal Auditor, who was the

purported secretary to the Audit Committee, told PAC that there were only two reports produced due to some challenges of the committee. One of those he mentioned was getting the Councillors, who were members of the Audit Committee, to attend meetings.

Responding to the Committee's probing question on the composition of Council's Audit Committee, the Chairman of Kambia District Council told the Committee that the Audit Committee was an admixture of Councillors and civil society members. He said his Council was advised by the then Internal Auditor to select three members from civil society organisations, and that the Chairperson of the Audit Committee should be selected from among members of civil society and not a Councillor. As Chairman of the Council, he maintained, his role was to ensure that prudent recommendations and advice by the Internal Auditor were to be heeded to. Though he admitted that the Independent Audit Committee was ineffectual, but that he had ensured the reactivation of the Audit Committee and necessary arrangement put in place to hold meetings.

Replying to the Committee's query on what had been the role of the Internal Auditor on the issue, the Internal Auditor informed the Committee that representatives from the Anti-Corruption Commission once visited the Council, informed the CA upon his observation that the Audit Committee he met had been nominal; and that the committee needed to be reactivated. As secretary to the Audit Committee, the Internal Auditor said he wrote a letter to the CA, reminding him of the issue, but had not received any response from him since then. The Committee demanded a copy of that letter and the two Audit Committee reports he claimed to have written, but were not availed to the Committee. From a careful and methodical scrutiny of the CA and the Internal Auditor's arguments on the matter at hand, the Committee inferred that their arguments surmounted to nothing but a systematised organised plan to deceive a well-informed PAC membership. It was upon that realisation the Committee felt the need to recommend as follows:

- *that the CA should liaise with the Ministry of Finance, so that the Internal Audit Charter that was observed to have been in the draft stage, and an Audit Manual, including written policies and procedures, work programmes for individual assignments and reporting lines, are provided with immediate effect;*
- *that the Internal Audit Unit should be respected and enhanced in order to enable it undertake audits in a timely and consistent manner;*
- *that if the work of the Internal Auditor was to be complemented, there must be an effective Independent Audit Committee to approve the unit's work plans and monitor the implementation of all the unit's recommendations. And henceforth, the Audit Committee must be reconstituted to include the advice of the ACC.*

1.4 No Guidelines for Sitting and Transport Allowances

Audit Finding

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify the payment of sitting fees to Councillors, contrary to Section 30[2] of the Local Government Act, 2004.

Committee's Observations and Recommendations

The Committee found the observation made by Audit to be real because guidelines to justify the payment of those allowances to Councillors were not adduced for inspection. According to the CA, he had been liaising with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting and transport allowances to Councillors, but had not receive any positive response from the Ministry. He told the Committee that the issue cut across all Councils. However, the CA could produce no written document in the form of correspondence to substantiate whether there was communication between him and the Ministry of Local Government and Rural Development on the issue. The Committee therefore, adjudged that his submissions be unsustainable. In view of the above, the Committee recommends that:

- *the CA should formally communicate to the Ministry of Local Government and Rural Development, drawing the attention of the Ministry on the issue and copies of the correspondence[s] must be retained for future reference;*
- *the Ministry of Local Government and Rural Development should, with immediate effect, issue guidelines to justify the payment of sitting and transport allowances to Councillors; otherwise the Committee will not hesitate to recommend for a withholder of those allowances.*

1.5 Receipt Books not made available for Inspection

Audit Finding

A total of 22 receipt books which were supplied by the Government Printers to the Council for revenue collection were not made available for inspection.

Committee's Observations and Recommendations

During cross examination, the Committee observed that the issue was first reported since 2013 FY. However, the CA was happy to tell the Committee that the three remaining receipt books that were not available for audit inspection were retrieved. Responding to the Committee's enquiry on why this issue was prolonged and how the equivalent amount was recouped, the CA informed the Committee that the three receipt books were recovered from some Councillors. Further, he said that he had been deducting the equivalent amount from their sitting allowances until the whole amount was finally recouped. Evidences of payment were submitted to the Committee and Audit Service for inspection.

In that regard, the Committee recommends that the issue be closed, since the amount in question had been retrieved.

1.6 Lack of Virus Protection

Audit Finding

There was no anti-virus installed in the computers being used by Council personnel to protect them from virus attack that might lead to loss of documents and or crash of the said computers.

Committee's Observations and Recommendations

In respect of the issue under review, the CA informed the Committee that in 2014, virus protection software was not budgeted for, but in 2015, provision for antivirus, especially at sectoral level of wherein antiviruses had been put on some sector computers to prevent them

from losing important documents. The CA flagged up a concern that the Council had a challenge in terms of recruiting somebody to serve as Council's IT Specialist. The Committee however, dismissed the CA's explanation as untenable because **"IT Specialists are all over the country."**

Since the Committee was not convinced with the CA's excuse, **the Committee recommends that an IT Specialist is employed with immediate effect.**

1.7 Expenditure Returns for School Fees Subsidy not Made Available for Audit Inspection

Audit Finding

Expenditure returns were not submitted for school fee subsidies, which amounted to Le407, 150,000 remitted to various primary schools within the district.

Committee's Observations and Recommendations

During the Committee's first oversight visit to Kambia District Council in April, 2016, this issue was still unresolved because expenditure returns to the tune of Le Le407, 150, 000 had not been collected from the various schools that benefitted. Mr Speaker, during the Committee's second oversight visit, documents in respect of the said amount were submitted for audit confirmation. Responding to the Committee's inquiry about the reason responsible for the delay in providing those documents, the CA informed the Committee that the Local Government Finance Department used to pay school fee subsidies to Council for onward transfer to the various schools. The CA also intimated the Committee that the situation had changed because direct payments were made to the schools without providing documentary evidences to Council for future reference. The Committee observed, that might have caused the delay in providing the documents for audit inspection.

In view of the above, therefore, the Committee recommends that:

- *the matter be closed since the documents have been recovered and submitted for audit inspection;*
- *Council should take full responsibility in terms of paying the subsidies to Council's account for onward transfer to the various beneficiary schools; and*
- *in future, payments made to schools in respect of school fee subsidies must be properly retired and receipts be retained for reference and audit purposes.*

1.8 Withholding Taxes Deducted but not Paid over to the National Revenue Authority

Audit Finding

It was observed that withholding taxes of Le74, 782,541 deducted at source from the payment for goods and services were not paid to the National Revenue Authority [NRA] in line with section 117[4] of the Income Tax Act of 2000. In the same vein, withholding taxes were understated in the FS by Le72, 441,793.

Committee's Observations and Recommendations

During the Committee's first visit in April, 2016, documentary evidences to show that the Le 72,441,793 had been paid to NRA were not presented to the Committee. The Committee gave the Council two months to regularise the issue. However, upon the Committee's second visit in July, 2016, only duplicate copies were presented to Audit Service and the Committee for

authentication. Questioned on why the delay in providing those documents and the where about of the originals, the Finance Officer informed the Committee that withholding taxes were deducted at source and paid to NRA, only that the receipts were not promptly collected from the NRA Office in Makeni by the then FO, Mr Alusine Sesay, currently deployed at the Moyamba District Council. Therefore, Mr Speaker, Honourable Members, the Committee recommends that:

- *in the absence of original receipts, the CA and the FO should pay the amount in question; and*
- *in future, the CA should ensure that the regulation of paying withholding taxes to the NRA is strictly followed.*

1.9 Fixed Assets Not Coded

Audit Finding

28 out of the 157 assets entered in the fixed assets register were not coded in order to be easily identified as the Council's assets.

Management's Response

Reacting to the above mentioned issue, the CA said the queried assets had been coded and were ready for audit verification. The Committee advised Audit Service to go and verify whether these assets have been coded as claimed by the CA and report back to the Committee for further action.

Whilst awaits audit verification, the Committee recommends that all assets, whether procured or donated to Council, must be officially coded or marked with identification codes for easy identification as properties of the Council and to avoid being taken away.

1.10 Inadequate Control over the Management of Council's Fixed Assets and lack of Assets Management Policy

Audit Findings

Controls over the management of fixed assets were weak. That was quite evident during the audit of the management of fixed assets, as title deeds for 7 properties [plots of land and buildings], owned by the Council were not submitted to the audit team for review. It was observed that an asset policy for the handling and disposal of Council's assets and properties was not in place. In addition, the Council did not have fire extinguishers to protect the institution's assets in the event of a fire accident.

Committee's Observations and Recommendations

The Committee probed into the issue with all seriousness. Responding to the Committee's inquiry on the management of fixed asset as listed above, the CA informed the Committee that the political heads were trying to get all title deeds for the plots of land and other asset owned by Council. The Committee alluded to the Sierra Leone Grammar School land saga between the school authority and land grabbers. On the issue of assets management policy, the CA informed the Committee that the directives from the National Asset Commission had been sought, so as to put in place an asset policy. However, the Committee was not convinced with his oral submission because no written document [showing the line of communication between Council and the National Asset Commission], was submitted.

Mr Speaker, Honourable Members, during the Committee's second visit, it was observed that the query on fire extinguisher had been resolved. In order to avoid a repetition of what happened at Grammar School and to ensure proper management of Council's assets, the Committee recommends strongly that:

- *rather than relying on political heads, as mentioned by the CA, he[the CA] should ensure that the title deeds are obtained for all Council properties purchased/donated without further delay;*
- *the CA should put more effort in terms of developing and implementing assets policy for the proper management and safeguarding of its assets. Such a policy should address the following: asset transfer procedures, asset tracking/coding, asset disposal, physical inventory procedure, to mention but these ones; and*
- *the issue on fire extinguishers be closed, since they were installed in order to protect the Council's assets from fire/elemental damage.*

1.11 Non Functioning of the Cadastre System

Audit Finding

Even though the Japanese International Cooperation Agency [JICA] had set up a cadastre system to enhance Council's revenue mobilisation, the Committee realised that the system was not operational. In an interview with the FO, it was revealed that the valuator, who was trained to operate the Cadastre, had left the Council. Hence, revenue budgeted in respect of property taxes for the period under review, which amounted to Le148, 500,000, was not collected.

Committee's Observations and Recommendations

Answering to the Committee's enquiry on the present status of the Cadastre System in the Council, the CA informed the Committee that before the Auditors visited the Council, there was no Valuator who would have ensured the operationalisation of the System. "However," the CA replied, "**a valuator has been recruited and now in post to address the low revenue performance in business licenses and property rates revenue sources.**"

If what the CA told the Committee was something to go by, *the Committee therefore, recommends that the CA must do everything humanly possible to ensure that the Cadastre System works effectively, so that the collection of revenues from property taxes and other sources is enhanced.*

1.12 Procurements Undertaken without Obtaining the Relevant Business Documents

Audit Finding

Procurement procedures such as obtaining NRA tax clearance, NASSIT certificate and Business Registration Certificate were not complied with in line with Section 21 of the Public Procurement Act, 2004 for procurement valued at Le301, 191,000. That represented approximately 16% of procurement examined, including goods, works and services.

Committee's Observations and Recommendations

The Committee probed into the issue and discovered from the new Procurement Officer that the documents in question were initially missing, but that they had been found and forwarded to Audit Service for verification. Mr Speaker, though the documents in question were discovered and verified to be authentic by Audit Service, the Committee was, however, not

happy with the way the Procurement Officer flouted procurement rules. The Committee noted the issue as a deliberate attempt to defraud the state and to deny the people of this country the much needed resources they so desperately need. The Committee also observed that the sum of Le 50,000,000 was still outstanding at the time of its last Oversight visit.

In future, the Committee warned that all contracts should only be awarded to contractors/suppliers who are registered businesses and have complied with their NRA and NASSIT obligations in accordance with section 21 of the PPA Act of 2004. Again, since documents in respect of the issue were totally inadequate, the Committee recommends that the Procurement Officer ensures that the outstanding amount of Le 50,000,000 is recovered and paid into the Consolidated Fund, if these documents are not available within two weeks of receipt of this Report.

1.13 Unfair Basis of Selection

Audit Finding

An examination of procurement records submitted to substantiate the award of contract for the supply of a utility vehicle to the Government Hospital, Kambia District, which amounted to Le46 million revealed that the last RFQ was dated 22 March, 2014. However, the Local Purchase Order and Letter of Acceptance were prepared on 21st March, 2014; the same day the two remaining RFQs were received by the Council.

Committee's Observations and Recommendations

The Committee interrogated the CA on the matter and he [the CA] informed the Committee that it was a mistake on the side of the Procurement Officer to have mixed up the dates. However, the Committee was informed by the CA that necessary action had been taken to correct the situation and documentary evidences were provided to support the CA's explanations to the Committee. Mr Speaker, though the issue was noted as human error, the Committee, however, observed some amount of professional ineptness on the part of the Procurement Officer to have carelessly mixed up those dates.

Answering to question on how the selection process for the award of the aforesaid procurement contracts was done, the Chief Administrator informed the Committee that proper public procurement requirements were followed, only that the documents to substantiate his claim were not readily available at the time for audit inspection. Therefore, Based on the documents submitted for audit authentication, which were found to be credible, the Committee recommends that in future:

- *documentary evidences for the award of such contracts be immediately provided for audit verification; and*
- *the PO should ensure that the provisions in the Public Procurement Act are followed, and that suppliers are given equal opportunity to compete on a fair basis.*

1.14 Missing Receipt Books

Audit Finding

During the period under review, the Committee observed that 20 receipt books were printed to enhance revenue collection by the Council. Of the 20 receipt books that were printed and issued to revenue collectors, only 16 were submitted to the audit team for review, leaving a

balance of four receipt books with an estimated value of Le15, 973,000 not produced for audit inspection.

Committee's Observations and Recommendations

The Council acknowledged the truth about audit finding, but informed the Committee that the four receipt books had been recovered. Responding to the Committee's enquiry about the reasons responsible for the delay in providing the four receipt books, the Chief Administrator claimed that the books in question were 'with the revenue collectors, who were using them during the period the audit exercise was ongoing.' Questioned on whether those books were made available for audit inspection, Audit informed the Committee that they had received the outstanding receipt books and were verified.

In view of the above, the Committee advised Council Management to put measures in place for the security and safe custody of such invaluable documents, so that in future, they could be instantaneously provided upon request.

1.15 Arrears of Local Tax not Disclosed in the FS

Audit Finding

During the course of the audit, it was observed from the revenue records submitted by the Central Chiefdom Administrative Clerk that precepts from local tax which totaled Le 11,756,843 were neither paid by the Local Chiefdom Councils nor disclosed as arrears in the financial statements.

Committee's Observations and Recommendations

The Committee noted that very seriously and asked the Chief Administrator to update the Committee on the status of the issue. In his response, the Chief Administrator told the Committee that Council Management had little knowledge about local tax receipt books sent to Chiefdom Administration, which implied that the total amount to be received from Chiefdoms as precepts were not also known. However, the CA told the Committee that the Financial Statement was adjusted to reflect the outstanding arrears of Le 11,756,843 not paid by the Local Chiefdom Councils.

Responding to question on tax compliance in the district, the Internal Auditor informed the Committee that with the exception of the Magbema Chiefdom, all other Chiefdoms in Kambia District were complying in terms of tax payments.

The Committee appreciated the efforts of the CA and his team in terms of retrieving the said amount from the Local Chiefdom Councils. Hence, the Committee recommends that the issue be closed. On the issue of tax compliance by the people of Magbema Chiefdom, the matter was referred to Hon. P.C. Alhaji Bai Shebora Yek II, who is a member of the Committee to educate his people on the need to pay tax.

1.16 Fraud Controls

Audit Finding

The Council did not carry out and document periodic control risk assessments over the activities of collecting, accounting for and disbursing of Council's limited resources. In addition, business risk and periodic fraud risk assessments were not carried out and there was no established action plans to implement and monitor fraud controls.

Committee's Observations and Recommendations

Reacting to the issue, the CA informed the Committee that risk assessment had been carried out on revenue collection and control. He also told the Committee that because of the corrective measures that had been taken to resolve this issue, revenues collected were banked on a daily basis and the Finance Officer had been monitoring the process and had been reporting to the CA on a weekly basis. The Committee was happy to note these remedial actions taken by Council to resolve this matter.

However, the Committee advised Audit Service to follow up on the issue during their next audit and if a different situation from what the CA told the Committee is reported, the Committee would take action against the CA for perjury. Also, the Committee advised the Council to put more effort in terms of strengthening its anti-fraud programme by performing business and periodic control risk assessments, developing and implementing a fraud response plan, requiring periodic fraud risk assessments, and developing action plans to implement and monitor fraud controls.

1.17 Non-Disclosure of Outstanding Commitments in the Financial Statements

Audit Finding

From a review of contract agreements, payment records and Statement 10 of the Financial Statement [FS], the Committee realised that outstanding commitments to the tune of Le 600,825,457 as required by Statement 19 were not disclosed in the FS.

Committee's Observations and Recommendations

During the hearings, Council Officials agreed with audit's finding in respect of the non-disclosure of outstanding commitments to the tune of Le 600,825,457. During scrutiny, the Committee was informed by Management that those outstanding commitments had been included in the Financial Statements and documents to prove the claim were submitted to Audit Service for inspection. Audit Service inspected the documents and advised the Committee to close the issue.

In view of the above, therefore, the Committee recommends that the issue be closed, especially after the issue had been verified and confirmed by Audit Service. However, the Committee cautioned the FO to ensure that the act is never repeated.

1.18 Material Inconsistencies

Audit Findings

There were inconsistencies between the financial statements and the CA's report. The budgeted figure in the CA's report was Le8, 163,029,322 whilst Le11, 515,470,742 was recognised as budgeted total expenditure in Statement 2 of the financial statements.

Committee's Observations and Recommendations

Though the CA's Report was found to be synchronised to read the same as the budgeted figures Le11, 514,470,742, CA informed the Committee that it was a mistake on his part, but informed the Committee that the issue had been resolved.

Therefore, since the CA's report has been revised and adjusted to reflect the correct situation that was reported, the Committee recommends that the issue be closed.

1.19 Receipts/Payments made by Other Entities Controlled by Government

Audit Findings

Statement 1 of the financial statements requires the recognition of receipts/payments controlled by other government entities. The Council benefitted from cash and non-cash donations. It was stated that receipts/payments by other entities controlled by government, could not be disclosed. That signified a material limitation, considering the fact that cash donations were straight forward and could be objectively recognised, whereas the non-cash donations without documents to aid objective valuation and recognition could be disclosed in a narrative manner.

Committee's Observations and Recommendations

The Committee's investigation, Council Management informed the Committee that payments made by other government entities, controlled by government were payments made outside the control of the Council. According to the FO, the Council lacked comprehensive accounting information for the period under review, and that led to non-recognition of the issue highlighted in the Audit Report in the financial statements. Responding to the Committee's enquiry about the present status of Accounting Information, the FO intimated the Committee that the issue had been resolved and that the financial statements had been adjusted to take into consideration the total receipts/payments made by other entities controlled by government. For the non-cash donations for which reliable documents to aid valuation were not provided, the CA availed the Committee a memorandum of disclosure in the financial statements, which was authenticated by Audit Service. In future, the Committee warned that such transactions must be recorded in compliance with Cash basis IPSAS.

In view of the above, therefore, since those issues have been resolved, the Committee recommends that the issues be closed.

1.20 Incorrect Application of International Public Sector Accounting Standard [IPSAS] 19

Audit Findings

The statement that "**Contingent assets are neither recognised nor disclosed**" on page 33 of the financial statements, violated the requirement of *IPSAS 19- Provisions, Contingent liabilities and Contingent assets*. Even though contingent assets should not be recognised, they could be disclosed based on the non-remoteness of the probable receipt.

Committee's Observations and Recommendations

During the hearings, the Committee discovered that the issue has been corrected by the FO to reflect the requirement of IPSAS 19.

In that respect the Committee recommends that The FO should revise his statement to reflect the correct application of IPSAS 19.

1.21 Inaccurate Recognition of Own-Source Revenue

Audit Findings

A comparison among the bank statement, FS and receipt books, revealed inconsistencies in the recognition of own-source revenue generated during the year 2014, as follow:

Details	Amount [Le]
Bank Statement Total	151,227,057
FS Total	146,943,057
Receipt Books Total	144,122,657

Committee's Observations and Recommendations

Responding to the Committee's investigation about the status of the said issue, it was disclosed to the Committee's that the financial statements in question had been reconciled with the bank statement and corrections had been made to address the query. However, the Committee was informed that not all credit in the bank statements was revenue.

Contingent upon it observation, the Committee recommends that the issue be closed, but cautioned that in future, the FO should ensure that the Financial Statements, Bank Statements, Cash Books and Receipt Books are immediately reconciled, so that any discrepancies spotted are corrected in the books of accounts and filed accordingly.

1.22 Inaccurate Bank Reconciliations

Audit Finding

During the course of re-performing the bank reconciliations carried out by the finance unit, it was observed that the bank reconciliations for Council's administrative and own source revenue bank accounts were incorrectly done. The opening cash book balances and total 'unpresented' cheques were completely misstated. Those errors continued to recur up to December, 2014.

Committee's Observations and Recommendations

By the time the Committee paid its visit to Kambia District Council; it was observed that the bank reconciliations for Council's administrative and own source revenue bank accounts had been corrected. Also, the Committee was informed that the opening cash book balances and total 'unpresented' cheques that were completely misstated had been regularised. Audit Service confirmed that the necessary reconciliations were effected and the Financial Statement had also been adjusted to reflect Council's actual bank balances.

In respect of the foregoing, the Committee recommends that the issue be written off from the audit books.

1.23 Inadequate Control over the Processing of Transactions

Audit Finding

From a review of Cheque stubs and bank statements, the Committee realised that Le 10,000,000 was withdrawn from the bank on the 13th June, 2014 on Cheque number 389486, for which details were neither written on the Cheque stub nor were the payment voucher and supporting documents submitted to substantiate the utilisation of funds.

Committee's Observations and Recommendations

During the Committee's Visit, it was observed, according to the CA that the said payments voucher was not detached from the PV Book which was later found and presented it to Audit Service for verification. Audit verified the relevant supporting documents and informed the Committee that the issue had been regularised.

Though the Committee was advised by Audit Service to close the issue, the Committee, however, recommends that in future, the FO must ensure that details of transactions are written on Cheque stubs and counter signed by the signatories to the account.

1.24 Incorrect Recognition of Closing Cash and Cash Equivalent in Statement 1

Audit Finding

The closing cash and cash equivalent of Le 91,975,124 as reported in Statement 4, was incorrectly disclosed in Statement 1 of the financial statement as [Le 111,613,286].

Committee's Observations and Recommendations

Responding to the Committee's query about the status of the aforementioned issue, the FO informed the Committee that the cash and cash equivalent had been corrected to match with statement 1. After verifying the documents, the Auditors informed the Committee that the issue had been regularised

In respect of the above therefore, the Committee recommends that since the books of account have been appropriately reconciled and the necessary adjustments have been made to the financial statements, the matter be closed.

1.25 Competitive Procurement not Followed by the Council

Audit Finding

Le 136,000,000 out of Le722, 664,567 sample procurement tested showed that there was no evidence in the form of request for quotations [RFQs] to justify that procurement of goods and services were conducted in accordance with Section 45 [1] and the First Schedule of the Public Procurement Act, 2004. That represented approximately 19% of procurement tested requiring the shopping method.

Committee's Observations and Recommendations

A review of the said issue by the Committee indicated that RFQs in respect of the Le136, 000,000 were submitted for audit verification. Reacting to the Committee's inquiries whether the RFQs were received by Audit Service, the Deputy Auditor-General acknowledged receipt of the said documents and informed the Committee that the issue had been resolved.

In that regard therefore, the Committee recommends that in future, RFQs should be submitted upon request; and quotations 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.

1.26 Works Completion Certificates and M&E Reports

Audit Finding

Evidence of completion certificates, and monitoring and evaluation [M&E] reports for construction works completed to the sum of Le 269,438,360 were not made available to the audit team for inspection. That represented approximately 46% of procurement tested that related to works.

Committee's Observations and Recommendations

During the course of the hearing, the Committee observed that completion certificates in respect of the Projects in question were submitted for the attention of Audit Service. However, Management could not provide any monitoring and evaluation report to show that the said Projects were actually monitored and evaluated by an M&E Officer. Therefore, the Committee recommends that:

- *the issue on works completion certificates be closed, but advised Management to ensure that in future, works completion certificates be prepared and issued to contractors before payments authorisation; and*
- *regular monitoring and evaluation be carried out by the M&E Officer for all projects undertaken by Council.*

1.27 Blank Procurement Documents on File

Audit Finding

Procurement undertaken valued at Le161, 041,000 had documents which were either blank or not completely filled.

Committee's Observations and Recommendations

The Committee was informed by Audit Service that the procurement documents in question had been located, submitted and verified. However, the Committee advised the CA to ensure that in future, no payment are made/ authorised until all relevant documentary evidence is presented and reviewed.

In view of the foregoing, the Committee recommends that the issue be written off from the audit books.

1.28 Payments without Adequate Documentary Evidence

Audit Finding

Of a total number of payments examined worth Le4, 548,692,328, supporting documents such as receipts, invoices, delivery notes to name but these were not made available to the Committee to justify the payments for goods, works and services which amounted to Le184, 620,000. That represented approximately 4% of payments examined. See Appendix F for details.

Committee's Observations and Recommendations

By the time the Committee paid its oversight visit to the Council, supporting documents in respect of the Le184, 620,000 were found to have been retrieved and submitted to Audit Service for verification. Copies of those documents were also made available to the Committee. The Deputy Auditor-General advised the Committee to lay the matter to rest, since the documents in question were found to be authentic.

The Committee recommends that the issue be discarded and that in future, no payment be authorised without providing the relevant supporting documents.

1.29 Poor Budgetary Control

Audit Finding

Paragraph 67[2] of the Local Government Act, 2004 requires that the budget must reflect the priorities and needs of the localities within the district. It was, however, observed that some activities, as highlighted in the needs assessment report such as the construction of libraries at Tonko Limba, Magbema and Mambolo Chiefdoms were not factored in the development plan. Similarly, some activities in the development plan such as the construction of four community banks and the construction of a ward office at Kamassasa, Tonko Limba chiefdom were not factored in the 2014 budget.

Committee's Observations and Recommendations

The CA informed the Committee during the hearings that control measures had been put in place to link the development plan to the budget in the 2015 FY budget. However, the Committee advised Council Management to ensure that the needs assessment report, development plan and budget are aligned in a way that promotes efficient use of Council's resources. This, the Committee observed, would serve as a precaution to the budgetary process and prevent it from being distorted.

Thus, the Committee recommends that this matter be closed.

1.30 Pending Approvals

Audit Finding

During a review of the PETRA accounting package, the Committee observed that revenues which totaled Le184,343,358 and payments totals of Le90,350,769 and Le60,455,000 were still awaiting approval in the system; thus not included in the FS.

Committee's Observations and Recommendations

By the time the Committee visited the Council, Audit Service confirmed that the issue had been resolved. However, answering to probing questions on the reason for the non-inclusion of the said amounts into the Financial Statement, the CA informed the Committee that those pending revenues and expenditure which had not been approved in the system would not, in any way, undermine the credibility of the financial statement. He submitted that the error happened as a result of mis-postings and duplication of activities in the system, which when approved would automatically render the statements incorrect. The CA informed the Committee that the PFMRU would be called upon to delete the transactions from the system to render them inactive.

The Committee recommends that in future the CA ensures that transactions are posted and approved on time in order not to mislead users of the account;

1.31 Social Security Contributions not paid to NASSIT

Audit Finding

From a review of the payroll records submitted for review, it was observed that a total amount of Le18, 193,165 was deducted as social security contributions for the year 2014. Receipts were, however, submitted for only Le3, 471,092, leaving an outstanding balance of Le14, 722,073 not disclosed in the FS. In the same vein, the total NASSIT deductions in Statement 5 of the FS were overstated by Le3, 974,015.

Committee's Observations and Recommendations

According to the CA, NASSIT deductions were paid prior to the exercise and the amount in the financial statement was the total amount paid to NASSIT as contribution for staff. Soliciting the advice of the Committee's technical experts on the issue, the Deputy Auditor-General, Mr Tamba Momoh, informed the Committee that Council would have to adjust the Financial Statement to reflect the total deductions and actual liabilities owed by the Council in respect of social security contributions.

The Committee therefore, recommends that in future, the CA must ensure that a payment plan is agreed upon with NASSIT with clear timelines established for the payment of social security contributions owed.

1.32 Set targets of the Performance Management Contract not met.

Audit Finding

The following set targets of the performance management contract that were agreed upon between His Excellency the President and the Council were not met:

- establishment of fish ponds in strategic locations in the district;
- procurement of scientific equipment to carry out hydro geological assessment;
- procurement of modern and standard medical equipment for all medical facilities in the district;
- procurement of tools and equipment for roads and infrastructure construction, rehabilitation and maintenance;
- the construction of a remand/interim care centre for children in conflict with the law; and
- establishment of police stations and police cells in every chiefdom within the Kambia District.

Committee's Observations and Recommendations

Reacting to the issue, Mr Speaker, Honourable Members, the CA informed the Committee that the performance management contract was not met because almost all the sectors involved in the implementation of the set targets did not receive their full budgetary support in 2014 FY. That according to the CA, resulted in a budget deficit, and the outcome was a low budget performance. Questioned on the present status of the set targets, the CA assured the Committee that as soon as funds were made available to Council, the implementation process would begin.

In view of the above, the Committee recommends that robust plans are put in place by the CA in order to expedite the agreement in respect of the projects in the contract document.

1.33 Poor Records Management

Audit Finding

The filing of documents and records in the Council was observed to be poorly done and there were no established functions dedicated for stores, archiving and registry.

Committee's Observations and Recommendations

The CA informed the Committee that the observations made by Audit were legitimate and Council was working towards providing a space for archiving and registry. On the issue of poor records management, the CA attributed it to the frequent transfer of Council staff

without preparing handing and taking over notes. However, the CA informed the Committee that corrective measures had been put in place to surmount the challenge.

Mr Speaker, the Committee noted the CA's concern and therefore recommends that:

- *more effort is needed by the CA to develop a registry for the proper filing and safekeeping of Council documents; and*
- *the Local Government Service Commission must ensure that before a particular Staff is transferred to another Council, a copy of the handing over notes must be sent to the Commission for verification within thirty days.*

1.34 Frequent Reversal of Transactions

Audit Finding

An alarming number of transactions were reversed after they were entered into the system.

Committee's Observations and Recommendations

According to the CA, the reversals occurred as a result of the mistakes made during postings. However, the CA informed the Committee that those mistakes were identified and corrected without affecting the financial statement negatively. The Committee told the CA to resolve the issue with immediate effect in order to void possible action against him because the Committee had earlier on identified a similar with council.

In view of the above, the Committee recommends that the CA should ensure that extreme care is taken in the posting of information into the system to avoid frequent reversal of transactions.

The most shocking part of the proceedings came at the tail end of the Committee's engagement with the Kambia District Council, when the Chairman of PAC, Honourable Chernor, R. M. Bah, informed Alhaji Alhaji Bangura, Chief Administrator of the Kambia District Council about a letter written by Audit Service Sierra Leone to the Accountant-General to withhold his salary and other emoluments for failing to respond to audit queries within 15, instead of 30 days.

Based on the above decision of Audit Service Sierra Leone, the Public Accounts Committee also took a stern decision to suspend Alhaji Alhaji Bangura until the issue with Audit Service is cleared. The Committee asked the Deputy Chief Administrator to take full responsibility until a final decision is reached.

2.0 BOMBALI DISTRICT COUNCIL

2.1 Internal Audit not Effective

Audit Finding

A review of the operations of the Internal Audit [IA] Unit revealed the Following:

1. That there was no Charter or formal document, stating the purpose, authority, responsibility and scope of the IA Unit.

2. That there was no evidence to indicate that an Independent Audit Committee was operational to supervise and monitor the work of IA Unit.
3. That there was no evidence that the IA Unit had a suitable audit manual, including written policies, procedures and work programmes for individual assignments and supporting lines at each level of management.
4. That even though the IA Unit submitted a work plan for 2015, the Committee noted that no audit was carried out during the period under review.
5. That the Unit was not effective because it was headed by a newly recruited staff with no work related experience and had gone through no work related training for the period under audit, to help in carrying out his work effectually.

Committee's Observations and Recommendations

Investigation on the issue revealed that the Internal Audit Unit in the Ministry of Finance was supposed to have developed a uniform Charter and an audit manual for all Councils. The Committee was also informed that a Charter was in the draft stage. The Committee reiterated its earlier comment that the non-implementation of the Charter meant its non-existence. The CA informed the Committee that the issue was communicated to the Ministry of Finance, but nothing had happened. However, the CA could not convince the Committee with his oral submission in the absence of written documents in the form of correspondences. Thus, the Committee was of the view that no communication on the issue existed between the CA and the Ministry of Finance.

Queried the competence and work experience of the newly recruited Internal Auditor, the CA admitted that indeed **“the newly recruited Internal Auditor is inexperienced and has not been trained to handle audit issues.”** However, the CA informed the Committee that plans had been put in place to get him trained. He further informed the Committee that the new Internal Auditor was learning very fast to catch up. The Internal Auditor provided copies of the Internal Audit Reports and an annual work plan to the Committee for inspection. However, the Internal Auditor was found not to have been working in line with the internally generated work plan.

Questioned the existence, composition and the effectiveness of the Independent Audit Committee, the CA informed the Committee that the Audit Committee was composed not exclusively Councillors because the Anti-Corruption Commission advised them to review its composition in order to include people from outside the Council. Well, the PAC also advised Council to adhere to the advice given by the ACC. The CA informed the Committee that the Audit Committee had been reconstituted to incorporate the advice of the ACC. Unlike the Audit Committee in Kambia District Council, the one in Bombali District Council was observed to be a bit operational because some documentary evidence in the form of minutes were presented to the Committee. However, the CA informed the Committee that it had been very difficult to get members of the Audit Committee to attend meetings because of the non-availability of funds to pay their sitting fees.

In this regard, therefore, the Committee recommends that:

- ***the CA should liaise with the Ministry of Finance, so that the Internal Audit Charter that was observed to have been in the draft stage, and an Audit Manual, including***

written policies and procedures, work programmes for individual assignments and reporting lines, are provided with immediate effect;

- *the Internal Audit Unit must be respected and enhanced in order to enable it undertake audits in a timely and consistent manner. The new Internal Auditor should be coached through training and experience sharing with colleague auditors;*
- *if the work of the Internal Auditor is to be complemented and perfected, there must be an effective Independent Audit Committee to approve the unit's work plans and monitor the implementation of all the Unit's recommendations. Therefore, the Audit Committee should be reconstituted to include the advice of the ACC.*

2.2 No Guidelines for Sitting and Transport Allowances

Audit Finding

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify the payment of sitting fees to Councillors, contrary to Section 30[2] of the Local Government Act, 2004.

Committee's Observations and Recommendations

The CA was questioned by the Committee on why he had not made any effort to resolve the issue. In his response, the CA informed the Committee that he had communicated the problem to the Ministry of Local Government and Rural Development for issuance of guidelines that would guide the payment of sitting and transport allowances to Councillors, but had not received any response.

In view of the above, the Committee recommends that:

- *the CA should formally communicate to the Ministry of Local Government and Rural Development, drawing the attention of the Ministry on the issue and copies of the correspondence[s] should be sent to the Committee and Audit Service for future reference;*
- *the Ministry of Local Government and Rural Development should, with immediate effect, issue guidelines to justify the payment of sitting and transport allowances to Councillors;*
- *if the Ministry fails to issue guidelines in respect of the issue after 30 days of receipt of this Report, the allowances for Councillors should be withheld.*

2.3 Limited Access to Petra

Audit Finding

Authorised users, such as the Chairman, CA and Internal Auditor, who were supposed to review and approve records in the PETRA System, could not access the System for the period under review.

Committee's Observations and Recommendations

The Committee asked the CA why the matter was still reported against the Council. In response, the CA informed the Committee that the issue of the PETRA System was the responsibility of the Public Financial Management Reform Unit in the Ministry of Finance and Economic Development to install the Software into the computers. The Committee asked

the CA to provide evidence to show that he had been communicating to the Ministry of Finance on the issue, but could produce none.

The Committee recommends that:

- *the Public Financial Management Reform Unit (PFMRU) and the IT Unit in the Ministry of Finance should ensure that the PETRA System is installed with immediate effect; and*
- *the Finance Officer should, with immediate effect, apply for passwords for all authorised users of the PETRA System, such as the Internal Auditor, the CA and the Chairman, so as to enable them access the System for the sake of transparency and accountability.*

2.4 Council's Committees not Operational

Audit Finding

Minutes of meetings were not made available to justify those Council committees, such as Internal Audit Committee, Health Committee, Sports Committee, Education Committee, Development Committee, to mention but these.

Committee's Observations and Recommendations

As noted by Audit, the Committee observed that a good number of Council's committees were still not operational as at the time of the Committee's engagement with Council. However, during the hearing, the CA informed the Committee that few Council committees, such as Internal Audit Committee, Water and Sanitation Committee and Procurement Committee were operational.

In view of the above, therefore, the Committee recommends that Council committees be reactivated and the CA ensure a minimum of at least two meetings are held in a month, and minutes of committees' meetings be taken and maintained for reference purposes.

2.5 Disclosures not made in the Financial Statements

Audit Finding

- Statement 19 [Outstanding Commitments] Outstanding Commitments were overstated by Le114, 111,800. That amount was only what management felt would be the additional expenditure needed to complete the 20-bedroom guest house, and it was non-contractual.
- Statement 18 [Fixed Assets Donated during the Year] Fixed Assets donated during the year by external parties were recognised as Le175, 000,000. However, receipts, invoices and other documents showing the basis of valuation were not provided for audit review.
- Statement 10 [Development Projects carried out during the year] Development projects, carried out during the year, were not disclosed in Statement 10. The works contracts in Statement 11, for which Le529, 376,035 had been advanced, should be disclosed as development projects.

Committee's Observations and Recommendations

During cross examination, FO acknowledged the fact that Council spent Le456m in respect of a 20-bedroom guest house, which was not disclosed in the financial statement, and Delivery Notes for fixed assets donated during the year amounting to Le175, 000,000 were

not provided at the time of the audit because they were in the office of the CA who was ill at the time of the request. However, the Committee was informed that disclosures had been made in the Financial Statement and Delivery Notes were also produced for verification.

Based on audit advice, the Committee, therefore, recommends that these issues be closed since disclosures were made and delivery notes provided.

2.6 Material Misstatement of Fact/Material Inconsistencies

Audit Finding

- Budgeted Expenditure of Le13, 415, 976,587 was mentioned in the CA's Report, whilst Le13, 666,514,048 was recognised as budgeted total expenditure in statement 2 [Statement of Comparison of Budgeted and Actual Amounts].
- Note 9 of the financial statements states that there were no contingent liabilities whilst Statement 10 shows contingent liabilities totaling Le358, 949,200.

Committee's Observations and Recommendations

The CA informed the Committee that adjustments had been effected and Audit Service confirmed to the Committee that corrections were made because the Chairman's report was adjusted and the revised Financial Statements was also sent to Audit Service for verification.

In view of the above, the committee recommends that the issue be closed.

2.7 Revenue not Recognised in the Statement of Financial Performance and Own Source Revenue Not Received For.

Audit Findings

- A comparison of the Cash Book for 'Own Source Revenue' and the financial statements revealed under-recognition of Le7, 599,640.
- Examination of the bank statement, cash book and receipt books revealed that the total own source revenue, as recognised in the bank statement and cash book was greater than that from the receipt books by Le96, 922,015.

Committee's Observations and Recommendations

Responding on the issue of revenue not recognised in the Statement of Financial Performance, the FO intimated the Committee that the necessary adjustment had been made to meet the under-recognised amount of Le7, 599,640. On the area of own source revenue not received for, the CA informed the Committee that the receipt was not issued at the time the payment was made by Addax to Bombali District Council. However, the attention of the FO was drawn to the issue and explained that no receipts were issued to Addax. The Committee advised the FO to ensure that all payments made to Council should be received for.

Therefore, the Committee recommends that the issues be closed since adjustments have been made.

2.8 Work Completion Certificates not Submitted

Audit Finding

A total amount of Le103, 201,500 was paid to various contractors in respect of the rehabilitation of selected feeder roads within the district for which work completion certificates were not produced for audit inspection.

Committee's Observations and Recommendations

Though the Committee observed that the matter was resolved before its arrival, the Committee questioned the CA on why the delay in providing the Certificates of Completion. According to the CA, work completion certificates were with the Engineer, who was sick at the time of the audit. Copies of the certificates were submitted to the Committee for inspection.

In future, the Committee advised, works completion certificates must be prepared and issued to contractors before payments are authorised.

2.9 Withholding taxes not deducted and paid to National Revenue Authority

Audit Finding

It was observed that withholding taxes amounting to Le30, 251, 736 were not deducted at source from the payment for goods and services and paid to the National Revenue Authority in line with section 117[4] of the Income Tax Act of 2000. In addition, withholding taxes owed from 2013, of Le17m were still outstanding as at 31st December 2013, resulting in a total outstanding taxes of Le47, 349,537 not disclosed in the FS as outstanding payment to NRA.

Committee's Observations and Recommendations

During the first visit of the Committee in April, 2016, withholding taxes to the tune of Le 30, 251, 736 had already been paid to NRA. The Committee observed that out of Le 17mln owed from 2013, Le 14, 500, 000 was recovered and paid to NRA, leaving a balance of Le 2, 500, 000. The Committee gave the Council two months to regularise the issue. Upon the Committee's second visit in July, 2016, however, the Council submitted a receipt in respect of the Le 2, 500, 000 withholding taxes that was still outstanding for authentication.

Therefore, the Committee recommends that the issue be closed. However, the Committee cautioned the FO to ensure that withholding taxes from the payments for goods, works and services are deducted and paid to the NR.

3.0 TONKOLILI DISTRICT COUNCIL

By the time the Committee embarked on its first oversight visit, the following issues that were previously reported in the Audit Report for the period under review were found to have been resolved.

3.1 Disclosures not made in the Financial Statements

Audit Finding

The following disclosures were not made in the financial statements:

- Statement 10 [Development Projects Carried Out During The Year] On-going projects such as the construction of an X-Ray building, valued at Le201,000,000 undertaken by

the Government Hospital and the establishment of a dumpsite, valued at Le24,324,000 as stated on Page 8 of the Chairman's Report, were not disclosed in Statement 10.

- Contingent liability of Le181, 000,000 was not disclosed in Statement 15 of the Financial Statements, as the amount represents the maximum contingencies included in the contract for the construction of the Magburaka Portable Water System, that may be used to make good any unforeseen deficiencies that may later arise within 1 year as required by *IPSAS 19- Provisions, Contingent liabilities and Contingent assets*.

3.2 Misstatement of Fact in the Chief Administrator's Report

Audit Finding

The percentage contributions in respect of own source revenue, as stated, in the CA's Report on Page 6 of the Financial Statement, were incomplete and misleading. The percentages totaled 98 instead of 100. Consequently, by assigning the said percentage contributions to the total own source revenue of **Le936,221,471** and comparing the resultant contributions with the individual own source revenue recognised in **Statement 1**, it was clear that the ascribed percentages were inaccurate and fell short of reliability.

3.3 Revenue not Receipted for

Audit Finding

Total own source revenue as per bank statement was greater than the total revenue from receipt books by **Le118, 660,127**.

3.4 Procurement Procedures not Followed for Some Items Procured

Audit Finding

Procurement procedures such as obtaining NRA tax clearance, NASSIT certificate and Business Registration certificate were not complied with in line with section 21 of the Public Procurement Act, 2004 for procurements amounting to **Le131, 576,000**.

3.5 Contract Agreement in Respect of Diet not submitted for Review

Audit Finding

A contract for the supply of Diet to the government hospital, Tonkolili District was awarded to Mylans Trading Company, for a total contract sum of Le397, 147,800. However, the contract agreement was not submitted to the audit team for review.

3.6 Payments without Adequate Documentary Evidence

Audit Finding

Le53, 266,125 out of Le8, 819,831,917 worth of sample transactions tested, revealed that documentary evidence, such as receipts, invoices and delivery notes, were not made available to justify the payments for goods and services.

3.7 Payment without Supporting Documents

Audit Finding

From sample transactions tested worth Le8, 819,831,917, a payment voucher numbered 2140021 for **Le9, 234,023** in respect of the rehabilitation of water well was prepared without any supporting documents to substantiate the utilisation of funds.

3.8 Set Targets of the Performance Management Contract not met

Audit Finding

The Performance Management Contract, showing set targets for the year under review, signed with H.E the President was not produced for review.

3.9 Withholding Taxes not deducted

Audit Finding

Withholding taxes to the tune of Le 17,079,801 were not deducted at source and paid to the National Revenue Authority [NRA].

Though Audit Service informed the Committee that the abovementioned issues had been resolved, the Committee, however, recommends that in future:

- the financial statements should be regularly revised/adjusted to reflect the disclosures and adjustments in respect of any outstanding commitments and contingent liabilities;
- due care s be always employed in the preparation of the accounts, and a review be done to confirm the accuracy of the balances;
- regular reconciliations be done between the cash book and bank statements. All payments be receipted and the receipt books be kept for audit or reference purposes;
- contracts be only awarded to contractors/suppliers who are registered businesses and have complied with their NRA and NASSIT obligations;
- the relevant NRA and NASSIT certificates be always provided in order to substantiate the award of the contracts within the stipulated time;
- every contract agreement should always be 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 guide the process;
- the CA should always forward documentary evidence in support of any amount expended to Audit Service for verification;
- no payment should be authorised without a review of the required supporting documents and all transactions from inception to completion should be supported by the relevant documentary evidence which must be retained for audit and reference purposes;
- the regulations of deducting and paying withholding taxes to the NRA must be adhered to; and
- the issues, as advised by Audit Serve, be closed.

However, as at the time the Committee paid its second oversight visit in July, 2016; the following issues were still unresolved:

3.10 Limited Access to PETRA

Audit Finding

A review of the PETRA Accounting Package used by the Council revealed that authorised users, such as the Chairman, CA and Internal Auditor, who were supposed to review and approve records in the PETRA System, could not access the System for the period under review.

Committee's Observations and Recommendations

During the course of the hearing, the CA said that when the issue was brought to his attention, he wrote a letter to the Ministry of Finance, reminding them of the very audit query. He was happy to note that the PETRA System had been installed and was working. Reacting to the Committee's enquiry whether all the authorised users of System have had access to the System, the CA informed the Committee that all the authorised users of PETRA System were given passwords to access it. The Committee appreciated the effort of the CA and his team for resolving this issue.

3.11 No Guidelines for Sitting and Transport Allowances

Audit Finding

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify the payment of sitting fees to Councillors, contrary to Section 30[2] of the Local Government Act, 2004.

Committee's Observations and Recommendations

The CA was questioned by the Committee on why he had not resolved the issue. Like what other CAs have intimated the Committee, he said he had communicated the issue to the Ministry of Local Government and Rural Development for the issuance of guidelines that would guide the payment of sitting and transport allowances to Councillors and very soon Council would engage the Ministry of Finance on that.

With respect to the issue being discussed, the Committee recommends that:

- *the CA should continue to formally communicate to the Ministry of Local Government and Rural Development, drawing the attention of the Ministry on the issue and copies of the correspondence[s] must be kept for future reference; and*
- *the Ministry of Local Government and Rural Development should, with immediate effect, issue guidelines to justify the payment of sitting and transport allowances to Councillors.*

3.12 Internal Audit not Effective

Audit Finding

A review of the operations of the Internal Audit [IA] Unit revealed the Following:

1. that there was no Charter or formal document, stating the purpose, authority, responsibility and scope of the IA Unit.
2. That there was no evidence to indicate that an Independent Audit Committee was operational to supervise and monitor the work of IA Unit.
3. That there was no evidence that the IA Unit had a suitable audit manual, including written policies, procedures and work programmes for individual assignments and supporting lines at each level of management.
4. Even though the IA Unit submitted a work plan for 2015, the Committee noted that no audit was carried out during the period under review.

Committee's Observations and Recommendations

It was observed, during the hearings, that the issues aforesaid were greatly responsible for the ineffectuality of the Internal Audit Unit in the Council. Though the Committee was informed about the existence of an Independent Audit Committee, it was, however, observed that the committee in question was not operational. If the Internal Audit Unit should function properly, the Committee noted, there should be an Independent Audit Committee charged with the responsibility of approving the Unit's work plans and monitoring the implementation of all the Internal Audit's recommendations. Demanding the production of the Internal Auditor's Reports, the Committee was informed by the CA that the Internal Auditor was on two years study leave without pay. Questioned why a possible replacement had not been done, the CA said that he had written to the Local Government Service Commission for a replacement.

In that light, the Committee hereby recommends that:

- ***the CA liaises with the Ministry of Finance, so that the Internal Audit Charter that was observed to have been in the draft stage, and an Audit Manual, including written policies and procedures, work programmes for individual assignments and reporting lines, are provided with immediate effect;***
- ***the Internal Audit Unit should be enhanced in order to enable it undertake audits in a timely and consistent manner;***
- ***the Independent Audit Committee should be reconstituted and revamped;***
- ***a replacement for the Internal Auditor be made with immediate effect.***

3.13 Council's Committees not Operational

Audit Finding

Minutes of meetings were not made available to justify that Council committees, such as Internal Audit Committee, Health Committee, Sports Committee, Education Committee, Development Committee, and the like were purely operational.

Committee's Observation and Recommendations

During the Committee's first oversight visit, this issue was inconclusive because minutes were not provided to show that council's committees were meeting. These minutes, as promised by the CA, were still not submitted for inspection during the Committee's second visit.

In view of the above, therefore, the Committee recommends that Council committees should be reactivated and the CA should ensure that meetings are held at least twice a month, and minutes of committees' meetings must be taken and maintained for reference purpose.

The Committee queried the CA on why the shortfall in revenue mobilisation. In his response, the CA submitted that the fall in revenue generation was due to the scaling down of most of the companies operating in the district as a result of the Ebola outbreak. The CA maintained that the Council was generating almost 60% of its revenue from those companies. However, the CA informed the Committee that corrective measures had been put in place because Council had employed an Evaluator to assist in increasing Council's revenue base. "Out of a

revenue target of Le 1bln for 2016 financial year, Council has collected Le 500mln.” The Committee was happy to have noted the efforts of the CA and his management team. The Committee encouraged the CA and management team to put robust measures in place to achieve in feat.

4.0 PORT LOKO DISTRICT COUNCIL

As at the time the Committee paid its second oversight visit to Council under consideration; the following issues were yet unresolved:

4.1 No Guidelines for Sitting and Transport Allowances

Audit Finding

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify the payment of sitting fees to Councillors, contrary to Section 30[2] of the Local Government Act, 2004.

Committee’s Observations and recommendations

During cross examination of this issue, the Committee discovered that no action was taken to make the payment of sitting and transport allowances of Le 141,577,500 for the period under review. Also, Le 94,385,000 was paid, even though meetings were not held and the sum of Le 10,561,250 was paid to absentee Councillors. Responding to the query, the CA informed the Committee that the said amounts were paid to Councillors because emergency meetings were held during the Ebola epidemic. Reacting to the Committee’s query on the purpose of the emergency meetings, the CA maintained that the said meetings were meant to put strategies in place in order to fight the Ebola Virus. The Committee demanded proofs of meetings in the form of minutes and a breakdown of expenditures based on activities undertaken. Alas, the CA neither provided the Committee with a document in the form of minute nor submitted a breakdown of the said amounts. He promised submitting the documents to the Committee, but did not measure up.

Answering to the Committee’s questions on whether all the Councilors were present and why the sum of Le 10,561,250 was paid to Councillors who were absent from those meetings, the CA said that payments were made to all Councillors. In fact, the Committee also found out that some Councillors, who were said to have attended those meetings, even failed to sign the attendance register. The FO informed the Committee that those who were absent during those meetings were on official assignments. “Additionally,” he informed the Committee, “the CA and I were not in post when those payments were made.” The Committee had asked the CA and the FO to discuss the issues with their predecessors.

Replying to the Committee’s enquiry on whether the issue of guidelines for sitting and transport allowances was communicated to the Ministry of Local Government and Rural Development, the CA replied in the affirmative, but nothing had been done in that regard. However, the CA could not produce any documentary evidence in the form of

correspondence to authenticate his oral submission that indeed he communicated to the Ministry.

Based on those observations, Mr Speaker, Honourable Members, the Committee recommends that:

- *the CA should liaise with the Ministry of Local Government and Rural Development for guidelines to be issued for the payment of sitting and transport allowances to Councillors;*
- *documentary evidence, including financial breakdown and minutes of meetings, regarding payments made to Councillors be availed to Audit Service and the Committee after 30 days of receipt of this Report; and*
- *the CA must recover the Le 10,561,250 that was paid to Councillors who were absent from the meetings and pay same to the Consolidated Fund.*

4.2 Internal Audit not Effective

Audit Finding

A review of the operations of the Internal Audit [IA] Unit revealed the Following:

1. that there has now been a draft audit Charter.
2. that there was no evidence to indicate that an Independent Audit Committee was operational to supervise and monitor the work of IA Unit.
3. that there was no evidence that the IA Unit had a suitable audit manual, including written policies, procedures and work programmes for individual assignments and supporting lines at each level of management.
4. that even though the IA Unit had a work plan for 2013, the Committee noted that timelines for the commencement and completion of the planned audit assignments were not stated.
5. that there were no audit programmes and planning memorandums for the audit assignments conducted.
6. that there was no evidence to indicate that IA reports were submitted to the Council and Minister for the FY under review.
7. That there was no evidence to indicate that the Management of the Council responded to IA queries.

Committee's Observation and Recommendations

The Committee started probing into the matter in the area of effort made by Council regarding the existence of audit manual. According to the Internal Auditor, no audit manual had been prepared and submitted to Council, but that he had spoken to the Director of Internal Audit Unit in the Ministry of Finance on the issue. He submitted that it was the responsibility of the Ministry to prepare both the Charter and the audit manual and distribute to all Councils for onward implementation.

Reacting to the Committee's enquiry on the existence and effectiveness of an Internal Audit Committee, the Internal Auditor informed the Committee of the existence of an effective Audit Committee that had been meeting regularly. The Internal Auditor presented minutes of the committee's meetings to the PAC for inspection. Responding to the Committee's enquiry on the composition of the Audit Committee, the Internal Auditor said that the Independent

Audit Committee was made up of four Councillors and the Internal Auditor as the secretary to the committee.

Probing into the effectiveness, efficiency and line of reporting as an Internal Auditor, he replied to the Committee that he had been very effective and efficient in the discharge of his duties. He said that he had produced one report, even though he was supposed to produce four reports annually. Commenting on his line of reporting, **“I always report to the Audit Committee and copy the CA,”** he told the Committee. The Committee found that was to be the best practice and should be maintained.

Queried on whether he had been implementing the internal audit’s recommendations, the CA affirmed that he had been considering every recommendation made by the Internal Auditor and was happy with his reports.

Probing into the challenges and revenue target of the Port Loko District Council for the period under review, the CA replied to the Committee that accommodation, mobility, staffing, frequent transfer of core staff and poor records management had been hindering the progress and development of the district in terms of effective service delivery. On the area of Council’s revenue mobilisation and revenue target, the CA said that the revenue target for the period under review was approximately Le 350mln. He also informed the Committee that it had been very difficult to meet revenue target because of people’s refusal to pay tax.

Based on observations raised, Mr Speaker, Honourable Members, the Committee recommends that:

- *a suitable audit manual, including written policies, procedures and work programmes are put in place with immediate effect;*
- *the Internal Audit Committee should be reviewed and reconstituted as a matter of urgency to include people who are not Councillors in the committee, and the Chairman should also come from outside the Council. This is because Councillors should not audit themselves;*
- *the Management of the Council should always respond to internal audit queries within a reasonable period of time;*
- *the CA must work towards ensuring that those challenges are resolved for the development of the district;*
- *the CA should work towards meeting revenue target through proper sensitisation of people on the need to pay their taxes; and*
- *the CA, FO, Internal Auditors, Procurement Officers and Accountants should read the new Procurement Act, the PFM Act, 2016 and other related documents for better edification.*

The following issues, as confirmed by Audit Service, were found to have been resolved:

4.3 Comparatives not Restated in the Financial Statements

Audit Finding

Comparative information, as required by Paragraph 60 of IPSAS 1, was not given in the financial statements.

4.4 Misclassification of Expenditure Balance in the Financial Statement

Audit Finding

From the Committee's review of the financial statements and expenditure schedules, the Committee realised that the amount of Le103, 355,000 recognised as overseas audit was completely misclassified. The expenditure schedule submitted revealed that moneys were spent on line items such as stationery, transport allowances, entertainment and hall rentals.

4.5 Capital Expenditures not Disclosed in the Financial Statement

Audit Finding

Expenditure of capital nature, totaling Le2, 236,970,584, in respect of buildings, road Infrastructure and energy Infrastructure were omitted from Statement 17 [Fixed Assets Purchased during the Year].

4.6 Opening Bank Balances Overstated

Audit Finding

The bank balances as at 31st December, 2013 were incorrectly brought forward at 1st January, 2014. A total overstatement of Le111, 876,656.03 was observed.

4.7 Errors in Bank Reconciliation Statements

Audit Finding

A review of the Primary HealthCare Account Bank Reconciliation Statement for the month of January 2015, showed unrepresented Cheque as Le9, 000,000. The actual unrepresented Cheque numbered 1691965 had a value of Le55, 575,000 and not Le9, 000,000.

4.8 Procurement Procedures not followed

Audit Finding

For procurements amounting to Le1, 737,876,541 procurement procedures such as obtaining NRA tax clearance, NASSIT certificate and Business Registration certificate were not complied with in line with section 21 of the Public Procurement Act, 2004.

4.9 Unfair Bidders' Selection Criterion

Audit Finding

One of the selection criteria for the supply of diet to the Government Hospital Port Loko District was the presentation of "major items of supply." Considering the very common nature of the supply in question i.e. Jumbo Maggie, Salt, Pepper, Charcoal, which the other bidders were said not to have been able to present, it could have been that the selected suppliers were predetermined, making the basis unfair. In the same vein, no mention was made in the public advertisement for the "presentation/submission of major items of supply."

4.10 Payments without Adequate Documentary Evidence

Audit Finding

Le170,857,850 out of Le3,335,293,810 sample transactions tested [representing 5% of total payments examined], revealed that documentary evidence such as receipts, invoices, delivery notes, reports etc., were not made available to justify the payments for goods and services.

4.11 Payments without Documentary Evidence

Audit Finding

Supporting documents such as receipts, delivery notes, reports, and list of participants to name but these were not made available to justify the payments for goods, works and services amounting to **Le19, 182,090**. That represented 0.6% of total payments examined.

4.12 Procured Items not Seen during Verification

Audit Finding

During physical verification of assets procured during the period under review, the Committee realised that computers and power saw procured for the Agricultural Sector were not seen. The costs of the said items totalled Le11, 650,000.

4.13 Fraud Controls

Audit Finding

The council did not document periodic control risk assessments over the activities of collecting, accounting for, and disbursing of council's limited resources. In addition, periodic fraud risk assessments were not carried out and there was no established action plan to implement and monitor fraud controls.

4.14 Lack of Virus Protection

Audit Finding

There were no provisions made for virus protection for computers being used by council personnel.

4.15 Under Utilisation of the PETRA Accounting Package

Audit Finding

The PETRA modules such as the Fixed Assets, Payroll, Creditors, Debtors and Development Projects were not utilised during the period under review. Another major problem identified during the review of the PETRA was the absence of a Disaster Recovery Plan [DRP].

4.16 Set Targets of the Performance Management Contract not met

Audit Finding

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

- *The establishment of a mechanism for new sources of revenue in order to help increase the Council's contribution to the national economy;*
- *One Water Gravity Scheme rehabilitated In Port Loko District –Robin [Rogbiņ];*
- *Rehabilitation of 10Acre Tree Crop Nursery Sites in 3 chiefdoms; and*
- *Rehabilitation of 15 Acres of Inland Valley Swamps [I.V.S.].*

The Committee was still convinced that the following recommendations would help to avoid future occurrence of the issues reported against the Council:

- *the FO should always ensure that a thorough review of monthly bank reconciliations are carried out;*

- *the CA should ensure that antivirus software is purchased and installed on the Council's computers;*
- *the CA should ensure that the financial statements are fairly presented in compliance with the requirements of paragraph 60 of IPSAS 1;*
- *the CA should ensure that diligence is employed in the preparation of the accounts, and that a review should always be done to confirm the accuracy of the balances;*
- *the CA should always ensure that periodic checks are carried out and all items procured be readily made available for verification;*
- *the FO should ensure that the Financial Statements are adjusted/revised to reflect council's total expenditures on fixed assets purchased during the year, as required by Statement 17;*
- *the CA should always ensure that contracts are only awarded to contractors/suppliers who are registered businesses and have complied with their NRA and NASSIT obligations in accordance with section 21 of the PPA of 2004;*
- *Council's Procurement Committee should always ensure that supplier-selection is not dependent on unreasoned and or unrealistic basis that makes the process unfair;*
- *the CA should also ensure that payments are made/authorised only when all relevant supporting documents are presented and reviewed;*
- *all transactions, from inception to completion, should be supported by the relevant documentary evidence which must be retained for audit and reference purposes;*
- *the CA should always ensure that Council's anti-fraud programme is strengthened by performing periodic control risk assessments, developing and implementing a fraud response plan, requiring periodic fraud risk assessments, and developing action plans to implement and monitor fraud controls; and*
- *the issues be closed.*

5.0 KOINADUGU DISTRICT COUNCIL

5.1 Limited Access to Petra

Audit Finding

Authorised users, such as the Chairman, CA and Internal Auditor, who were supposed to review and approve records in the PETRA System, could not access the System for the period under review.

Committee's Observations and Recommendations

The Committee asked the CA to explain why the issue was lingering against his Council. In his response, he informed the Committee that the issue of the PETRA System was beyond the control of Council. He said the matter was reported to the Ministry of Finance severally, but no action was taken to address it. The Committee was also informed that a team from the Ministry of Finance came to the council and assessed the situation, but no step taken to address the issue. Nevertheless, the Committee was not convinced with such claims because

no documentary evidence was provided to the Committee in the form of correspondence to underscore the claim that there was communication between the Council and the Ministry.

In this regard, therefore, the Committee recommends that:

- *the CA should ensure that all authorised users of the PETRA System are able to access the system; and*
- *besides, the CA should communicate to the Ministry, through letters of reminder and maintain copies of those letters for future references.*

5.2 Internal Audit not Effective

Audit Finding

A review of the operations of the Internal Audit [IA] Unit revealed the Following that:

- there was no audit Charter or any formal document, stating the purpose, authority, responsibility and scope of the IA Unit.
- there was no evidence to indicate that an Independent Audit Committee was operational to supervise and monitor the work of IA Unit.
- there was no evidence that the IA Unit had a suitable audit manual, including written policies, procedures and work programmes for individual assignments and supporting lines at each level of management.
- even though the IA Unit submitted a work plan for 2015, the Committee noted that no audit work was carried out during the period under review.

Committee's Observations and Recommendations

During cross examination of Council's management team on the existence of an Internal Audit Committee, the Committee learnt that the Internal Audit Committee had not been constituted. However, a tentative audit committee had been put in place, which comprised Councillors and two outsiders. Reacting to the Committee's question on whether the tentative committee had been functional, the CA replied to the Committee that the said committee had not been effective because of lack of funds to pay sitting and other allowances to members of the Audit Committee. According to the FO, no budgetary provision was made for the audit committee because the Internal Auditor failed to capture it on the budget circular that was distributed to the various units' heads in 2014. The Committee was, however informed that provision had been made for 2015.

On the issue of audit Charter and audit manual, the CA informed the Committee that the Ministry of Finance was responsible to develop and distribute audit manual to all Councils. He said that the attention of the Ministry had been drawn to the issue, but had not received any response regarding the matter. The Committee demanded proofs of communication between the Council and the Ministry of Finance in the form of correspondences, which were not made available to the Committee.

Questioning the effectiveness of the Internal Audit Unit, the internal auditor submitted a work plan and audit reports for 2014 to the Committee for verification. The Committee observed that most of the recommendations of the Internal Auditor's reports were implemented. Nevertheless, no audit report for 2015 was submitted to the Committee for authentication.

Investigating Council's commitment on the area of revenue mobilisation, the CA said that Council had not been doing well in that direction because Council was not allowed to collect certain dues like market dues. However, the CA told the Committee that the section chiefs and other groups in the district had been fully involved to help raise revenue for the Council.

Based on those observations, Mr Speaker, Honourable Members, the Committee recommends that:

- *the Audit Committee should be reconstituted and the Chairman and one other members of that committee should not be Councillors;*
- *adequate budgetary provision should be made for members of Internal Audit Committee;*
- *the CA should formally draw the attention of the Ministry of Finance on the issue that has to do with audit manual or any other formal document;*
- *the CA should ensure that the Internal Audit Unit is made effective and functional; and*
- *more innovative and robust measures be put in place for more revenue generation.*

5.3 No Guidelines for Sitting and Transport Allowances

Audit Finding

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify the payment of sitting fees to Councillors, contrary to Section 30[2] of the Local Government Act, 2004.

Committee's Observations and Recommendations

The Committee questioned the CA why payments were made to Councillors without guidelines. In his response, the CA said that had been a very serious challenge for him because there was not readily availability legal framework, authorising the Council not to pay sitting and transport allowances to Councillors. On that note, the Committee referred the CA to Section 30[2] of the 2004 Local Government Act, which states: **“Any allowances or remuneration paid shall be financed by the local council under guidelines issued by the Ministry after consulting the Ministry responsible for finance.”**

In that respect, the Committee recommends that:

- *the CA should strictly adhere to Section 30[2] of the 2004 Local Government Act;*
- *no sitting or transport allowance be paid to any Councillor who fails to attend meetings; and*
- *the CA should communicate to the authority concerned for the issuance of guidelines for sitting and transport allowances for Councillors through writing.*

5.4 Council's Committees not Operational

Audit Finding

Minutes of meetings were not made available to justify that Council committees such as Health Committee, Sports Committee, Education Committee, were operational.

Committee's Observation and Recommendations

During the Committee's first oversight visit, the issue under consideration was inconclusive because minutes were not provided to show that council's committees were meeting. The CA

informed the Committee that majority of the Councillors were attending emergency meetings and monitoring various activities in their areas of jurisdiction and they had been submitting letters of excuses which were made available to Audit Service for inspection.

In view of the above, therefore, the Committee recommends that:

- *Council committees should be reactivated and the CA should ensure that meetings are held at least twice a month; and*
- *all attendance registers, letters of excuses and minutes of meetings should be taken and maintained for reference purpose.*

5.5 Rehabilitation of Livestock Post Abandoned

Audit Finding

A contract valued at Le 49,923,480 was entered into by the Council for the construction of a livestock post at Kabala. According to the terms of the contract, the construction should have been completed within 3 months commencing October, 2014. An initial payment of Le 14,228,191 was made to the contractor as advance payment on the 11th October, 2014. During the course of the audit, it was however observed that construction work at the site had been prematurely stopped. In an interview with the District Agricultural Officer [DAO], the Committee was made to understand that the contractor was forced to abandon the work by one Mr Conteh who claimed ownership of the plot of land on which the post was being built. Although the DAO further revealed that the Ministry had occupied the said piece of land since 1967, a title deed to confirm ownership of the land was not submitted to the team for review.

Committee's Observations and Recommendations

The Committee observed that the recommendations made by the auditors were not implemented to resolve the issue. The Committee noted that the title deeds should have been secured and maintained for future reference long time ago. In view of that, the Committee recommends that:

- *an assessment is carried out by the engineer on the work done so far by the contractor and take remedial action to retrieve any outstanding amount;*
- *payments are made based on measured works and must be certified by the engineer; and*
- *the Council should carry out a review on all Council land and buildings to ascertain whether there are title deeds to confirm ownership.*

By the time the Committee paid its second oversight visit, audit confirmed to the Committee that the following issues were resolved:

5.6 Withholding taxes

Audit Finding

Withholding taxes amounting to Le 43,424,400 for 2015 were not deducted at source and paid to the NRA.

5.7 Disclosures not made in the Financial Statements

Audit Finding

From a review of the Financial Statement [FS], we realised that the following disclosures were not made in the FS submitted for audit:

- Outstanding commitments as required by Statement 19 in respect of works contracts amounting to Le.40, 041,188.
- Fixed assets purchased during the financial year under review at the sum of Le100, 374,625 as required by Statement 17.

5.8 Procurement Procedures not followed

Audit Finding

Procurement procedures in respect of goods and services worth Le 287,416,400 were not adequately and appropriately followed for e.g. 3 Request For Quotations [RFQs] were not obtained in line with Section 45 [1] and the First Schedule of the Public Procurement Act, 2004.

5.9 Expenses not Adequately Supported by the Relevant Documentary Evidence

Audit Finding

Le264,109,638 out of Le5,653,529,672.84 sample transactions tested [representing 4.7% of total payments examined], revealed that documentary evidence such as receipts, invoices, delivery notes, minutes, reports to name but a few were not made available to justify payments for goods and services.

5.10 Withholding Tax Deductions not paid to the National Revenue Authority

Audit Finding

It was observed that withholding taxes amounting to Le4, 712,738 were deducted at source from the payment for goods and services but not paid over to the NRA, in line with section 117[4] of the Income Tax Act of 2000. In like manner, withholding taxes were understated by Le 2,712,738 in the financial statement.

5.11 Misstatement of Own Source Revenue

Audit Finding

A comparison between the bank statement and FS in respect of total own source revenue generated during the year 2014, revealed that the total own source revenue in the bank statement was greater than that recognised in the FS by Le.20, 060,402.

5.12 Arrears in respect of Business License not Disclosed in the FS

Audit Finding

An examination of the database of registered businesses within the district revealed that arrears of Le140, 396,000 in respect of business license were not disclosed in the financial statement.

5.13 Detached Receipts

Audit Finding

An examination of a sample of General Receipt Books submitted for audit revealed that the duplicates and triplicates of 11 receipts [with serial numbers:9370,9385,6036,9332,9335,7459,7691,7694,9848,9849 and 9850] were blank and the original receipts were detached from the receipt books.

5.14 Non Inclusion of Arrears on Demand Notes

Audit Finding

The demand note for property rate did not include arrears in respect of property rate payable as the database in use at the Council had no provision for that.

5.15 Overstatement of Government Grants

Audit Finding

A review of the FS, bank statements, and remittance correspondence from the Local Government Finance Department revealed that the amount of Le6, 801,790,296 recognised in the FS as transfers from central government was overstated by Le2, 974,639,991.00.

5.16 Opening Bank balances overstated

Audit Finding

The Rural Water Services sector's bank balance of Le119, 050,518 as at 31st December, 2013, were incorrectly brought forward as Le198, 534,222 as at 1st January, 2014. Hence a total overstatement of Le.79, 483,705 was observed.

5.17 Non Recognition of Opening and Closing Cash and Cash Equivalent in Statement 1

Audit Finding

The opening and closing cash and cash equivalent of Le954, 471,985 and Le1, 230,620,785 respectively as reported in Statement 4 were not recognised in Statement 1 of the financial statement.

5.18 Bank Statement for School Fees Subsidy Not Submitted

Audit Finding

Bank statement in respect of fees subsidy for the period under review was not submitted for audit inspection.

5.19 Employee who abandoned his Duty Station yet Receiving Salary

Audit Finding

An examination of the payroll records and attendance registers revealed that Abdul K. Sesay-Monitoring and Evaluation Officer at the Council was persistently absent for the months of April, May, August, September, and November 2014 and was also irregular for the remaining months yet, total salaries and allowances of Le9,135,279 were paid to him during the year 2014.

5.20 Project activities in the Performance Management Contract not undertaken

Audit Finding

The under-mentioned targets as set out in the Performance Management Contract, agreed between His Excellency, the President of the Republic of Sierra Leone and the Koinadugu District Council, were not met:

- Rehabilitation of DEC JSS School in Gberia Timbaka to ensure access to education for children in Gberia, Folosaba Dembellia; a project worth Le.100, 000,000.
- Fencing of the DEC school for a contract value of Le.100, 000,000.
- Increase in the supply of cost recovery drugs to the Koinadugu Government Hospital and peripheral health units to address the inadequacy of essential drugs. in those health centres.
- Developing an integrated monitoring and evaluation framework.

In view of the above however, Mr Speaker, Honourable Members, the Committee recommends that the Council should always ensure that:

- *the FS is revised to reflect the disclosures in respect of all outstanding commitments and fixed assets purchased;*
- *due care is employed in the preparation of the accounts, and that a review be done to confirm the accuracy of the balances;*
- *bank reconciliations are done on monthly basis and be reviewed, initialled as correct by a responsible officer, and filed accordingly;*
- *quotations are received from at least three bidders in accordance with Section 45[1] and the First Schedule of the Public Procurement Act;*
- *books of account are appropriately reconciled and necessary adjustments are made to the financial statements;*
- *measures are put in place for the safe custody and security of all accountable documents; and*
- *issues, as confirmed by Audit Service to have been resolved, be closed.*

6. 0 MAKENI CITY COUNCIL

During the Committee's first oversight visit to the Makeni City Council, the CA was questioned whether the issues raised in the audit report were resolved. The CA informed the Committee that all the issues raised in the report had been addressed, with the exception of payments made without documentary evidence to the tune of Le 9,000,000. He submitted documents in respect of the said amount to Audit Service for verification. On the issue of inadequate control over the management of Council's fixed assets, the auditors reported that there were no title deeds for land and buildings, and life cards for vehicles and motor bikes owned by the council. The CA informed the Committee that life cards for vehicles and motor bikes had been secured for all vehicles and motor bikes. Those life cards were submitted to the Committee and Audit Service for verification.

Mr Speaker, Honourable Members, the Committee recommends that the following issues be closed, since they were confirmed by Audit Service to have been resolved:

6.1 Material Inconsistencies

Audit Finding

There were inconsistencies between the financial statements and the CA's report. The revised budgeted figure in the CA's report was Le6, 997,416,968 whilst Le7, 009,468,530 was recognised as budgeted total expenditure in statement 2.

6.2 Receipts/Payments made by Other Entities Controlled by Government

Audit Finding

Statement 1 of the financial statements requires the recognition of receipts/payments controlled by other government entities. The Council benefitted from cash and non-cash donations, as indicated on Note f [page 26 of the financial statements]. It was stated that receipts/payments by other entities controlled by government, could not be disclosed. This signified a material limitation, considering the fact that cash donations were straight forward and can be objectively recognised, whereas the non-cash donations without documents to aid objective valuation and recognition can be disclosed in a memorandum manner.

6.3 Incorrect application of International Public Sector Accounting Standard [IPSAS] 19

Audit Finding

The Statement that "**Contingent assets are neither recognised nor disclosed**" on page 27 of the financial statements, violates the requirement of *IPSAS 19- Provisions, Contingent liabilities and Contingent assets*. Even though contingent assets should not be recognised, it can be disclosed based on the non-remoteness of the probable receipt.

6.4 Non-Disclosure of the Pending Outcome from Two Court Cases

Audit Finding

There was no disclosure in respect of the contingent asset or contingent liability that may arise from the pending outcome from the two cases in the High Court in which the Council is the defendant.

6.5 Development project not disclosed

Audit Finding

A development project, involving the construction of a primary school, costing Le1, 330,000,000, was omitted from Statement 10 [Statement of development projects completed and ongoing during the year].

6.6 Inconsistencies in the Recognition of Own Source Revenue

Audit Finding

There were inconsistencies regarding the recognition of own source revenue, among the receipt books, revenue cash books, bank statements and the financial statements, as shown below:

Receipt	Revenue Cash	Bank	Financial
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Books	Books	Statements	Statements
1,073,009,989	1,208,263,682	1,015,242,465	1,094,728,932

6.7 Incorrect Recognition of Closing Cash and Cash Equivalent in Statement 1

Audit Finding

The closing cash and cash equivalent of Le136,200,458 as reported in Statement 4, was incorrectly disclosed under Statement 1 of the financial statement as Le272,376,065.

8.8 Cash Advances Paid to Council Staff not Recovered

Audit Finding

It was observed that there was no cash advance policy in place. The council, during the year 2014 provided cash advances of Le20, 900,000 to staff and had total cash advances outstanding as at 31st December, 2013 of Le8, 105,000, which has not been recovered. In effect, a total amount of Le29, 005,000 is still outstanding as at 31st December, 2014.

6.9 Staff not Proceeding on Annual Leave

Audit Finding

During the course of the audit, it was observed through reviews of staff personal files and interviews that with the exception of the Human Resources Officer, staff of the council did not proceed on their annual vacation.

6.10 Competitive Procurement not Followed by the Council

Audit Finding

Le245,734,662 worth of procurements out of a total sample of Le540,781,320 examined, showed that there was no evidence in the form of Request for Quotations [RFQs] to justify that procurement of goods and services were conducted in accordance with Section 45 [1] and the First Schedule of the Public Procurement Act, 2004.

6.11 Works Completion Certificates

Audit Finding

Le248,422,500 out of Le581,964,576 sample payments examined, revealed that works completion certificates for small works completed were not made available to the audit team for inspection.

6.12 Payments without the Relevant Documentary Evidence

Audit Finding

Le68,595,910 out of Le 1,813,985,731 sample transactions tested [representing 3.8% of total payments examined], revealed that documentary evidence such as receipts, invoices, delivery notes, minutes, reports etc. were not made available to justify the payments for goods and services.

6.13 Withholding Taxes not Deducted and Paid to the National Revenue Authority

Audit Finding

It was observed that withholding taxes amounting to Le771, 764 deducted at source from the payment for goods and services were not paid to the NRA in line with section 117[4] of the Income Tax Act of 2000. In the same vein, the amount of Le771, 764.01 was not disclosed in the FS as outstanding payment to NRA.

6.14 Asset Management Policy

Audit Finding

During the course of the audit, it was observed that an asset policy for the handling and disposal of council's assets and properties was not in place. In addition, the council did not have fire extinguishers to protect the institution's assets in the event of a fire accident.

6.15 Fixed Assets Not Coded

Audit Finding

7 out of the 290 assets entered in the Fixed Assets Register were not coded in order to be easily identified as the council's assets.

6.16 Revenue Arrears

Audit Finding

The MCC has over the years established a cadastre system for its own source revenues. The purpose of which was to have a reliable database of all revenues collected by the council. In the Committee's review of the system, it was realised that the valuator lacked the necessary training required to optimise the utilisation of the cadastre system. In that vein, a printout of the arrears figures for the different revenue sources was not provided to the audit team for review. As a result, the Committee could not ascertain the validity/accuracy of the Le805, 181,103 reported as revenue arrears in the financial statement.

6.17 Fraud Controls

Audit Finding

The council did not carry out and document periodic control risk assessments over the activities of collecting, accounting for, and disbursing council's limited resources. In addition, business risk and periodic fraud risk assessments were not carried out and there was no established action plans to implement and monitor fraud controls.

6.18 Lack of Virus Protection

Audit Finding

There were no adequate provisions made for virus protection for computers being used by council personnel.

6.20 Inadequate Control over the Management of Council's Fixed Assets

Audit Finding

Controls over the management of fixed assets were weak. That was quite evident during the audit of the management of fixed assets, as title deeds for land and buildings, and life cards

for vehicles and motor bikes owned by the council were not submitted to the audit team for review.

6.21 Set Targets of the Performance Management Contract not met

Audit Finding

The set targets of the Performance Management Contract that were agreed between His Excellency the President and the council were not fully met. Typical among them were:

- Staff appraisal, feedback and follow-up;
- Provision of 3 sets of NPSE past papers for the past 3 years to primary schools in Makeni;
- Provide and supply 3,000 geometry sets and 3,000 2B pencils to 53 primary schools; and
- Purchase of science equipment, chemicals, models and charts.

However, in spite of the Committee's recommendation to close the aforementioned issues based on the advice of Audit Service, the Committee also thought it wise to advise Management to always ensure that:

- *when assets are purchased/donated, they should be immediately marked with identification codes, so that they are easily identified as property of the council;*
- *regular asset verification exercises should be conducted, so as to make sure that all assets are registered and tracked;*
- *the substantive valuator and other staff members at the valuation unit be trained on the proper utilisation of the cadastre system;*
- *Council's anti-fraud programme is strengthened by performing business and periodic control risk assessments, developing and implementing a fraud response plan, requiring periodic fraud risk assessments, and developing action plans to implement and monitor fraud controls;*
- *antivirus software is purchased and installed on the council's computers;*
- *a leave roster is instituted and encourage personnel to proceed on annual leave in line with the Human Resource Guidelines;*
- *works completion certificates be prepared and issued to contractors before payments are authorised;*
- *all transactions, from inception to completion, must be supported by the relevant documentary evidence which must be retained for audit and reference purposes;*
- *documents to confirm ownership, such as title deeds and vehicle life cards are obtained for all properties purchased/donated; and*
- *asset policy for the proper management and safeguarding of Council's assets is always in place.*

7.0 BO DISTRICT COUNCIL

7.1 Inadequate control over the collection of own source revenue

Audit Finding

Even though the council increases its own source revenue generation by 5% in 2014 as compared to 2013 [from Le380.9 million in 2013 to Le398.7 million in 2014], during 2014, Council was not able to meet its revenue [own source] targets as projected in the approved

budget. Own source revenue collected accounted for 75.8% of the projected revenue of Le526.1 million.

Committee's Observations and Recommendations

The Committee queried the CA as to the reasons responsible for the drop in the Council's own source revenue. The CA informed the Committee that the drop in revenue collection for the period under review was consequent upon the outbreak of the Ebola virus, which restricted the movement of people in almost all the Chiefdoms where Council could have collected substantial amount of revenue. According to the CA, Council's commitment in revenue collection was rudely interrupted by the Ebola scourge, thus prevented it from meeting its revenue target for the period under review. She also informed the Committee that sometimes Bo City Council interfered into her Council's areas of collection. The CA further stated that the boundary delimitation, which had still not been resolved, had denied her Council certain percentage of revenue that could have helped improve revenue collection in the district. She raised the concern that "Bo District Council was sharing its revenue with the Chiefdom Administration, which was also taking some amount of her Council's revenue. For that reason, Council considered the advice from State House to outsource revenue generation."

What came out clearly, but shocking during the session, was the Le 600mln that was said to have been paid by Council to a Service Provider for assessment. The Committee was informed by the CA that apart from the 600mln, 22% of the total amount that would be collected by council annually was negotiated for the Service Provider. The Committee demanded copies of the Contract Agreement and the Service Provider's Assessment Report, which were not made available. Those documents, the Committee observed, must be made available to the Committee for proper scrutiny and to enable the Committee know the revenue to be collected and the percentage due each party to the agreement. However, from submissions by the CA, the Committee described the Contract as an inexpressively inconceivable bad contract, stating that if, for instance, Council's revenue target for 2015 was Le 800,000,000, but collected Le 700,000,000 by the Service Provider, it meant the Service Provider would take home 22% of the amount collected, which would be equivalent to Le 154,000,000.

The Committee questioned the trustworthiness of the Service Provider, noting that the Service Provider might not disclose any amount after meeting revenue target to Council. The CA however, responded that Council revenue collectors would be monitoring the process for transparency and accountability purposes. The Committee was not convinced with those so called 'Council's Revenue Collectors,' especially when they have been in the Council at a time when Council was almost in the brink of collapse in terms of revenue collection. The Committee noted that the failure of those revenue collectors led the Council to enter into a 'bad contract.' The Committee was even surprised to have learnt from the CA that the Service Provider had started implementing the Contract, even when the sum of Le 600,000,000 assessment fee was yet to be paid by Council. The CA informed the Committee that the Service Provider had asked for Le 30,000,000 as commitment fee, but Council had only paid Le 10,000,000.

Questioned on whether the CA and Management team understudied the system used by Bo City Council in terms of revenue collection process, she was candid to inform the Committee that ***“in Bo City Council, there are civilised taxpayers who usually go to the banks and pay their taxes, but in the case of the District Council, we have to sensitise people and our staff go out and collect the taxes.”*** She noted series of challenges such as seepages, relations of Council officials refusing to comply with tax payment and even politicians interfering into the process. The CA left the Committee with the impression that politicians have not been interfering into revenue collection process in the cities. Thus, the Committee challenged the CA that ***“politicians, in fact, are more feasible in the cities than the districts and that there are community banks in almost all the chiefdoms where people could go and pay their taxes.”***

When the CA was questioned on Council’s revenue target, she informed the Committee that for the past three years, Council’s revenue target had been Le 390,000,000. The Committee observed that the revenue projection was far below what Council was going to pay to the Service Provider. The Committee said that the Procurement Officer and Council’s Lawyer who were said to have negotiated the Contract on behalf of Council and advised the CA to enter into the said Contract Agreement were not adequately informed about Council’s history of revenue collection.

When asked to state her vision for the Council, she informed the Committee that she would want a situation wherein Council’s revenue base increased, so as to enable it provide the much needed services to the people. She even asked for assistance from donor community to help in the payment of the Le 600mln assessment fee, so that her Council would be able to discover and document Council properties and make proper projections.

Reacting to the CA’s pleas, the Committee frankly informed her that no donor would be encouraged to partake in the said Contract, stating that the donors would be requested to direct their investments in such areas as health, education, agriculture, to name a few. The Committee said that Council should partner with institutions that would bring added value to the Council and not those with the intention to exploit and launder away Council’s limited resources.

After a reasoned opinion by the PAC Membership on the issues raised and discussed, the Committee recommends that:

- ***a reliable monitoring mechanism is put in place for the collection of revenues;***
- ***a structured sensitisation on the importance of paying taxes be put in place;***
- ***Council embarks on a proper assessment of its revenue collection process;***
- ***the Bo District Council engages the City Council to properly address the ongoing issue on boundary dispute;***
- ***the Ministry of Local Government and Rural Development [MLGRD], through the Local Government Service Commission [LGSC], should recruit additional staff for the Council.***
- ***if Council wants to continue with the Contract, the CA should renegotiate the terms and conditions of the Contract by informing Service Provider that the 22% should be deducted from whatever amount collected after meeting revenue target; other than that the Committee recommends that the Contract be terminated with immediate effect.***

7.2 Internal Audit Unit not effective

Audit Finding

A review of the operations of the Internal Audit [IA] Unit revealed that the IA assignments carried out were not supported by sufficient appropriate audit evidence and the link between the planning, execution and reporting documents could not be easily identified.

Committee's Observations and Recommendations

The Internal Auditor was questioned as to why Internal Audit assignments carried out were not supported by sufficient and appropriate audit evidence. In his response, he informed the Committee that those issues were reported for 2014, when he was yet a staff of Bo District Council. However, he noted, those issues, as reported by Audit Service, were resolved upon his arrival as Internal Auditor for Bo District Council.

Responding to the Committee's query on his line of reporting, the Internal Auditor informed the Committee that he had been reporting to the Audit Committee, **"which is charged with the responsibility to supervise and monitor the work of IA.**

The Committee advised the Internal Auditor to always ensure that IA Assignments are supported by sufficient and appropriate audit evidences and are properly referenced and cross-referenced.

7.3 Lack of Supervision and Coordination of Public Corporations, Other Statutory Bodies and Non-Governmental Organisations

Audit Finding

Section 20 [2] [f] of LGA 2004 requires the Council to coordinate and harmonise the execution of programmes and projects promoted or carried out by public corporations, other statutory bodies and non-governmental organisations, in the locality. It was however noted that a systematic arrangement for the execution of this important function was not put in place by the Council during 2014, as no evidence of that was provided for the Auditors.

Committee's Observations and Recommendations

The Committee examined the issue and asked the CA why her Council had not been monitoring and coordinating the activities of those statutory bodies and non-governmental organisations. The CA informed the Committee that the issue under review was reported for 2014. However, she maintained that Management was keen on this invaluable function as required by Section 20 [2] [f] of the Local Government Act, 2004. According to her, monthly coordination meetings for 2015 were held and Council had put in place measures to supervise and coordinate the activities of the various statutory bodies, public corporations and non-government organisations.

Questioned on the truth of her submission to the PAC, she submitted minutes of meetings conducted with those statutory bodies, the media and non-governmental organisations for the Committee's perusal. On the issue of registration fee, the CA maintained that Council only issued out attestations to NGOs, but the Ministry of Finance had been collecting registration fee. The attestations, she intimated the Committee, were issued to NGOs to confirm that those NGOs had been working with Council. She, however, said that for the statutory bodies like the CBOs, Council had been collecting registration fee.

The Committee applauded the efforts made by the CA to resolving the issue, but cautioned her to continue ensuring that:

- *the registration of public corporations and other statutory bodies and non-governmental organisations should always be accompanied by the mandatory payment of fees;*
- *Council's monitoring mechanisms for all public corporations, other statutory bodies and NGO's are improved;*
- *such entities must report on a quarterly basis to the Council and Council should verify their reports and maintain copies for future reference; and*
- *Council explores the prospect of forming partnerships with such organisations, as some may have shared goals with Council and others may assist the Council with the implementation of its development programmes.*

7.4 Inconsistencies in the recognition of financial information in the financial statements

Audit Finding

The presentation of financial information was observed to be inconsistent in the various statements in the 2014 Financial Statements. The following were observed:

- In the note on translation of transactions in foreign currency it was stated that foreign currency transactions and transactions in currencies other than the Leone were translated into Leones using the exchange rates prevailing on the dates of the transactions. An account balance of €42,535.82 brought forward from FY 2013 was not translated into Leones using the exchange rates prevailing on the dates of the transactions.
- Differences were noted between total payments in the core, supplementary and additional financial statements.
- Office furniture for MAFFS and the DMO's Office as stated in the Chairman's report was not disclosed in Statement No.17.
- Information such as costs of fixed assets donated by external parties during the year ended 31st December 2014 was not indicated in the column provided in Statement No.18 and that information was also not disclosed in the Notes to the accounts.

Committee's Observations and Recommendations

The Finance Officer informed the Committee that the necessary adjustments were made to the Financial Statement and the data was taken to the PFMRU for approval. According to the FO, the Financial Statement was approved.

In the light of the above therefore, the Committee recommends that the issue be closed.

Mr Speaker, Honourable Members, the Committee is happy to report to the House that the following issues were resolved and therefore recommends that they be closed:

7.5 Review of the Cadastra operation

Audit Finding

The following was observed during the review of the operations of the Cadastra system:

- A password was not provided for the Data Entry Clerk; instead, the password of the Valuator is used by all to access the cadastre system
- The cadastre system is installed in a laptop computer which is owned by Revenue Development Foundation [RDF] and not the Bo District Council
- The backup system was not adequate. There was no hard drive to provide back-up data

- Demand notices in respect of property tax were not issued to the chiefdom headquarter towns [i.e. outreach communities]
- The PA system, a very crucial instrument in the sensitisation of tax payers was absolutely dysfunctional.
- The boundary dispute between the Bo City and Bo District Councils continues to hamper the smooth collection of taxes. The Bo City Council continues to issue demand notices in areas like Batiama Layout and Moribawo Farm claimed by the District Council as being under its jurisdiction.
- There was inadequate staffing in the Valuation Department

7.6 Terms and Conditions of Performance Management Contract not fully met

Audit Finding

The terms and conditions of the Performance Management Contract [PMC] that were agreed upon between His Excellency the President and the Council were not fully met by the council during 2014. The Committee observed the following that:

- the Council was not able to facilitate an increase in the percentage of pupils admitted as it failed to provide the agreed number of 450 scholarships per academic year.
- the Council did not facilitate an increase in the pass rate at the NPSE as it failed to provide the pupils with past question papers that could have enhanced their chances at the exams .
- the Council was unable to rehabilitate ten dysfunctional wells at PHUs in the Bo district
- three schools were not rehabilitated by the Council as stipulated in the PMC.
- forty dysfunctional wells were not rehabilitated as agreed in the PMC.
- the Council was unable to construct one well fed gravity water system at Wonde Gboyama.
- the construction of 12 hand dug wells in communities was not carried out by Council.

7.7 Inadequate documentation to support the procurement process

Audit Finding

The following were observed:

- A review of a sample of four development projects totalling Le576.2 million disclosed in Statement No.10 during 2014 revealed that some procurement documents were not on file. Monitoring & Evaluation [M&E] and the engineer's progress reports were not on file to support two transactions totalling Le65.9 million.
- Local Purchase order [LPO] was not attached to the procurement of plant health clinic amounting to Le13.6 million.

7.8 Payments without adequate supporting documents

Audit Finding

Section 73[1] of the FMR 2007 requires all disbursements of public monies to be supported by an appropriate payment voucher and other relevant documents. Out of a total sample of Le1.51billion expenditure presented in the Financial Statements and tested, disbursements to the tune of Le172.8 million [approximately 3.5% of the total expenditure] were undertaken for which some supporting documents were submitted. However, the nature of those

supporting documents was insufficient to fully substantiate the payment concerned. For instance, some payments were not supported with receipts, PETS Forms, beneficiary list and the like.

7.9 Undisclosed comparative figure

Audit Finding

Comparative information was not given in the 2014 Financial Statement in respect of some recognitions/disclosures in the Financial Statements. The Committee observed the following:

- The cash and cash equivalents as at 1st January 2013 was not disclosed in Statement No.1
- The total value of property, plant & equipment purchased during the financial year 31st December 2013 was not disclosed in Statement No.17 of the financial statement.

7.10 Over/understatement of revenue/expenditure in the FS

Audit Finding

Out of a total bank deposit of Le401.2 million, only the sum of Le398.7 million was disclosed in the Financial Statement as total own source revenue leaving a difference of Le2.5 million not accounted for in the FS.

7.11 Non disclosed information in the FS

Audit Finding

The following were observed:

- During 2014, total development project undertaken by Council was Le1.325 billion. It was however observed that only projects amounting to Le1.274 billion were disclosed in financial statements [Statement No. 10] leaving outstanding projects valued Le51 million that was not disclosed.
- Assets purchased, amounting to Le56 million were not disclosed in the Statement of fixed assets purchased as at 31st December, 2014 [Statement No.17].
- Also, assets donated, amounting to Le147.7 million were not disclosed in the Statement of fixed assets donated [Statement No.18] as at 31st December 2014.

7.12 Closing balances not brought to account in generating information for the financial statements

Audit Finding

In a review of the operations of the GoSL Local Council Financial Statements of the Bo District Council, it was noted that the Council failed to take into consideration the procedures in generating accurate and reliable information on Statements No. 1 & 5. The following were observed:

- Cash and Cash equivalents in the FS [Statement No.1] as at 31st December, 2013 was Le365 million. The figure was incorrectly brought forward as Le1.3 billion in Statement No.1 of the 2014 FS.
- In Statement No.5, the council disclosed “nil” balances as opening cash and cash equivalents as at 1st January 2014 for various accounts disclosed in Statement No.5 even though there was a total closing balance of Le1.3 billion as at 31st December, 2013.

7.13 Inaccurate Recognition of 2013 balances in 2014

Audit Finding

The following were observed:

- In Statement No.2 of the FS, it was noted that differences existed between the closing balances as 31st December, in 2013 and the comparative figures disclosed in 2014 FS [Statement No.2].
- During the review of the statement for financial assets and liabilities as at 31st December, 2014 [Statement No.4], it was observed that a difference of Le218.5 million existed between opening cash and bank balances recorded in the 2014 cash books and the closing cash and bank balances in the 2013 cash books.

7.14 Overdrafts obtained by council without authority

Audit Finding

- During a review of the Commercial Banks confirmations as at 31st December, 2014 it was observed that the balances in respect of two bank accounts [Bo District Council A/c No.003004411631100426 and Bo District Council Agriculture A/c No.003004411631100620] were overdrawn without the relevant approval from Council and/or the Ministry of Local Government and Rural Development and the Ministry of Finance. The total overdrawn amount for the said accounts was Le52.7 million.
- The overdrawn amount was not disclosed separately in Statement No.12 as outstanding debts.

7.15 Stale Cheques not reversed

Audit Finding

During a review of the bank reconciliation statements for four bank accounts, it was observed that cheques totalling Le3.8 million were stale cheques but those were yet to be reversed in the books of account in the Council as at 31st December 2014.

7.16 Inadequate control over the management and security of Fixed Assets

Audit Finding

A review of the fixed assets register revealed that the fixed assets register was poorly maintained. The following were further observed during the verification exercise of selected assets from the assets register:

- Several assets of devolved sectors were not entered in the fixed assets register.
- Some assets were not available for physical verification.

7.17 Variance between budgets approved by Council and that in the Financial Statement

Audit Finding

Variances were observed between budget figures disclosed in the Financial Statement [Statements No.2 and 7] and the figures indicated in the approved Council budget for the year under review without any evidence of Council's approval.

7.18 Ineffective control environment in the operation of PETRA

Audit Finding

On an assessment of the control environment in the operation of the PETRA system by the audit team, 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 adequate. For instance,

[i] Expenditure totaling Le1.9 million was still “pending” [not approved] in the system as the transaction though entered did not hit the general ledgers for possible inclusion in the core financial statements for the year under review;

[ii] The IT personnel in charge of maintenance of the PETRA system are not resident in the region and as such, the system has to be moved to Freetown for repairs every now and then. The scenario caused obvious major delays in Council's operations.

[iii] The lack of constant electricity also inhibits the operation of the PETRA system as it needs constant power supply to perform its functions.

[iv] There was no access to the system by the Chairman, CA and the Internal Auditor as access to the system was only limited to the Finance Unit/Finance Officer, Accountant and the Revenue Clerk.

7.19 Back-up and fire extinguishers not available for inspection

Audit Finding

- There was no back-up [on-site and off- site] system to protect data loss.
- The Council did not have fire extinguishers to protect the institution’s property, plant and equipment [PPE] in the event of a fire accident.

Though Audit Service confirmed that those issues were resolved, the Committee advised Council to always ensure that:

- *back-up system and fire extinguishers are available to protect the Council’s electronic information, IT equipment and other properties from damage by fire or virus;*
- *overdrafts obtained by the Council must be approved by the Ministry of Local Government and Rural Development and the Ministry of Finance;*
- *Council performs bank reconciliations at the end of each month and differences are fully investigated and corrected;*
- *the necessary adjustments be made for every payments that cannot be confirmed in the bank statements;*
- *Council management, including the responsible ward councillors, should make frantic efforts in sensitising the tax payers about the boundary limitation through radio programmes and community meetings; and endeavour to bring some areas under its control in terms of revenue collections;*
- *budgets disclosed in the FS were those approved by Council and that any variance must be documented and forwarded to Council for its approval;*
- *proper records are maintained for goods, works or services and that the records are properly verified before disclosures are made in the FS;*
- *bank accounts maintained by the Council are efficiently managed and those bank accounts must be reconciled with the corresponding cash book balance at least once every month;*

- *all transactions, from inception to completion, are supported by the relevant documentary evidence, which must be retained for audit and reference purposes;*
- *the NPPA rules are strictly adhered to and payments should not be processed until M&E reports are completed and filed;*
- *monitoring and supervision of revenue collection are enhanced, so that the expectations of the Government of Sierra Leone are met/exceeded;*
- *the fixed assets register into which all assets owned by the Council [whether they were inherited, donated or purchased by the Council] is properly maintained. Assets owned and controlled by Council should be properly safeguarded and used only for Council's operations. The Council should also do a full physical verification of assets which should be done regularly to ensure that the register is always up to date;*
- *information generated by the PETRA system is properly reconciled with the supporting documentation before they are disclosed in the financial statement. Any variance must be documented and explained; and*
- *all the authorised users of the PETRA should be able to access the system and perform their respective responsibilities as and when transactions take place.*

8.0 BO CITY COUNCIL

8.1 Ineffective control environment in the operation of PETRA

Audit Finding

An assessment of the control environment in the operation of the PETRA system was performed by the audit team. Some control failures were observed in the use of the PETRA accounting system. The following were observed:

- The networking system of the PETRA was found to be faulty, as other users could not access the system through the network routers in their offices because the software was installed on a standalone lap top computer.
- Controls to check the recording, accuracy, authorisation and processing of transactions were not adequate. For instance:

[i] Differences were observed between amounts recognised in the Core Financial Statements [Statements No. 1&2] for total expenditure and that disclosed in reports generated from PETRA accounting system [PETRA Cash Book].

[ii] Some transactions were still “pending [not approved] within the system as at the date of checking the control. The problem may not be unconnected with the fact that some of those transactions were input into PETRA long after the event.

Committee's Observations and Recommendations

Responding to the above issue as reported by the auditors, Mr Speaker, Honourable Members, the CA informed the Committee that the installation of the PETRA System on a standby Laptop had made the work in the Finance Department very difficult. He mentioned

that the problem could only be resolved by the PFMRU and the IT Department in the Ministry of Finance and Economic Development. He candidly informed the Committee that the situation had not changed in terms of resolving the issue. Reacting to the Committee's enquiry on the effort made so far by the CA and his Management team to resolving the problem, the CA said that the matter was reported to the Ministry of Finance, but had not received any response from the Ministry. However, the Finance Officer informed the Committee that since passwords were not given to other authorised users, he had been providing hard copies for their perusal.

Based on those observations, the Committee hereby proffers the following recommendation that the networking system be rectified and the CA should ensure that all the authorised users of the PETRA access the system and perform their respective responsibilities as and when transactions take place.

8.2 No Guidelines for Sitting and Transport Allowances

Audit Finding

There was no evidence in the form of guidelines issued by the Ministry of Local Government and Rural Development to justify the payment of sitting fees to Councillors, contrary to Section 30[2] of the Local Government Act, 2004.

Committee's Observations and Recommendations

Mr Speaker, Honourable Members, the Committee questioned the CA whether efforts were made to resolve the issue. The CA, in his response, informed the Committee that the Ministry of Local Government and Rural Development was responsible for issuance of guidelines for sitting and transport allowances to all Councils, but that had not happened and there was no law, authorising Council not to pay sitting and transport allowances to Councillors. In that respect, the Committee referred the CA to Section 30[2] of the 2004 Local Government Act, which states: **“Any allowances or remuneration paid shall be financed by the Local Council under guidelines issued by the Ministry after consulting the Ministry responsible for finance.”**

Contingent upon its observation, the Committee thus recommends that:

- ***the CA should strictly adhere to Section 30[2] of the 2004 Local Government Act; and***
- ***the CA should formally communicate to the authority concerned for the issuance of guidelines for sitting and transport allowances for Councillors through writing.***

8.3 Internal Audit Unit not effective

Audit Finding

A review of the operations of the Internal Audit [IA] Unit revealed that there was no evidence to indicate that recommendations in the IA reports submitted to Council were implemented by the CA.

Committee's Observations and Recommendations

An examination on the issue under consideration revealed that the recommendations of the IA were not addressed by the CA. In his response, the CA informed the Committee that he was still working to address those issues mentioned in the internal audit report.

In light of the above, the Committee commends that the CA must take action on all internal audit reports and the IA should continue to make follow-ups on his recommendations.

Progress made on recommendations proffered should be reported regularly to the Council and the Ministry of Local Government.

The following issues, as confirmed by the Audit Service, were resolved:

8.4 Inadequate Control over the Management of Council's Fixed Assets

Audit Finding

The Council did not have fire extinguishers to protect the institution's property, plants and equipment [PPE] in the event of a fire accident.

8.5 Payment of School fees Subsidy

Audit Finding

During 2014, Le245.5 million was remitted to the council for the payment of school fee subsidies to various primary schools in the city. Details such as lists of beneficiary schools and evidence of payments were not available for inspection.

8.6 Inadequate control over the collection and monitoring of own source revenue

Audit Finding

The following was observed:

- Council was not able to meet its revenue [own source] targets as projected in the approved budget. Own source revenue collected stood at Le1.3 billion accounting for 66.7% of the expected own source revenue of Le1.9 billion.
- However, there was an overall 9.96% increase in own source revenue in 2014 as compared to 2013. Total own source revenue increased from Le1.15 billion in 2013 to Le1.26 billion in 2014.
- In Statement No.6 of the Financial Statements the estimated revenue of Le15 million in respect of local tax was not collected. In an interview with key personnel of the council, it was revealed that chieftom administration was reluctant to pay precept as stipulated in sections 58 & 59 of the LGA 2004.

8.7 Procurements procedures not followed

Audit Finding

A sample of Le277.1 million was examined out of a total procurement of Le793.5 million. It was observed that the minimum three requests for quotations[RFQs], request for proposal for service contracts, evaluation reports, contract agreements and engineer's certificate of completion of works were not on file, to justify the utilisation on goods and works of an amount of Le 275.3 million. That represented 99.4% of sample tested. Further investigations revealed the following irregularities:

- None of the RFQs found in the files had been stamped by the suppliers to provide assurance that the suppliers filled the forms themselves.
- None of the sampled businesses that were contracted by the council had business licences.
- Documents such as tax and NASSIT clearances were found to be outdated. Some dated as far back as 2006.

8.8 Payments without adequate supporting documents

Audit Finding

Section 73[1] of the Financial Management and Regulation [FMR] of 2007 requires that all disbursements of public money should be supported by an appropriate payment voucher and other relevant documents. Out of a total expenditure sample of Le1.2 billion presented in the

financial statements and tested, payments amounting to Le579.6 million [approximately 17.15% of the total expenditure] were undertaken for which only some supporting documents were submitted. However, those supporting documents were insufficient to adequately support the payments concerned. For instance, some payments were without receipts, PETS Forms, beneficiary list and the like.

In addition, payments totaling Le168.9 million [approximately 5% of the total expenditure] were without PVs and any relevant documents.

8.9 Withholding taxes not paid to the National Revenue Authority

Audit Finding

It was observed that withholding taxes amounting to Le60.1 million were deducted at source from the payment for goods and services but not paid to the NRA as required by Section 117 [4] of the Income Tax Act 2000.

8.10 Inconsistencies in the recognition, reporting and presentation of financial information

Audit Finding

Inconsistencies were observed in the presentation of information within the various statements in the 2014 Financial Statements. Some instances of those inconsistencies are given below:

- The FY 2014 approved budget of Le 6.1 billion mentioned in the CA's report does not agree with the budgeted income and expenditure figures disclosed in the financial statements.
- A fund balance of Le485.2 million disclosed by the CA does not reconcile with the net assets of Le454.9 million disclosed in the Statement of assets and liabilities as at 31st December 2014 [Statement 4].
- Differences were noted between total payment/expenditure figures in the core and additional financial statements and the supplementary disclosures.
- Increase/decrease in cash and cash equivalents of Le454.9 million in Statement No. 1 do not agree with the net cash flow of Le503 million in statement No. 2.
- A difference of Le3 billion was observed between the notes of explanations and elaboration relating to the core financial statements [Note 4] and disclosures in respect of domestic assistance received during 2014. Total domestic assistance indicated in the Note 4 was Le4.4 billion whilst that disclosed in Statements No. 1, 2, 3 & 6 was Le1.4 billion.
- The details of cash and cash equivalent were not presented in Note 7 of the financial statement.

8.11 Comparative information not disclosed in the financial statement

Audit Finding

Comparative information as required by Paragraph 1.4.16 of Part 1 of the Cash Basis IPSAS was not given in respect of recognitions/disclosures in the financial statements. The following were observed:

- The comparative figure for cash and cash equivalents as at 1st January, 2013 was not disclosed in Statement No. 1
- Comparative figures for the total value of property, plants & equipment purchased during the year ended 31st December, 2013 and the total amount for the year ended 31st December, 2014 were not disclosed in Statement No.17 of the FS.

8.12 Over/understatement of revenue/expenditure in the FS

Audit Finding

The Committee observed the following:

- Total property tax in the bank statements [SLCB and FI Bank Statements] was Le444.8 million. That amount was understated in the FS by Le153.7 million as only the sum of Le291.2 million was disclosed in the FS [Statement No.6-Statement of Revenues received during the year ended 31st December, 2014].
- Administrative grant was also understated in the FS. The total administrative grant in the bank statements was Le274.9 million. In Statement No.6-Statement of revenues received during the year ended 31st December, 2014 only the sum of Le207.5 million was disclosed leaving the outstanding balance of Le67.5 million not disclosed in the financial statements.
- A review of payment vouchers and other supporting records revealed that during 2014 Le65.4 million was paid to Councillors as sitting fees. However only of Le37.6 million was disclosed in the financial statement leaving an outstanding balance of Le26.7 million undisclosed.
- The total withholding taxes of Le62.6 million deducted and not paid to the NRA, only a total of Le20.9 million was reported in Statement No.4- Statement of assets and liabilities as at 31st December, 2014 leaving a balance of Le 41.8 million not disclosed in the financial statement.

8.13 Non-disclosure of information in the FS

Audit Finding

The Committee observed that:

- During a review of the notification of transfer of funds from the Local Government Finance Department, Development Accounts bank statement and cash book, it was noted that a total development grant of Le 114 million was remitted to the council to undertake development projects. It was however observed that that amount was not reported in Statement No.6-Statement of revenues received during the year ended 31st December, 2014.
- During 2014, fixed assets donated to the council were not disclosed in Statement No.18- Statement of fixed assets donated by external parties as at 31st December, 2014.

8.14 Closing balances not brought to account in generating information for the financial statements

Audit Finding

In a review of the operations of the GoSL Local Council Financial Statements [IPSAS] of the Bo City Council, it was noted that the council failed to take into consideration the procedures in generating accurate and reliable information on Statements No. 1 & 5. The following were observed:

- A negative figure of Le967.8 million was the cash and cash equivalents as at 31st December, 2013. That figure was incorrectly brought forward as a negative figure of Le2.4 billion in Statement No.1 of the 2014 FS.
- In Statement No.5 the council disclosed “nil” balances as opening cash and cash equivalents as at 1st January, 2014 for various accounts disclosed in Statement No.5 even though there was a total closing negative balance of Le5.5 billion as at 31st December, 2013.

8.15 Inaccurate recognition of 2013 balances in 2014

Audit Finding

It was observed that the closing balances in 2013 were incorrectly disclosed as comparative figures in the 2014 financial statements.

8.16 Overdrafts obtained by Council without Authority

Audit Finding

The following was observed:

- In the Statement of Financial Assets and Financial Liabilities as at 31st December, 2014[Statement No. 4], the balances in respect of five bank accounts [Education, Development, GoSL Solid Waste, Library and DSDP Solid Waste] recorded an overdraft amount of Le53.9 million without the relevant approval from council, the Ministry of Local Government and Rural Development or the Ministry of Finance.
- That total overdrawn amount was misrepresented in the financial statements. The amount was netted off from other positive bank balances instead of being disclosed separately in Statement No.12 as outstanding debts.
- The overdraft interest was not recognised separately under finance cost in the relevant column of the Statement of Financial Performance and of balances held by fund as at 31st December, 2014 [Statement No.5].

8.17 Inadequate control over the management and security of fixed assets

Audit Finding

There were inadequate controls over the management and security of the council’s fixed assets. The following was observed:

- A review of the management of fixed assets revealed that some assets were without identification marks/codes for accountability and control.
- Fixed assets, totalling Le19.2 million were not available for physical verification.

8.18 Back-up and fire extinguishers

Audit Finding

The following was observed:

- There was no back-up [on-site and off- site] system to protect data loss.
- The Council did not have fire extinguishers to protect the institution’s property, plants and equipment [PPE] in the event of a fire accident.

8.19 Core Staff Capacity

Audit Finding

The council continues to suffer from inadequate staffing to run the administration of the council. The position of Procurement Officer is yet to be occupied since 2014.

8.20 Lack of supervision and coordination of public corporations, other statutory bodies and non-governmental organisations.

Audit Finding

Section 20 [2][f] of LGA 2004 requires the council to coordinate and harmonise the execution of programmes and projects promoted or carried out by public corporations, other statutory bodies and non-governmental organisations, in the locality. It was however noted that systematic arrangement for the execution of this invaluable function were not put in place by the council during 2014 as no evidence of this was provided to the auditors.

8.21 Performance Management Contract Document not made available for inspection

Audit Finding

The Performance Management Contract, which was signed between His Excellency the President and the council, was not made available to the audit team for assessment.

Nevertheless, Mr Speaker, Honourable Members, to avoid a recurrence of the aforementioned issues as reported by Audit Service, the Committee counseled Management team to always ensure that:

- *there is a reliable monitoring mechanism for the collection of revenue;*
- *there is a structured sensitisation on the importance of paying taxes and proper assessment of the council's revenue collection process;*
- *there is coordination between Council and Chiefdom Administration in terms of paying precept to the council as required by the provision in the Local Government Act, 2004;*
- *all assets are immediately marked/coded with unique numbers;*
- *assets owned and controlled by the council are properly safeguarded and used for council's operations;*
- *there is regular physical verification exercises to ensure that Council assets are not misappropriated and the Council fixed assets register is kept up to date;*
- *adequate records are maintained in respect of school fee subsidies;*
- *registration of public corporations and other statutory bodies and non-governmental organisations is accompanied by the mandatory payment of fees;*
- *Council puts mechanism in place to monitor the activities of all public corporations, other statutory bodies and NGO's and that such entities must report quarterly to the Council, and that Council should be empowered to verify their reports;*
- *vacant positions in the Council are immediately filled with competent staff;*
- *all transactions, from inception to completion, be supported by the relevant documentary evidence which must be retained for audit and reference purposes;*
- *back-ups system are always in place and also install fire extinguishers so as to protect the Council's electronic information, IT equipment and other properties from damage;*
- *overdrafts are approved by the Ministry of Local Government and Rural Development and the Ministry of Finance;*
- *adequate controls over the recording and reporting of financial transactions are put in place and that such controls are periodically monitored to ensure compliance;*

- *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; and*
- *the regulation of deducting withholding taxes from the payments for goods, works and services and the payment of such taxes to the NRA is strictly adhered to.*

9.0 PUJEHUN DISTRICT COUNCIL

9.1 Differences between Cash Books and Financial Statement Balances

Audit Finding

The council failed to reconcile its Cash Books and information presented in the financial statements [FS]. Analysis between cash books and the FS for the various accounts maintained by Council revealed a total difference of Le159 million between the total closing cash book balances and the total balances disclosed in the FS [Statement No. 4- Statement of financial assets and liabilities [all funds] as at the year ended 31st December, 2014].

Committee's Observations and Recommendations

The Council's Accountant informed the Committee that the all issues of closing cash balances and total balances disclosed in the financial statement [statement No 4], which failed to reconciled with cash book balances had been critically examined. According to the Accountant, the discrepancies in the Financial Statement were as a result of system errors. One such error, he noted, was the one in Statement No.4, where two different accounts were disclosed in respect of Education DSDP. He maintained that the difference of Le6.8 million in the cash book could not be reconciled with the figure in the FS. The system, as the Committee was informed, was being updated by the PFMRU to avoid future reoccurrence.

Responding to the Committee on the type of system he was referencing, the Council Accountant responded that he was referring to the PETRA System, which was not functioning properly. He said that over five of them had access to the PETRA System: - himself [i.e. the Accountant], the FO, the CA and the Account Clerk. Questioned on whether the system was being meddled with, the Accountant pointed out that he could access the System whenever he wanted to work on it. The Committee was surprised to have learnt of a new development on the PETRA System, which all Councils visited only complained of situations wherein authorised users had very limited access to the System. The Committee learnt from the CA that the errors that were observed in the Financial Statement seemed to have been done deliberately, disclosing a kind of power struggle between the Account Clerk and the Accountant, who had access to the System. However, he [the CA] informed the Committee that the Cold War between the Account Clerk and the Accountant had been resolved and the anomaly in the Financial Statement had also been cleared. The Committee

also learnt that journal entries were made, which were described by the Committee as ‘wrong entries,’ stating that clandestine reversal of entries would bring about a negative transaction. The Committee warned that if the issue reappeared, an appropriate and legitimate action will be taken against the two officers.

In the light of the foregoing observation however, the Committee proffers the undermentioned recommendations that:

- *all postings be done by the Accountant, so as to avoid a reoccurrence of what had already happened; and*
- *the CA must closely monitor the Account Clerk and the Accountant, and take corrective measures to resolve the issues.*

9.2 Inaccurate Recognition of 2013 balances in 2014

Audit Finding

The statement of financial assets and liabilities [all funds] as at 31st December, 2013 in respect of 14 accounts were incorrectly recorded in the cash books as opening balances for 2014. The above resulted in a net difference of Le79 million.

Committee’s Observations and Recommendation

The Committee learnt that the issue had been resolved. However, the Committee had informed Management that if the issue ever resurfaced, the Committee would indict and take an appropriate action against the Council for contempt. Nevertheless, the Committee reiterated its earlier advice that the CA must continue to monitor his staff, and that incompetent staff must be replaced.

9.3 Internal Audit Unit not effective

Audit Finding

A review of the operations of the internal audit [IA] unit revealed the following:

- There was no evidence that an independent audit committee was established to supervise and monitor the work of the IA unit.
- The IA assignments carried out were not supported by sufficient and appropriate audit evidence and the links between the planning, execution and reporting documents could not be identified.
- There was no evidence that IA reports were submitted to the Council and Minister for the financial year under review.

Committee’s Observations and Recommendations

The Committee probed and unearthed certain issues relating to the efficacy of Council’s Internal Audit Unit. According to the CA, Council was still having challenges in terms of having an audit charter to direct the work of the Internal Audit Unit. The CA attributed those inefficiencies to Council’s weak revenue base and inadequate logistics. He submitted that the Unit **“usually conducts audit review exercises, using risk based audit. The risks were assessed out of discussions, meetings, or from the complexity of the transactions using specific risk factors; and the audit plan drawn, looking at various auditable areas ranked in accordance with risk priorities.”**

On the issue relating to the non-existence of an Independent Audit Committee, he affirmed that before the outbreak of the EBOLA epidemic, the Audit Committee had been holding meetings, but the Committee was interrupted by the epidemic. The CA further briefed the Committee that the previous Audit Committee had one ex-officio member. Queried on the present status of the Audit Committee, the CA said that plans were ongoing to reconstitute the Audit Committee. Based on those findings, the Committee advised that:

- *the Audit Committee be reconstituted with immediate effect in order to add value to the work of the Internal Audit Unit;*
- *since funds are not always available, the Audit Committee meetings should always be organised immediately after Council meetings so as to save cost;*
- *the Chairman of the Audit Committee should not be Councillor, but an outsider, and one ex-officio member;*
- *the head of the IA unit should ensure that IA assignments carried out are supported by sufficient and appropriate audit evidence and are properly referenced and cross-referenced; and*
- *even when funds are not readily available, the Internal Auditor should always report on the status quo; and IA reports be submitted to the Council and Minister in accordance with Section 84 [3-4] of the Local Government Act, 2004.*

9.4 National Social Security and Insurance Trust [NASSIT] payment for staff

Audit Finding

Section 25 [1, 2, 3] and Section 27[1] of the National Social Security and Insurance Trust Act 2001 require the deduction and payment of NASSIT by employers in respect of every employee. It was however observed on examination of the Petra Expense Voucher List, payment vouchers and NASSIT receipts that:

- From a total NASSIT deduction of Le13.1 million from salaries of core staff only Le6.8 million had NASSIT receipt as evidence of payments; leaving an outstanding amount of Le6.3 million without receipts.
- Payment Vouchers for support staff were not available to ascertain whether there were evidence of NASSIT deductions and payments to NASSIT. In an interview with some support staff, it was revealed that the latter category of staff had very little knowledge on NASSIT contributions.

Committee's Observations and Recommendations

The Committee methodically examined the issue and queried the CA as to why Section 25 [1, 2, 3] and Section 27[1] of the National Social Security and Insurance Trust Act, 2001, were not strictly adhered to. The CA informed the Committee that Council's Finance Department had put a lot of effort to produce documents relating to the issue. He attributed the problem to either poor filing system or the removal of supporting documents from among the original payment vouchers. However, he stated that all the relevant documents relating to the issue had been traced and assembled for verification.

After a carefully and systematic probing into the issue, the Committee hereby recommends that:

- *the amounts due must be paid immediately to NASSIT and receipt details be submitted to the audit office for verification; and*
- *the provisions in the NASSIT Act, 2001 on NASSIT contributions for workers must be strictly complied with by the council.*

9.5 Withholding Taxes not deducted and paid to the National Revenue Authority

Audit Finding

A review of the expense voucher listings in the Petra Financials revealed that there were no receipts to confirm that withholding taxes of Le74.4 million, deducted at source from the payment for goods and services had been paid to the NRA as required by Section 117 [4] of the Income Tax Act 2000.

Committee's Observations and Recommendations

Responding to the question put to him by the Committee as to whether the said issue was resolved before the arrival of the Committee, the CA informed the Committee that Council took the issue very seriously. He informed the Committee that the Le 74.4 million that was left unpaid for the period under review had been paid and those receipts were with the auditors for verification. In that regard, the Committee took the CA by his words. However, the Committee cautioned the CA that he was on oath, and that if later the Committee found that he was not saying the truth, then, he would be treated for perjury, and hence contempt to the Committee. The Committee further advised the CA on strict adherence to the regulation that mandates Council to deduct withholding taxes from the payments for goods, works and services and pay same to NRA.

9.6 Lack of Supervision and Coordination of Public Corporations, Other Statutory Bodies and Non-Governmental Organisations

Audit Finding

Section 20 [2][f] of LGA requires that it shall be the function of local councils to coordinate and harmonise the execution of programmes and projects promoted or carried out by public corporations, other statutory bodies and non-governmental organisations, in the locality. It was, however, observed that council failed to perform this all important function as evidence to show it did was not tendered by Council.

Committee's Observations and Recommendations

Based on the CA's submission, the Committee was made to understand that Council had always been adhering to Section 20 [2] [f] of the Local Government Act, 2004. However, he [CA] informed the Committee that the adherence to the section under discussion later posed a challenge in 2014 because of the outbreak of the EBOLA Virus. Consequently, coordination meetings with statutory bodies and Non-Governmental Organisations were suspended due to the State of Health Emergency, and hence Council was totally latent to perform the function. He went on to say that before the declaration of a state of emergency, Council had been meeting with those Statutory Bodies and Non-Governmental Organisations.

Responding to the Committee's query on the present status, the CA assured the Committee that plans were ongoing to rekindle Council's collaboration with those statutory Bodies and Non-Governmental Organisations. In respect of the foregoing observation on the issue, the Committee reached a reasoned opinion and hereby recommends as such:

- *that registers of public corporations and other statutory bodies and non-governmental organisations should be accompanied by the mandatory payment of fees;*
- *that the Council puts in place a mechanism to monitor the activities of all public corporations, other statutory bodies and NGO's. All such entities must in turn submit quarterly reports of their activities to council, for which Council should be empowered to verify.*
- *that Council explores the prospect of forming partnerships with such organisations as some may have shared goals with council. The organisations in question could assist council in its development drive by providing funds for the execution of several of its programmes.*

9.7 Core Staff Capacity

Audit Finding

The council continues to suffer from inadequate staffing. Ideally, there should be 13 core staff in the council, but as at the time of audit, the positions of Accountant, Environmental Officer, Human Resource Officer and Valuation Officer were yet to be occupied.

Committee's Observations and Recommendations

As reported by the auditors, Mr Speaker, Honourable Members, the CA admitted that those positions identified by the auditors were indeed vacant at the time of audit. He, however, informed the Committee that the Accountant, Deputy CA, HR, Valuation Officer and others were once recruited to fill those vacancies.

Questioned on why those important offices were vacant, the CA replied that the occupants of those offices left the Council because of poor conditions of service. Nevertheless, further probing questions put to the CA revealed that the high attrition rate in the Council was as a result of his poor working relationship with subordinates; a situation the Committee observed might have led to that situation.

In that regard, the CA must ensure that his relationship to staff is improved and any other vacancy in the Council be filled with immediate effect.

The following issues were said to have been resolved, though others are still subject to audit verification:

9.8 Closing balances not brought to account in generating information for the financial statements

Audit Finding

In a review of the operations of the GoSL Local Council Financial Statements of the Pujehun Council, the following were observed:

- Cash and cash equivalents as at 31st December, 2013 was Le483.3 million. That figure was not brought forward in Statement No.1 as opening balance for 2014.
- The Council also recorded “nil” balances as the opening Cash and Cash equivalents as at 1st January, 2014 for various accounts disclosed in Statement No.5 even though there was a total closing balance of Le1.2 billion as at 31st December, 2013.

9.9 Bank Statements not received

Audit Finding

In spite of repeated requests, bank statements for the Zimmi Property Rate Account were not submitted by Council for inspection. The auditors were therefore, unable to determine the total money/cash deposited or withdrawn from the said account.

9.10 Payments without adequate supporting documents

Audit Finding

Section 73[1] of the FMR 2007 requires all disbursements of public monies to be supported by an appropriate payment voucher and other relevant documents. However, disbursements to the sum of Le287.4 million [approximately 12.2% of the total sample tested] were undertaken for which some supporting documents submitted did not fully authenticate the said disbursements. Such disbursements are required by regulation to be backed by receipts, monitoring & supervision reports, beneficiary/distribution list and other relevant documentation as well as the payment voucher.

9.11 Inadequate Budgetary Control Process

Audit Finding

- Evidence of regular reviews of the Council's cash flow position was not submitted to the team for review. In fact a variance analysis report of actual revenue as against budget was not prepared, thus confirming that the council was not assessing performance against budgets. During a review of selected transactions in statements no.7, 8 & 9 of the financial statement [statements of expenditure by nature, functions and administrative units respectively], it was evidenced that the council overspent in some of the budget lines without approval.
- Paragraph 67[2] of the Local Government Act 2004, requires that the budget should reflect the priorities and needs of the localities within the district. There was however, no evidence submitted to the audit team to justify that the various wards within the district were consulted in putting together the budget. In an interview with selected people in three wards, it was noted that priority needs of the people were in most cases not considered in the budget. For example, the people in those wards were concerned that the council was yet to provide them with recreational facilities and adequate health care structures within the district. Those needs were not captured in council's budget 2014.

9.12 Inconsistencies in the recognition, reporting and presentation of financial information

Audit Finding

The presentation of total expenditure and total revenue was observed to be inconsistent in the various statements in the 2014 Financial Statements. Some instances of those inconsistencies are:

- Total expenditure in statements nos.1&5 did not agree with that in statements nos. 2&8. A difference of Le115.9 million was observed between them.
- Total expenditure in Statements nos.2&8 did not agree with that in statements no. 7. A difference of Le130.9 million was observed between them.
- Revenue total in Statements nos.1&2 did not agree with that in statement no. 6. A net difference of Le210.7 million was observed between them.

- Revenue total [Domestic Assistance] in statements nos. 1&2 did not agree with that in statement no. 5. A net difference of Le51.6 million was observed between them.

9.13 Inadequate control over the management and security of Fixed Assets

Audit Finding

A review of the fixed assets register revealed that it was poorly maintained. The following were further observed:

- Date of purchase, identification code, status, location and cost of asset columns were not fully established.
- Most of the assets procured during 2014 were for devolved sectors but those assets were not recorded in the assets register maintained by council.

9.14 Computation errors in the Financial Statement

Audit Finding

The following were observed in a review of the various statements disclosed in the financial statements as at 31st December, 2014:

- In statement no.4, two different accounts were disclosed in respect of Education DSDP account.
- The total cash & bank balances and the net assets figure calculated in statement no.4 were incorrect. The difference between those figures was Le477 million.
- In statement no.17 [statement on fixed assets purchased during the year ended 31st December, 2014], it was observed that the total figure recorded for assets was incorrect. That figure was understated by Le35 million.

9.15 Undisclosed information in the Financial Statements

Audit Finding

The following were observed during a sample of compliance testing to ensure that relevant disclosures were made in the financial statement:

- Statement no. 3 which gives the council's financial performance [all funds] for the year ended 31st December, 2014 was not disclosed in the financial statements.
- Revenue arrears were not disclosed in statement no.16 - statement of revenue arrears as at 31st December, 2014.

9.16 Comparative information not disclosed in the Financial Statement

Audit Finding

Comparative information was not given in respect of recognitions/disclosures in the financial statements as required by cash IPSAS. Comparative information for all funds as at 31st December, 2013 was not disclosed in the 2014 financial statement.

9.17 Over/understatement of revenue/expenditure in the FS

Audit Finding

The following were observed:

- From a total of Le406.6 million recorded in the Revenue Account Bank Statements, only Le372.7 million was recorded in the revenue cash book and then disclosed in the financial statement [statement no.1] leaving an undisclosed/unaccounted amount of Le33.9 million.

- Total grants recorded in the cash book did not reconcile with that in the financial statements [FS]. Le4.793 billion was recorded in the cash book but only Le4.711 billion was disclosed in the FS leaving a difference of Le82 million.
- A review of the cash book and the total cost assets disclosed in statement no. 17 of the financial statements revealed that fixed assets purchased during the year were understated by Le13.7 million.

9.18 Inadequate Collection and Monitoring of Own Source Revenue

Audit Finding

A review of the council's control over the collection and monitoring of own source revenue revealed that the council's revenue mobilisation drive was ineffective for the period under review when compared to 2013. The total own source revenue fell by 17% from Le446 million in 2013, to Le372 million in 2014.

9.19 Inadequate Grants transferred to Council

Audit Finding

Grants [domestic and external assistance] received by council for the period fell by 25% in 2014 as compared to 2013.

9.20 Procurement Activities not in Procurement Plan

Audit Finding

A total of **Le42.6 million** was expended on procurement for work and goods which were not budgeted for in the 2014 procurement plan submitted for audit. Council's approval for those transactions was also not available for ease of reference.

9.21 Irregularities in the implementation of a Framework Contract

Audit Finding

On the 27/3/2014, the Pujehun District Council signed a framework contract with a supplier for the supply of office stationery to the Pujehun District Council and MDAs in the Pujehun District for a contract sum of Le63.8 million for the period 1st April, 2014 - 31st March, 2015. The contractor was to supply the office stationery in the form of a breakdown request from the user entity throughout the fiscal year 2014 as indicated in the LPOs. Payment was thus made from the breakdown contract sum on the LPOs. However, an examination of procurement documents and payments history from the expense voucher list revealed that procurement worth Le13.7million were undertaken outside the frame work contract with different suppliers at different prices.

9.22 Performance Management Contract Document not made available for inspection

Audit Finding

The Performance Management Contract which was signed between His Excellency the President and the council was not made available to the audit team.

In order to avoid a recurrence of those issues that were said to have been resolved, the Committee thought it fit to adduce the following recommendations that:

- *the CA must ensure there is a reliable monitoring mechanism in place for the collection of revenue;*

- *the CA must ensure there is a structured sensitisation policy in place for the education of communities on the importance of paying taxes. An efficient assessment of the council's revenue collection drive could also help make the process more effective;*
- *the CA ensures that a copy of the Performance Management Contract document is forwarded to the ASSL for assessment within thirty days of receipt of this report;*
- *the CA ensures that there are proper mechanisms and strategies in place aimed at improving the effective collection of budgeted grants, so that the council and other devolved sectors could effectively meet their set targets;*
- *the Ministry of Local Government and Rural Development [MLGRD], through the Local Government Service Commission [LGSC] should always ensure that vacant positions are filled as soon as they occur;*
- *the CA must ensure that in future, proper procurement laws as stipulated in the Procurement Act, 2004 are followed by the Procurement Officer.*
- *the CA must ensure that the fixed assets register into which records of all assets owned by the Council are held, whether they were inherited, donated or purchased by the council, is properly maintained;*
- *the CA must ensure assets, procured for devolved sectors must be included in the fixed assets register;*
- *the CA must ensure assets owned and controlled by the Council should be properly safeguarded and used only for Council's purposes;*
- *Council must also do a comprehensive physical verification of all its assets and ensure that the register is regularly updated;*
- *the CA must ensure that proper procurement regulations, as stipulated in the Procurement Act, 2004 are followed by the Procurement Officer;*
- *all relevant approvals for undertaking procurement not initially budgeted for in the procurement plan are maintained for future reference;*
- *adequate control over the recording and reporting of financial transactions is put in place and that such controls are periodically monitored to ensure compliance;*
- *necessary adjustments be always made on the financial statement in order to present a true and fair view of the financial situation of the Council;*
- *the CA must ensure that procedures are followed in the generation of financial information and any errors identified are corrected immediately;*
- *the CA must ensure that records in respect of all transactions from inception to completion must be retained for the Committee; and*
- *the CA must ensure that efforts are made to strengthen the existing controls over expenses and the use of proper budgetary tools. A quarterly budget performance report be prepared and distributed to Councillors/Senior Managers and corrective action taken to address significant variances.*

10.0 MOYAMBA DISTRICT COUNCIL

10.1 Internal Audit [IA] Unit not effective

Audit Finding

The Committee made the following observations:

- Contrary to the provisions in Section 84 [1-4] of the Local Government Act, 2004 no internal audit [IA] function was carried out within the Moyamba District Council for the period under review.
- Even though a new internal auditor had been recruited by the Local Government Service Commission, there was no evidence that an IA charter or any formal document [approved by the relevant authorities] that clearly defines the scope, authority, responsibilities and purpose of the IA unit within the Council has been developed.
- There was no evidence to indicate that an independent audit committee was established to supervise and monitor the work of the IA unit.

Committee's Observations and Recommendations

Mr Speaker, Honourable Members, the Committee interrogated the CA to give reasons as to why the audit issue under consideration was not resolved. The CA told the Committee that the reason as to why no internal audit function was carried out within the Moyamba District Council for the period under review was because the previous Internal Auditor was transferred with no replacement by the Local Government Service commission. He however informed the Committee that a new Internal Auditor had been posted in 2015 by the Local Government Service Commission to carry out internal audit functions within the Council. Questioned on why the previous Internal Auditor was prematurely transferred, the CA revealed to the Committee that the decision for his untimely transfer was taken by the Audit Committee due to his professional ineptness to perform IA assignments.

Replying to the Committee's query on whether trainings were organised for the previous Internal Auditor, the CA said that no training was organised for him, but was expected to at least live up to expectations. The Committee demanded a copy of the minute where that decision to transfer the Internal Auditor was taken, but was not made available for the Committee's perusal.

In view of the above, therefore, the Committee recommends that Council collaborates with the Ministry of Local Government and Rural Development to ensure that:

- *a charter or formal document stating the purpose, authority, responsibility and scope of the unit be immediately designed;*
- *a suitable audit manual, including written policies and procedures, work programmes for individual assignment and reporting lines at each level of management be designed;*
- *the newly recruited Internal Auditor be provided with some trainings on audit techniques;*
- *Council immediately establishes 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 new Internal Auditor prepares and submit an annual work plan to the Audit Committee, indicating timelines for the commencement and completion of internal audit assignments;*
- *all internal audit assignments carried out should be properly planned and documented and must be supported by sufficient and appropriate audit evidence;*
- *Working Paper Files [Permanent and Current Working Paper Files] must be maintained for all audit assignments conducted by the Unit; and*
- *Council's systems and procedures are regularly reviewed and assessed and the reports in respect of those [including audit recommendations] be reported to the Council and the Minister in accordance with Section 84 [4] of the Local Government Act of 2004.*

10.2 Ineffective control environment in the operation of PETRA

Audit Finding

The following were observed during an assessment of the control environment in the operation of the PETRA system:

- A lot of transactions were reversed after being entered into the system. The frequency of those errors created doubt in the accuracy of information inputted into the PETRA system.
- There was a considerable delay in posting transactions into the PETRA system. For instance, expenditure transactions relating to January were posted into the PETRA system in August.
- The networking system of the PETRA was very poor. The system could only be accessed from the office of the Finance Officer.

Committee's Observations and Recommendations

Mr Speaker, Honourable Members, Audit Service confirmed to the Committee that the outstanding amount to the tune of Le 3.3 million was recovered and paid to NRA. The Committee, however, observed from the Accountant's submissions that the PETRA System had a lot of problems. The problem posed by the PETRA could not allow him [the Accountant] to access the System and that those problems according to him ***"are beyond Council's control."*** The Accountant revealed to the Committee that the delay in posting transactions was due to the fact that Council's budget had to be uploaded into the system before transactions could be recorded in the system.

Mr Speaker, Honourable Members, one thing that took the Committee aback was when the Accountant revealed to the Committee thus: ***"Whenever there are problems with the PETRA System, we have to take it to Freetown for maintenance, which takes some time. During the period when the IT and PFMRU Units are fixing the system, transactions processed will not be recorded until the system is available."***

Answering to the Committee's question on the number of people that had access to the PETRA System, the Committee was told that only the Accountant had access to the System. The Accountant also said that networking the system to grant access to other users should be done by PFMRU. The Committee opined that under normal circumstance, the Chairman, the CA, Internal Auditor and the Accountant should have access to System.

On the basis of the foregoing, the Committee hereby recommends that:

- *the Chief Administrator should ensure that the regulation of deducting withholding taxes from the payments for goods, works and services and the payment of such taxes to the NRA is strictly adhered to;*
- *the CA instantaneously communicates with the Ministry of Finance in writing, in order to resolve the issue and provide passwords to all authorised users of the PETRA System;*
- *the issue on the outstanding amount be closed, since the money in question was recovered and paid to the NRA;*
- *inputting of transactions into the system be properly monitored and closely supervised by a responsible officer, to minimise errors and duplication;*
- *the Finance Officer must ensure that transactions are posted into the system immediately after they have occurred, in order to avoid omissions;*
- *the networking system be rectified to ensure that other users have access to the system from their offices.*

10.3 Lack of Supervision and Coordination of Public Corporations, Other Statutory Bodies and Non-Governmental Organisations

Audit Finding

Section 20 [2] [f] of LGA requires that it is the function of Local Councils to coordinate and harmonise the execution of programmes and projects promoted or carried out by public corporations, other statutory bodies and non-governmental organisations in the locality.

It was however observed that systematic arrangement for the execution of this crucial function was not put in place by the Council during the period under review, as no evidence of that was provided to the auditors.

Committee's Observations and Recommendations

Mr Speaker, Honourable Members, a thorough examination of the issue revealed that Council had been holding monthly meetings with other statutory bodies and NGOs, so as to assess the level of implementation of projects and to avoid possible duplication of efforts. Questioned on why the issue was flagged up by the auditors when it was claimed before the Committee that it had been resolved, the CA responded that the period under review placed almost the entire country in a state of emergency, which was very difficult to coordinate and supervise the activities of statutory bodies and NGOs. He however assured the Committee that the situation had changed in 2015, stating that sector heads had been attending Management's meetings. Minutes to authenticate his claims were submitted to the Committee for confirmation. Contingent upon that Mr Speaker, Honourable Members, the Committee hereby recommends that:

- *robust mechanisms be put in place by the Council to monitor the activities of all public corporations, other statutory bodies and NGO's. All such entities must report quarterly to the Council and the Council be empowered to verify such reports;*
- *registration of public corporations and other statutory bodies and non-governmental organisations be accompanied by the mandatory payment of fees; and*
- *Council must explore the prospects of forming partnerships with such organisations as some may have shared goals with Council, and that others may assist the Council by providing funds for the execution of several of its responsibilities.*

10.4 Back-up and Fire Extinguishers

Audit Finding

The following were observed:

- There was no back-up [on-site and off- site] system to protect data.
- The Council did not have fire extinguishers to protect the institution's property, plants and equipment [PPE] in the event of a fire accident.

Committee's Observations and Recommendations

Mr Speaker, Honourable Members, data protection and assets security should always be the concern of administrators. Investigation into the issue revealed that no provision was made in the 2015 budget for the procurement of fire extinguishers to protect Council's property and other IT equipment. However, the CA edified the Committee that "*plans are ongoing to procure durable ones.*" On the issue of back-up system, the CA informed the Committee that the Finance Officer "*has a hard drive to back-up all financial and other information on a daily basis.*"

In view of the above, it is hereby recommended that immediate steps be taken by the CA to install a back-up system, and procure fire extinguishers to protect Council's electronic information, IT equipment, and other properties against fire hazards.

Mr Speaker, Honourable Members, the Committee did not probe into the following issues because Audit confirmed to the Committee that they had been resolved:

10.5 Poor Budgetary Performance in Revenue Generation

Audit Finding

The Budget and Finance Committee minutes were reviewed and an analytical review of the budgeted and actual figures for revenue and expenditure was carried out. A sample of transactions was also cross-checked against the budget for the period under review. The total budgeted revenue exceeded the total actual revenue by 60%.

10.6 Transactions not Approved in the PETRA System

Audit Finding

The team observed that expenditure of Le146.8 million was not approved within the system to have allowed those transactions reconciled with the general ledgers for possible inclusion into the core financial statements.

10.7 Inaccurate Recognition of 2013 Balances in 2014

Audit Finding

It was observed that the opening and closing cash and cash equivalents at 1st January and 31st December in 2013 were incorrectly disclosed as comparative figures in the 2014 financial statement. That resulted in net differences of Le507.7 million and Le711.7 million of cash and cash equivalent at 1st January and 31st December, 2013 respectively.

10.8 Accuracy and Reliability of Budget Figures

Audit Finding

The audit team found it difficult to understand the basis on which amounts recognised for own source revenue in the budget was arrived at. For instance, the auditors realised that the cadastre database of property owners came into being in 2007, but was only rolled over to the

Council in September, 2014 even though there was rapid development within the district. Furthermore, the Council did not maintain a register of licensed businesses that were registered with them. Making estimates without reliable data may lead to over or under budgeting for revenue and expenditure. In addition, set goals and objectives may not be achieved within the budgeted period and may result to poor service delivery on the part of the Council.

10.9 Withholding Taxes not deducted or Paid to the National Revenue Authority

Audit Finding

A review of the expense voucher listings in the PETRA Financials revealed that there were no receipts to confirm that withholding taxes of **Le3.3 million**, deducted at source from the payment for goods and services had been paid to the NRA as required by section 117 [4] of the Income Tax Act 2000.

10.10 Inconsistencies in the Recognition, Reporting and Presentation of Financial Information

Audit Finding

Several inconsistencies were observed in the presentation of information within the various statements in the 2014 Financial Statements. Some instances of those inconsistencies are given below:

- Cash flow summary in the report of the CA when compared with disclosures in the financial statement overstated total receipts by Le427.1 million and total payments by Le181.7 million.
- The scope of the financial statement as indicated in paragraphs 1 & 2 of the report of the CA did not agree with the scope of the core and additional financial statements. The CA mentioned a half year ended 30th June, 2014 whereas it actually relates to year ending 31st December, 2014.
- The FY 2014 approved budget of Le 11.1 billion mentioned in the CA's Report did not agree with the budgeted income and expenditure figures of Le12.2 billion and Le13.9 billion respectively disclosed in the financial statements. Even though there was no supplementary budget approved by council for the period under review, the Audit Team noted a difference of Le1.8 billion between the original and revised budget figures disclosed in Statement No.7 of the financial statement.
- Total expenditure in statements nos. 1, 2, 3, 5, 7 & 8 did not agree with those in statement no. 9. A difference of Le918.1million was observed between them.
- Cash and bank balances disclosed in statement no. 4 as at 31st December, 2014 did not agree with cash and cash equivalents stated in statement no.1. A difference of Le64.6 million was observed between them.

10.11 Undisclosed information in the Financial Statements

Audit Finding

The following were observed during a sample of compliance testing to ensure that relevant disclosures were made in the financial statement:

- Notes of explanations and elaboration relating to the core and additional financial statements were not presented to give the user a clear understanding of the financial statements.
- Statements no.10-19 were not disclosed in the financial statements.

10.12 Information not disclosed in the financial statement

Audit Finding

A review of the cash book, bank statements and the 2014 financial statement in respect of DSDP Secondary Health account revealed that grant transfers which amounted to Le132.5 million and received by the Council as reflected in the bank statements and cash book, was not reported/disclosed in the financial statements.

10.13 Over/understatement of revenue/expenditure in the financial statement

Audit Finding

During a review of bank statements it was observed that the total administrative grant received by the Council was Le223.3 million. That amount was inaccurately disclosed in the financial statement [statement no.6]. It was noted during an analysis of the financial statements that Le973.3 million was disclosed as Administrative Grant which resulted in an overstatement of the original amount by Le750 million.

10.14 Closing Balances not brought to Account in Generating Information for the Statements

Audit Finding

In a review of the operations of the GoSL Local Council Financial Statements of the Moyamba Council, it was noted that the Council failed to take into consideration the procedures in generating accurate and reliable information on statements nos. 1 & 5. This was observed:

- Cash and cash equivalents as at 31st December, 2013 was Le915.7 million. That figure was incorrectly brought forward as opening balance in 2014 in statement no.1 as a Le203.9 million.
- In statement no.5 the Council disclosed “nil” balances as opening cash and cash equivalents as at 1st January, 2014 for various accounts disclosed in statement no.5 even though there was a total closing balance of Le203.9 million as at 31st December, 2013.

10.15 Inadequate Collection, Monitoring and Recording of Own Source Revenue

Audit Finding

Control over the collection, monitoring and recordings of revenue collection by the Council was poor. The revenue cash book was poorly maintained as there were grave errors in the recording of receipts into the cash book with negative consequences on revenue figures disclosed in the financial statement. The following were observed:

- During 2014, the Council received Le304.2 million [Le243.3 million from Sierra Rutile and Le60.9 million from Vimetco] as rutile royalties. That amount was disclosed in statement no.6 of the financial statements as Le533.2 million; an overstatement of Le229 million. Further investigation revealed that that was as a result of duplications of entries in the cash book and failure by the Council to carry out routine reconciliations.

- Similarly, there were errors in the recording and accounting for revenue in respect of business licences. A negative figure of Le461.1million was disclosed in statement no.6 of the financial statement as revenue in respect of business licences. Those errors, if not immediately rectified may result in modifying the Council's opinion for 2014.

10.16 Inadequate Control over the Management and Security of Fixed Assets

Audit Finding

A review of the fixed assets register revealed that the register was poorly maintained. Fixed assets were not properly categorised or correctly valued as dated in the fixed assets register. In addition, the audit team noted that some assets owned by the Council were not coded. The type/description of assets was also not indicated in the fixed assets register.

10.17 Verification of selected Projects

Audit Finding

A sample of five projects was verified to ascertain whether value for money was exercised in the execution of those projects, and whether the projects have been completed within a reasonable time period. In one project, the Committee observed that there was significant delay by a contractor [Grace Mark Engineering] for the construction of an office block for the Ministry of Social Welfare. On 11th September, 2014 Le22.4 million was paid for the foundation work that should have been completed by 11th October, 2014. The work lay incomplete as at the time of site visitation on 23rd April, 2015; approximately 9 months from the date of payment.

10.18 Payments without Adequate Supporting Documents

Audit Finding

It was observed, from examination of a sample of payment vouchers and the supporting attachments [other charges] that the relevant documentary evidence such as receipts, monitoring & supervision reports and beneficiary/distribution lists were not made available to justify payments for goods and services worth Le57.9 million. That was contrary to the provisions in Section 73[1] of the Financial Management Regulations [FMR] 2007 which required that all disbursements of public money should be supported by an appropriate payment voucher and other relevant documents.

10.19 Performance Management Contract Document not made available for inspection

Audit Finding

The Performance Management Contract [PMC] which was signed between His Excellency the President and the Council was submitted to the audit team for assessment. However, the status report that should have been verified to ascertain the level of compliance with the set targets in the PMC was not made available for inspection.

However, the Committee was still convinced that the following recommendations, as earlier mentioned by Audit Service, would help to avoid future occurrence of the issues reported against the Council:

- *that the CA must ensure a structured system for proper assessment of the Council's revenue collection process;*

- *that the CA should always ensure that adequate control over the recording and reporting of financial transactions is put in place, and that such controls are periodically monitored to ensure compliance;*
- *that the CA must ensure that procedures are followed in the generation of financial information and any errors identified must be immediately corrected;*
- *that the CA must ensure that the fixed assets register, into which all assets owned by the Council [whether they were inherited, donated or purchased by the Council] is properly maintained. The columns in the register must be fully complete;*
- *that all the assets owned and controlled by the Council are properly safeguarded and used for council's operations;*
- *that Council performs physical verification to give them a good starting point and this should be repeated on a regular basis to ensure that the register is kept up to date going forward;*
- *that transactions awaiting approval within the PETRA system should be approved immediately and the financial statements revised to reflect the correct values of expenditure;*
- *that all transactions, from inception to completion, be supported by the relevant documentary evidence which must be retained for future reference purposes;*
- *that the CA should ensure that there is a reliable collection, monitoring and reporting mechanism for revenue generated by the Council;*
- *that necessary adjustments should always be made to the financial statement to reflect the accurate financial situation of the Council;*
- *that the CA should ensure that a proper system is put in place to ensure that the cadastre database of property owners is updated to reflect the recent development within the district. A register of businesses within the district has to be maintained to allow a comprehensive and realistic budget.*

11.0 BONTHE DISTRICT COUNCIL

11.1 Inadequate Control over the Collection and Monitoring of Own Source Revenue **Audit Finding**

- During 2014 Council was not able to meet its revenue [own source] targets as projected in the approved budget. Own source revenue stood at Le285.3 million accounting for 71.3 % of the expected revenue of Le400.3 million.
- In addition, there was an overall 28.5% increase in own source revenue in 2014 as compared to 2013. Total own source revenue increased from Le222.1 million in 2013 to Le285.3 million in 2014.

- In statement no.6 of the financial statements the estimated revenue of Le35 million in respect of property tax was not collected and there was no evidence of a database on reliable property taxpayers.
- In an interview with key personnel of the Council, it was revealed that council was not able to meet its target of Le400.3 million due to Local Government Finance Department failure to introduce the property cadastre system that would have served as an accountability instrument to generate more revenues.

Committee's Observations and Recommendations

The Committee asked the CA to provide explanation for the reasons behind low revenue generation of his Council. Reacting to the Committee's enquiry, the CA informed the Committee that during the budget preparatory and approval stages, own source revenue projections, particularly property rate and licenses, were based on positive indications from Local Government Finance Department [LGFD] to introduce the Property Rate cadastre in early 2014. **"With this in mind,"** the CA informed the Committee thus: **"our projections were based on the fact that with the introduction of the cadastre system, revenue collections would have increased significantly, particularly collections of property rate and licenses, which did not happen'**. He further told the Committee that his Council was able to effectively implement strategies geared towards increased revenue mobilisation.

Furthermore, the Committee was informed that the outbreak of the Ebola Virus greatly affected Council's determination to raise revenue. The CA pointed out that the Ebola scourge limited both the Local Government Finance Department and donors' ability to meet their commitment in terms of establishing a property cadastre in the Council in 2014. For that reason, it was very difficult to collect revenue in the district, stating that he spent Le4 million on revenue collectors to go around the district. Lamentably, he informed the Committee, the revenue collectors returned with Le 7mln in 2014.

Questioned on the available revenue sources in the district, he disclosed that apart from the Le 250 million raised from lease rents, other revenue sources like fishing licenses had not been lucrative to Council's revenue generation drive. He argued that the issue of boundary delimitation had also been a major challenge, asserting that the Bonthé Municipal Council had been poaching into Council's areas of jurisdiction in terms of revenue collection.

The Committee was not impressed with the CA's efforts to raise revenue for the Council, especially when he unveiled that the amount spent on revenue collectors was far collusive when compared to what was actually brought to Council. Thus, the Committee went further to investigate the CA's commitment to do more in that regard. In his response, the CA intimated the Committee that he had recently involved the chiefs in the revenue collection process. He disclosed that 20% of whatever collected would be given to the chiefs and 80% to Council. He also said that Council had been engaging the public through radio programmes and outreach activities, supported by Councillors. Based on the CA's submission, the Committee deemed it expedient to proffer the following recommendations that:

- ***a reliable monitoring mechanism for the collection of revenue must be put in place by the CA;***

- *an effective sensitisation process, addressing the importance of paying taxes, and a proper assessment of the Council's revenue collection process be given due consideration;*
- *the CA liaises with the Local Government Finance Department for an introduction of a property cadastre system in the Council; and*
- *the CA should, with immediate effect, stop spending huge amount on revenue collectors to collect little. Instead, strengthens his sensitisation process.*

11.2 Ineffective control environment in the operation of PETRA

Audit Finding

An assessment of the control environment in the operation of the PETRA system was performed by the audit team. 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 adequate. For instance, Le135.9 million and Le47.8 million represent differences observed between amounts recognised in the Core Financial Statements [Statements 1&2] for total revenue and expenditure respectively and those disclosed in reports generated from the PETRA Accounting System [Revenue and Expenditure Voucher Listings].

Committee's Observations and Recommendations

The CA mentioned to the Committee that the shortfalls, as noted by the auditors, were already communicated to the Public Financial Management Reform Unit [PFMRU] for system review. He said that PFMRU had made strides in addressing the budget recording issues; and Council was required to crosscheck its budget entry into the Petra system and certify its accuracy before the commencement of postings into the Petra system for the execution of the 2015 budget. Unlike the other Councils so far examined, both the Accountant and the CA for Bonthe District Council were said to have had access to the PETRA System.

The Committee described issue of the PETRA System as a ubiquitous problem that has been affecting all the Councils. This is why Bonthe District Council should engage the Ministry of Finance on this issue with the utmost seriousness. Contingent upon this, the Committee recommends that:

- *the information generated by the PETRA system is properly reconciled with the supporting documentation before being disclosed in the financial statement. Any variance must be documented and explained as notes to the financial statement; and*
- *all the authorised users of the PETRA should be able to access the system and perform their respective responsibilities as and when transactions take place.*

11.3 Variance between budgets approved by council and that in the Financial Statement

Audit Finding

Variances were observed between budget figures disclosed in the financial statement and the figures indicated in the approved council's budget for the year under review without any evidence of council's approval.

Committee's Observations and Recommendations

The FO was asked to explain why the variances between budget figures disclosed in the financial statement and the figures indicated in the approved council's budget for the year under review without any evidence of council's approval. In his response, the FO agreed with audit findings, but drew the Committee's attention to Council utilisation of Petra Accounting Software, ***"which is an IT-based budgeting and accounting system that manages spending, payment processes, budgeting and reporting of Council's financial operations. The 2014 financial statements was an end product of the combined Petra and IPSAS systems and the setup is totally out of the control of our accounting personnel."*** He said that Council had the responsibility to prepare and approve the budget, but had no control over the recording and updating of approved budget into the Petra Financial Package. He noted that for the purposes of budgetary control, PFMRU had been in charge in terms of updating the system with the approved budget.

Queried on Council's effort to resolving the issue, the CA said that Council noted the shortfalls, as identified by the auditors, and the issue had been communicated to the Public Financial Management Reform Unit for system review, but failed to adduce evidences to authenticate his claim that there had been communication between the two institutions. In view of the above, the Committee recommends that:

- ***the CA should ensure that the issue is resolved with immediate effect;***
- ***in future, any variance must be documented and forwarded to council for their approval;*** and
- ***all authorised users of the PETRA System should learn more about the system.***

11.4 Internal Audit Unit not effective

Audit Finding

A review of the operations of the Internal Audit [IA]Unit revealed the following:

- There was no evidence to indicate that an independent Audit Committee was established to supervise and monitor the work of the IA Unit.
- The IA assignments carried out were not supported by sufficient appropriate audit evidence and the linkages among the planning, execution and reporting documents could not be easily done.
- There was no evidence to indicate that IA reports were submitted to the Council and Minister of Local Government for the financial year under review.

Committee's Observations and Recommendations

The Committee demanded explanations from the CA as to the reason responsible for those problems as reported by audit. The CA said that the Internal Audit Unit had been a fundamental component to the general management processes of his Council. He told the Committee that most of the weaknesses identified in the report were as a result of failure on the part of the Internal Audit Department in the Ministry of Finance and Economic Development to formulate internal audit policies and develop a charter for onward implementation Council. He however informed the Committee that the Internal Auditor had relied on authority of the Local Government Act to carry out his functions.

On the issue of Audit Committee, the CA candidly informed the Committee that the Audit Committee that was established by Council to review the work of the IA and report findings

to Management was ineffective because clear terms of reference had not been formulated by the Audit Department in the Ministry of Finance. The CA maintained that the Public Health Emergency rendered the Audit Committee ineffective for fear of breaching emergency protocols. As a way forward, the CA proclaimed, Council had reviewed the work of the IA and the Internal Audit Committee in order to surmount those challenges encountered in the discharge of their functions. He assured the Committee that future works of the Internal Auditor and the Audit Committee would be submitted to the Council for necessary actions to be taken.

In light of the foregoing, the Committee recommends that:

- *the Audit Committee be reconstituted to incorporate three people who are not Councillors;*
- *the head of the IA Unit should ensure that the IA assignments carried out are supported by sufficient and appropriate audit evidence and are properly referenced;*
- *all IA reports should be submitted to the Council and Minister in accordance with Section 84 [3-4] of the Local Government Act, 2004.*

11.5 Inadequate control over the management and security of fixed assets

Audit Finding

A review of the fixed assets register revealed that it was poorly maintained. Several assets of devolved sectors were not in the assets register. Some assets were also not available for physical verification.

Committee's Observations and Recommendations

The Committee was reliably informed that Council had been struggling in terms of getting all Council's assets, whether donated or inherited, into the fixed assets register and updated regularly. According to the CA, information such as the name of the asset, cost, date of purchase, code/identification number, individual location, quantity held and whether inherited, purchased or donated had been included in the Assets Register. In addition, he assured the Committee that a fixed asset policy meant to give direction for the management of Council's assets had been prepared and approved by Council.

However, the Committee was told that assets donated directly to devolved sectors were not reported to Council; despite Council's repeated calls on sector heads to provide information about those assets for onward inclusion into the fixed assets register maintained by Council. The Committee reminded the CA of his responsibility as custodian of all Council's assets and therefore, must act bona fide to ensure they are maintained and secured for the common good. Mr Speaker, Honourable Members, based on observations on the issue under review, the Committee hereby recommends that:

- *the CA must ensure that the fixed assets register into which all assets owned by the Council [whether inherited, donated or purchased] is properly maintained. The updated register must be maintained for reference purposes;*
- *the CA must ensure that all the assets owned and controlled by the Council are properly safeguarded and used for Council's operations, and that outstanding assets are immediately made available for physical verification;*

- *in collaboration with devolved sector heads, the CA must ensure that necessary action is taken against any sector head who refuses Council’s access to those assets for inclusion into the Fixed Assets Register.*

11.6 Lack of supervision and coordination of public corporations, other statutory bodies and non-governmental organizations

Audit Finding

Section 20 [2] [f] of LGA 2004 requires the Council to coordinate and harmonise the execution of programmes and projects promoted or carried out by public corporations, other statutory bodies and non-governmental organisations, in the locality. It was however noted that systematic arrangements for the execution of this crucial function were not put in place by the Council during 2014, as no evidence of that was provided to the auditors.

Committee’s Observations and Recommendations

The Committee referred Bonthe District Council to Section 20[2] [f] of the 2004 Local Government Act, which allows Council to coordinate and harmonise the execution of programmes and projects promoted or carried out by public corporations, other statutory bodies and non-governmental organisations. In that regard, the Committee questioned the CA as to why he had not adhered to the above cited provision. In his response, the CA informed the Committee that the outbreak of the Ebola virus resulted in the declaration of a state of emergency. That pronouncement stalled Council’s engagements with those statutory bodies and Non-Governmental Organisations operating within the locality. Consequently, Council was unable to organise or bring together development partners and other non-governmental organisations in 2014.

Underscoring the importance of Council’s engagement with development partners, the Committee pointed out that those meetings with NGOs and other statutory bodies would help to avoid duplication and other security and environmental threats to the district. The CA submitted that *“frantic efforts were made by Council through correspondences to ensure that their activities and programs were to some extent been coordinated.”* In view of the above, the Committee recommends that:

- *the registration of public corporations and other statutory bodies and non-governmental organisations be accompanied by the mandatory payment of fees;*
- *a mechanism be put in place by the Council to monitor the activities of all public corporations, other statutory bodies and NGO’s. All such entities must report quarterly to the Council and the Council should be empowered to verify such reports; and*
- *the Council explores the prospects of forming partnerships with such organisations as some may have shared goals with Council, whilst others may assist the Council by providing funds for the execution of several of its responsibilities.*

The following issues, as confirmed by Audit Service, were said to have been resolved:

11.7 Inconsistencies in the recognition of revenue, expenditure and cash and cash equivalents

Audit Finding

The presentation of total revenue, total expenditure and cash and cash equivalents was observed to be inconsistent within the various statements in the 2014 Financial Statements. The following was observed:

- In statement no.3 of the financial statements there was a deficit of Le483.5 million from operating activities as the expenditure figure of Le2.3 billion was greater than that of the revenue figure of Le1.9bln. The deficit was however incorrectly recorded as a surplus in statement no.5 thereby overstating the closing cash and cash equivalent.
- A difference of Le412.8 million was noted between total payments in statements nos.1, 2 & 7 and that in statement no.9 of the financial statements.
- Cash outflow and net cash flow in 2013 were incorrectly reported as a comparative figure in the 2014 financial statements. Cash out flow was understated and net cash flow overstated by Le44.6 million respectively.
- It was observed that an outstanding debts of Le21.9 million as recorded in statement no. 12 of the financial statement was not disclosed in the statement of assets and liabilities as at 31st December, 2014 [statement no. 4].
- In the Statement of Financial Assets and Financial Liabilities, the closing bank balance for EU project account was Le0.00. It was however, observed that the closing cash book balance as at 31st December, 2014 was Le10.9 million. That figure was not disclosed in the financial statement.
- In the PETRA Financials, total own source revenue was Le369.2 million and total grants was Le1.7 billion. Those figures were disclosed as Le285.3 million for own source revenue and Le1.6 billion for total grants. Adequate supporting explanation was not submitted in respect of the variances between the PETRA Financials and the Financial Statement.

11.8 Terms and conditions of Performance Management Contract not fully met

Audit Finding

The terms and conditions of the Performance Management Contract [PMC] that were agreed between His Excellency the President and the Council were not fully met by the Council during 2014. The following were observed:

- Council was able to meet its projected revenue target by 71.2%. Total revenue collected was Le285.3 million as against the targeted figure of Le400.3 million.
- In 2014, Council saved Le10 million from cost reduction/savings. Council was not able to meet the Le20 million indicated in the PMC.
- Council did not meet the Le560 million target set in the PMC for appropriation in aid. However, Council met 89% [Le500.3 million] of its target for 2014.
- Council did not fully achieve the implementation of Citizens' Service Delivery Charter as it was unable to display the service delivery charter at chiefdom levels.
- Council met the disposal of idle assets indicator only by 5% instead of the 50% target set.
- Council achieved only 10% out of the 60% target set for automation.

11.9 Procurement procedures not followed

Audit Finding

A sample of Le194.4 million was examined out of a total procurement of Le435.9 million to ascertain whether the minimum three request for quotations [RFQs] method was adequately

and appropriately followed as enshrined in section 45[1] and the First Schedule of the Public Procurement Act, 2004. It was observed that three RFQs were not in file, to justify the utilisation of such funds on goods which amounted to Le180.5million.

11.10 Back-up and fire extinguishers

Audit Finding

The following were observed:

- There was no back-up [on-site and off- site] system to protect data loss.
- The Council did not have fire extinguishers to protect the institution's property, plant and equipment [PPE] in the event of a fire accident.

11.11 Procurement Activity not in Procurement Plan

Audit Finding

A contract for the purchase of 10 [ten] cassava grater machines for the agriculture sector, amounted to **Le50.2 million**, was not included in the procurement plan submitted for inspection. In an interview with the Procurement Officer, it was explained that that amount was for the construction of a drying floor which was part of the budget, but that it was converted to purchase the 10 machines. In spite of repeated requests, the minutes of approval for the deviation were not made available for inspection.

11.12 Payments without adequate supporting documents

Audit Finding

Section 73[1] of the FMR 2007 requires all disbursements of public money to be supported by an appropriate payment voucher and other relevant documents. Disbursements of Le179.9 million were undertaken for which only some supporting documents were submitted. However, those supporting documents were not adequate to support the payments. For example, receipts, supervision reports, PET forms, beneficiary/distribution lists and other relevant documents were not available.

11.13 Withholding Taxes not paid to the National Revenue Authority

Audit Finding

It was observed that withholding taxes of Le38.5million were deducted at source from the payment for goods and services but not paid to the NRA as required by Section 117 [4] of the Income Tax Act 2000.

11.14 Bank confirmation letters and reconciliation statements not received

Audit Finding

The following were observed:

- Bank confirmations for 22 bank balances in the Statement of Financial Assets and Financial Liabilities [Statement No.4] were not received to confirm those balances.
- Bank reconciliation statements were not presented to reconcile the net difference of Le25.5 million between the closing bank statement and cash book balances as at 31st December, 2014.

11.15 Outstanding cheques not presented to the bank

Audit Finding

During a review of the bank reconciliation statements for 13 bank accounts, it was observed that cheques which amounted to Le74.3 million were yet to be presented to the bank for payment as at 31st December, 2014.

11.16 Core staff capacity

Audit Finding

- The Council continued to suffer from inadequate staffing to run the administration of the Council. Ideally, there should be 13 core staff in every council but the Council as at the time of audit had only eight. The positions of Chief Administrator, Human Resources Officer, Gender Officer, Information, Education and Communication Officer are yet to be occupied
- The Valuation Officer doubles as a Procurement Officer and is shared between both the Bonthe District Council and the Bonthe Municipal Council
- There were frequent and unusual transfers of staff without any recourse to the Council.

In that regard, however, Mr Speaker, Honourable Members, the Committee thought it wise to proffer the following recommendations that:

- *the CA should ensure that the procedures in respect of the RFQ method should be in accordance with provisions in the Public Procurement Act of 2004;*
- *Council should perform bank reconciliations shortly after the end of each month. All differences should be fully investigated and the appropriate corrections made to the cash book;*
- *the CA should ensure that the regulation of deducting withholding taxes from the payments for goods, works and services and the payment of such taxes to the NRA is strictly adhered to;*
- *the CA must ensure that in future, proper procurement rules, as stipulated in the Procurement Act, 2004, are followed by the Procurement Officer;*
- *the CA must ensure that in future, all transactions, from inception to completion, should be supported by the relevant documentary evidence which must be retained for audit and reference purposes;*
- *monitoring and supervision of revenue collection should be enhanced, so that the expectations of the Government of Sierra Leone are met or even exceeded; and*
- *government provides timely funds to council to ensure that terms and conditions contained in the PMC are adhered to by the Council.*

12.0 BONTHE MUNICIPAL COUNCIL

12.1 Internal Audit Unit not effective

Audit Finding

A review of the operations of the Internal Audit (IA) Unit revealed that the IA assignments carried out were not supported by sufficient and appropriate audit evidence and the linkages among the planning, execution and reporting documents could not be easily done.

Committee's Observations and Recommendations

The CA admitted that the Internal Audit (IA) Unit had been very weak to resolve this issue. He however told the Committee that an IA Annual Plan 2014 was developed, but was not

implemented due to financial restraints. The Committee advised the CA to monitor every unit within his purview.

Therefore, the Committee recommends that the Head of the IA Unit should ensure that IA assignments carried out are supported by sufficient and appropriate audit evidence and are properly referenced and cross-referenced.

12.2 Revenue collected but not banked

Audit Finding

A review of the revenue cash book and bank statement revealed that out of a total of Le18.9million collected as revenue and recorded in the cash book, only the sum of Le1.5million was banked leaving an outstanding amount of Le17.4million not brought to account.

Committee's Observations and Recommendations

Mr Speaker, Honourable Members, the CA acknowledged the fact that not all the revenue collected was banked. He however argued that Bontho Municipal “**is the only locality without a bank, not even a community bank and very little is generated on a daily basis.**” He told the Committee that the closest community bank was in Mattru Jong, about 30 nautical miles from the Municipality. The Committee was perturbed by the CA’s submission, stating that the non-existence of a community bank within the locality should not in any way suggest that revenue collected should not be banked. If the CA’s argument were something to lean on, the Committee questioned the CA why and how the sum of Le 1.5mln (out of 18.9mln that was collected) was banked. In addition, the Committee advised that revenue collected should be banked before meeting financial obligations.

Responding to the Committee’s question on Council’s determination to raise revenue, the CA told the Committee that revenue collection within the Municipality had been marred by series of challenges; and as a result, Council could not even collect the sum of Le 100,000 within a week. He however informed the Committee that Council had employed a revenue Clerk; which he noted, was one the challenges affecting Council’s revenue mobilisation drive. He also said that a reliable monitoring mechanism for the collection and accounting of own source revenue had been put in place.

Based on the foregoing, the Committee recommends that:

- *a reliable monitoring mechanism for the collection and accounting for own source revenue is put in place;*
- *in future, all revenue collected should be banked on a regular basis; and*
- *the outstanding revenue not banked should be accounted for and paid back into Council’s revenue account within 30 days of receipt of this report.*

12.3 Withholding taxes not deducted and paid to the National Revenue Authority

Audit Finding

It was observed that withholding taxes amounting to Le20.2million were not deducted at source from the payment for goods and services and paid to the National Revenue Authority as required by Section 117 (4) of the Income Tax Act 2000.

Committee's Observations and Recommendations

The CA told the Committee that withholding tax to the tune of Le 6,050,000 was inadvertently included in the 2014 withholding tax deduction list, but that anomaly had been amended and reversed to 2013 withholding tax list. According to him, Council had paid Le 8,000,000 withholding tax to NRA and receipts were submitted to the Committee and Audit for verification. A thorough review of the situation revealed that the queried amount for the period under review was paid to NRA.

In that regard, the Committee recommends that in future, the CA should ensure that the regulation of deducting withholding taxes from the payments for goods, works and services and the payment of such taxes to the National Revenue Authority is strictly adhered to; and

12.4 Ineffective control environment in the operation of PETRA

Audit Finding

An assessment of the control environment in the operation of the PETRA system was performed by the audit team. 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 adequate. For instance, an amount of Le48.1million represents the difference observed between amounts recognised in the Core Financial Statements (Statements 1&2) for total revenue and that disclosed in reports generated from PETRA Accounting System (Revenue Voucher Listings).

Committee's Observations and Recommendations

The CA confirmed to the Committee that there were control failures in the use of the PETRA Accounting System at the time of audit. He however told the Committee that Council had liaised with PFMRU to put control mechanisms in place for the effective use of the PETRA System. The Committee asked for evidence to show that indeed there were efforts being put in place to resolve this issue, but was not made available to the Committee. The Committee also observed that not all authorised users had access to System. On the issue of a back-up system and installation of fire extinguishers to protect Council's properties, the CA told the Committee Council had two back-ups, but they could not be seen at the time of audit because they were not requested. As for fire extinguishers, council plans were ongoing to resolve that issue.

In view of the above, the Committee counsels that:

- ***information generated by the PETRA system must be properly reconciled with the supporting documentation before disclosure in the financial statement any variance must be documented and explained as notes in the financial statement;***
- ***all the authorised users of the PETRA should be able to access the system and perform their respective responsibilities as and when transactions take place; and***
- ***immediate steps must be taken by the CA to install fire extinguishers, so as to protect the Council's electronic information, IT equipments and other properties from damage.***

12.5 Inadequate control over the management and security of fixed assets

Audit Finding

A review of the fixed asset register revealed that the register was poorly maintained. The following were further observed:

- A column for the location of assets was not included in the asset register.

- Columns indicating date of purchase, identification code, status and cost of assets were not properly completed.
- Fixed assets purchased during 2014, amounting to Le57.2million were not included in the assets register.

Committee's Observations and Recommendation

Mr Speaker, Honourable Members, the CA admitted that the fixed assets register was not updated at the time of audit. He however assured the Committee that the register had been updated to include a column for the location of assets and a column to indicate the date of purchase. The Committee told the CA that on no account this issue reappeared in the next audit report for 2015.

The Committee, therefore, recommends that:

- *the fixed assets register, into which all assets owned by the Council (whether they were inherited, donated or purchased by the council), is properly maintained. Assets, amounting to Le57.2mln must be included in the fixed assets register; and*
- *all the assets owned and controlled by the council are properly safeguarded and used for Council's operations. The council should also do a full physical verification to give them a good starting point and this should be repeated regularly to ensure the register is up to date.*

12.6 Core staff capacity

Audit Finding

- The Municipality continues to suffer from inadequate staffing to run the administration of the council. Ideally, there should be 13 core staff in every council but the Municipality as at the time of audit only has seven.
- The positions of, Deputy Chief Administrator, Human Resources Officer, Gender Officer, Information, Education and Communication Officer are yet to be occupied.
- A Procurement Officer alleged to be seriously sick and partially paralyzed was yet to resume duty since his transfer into the Municipality in July 2014. At the moment the Technical Valuation Officer attached to Bonthe District Council, is serving as Acting Procurement Officer whilst at the same time interfacing between the two councils.
- The Accountant, according to the staff attendance register abandoned his job since 18th July, 2014 and has not returned to duty up to the time of writing this report.
- There were frequent and unusual transfers of staff without any recourse to the Council. Key staff like the Finance and Procurement Officers were transferred after less than four months in post. It was also evident that the BMC had three Finance Officers and Accountants during the period under review.

Committee's Observations and Recommendations

Mr Speaker, Honourable Members, the Committee queried the CA why this issue had not been resolved. Reacting on this matter, the CA told the Committee confessed that what the auditors reported was true, but he however, assured the Committee that the recruitment process had been completed to fill the following vacancies: the Deputy Chief Administrator, Human Resource Officer, Gender Officer and Information, Education and Communication (IEC) Officer, etc. The Committee advised that in as much as the Ministry of Local

Government and Rural Development (MLGRD), through the Local Government Service Commission (LGSC) is charged with the responsibility of recruiting competent staff for all Councils, the CA should also make some efforts in terms of filling any vacant position with the Council. This, the Committee noted, would be done through correspondences to remind those in charge.

In that regard, the Committee recommends that:

- *the Ministry of Local Government and Rural Development (MLGRD) through the Local Government Service Commission (LGSC) should always respond swiftly to Council's request in terms of recruiting competent staff that are willing to work within the Municipality; and*
- *any other vacant position within the Council should be immediately filled with competent staff.*

12.7 Bank confirmation and bank statements not received

Audit Finding

The following were observed:

- Two accounts disclosed in the financial statements were not confirmed to the auditors by the bank.
- Bank statements for nine accounts maintained by the Council were not submitted for inspection.
- The bank statement submitted for Hospital account: 00300441247503014-2 was incomplete. The statements for January-May 2014 were not submitted and as such the auditors were unable to confirm the transfer of Le125.6million indicated in the Bonthe Municipal Council Advice Note to Sierra Leone Commercial Bank.

12.8 Variance between budgets approved by Council and that in the financial statement

Audit Finding

Variances were observed between budget figures disclosed in the financial statement (Statement No.2) and the figures indicated in Council's approved budget for the year under review without any evidence of approval.

12.9 Inadequate documentation to support the procurement process

Audit Finding

A review of a sample of Le164.8million out of the total development projects of Le261.2million disclosed in Statement No.10 during 2014 revealed that some procurement documents were not on file. Monitoring & Evaluation (M&E) and Engineer's progress reports were not on file to support two transactions totalling Le104.5million.

12.10 Payments without adequate supporting documents

Audit Finding

Section 73(1) of the FMR 2007 requires all disbursements of public money to be supported by an appropriate payment voucher and other relevant documents. Disbursements of Le47.6million were undertaken for which only some supporting documents were submitted. However, these supporting documents were insufficient to fully substantiate the payment concerned. For example, payments should be supported by receipts, supervision reports, PET

forms and beneficiary/distribution lists and other relevant documentation as well as the payment voucher.

12.11 Inconsistencies in the recognition of financial information in the financial statements

Audit Finding

The presentation of total revenue, total expenditure and cash and cash equivalents was observed to be inconsistent within the various statements in the 2014 Financial Statements. The following were observed:

- A difference of Le20.7 million was observed between total cash inflow/revenue in Statements No. 2, 3 & 5 and that recorded in Statement No.1.
- Differences were noted between total payment in Statement No.1 and total cash outflow/payment/expenditure in other supporting statements of the Financial Statements.
- Increase/decrease in cash and cash equivalent of Le33.4million disclosed in Statement No.1 does not agree with the net cash flow of Le14.7million disclosed in Statement 2.
- Surplus/(deficit) from operating activities of Le40.9million disclosed in Statement No. 3 does not agree with increase/decrease in cash and cash equivalent of Le33.4million disclosed in Statement No.1 and the net cash flow of Le14.7million disclosed in statement No.2.
- In statement No.8, the 2013 figures brought forward as comparative figures in the 2014 financial statement were incorrect.

12.12 Undisclosed comparative figure

Audit Finding

Comparative information, as required as required by Paragraph 1.4.16 of Part 1 of the Cash Basis IPSAS, was not given in the 2014 Financial Statement in respect of recognitions/disclosures in the financial statements (Statement No.1) for cash and cash equivalent as at 1st January 2013.

12.13 Over/understatement of revenue in the Financial Statement

Audit Finding

Total own source revenue was not accurately accounted for in the financial statement. Total own source revenue figures in the revenue cash book, bank statement and financial statement were different. A negative figure of Le19, 437.00 was total revenue disclosed in the FS whilst Le18.9million and Le1.5million were total revenue recorded in the cash book and bank statement respectively. These errors, if not immediately rectified may result in modifying the Council's opinion for 2014.

12.14 Undisclosed information in the financial statement

Audit Finding

IPSAS Statement No.17 requires the Council to fully disclose all fixed assets purchased during 2014. It was observed that assets, amounting to Le57.2mln were not disclosed in the statement of fixed assets purchased (Statement No.17) of the financial statements.

12.15 Cadastral System not functional

Audit Finding

The cadastral system that would have served as an accountability instrument to generate more revenues was not functional. This may not be unconnected with the fact that the Valuation Officer lacked some basic skills to operate the system to produce the required information necessary for council's consumption. In statement No.6 of the financial statements the estimated revenue in respect of property and local taxes were not collected and there was no evidence of a data base on tax payers.

12.16 Financial assets and liabilities disclosed in statement No.4

Audit Finding

IPSAS statement No. 4 is required to separately present the total financial assets and financial liabilities. It was however observed that total assets and liabilities were not separately disclosed. Instead, these amounts were net off. Like the case of cash and bank balances, the Council reported a total of 20 bank accounts. Four of them had an overdrawn bank balance of Le9.1million and remaining 16 had total bank balances of Le29.9million. The account balances with an overdrawn bank balance net off against the credit balances to give a balance of Le20.8million. The overdrawn bank balance should have been reported as liability.

12.17 Bank reconciliation statement not prepared

Audit Finding

It is critical that the Council properly reconciles the statements received regularly from commercial banks and cashbook records maintained within its administration. This ensures that accounting entries recorded in the cashbook represent all transactions carried out and that amounts recorded are correct. After examining the closing bank balances as in Financial Statement (Statement No.4) and the list of bank reconciliation statements, it was observed that bank reconciliation statement was not prepared by the Council in respect of two accounts.

12.18 Inaccurate recognition of 2013 balances in 2014

Audit Finding

The following were observed:

- Opening cash and cash equivalent as at 1st January 2014 was incorrectly brought forward in statement No.1 of the FS. Opening balance was disclosed as Le140.0million instead of Le120.6million; thus overstating the opening and closing balances in 2014 by Le19.4million.
- In statement No.5 the total closing balance of Le140.0million was incorrectly brought forward as Le171.6million thereby overstating the closing balance by Le 31.6million in 2014.

12.19 Reports not posted on ward notice boards

Audit Finding

During the audit exercise, the team noted that monthly financial statements were not produced and placed on notice boards indicating that those records were not posted at all in any conspicuous place as required by Section 107 (1) of the LGA 2004.

12.20 Absence of Devolved Sector Heads

Audit Finding

It was noted that some key Devolved Sector Heads were absent from the Municipality. Instead these officials were permanently stationed in Matru Jong.

12.21 Lack of supervision and coordination of public corporations, other statutory bodies and non-governmental organizations

Audit Finding

Section 20 (2) (f) of LGA 2004 requires the Council to coordinate and harmonise the execution of programmes and projects promoted or carried out by public corporations, other statutory bodies and non-governmental organisations, in the locality. It was however noted that systematic arrangement for the execution of this important function was not put in place by the Council during 2014, as no evidence of this was provided to the auditors.

12.22 Terms and conditions of Performance Management Contract not fully met

Audit Finding

The terms and conditions of the Performance Management Contract that were agreed between His Excellency the President and the council were not fully met by the council during 2014. The following were observed:

- The Council was unable to meet its revenue target of Le35million.
- The Council failed to offer training to the M&E Officer and Valuation Officer of Council on: (i) Data Collection and Property Cadastre Management (ii) Contract Management, Monitoring and Evaluation.
- Intercom networking within the office environment was not created.
- There was no evidence that six MDA and four council staff were trained in budgetary management and the prudent use of resources.
- There was no evidence that The Finance Officer, Accountant, & Revenue and Expenditure Clerks were trained in the use of the IPSAS & PETRA accounting packages.
- Council failed to introduce incentive scheme for performing staff
- Council was unable to increase retention rate in schools through the provision of scholarships to 10 deserving pupils and also provide examination materials for schools.

Though the above mentioned issues were said to have been resolved, the Committee thought it fit to proffer the following recommendations in order to avoid their reappearances:

- *registration of public corporations and other statutory bodies and non-governmental organisations should be accompanied by the mandatory payment of fees;*
- *a mechanism must be put in place by the Council to monitor the activities of all public corporations, other statutory bodies and NGO's. All such entities must report quarterly to the Council and the Council should be empowered to verify their reports;*
- *Council should explore the prospects of forming partnerships with such organizations as some may have shared goals with Council and others may assist the Council by providing funds for the execution of several of its responsibilities;*

- *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 are put in place to expedite the agreement in respect of the projects in the contract document;*
- *devolved sectors in the Bonthe Municipal Council should have alternate representatives resident in Bonthe, who would have the legal right to implement policies, projects and programmes without any hindrance to the operations of council;*
- *monthly financial statements should be posted on notice boards in every council ward as required by the LGA 2004;*
- *the Council should perform bank reconciliations shortly after the end of each month. All differences should be fully investigated and the appropriate corrections made to the cash book;*
- *the CA should ensure that there is regular reconciliation of revenue records (receipts, cash book and bank statements) and the reconciliation statements filed for reference purposes;*
- *the CA must ensure that proper records are maintained for assets purchased during the year for ease of reference. Statement No.17 must be adjusted to include assets that were omitted;*
- *that the NPPA rules be adhered to in future and that payments should not be processed until M&E reports are completed and on file;*
- *the Chief Administrator should ensure that the Council complies with the requirements the Cash IPSAS. The Financial Statement must be revised to include comparative information on all funds disclosed in the individual statements contained in the FS; and*
- *the CA must ensure that in future, all transactions from inception to completion should be supported by the relevant documentary evidence which must be retained for audit and reference purposes.*

13.0 KAILAHUN DISTRICT COUNCIL

13.1 Late submission of financial statement

Audit Finding

Kailahun District Council failed to meet the deadline of 31st March, 2014 and submitted their financial statements for 2014 on the 19th May, 2015.

Committee's Observations and Recommendations

The CA submitted two core reasons responsible for the late submission of the financial statement as observed by the auditors. He maintained that Kailahun District Council failed to submit its financial statement on time due to the “malfunctioning of the Petra System,” used to prepare the financial statement, and the frequent transfer of staff by Local Government Service Commission, which also resulted in delaying the setting up of the database by PFMRU. The Committee discarded the latter argument of the CA, stating that other Councils

that submitted their financial statement on time were equally affected by staff transfer from one Council to the other.

However, the Committee strictly warned the CA to always work towards meeting deadlines as requires by law.

13.2 Ineffective IT control environment

Audit Finding

- There was no continuity or disaster recovery plans in place in the event of a system beak down.
- Technical expertise/information technology focal person was not available in the council.
- Routine maintenance of IT equipment and software upgrades were carried out by personnel based in Freetown without approved planned schedules
- Computers owned and controlled by the council were not adequately secured as they were not marked with durable identification codes.
- Regular anti-virus update was not carried out on IT equipment
- An appropriate documented information, communication and technology security policy for the control and management of IT was not available.
- The server hosting the PETRA Accounting Software was not functional and there was no anti-virus software installed on the laptop hosting the data for the PETRA Accounting software.
- No maintenance plan for hardware utilisation, including laptops and desktop computers.

Committee's Observations and Recommendations

A number of issues were flagged up by the auditors which were believed to have responsible for a weak IT control environment. Responding on the issue of disaster recovery plans in the event of a system breakdown, the CA told the Committee that an external backup system had been put in place for major Offices in the Council, and Council was making frantic efforts to ensure that the issue is addressed before the next audit. He promised the Committee that this particular matter would not appear again in the next audit exercise. On the issue of non-availability of technical expertise/information technology focal person, the CA informed the Committee that the recruitment process for the said position was done in 2013, including a qualified IT Officer who had already installed anti-virus on all the computers.

Speaking on the plan schedule for routine maintenance, the CA said that “it is the responsibility of IPFMRU to coordinate those activities and not the responsibility of Council.” On the issue of ‘computers owned and controlled by the Council not marked with durable identification codes, the Committee was made to understand that those machines were supplied prior to the time of audit. According to the CA, the equipment in question had been marked with appropriate identification code.

Reacting on the PETRA issue, the CA said that the PETRA System had been a challenge for all the Councils. He informed the Committee that the PETRA System was yet to be handed over to Council, though it had been installed on all computers. Based on the above, the Committee therefore, recommends that:

- *Council designs an appropriate IT policy to address issues relating to system maintenance, safeguard of equipment and anti-virus updates;*

- *a Server is installed to host the PETRA Accounting Software;*
- *Council designs a robust maintenance plan for the regular maintenance of computers and other electronic devices; and*
- *the CA should formerly communicate to the Ministry of Finance for PETRA issue to be resolved.*

13.3 Ineffective management of the council's budget and budgetary control processes

Audit Finding

- Monthly actual versus budget variance reports were not carried out by the Finance Office.
- Budgeted own source revenue of **Le382,850,000** could not be supported as cadastre/database for the number of market traders, diamond dealers and billboard was not provided for audit.
- A comparison of the council's performance in actual revenue generated against budgeted revenue for the 2014 financial year revealed a significant decrease by **63%**.
- The total sum of **Le180, 000,000** not in the Council's approved budget was utilised in the prevention and eradication of the Ebola virus.

Committee's Observations and Recommendations

According to the CA, Council was not aware of the existence of Diamond Dealers in the district and billboards that were erected in the district were owned by Council's development partners, who were not looking for profit, but to complement the effort of Council. The CA also told the Committee that due to the outbreak of the Ebola epidemic, Council could not ask people to pay tax. He revealed to the Committee that the sum of Le 180,000,000 that was queried by the auditors was used in the fight against the Ebola epidemic because government funds were not readily available at the initial stage of the outbreak.

Replying to the Committee's enquiry on whether the CA had an authority to utilise the said sum, the CA frankly informed the Committee that he did not produce any letter of authority to the effect, but Management saw the need for the Council to be fully involved in the fight. The Committee also observed that no minute was adduced where and how the decision to utilise the said amount was taken.

Responding to the Committee's query on Council's revenue mobilisation drive, the CA informed the Committee that the 63% fall in revenue collection was due to the outbreak of the Ebola Virus. He said that the revenue collectors were even afraid to go out and mobilise revenue for Council. This, according to him, was responsible for the drastic fall in revenue collection. In view of the above, the Committee recommends that:

- *Council Budget and Finance Committee meet regularly, and proceedings documented;*
- *monitoring of actual revenue and expenditure should be done regularly to identify variances and aid decision making;*
- *client cadastre/database for managing market tolls, diamond & billboard revenue, should be developed and made to reflect in the annual budget;*
- *the sum of Le180, 000,000 spent on the eradication and prevention of Ebola is refunded immediately, otherwise authorisation should be provided for inspection; and*
- *Council should put more effort in terms of revenue mobilisation drive.*

13.4 Ineffective Internal Controls

Audit Finding

A review of the council's internal control and operating systems revealed that:

- no risk assessment process for the identification and management of fraud and fraud related matters was in place; and
- Committees formed by the council were ineffective as minutes of meetings to justify their contribution towards the development of the council were not submitted for audit.
- the following information were not posted on the council's notice board:
 - [a] monthly financial statements;
 - [b] an updated inventory register; and
 - [c] monthly council meetings.

Committee's Observations and Recommendations

The CA acknowledged the fact that what the auditors observed was true, but he however informed the Committee that due to the Ebola outbreak, the state of public health emergency was declared; and as a result, people were discouraged from holding public meetings. In that regard, neither council meetings, nor committee meetings were held. Speaking on risk assessment process for the identification and management of fraud and fraud related matters, the CA argued that Management was working to resolving the issue before the next audit. The Committee warned that if the CA failed to resolve that issue as promised, the Committee would take action against him for perjury. The Committee, therefore, recommends that the CA should ensure that:

- *an appropriate risk assessment process/policy for the identification and management of fraud and fraud related matters is designed and effectively implemented;*
- *the various committees formed for the development of the council meets regularly and document minutes for reference purpose; and*
- *information is published on the council's notice board for public consumption.*

13.5 Ineffective Internal Audit Unit

Audit Finding

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

- Evidence and meetings to justify that the council's audit committee was monitoring the work of the Internal Audit Unit was not submitted for audit.
- 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 the council systems.
- Review of working paper files revealed no logical sequence between audit work executed and reports submitted to the CA. Audit procedures and conclusion were not documented.
- Management response letter to audit queries raised were not submitted for audit.
- Internal Audit reports were not submitted to the Internal Audit Committee and Minister for the period under review.

Committee's Observations and Recommendations

The CA admitted that the Internal Audit Committee did not meet due to lack of funds to facilitate the movement of committee members from their wards to attend meetings.

According to him, that had led to the committee's inability to monitor the work of the Internal Audit Unit effectively. He also acknowledged the fact that Internal Audit reports were not submitted to the Internal Audit Committee and the Minister for the period under review because the Audit Committee was not functional. He promised the PAC that the issue was under serious consideration for a reconstitution of the Audit Committee to also include two outsiders.

Deliberating on the issue of Internal Audit Unit being seriously under staffed and lacked motivation to carry out its function, the CA said that the Internal Audit Unit had been staffed with accompanied concomitant benefits to enable the office of the Internal Auditor functions effectively. Based on the foregoing, the Committee counseled the CA in collaboration with management of the council to ensure that:

- *the Audit Committee is reconstituted to include two outsiders and organise regular meetings and minutes of meetings be documented for reference purpose; and*
- *the Head of the Internal Audit Department should ensure the executions of internal audit assignments are properly planned, documented and supported by sufficient and appropriate audit evidence; and that Working Paper Files, such as the permanent and current are maintained for all audit assignments conducted by the department.*

13.6 Inadequate control of the collection, recording and banking of revenue

Audit Finding

- 25 receipt books valued at **Le2, 500,000** were not produced for audit.
- Own source revenue collected and recorded in the revenue general ledger, but no receipts issued amounted to **Le149, 110,350**.
- Own source revenue collected and not banked amounted to **Le5, 275,360**.
- Revenue from the disposal of council's vehicles not accounted for amounted to **Le37, 000,000**.

Committee's Observations and Recommendations

Responding to the issue of the receipt books that were not made available at the time of audit for inspection, the CA told the Committee that those books had been retrieved from the revenue collectors and were ready for Audit's attention. The Committee advised Audit to make follow-ups on the issue, but cautioned that if what the CA had told the Committee was later found to be on the contrary, action would be taken against him and his team. On the Le 5,275,360, the CA argued that the difference between revenue, as per general ledger and bank statement [Le.5, 275,360] was revenue collected in the previous year, but not posted. He said that reconciling amount was posted under the period under review.

Answering to probing questions on Council's revenue target, the CA said that Council's revenue target was Le 369,000,000 and had collected over Le 200,000,000. The Committee applauded the efforts being made and asked Management to lay more emphasis on revenue mobilisation.

Dilating on the Le37, 000,000 from the disposal of Council's three vehicles that was not accounted for, the CA pointed out that the decision to dispose those vehicles was taken by Councillors in a meeting. He added that the vehicles were sold and the amount in question

was banked. He however told the Committee that the said amount was later used to pay auxiliary staff. The Committee asked the CA to provide all relevant documents relating to the disposal process and the authority for the utilisation of the said amount, which were not provided to the Committee for inspection.

In view of the above, the Committee recommends that:

- *Audit Service should make follow-ups of the 25 receipt books that were claimed to have been recovered from the revenue collectors; and*
- *all relevant documents relating to the disposal of three vehicles and the authority for the usage of the said amount should be provided to Audit Service with immediate effect.*

Mr Speaker, Honourable Members, the following issues were confirmed to have been resolved:

13.7 Inadequate control of the reporting and presentation of financial information.

Audit Finding

Review of the council's financial statements and accounting records revealed the following:

- A comparison of devolved revenue for Primary Health - DSDP as per revenue listing from the PETRA Accounting software and the figure disclosed in the financial statements revealed an understatement of **Le77, 105,414**.
- Expenditure disclosed in the financial statements was understated by **Le157, 118,857**.
- Expenditures for goods and services totalling **Le140, 884,400** were not recorded in the PETRA Accounting Software.

13.8 Inadequate control of the general processing of payment vouchers

Audit Finding

- The relevant documentary evidence such as receipt/certification, attendance list, sensitisation and training reports were not made available for the disbursement of funds amounting to **Le154, 030,000**.
- Payment vouchers and supporting documents in the form of receipts, invoices, delivery notes etc. spent on **Le145, 838,440** were not submitted for audit.

13.9 Procurement procedures not followed

Audit Finding

- Procurements undertaken for goods, works and services to the tune of **Le436, 890,000** were not included in the annual procurement plan submitted for audit.
- Goods and services totalling **Le67, 260,000** were procured without the mandatory 'Request for Quotations' from at least three bidders.
- Standard procurement documents in the form of three requests for quotations, local purchase order and business certificates were not submitted for goods, works and services totalling **Le234,390,000**
- Minutes of procurement committee meetings to justify the basis upon which contractors were selected were not submitted for audit.
- Structured evaluation was not carried out, as reports to justify the process were not submitted for audit
- Expired business certificates were submitted by selected contractors.

13.10 Withholding Taxes not deducted

Audit Finding

Withholding taxes totalling **Le3, 884,000** for goods and services procured were not deducted and paid to the NRA.

13.11 Inadequate control of the distribution and usage of fuel

Audit Finding

- There was no fuel and maintenance policy.
- Contract agreements with fuel suppliers were not submitted for audit.
- There were no fuel usage reports, register and distribution list to justify the allocation of fuel amounting to **Le298, 134,000**.
- There were no operating records such as log book to show how the sum of **Le60, 267,000** was spent for servicing and repairs of motor vehicles, motor bikes, and generators.

13.12 Sitting fees and other allowances paid to Councillors

Audit Finding

The following were observed:

- There was no evidence in the form of guidelines issued by the MLGRD, to justify the amount of Le126, 667,500 recognised in the financial statements as sitting fees.
- The total sum of Le71, 715,000 was paid to Councillors as sitting fees and transport allowances even though they failed to attend council meetings.

However, the Committee deemed it fit to maintain the following recommendations as previously proffered by Audit to avoid future occurrence:

- *that guidelines be issued out by the MLGRD for sitting fees and other allowances for Councillors;*
- *that withholding taxes are deducted and paid to the NRA and receipts be maintained for reference purpose;*
- *that Policy on fuel and maintenance be prepared and followed for the distribution and utilisation of fuel and maintenance of vehicles, motorbikes and office equipment; and*
- *records of fuel and repairs are maintained according to the above legislation.*

14.0 KENEMA DISTRICT COUNCIL

14.1 Ineffective Internal Audit Unit

Audit Finding

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

- The Council Audit Committee was ineffective.
- Management response letters to indicate management's commitment to act upon audit queries raised were not submitted for audit
- Review of working paper files revealed no logical sequence between audit work executed and reports submitted to the CA. Audit procedures and conclusion were not documented.
- Internal audit reports were not submitted to the minister for the period under review.

Committee's Observations and Recommendations

Invariably the issues observed under the Internal Audit Units in other Councils, Kenema District Council was no exception. Under the rubric, 'ineffective Internal Audit Committee,'

the CA accepted the audit finding, but assured PAC that he would put in place a robust Audit Committee that would ensure the implementation of the Internal Auditor's recommendations. He revealed that an Audit Committee had already been reconstituted and its terms of reference had also been drawn. The Committee advised the CA to ensure that the Audit Committee must include two outsiders.

Speaking on the Committee's queries on 'management's commitment to act upon audit queries and the submission of all audit reports to the Minister,' the CA said that Management had always been committed to acting upon audit queries. He presented his responses to the Committee for verification; but the Committee advised the CA to always ensure that responses to audit queries **"are presented on time to avoid audit queries."** On the issue of submitting internal audit reports to the Minister, the CA said, **"Management accepts the findings and will ensure submission of all subsequent audit reports."** The Committee observed some amount of lassitude on the part of the CA to perform his responsibilities as expected. Based on those observations, the Committee recommends that:

- *Council's Audit Committee must be reconstituted to include two outsiders that will be responsible to approve the Unit's work plans and monitor the implementation of all internal audit recommendations;*
- *Management should always respond to all internal audit queries and ensure that recommendations are implemented; and*
- *the Audit Committee should ensure that the Internal Auditor's working paper files such as the permanent and current are maintained for all audit assignments conducted by the department.*

14.2 Ineffective IT control environment

Audit Finding

A review of the council's internal controls and operating systems revealed:

- There was neither continuity nor disaster recovery plan in place in the event of data loss during a system upgrade or development.
- Technical expert/information technology focal person was not available in the council.
- Routine maintenance of IT equipment and software upgrades were carried out by personnel based in Freetown without approved planned schedules
- Computers owned and controlled by the council were not adequately secured as they were not marked with durable identification codes.
- Regular anti-virus update was not carried out.
- An appropriate documented information, communication and technology security policy for the control and management of IT was not available.
- No maintenance plan for hardware utilisation, including laptops and desktop computers.

Committee's Observations and Recommendations

Enquiring into those issues revealed that the position of Information and Communications Officer had been vacant since 2012. Reacting to the Committee, the CA informed PAC that that vacancy had existed for so long. He submitted that the recruitment of the official in question was the responsibility of the Local Government Service Commission, which according to him, was left unfilled. He however told the Committee that through his efforts,

the vacancy for the position of Information and Communications Officer had been filled and the Council would address all IT related issues flagged up by Audit Service before the next audit exercise. The Committee appreciated the CA's moves, but counselled Management to ensure that:

- *an IT policy is put in place to address issues relating to system maintenance, safeguard of equipment and anti-virus updates; and*
- *a robust maintenance plan is developed and implemented for the regular maintenance of computers and other electronic devices.*

14.3 Ineffective Management of the Council's Budget and Budgetary Control Processes **Audit Finding**

- Monthly actual versus budget variance reports were not prepared and submitted to the Budget and Finance Committee.
- A cadastre/database to support budgeted own source revenue totalling **Le871,582,000** for Property taxes, business licences, produce licences, market tolls etc. was not provided for audit.
- A comparison of the council's performance in actual revenue generation against budgeted revenue for the 2014 financial year revealed a significant decrease by **84%**.
- The total sum of **Le557, 238,000** not in the council's approved budget was utilised in the prevention and eradication of the Ebola virus.

Committee's Observations and Recommendations

Responding to the issue on monthly actual versus budget variance reports that were not prepared and submitted to the Budget and Finance Committee, the CA informed the Committee that the monthly actual versus budget variance reports were prepared for Management's attention, but not submitted to the Budget & Finance Committee as observed by the auditors. He however promised the Committee that Management would ensure that those reports are submitted to the Budget & Finance Committee for deliberations. The Committee advised the CA to live up to his promise, so as to avoid a recurrence of the issue.

Mr Speaker, Honourable Members, further examinations into the Cadastre System revealed that the resignation of the Valuation Officer during the period under review and the failure of the Local Government Service Commission to refill the vacancy created a plethora of problems for Council. **"In addition,"** the CA informed the Committee, **"the Consultant who was hired to ensure the effective functioning of the Cadastre System was out of the country during audit period; and as a result, the System could not be accessed because of technical glitches."** That situation, according to the CA, was brought to the attention of the auditors.

Deliberating on the significant decrease on Council's revenue collection drive, the Committee was made to understand that the decrease in revenue collection was as a result of the Public Health Emergency that was declared nationwide. Additionally, the CA told the Committee that **"the problem was further compounded by the refusal of tax payers to pay their taxes."** He stated that all revenue collectors abandoned their posts because of the outbreak and nothing happened in terms of revenue collection during the period under review. He also argued that the Cadastre System that was not working properly posed serious challenge to

Council's revenue projection. Speaking on Council's preparedness to overcome those challenges, the CA said that the Ebola epidemic had been conquered and serious campaigns and sensitisations on the need to pay taxes were ongoing. He said, **“as normalcy is gradually returning, Council is positive of a reversal in fortunes as evidence by the fact that our half yearly revenue collection has already surpassed the results of the whole of 2014.”**

The CA disagreed with the query on the Le557, 238,000 that was reported to have been utilised in the prevention and eradication of the Ebola virus, but was not in Council's approved budget. He told the Committee that the said amount was disbursed because a supplementary budget was approved by the Budget & Finance Committee. The approval was presented to the Committee for verification. Based on those observations, the Committee recommends that:

- *the monthly actual versus budget variance reports are prepared by the Finance Officer and submitted to the Budget and Finance Committees for deliberation;*
- *a client cadastre/database for managing own source revenue must be developed and made to reflect in the annual budget;*
- *monitoring of actual revenue and expenditure should be done regularly to identify variances and aid decision making;*
- *the issue on the Le557, 238,000 that was utilised in the prevention and eradication of the Ebola virus disease be closed; and*
- *in future, a supplementary budget is prepared and approved for any unexpected expenditure undertaken during emergency period.*

14.4 Inadequate control of the collection, recording and banking of revenue

Audit Finding

- There were delays in the posting/recording of own source revenue.
- Daily revenue collected was not banked on a regular basis.
- A reconciliation between daily revenue collected as per receipt books and those banked as per bank pay-in-slip/bank statement was not done.
- Own source revenue collected as shown in the receipt books not entered in cash book amounted to **Le6, 203,000**.
- Own source revenue for which receipts were not issued amounted to **Le37, 094,000**.

Committee's Observations and Recommendations

The Management team was engaged as to why those issues were still not resolved. Reacting to the Committee on the issue that had to do with the delays in posting/recording of own source revenue, the CA informed the Committee that those delays mainly occurred between the months of October to December, 2014, when a new Accountant was posted to the Council. He however, assured the Committee that Management would ensure that that issue would not repeat again, since a new Accountant had resumed work.

Speaking on why Council failed to bank daily revenue collected, he affirmed that it was due to the changes in the opening and closing schedules of the banks, stating that the declaration of Public Health Emergency disrupted the normal operations of the banks. **“However,”** he noted, **“the situation is expected to improve because the banks are working on revisiting**

their closing times.” Furthermore, the CA reminded the Committee that Council’s revenue generation drive was dominated by field operations, noting that the long distances involved meant revenue collected would not be reported and banked on a daily basis. In that regard, the CA said that **“a policy of weekly reporting was adopted, meaning the various dates on the receipt books would be noted, but the date the receipt book and associated revenue was submitted in the office was the very date of receipt of those revenues, and that is also the date the moneys are lodged into the account.”** The Committee demanded a copy of the policy he was referring to for verification, which was submitted.

Responding to the Committee as to why the sum of Le6, 203,000 was not entered into the cash book, the CA said that the amount indicated in the various receipt books was entered into the cash book and was reported on, only that the amount was recorded on the date the receipt books were actually submitted to the office and not on the various dates indicated on the individual receipts. He added that the reason why those receipt books were submitted late was because some of their revenue collectors were quarantined under the Ebola emergency laws and could not report to the office as expected. He emphasised that the receipt books were captured in the cash book, which in turn were posted on the PETRA System that produced the Financial Statements. In that regard, the Committee recommends that:

- *posting/recording of own source revenue into the books of accounts is done in accordance to the above regulation;*
- *own source revenue are collected and recorded into the cash book;*
- *revenue collected is banked according to Council’s approved ‘policy of weekly reporting’ of revenue; and*
- *the receipts for the sum of Le37, 094,000 own source revenue collected are made available with immediate effect.*

14.5 Inadequate control of the distribution and usage of fuel

Audit Finding

We observed that the council did not operate according to Sections 236[1, 2 & 5] of the FMR, 2007 as below:

- There was no fuel and maintenance policy.
- Contract agreements with fuel suppliers were not submitted for audit.
- There were no fuel usage reports and register to justify the allocation of fuel amounting to Le55, 171,000.
- There were no operating records such as log book to show how the sum of **Le92, 950,000** was spent for service and repairs of motor vehicles, motor bikes and generators.

Committee’s Observations and Recommendations

The CA informed the Committee that fuel policy had been drafted and Council had a contract agreement with Mattia K. Sannoh, Manager of NP Filling Station, Hangha Road, Kenema, for the supply of fuel and fuel lubricants to Council. He said that the devolved sectors were not required to include fuel registers as part of the retirement for the utilisation of fuel, but fuel reports were supposed to be included. However, the CA promised to mandate devolved sector heads to forward fuel registers when making retirement of disbursed funds. He

forwarded copies of fuel usage reports to the Committee for verification. Therefore, the Committee recommends that:

- *a policy on fuel and maintenance is implemented with immediate effect; and*
- *records for the utilisation of Le148, 121,000 are forwarded to the Audit Office and the Committee with immediate effect.*

The following issues were resolved:

14.6 Ineffective Internal Controls

Audit Finding

A review of the council's internal control and operating systems revealed:

- that no risk assessment process for the identification and management of fraud and fraud related matters was in place.
- that Committees formed by the council were ineffective as there were no minutes of meetings to justify their contribution towards the development of the council.

The following information were not posted on the council's notice board:

- [a] Monthly financial statements;
- [b] An updated inventory register; and
- [c] Monthly council meetings

14.7 Late Submission of Financial Statement

Audit Finding

Kenema District Council failed to meet the deadline of 31st March, 2015 according to the LGA 2004 and submitted their financial statements for 2014 on the 1st May, 2015.

14.8 Inadequate control of the reporting and presentation of financial information.

Audit Finding

Review of the council's financial statement and accounting records revealed the following:

- A comparison of own source revenue collected and recorded as per cashbook and the figure disclosed in the financial statements showed revenue understated by **Le62, 260,000**.
- Expenditures disclosed in the financial statements were understated by **Le99, 130,944**.

14.9 Inadequate control of the general processing of payment vouchers

Audit Finding

- The relevant documentary evidence such as recipient signature, monitoring, sensitisation and training reports were not made available to justify the disbursement of funds amounting to **Le392, 064,000**.
- The amount of **Le220, 790,000** was spent by the council for which payment vouchers were not presented for audit inspection.

14.10 Procurement procedures not followed

Audit Finding

- Procurement Plan presented for the year for audit inspection was not approved by the National Public Procurement Authority.
- There was no evidence in the form of goods received note and records being made in the allocated store ledgers to justify the quantity and specification of sanitary and farm tools procured and received amounting to Le29, 280,000.

- Work completion certificates for payments made for various completed contracts totalling Le288, 446,781.75 was not presented for audit.
- Goods and services totalling Le104, 916,666 were procured without the mandatory 'Request for Quotations' from at least three bidders.

14.11 Sitting fees and other allowances paid to Councillors

Audit Finding

The following were observed:

- There was no evidence in the form of guidelines issued by the MLGRD, to justify an amount of **Le145, 305,000** recognised in the financial statements as sitting fees.
- The total sum of **Le12, 108,750** was paid to councillors for the month of September without minute of meeting.
- An amount of **Le84, 100,000** was given to councillors on behalf of the Ward Committee members as support but no retirement details.

14.12 Inadequate control of the management and security of furniture and equipment

Audit Finding

- Audit observed that furniture and equipment acquired amounting to **Le62, 200,000** was not recorded in the master inventory register.
- Furniture and equipment movement report was not prepared by the council.

Mr Speaker, Honourable Members, though the above mentioned issues were said to have been resolved, the Committee thought it fit to proffer the following recommendations in order to avoid their reoccurrence that:

- *the CA should ensure that Council meet the deadline in terms of submitting the Financial Statement;*
- *the master inventory register be updated regularly with all assets owned and controlled by the council;*
- *furniture and equipment movement report should prepared and updated regularly;*
- *the annual procurement plan should be approved by the National Public Procurement Authority before procurement activities are undertaken.; and*
- *an appropriate risk assessment policy for the identification and management of fraud and fraud related matters be designed and effectively implemented.*

15.0 KOIDU NEW SEMBEHUN CITY COUNCIL

During the Committee's first oversight visit in April, 2016, PAC was unable to engage Koidu New Sembehun City Council because the Committee was told that key officials of the Council were on suspension and their documents were with the ACC pending investigation. During the Committee's second oversight visit in July, 2016, the Committee engaged Council officials on a number of unresolved queries flagged up by the auditors.

15.1 Ineffective IT control environment

Audit Finding

A review of the council's internal controls and operating systems revealed that:

- there was no business continuity or disaster recovery plan in place in the event of a systems [PETRA, REMOP] breakdown.
- technical expertise/information technology focal person was not available in the council.
- routine maintenance of IT equipment and software upgrades were carried out by personnel based in Freetown without planned schedules.
- appropriate documented Information, communication and technology security policy for the control and management of IT was not available.

Committee's Observations and Recommendations

Responding to the Committee's question on why Council had not put in place disaster recovery plan in the event of systems [PETRA, REMOP] breakdown, the CA told the Committee that Council had assigned the Information, Education & Communication Officer for all ICT issues in Council to avoid system breakdown and the IECO had started working to resolve the problem. He also told the Committee that he had written to the Local Government Service Commission to recruit an IT Specialist and other competent officials to fill existing vacancies in the Council. The Committee asked for evidence of communication to ascertain the truth of his submission, which was later submitted for authentication. However, the Committee advised the CA to loan an IT Specialist whilst awaits final posting of an IT Specialist.

The CA informed the Committee that the ICT Department in the Ministry of Finance and Economic Development hardly visited the Council, and that had affected the smooth functioning of the PETRA System, which he noted was a compliment to the daily operations of Council. He claimed that Council had made frantic effort to ensure the effectiveness of the PETRA and the Property Cadastre System, but the System faced challenges with the REMOP System. He said that Council had engaged the service providers of the REMOP IFAD Sponsored Programme to ensure the inclusion of routine maintenance clause in the Service Providers Agreement.

It is on the basis of the Committee's observations that the following recommends are hereby made:

- *that an appropriate IT policy to address issues relating to system maintenance, safeguard of equipment and anti-virus updates is designed;*
- *that Information, Communication and Technology focal person is recruited to assist in routine maintenance among his/her other functions; and*
- *that a robust maintenance plan is developed and implemented for the regular maintenance of computers and other electronic devices.*

5.2 Internal audit not effective

Audit Finding

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

- copies c of internal audit reports were not submitted to the council's Audit Committee for the period under review.

- there were no minutes of Audit Committee meetings to confirm that the council's Internal Audit Committee met.
- Management failed to respond to all the internal audit reports issued.

Committee's Observations and Recommendations

A critical review of the said issue revealed copies of the internal audit reports were not submitted to Council's Internal Audit Committee for the period under review, but the CA informed the Committee that the reports in question were available for Audit's attention. He also told the Committee that the reason why Management failed to respond to Internal Audit queries was because internal audit reports were issued late, and as a result, they were not submitted to the Audit Committee for management to respond to the Audit Committee.

Speaking on the issue that had to do with minutes of Audit Committee meetings not submitted to confirm whether council's Internal Audit Committee meetings were held, the CA said that during the period under review, it was difficult for Councillors to meet due to the outbreak of the Ebola Virus Disease. He reiterated that public health emergency was declared across the country, and public gatherings were proscribed. Mr Speaker, the Committee, from a legislative professional stand point counseled that:

- *the Head of Internal Audit Department should ensure that copies of the reports are provided to the Audit Committee for management's attention;*
- *Council's Audit Committee should meet regularly and ensure the implementation of Internal Audit recommendations; and*
- *Management should respond to all internal audit queries and ensure that recommendations are implemented.*

15.3 Ineffective management of council's budget and budgetary control processes

Audit Finding

- The approved budget was not published on the council's notice board.
- Monthly actual versus budget variance reports were not submitted to the Budget and Finance Committee, and no minute to show that the committee was operational for the period under review was presented for audit inspection.
- A comparison of the council's performance in actual revenue generation against budgeted revenue for the 2014 financial year revealed a significant decrease by **67.59%**.
- Comprehensive clients' cadastre /database were not available for all revenue sources for the year ended 31st December, 2014.

Committee's Observations and Recommendations

The Committee was told by the CA that monthly actual versus budget variance report could not be submitted to the Budget and Finance Committee because of the Ebola outbreak. He also admitted that the outreach activities of Councillors during the outbreak could not allow them to hold meetings as expected. He however assured the Committee that that situation had changed in 2015. The Committee advised that if the issue reappeared, an uncompromising action would be taken against him.

Explaining the reasons responsible for the drop in revenue generation, the CA told the Committee that the decrease in revenue mobilisation was due to the reluctance of tax payers to pay their taxes directly to the bank. He also informed the Committee that the outbreak of the Ebola Virus Disease [EVD] during the period under review diverted Council's attention from revenue generation drive to the fight against the disease; which he stated had led to the decrease in revenue generation.

Enlightening the Committee on Council's revenue target, the CA said that the sum of Le 2bln was projected for 2015, but had already collected over Le 300mln. The Committee was not impressed with Council's revenue generation drive, stating that if the CA failed to be innovative in that regard, the purpose for which the Council was created would not be actualised. The Committee advised Council to put more efforts in revenue collection. Therefore, Mr Speaker, Honourable Members, the Committee in that respect recommends that:

- *Council's Budget and Finance Committee meets regularly and proceedings documented for future reference;*
- *monitoring of actual revenue and expenditure should be done regularly to identify variances and aid decision making;*
- *a client cadastre/database for managing market tolls, diamond & billboard revenue, should be developed and made to reflect in the annual budget; and*
- *the CA should employ robust strategies in revenue collection process.*

The Committee was happy to have learnt that the following issues were resolved:

15.4 Payment made for sitting fees without minute of meeting or attendance register- Le98, 985,772

Audit Finding

The following were observed:

- There was no evidence in the form of guidelines issued by the MLGRD, to justify the amount of **Le 72,459,934** recognised in the financial statements as sitting fees.
- The total sum of **Le26, 525,838** was paid to Councillors as sitting fees and transport allowances even though they failed to attend council meetings.

15.5 Inadequate control of the reporting and presentation of financial information

Audit Finding

A review of the council's financial statements and accounting records revealed the following:

- A comparison of closing balances as at **2013** and opening balances as at **2014** revealed a difference between the two.
- Cash book balances used in the reconciliation statements differ from cash book balances as per general ledger for three [3] accounts.
- Bank balances as per bank reconciliation statements did not agree with bank balances as per bank statements for some accounts.
- Total expenditure in the financial statement was understated by **Le73, 130,536**.

15.6 Inadequate control of collection, recording and banking of revenue

Audit Finding

A review of the council revenue controls identified the following issues:

- Evidence in the form of requests 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.
- Own source revenue recorded in the general ledger was overstated in the financial statement by a total of **Le11, 381,000**.
- The council was only able to collect about **7.6%** of property tax from the total demand notices sent to tax payers of **Le956, 392,000**. See table below:

Details	Amount	Percentage [%]
Expected Property tax Revenue [sum]	956,392,000	
Actual Revenue Collected[General Ledger]	72,495,000	7.6%
Revenue not collected [Statement 16]-Revenue arrear	846,000,000	92.4%

[i] Reconciliation of own source revenue collected as per receipt books and bank pay-in slips/bank statements were not performed.

[ii] Audit could not access the REMOP accounting software for the collection of Property tax and Business Licenses in 2014 in order to confirm the completeness and accuracy of the amounts reported in the financial statements.

[iii] Revenue collected for Hall Hire was **Le3, 600,000**. However, receipt books and cash books were not submitted for audit purposes in order to confirm that that was the actual revenue collected.

[iv] Lorry park fees collected amounting to **Le70, 000** was far below the budgeted amount of **Le15, 164,000**.

15.7 Inadequate control over the distribution and usage of fuel Le31, 239,100

Audit Finding

There were no control mechanisms in the form of fuel chits and fuel register to monitor and reconcile the receipt and use of fuel totalling **Le31, 239,100**.

15.8 Procurement procedures not followed

Audit Finding

- Goods and services totalling Le220, 027,000 were procured without the mandatory 'Request for Quotations' from at least three bidders.
- There were no minutes of procurement meetings to confirm that the procurement committee held meetings to discuss procurement issues.
- A contract of Le400, 000,000 was awarded to Masses Enterprises for the supply of diet and sundry items to the Koidu Government Hospital. However, the original copy of the completed contract agreement was not submitted for audit purposes and the bidding process was not competitive as there was only one bid which was evaluated by the Evaluation Committee.
- The council's procurement plan was not approved and procurement activities conducted amounted to **Le894, 180,000**.

- Final 40% payments were made for road maintenance totalling **Le61, 040,000** for which certificate of completion was not submitted in accordance with **NPPA 2006** requirements.

15.9 Inadequate control of the general processing of payment vouchers-Le636, 876,500

Audit Finding

- The relevant documentary evidence such as request, receipt/certification, and training reports were not made available to justify the disbursement of funds amounting to **Le241, 249,500**.
- Payment vouchers without requests and pet forms amounted to **Le9, 800,000**.
- Disbursements for which payment vouchers were not prepared amounted to **Le385, 827,000**.

15.10 5% Withholding taxes not paid to the National Revenue Authority – Le6, 093,750

Audit Finding

Withholding taxes totalling **Le6, 093,750** in respect of goods and services procured were not deducted and paid to the NRA.

15.11 Inadequate control over the management of stores Le50, 800,000

Audit Finding

There was no evidence of delivery notes or records in the allocated stores ledger for goods distributed to MDAs totalling **Le50, 800,000**.

However, the Committee deemed it fit to maintain the following recommendations as previously proffered by Audit to avoid reoccurrence:

- *the monthly/quarterly fuel reconciliation should be prepared on a regular basis and details of all fuel received and issued should be recorded in the Fuel Register*
- *the procedure for the “Request for Quotations” must be in accordance with Section 45 of the Public Procurement Act, 2004;*
- *all minutes of procurement meetings should always be submitted within the stipulated time;*
- *the CA should ensure that the annual procurement plan is approved before any procurement activities are undertaken;*
- *the CA should ensure proper supervision and review to ensure the reconciliations of daily revenue collected, recorded and banked; and*
- *measures are enforced to ensure that the outstanding property taxes are collected and improve on the collection of all other revenues.*

16.0 KONO DISTRICT COUNCIL

16.1 Inadequate control of the distribution and usage of fuel

Audit Finding

- There was no fuel and maintenance policy.
- Contract agreements with fuel suppliers were not submitted for audit.
- There were no fuel usage reports, register and distribution list to justify the allocation of fuel amounting to **Le58, 540,000**.
- There were no operating records such as log book to show how the sum of **Le64, 936,000** was spent for servicing and repairs of motor vehicles, motor bikes and generators.

Committee's Observations and Recommendations

The Committee observed that the issue on fuel distribution and usage was becoming common and perennial in almost all Local Councils. For Kono District Council, the CA told the Committee that Council was in the verge of forming a Transport Committee that would be responsible to provide the Council with a draft fuel and maintenance policy for the approval of Council. The CA added that almost "all fuel suppliers in Kono District are not registered with the Council and Council will only do business with suppliers that are fully registered." The Committee encouraged Management to educate fuel suppliers on the need to register with Council.

Speaking on the non-existence of operating records such as log book to show how the sum of Le64, 936,000 was spent for servicing and repairing motor vehicles, motor bikes and generators, the CA said that he had asked the sector finance clerks of the devolved sector to prepare fuel distribution log book and report to justify the amount of fuel used and amount used for servicing and fixing of equipment and machines. It is in respect of that the Committee warned that:

- *the CA should, with immediate effect, ensure that a policy on fuel and maintenance is put in place and followed for the distribution and utilisation of fuel and maintenance of vehicles, motorbikes and office equipment;*
- *records for the utilisation of Le123, 476,000 are forwarded to the Audit and the Committee within thirty [30] days of receipt of this report; otherwise the amount in question be refunded; and*
- *Records of fuel and repairs should be maintained as required by law.*

16.2 Ineffective management of the council's budget and budgetary control processes

Audit Finding

- Monthly actual versus budget variance reports were not submitted to the Budget and Finance Committee.
- Budgeted own source revenue of Le343,711,016 could not be supported as cadastre/database for the number of market traders, diamond dealers and billboard was not provided for audit.
- A comparison of the council's performance in actual revenue generated against budgeted revenue for the 2014 financial year revealed a significant decrease by **76%**.
- The total sum of **Le32, 000,000** not in the council's approved budget was utilised in the prevention and eradication of the Ebola virus.

Committee's Observations and Recommendations

According to the CA, monthly actual versus budget variance were not submitted because of the Ebola outbreak. During the period under review, the CA maintained that the Budget and Finance Committee did not meet at the end of the year and as such, reports were not submitted. He however promised to clear off the issue before the next audit.

Speaking on Database or Cadastre for the collection of revenue from Billboard erection, the CA said that Kono District Council had not created a database or cadastre for the collection of revenue from Billboard erection. He however informed the Committee that Council had provided forms for the collection of data on billboards across the district and were distributed

to Business Sectors, Organisations and Companies. He assured the Committee that Council, via the Valuation Unit, would stand a better chance for 2015 to provide a database on the said tool.

Responding to the Committee's query on Council's experience with diamond dealers, the CA gave his candid opinion about those set of people. According to him, Council encountered bitter experiences in terms of dealing with diamond dealers. He alleged that the Ministry of Mines and Mineral Resources claimed ownership of certain individuals and companies involved in mining activities; and as a result, those miners were directly under the purview of the Ministry. Thus, Council found it difficult to collect data from those diamond dealers, which would have been adduced to the auditors for verification. Queried on whether efforts were made by Council to resolve the issue with the Ministry, the CA said, **"I have written a formal letter to the Director of Mines on this particular issue, but no action has been taken."**

Additionally, revenue collection from market tolls was supposed to be the sole responsibility of Council, but the CA claimed that the Chiefdom Councils had been creating a lot of problems for the Council, stating that the Chiefdom Councils claimed to have received a letter from the Director of Local Government, authorising them to collect revenue from market tolls. This, according to the CA, was one of the reasons why Council had not been able to get complete data on market tolls for onward submission to the auditors. The CA presented documents in the form of correspondences to show Council's commitment in resolving those problems. The Committee appreciated the CA's efforts, but counseled that frequent reminder would help resolve the issues.

Answering to the Committee's query on why Council was unable to meet revenue target, the CA said that the revenue target for own source revenue was not met because of the Ebola outbreak, which according to him, made it difficult to collect revenue effectively. This and other factors already discussed were responsible for the significant decline in revenue collection process. He assured the Committee that robust measures were in place to mobilise more revenue for the development of the district. He revealed to the Committee that the Le 32,000,000 that was queried by the auditors was used in the fight against the Ebola virus. Questioned on whether the amount in question was authorised, the CA said that a supplementary budget was approved by the Council for the utilisation of the said amount. Documents to authenticate his claim were provided to the Committee for verification.

Therefore, the Committee advised the CA and Management team to ensure that in future:

- ***monthly actual versus budget variance reports are prepared by the Finance Officer and submitted to the Budget and Finance Committees for further action;***
- ***a client cadastre/database for managing market tolls, diamond & billboard revenue, be developed and also used for the annual budget;***
- ***monitoring of actual revenue and expenditure be done regularly to identify variances and aid decision making;***
- ***expenditure on any circumstance must be appropriately budgeted for or a supplementary budget must be prepared and submitted to the Local Government Finance Division for approval; and***

- *the sum of Le32, 000,000 spent on the eradication and prevention of Ebola be closed.*

16.3 Sitting fees and other allowances paid to Councillors

Audit Finding

The following were observed:

- There was no evidence in the form of guidelines issued by the MLGRD, to justify the amount of **Le68, 931,572** recognised in the financial statements as sitting fees.
- The total sum of **Le59, 606,000** was paid to councillors as sitting fees and transport allowances even though they failed to attend council meetings.

Committee's Observations and Recommendations

The Committee's engagement with the CA on the aforementioned issues revealed that:

- the issuance of guidelines for the payment of sitting and transport allowances was the responsibility of the Ministry of local Government, but those guidelines were yet to be issued by the Ministry; and
- Councillors who failed to attend Council meetings were busy in their respective wards responding to chiefdom issues. The CA also told the Committee that since May-June, 2014 Councillors did not meet due to the Ebola outbreak. He acknowledged the fact that allowances were paid to them since it was an extraordinary situation. In view of the above, the Committee recommends that:
 - *sitting fees and other allowances must only be paid to Councillors who attend meetings; and*
 - *sitting fees and other allowances paid to absentee Councillors to the tune of Le59, 606,000 should be recouped and refunded within thirty [30] days of the receipt of this report.*

16.4 Ineffective Internal Audit Unit

Audit Finding

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

- Evidence to justify that the council's audit committee was monitoring the work of the Internal Audit Unit was not submitted for audit.
- Minute of meetings to justify that internal audit reports were deliberated upon by the Council's audit committee were not submitted for audit.
- Executions of Internal Audit assignments though planned and documented revealed that the audit work was skewed towards the review of school fee subsidies and expenditure with no provision made for the review of the council systems.
- Review of working paper files revealed no logical sequence between audit work executed and reports submitted to the Chief Administrator. Audit procedures and conclusion were not documented.
- Management response letter to justify management's commitment to act upon audit queries raised were not submitted for audit.
- Internal Audit reports were not submitted to the Internal Audit Committee and Minister for the period under review.

Committee's Observations and Recommendations

The CA told the Committee that the new Audit Committee was very effective, but due to the outbreak of the Ebola epidemic, the committee failed to meet since June, 2014 which rendered it ineffectual. He however told PAC that the Audit Committee had been revitalised to ensure that the recommendations in the internal audit reports are addressed by Management.

The Committee warned the CA and Management team to ensure that other issues responsible for the ineffectiveness of the Internal Audit Unit are addressed before the next audit; and that if those issues are flagged up again, the Committee would advise itself accordingly.

16.5 Ineffective IT control environment

Audit Findings

- There was no continuity or disaster recovery plans in place on the event of data loss during system upgrades or development.
- The council does not have an in-house Technical expert/Information Technology focal person.
- Routine maintenance of IT equipment and software upgrades were carried out by personnel based in Freetown without approved planned schedules.
- Computers owned and controlled by the council were not adequately secured as they were not marked with durable identification codes.
- Regular anti-virus update was not carried out on IT equipment.
- An appropriate documented Information, Communication and Technology security policy for the control and management of IT was not available.
- The server hosting the PETRA Accounting Software was not functional since May, 2014 and no maintenance has been carried out.
- No maintenance plan for hardware utilisation, including laptops and desktop computers.

Committee's Observations and Recommendations

The Committee observed a number of issues under the 'ineffective IT control environment.' On the issue of 'in-house technical expert or information technology focal person,' the CA told the Committee that Council used to have an Information Technology personnel up to March, 2014, but the person in question left the Council unceremoniously. Questioned on his plans to find a better replacement, the CA informed PAC that he had got clearance from the Ministry of Finance to recruit its own IT experts, so that routine maintenance of IT equipment and software updates would be carried out by Council's local experts, which he claimed, was ongoing.

Answering to probing questions on the security of computers owned and controlled by the Council, the CA said, "**identification codes are on all computers, but they were not clearly seen.**" He however promised the Committee that Council would try to improve on those writing for the sake of clarity. The Committee advised Management to ensure that the issue is resolved and the appropriate documented Information Communication and Technology Security Policy for the control and management of IT are put in place within the shortest possible time.

Responding to the Committee's queries on Council's commitment towards ensuring regular anti-virus updates and maintenance of the Server as reported by audit, the CA said that the Information Communication and Technology Unit in the Ministry of Finance was responsible to ensure regular anti-virus update since Council was using the Semantic End Point. Questioned on whether possible alternatives could be sought to resolve the issue, the CA emphasised that ICT Unit in the Ministry of Finance had access to it, but because of the Ebola outbreak, it was impossible for them to reach the provinces. **"However,"** the CA claimed, **"we have called on them to come and update the ant-virus."** Explaining to the Committee on the issue of the 'Server,' the CA also claimed that he had sent several correspondences to the Information Communication and Technology Unit in the Ministry of Finance to visit Council and repair the Server that was hosting the PETRA ACCOUNTING Software. The CA however, informed the Committee that the attention of the Ministry had been drawn on the issue. Based on those observations, the Committee recommends that:

- *Council designs an appropriate IT policy that addresses issues relating to system maintenance, safeguard of equipment and anti-virus updates;*
- *Council recruits an Information, Communication and Technology focal person that will assist in routine maintenance;*
- *the Sever hosting the PETRA Accounting Software must be immediately repaired;*
- *robust maintenance plan is developed and implemented for the regular maintenance of computers and other electronic devices; and*
- *computers owned and controlled by the Council should be conspicuously marked with identification codes.*

The Committee is happy to report to the House that the following issues were cleared and therefore recommends that they be closed.

16.6 Ineffective Internal Controls

Audit Finding

A review of the council's internal control and operating systems revealed:

- No risk assessment process for the identification and management of fraud and fraud related matters was in place.
- Committees formed by the council were ineffective as there were terms of reference and composition to justify formation were not submitted. In addition minutes of meetings to justify their contribution towards the development of the council were not submitted for audit.
- The following information were not posted on the council's notice board:
 - [a] Monthly financial statements;
 - [b] An updated inventory register;
 - [c] Monthly council meetings.

16.7 Inadequate control of the reporting and presentation of financial information.

Audit Finding

Review of the council's financial statement and accounting records revealed the following:

- [i] A comparison of own source revenue collected and recorded as per cashbook [Manual] and the figure disclosed in the financial statements was understated by **Le2, 298,624.**

[iii] Expenditures disclosed in the financial statements were understated by **Le94, 506,973**.

[iii] Cash book balances used in the reconciliation statements differ from cash book balances in the general ledger from the PETRA Accounting Software.

16.8 Inadequate control of the collection, recording and banking of revenue

Audit Finding

- Evidence 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.
- There were delays in the posting/recording of own source revenue as postings were made only when cash collected have been deposited into the bank. Deposits of cash normally take one or two months after collection. .
- Daily revenue collected was not banked on a regular basis.
- A reconciliation between daily revenue collected as accounted for in the receipt books and those banked as per bank pay-in-slip/bank statement was not done.
- 18 receipt books valued at **Le1, 800,000** were missing.
- Own source revenue collected and recorded in the manual cashbook for which receipts were not issued amounted to **Le19, 579,084**.
- Own source revenue collected and not banked amounted to **Le23, 042,084**.

16.9 Inadequate control of the general processing of payment vouchers – Le201, 965,262

Audit Finding

- The relevant documentary evidence such as request, receipt/certification, sensitisation and training reports were not made available to justify the disbursement of funds amounting to **Le104, 407,500**.
- The amount of **Le97, 557,762** was spent by the council without payment vouchers and supporting documents in the form of receipts, invoices, delivery notes etc. to justify the authenticity of those expenditures were not submitted for audit.

16.10 Procurement procedures not followed

Audit Finding

- Annual procurement plan submitted for goods, works and services to the tune of **Le741, 310,000** was not approved by National Public Procurement Authority.
- Final payments were made for contracts totalling **Le151, 800,000** without Work Completion Certificate.
- Structured technical evaluation for procurements undertaken totalling **Le317, 430,000** was not carried out before contracts were awarded to various suppliers.

16.11 Inadequate control of the management and security of furniture and equipment

Audit Finding

[i] Audit observed that the master inventory register was not updated regularly and furniture and equipment acquired amounting to **Le192, 000,000** not recorded.

[ii] Furniture and equipment movement report was not prepared by the council.

16.12 Late submission of financial statement

Audit Finding

Kono District Council failed to meet the deadline of 31st March, 2014 and submitted their financial statements for 2014 on the 7th April, 2015.

16.13 Inadequate control of the management of store items received by Devolved Sectors

Audit Finding

- Invoice and Delivery Notes to justify that items procured were received by devolved stores were not submitted for inspection.
- There was no evidence in the form of goods received note and records being made in the allocated store ledgers to justify the quantity and specification of sanitary tools procured and received amounting to **Le14, 000,000**.
- Assorted store items procured totalling Le71, 720,000 were not taken on ledger charge.

Though Audit Service confirmed that those queries were cleared, the Committee counseled Council to always ensure that:

- *Council puts in place an appropriate risk assessment policy for the identification and management of fraud and fraud related matters;*
- *a disaster recovery/business continuity plan be compiled and put in place;*
- *committees formed for the development of the Council must meet regularly;*
- *information is published on Council's notice board;*
- *the CA should ensure that Council meet the deadline according to the legislation;*
- *the master inventory register must be updated on a regular basis with all assets owned and controlled by the council;*
- *the Devolved Sector heads should maintain all documents [Invoice/Delivery Note] for all items received;*
- *store items should be received with delivery note/store receipt and entered on the store ledger;*
- *Council's Annual Procurement Plan must be approved by the National Public Procurement Authority before procurement is undertaken;*
- *Council should always ensure that certificate of work completion is issued before final payments are made;*

11. CONCLUSION

Mr Speaker, Honourable Members, the re-introduction of decentralisation in 2004 was a key milestone in Sierra Leone democratisation process. The logic of decentralisation implemented through the Local Government System was to create power centres at the local level that would promote good governance and result in the improvement of public service delivery. In the Local Government Act, 2004 for instance, Local Councils are considered the major source of balance of power between the Citizens and the Central Government. However, because Citizens are not effectively demanding for accountability and performance

from their local leaders, those Leaders have been coopted by the central government where major decisions regarding political, legislative and administrative authority are undertaken as transactional arrangements between National and Local Political Leaders. Therefore, Local Councils audit was proposed as a tool that would enhance better understanding of the responsibilities of Local Councils and provides empirical data and information on how the Councils undertake their responsibilities. The underlying theory of change is that by providing Local Councils performance related information to the public, citizens will demand for increased accountability on local political leaders.

Mr Speaker, Honourable Members, this Report has argued that if Sierra Leone is to remain on a positive democratisation and economic growth trajectory, where the citizens reap the dividends of that growth, there is need to activate new power centres that can create new checks and balances in the current state configuration in Sierra Leone. The District Councils, Councilors and other actors in Local Governments provide such potential force as progressive power centres.

In summary, 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. In spite 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 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 in our beloved country Sierra Leone.

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



HON. CHERNOR R.M. BAH
CHAIRMAN- PUBLIC ACCOUNT COMMITTEE [PAC